CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Nanci Klein
Jacky Morales-Ferrand

SUBJECT: COMMERCIAL LINKAGE FEE STAFF RECOMMENDATION

DATE: August 21, 2020

Approved D. DSyL

Date 8/21/2020

RECOMMENDATION

(1) Hold a public hearing regarding the establishment of a Commercial Linkage Fee on new non-residential developments to address the need for affordable housing associated with such new development;

(2) Accept the "Commercial Linkage Fee Nexus Analysis – San Jose, California" dated July 2020 prepared by Keyser Marston Associates, Inc.; and

(3) Take the following actions:

a. Approve an ordinance adding Chapter 5.11 to Title 5 of the San Jose Municipal Code enacting a requirement that new non-residential development pay a commercial linkage fee for the provision of affordable housing.

b. Adopt a resolution establishing the amounts of commercial linkage fees in accordance with Chapter 5.11 of Title 5 of the San Jose Municipal Code.

OUTCOME

The City Council actions approving the proposed ordinance and adopting the proposed resolution will result in the establishment of a Commercial Linkage Fee in San José. A Commercial Linkage Fee is a fee assessed on new commercial development for the purpose of offsetting the need for affordable housing generated by that development. The fee is established in accordance with the requirements of the Mitigation Fee Act (Government Code section 66000 et seq.). The nexus, or link, between the new non-residential development and the need for affordable housing generated by that new development are established by a nexus study and that also establishes the maximum fee amounts per square foot of new non-residential development that could be charged by the City. A Feasibility Study was also performed to inform Council where in the City the fee is viable and at what amounts. and the City's public policy goals.

The proposed fees are expected to generate approximately $14 million in the coming three years of this new fee program. Revenue will be utilized by the Housing Department to finance the development of new affordable housing for moderate-, low-, very low- and extremely low-income residents.

EXECUTIVE SUMMARY

The City of San José stands at a pivotal moment in history, with an opportunity to increase affordable housing through equitable development that meets the needs of underserved residents, reduces disparities among communities and continues to build vibrant and healthy places. Staff's recommendation of a Commercial Linkage Fee balances the tension between the ongoing lack of affordable housing and the current economic uncertainty wrought by the COVID-19 pandemic. A Commercial Linkage Fee fulfills the General Plan goal to facilitate the creation of economically, culturally and demographically diverse and integrated communities.

In responding City Council's (Council Policy Priority #5) direction to study a Commercial Linkage Fee, staff carefully assessed various studies, considerations, and input, and believes that the recommendation appropriately balances the desire to enable non-residential development while generating new funding for much needed affordable housing. In order to establish a Commercial Linkage Fee, a nexus must be established between the development of non-residential and the need for affordable housing resulting from the new development. The Nexus Analysis explored in depth in Attachment A demonstrates that there is a reasonable relationship between the development of new non-residential buildings and increased need for affordable housing.

San José holds a challenging place in the regional market for non-residential development due to its location, size and other factors. Recovery from the Great Recession exposed the relative weakness of San Jose's growth areas to attract non-residential development compared to neighboring cities. The challenge of lower lease rates in San Jose coupled with equal construction costs has been further exacerbated by the COVID-19 pandemic, deeply impacting development. There is high uncertainty about the lasting effects of adaptive measures adopted during the pandemic on future demand for real estate and rent levels. Full recovery from the pandemic may not occur for two to three years, or longer.

While the current economic conditions make establishing a new development impact fee extremely challenging, staff believes that it is important to establish the fee now to ensure that as the economy recovers, projects that have undergone entitlement have the certainty and predictability of knowing that the fee exists and will apply to their development. This approach balances the dual priorities of meeting the need for affordable housing and supporting the City's overall economic growth, meeting multiple General Plan goals and implements the City Council's direction to establish a Commercial Linkage Fee.

Staff recommends that the City Council adopt the Commercial Linkage Fee with the following fee levels, appropriately metered to reflect the current uncertainty surrounding development, and with the intent to restudy the appropriate fee levels at such time that the local economy demonstrates signs of sustained recovery.

Nexus Category	Fee Category	Downtown	Rest of City
Office	Office Development less than 100,000 square feet	$3/SF	
	Office Development greater than or equal to 100,000 square feet	$10/SF	$5/SF
Retail	Retail/Commercial Development less than 100,000 square feet	No Fee ($0)	
	Retail/Commercial Development greater than or equal to 100,000 square feet	$3/SF	
Hotel	Citywide Hotel Uses	$5/SF (approx. $3,300 per room)	
Industrial (combined Research and Development)	Industrial Development less than 100,000 square feet	No Fee ($0)	
	Industrial Development greater than or equal to 100,000 square feet	$3/SF	
Warehouse	Warehouse/Distribution	$5/SF	
Residential Care	Residential Care	$18.70 / SF	

No differentiated fee can be recommended for high-tech office users because the Nexus Study did not show that high-tech users generate a need for affordable housing significantly different than other types of office users.

BACKGROUND

Since 2014, the City Council has actively discussed the concept of establishing a Commercial Linkage Fee in San José. The following section provides background on City Council actions related to the Commercial Linkage Fee over the last six years.

City Council Direction Related to the Commercial Linkage Fee

In November 2014, as part of its action to adopt a Housing Impact Fee, the Council directed staff to "do additional research on a potential non-residential development fee as an additional source of revenue for affordable housing development." Consistent with this direction, the Council added development of a Commercial Linkage Fee to the Council Priority List during the June 23, 2015 Council Priority Setting Session.

At the December 15, 2015 City Council meeting, staff presented options for pursing study of a Commercial Linkage Fee. Staff recommended conducting both a nexus study and a feasibility study, which are described as follows:

1. **Nexus Study:** A nexus study is a requirement for establishing a Commercial Linkage Fee. It establishes the basis for the fee by assessing how new commercial development increases the need for affordable housing and provides evidence of a reasonable relationship between the need for affordable housing and the type of development. The Nexus Study also establishes the maximum fee amount that can be charged by the City.
2. **Feasibility Study:** A feasibility study is an optional companion to a nexus study that assesses the affect a Commercial Linkage Fee might have on the feasibility of new commercial development. It assesses the costs and revenues associated with new development and attempts to determine whether the addition of a fee is viable in various areas of the City.

The City Council voted to postpone engaging a consultant to initiate the nexus and feasibility studies due to a concern regarding the potential impact on future non-residential development.

At the October 17, 2017 Council Priority Setting Session, the Council again decided to leave Commercial Linkage Fee on the priority list and ranked it as priority number 12.

At the June 12, 2018 council meeting, as part of the Housing Crisis Work Plan, staff recommended a phased approach to studying a Commercial Linkage Fee, starting with studying a fee in the Diridon Station Area. The Council declined to approve this recommendation and instead directed staff to pursue a Bay Area-wide job-housing imbalance impact fee.

At the September 11, 2018 City Council meeting, the City Council considered a response to a Santa Clara County Civil Grand Jury report entitled "Affordable Housing Crisis: Density is Our Destiny." Among other findings, the report concluded that "commercial linkage fees can be an important tool to generate critical revenues to support [below market rate] housing" and that "use

of commercial linkage fees is overdue and could be expected to substantially increase [below market rate] units." Concurrent with the Council's consideration of the Grand Jury report, the City Council approved a recommendation to agendize the discussion of a Commercial Linkage Fee for the September 18, 2018 Council meeting. At that meeting the Council did not take action to advance study of the fee.

On December 11, 2018, the City Council directed staff to return with a recommendation on the approach to a Citywide nexus study and feasibility study for a Commercial Linkage fee. The Council also provided the following,

- Explore a separate study for a Downtown Core Commercial (office and R & D) development impact fee, which would address affordable housing and infrastructure needs (i.e. transit and parks).
- Include a Regional Commercial Linkage Fee as a legislative priority of the City, as previously discussed by the City Council.
- Provide a progress report on (a) the formation of the City Council-authorized RHNA subregion, sponsored by the Santa Clara County Cities Association, with specific "next steps" identified for Staff and Council, and (b) formation of a Bay Areawide commercial linkage fee, requiring state legislation, similarly based on relative jobs/housing ratios.
- Provide data regarding ongoing and one-time tax revenues generated from employers in the City of San Jose.
- Explore a funding partnership with the Silicon Valley Community Foundation, which has funded similar studies, consistent with its housing and transit strategic grant priority.

In March of 2019, the City Council directed staff to conduct nexus and feasibility studies for a Commercial Linkage Fee. Additionally, the City Council provided direction to:

- Consider including high tech office, single user office, retail, industrial, hotel, and office as commercial building types in the analysis.
- Conduct sensitivity analysis on the impact of potential shifts in development costs and income on the feasibility of fees for different types of non-residential development.
- Ensure that the City's outreach plan include developers, employers, and other stakeholders.
- Bring back the final study results and policy proposals to Council no later than January 2020, or as soon as possible, for consideration.

Staff selected the consultant, KMA, through a Request for Proposals process, to prepare the Nexus and Feasibility studies. Prior to the COVID-19 pandemic, KMA had prepared draft nexus and feasibility studies for this project. Staff had planned to bring the proposed Commercial Linkage Fee before the Council in April 2020, but the advent of the COVID-19 emergency delayed Council consideration of the matter because it necessitated re-assigning staff to emergency operations and required evaluation of the impacts of the emergency in the studies upon non-residential development.

Unmet Need for Affordable Housing

San José is one of the most expensive cities in the nation to rent or to buy a home. Market rents are significantly out of reach for many San José workers including teachers, construction workers, and retail salespersons. Fewer than 1 in 6 families can afford to buy a median-priced home in San José[8]. Average effective rents fell 2% between 2019 and 2020 and increased 9% over the past five years.[1] In Q2 2020, the effective rent[2] in San José was $2,452 averaged across all bedroom sizes.[3] The table below compares rents and incomes needed to afford deed-restricted, rent-stabilized, and Class A market-rate housing in San José.

Comparison of Rents and Incomes[4]				
Income Level	**1-Bedroom**		**2-Bedroom**	
	Max Income	**Rent**	**Max Income**	**Rent**
Extremely Low-Income (30% AMI)	$37,900	$849	$42,650	$955
Very Low-Income (50% AMI)	$63,200	$1,416	$71,100	$1,592
Rent Stabilized	**N/A**	**$1,744**	**N/A**	**$2,086**
Low-Income (80% AMI)	$89,750	$2,266	$100,950	$2,548
Market-Rate Class A	**N/A**	**$2,613**	**N/A**	**$3,249**
Moderate-Income (110% AMI)	$124,630	$3,115	$140,195	$3,503
Moderate-Income (120% AMI)	$135,900	$3,399	$152,900	$3,822

[1] Costar Q2 2020 – Q2 2019.
[2] Effective rent is defined as asking rent less rent concessions, such as move-in specials, one month free, etc.
[3] Costar Q2 2020.
[4] Income and rent levels based on 2020 California HCD Income Limits, Rent Stabilized data from City of San José Rent Stabilization Program; Market rents from CoStar as of 8/13/20.

In Q2 2020, the average residential vacancy was 7.7% for all housing, 17% for Class A housing, 5.9% for Class B housing, and 5.4% for Class C and 6.2% for Class F housing.[5] The lower vacancy rates for Classes B, C, and F housing indicate the relative scarcity of lower rent apartments in San José.

Building Class	***Vacancy Rate***	***Definition for Building Class (CoStar)***
Class A	***17%***	*In general, a class A building is an extremely desirable investment-grade property with the highest quality construction. It may have been built within the last 5-10 years, but if it is older, it has been renovated to maintain its status and provide it many amenities.*
Class B	***5.9%***	*In general, a class B building offers more utilitarian space without special attractions. It will typically not have the abundant amenities and location that a class A building will have.*
Class C	***5.4%***	*In general, a class C building is a no-frills, older building that offers basic space. The property has below-average maintenance and management, a mixed or low tenant prestige, and inferior elevators and mechanical/electrical systems.*

Home sales prices increased by 39% over the last five years[6] and by 2% in the last year. In Q2 2020, the median home sales price was $1,192,000.[7] Homes are selling faster, with days on the market falling from 25 to 21 days compared to the prior year. Only 16% of for-sale homes are affordable to households earning the median income.[8] In Q2 2020, the 30-year fixed interest rate was 3.16%, which was 20% lower than last year's rate of 3.8%, making homes more affordable for borrowers.[9]

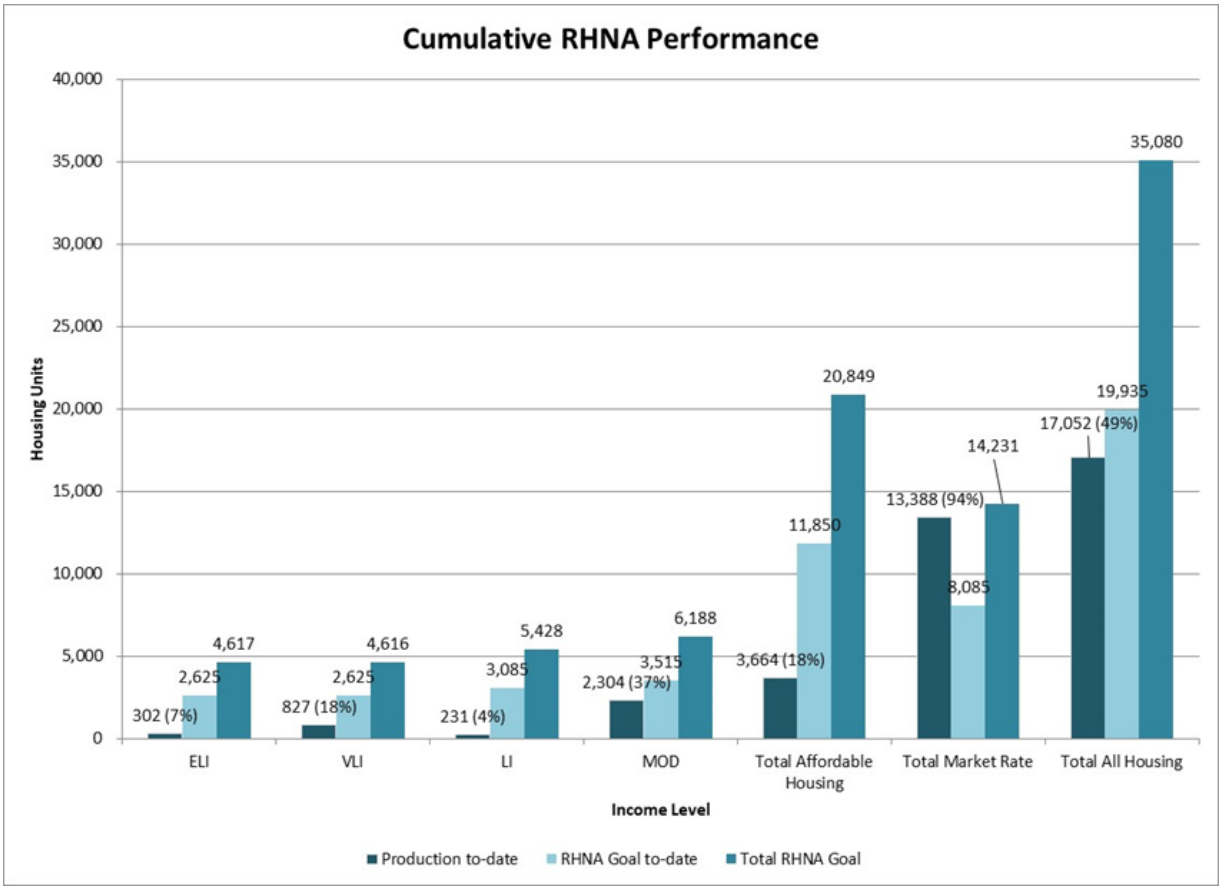
Summary of San José's RHNA Performance (2014-2019)

The table below compares the City's performance to date with the overall goal for the current Regional Housing Needs Allocation (RHNA) cycle (2014 – 2019). During the first six years of the 8.8-year RHNA projection period – approximately 68% of the way through the current RHNA cycle – the City has met 94% of its market-rate housing goal but only 18% of its affordable housing goal. The chart indicates that San José is ahead of schedule in delivering

[5] Housing Vacancy is from Costar Q2 2020; Class is defined by CoStar and is based on building characteristics such as location, size, quality of construction and materials, and amenities.
[6] Santa Clara County Association of Realtors, Q2 2020 – Q2 2019.
[7] Santa Clara County Association of Realtors, June 2020.
[8] National Association of Home Builders (NAHB) Housing Opportunity Index Q2 2020.
[9] Freddie Mac 30-year Fixed Rate Mortgage June 2020.

market-rate housing and is significantly behind schedule in delivering all income levels of affordable housing. This slower pace in building affordable units generally reflects the scarcity of local, State, and federal subsidies to fill the gap, as well as the time and difficulty in assembling land and competitive affordable housing financing layers that are needed to build that many affordable homes.

2014-2022 RHNA Building Permit Performance



The need for affordable housing will increase as future population growth increases demand for goods and services, leading to greater numbers of lower- and moderate-income jobs providing those goods and services. The City does not have sufficient funding to fully address these future affordable housing needs. The demand for affordable housing needs associated with new residential ownership developments are addressed by the City's Inclusionary Housing Ordinance and Affordable Housing Impact Fee. The proposed Commercial Linkage Fee will provide the City with a source of revenue to assist with funding the development of affordable housing associated with new commercial development.

As stated in the 2019 Housing Investment Plan, additional resources and incentives are needed to meet the City's goal of 10,000 new affordable homes. At $125,000 per unit, the City would need over $500 million to fund the balance of 4,300 units.

Funding for Affordable Housing

As a result of the dissolution of redevelopment, sources of funding for the development of new affordable housing have been scarce, The City utilizes repayments made on prior loans made from redevelopment funds as they come in to fund new development. However, the need continues to outstrip the availability of funds. Over the past few years, in recognition of the need for affordable housing Measure A was passed by Santa Clara County and Measure E was passed at the City level, providing additional funding for affordable housing. Revenue from the Commercial Linkage Fee has been part of a strategy developed to create a full range of funding sources for future development of affordable housing.

ANALYSIS

Establishing a Commercial Linkage Fee requires establishing a nexus for the fee and evaluating the appropriate level for the fee. The section below carefully evaluates these factors and provides a recommendation for fee levels.

Nexus Study Results

The Nexus Study quantifies the linkages between new non-residential buildings, the employees who work in them and their demand for affordable housing and calculates the maximum supported fee levels based on the cost of mitigating the increased demand for affordable housing. The maximum commercial linkage fee conclusions of the Nexus Study are summarized in the table below. The table demonstrates a value (on a per square foot basis) for the affordable housing need resulting from the new development of each non-residential use included in the report.

Nexus Study Maximum Fee Conclusions

Building Type	**Maximum Fee Per Square Foot[10]**
Office	$137.70
Office, High-Tech	$151.30
Retail	$176.70
Hotel	$61.60

[10] Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.

Industrial	$131.90
Research and Development	$108.80
Warehouse	$45.90
Residential Care	$44.60

The results of the Nexus Study are heavily driven by the density of employees within buildings in combination with the occupational make-up of the workforce. Retail has both high employment density and a high proportion of lower paying jobs, factors that in combination result in the highest affordable housing impacts and maximum fee level conclusions among the eight building types. The high cost of developing residential units in San José and the greater Bay Area, which is in part a function of the high cost and limited supply of suitable development sites, is also a key driver of high maximum fee levels.

Mitigation Fee Act Consistency

Under the Mitigation Fee Act, local legislation imposing a development impact fee must do all of the following: 1) identify the purpose of the fee, 2) identify the use to which the fee is to be put, 3) determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed, 4) determine how there is reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed, 5) determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed, and 6) ensure that the fee does not include the costs attributable to existing deficiencies in public facilities. The section below summarizes the outcomes of the nexus study in each of these six areas. The full *Commercial Linkage Fee Nexus Analysis San José, California August 2020* can be found in Attachment A.

1. **Identify the purpose of the fee** (66001(a)(1)).[11]
   The purpose of the commercial linkage fee is to fund construction of affordable housing to mitigate the increased demand for affordable housing from workers in newly developed workplace buildings.

2. **Identify the use to which the fee is to be put** (66001(a)(2)).
   Commercial linkage fees are used to increase the supply of housing affordable to qualifying Extremely Low, Very Low, Low- and Moderate-Income households earning from 0% through 120% of median income.

3. **Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed** (66001(a)(3)).

[11] All statutory references are to the California Government Code.

The Nexus Study has demonstrated that there is a reasonable relationship between the use of the fee, which is to increase the supply of affordable housing in San José, and the development of new non-residential buildings which increases the need for affordable housing. Development of new non-residential buildings increases the number of jobs in San José. A share of the new workers in these new jobs will have household incomes that qualify as Extremely Low, Very Low, Low and Moderate Income and result in an increased need for affordable housing.

4. **Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed** (66001(a)(4)).
   The analysis has demonstrated that there is a reasonable relationship between the development of non-residential workspace buildings in San José and the need for additional affordable units. Development of new workspace buildings accommodates additional jobs in San José. Eight different non-residential development types were analyzed (Office, Office High-Tech, Retail, Hotel, Industrial, R&D, Warehouse, and Residential Care). Based on household income levels for the new workers in these new jobs, a significant share of the need is for housing affordable at the Extremely Low, Very Low, Low- and Moderate-Income levels. The Nexus Study concludes that for every 100,000 square feet of new office space, 64.1 incremental affordable units are needed. For Retail, 25.2 for Hotel, 58.7 for Industrial, 53.2 for R&D, 19.2 for Warehouse and 18.8 for Residential Care (Attachment A, page 39).

5. **Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.** (66001(b)).
   There is a reasonable relationship between the amount of the fee and the cost of the needed affordable housing attributable to the new non-residential development. The Nexus Study has quantified the increased need for affordable units in relation to each type of new non-residential use being developed and determined maximum fee levels based on the cost of providing for the affordable housing need generated by non-residential development. Costs reflect the net subsidy required to produce the affordable units based on recent cost information for development of affordable housing in San José. Commercial Linkage fees do not exceed the cost of providing the affordable housing that is attributable to the new development.

6. **A fee shall not include the costs attributable to existing deficiencies in public facilities** (66001(g)).

The Nexus Study quantifies only the net new affordable housing needs generated by new non-residential development in San José. Existing deficiencies with respect to housing conditions in San José are not considered nor in any way included in the analysis.

Implementation of the General Plan Goals and Policies Related to Housing

The City's Envision San José 2040 General Plan recognizes that affordable housing is a critical component to the City's economic and social health. Establishing a Commercial Linkage Fee to finance affordable housing production is consistent with and will implement the General Plan's housing goals and policies for affordable housing (listed in the Policy Alignment section of this memorandum), which include the following:

- Provide housing throughout our City in a range of residential densities, especially at higher densities, and product types, including rental and for-sale housing, to address the needs of an economically, demographically, and culturally diverse population. (Goal H-1)
- Through the development of new housing and the preservation and rehabilitation of existing housing, facilitate the creation of economically, culturally, and demographically diverse and integrated communities. (Policy H-1.1)
- Facilitate the development, preservation, and rehabilitation of housing to meet San José's fair share of the County's and region's housing needs. (Policy H-1.9)
- Develop tools to assess and to identify neighborhoods and planning areas that are experiencing or that may experience gentrification in order to identify where anti-displacement and preservation resources should be directed. (Policy H-1.18)
- Preserve and improve San José's existing affordable housing stock and increase its supply such that 15% or more of the new housing stock developed is affordable to low, very low and extremely low-income households. (Goal H-2)
- Facilitate the production of extremely low, very low, low, and moderate-income housing by maximizing use of appropriate policies and financial resources at the federal, state, and local levels; and various other programs. (Policy H-2.1).

The City's General Plan policies support the development of new housing to create economically, culturally, and demographically diverse and integrated communities (H-1.1). Additionally, the General Plan seeks to facilitate the development, preservation and rehabilitation of housing to meet the City's regional housing needs; as stated earlier in this report, the need for affordable housing remains unmet throughout the City (H-1.9). As specific areas are identified as areas of high potential displacement, the revenue from the Commercial Impact Fee will act as a tool to offset displacement as new non-residential development moves forward (H-1.18). Finally, the Commercial Linkage Fee is a policy action resulting in the creation of resources to facilitate the production of extremely low, very low, low- and moderate-income housing, consistent with the General Plan goals and policies (H-2, H-2.1).

Providing affordable housing for new employees in lower- and moderate-income jobs locally (rather than leaving those employees to obtain housing in lower cost areas far from San Jose employment centers and transit corridors) helps implement General Plan major strategies, goals, and policies aimed at minimizing greenhouse gas emissions and locating housing to reduce vehicle miles traveled and auto dependency. If the increased demand for affordable housing is not addressed within San José it will cause such housing to be built elsewhere, in areas with lower land values that are far from City employment centers and transit corridors, and the resulting commuting will cause increased traffic and transit demands and consequent noise and air pollution, as well as quality of life impacts to those employees forced to commute long distances.

If the increased demand for affordable housing is not addressed within San José it may also impact economic growth in that businesses within the City may find it more difficult to attract and retain the variety of workers that they need. This impact is also addressed in the state policies described below.

Implementation of State Policies Related to Housing
In addition to locally adopted policies, development of affordable housing using Commercial Linkage Fee revenues to increase the supply of affordable housing implements policies of the State of California to: (1) provide sufficient capacity for new affordable housing at all income levels necessary to accommodate the State's future economic growth; and (2) by providing housing for lower- and moderate-income retail and service workers, long commutes from less expensive housing markets can be avoided and thus contribute to implementing the Global Warming Solutions Act of 2006 and the Sustainable Communities and Climate Protection Act of 2008, as amended.

State housing policy requires the City to assist in the development of adequate housing to meet the needs of lower- and moderate-income households. The State requires local governments to adequately plan to meet these housing needs through the development of Housing Elements of the General Plan. As discussed above, there is a significant shortage of housing affordable to low- and moderate-income households, which will only increase as the finite number of residentially zoned lots within the City are purchased and developed for market-rate residential developments. This loss of residential land available for affordable housing is another impact of market rate residential development.

Considerations Related to Development

Balanced Growth Objectives in a Regional Economy:
The Envision 2040 General Plan prioritizes balanced development—adding non-residential as well as residential development—as the city continues to build out. Historically, San Jose has approximately 0.8 jobs per employed resident, and approximately 60% of all employed residents commute out of the City to work every day. Pursuing a jobs/employed resident ratio greater than 1.0 is a key priority in the General Plan (Major Strategy #4 - Innovation/Regional Employment Center) and is intended to achieve two important employment goals. First, under the current

California tax structure, realizing a higher proportion of jobs (and net positive tax-generating uses) should significantly improve the City's fiscal health, now recognized as an imperative (Major Strategy #8 - Fiscally Strong City). Santa Clara County cities with a higher jobs/employed resident ratio have more revenue per resident with which to provide city services. As San Jose's General Plan emphasizes significant housing growth, the city needs significant job and non-residential development to support services for residents. San José continues to bear the fiscal burden of a disproportionate amount of the region's projected housing growth.

General Plan Major Strategy #4 (Innovation/Regional Employment Center) also prioritizes the transformation of San José from a suburban community to a job-based center for the Bay Area with livable neighborhoods. Traditionally, large cities gain prominence and influence in large part because of the role they play within the local, regional, national, and international economies. In recent history, San José is unique among large cities in that has fewer jobs than employed residents.[12]

Competition to Attract Commercial Development:
San Jose holds a unique and disadvantaged place in the regional market for non-residential development due to its size and location. The approximately 180 square miles is home to a diverse set of submarkets each of which is as similar in size, and as diverse from one another, as the other 14 cities in the County. The history of development throughout Silicon Valley and the wider Bay Area has kept San Jose real estate submarkets at a relative disadvantage to comparable markets. San Jose's Class A office market has been traditionally seen as less attractive due to its relative distance from the traditional innovation hubs in the region, which are centered around Stanford University. The suburban nature of the city has resulted in retail clusters that are anchored by either suburban strip centers or major regional malls. The City's industrial cores have struggled to compete against cheaper and larger sites in the East Bay as the economy has become more regional in nature. As a result, San Jose has not attracted the levels of commercial and industrial development seen in surrounding cities—even during the recent, long economic expansion period.

For instance, from 2008 through 2020, Sunnyvale added roughly 11.3 million square feet of office/R&D space, according to the CoStar real estate information service. Santa Clara added 7.2 million square feet. Mountain View added 2.9 million. San Jose, with a population 7-13 times larger, saw construction of about 4.7 million square feet over the same time period.

While developers have entitled significant office projects in recent years in the City, particularly in North San Jose, many of these projects have not broken ground because market rents have not reached the necessary threshold to trigger construction. Instead, much office investment has been channeled into renovations of existing, vacant inventory into high-quality product capable of attracting tech tenants at lower rents.

[12] Based on 2000 Census data, of the 29 U.S. cities with a resident population of 500,000 or more, San José ranks last in J/ER ratio and is the only one with fewer jobs than employed residents.

To understand the context of construction activity through the last economic cycle, staff analyzed building permit information for office, retail, industrial, warehouse and hotel development over the past 15 years. Based on this analysis, clear patterns emerge regarding the nature and size of development. In particular, distinctions in the type of development occurring above and below approximately 100,000 square feet were apparent. For example, in the office category, projects over 100,000 square feet include major speculative and build-to-suit campuses for driving industries including @First, the Adobe North Tower, America Center, Coleman Highline, HGST, River Park II, and Santana West. Under 100,000 square feet projects vary in size and scope but mainly include redevelopment of smaller sites with existing buildings in place and include a broader variety uses such as medical and professional office. These smaller developments were more likely to be multi-tenant and offer a range of spaces to accommodate smaller businesses.

A similar distinction is apparent for retail development with regionally focused, large-format retailers (including users such as Costco, Lowes, Target, Home Depot, and Bass Pro) driving development over 100,000 square feet. Under 100,000 square feet, projects include a broad range of retailers including grocery stores, car dealerships, fitness uses, banks, and neighborhood-serving retail and restaurant users.

Outside of warehouse/distribution (including ministorage) uses, large-format industrial development has been scarce in the City over the past 15 years. The limited examples include the Midpoint development in Alviso and the Super Micro manufacturing facilities east of Interstate 880. New construction under 100,000 square feet has also been limited during this period but does include some specialist uses such as labs and recycling facilities.

City of San Jose "New Construction" Projects 2005-2020 (Present)

Size	Amount	Total sq. ft	Highest	Lowest	Average	Median	15 Yr. Average
OFFICE							
>100,000	34	7,682,844	735,938	101,171	225,966	195,430	*512,190*
5000 - 100,000	36	839,517	87,578	5,113	23,320	13,890	*55,968*
<5,000	28	57,970	4,528	111	2,070	1,818	*3,865*
Total	***98***	***8,580,331***	***735,938***	***111***	***87,554***	***16,530***	***572,022***
RETAIL							
>100,000	16	2,585,845	504,550	102,039	161,615	141,270	*172,390*
5000 - 100,000	243	3,720,919	85,359	5,000	15,312	9,254	*248,061*
<5,000	155	432,422	4,986	100	2,790	2,816	*28,828*
Total	***414***	***6,739,186***	***504,550***	***100***	***16,278***	***6,367***	***449,279***
INDUSTRIAL							
>100,000	5	935,031	232,960	162,240	187,006	168,011	*62,335*
5000 - 100,000	8	200,153	82,100	8,795	25,019	15,018	*13,344*
<5,000	5	7,434	2,480	188	1,487	1,894	*496*
Total	***18***	***1,142,618***	***232,960***	***188***	***63,479***	***15,018***	***76,175***

WAREHOUSE							
>100,000	11	1,519,347	213,827	100,458	138,122	136,932	*101,290*
5000 - 100,000	22	689,797	95,838	6,000	31,354	24,724	*45,986*
<5,000	15	38,083	4,420	500	2,539	3,000	*2,539*
Total	***48***	***2,247,227***	***213,827***	***500***	***46,817***	***18,776***	***149,815***
HOTEL							
>100,000	6	840,662	196,393	102,773	140,110	133,829	*56,044*
5000 - 100,000	11	861,662	98,905	38,861	78,333	88,363	*57,444*
<5,000	-	-	-	-	-	-	*0*

Source: Analysis of Dept. Planning, Building, Code Enforcement Permit Data

Impact of Coronavirus Pandemic:
The novel coronavirus pandemic, that began in earnest in March 2020, has had a deep impact on commercial real estate development. The KMA Feasibility Study notes that some real estate professionals have speculated that the pandemic might have long-lasting effects on the office market if adaptive measures, such as work-from-home arrangements, become standard practice that endure to some degree beyond the pandemic. Based on outreach completed be KMA, staff's public outreach to the development community, individual comments received, and other direct outreach completed, staff believes that there are two primary challenges related to adopting the Commercial Linkage Fee during the current pandemic.

First, the uncertain economic environment and recession have resulted in limiting commercial real estate financing and investment. The KMA report notes, "developers say that lenders have tightened underwriting criteria, making new speculative office development unlikely in the near term." It is unlikely that financial markets will be eager to return to pre-pandemic investment levels until relative rents for new development across all product types can be reasonably assured. Currently, San Jose office rents remain 10-45% lower than the rest of the Silicon Valley market, based on data published by Cushman and Wakefield in their second Quarter 2020 Silicon Valley Office Report.

Second, the long-lasting impacts on commercial real estate markets will not be fully understood until the public health crisis has met a significant milestone and restrictions on the use of workplaces are lifted. Adaptive measures implemented in order to keep businesses functioning during the pandemic may result in ongoing behavioral changes and use of commercial space. These include measures such as work-from-home arrangements for office workers, shifts in consumer spending to online retailers and services, and transitions to drive-through and pick-up-only business models by retailers and restaurant businesses. Smaller businesses in particular have been hit hard by the pandemic, a recent National Bureau of Economic Research study[13] found that 43 percent of small businesses are temporarily closed, which will result further in disruption

[13] How are small businesses adjusting to covid-19? Early evidence from a survey, National Bureau of Economic Research, 2020 (https://www.nber.org/papers/w26989.pdf)

for property owners, developers, and real estate markets as the full extent of permanent closures are understood.

The transition to a post-pandemic economy without restrictions on use and occupancy of buildings is critical to fully understanding future patterns of real estate investing. The Feasibility Study notes that based on a national economic forecast prepared by Deloitte in June 2020, economic conditions are expected to improve in the second half of the year, but a full recovery might not occur for an additional 2 to 3 years, conditioned on controlling the virus and the timely development of an effective vaccine.

Explanation of Staff Recommendation

Staff recommends that Council adopt a Commercial Linkage Fee with anticipation of re-evaluation in 2-3 years. Staff recommends fee levels significantly lower than the Nexus Study and the Feasibility Study in order not to impede the local economic recovery, while still generating much needed revenues to support the construction of affordable housing.

Despite the disruption of the pandemic and the uncertainty it has created, which suggest proceeding with caution, there is also an argument that adopting a minimal basic fee now is appropriate from a timing perspective. The market has been so disrupted by the virus that the possibility of a new fee causing market disruption would appear to be minimal. Speculative projects are generally not able to be financed and built in this environment, with or without a fee, and are waiting on the sidelines and positioning themselves for when the "new normal" is clearer. Most projects will need to re-evaluate their economics once conditions stabilize. Rents, construction costs and land prices are all likely to undergo a reset. Adopting a fee now, at a lower level, allows that fee to be taken into consideration as a part of the "new normal" that emerges once the pandemic subsides and will capture new non-residential entitlements that are currently being processed but will construct much later following economic recovery.

Since October 2019, to ensure that project proponents were aware of the potential fee, the City has been including information regarding the potential for a future Commercial Linkage Fee in development permit conditions

Recommended fee levels:
Based on the Nexus and Feasibility reports prepared by KMA, and on analysis of the City's public policy goals and historical development patterns, staff recommends the City Council adopt the Commercial Linkage Fee at the following levels:

Nexus Category	Fee Category	Downtown	Rest of City
Office	Office Development less than 100,000 square feet	$3/SF	
	Office Development greater than or equal to 100,000 square feet	$10/SF	$5/SF
Retail	Retail/Commercial Development less than 100,000 square feet	No Fee ($0)	
	Retail/Commercial Development greater than or equal to 100,000 square feet	$3/SF	
Hotel	Citywide Hotel Uses	$5/SF (approx. $3,300 per room)	
Industrial (combined Research and Development)	Industrial Development less than 100,000 square feet	No Fee ($0)	
	Industrial Development greater than or equal to 100,000 square feet	$3/SF	
Warehouse	Warehouse/Distribution	$5/SF	
Residential Care	Residential Care	$18.70 / SF	

The recommended fee levels in the Feasibility Study were approximately 3% of the development cost for each use category that was established in the Nexus Analysis. The staff recommended fee levels average approximately 1% across the use categories, a reduction to account for the considerable uncertainty about future rent rates due to COVID.

A. *Office Development:* Per the Nexus Study (Section 2.1 pp. 4), the office category encompasses the full range of office uses in San José from high-tech firms to the financial and professional services sectors to medical and dental offices. As the City transitions to a denser, more urban environment, office development has become the primary driver for net new employment throughout the City. A large share of the City's current job growth capacity included in the General Plan is planned on mid-rise and high-rise office lands. In many of the City's growth areas, office development is the only primary use that can meet the employment and physical density expectation of the General Plan. The General Plan aims to add 382,000 new jobs (Major Strategy #4 - Innovation/Regional Employment Center) without significantly increasing the amount of employment lands available and focused within existing growth areas by redeveloping infill sites. This transition has coincided with industry changes that have transformed San Jose's cornerstone industries (semiconductor, biotech, defense, networking and communications) that occurred in laboratory and

manufacturing environments, into a new form of research and development that occurs at a desk in front of a computer (online information and service industries).

While geographically diverse, the impact of the global pandemic on office development throughout the City has made development considerably more challenging. As a means of balancing the need to support the recovery of the local economy and the housing affordability crisis, staff is proposing instituting the commercial linkage fee at this time, but at a level that will not halt office development, until such time that the full impact of the pandemic on the local real estate market can be understood.

1. *Office Development greater than or equal to 100,000 square feet:* While pockets of potential development activity remain throughout the City's employment areas outside of Downtown, the uncertainty generated by the pandemic has made these areas significantly less likely to developed based on the availability of potential tenants looking to expand, and the achievable rents versus anticipated construction costs. The implementation of General Plan Major Strategy #4 (Innovation/Regional Employment Center) requires that San Jose attract large employers in driving industries that can improve the city's economy and attract jobs to redress the jobs/housing imbalance. Goal # 1 of the Economic Strategy (encourage emerging growth companies and sectors that can drive the San Jose/Silicon Valley economy and generate revenue for City services and infrastructure) and Goal IE-2.2 of the General Plan (Attract and sustain a growing concentration of companies to serve as the economic engine for San José and the region, particularly in driving industries such as information and communication technologies, clean technology, bioscience, and other sectors based on creativity and innovation) are critical to this General Plan Major Strategy and support the attraction and development of office development consistent with the General Plans land use designations. The General Plan also calls for the intensification of employment activities on sites in close proximity to transit facilities and other existing infrastructure, in particular within the Downtown, North San José, the Berryessa International Business Park and Edenvale (GP Goal IE-1.5). These growth areas will rely on major redevelopment of large sites to generate the levels of employment planned for**. Staff recommends that the Citywide Commercial Linkage Fee for Office Development greater than or equal to 100,000 square feet be set at $5 per square foot, because the City's employment growth areas represent more than 55% of the total job's capacity included in the General Plan**.

    i. *Berryessa BART Urban Village:* Through the public outreach process, staff has received feedback that the Berryessa BART Urban Village should be considered separately when establishing appropriate fee levels due to its increased transit accessibility with the opening of the BART station. While staff acknowledges that this has the potential to provide a significant benefit to the real estate economics of the immediate area in the future, staff has not recommended splitting out this area from the citywide fee at this time because the area still represents an untested real estate

market with no major office users investing in dense, multi-story office development east of Interstate 880. Until the area has begun to establish itself as a distinct and recognizable destination for employers it is unlikely to attract the significantly higher rent levels that stakeholders have suggested should be a basis for a higher fee. In addition, the BART Berryessa Station is the end of the BART line connection to the East Bay and eventually San Francisco. For employers to get significant benefit from locating new offices at this transit location, a very high proportion of their workforce would need to be travelling south along the Interstate 880 corridor. However, when the BART line connects further south and west through the planned BART extension to Downtown and Diridon Station, the commute patterns of prospective tenants will be more suited to new, dense office development that supports transit-based employees.

ii. *West San Jose*: The collection of Urban Villages at the western edge of the City benefits from their proximity to Apple's new headquarters in Cupertino, and the continued investment in Westfield Valley Fair and Santana Row which stand as major amenity draws for employers. These factors have resulted in the attraction of new corporate tenants (Splunk) and plans for new office development (Santana West). Phase 1 of the Santana West project is one of three major office projects (Santana West, 200 Park, and Platform 16) that had begun significant site work prior to pandemic and is one of two of those that have pulled building permits since March. It is also the only one of the three projects located in the West San Jose area. The circumstances of each project vary significantly but each had committed significant amount of investment and secured funding prior to the pandemic. The Santana West is also unique in its location directly adjacent to Santana Row. It is staff's understanding that two other projects with significant office components in the West San Jose area are not moving forward at this time. This uncertainty is representative of the area being significantly underdeveloped as a growth area for the office market and any economic recovery in this area will need to demonstrate rents considerably higher than the area average prior to anticipated or speculative development moving forward.

iii. *North San Jose* is the City's primary job's center, with approximately 100,000 jobs currently concentrated in the area. It also represents a key growth area in the General Plan (Land Use and Employment Goal IE-1.5), which targets 25% of the new employment capacity for this sub-area. Developing industry in North San Jose has been a central project of the City's economic development efforts since the 1970s. With its central South Bay position, easy freeway access and light rail, North San Jose is theoretically well suited to capture substantial investment and regional job growth. In practice, however, North San Jose has struggled to achieve much office investment since the Great Recession, producing only 2.8 million square feet of office compared to 7.1 million square feet in Sunnyvale's Moffett Park and 5 million square feet along

Santa Clara's Great America/Scott Boulevard corridor[14]. The desirability of North San Jose has simply not been high enough to attract significant speculative office development. Additionally, the existing North San Jose traffic impact fee adds significant costs to new development in the area. As a result, most investment in North San Jose since the Great Recession has been the repositioning of traditional industrial facilities into projects designed to attract office tenants. For example, within the North San Jose Area Development Policy area, approximately 5 million square feet of existing R&D/Industrial buildings has been renovated and repositioned for more office-like uses, while at the same time approximately 3 million square feet of new development has been constructed. To meet the ambitious employment goals of the General Plan (Major Strategy #4 - Innovation/Regional Employment Center), additional office development and appropriate tenants will need to be attracted to North San Jose, as well as other employment growth including the Berryessa International Business Park and Edenvale.

Staff is not recommending differentiating the Commercial Linkage Fee geographically beyond the inclusion of a Downtown rate because imposing a higher fee in these other employment growth areas will likely continue the current trend of adaptive reuse of existing buildings rather than attracting the new investment and development required to implement the General Plans Major Strategy #4 (Innovation/Regional Employment Center).

2. *Office Development less than 100,000 square feet:* Much of San Jose is built out at this time. As new development occurs throughout the City, there is a marked difference between the expansion or replacement of existing buildings with similar sized or modestly increased ones, and major redevelopment opportunities that consolidate sites and parcels to significantly intensify development. Staff's assessment of citywide office development that has occurred over the past 15 years highlighted 94 new construction projects that represented approximately 8.5 million square feet of development. 60 of these projects, representing a little under 1 million square feet of the total, were between 5,000 and 88,000 square feet. The remaining 34 projects represent approximately 7.5 million square feet of development, averaging roughly 225,000 square feet per project, ranging from 102,000 square feet up to 735,000 square feet. Projects included in this second set include Coleman Highline, @First, River Park II, Santana West, Adobe, America Center, and HGST/Western Digital. Within the smaller project category, these types of projects tend to involve either relatively minor intensification (where an existing building is being replaced and modestly expanded), or where a site occupied by another employment use is being replaced by a small two-story or mid-rise standalone office building, the majority of which are supporting individual or multi-tenant in nature leases to small businesses.

[14] Source, Costar

Supporting these smaller types of office spaces furthers the City's Economic Strategy Goal #1, to encourage emerging growth companies and sectors that can drive the San Jose/Silicon Valley economy and generate revenue for City services and infrastructure, and Goal #4, nurture the success of local small businesses. The development of appropriately sized spaces that support a broader range of office type uses (many of which are not driving industry businesses) is also supported by General Plan Goals IE-1.2 (plan for the retention and expansion of a strategic mix of employment activities at appropriate locations throughout the City to support a balanced economic base, including industrial suppliers and services, commercial/retail support services, clean technologies, life sciences, as well as high technology manufacturers and other related industries), IE-2.3 (ensure support for a creative economy by facilitating access to resources and services for creative industries and entrepreneurs) and IE-2.4 (support the development of the health care industry and related businesses, including those providing services to San José's aging population, in part by promoting the Health Care Goals, Policies, and Actions).There is currently little market for office development outside of the primary employment centers. Other major employment growth areas such as Edenvale and the Monterey Corridor have become centers for other uses, primarily industrial, and until office demand in the areas discussed above increases and begins to spill over into adjacent uses, staff's outreach to the development community indicates that it is unlikely that major office development will take place. Based on the limited office development activity that has occurred outside of the General Plans major growth areas, the types of buildings that may emerge will likely be limited to smaller, specific use buildings such as medical offices or other specialized centers. The same is true for office development in Urban Villages. The General Plan goal is to distribute employment uses into Urban Villages, but none of these markets have yet emerged as significant. **Due to the need to provide broad range of office product types to support different types and sizes of businesses throughout the City in accordance with the General Plan, and in the context of a transitions in non-major employment centers, staff recommends that the Citywide Commercial Linkage Fee for Office Uses less than 100,000 square feet be set at $3 per square foot.**

3. *Downtown Office:* Proximity to Diridon's regional transit hub, and proximity to large regional employers, have driven much of the real estate investment interest in Downtown San Jose. As the area continues to emerge as a strong potential market, it will likely lead any recovery of office development in a post pandemic economy. Downtown San José has emerged as a focus of investor interest in office development with several new office projects positioning to potentially break ground in the next 12-24 months. The anticipated extension of BART into the downtown, the proposed Downtown West project, the area's status as an Opportunity Zone, and a scarcity of large contiguous blocks of office space are also contributing to driving the interest in Downtown. The General Plan's Major

Strategy #9 (Destination Downtown) designates the Downtown as a unique and important employment center, and states that focusing growth within the Downtown will support the Plan's economic, fiscal, environmental, and urban design/ placemaking goals. In addition, the Plan's Land Use and Employment Goal IE-1.5 promotes the intensification of employment activities on sites in close proximity to transit facilities and other existing infrastructure, in particular within the Downtown and other growth areas.

To the extent that Downtown leads San Jose's post-pandemic economic recovery, new commercial development will transform the relatively compact growth area into a significantly denser urban environment. The General Plan assumes development capacity for 100,000 jobs within the 4,382-acre North San Jose growth area. By comparison, it assumes over 58,000 jobs within the 943-acre Downtown growth area. Where North San Jose is an existing employment center with approximately 42 million square feet of Office/R&D building stock and a vast array of businesses already located there, Downtown's relatively modest 8.8 million square feet of Office/R&D space will need to grow at a rate almost three times that of North San Jose. The transformation will be significant. **Staff is recommending a separate Commercial Linkage Fee for Downtown Office Uses greater than or equal to 100,000 square feet of $10 per square foot because of the transformative nature of the potential office market and its ability to attract new businesses into the City, and the relative impact this will have versus other established employment centers**.

B. *Retail/commercial:* Retail and commercial real estate is a major contributor to the local economy. Sales tax is a major driver of revenue for the General Fund. In the City's 2019-2020 Adopted Budget, sales tax represented the second-largest source of General Fund revenue after property tax. Sales tax was estimated to generate $258.3 million, or 17%, of the City's $1.5 billion General Fund revenue, compared to $354 million in property tax, which represents roughly 24%. In addition, local retail provides residents with a better quality of life through access to convenient goods and services, contributes to a sense of place by bringing people together, and activates social spaces and serves as a kind of entertainment. Retail creates jobs and is often a workforce entry point for residents with less educational attainment. Payroll data from the state's Employment Development Department showed the sector is responsible for 11 percent of the city's job base, about 46,000 of 420,600 jobs within San Jose[15]. Retail is also an industry experiencing a tremendous amount of consolidation, disruption and bankruptcies for the reasons explained below. Any additional fees could further dim development prospects for new retail.

Retail has been undergoing a major transition over the past ten years with the rise of online shopping. With the onset of COVID-19 this transition has continued to accelerate with a significant amount of pressure being placed on retailers of all sizes by the local shelter-in-place public health orders and restrictions imposed at the State level. As the City transforms

[15] Data from the State of California Employment Development Department, San Jose-Sunnyvale, Santa Clara MSA, 2020

and integrates more mixed-use development, older building stock which has traditionally been well suited to smaller, independent businesses is being replaced with newly constructed ground floor retail spaces housed within larger residential developments. As noted in the City Retail Strategy Report, developed by Strategic Economics and Greensfelder Real Estate Strategy for the City and dated October 26, 2018[16],

> *In cases where ground floor commercial space is required as a condition for obtaining development approvals, developers often design this space to meet the minimum permitting specifications, but in this process, create suboptimal spaces for actual retail operations.*

Staff's experience in supporting both residential developers and potential retail tenants identify suitable commercial spaces within the City has highlighted this challenge with lease spaces located within new mixed-use development that require significant investment to complete the build out of the retail commercial space. The high cost of occupying such spaces is often unattainable for local small businesses. The result has been both localized and wider spread small business displacement as new housing development has occurred through the City. The imposition of further cost burdens on retail commercial spaces, which will be translated into higher rents to tenants, will further contribute to small business displacement. Outside of the retail spaces included in mixed-use developments, the market for stand-alone retail spaces remains weak throughout the City. As also noted in the Retail Strategy Study, most of San Jose's neighborhoods are adequately served by existing retail facilities to meet daily needs and commodity shopping needs. For example, the City is unlikely to add more than one new grocery-anchored shopping center in the next three to five years.

Neighborhood retail centers are more likely to see renovation of existing spaces and investment in customer amenities as a means of attracting new tenants, rather than new construction of space. Shoppers are increasing drawn to high quality retail environments. These include regional malls, lifestyle centers, and Main Street shopping districts. The way retail is integrated into denser and mixed-use environments is now becoming a key factor in an individual project's success, particularly in a city like San Jose where such projects will compete with nearby legacy, suburban, auto-oriented retail environments which offer greater convenience attributes.

This trend is also being noted in major shopping centers throughout the City, which traditionally have been predominately tenanted by retail stores with limited entertainment anchors (such as movie theaters and food courts), and are now adding more entertainment activities, like bowling alleys, spas, grocery stores, as well as restaurants and brew pubs as well as offering new uses, including housing and office space. Shopping centers are capitalizing on the increased demand for experiences as a way to distinguish themselves from online retailers and therefore are re-orienting themselves to include diverse and experiential uses (e.g. entertainment anchors, locally made products, hosting of special events, etc.).

[16] https://sanjose.legistar.com/View.ashx?M=F&ID=7059851&GUID=55F7BEEF-0982-461F-824A-63D0BA56B449

Retail projects that are unable to differentiate themselves for the consumer will fare far worse than those that can.

1. *Retail/Commercial Development less than 100,000 square feet:* The General Plan includes numerous goals and polies that call for the retention, expansion, and attraction of retail commercial uses throughout the City (Goals IE1.2 and IE-1.3) to support a balanced economy that provides support services and amenities to throughout mixed-employment centers. In addition, the General Plan calls for the development of complete neighborhoods throughout the city by providing retail services and amenities within ½ mile walking distance of residential neighborhoods (Goals VN-1.1 and VN-1.3). **Due to the need to provide retail and commercial services throughout the City in accordance with the General Plan, and in the context of a challenging transition within the retail sector, staff recommends that the Citywide Commercial Linkage Fee for Retail/Commercial Development less than 100,000 square feet has no fee at this time and be set at $0 per square foot**.

2. *Retail/Commercial Development greater than or equal to 100,000 square feet:* Title 20 of the Municipal Code defines "Large format commercial establishments" as a retail or wholesale commercial establishment consisting of a single occupant greater than one hundred thousand (100,000) square feet, which may include the sale of alcohol (SJMC 20.200.605). Staff believes it is possible that a small number of larger retail users, or big box spaces, may still be supported throughout the City on a case-by case basis in the next several years. These developments have historically been built as 130,000 SF to 160,000 SF spaces for a major retail tenant. The General Plan supports the development of these uses in order to serve the resident and visitor consumer population fully, increase sales tax revenue, and attract shoppers from throughout the region (Goals FS-4.4, LU-4.2, and LU-8.2). While the transition of smaller commercial centers, as noted above, will predominantly occur within the existing development footprint of the City, the addition of large format commercial uses will require an adequate number of suitable sites with good access to freeways and major arterials or near multimodal transit stations. This will create added competition for commercial sites with appropriate General Plan designations and increase pressure on smaller retailers who must compete. **Staff recommends that the Commercial Linkage Fee for Retail/Commercial Development greater than or equal to 100,000 square feet be set at $3 per square foot City-wide, because the addition of a new major retailers will draw a much broader, regional consumer population, including customers from surrounding cities, and therefore have a more pronounced impact on surrounding commercial uses and development.**

C. *Citywide Hotel Uses:* General Plan goal IE-1.3 focusses on the intensification of commercial, areas throughout the City to create complete, mixed-employment areas that include business support uses, public and private amenities, child care, restaurants and retail goods and

services that serve employees of these businesses and nearby businesses. Hotels represent an important part of this commercial mix as well as a key contributor to the local economy, drawing both business and recreational visitors to the City which has both direct and indirect economic benefits including the levy of the transient occupancy tax upon hotel guests. Hotels also contribute to San Jose's vibrant, mixed-use environments and support the city's sports, arts and entertainment offerings which is consistent with goals #11 and #12 of the Economic Strategy.

San Jose experienced significant growth in hotel development through the last economic cycle, including extensive entitlements and construction activity throughout North San Jose. The attraction of major conventions to Downtown San Jose by large corporate users, major sporting events driven by nearby venues, and the addition of new flights to and from national and international destinations via Norman Y. Mineta San Jose International Airport have supported this growth. However, the economics supporting new hotel development had slowed through 2019 according to KMAs Hotel Market Trends analysis contained in the Feasibility Study. In addition, the impact of the current global pandemic has been pronounced on the hotel industry with an almost 51% decline in jobs between May 2019 and May 2020 across the Metropolitan Statistical Area[17]. This decline has been driven by State and County public health restrictions on gatherings and events which have resulted in the temporary closure of major facilities such as the McEnery Convention Center and the SAP Center, and a significant decline in passengers travelling through the airport. Due to the uncertainty surrounding the duration of the pandemic and the ability of these facilities to drive hotel occupancies, the market for new hotel development in San Jose is likely to be significantly impacted.

The recommended fee level reflects these near-term economic challenges and is intended to recognize that little to no development is likely to occur in the next 24 to 36 months. The rate is also intended to reflect an appropriate fee based on the current market capacity and comparable fee levels in adjacent communities ($8 in Milpitas, $3.02 in Mountain View, $5 in Santa Clara, $12.30 in Cupertino, and $8.25 in Sunnyvale). Staff is recommending a single hotel fee to cover the entire city set at $5 per square foot, or approximately $3,300 per room. **Staff recommends that the Commercial Linkage Fee for Citywide Hotel Uses be set at $5 per square foot (approximately $3,300 per room), because the City has attracted significant hotel development in recent years that will provide near term room capacity, and also major facilities (McEnery Convention Center, Norman Y. Mineta San Jose International Airport, SAP Center) and employers that will continue to attract hotel development in support of the General Plan's goals as the local economy begins to return to a post-pandemic condition.**

[17] Data from the State of California Employment Development Department, San Jose-Sunnyvale, Santa Clara MSA, June 19, 2020 (Data Not Seasonally Adjusted).

D. *Industrial/Research and Development:* In a recent report commissioned by the Office of Economic Development, Manufacture: San Jose, a local non-profit initiative in partnership with BAE Urban Economics stated:

> *The local manufacturing sector not only directly contributes to the number of quality jobs locally but also has the largest economic multiplier of any sector in the U.S. economy, supporting 2.5 jobs for everyone in manufacturing.*
>
> *Beyond its compelling economic impact, manufacturing is an especially critical sector for its "equity impact": more than any other sector available to those without experience or significant educational attainment, manufacturing offers the potential for diverse residents to build livelihoods through living wage employment and entrepreneurship.*

The report's findings are in line with a variety of General Plan goals and policies that support and protect industrial lands and the respective employers that inhabit them (Goals IE-1.1, FS-2.3, FS-4.2, FS-4.3, and FS-4.5). Industrial uses are an important backbone of the local economy but vary significantly throughout the City's employment lands. For the purpose of setting the fee, industrial uses include all uses defined under the headings Industrial, Research and Development, and Warehouse in Table 18, Appendix C of the Nexus Study "Identification of City Use Classifications by Nexus Study Building Type" with the exception of warehouse, distribution, and fulfillment facilities (discussion on the separate categorization of these uses is included below). Due to the nature of industrial related real estate and the types operations occurring within them, staff is not recommending a different fee level between Research and Development, and Industrial Uses. Based on analysis completed by the Office of Economic Development with relation to the definition of industrial uses for the purpose of collecting the City's Commercial-Residential-Mobilehome Park Building Tax (SJMC 4.47), and Building and Structures Construction Tax (SJMC 4.46)18 the City regularly uses two separate definitions of Research and Development uses:

- SJMC 20.200.1000 Research and development: A "research and development" facility is an establishment or facility engaged in industrial or scientific research, product design, development and testing, and limited manufacturing necessary for the production of prototypes. (Ord. 26248.)

- SJMC 20.200.818 Office, research and development: "Office, research and development" is an establishment engaged in industrial or scientific research and product design that involves the use of computers and other related office equipment in an office setting. The facility may also include administrative services related to product design or sales, but does not include laboratories, manufacturing or assembly. (Ord. 28460.)

[18] City of San Jose Community and Economic Development Committee Memorandum on Construction Taxes, January 13, 2017 (http://sanjose.granicus.com/MetaViewer.php?meta_id=611610)

The inclusion of both definitions highlights the changing nature of uses in the City's commercial and industrial buildings over time, and the ambiguity and challenges in interpreting them. When enacted, the research and development definition was clearly delineated from office uses as it occurred in a clean room/laboratory type environment and utilized significant capital equipment, and that it occupied most of the space in the building. Today R&D is more likely to require the use of computers in an open office environment, may have some specialized equipment or conditioned space, and may be integrated with sales and administration teams in a single space. The inclusion of "office, research and development" as a definition in the municipal code was intended to address some of this ambiguity relative to the nature of these uses which generally occupies space in major growth areas including Downtown, North San Jose, and West San Jose. Uses consistent with this definition should be considered as part of the Office category for the purpose of the Commercial Linkage Fee. As it relates to the consideration of traditional research and development in the context of the Commercial Linkage Fee, the types and location of buildings suitable for these uses are largely indistinguishable from advanced manufacturing facilities and should therefore be considered industrial in nature.

1. *Industrial Development less than 100,000 square feet:* As the City's industrial lands and capacity have continued to be encroached upon over the past 20 years by residential conversions and the push for intensified land uses that primarily support office development, the availability of middle skilled/income opportunities have declined. As such the City has prioritized the preservation of industrial lands within the General Plan (Goal IE-1.1) and has actively prioritized the development of sectors such as construction and manufacturing in its economic development activities (Economic Strategy Goal #3 Preserve and strengthen manufacturing-related activity and jobs). The City has experienced some limited success in retaining and attracting these types of users, but this activity has primarily been limited to the use, renovation, and or expansion of existing buildings within existing industrial areas. The average industrial lease in San Jose since 2015 is roughly 18,500 square feet[19].

   Based on analysis of historic permitting activity for industrial facilities, development of up to approximately 80,000 square feet is typically resulting from the relocation of existing businesses and the renovation or expansion of existing facilities and serves the existing industrial base in San Jose or adjacent cities.
   Staff recommends that the Commercial Linkage Fee for Industrial Development less than 100,000 square feet have no fee at this time and be set at $0 per square foot, because a fee charged to smaller industrial development would disincentivize investment in and renovation or expansion of the city's existing industrial building stock and continue to pressure users (and their employees) to relocate out of San Jose.

[19] Source: Costar

2. *Industrial Development greater than or equal to 100,000 square feet:* A handful of sites remain that could support the construction of a larger industrial campus in order to accommodate a major user (most likely a manufacturer making significant investment in new facilities). As noted above, historical development patterns show that these types of developments will include larger buildings (greater than 100,000 SF in size).

   Development of this type is rare but two notable exceptions have occurred over the past 15 years (Midpoint @237, Super Micro) and the City's Office of Economic Development has prioritized work with large scale manufacturers to preserve and increase their presence in the local economy. Significant development of this size will most likely occur from green field development in the small amount of lands that remain in the City with an appropriate General Plan designation, of from the redevelopment of existing industrial sites with less functional and smaller building footprints. In either scenario, the creation of new, larger facilities will have a larger impact on the industrial employment base in the City, than the redevelopment or expansion of smaller buildings that commonly serve as relocation opportunities for companies that already exist in the region. **Staff recommends that the Commercial Linkage Fee for Industrial Development of greater than or equal to 100,000 square feet be set at $3 per square foot, because development of this nature will result in increased demand for affordable housing while ensuring that San Jose remains an attractive location to relocate middle-income jobs and have the opportunity to provide jobs residents that already reside within the City but may currently work in other communities.**

3. *Warehouse/Distribution:* As noted in the Manufacture San Jose report, San Jose and Silicon Valley as a whole have experienced very strong demand for warehouse and distribution space. This demand is both linked to the needs of the technology sector as well as to "last-mile" distribution requirements of online retailers and other consumer product distributors. The prevalence of large warehouse/distribution operators in the City's industrial areas represents a challenge for other industrial users, in particular, smaller manufacturers. To some extent, the relative increase in development activity attributable to these uses is indirectly related to the ongoing transition and decline in retail development activity. As noted earlier in the analysis of recent permitting activity, much of San Jose's recent industrial development activity has been positioned to service these types of uses as users attempt to locate a distributed network of fulfillment and distribution centers to provide last mile delivery to their customers on ever decreasing time frames. San Jose has capacity to continue to attract development interest in these uses in a handful of larger development sites that remain available. Recently, developers have proposed redeveloping traditional manufacturing-type buildings into logistics/ecommerce distribution facilities. As the nature of these uses have transitioned, so have the employee densities and the nature of occupations occurring within them.

While warehouses provide some of the economic benefits of other industrial uses, the general plan prioritizes more employment-dense uses.

Unlike other types of uses included considered by the staff report and associated Nexus and Feasibility studies, development of warehouse/distribution real estate has not suffered to the same extent through the ongoing global pandemic. Prologis, a global leader in logistics real estate and one of the City's largest owners of industrial real estate, recently released a report[20] which models economic activity related to its real estate portfolio estimated using a global economic impact model developed by Oxford Economics. Regarding the impact of the COVID-19 pandemic, the report states:

> *With consumer expectations for ever-faster delivery of goods on the rise, companies of all sizes are reevaluating their distribution networks and shifting their business models to tap into the power of being close to major population centers.*
>
> *The COVID-19 pandemic has put the spotlight on the reality of this shift. As shelter-in-place orders went into effect around the world, consumers by necessity had to change their buying habits. In response, companies are ramping up e-fulfillment and adjusting their supply chain management tactics to accommodate new consumption patterns. Also, of note: As a result of the pandemic, resiliency in the supply chain is now being prioritized over the former "ideal" model of efficiency.*

With the potential for the development of new warehouse/distribution uses being higher than other industrial real estate categories and this might have a potential impact on the City's ability to meet intended General Plan job goals based on a less dense employment model, staff believes that this category should be considered separately. **Staff recommends that the Commercial Linkage Fee for Warehouse/Distribution Uses be set at $5 per square foot City-wide, because they serve an important role is supporting employment uses, and ecommerce consumer purchasing, but can provide less opportunity for employment and have been less effected by the global pandemic than other types of development.**

E. *Residential Care:* Residential care uses are included in the Nexus Study to fill a gap in the application of the City's affordable housing impact fee and inclusionary housing requirements. Currently, residential care projects are subject to affordable housing and inclusionary housing requirements only for units that are defined as residential units in the Zoning Ordinance by virtue of having a kitchen and bathroom inside the unit. Units that do not meet this definition are considered a commercial land use in the Zoning Ordinance, so the affordable and inclusionary housing requirements do not apply. Several recent residential

[20] The Future Flow of Goods Prologis Economic Impact Report 2020, https://prologis.getbynder.com/m/239037726fdcdbf6/original/Future-Flow-of-Goods-Executive-Summary.pdf

care projects in the City have had a combination of units some of which are subject to the affordable or inclusionary requirements and units that are not subject to these requirements. **To remain in line with Council direction on the Inclusionary Housing Ordinance in lieu fee, staff recommends setting the Commercial Linkage Fee for residential care uses at $18.70/SF City-wide.**

Relationship to Feasibility Study:
As noted in the Feasibility Study (Section 1.4), fee levels represented as a percentage of the total development cost offers insight into the potential impact of fee levels on future development decisions. Fees representing a smaller share of development costs will be less likely to affect development decisions and vice versa. Table 1-2 on page 9 of the report summarizes a range of potential fees expressed as a percentage of total development costs. Warehouse and industrial buildings represent the low end of the development cost range, and as a result, each dollar of fees represents a larger burden relative to the total investment being made. The analysis demonstrates that fees less than 3% of total project cost were most likely to be feasible in the context of pre-pandemic market conditions. The table below created by staff is based on the analysis completed by KMA but represents the applicable fee from the recommendation as a % of total cost of development.

Use Category	**Feasibility Prototype**	**Total Development Cost (PSF)**	**Applicable Fee**	**% of Total Cost of Development**
Office	Low Rise	$445	$3.00	0.7%
	Mid-Rise	$680	$5.00	0.7%
	DT Mid-Rise	$745	$10.00	1.3%
	High-Rise	$815	$10.00	1.2%
Retail	Neighborhood Retail	$645	$0	0.0%
	Large Format	$645	$3.00	0.5%
Research and Development	Light Industrial / R&D	$285	$0	0.0%
	Large Format	$285	$3.00	1.1%
Industrial	Light Industrial	$285	$0	0.0%
	Large Format	$285	$3.00	1.1%
Warehouse	Warehouse/Distribution	$245	$5.00	2.0%
Hotel	Hotel - Surface Parking	$492	$5.00	1.0%
	Hotel - Structural Parking (Per Room)	$ 561	$5.00	0.9%

The fee levels included in staff's recommendation average approximately 1% of total project cost which represents the balancing of the General Plan's employment goals with the need to deliver new affordable housing options, and in the context of the current global pandemic and ensuing economic recession.

High-Tech User:
Council's direction to staff in initiating the study of the commercial linkage fee included a request for specific analysis of Large High-Tech End Users to better understand their impact and interaction with the potential fee. As part of the Silicon Valley economy, much of the office space throughout San José's employment centers is home to "high-tech" users, and the City is home to a number of large tech campuses, many of which are headquarters operations (Cisco, Adobe, Samsung, PayPal, eBay, Broadcom, Western Digital, etc.). In addition, relatively recent real estate investments by major tech corporations (including Apple and Google) suggests that there is still additional capacity to support this scale of users. These campuses currently represent a mixture of owner-developed and occupied, and speculatively developed buildings, and the consultant reports were intended to explore whether these types of users have a lesser degree of cost sensitivity and a greater ability to support a commercial linkage fee than traditional speculative development. However, the Nexus Study does not support a higher fee for this type of use because the impacts of such development generating a need for more affordable housing are not significantly different than other types of office users.

As noted in the KMA study, establishing a separate fee for high-tech end users is challenging for several reasons, including identifying objective criteria to determine which projects the separate rate would apply to. Ambiguity could arise as to whether a company is "high tech," whether it is large enough or the intended type of company for application of the higher fee, and whether the company is a true "end user." High-tech end users that choose to invest more conservatively in their facilities would potentially be more cost-sensitive to a higher linkage fee. The fee must be based upon project impacts rather than ability to pay. No other cities in California have adopted commercial linkage fees unique to an end-user office category. Based upon the results of the Nexus Analysis, staff recommends that this potential category of user be included with the office use category for purposes of enacting the fee.

Staff is not recommending differentiating the Commercial Linkage Fee between "High-Tech Users" and "Office Users" because the Nexus Study does not identify significantly different impacts over other types of office users.

Payment of Fees at Certificate of Occupancy:
The Mitigation Fee Act requires the payment of impact fees at Certificate of Occupancy/Final Inspection for this type of fee program.

This addresses non-residential developer concerns because when the developer must pay a substantial cost earlier in the project, they have to finance those costs and pay more interest, and the cost-per-square foot of the development increases. The fee will be collected at Certificate of Occupancy/Final Inspection, addressing this concern.

CONCLUSION

Until significant progress is made in addressing the public health crisis, the long-term impacts on the use and development of commercial buildings and the real estate market cannot fully understood. This makes establishing a new development impact fee extremely challenging. Staff has balanced the need support local economic recovery with immediate need for affordable housing. As such, it is staff's recommendation that Council enact the Commercial Linkage Fee to make it a known quantity as conditions improve, with levels appropriately set to reflect the current uncertainty surrounding development, and with the intent to restudy the appropriate fee levels at such time that the local economy demonstrates signs of sustained recovery.

EVALUATION AND FOLLOW-UP

To enact a fee, the Council will be asked to consider approving both an ordinance, and a fee resolution. The ordinance would establish the fee while the resolution would set the fee amount.

Staff recommends that Council approve the proposed ordinance establishing the Commercial Linkage Fee and adopt the proposed resolution establishing the fee amounts. The proposed ordinance adds Chapter 5.11 to the City's Municipal Code, setting forth the Commercial Linkage Fee requirements and provides for certain exceptions, adjustments, waivers and refunds under specified circumstances and establishes an annual fee escalator to account for inflation. It is anticipated that the fee amounts will be re-evaluated in two to three years, which would include updates to the Nexus and Feasibility Analyses to reflect then-current circumstances. The attached Ordinance includes provisions authorizing the City Manager to adopt written administrative regulations or guidelines to support implementation of the Commercial Linkage Fee.

To ensure compliance with the Mitigation Fee Act, staff will return to City Council with a report on the fee revenue and expenditures annually and will provide a five-year report. The report will provide a summary of activity on a fiscal year basis.

CLIMATE SMART SAN JOSE

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

The Housing Department and Office of Economic Development hosted a public meeting on August 6, 2020, a Housing Advocates Roundtable Meeting on August 7, 2020, and a Developers Roundtable Meeting on August 11, 2020 for the community and stakeholders to obtain feedback for this memorandum. This memorandum will be posted in accordance with the City's public notice policies.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

A verbal report regarding the Commercial Linkage Fee was made to the Housing and Community Development Commission on August 13, 2020. The Commission voted to unanimously to accept the staff report and did not take any additional actions.

FISCAL/POLICY ALIGNMENT

The adoption and implementation of the Commercial Linkage Fee is in alignment with the goals and policies of the City's General Plan, Housing Element, and Economic Development Strategy as noted above in the memorandum.

COST SUMMARY/IMPLICATIONS

The establishment of the Commercial Linkage Fee is expected to raise approximately $14 million in the first three years of establishment. These funds will be used for the development of new affordable housing. Funds will be awarded through the Housing Department's Notice of Funding Availability process.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/
NANCI KLEIN
Director of Economic Development

/s/
JACKY MORALES-FERRAND
Director of Housing

For questions, please contact Chris Burton, Deputy Director of the Office of Economic Development at (408) 535-8114 or Rachel VanderVeen, Deputy Director of the Housing Department at (408) 535-8231.

KEYSER MARSTON ASSOCIATES

COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSÉ, CALIFORNIA

Prepared for
City of San José

Prepared by:
Keyser Marston Associates, Inc.

August 2020

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1.0 EXECUTIVE SUMMARY

This Commercial Linkage Fee Nexus Analysis ("Nexus Analysis") has been prepared by Keyser Marston Associates, Inc. ("KMA") for the City of San José ("City") in support of a proposed new commercial linkage fee program. Commercial linkage fees are a type of impact fee imposed on new non-residential development to mitigate the development's impact on the need for affordable housing.

This Nexus Analysis has been prepared for the limited purpose of determining nexus support for a potential new commercial linkage fee in San José. The Nexus Analysis quantifies the linkages between new non-residential buildings, the employees who work in them, and their demand for affordable housing, and calculates maximum supported fee levels based on the cost of mitigating the increased demand for affordable housing consistent with the requirements of the Mitigation Fee Act (Government Code Section 66000 et. seq.). Findings are not recommended fee levels. Fees may be set anywhere up to the maximums identified in this study.

Maximum Fee Conclusions of the Nexus Analysis

The maximum commercial linkage fee conclusions of the Nexus Analysis are summarized in Table 1-1. Findings reflect the cost of mitigating affordable housing impacts of new development as documented in the Nexus Analysis. Figures in Table 1-1 represent technical impact analysis findings only and are not recommended fee levels.

Table 1-1. Nexus Analysis Maximum Fee Conclusions

Building Type	Maximum Fee Per Square Foot[1]
Office	$137.70
Office, High-Tech	$151.30
Retail	$176.70
Hotel	$61.60
Industrial	$131.90
Research and Development	$108.80
Warehouse	$45.90
Residential Care	$44.60

[1] Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.

The results of the Nexus Analysis are heavily driven by the density of employees within buildings in combination with the occupational make-up of the workforce. Retail has both high employment density and a high proportion of lower paying jobs, factors that in combination result in the highest affordable housing impacts and maximum fee level conclusions among the eight building types. The high cost of developing residential units in San José and the greater Bay Area, which is in part a function of the high cost and limited supply of suitable development sites, is also a key driver of high maximum fee levels.

Because maximum commercial linkage fees that can be supported by nexus studies are generally very high, jurisdictions typically set fees well below the maximums based on a variety of policy considerations. A companion report entitled "Feasibility Analysis of Proposed Commercial Linkage Fees" examines the economic feasibility of implementing new commercial linkage fees by building type and geographic area and provides context materials to support selection of fee levels and other features of a new commercial linkage fee program for San José.

Measures to Address Potential Effects of Coronavirus Pandemic on Nexus Analysis

The Nexus Analysis was prepared during the coronavirus pandemic which has had widespread effects on business and society and caused a sharp economic downturn which, within the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA)[1], resulted in the loss of approximately 133,000 jobs from February to May 2020 (1) (numeric references in parentheses refer to sources listed in Appendix B). The recession created by the pandemic is expected to be a temporary condition from which the economy will eventually recover. As a temporary condition, the recession does not require an adjustment to the nexus technical analyses because the purpose of the Nexus Analysis is to establish impacts over a long time horizon that extends over the life of new commercial buildings[2]. However, in addition to short-term economic damage, the pandemic is contemplated as a driver of possible long-term changes which are taken into consideration in the Nexus Analysis.

The coronavirus pandemic has resulted in a need for businesses to implement measures to protect the health and safety of workers. Among the changes being implemented or contemplated are modifications to office layouts that increase the distance and physical separation between employees (2). This has led to speculation that the density of employment within office buildings could be reduced on a more permanent basis. Interviews with local developers conducted by KMA in June 2020 confirmed a reduced density of employment within office buildings is currently being imagined as a possible longer-term outcome of the pandemic, especially with respect to high-tech tenants which tend to have open floor plan offices and a high density of employment. The experience adapting to remote working during the pandemic has led some businesses to plan for remote work as a larger part of their operations post-pandemic (3; 4) (2). A trend toward remote work would be expected to reduce demand for new commercial buildings overall but does not necessarily reduce employment density within the commercial buildings that are built[3]. In consideration of the possibility that changes brought on by the pandemic could lead to reduced density of employment within new office buildings on a

[1] The MSA includes Santa Clara and San Benito counties.

[2] See also the discussion of economic cycles in Appendix A.

[3] For example, density of employment can be increased through "hoteling," where workstations are shared rather than assigned to a specific employee (43). An arrangement made possible when a share of employees regularly work remotely. An accounting firm with such an arrangement included in a KMA employment density survey had a density of 70 square feet per employee, the highest density of any tenant surveyed (13).

longer-term basis, employment estimates included in the Nexus Analysis are adjusted downward from pre-pandemic estimates, as described in Section 3.1, which results in conservative maximum fee conclusions that will tend to understate mitigation costs.

2.0 INTRODUCTION

This Commercial Linkage Fee Nexus Analysis ("Nexus Analysis") has been prepared by Keyser Marston Associates, Inc. ('KMA") in support of potential establishment of a new commercial linkage fee in the City of San José ("City"). The Nexus Analysis analyzes the linkages between non-residential development in the City and the need for additional affordable housing and calculates maximum commercial linkage fee levels consistent with the Mitigation Fee Act (Government Code Section 66000 et. seq.) which requires a reasonable relationship be established between the fee and impacts of new development addressed by the fee.

The purpose of the Nexus Analysis is to document and quantify the impacts of development of new non-residential buildings and the employees that work in them, on the demand for affordable housing. Because jobs in all buildings cover a range of compensation levels, there are housing needs at all affordability levels. This analysis quantifies the need for affordable housing created by eight categories of new workplace buildings and determines maximum supported fees based on the cost of mitigating the increased affordable housing demand.

2.1 Building Types Addressed

This analysis addresses the following eight types of workplace buildings, encompassing uses potentially subject to a new commercial linkage fee program in the City:

- **Office** encompasses the full range of office uses in San José from high tech firms to the financial and professional services sectors to medical and dental offices.
- **Office, High-Tech** represents a subcategory of office space for which occupancy is by a technology or "tech" sector businesses. Higher density of employment is characteristic of high-tech office space and the occupational profile of workers is distinct from other tenant types, as shown in Table 3-4 and Appendix C.
- **Retail** includes retail, restaurants, dry cleaners, health clubs and other personal care and service uses that commonly occupy retail space.
- **Hotel** covers the range from full service hotels to limited service accommodations.
- **Industrial** covers a broad range of manufacturing, auto repair and service, delivery services, and a range of other uses of an industrial or semi-industrial character.
- **Research and Development (R&D)** covers facilities for industrial or scientific research, product design, prototype production, development and testing.
- **Warehouse**, or large structures primarily devoted to storage and logistics activities, typically with a small amount of office space.
- **Residential Care** encompasses a range of residential facilities where care, personal services, protection, supervision, assistance, training, therapy, or treatment is provided to persons living in a community residential setting. This building type category includes

assisted living, skilled nursing, memory care, residential treatment centers, and similar facilities.

Appendix C Table 18 shows how building types addressed in the Nexus Analysis relate to a list of use classifications used by the City.

2.2 Affordability Levels Addressed

The Nexus Analysis addresses the following four income or affordability tiers:

- Extremely Low Income: households earning up to 30% of Area Median Income (AMI);
- Very Low Income: households earning over 30% up to 50% of AMI;
- Low Income: households earning over 50% AMI up to 80% of AMI; and,
- Moderate Income: households earning over 80% AMI up to 120% of AMI.

Households are categorized by income tier based on income limits published by the California Department of Housing and Community Development (HCD) [(5)]. For reference, the 2020 median income for a family of four in Santa Clara County is $141,600. Table 2-1 identifies income limits for all applicable income categories and household sizes.

Table 2-1. Household Income Limits for Santa Clara County

	Household Size (Persons)					
	1	2	3	4	5	6
Extr. Low (Under 30% AMI)	$33,150	$37,900	$42,650	$47,350	$51,150	$54,950
Very Low (30%-50% AMI)	$55,300	$63,200	$71,100	$78,950	$85,300	$91,600
Low (50%-80% AMI)	$78,550	$89,750	$100,950	$112,150	$121,150	$130,100
Moderate (80%-120% AMI)	$118,950	$135,900	$152,900	$169,900	$183,500	$197,100
Median (100% of Median)	$99,100	$113,300	$127,450	$141,600	$152,950	$164,250

Source: California Department of Housing and Community Development, 2020 Income Limits

2.3 Overview of Methodology

The Nexus Analysis links new non-residential buildings with new workers; these workers demand additional housing, a portion of which needs to be affordable to the workers in lower income households. Following is an overview of the analysis steps used in determining the maximum commercial linkage fee levels:

- **Employment** – The number of employees is estimated for each building type using employment density ratios drawn from a variety of sources. Employment estimates account for potential effects of the coronavirus on employment densities as well as the portion of jobs estimated to be net new considering changes in the local economy over time that result in loss of some types of jobs even as other jobs are gained.

- **Housing Units Required** – The number of housing units needed to house the new workforce is estimated based on the average number of workers per working household.

- **Worker Household Incomes** – Household incomes of workers are estimated by combining data on worker occupations from the Bureau of Labor Statistics, local wage data from the California Employment Development Department (EDD) and local U.S. Census data relating individual worker income to total household income.

- **Affordable Housing Need** – Worker household incomes are compared to income criteria from HCD to determine the number of housing units needed by affordability level.

- **Mitigation Cost and Maximum Fees** – The cost of mitigating affordable housing impacts of new development are calculated based on the net subsidy required to deliver the needed affordable housing. Mitigation costs are expressed per square foot of building area for each non-residential building type, which establishes an upper limit on new commercial linkage fees proportionate to the impacts.

2.4 Report Organization

The report is organized into five sections and three appendices, as follows:

- Section 1.0 is the Executive Summary;

- Section 2.0 provides an introduction;

- Section 3.0 presents the Nexus Analysis for the eight workplace building types under study, concluding with the maximum supported affordable housing fee level per square foot of building area.

- Section 4.0 contains the affordability gap analysis representing the net cost of delivering each unit of housing affordable to households at the income levels under study.

- Section 5.0 provides draft findings language consistent with the Mitigation Fee Act.

- Appendix A provides a discussion of various specific factors and assumptions in relation to the nexus concept.

- Appendix B provides a comprehensive list of data sources and a summary of supporting information on employment densities. Sources are identified in the text by numeric reference to the bibliography provided in Appendix B.

- Appendix C provides supporting information on worker occupations and incomes.

3.0 NEXUS ANALYSIS

This section presents a summary of the analysis linking the development of the eight types of workplace buildings to the estimated number of lower income housing units required in each of four income categories. Then, the cost of providing affordable housing to the worker households is determined and expressed per square foot of building area. Findings represent the full mitigation cost for the affordable housing impacts of new development and the ceiling for any affordable housing fee that may be imposed.

3.1 Step-by-Step Narrative of Nexus Methodology

The Nexus Analysis is conducted using a methodology KMA developed for application in many jurisdictions for which the firm has conducted similar nexus analyses in support of affordable housing impact fee programs. Analysis inputs are all local data to the extent possible and are fully documented.

The analysis uses an assumed 100,000 square foot building size. Selection of this building size enables the number of jobs and housing units to be presented in whole numbers that can be more readily understood. At the conclusion of the analysis, findings are divided by the building size to express the linkages on a per square foot basis so that findings can be applied to buildings of any size.

Following is a description of each step of the analysis:

Step 1 – Estimated Number of Employees

The number of employees who will work in the building types being analyzed is estimated using employment density factors drawn from a variety of sources. Sources include local Environmental Impact Reports (EIRs), Institute of Transportation Engineers (ITE) and other sources as noted in the discussion below. A complete list of sources is provided in Appendix B. A downward adjustment to employment density is made for office uses, in consideration of potential effects of the coronavirus pandemic, as described below.

Employment estimates are summarized in Table 3-1 followed by a narrative discussion.

Table 3-1. Employment Estimate
Per 100,000 Square Feet of Building Area.

Building Type	Employment Density (Gross Square Feet Per Employee)	Number of Employees per 100,000 square feet of building area (=100,000 / Employment Density)
Office	400	250
Office, High-Tech	300	333
Retail	500	200
Hotel	1,500	67
Industrial	500	200
Research and Development	400	250
Warehouse	2,000	50
Residential Care	2,000	50

- *Office* – 400 square feet per employee. Prior to the coronavirus pandemic, employment density within office space was estimated at 300 square feet per employee based on recent Environmental Impact Reports ("EIRs") addressing office developments in San José [(6)] [(7)] [(8)] [(9)], as summarized in Appendix B Table 1. This estimate has been adjusted in response to the coronavirus pandemic to 400 square feet per employee, a one third increase in the square feet of office space per employee. The revised office employment density represents a conservative assumption that the amount of office space per employee will increase to provide increased space between employees and more physical separation (see below under Potential Effects of Coronavirus Pandemic on Employment Density). While such a large change in density may not occur, and to the extent it does occur, may not persist in the long term, a conservative assumption is made that employment densities will be significantly reduced, and reduced densities will endure beyond the end of the pandemic.
- *Office, High*-Tech – 300 square feet per employee. Prior to the coronavirus pandemic, KMA estimated employment density within high-tech office space at 225 square feet per employee, an estimate that reflects the higher density of employment characteristic of high tech offices. The 225 square feet per employee estimate was based on sources summarized in Appendix B Table 1 which include recent EIRs for high-tech office developments in other jurisdictions [(10)] [(11)] [(12)] and an employment density study prepared by KMA for the City and County of San Francisco [(13)] that included examination of office employment densities by tenant type. As with general office space, a conservative assumption is made for purposes of the Nexus Analysis that the square feet of office space per employee may increase by as much as one third due to changes implemented in response to the coronavirus pandemic (see below under Potential Effects of Coronavirus Pandemic on Employment Density), which results in an adjusted estimate of 300 square feet per employee.
- *Retail* – 500 square feet per employee. The employment density estimate for retail reflects consideration of a range of sources including the EIR for Santana Row [(14)], ITE [(15)], and

restaurant employment densities derived from National Association of Restaurants data [16]. The data sources are summarized in Appendix Table B-4. The density range within this category is wide, with some types of retail such as restaurant space as much as five times as dense as other types such as furniture or building material supply stores. The estimate used is at the low end of the range of sources considered and will tend to understate the number of employees relative to many types of retail.

- *Hotel* – 1,500 square feet per employee. Hotels have a range of employment levels with higher service hotels with conference facilities being more employment intensive and minimal service extended stay hotels representing the lower end of the employment density range. The estimate of 1,500 square feet per employee is approximately equivalent to 0.4 employees per room based on an average of 600 square feet of building area per room. This estimate is at the lower end of the range of sources which included reported employment levels for local hotels ranging from 0.33 to 0.99 employees per room [17], an estimate incorporated into a Supplemental EIR for the San José Tribute Hotel [18] of 0.46 employees per room and an estimate from the U.S. Department of Energy of 0.53 employees per room [15]. The data sources are summarized in Appendix Table B-2.
- *Industrial* – 500 square feet per employee. This density covers flex space, light industrial, manufacturing and research and development activities such as prototype production and testing. The 500 square feet per employee average is based on ITE [15] and is consistent with parking ratios for a recent industrial project in San José called MidPoint@237 [19]. The data sources are summarized in Appendix Table B-4.
- *Research and Development (R&D)* – 400 square feet per employee. The estimated employment density is based on ITE [15] and is consistent with estimates for a planned R&D development in a nearby city [20]. The data sources are summarized in Appendix Table B-4.
- *Warehouse* – 2,000 square feet per employee. This reflects that the primary activity in the building is assumed to be storage or logistics. A small amount of office or administrative space is assumed within warehouse structures. Sources consulted include ITE [15], a Portland Metro Employment Density Study [21], U.S. Department of Energy (15), and parking ratios reflected in six pipeline warehouse projects in San José [22] [23] [24] [25] [26] [27]. The estimate at 2,000 square feet per employee represents around 60% of the number of employees as can be accommodated by parking ratios for pipeline warehouse developments in San José; therefore, the estimate provides a conservative estimate of employment that will tend to understate impacts. The data sources are summarized in Appendix Table B-4.
- *Residential Care* – 2,000 square feet per employee. The employment density estimate is based on three residential care facilities in San José, including Belmont Village Union Avenue [28], Holden Assisted Living, South Bascom [29] [30] [31] [32], and Oakmont of

Evergreen [33] as well as two examples from other Bay Area cities [34] [35]. The data sources are summarized in Appendix Table B-3.

Potential Effects of Coronavirus Pandemic on Employment Density

This Nexus Analysis was prepared during the coronavirus pandemic, which is expected to have implications for the workplace that could alter the density of employment. Office buildings tend to be the focus of publications describing workplace changes in response to the coronavirus that have the potential to alter density of employment [36] [37] [38]. Offices also tend to have higher density of employment than other building types, as shown in Table 3-1. Potential effects can be separated into short-term, during the pandemic, and longer-term, post-pandemic. As the Nexus Analysis determines mitigation costs over the life of new buildings, long-term effects are pertinent while short-term or temporary changes in response to the pandemic do not warrant an adjustment. Based on interviews with members of the development community conducted by KMA and described in the companion feasibility study report [39], few commercial buildings are expected to commence construction during the pandemic, another reason long-term post-pandemic effects are more pertinent than short-term effects.

Short-term effects of the pandemic on the workplace are driven by measures to protect health and safety of workers and reduce the risk of virus transmission. Measures being contemplated to support a return to work within offices include increasing distance between workstations, installation of physical barriers to protect workers, reduction in common amenities, limiting the number of workers present at any one time, modified cleaning protocols, providing protective equipment, and monitoring for virus symptoms [40] [37]. According to a survey of Chief Financial Officers by PwC, 78% are planning to reconfigure office environments to promote physical distancing as employees return to work [2]. In addition, many workers are expected to continue to work remotely while the threat of the virus remains [3] [2] [38]. The July 2020 order of the Health Officer for the County of Santa Clara in response to the pandemic mandates that businesses maintain at least 250 gross square feet per worker and requires all employees who can do their jobs from home to work remotely [41].

Long term shifts in the workplace are also seen as possible outcomes of the pandemic. Longer term changes that are being imagined stem from changes in worker behavior, preferences and company policies brought on by the pandemic and the experience with remote working. Some companies have announced they will allow remote work for an extended period and a few have indicated they will allow remote working permanently [3; 4] [2]. With permanent remote working, an increasing share of the workforce may not require a physical workplace outside of their homes. This would tend to reduce the need for new commercial buildings overall and may alter decision making by companies about where offices are located [42]. New workplace buildings are built to house a workforce that is physically present; therefore, the shift toward remote work would not necessarily reduce the density of employment within newly-built buildings. In addition, a partial shift towards remote work, such as two to three days per week, could actually allow a greater density of employment in that the same office space could accommodate more employees if not

all workers are physically present at the same time and some workstations are shared rather than designated to a specific employee [(43)].

Prior to the pandemic, there was a long running trend towards more open plan offices that accommodate a greater density of employment [(42)]. One potential longer-term impact being contemplated is a move toward office layouts that provide more space between employees[(4)] as a reflection of changes in employee personal preferences which might endure beyond the end of the pandemic. Members of the development community interviewed by KMA indicated there is a view that local tech companies, which tend to have a high density of employment, may modify office layouts in ways that increase the square feet of office space per employee. However, not all experts agree that the effects of the pandemic will be durable, with some predicting preferences for physical distancing will fade after the pandemic is over and will not lead to a fundamental shift away from open plan offices or alter space requirements per employee [(44)].

At the time the Nexus Analysis was prepared, the pandemic is on-going and, while there is speculation regarding long-term changes, there is no data on how employment densities will be altered post-pandemic. Considering the unknowns and to provide a conservative analysis, the estimated square feet of office space per employee was increased by one third from estimates prepared prior to the pandemic. This factor is based on a statement in materials produced through the CoreNet Global[4] "COVID-19 Hackathon" which states "if planning principles reverted to a world of primarily enclosed offices or high-paneled cubicles to give employees increased separation, square footage requirements per person would increase anywhere from 20 to 30 percent" [(44)]. For office space, this one third increase results in an employment density of 400 square feet per employee, up from a pre-coronavirus estimate of 300 square feet per employee. For high-tech office, the assumed one third increase in square footage per employee results in an employment density of 300 square feet per employee versus a pre-coronavirus estimate of 225 square feet per employee. While a reduction in employment density of this magnitude may be unlikely [(44)], the adjustment is never-the-less made to ensure maximum fee levels identified in this Nexus Analysis represent conservative results that likely understate the mitigation costs.

Step 2 – Net New Employment After Adjustment for Changing Industries

This step makes an adjustment to employment estimates to take into account any declines, changes and shifts within all sectors of the economy and to recognize that new space is not always 100% equivalent to net new employees.

The local economy, like that of the U.S. as a whole, is constantly evolving, with job losses in some sectors and job growth in others. Over the past decade, employment declined in some

[4] CoreNet Global is a non-profit association representing more than 11,000 executives with responsibility for the real estate assets of large corporations.

manufacturing sectors of the local economy as well as wholesale and retail trade, telecommunications, leisure and hospitality, and other services [(1)]. Jobs lost in these declining sectors were replaced by job growth in other industry sectors.

The analysis makes an adjustment to take these declines, changes and shifts within all sectors of the economy into account, recognizing that jobs added are not 100% net new in all cases. A 23% adjustment is utilized based on the long-term shifts in employment that have occurred in some sectors of the local economy over the last decade and the likelihood of continuing changes in the future. Long term declines in employment experienced in some sectors of the economy mean that some of the new jobs are being filled by workers that have been displaced from another industry and who are presumed to already have housing locally. The analysis makes the assumption that existing workers downsized from declining industries are available to fill a portion of jobs in new workplace buildings built in San José.

The 23% downward adjustment was derived from California Employment Development Department data on employment by industry in the San José-Sunnyvale-Santa Clara MSA [(1)]. Over the approximately ten-year period from January 2010 to May 2020[5], approximately 44,700 jobs were lost in declining industry sectors. Over the same period, growing and stable industries added a total of 193,600 jobs. The figures are used to establish a ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 23%. The assumption is that 23% of new jobs are filled by a worker down-sized from a declining industry who already lives locally.

The discount for changing industries represents a conservative assumption because many displaced workers may exit the workforce entirely by retiring. In addition, development of new workspace buildings will typically occur only to the extent there is positive net demand after re-occupancy of buildings vacated by businesses in declining sectors of the economy. To the extent existing buildings are re-occupied, the discount for changing industries is unnecessary because new buildings would represent net new growth in employment. The 23% adjustment is conservative in that it is mainly necessary to cover a special case in which buildings vacated by declining industries cannot be readily occupied by other users due to their special purpose nature, because of obsolescence, or because they are torn down or converted to residential.

Step two is illustrated in Table 3-2.

[5] May 2020 was selected as the most recent monthly data available at the time this report was prepared while January 2010 was selected as the point of comparison based on having the same 11.2% unemployment rate [(1)], which enables longer-term declines to be distinguished from the effects of shorter-term economic cycles.

Table 3-2. Net New Jobs after 23% Adjustment Per 100,000 Square Feet of Building Area		
Building Type	**Number of Employees** (from Table 3-1)	**Net New Employees after 23% Adjustment**
Office	250	193
Office, High-Tech	333	257
Retail	200	154
Hotel	67	51
Industrial	200	154
Research and Development	250	193
Warehouse	50	39
Residential Care	50	39

Step 3 – Adjustment from Employees to Employee Households

This step converts the number of employees to the number of employee households, recognizing that that there is, on average, more than one worker per household, and thus the number of housing units needed for new workers is less than the number of new workers. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons and students.

According to the 2013-2017 ACS [46] [47], the number of workers per worker household for the City of San José is 1.91 including full- and part-time workers[6]. For Santa Clara County outside of the City of San José, the ratio is 1.75 workers per worker household. Based on data from the 2013-2017 ACS [48] [49], workers who live in San José make up approximately 59% of the City's overall workforce while the remaining 41% of those who work in San José commute in from outside the city. These percentages are used to calculate a weighted average workers per worker household factor of 1.84 estimated to be representative for San José's workforce.

The total number of jobs created is divided by the 1.84 workers per worker household factor to determine the number of housing units that are needed to house the new workforce. Step three is illustrated in Table 3-3.

[6] Source data does not allow a breakout between full and part time workers; however, for purposes of compensation levels, full time work is assumed for all workers as described in Step 5.

Table 3-3. Housing Units Needed Per 100,000 Square Feet of Building Area		
Building Type	**Net New Jobs** per 100,000 Square Feet of Building Area (from Table 3-2)	**Total Number of Housing Units Needed** (= net new jobs / 1.84 workers per worker household)
Office	193	104.5
Office, High-Tech	257	139.3
Retail	154	83.6
Hotel	51	27.9
Industrial	154	83.6
Research and Development	193	104.5
Warehouse	39	20.9
Residential Care	39	20.9

Step 4 – Occupational Distribution of Employees

Estimating the occupational breakdown of employees is the first step to arrive at income levels. The occupational make up of jobs by building type is estimated by combining two data sources: Bureau of Labor Statistics data [(50)] on the distribution of occupations by industry category and data on employment by industry for San José from the Quarterly Census of Employment and Wages (QCEW) [(51)]. Industry categories are weighted to reflect the mix of employers in San José.

- For office buildings, the mix of industries reflects a wide range of tech, financial, professional service, research and development and medical.
- For high tech office, tenants are assumed to be primarily tech related firms within sectors such as software publishing, computer system design, research and development, telecommunications, data processing, hosting, and related services, and other information services.
- For retail, a wide range of retail categories are included as well as restaurants and personal services.
- For hotels, the applicable industry sector is Traveler Accommodation. An adjustment is made to remove casino hotels.
- The Industrial category encompasses a range of manufacturing, research and development, and automotive and other maintenance and repair services.
- Research and development reflects the industry category for research and development in the physical, engineering and life sciences.
- For warehouse, the applicable industry category is Warehouse & Storage.
- For residential care, the industry category for continuing care retirement communities and assisted living facilities is used.

This step results in a distribution of workers by occupation category for the eight building types. Appendix C Table 17 identifies the specific industry codes utilized by building type. Table 3-4 indicates the percentage distribution by occupation.

Table 3-4. Estimated Percentage Distribution of Workers by Major Occupation Category

	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Management Occupations	9.8%	12.0%	2.5%	4.4%	9.9%	14.6%	2.7%	3.3%
Business and Financial	14.8%	10.6%	0.6%	1.5%	6.9%	9.7%	2.0%	0.9%
Computer and Mathematical	20.3%	42.3%	0.1%	0.1%	6.9%	12.0%	0.6%	0.1%
Architecture and Engineering	4.4%	3.3%	0.0%	0.0%	12.1%	16.5%	0.4%	0.0%
Sciences	2.0%	2.8%	0.0%	0.0%	6.8%	25.7%	0.0%	0.0%
Community & Social Services	0.6%	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%	0.8%
Legal	2.4%	0.5%	0.0%	0.0%	0.2%	0.5%	0.0%	0.0%
Education, and Library	0.4%	1.2%	0.1%	0.1%	0.2%	0.4%	0.0%	0.0%
Arts, Design, Entertainment	2.1%	3.1%	0.5%	0.2%	0.9%	1.2%	0.1%	0.0%
Healthcare Practitioners	5.7%	0.4%	2.1%	0.0%	0.9%	3.0%	0.1%	10.6%
Healthcare Support	3.5%	0.1%	0.4%	0.5%	0.2%	0.8%	0.0%	27.0%
Protective Service	0.3%	0.1%	0.4%	1.5%	0.1%	0.4%	0.7%	0.6%
Food Prep and Serving	0.4%	0.0%	42.6%	24.9%	0.3%	0.1%	0.1%	17.9%
Building and Grounds	0.4%	0.2%	0.6%	31.0%	0.4%	0.4%	0.7%	6.0%
Personal Care and Service	0.8%	0.1%	5.1%	4.1%	0.1%	0.3%	0.0%	22.9%
Sales and Related	6.0%	8.4%	28.0%	2.5%	3.5%	1.4%	1.2%	0.5%
Office and Admin Support	22.8%	11.6%	8.1%	20.0%	9.9%	8.5%	22.5%	5.3%
Farming, Fishing, Forestry	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.1%	0.0%
Construction and Extraction	0.4%	0.1%	0.1%	0.2%	0.5%	0.4%	0.1%	0.1%
Installation, Maint. and Repair	1.6%	2.6%	2.5%	5.5%	2.9%	1.4%	2.8%	2.5%
Production	0.7%	0.4%	1.7%	2.4%	33.8%	2.1%	2.4%	0.5%
Transportation	0.6%	0.2%	4.3%	1.0%	3.2%	0.4%	63.4%	1.0%
Totals	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

To determine the distribution of worker households by occupation category, the percentage distribution of worker occupations identified in Table 3-4 is multiplied by the total number of worker households from Table 3-3. The result is a distribution in the number of worker households by worker occupation category as shown in Table 3-5. As one example, the 104.5 estimated worker households with office (Table 3-3) is multiplied by the 9.8% share in management occupations (Table 3-4) to arrive at the 10.2 worker households in management occupations in Table 3-5.

Table 3-5. Number of Worker Households by Worker Occupation Category
Per 100,000 Square Feet of Building Area

	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Management Occupations	10.2	16.8	2.1	1.2	8.3	15.2	0.6	0.7
Business and Financial	15.5	14.8	0.5	0.4	5.7	10.2	0.4	0.2
Computer and Mathematical	21.2	58.9	0.1	0.0	5.7	12.5	0.1	0.0
Architecture and Engineering	4.6	4.7	0.0	0.0	10.1	17.3	0.1	0.0
Sciences	2.0	3.9	0.0	0.0	5.7	26.9	0.0	0.0
Community & Social Services	0.6	0.0	0.0	0.0	0.1	0.2	0.0	0.2
Legal	2.5	0.6	0.0	0.0	0.2	0.6	0.0	0.0
Education, and Library	0.4	1.6	0.1	0.0	0.2	0.4	0.0	0.0
Arts, Design, Entertainment	2.2	4.3	0.4	0.1	0.8	1.2	0.0	0.0
Healthcare Practitioners	6.0	0.6	1.8	0.0	0.7	3.1	0.0	2.2
Healthcare Support	3.6	0.1	0.4	0.1	0.2	0.9	0.0	5.6
Protective Service	0.4	0.2	0.3	0.4	0.1	0.4	0.2	0.1
Food Prep and Serving	0.5	0.0	35.6	6.9	0.3	0.1	0.0	3.7
Building and Grounds.	0.4	0.3	0.5	8.6	0.4	0.4	0.2	1.3
Personal Care and Service	0.8	0.1	4.3	1.1	0.1	0.3	0.0	4.8
Sales and Related	6.3	11.7	23.4	0.7	2.9	1.5	0.3	0.1
Office and Admin Support	23.8	16.1	6.8	5.6	8.3	8.8	4.7	1.1
Farming, Fishing, Forestry	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0
Construction and Extraction	0.4	0.1	0.1	0.0	0.4	0.4	0.0	0.0
Installation, Maint. and Repair	1.6	3.6	2.1	1.5	2.4	1.4	0.6	0.5
Production	0.8	0.6	1.4	0.7	28.2	2.1	0.5	0.1
Transportation	0.7	0.2	3.6	0.3	2.7	0.4	13.2	0.2
Totals	**104.5**	**139.3**	**83.6**	**27.9**	**83.6**	**104.5**	**20.9**	**20.9**

Step 5 – Estimate of Employee Household Incomes

Employee wage and salary distribution is based on the occupational distribution from Step 4 in combination with recent Santa Clara County wage and salary information from the California Employment Development Department (EDD) for the first quarter of 2020 [52].

For each occupational category shown in Tables 3-4 and 3-5, the OES data provides a distribution of specific occupations within the category. For example, within the Food Preparation and Serving Category, there are Supervisors, Cooks, Servers, Dishwashers, etc. Each of these individual categories has a different distribution of wages which was obtained

from EDD and is specific to workers in the San Jose-Sunnyvale-Santa Clara MSA as of 2020. This data is used because it includes the City of San Jose and comparable data isolating only those jobs within the City's boundaries is not available. EDD compensation data are adjusted upwards where applicable to reflect the City of San José's current minimum wage of $15.25 per hour (53). Worker compensations used in the analysis assume full time employment (40 hours per week) based on EDD's convention for reporting annual compensation. The detailed occupation and salary data is provided in Appendix C.

Employee income is then translated into an estimate of household income using ratios between individual employee income and household income derived from U.S. Census data (54) shown in Table 3-6. Ratios reflect an analysis of data for the workforce in Santa Clara County with household incomes under five hundred thousand. The data source does not allow ratios specific to San José's workforce to be determined; however, County data is representative for San José's workforce, which includes workers that live both inside and outside the city. Households with income of five hundred thousand or more are not included to avoid a disproportionate influence on averages[7] by a small percentage of households with incomes well over levels addressed in the Nexus Analysis[8].

Table 3-6. Ratio of Household Income to Individual Worker Income

Individual Worker Income	One Worker Households	Two Worker Households	Three or More Workers
$30,000 to $49,999	1.26	2.57	3.12
$50,000 to $74,999	1.08	2.07	2.34
$75,000 to $99,999	1.09	1.82	1.97
$100,000 to $124,999	1.04	1.67	1.71
$125,000 to $149,999	1.04	1.54	1.59
$150,000 to $199,999	1.02	1.47	1.47
$200,000 to $249,999	1.02	1.35	1.36
$250,000 or more	1.01	1.12	1.12

Source: KMA analysis of 2013 to 2017 American Community Survey PUMS data.

A ratio of 1.0 in Table 3-6 indicates the household has no additional income beyond that of the individual worker. A ratio of 2.0 means total household income is twice what the individual worker earns. With a two-earner household, a ratio of 2.0 indicates each worker in the household earns about the same amount. A ratio above 2.0 would indicate the other worker in the household earns more, on average, while a ratio less than 2 indicates the other worker earned less. The ratio between worker income and overall household income decreases as

[7] By way of illustration, a worker with an income of $35,000 in a household with a total income of $1,500,000 would have a ratio between worker income and household income of approximately 42. As an outlier many times the average of 2.57 for two-worker households calculated in Table 3-6, inclusion of the factor of 42 in calculation of the average would have an arithmetically disproportionate influence on the average.

[8] An income of $500,000 is approximately 2.94 times the maximum income to qualify as Moderate Income of $169,900 for a four-person household.

worker pay increases. This is because workers with higher pay are more likely to represent the largest source of household income.

The ratios adjust employee incomes upward even for households with only one worker. This is in consideration of non-wage/salary income sources such as child support, disability, social security, investment income and others. Ratios for one-worker households at the lower end of the compensation range tend to be larger, an indication that these workers are more likely to derive a share of household income from non-employment sources such as social security.

For workers with compensations of $100,000 or more, having a third worker in the household tends to result in little or no increase in overall household income compared to households with two earners (i.e. ratios for 3+ worker households are not much above ratios for two earner households). This is likely a reflection of the third worker being a teenager or young adult living with their parents who may hold a part time job but does not contribute significantly to household income. In contrast, for workers earning under $50,000, a third worker tends to be associated with more of an increase to household income compared to two-earner households. This likely represents more of a range of circumstances such as multi-generational households, families doubling up in a unit, or unrelated roommates. It is likely that, in some cases, these are responses to high housing costs and households would not choose the same living arrangements if more affordable housing were available. The Nexus Analysis makes the conservative assumption that the existing pattern, which is likely partially a response to high housing costs, continues.

Household income estimates for workers within each detailed occupation category are summarized in Appendix C. A separate estimate is provided for households with one, two, and three or more workers. Household income estimates are compared to HCD income criteria summarized in Table 2-1 to estimate the percent of worker households that would fall into each income category. This is done for each potential combination of household size and number of workers in the household.

Step 6 – Household Size Distribution

In this step, the household size distribution of workers is estimated using U.S. Census data [46] [55]. In addition to the distribution in household sizes, the data also accounts for a range in the number of workers in households of various sizes. Table 3-7 indicates the percentage distribution utilized in the analysis. As with Step 3, data for the City of San José and the balance of Santa Clara County are combined using a weighted average that reflects the 59% share of San José's workforce that lives in the City per data from the 2013-2017 ACS [48] [49]. Application of these percentage factors accounts for the following:

- Households have a range in size and a range in the number of workers.
- Large households generally have more workers than smaller households.

Table 3-7. Percent of Households by Size and No. of Workers		
No. of Persons in Household	**No. of Workers in Household**	**Percent of Total Households**
1	1	14.4%
2	1	12.9%
	2	14.9%
3	1	8.3%
	2	9.5%
	3+	3.2%
4	1	5.9%
	2	8.2%
	3+	5.2%
5	1	2.7%
	2	3.7%
	3+	2.5%
6	1	2.6%
	2	3.6%
	3+	2.5%
Total		100.0%

Source: 2013-2017 American Community Survey data. Reflects weighted average for City of San José and balance of Santa Clara County outside of the City of San José, weighed based on the share of San José's workforce that lives in the City.

The result of Step 6 is a distribution of working households by number of workers and household size.

Step 7 – Estimate of Households that meet HCD Size and Income Criteria

Step 7 calculates the number of employee households that fall into each income category for each size household. This calculation is based on combining the household income distribution (Step 5) with the worker household size distribution (Step 6) to arrive at a distribution of worker households by income category. Table 3-13A at the end of this section shows the results by occupation category after completing Steps 5, 6 and 7 for the Extremely Low Income Tier. The methodology is repeated for each of the lower income tiers (Tables 3-13B, 3-13C, and 3-13D).

3.2 Housing Demand by Income Level

Table 3-8 indicates the results of the analysis for each of the eight building types. The table presents the number of households in each affordability category, the total number up to 120% of median, and the remaining households earning over 120% of median associated with a 100,000 square foot building.

Table 3-8. Number of Households by Income Category Per 100,000 Square Feet of Building								
	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low	1.1	0.8	4.1	1.7	1.7	0.3	1.1	1.1
Very Low Income	12.2	10.0	31.6	10.3	15.6	6.1	6.7	6.9
Low Income	15.7	17.0	8.1	4.9	14.1	12.7	4.8	3.4
Moderate Income	35.1	45.0	30.0	8.3	27.3	34.1	6.6	7.4
Subtotal	**64.1**	**72.8**	**73.7**	**25.2**	**58.7**	**53.2**	**19.2**	**18.8**
Above 120% AMI	40.4	66.5	9.9	2.7	24.9	51.3	1.7	2.1
Total	**104.5**	**139.3**	**83.6**	**27.9**	**83.6**	**104.5**	**20.9**	**20.9**

Table 3-9 summarizes the percentage of worker households that fall into each income category. As indicated, over 85% of Retail, Warehouse, Residential Care and Hotel worker households are below 120% of median income level. High Tech Office and R&D have the lowest percentage of workers under 120% of median at 52% and 51%, respectively.

Table 3-9. Percentage of Households by Income Category								
	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low	1.1%	0.6%	4.9%	6.3%	2.1%	0.3%	5.1%	5.1%
Very Low Income	11.6%	7.2%	37.8%	36.9%	18.7%	5.9%	32.2%	33.2%
Low Income	15.1%	12.2%	9.6%	17.6%	16.9%	12.1%	23.1%	16.1%
Moderate Income	33.6%	32.3%	35.9%	29.7%	32.6%	32.6%	31.6%	35.4%
Subtotal	**61.4%**	**52.2%**	**88.2%**	**90.4%**	**70.3%**	**50.9%**	**91.9%**	**89.8%**
Above 120% AMI	38.6%	47.8%	11.8%	9.6%	29.7%	49.1%	8.1%	10.2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

3.3 Housing Demand Per Square Foot of Building Area

The analysis thus far has used 100,000 square foot buildings. In this step, the conclusions are translated to affordable housing demand per square foot of building area (see Table 3-10).

Table 3-10. Affordable Housing Demand Per Square Foot of Building Area[1]								
Income Category	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extr. Low	0.0000110	0.0000081	0.0000413	0.0000175	0.0000173	0.0000030	0.0000106	0.0000107
Very Low	0.0001215	0.0000999	0.0003157	0.0001027	0.0001561	0.0000613	0.0000672	0.0000694
Low	0.0001574	0.0001699	0.0000806	0.0000491	0.0001412	0.0001270	0.0000483	0.0000337
Moderate	0.0003514	0.0004500	0.0002998	0.0000827	0.0002728	0.0003406	0.0000659	0.0000739
Total	0.0006414	0.0007278	0.0007374	0.0002520	0.0005874	0.0005318	0.0001921	0.0001877

[1] Calculated by dividing the findings from Table 3-8 by 100,000 square feet of building area.

This is the summary of the housing nexus analysis, or the linkage from buildings to employees to housing demand, by income level. Estimates are conservative and most likely understate the number of worker households within the four affordability categories.

3.4 Affordability Gap

A key component of the analysis is the affordability gap, which represents the subsidy required to deliver affordable units to households in each of the four affordability categories. Fees are anticipated to be used to provide financial assistance to affordable projects built by non-profit affordable housing developers. For Extremely Low, Very Low, and Low Income units, the affordability gap assumes that the City would assist affordable rental units financed with 4% tax credits. For Moderate Income, a for-sale unit is assumed to be assisted. While the City may assist some Moderate-Income households in rental units, the affordability gap for rentals was found to be greater than with for-sale units. The lower for-sale affordability gap calculation is selected as the more conservative assumption for the Nexus Analysis. The affordability gaps are summarized in Table 3-11. Supporting analysis is provided in Section 4.

Table 3-11. Affordability Gaps	
Extremely Low (Under 30% AMI)	$383,000
Very Low (30% to 50% AMI)	$279,000
Low (50% to 80% AMI)	$228,000
Moderate (80% to 120% AMI)	$181,300

AMI = Area Median Income
See Section 4. for supporting analysis.

3.5 Maximum Supported Fees Per Square Foot of Building Area

The last step in the Nexus Analysis calculates the cost of delivering affordable housing to workers in new non-residential buildings. The demand for affordable units within each income category per square foot of building area from Table 3-10 is multiplied by the affordability gaps from Table 3-11 to determine the cost to mitigate the affordable housing impacts.

Affordability Gap (Table 3-11)	X	No. affordable units generated per square foot of building area. (from Table 3-10)	=	Maximum Fee Per Square Foot of Building Area

The results of this calculation are presented in Table 3-12. The findings in Table 3-12 represent the maximum affordable housing impact fee that could be charged to new non-residential developments to mitigate the development's impacts on the need for affordable housing. These figures are not recommended fee levels; they represent only the maximums established by this analysis.

Table 3-12. Maximum Supported Fees Per Square Foot of Building Area.								
INCOME CATEGORY	**Office**	**Office, High-Tech**	**Retail**	**Hotel**	**Industrial**	**R&D**	**Warehouse**	**Residential Care**
Extremely Low	$4.20	$3.10	$15.80	$6.70	$6.60	$1.10	$4.10	$4.10
Very Low	$33.90	$27.90	$88.10	$28.70	$43.60	$17.10	$18.80	$19.40
Low	$35.90	$38.70	$18.40	$11.20	$32.20	$28.90	$11.00	$7.70
Moderate	$63.70	$81.60	$54.40	$15.00	$49.50	$61.70	$12.00	$13.40
Total Nexus Cost / Maximum Supported Fee	**$137.70**	**$151.30**	**$176.70**	**$61.60**	**$131.90**	**$108.80**	**$45.90**	**$44.60**

Note: Nexus findings are not recommended fee levels.

Total nexus or mitigation costs are high due to the low compensation levels of many jobs, coupled with the high cost of developing residential units. Higher employment densities also contribute to higher nexus costs. Retail has the highest nexus cost, driven by the combination of generally lower worker compensation levels and the density of employment. While hotel, warehouse and residential care have a similar percentage of their workforce at or below Moderate Income as retail, the lower density of employment results in a lower nexus cost compared to retail.

3.6 Conservative Assumptions

In establishing maximum fees, many conservative assumptions were employed in the analysis that result in a cost to mitigate affordable housing needs that may be considerably understated. These conservative assumptions include:

- Only direct employees are counted in the analysis. Many indirect employees are also associated with each new workspace. Indirect employees in an office building, for example, include security, delivery personnel, building cleaning and maintenance personnel, and a whole range of others. Hotels do have many of these workers on staff, but hotels also "contract out" a number of services that are not taken into account in the analysis. For simplicity and because the results using only direct employees are significantly higher than the fee levels typically considered for adoption, we limit it to direct employees only.

- A downward adjustment of 23% has been reflected in the analysis to account for declining industries and the potential that displaced workers from declining sectors of the economy will fill a portion of new jobs. This is a conservative assumption because many displaced workers may exit the workforce by retiring and the adjustment is only necessary to the extent vacated space is not re-occupied.

- Estimated office employment densities have been reduced to reflect the possibility that the coronavirus will have a long-term impact on employment density. This is a

conservative assumption that will tend to understate impacts given there is no evidence that measures taken to protect health and safety, such as increased physical separation between employees, will endure after the pandemic subsides.

- Annual incomes for workers reflect full time employment based upon EDD's convention for reporting the compensation information. In fact, many workers work less than full time; therefore, annual compensations for these workers is likely overstated.

In summary, less conservative assumptions could have been made that would justify higher maximum linkage fees.

TABLE 3-13A
ESTIMATE OF QUALIFYING HOUSEHOLDS - EXTREMELY LOW INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning up to 30% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
Per 100,000 SF Building								
Households Earning up to 30% of Median (Step 5, 6, & 7) [1]								
Management	-	-	-	-	-	-	-	-
Business and Financial Operations	0.10	0.01	-	-	0.00	0.00	0.00	-
Computer and Mathematical	0.00	0.00	-	-	0.00	0.00	-	-
Architecture and Engineering	0.00	0.00	-	-	0.01	0.01	-	-
Life, Physical and Social Science	-	0.00	-	-	0.01	0.01	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.00	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.02	0.01	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.00	-	0.07	-	-	0.00	-	0.00
Healthcare Support	0.06	-	-	-	-	-	-	0.32
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	2.13	0.39	-	-	-	0.22
Building Grounds and Maintenance	-	-	-	0.96	-	-	-	0.14
Personal Care and Service	-	-	0.23	0.08	-	-	-	0.28
Sales and Related	0.07	0.13	0.98	0.01	0.06	-	-	-
Office and Admin	0.77	0.59	0.28	0.17	0.28	0.18	0.20	0.05
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	0.02	0.04	0.01	0.03	-	0.00	0.00
Production	-	-	-	0.04	1.13	0.07	0.02	-
Transportation and Material Moving	-	-	0.23	-	0.15	-	0.79	-
HH earning up to 30% of Median - major occupations	1.01	0.78	3.95	1.66	1.66	0.28	1.02	1.02
HH earning up to 30% of Median - all other occupations	0.09	0.03	0.18	0.09	0.07	0.02	0.04	0.05
Total Households Earning up to 30% of Median	**1.1**	**0.8**	**4.1**	**1.7**	**1.7**	**0.3**	**1.1**	**1.1**

Notes:
(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

TABLE 3-13B
ESTIMATE OF QUALIFYING HOUSEHOLDS - VERY LOW INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning 30% to 50% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
Per 100,000 SF Building								
Households Earning 30% to 50% of Median (Step 5, 6, & 7) [1]								
Management	0.01	0.02	0.08	0.09	0.01	0.01	0.00	0.01
Business and Financial Operations	1.04	0.94	-	-	0.37	0.61	0.03	-
Computer and Mathematical	0.41	1.12	-	-	0.08	0.13	-	-
Architecture and Engineering	0.14	0.08	-	-	0.31	0.34	-	-
Life, Physical and Social Science	-	0.22	-	-	0.40	1.47	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.08	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.30	0.44	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.17	-	0.29	-	-	0.34	-	0.19
Healthcare Support	1.06	-	-	-	-	-	-	2.06
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	14.53	2.81	-	-	-	1.46
Building Grounds and Maintenance	-	-	-	3.31	-	-	-	0.48
Personal Care and Service	-	-	1.58	0.45	-	-	-	1.93
Sales and Related	0.93	1.51	9.38	0.17	0.59	-	-	-
Office and Admin	7.01	4.72	2.50	2.21	2.47	2.14	1.68	0.35
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	0.62	0.52	0.42	0.52	-	0.14	0.14
Production	-	-	-	0.27	9.26	0.60	0.18	-
Transportation and Material Moving	-	-	1.32	-	0.97	-	4.42	-
HH earning 30% to 50% of Median - major occupations	11.16	9.66	30.20	9.73	14.97	5.64	6.44	6.62
HH earning 30% to 50% of Median - all other occupations	0.99	0.33	1.38	0.54	0.64	0.49	0.28	0.32
Total Households Earning 30% to 50% of Median	**12.2**	**10.0**	**31.6**	**10.3**	**15.6**	**6.1**	**6.7**	**6.9**

Notes:
(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

TABLE 3-13C
ESTIMATE OF QUALIFYING HOUSEHOLDS - LOW INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning 50% to 80% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
Per 100,000 SF Building								
Households Earning 50% to 80% of Median (Step 5, 6, & 7) [1]								
Management	0.25	0.34	0.21	0.16	0.23	0.31	0.03	0.05
Business and Financial Operations	2.52	2.14	-	-	0.94	1.58	0.07	-
Computer and Mathematical	1.77	4.81	-	-	0.39	0.84	-	-
Architecture and Engineering	0.49	0.30	-	-	0.91	1.34	-	-
Life, Physical and Social Science	-	0.61	-	-	0.89	4.23	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.18	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.44	0.80	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.38	-	0.35	-	-	0.53	-	0.37
Healthcare Support	0.91	-	-	-	-	-	-	1.23
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	2.84	0.66	-	-	-	0.39
Building Grounds and Maintenance	-	-	-	2.78	-	-	-	0.40
Personal Care and Service	-	-	0.49	0.14	-	-	-	0.35
Sales and Related	1.17	2.18	1.40	0.11	0.45	-	-	-
Office and Admin	6.33	4.38	1.18	0.44	2.14	2.32	0.85	0.31
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	0.87	0.51	0.36	0.56	-	0.14	0.12
Production	-	-	-	0.02	6.60	0.52	0.09	-
Transportation and Material Moving	-	-	0.73	-	0.43	-	3.45	-
HH earning 50% to 80% of Median - major occupations	14.45	16.43	7.71	4.65	13.54	11.68	4.63	3.22
HH earning 50% to 80% of Median - all other occupations	1.29	0.56	0.35	0.26	0.58	1.02	0.20	0.15
Total Households Earning 50% to 80% of Median	**15.7**	**17.0**	**8.1**	**4.9**	**14.1**	**12.7**	**4.8**	**3.4**

Notes:
(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

TABLE 3-13D
ESTIMATE OF QUALIFYING HOUSEHOLDS - MODERATE INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning 80% to 120% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
Per 100,000 SF Building								
Households Earning 80% to 120% of Median (Step 5, 6, & 7) [1]								
Management	1.40	1.97	0.59	0.41	1.25	1.98	0.12	0.16
Business and Financial Operations	6.27	5.79	-	-	2.41	4.12	0.18	-
Computer and Mathematical	6.94	19.11	-	-	1.69	3.64	-	-
Architecture and Engineering	1.54	1.26	-	-	3.05	5.04	-	-
Life, Physical and Social Science	-	1.50	-	-	2.20	11.05	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.55	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.93	1.82	-	-	-	-	-	-
Healthcare Practitioners and Technical	1.70	-	0.43	-	-	1.22	-	0.85
Healthcare Support	1.53	-	-	-	-	-	-	1.71
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	14.64	2.61	-	-	-	1.32
Building Grounds and Maintenance	-	-	-	1.58	-	-	-	0.23
Personal Care and Service	-	-	1.73	0.38	-	-	-	2.21
Sales and Related	2.57	4.73	7.16	0.28	1.00	-	-	-
Office and Admin	8.84	5.84	2.14	1.75	3.03	3.51	1.47	0.37
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	1.50	0.88	0.61	1.04	-	0.25	0.20
Production	-	-	-	0.23	9.67	0.78	0.17	-
Transportation and Material Moving	-	-	1.10	-	0.83	-	4.12	-
HH earning 80% to 120% of Median - major occupations	32.27	43.51	28.67	7.84	26.16	31.33	6.32	7.06
HH earning 80% to 120% of Median - all other occupatio	2.88	1.48	1.31	0.43	1.12	2.73	0.27	0.34
Total Households Earning 80% to 120% of Median	**35.1**	**45.0**	**30.0**	**8.3**	**27.3**	**34.1**	**6.6**	**7.4**

Notes:
(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

4.0 AFFORDABILITY GAP ANALYSIS

A key component of an impact analysis is the mitigation cost. In an affordable housing nexus analysis, the mitigation cost is the "affordability gap" - the financial gap between what lower income households can afford to pay and the cost of producing new housing. For Extremely Low, Very Low and Low Income units, the affordability gap analysis is based on the remaining financial gap after assistance available through Federal Low Income Housing Tax Credits (LIHTC). For Moderate Income units, the affordability gap is based on the gap between the estimated development costs of a moderate income for-sale unit and the affordable sales price.

4.1 City Assisted Affordable Unit Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and City practices and policies. The prototype affordable unit should reflect a modest unit consistent with what the City is likely to assist. The focus is on affordable projects developed for families as opposed to projects consisting of primarily studios or single room occupancy units too small to accommodate an average-size worker household.

For Low-, Very Low-, and Extremely Low-Income households, it is assumed that the City will assist in development of multi-family rental units averaging approximately 1.3 bedrooms[9] per unit consistent with recent and proposed affordable rental projects being developed in San José.

For Moderate-Income households, it is assumed that the City would assist households in an ownership unit. The typical project assumed is a two-bedroom condominium unit with an average unit size of 1,150 square feet with wood frame construction over a concrete podium. The City may also assist Moderate-Income households in rental units. As discussed in Section 4.4, the affordability gap for rentals was found to be somewhat greater than with for-sale units. Consistent with the conservative approach taken throughout the analysis, the lower for-sale affordability gap is applied for purposes of maximum fee calculations. Use of rental findings in the calculation would have produced higher maximum fee conclusions.

4.2 Development Costs

KMA prepared an estimate of total development costs for the affordable housing prototypes described above (inclusive of land acquisition costs, direct construction costs, indirect costs of development and financing). The following table summarizes the per-unit development cost estimates.

[9] For purposes of calculating the average bedroom size, studios are treated as having zero bedrooms.

Table 4-1. Affordability Unit Development Costs		
Income Group	*Unit Tenure / Type*	*Development Cost*
Extremely Low (Under 30% AMI)	Rental	$690,000
Very Low (30% to 50% AMI)	Rental	$690,000
Low (50% to 80% AMI)	Rental	$690,000
Moderate (80% to 120% AMI)	Ownership	$740,000

For the multi-family rental prototype, costs reflect a review of development costs for six multi-family affordable rental projects in San José, listed below. Costs for each project are summarized in Table 4-5 and are derived from summary information from the County of Santa Clara Office of Supportive Housing and an analysis of affordable unit development costs prepared for the City [56] [57] [58]. The six multi-family rental affordable projects have an average total development cost of $726,000 per unit and an average of 1.3 bedrooms per unit. The total development cost estimate for the Nexus Analysis is consistent with the average without including the highest cost project (Quetzal Gardens), in the interest of providing a more conservative analysis.

- Gallup and Mesa
- West San Carlos
- 226 Balbach
- Alum Rock Family
- Roosevelt Park
- Quetzal Gardens

For the moderate-income condominium prototype, development costs are based on a recent KMA pro forma analysis [59] [60] for market rate projects of comparable size, density, and construction type. Adjustments are made to reflect a moderate-income affordable project assisted by the City including removal of the inclusionary in-lieu fee which would not apply for an affordable project, prevailing wages and a developer fee. The analysis makes the conservative assumption that moderate income units are developed within lower land cost areas of the City. The estimated total development costs for a moderate-income condominium unit is $740,000 including land, direct construction, indirect costs and financing. Additional detail on development cost estimates is presented in Table 4-6.

4.3 Unit Values

For the Extremely Low, Very Low, and Low-Income rental units, unit values are based upon the funding sources assumed to be available for the project. Funding sources include tax-exempt permanent debt financing supported by the project's operating income, a deferred developer fee, and equity generated by 4% federal low income housing tax credits. The highly competitive 9% federal tax credits are not assumed because of the limited number of projects that receive an allocation of 9% tax credits in any given year per geographic region. Other affordable housing subsidy sources such as CDBG, HOME, AHP, Section 8, and various Federal and State funding programs are also limited and difficult to obtain and therefore are not assumed in

this analysis as available to offset the cost of mitigating the affordable housing impacts of new development.

For affordable ownership units, unit values are based on an estimate of the restricted affordable purchase price for a qualifying Moderate-Income household calculated in Table 4-7.

The unit values are summarized in Table 4-2. Further detail is provided in Tables 4-4 and 4-6.

Table 4-2. Unit Values for Affordable Units

Income Group	*Unit Tenure / Type*	*Unit Value*
Extremely Low (Under 30% AMI)	Rental	$307,000
Very Low (30% to 50% AMI)	Rental	$411,000
Low (50% to 80% AMI)	Rental	$462,000
Moderate (80% to 120% AMI)	Ownership	$558,700

4.4 Affordability Gap

The affordability gap is the difference between the cost of developing the affordable units and the unit value based on the restricted affordable rent or sales price. The resulting affordability gaps are as presented in Table 4-3.

Table 4-3. Affordability Gap Calculation

	Unit Value	*Development Cost*	*Affordability Gap*
Affordable Rental Units			
Extremely Low (Under 30% AMI)	$307,000	$690,000	$383,000
Very Low (30% to 50% AMI)	$411,000	$690,000	$279,000
Low (50% to 80% AMI)	$462,000	$690,000	$228,000
Affordable Ownership Units			
Moderate (80% to 120% AMI)	$558,700	$740,000	$181,300

Detailed analysis supporting the affordability gap calculations is provided in Tables 4-4 to 4-7.

In addition to the findings summarized in Table 4-3, an affordability gap calculation for a Moderate-Income rental unit is included in Table 4-4. While Moderate Income rents are higher than Low Income rents, units over 80% AMI are not eligible for tax credits or a property tax exemption, resulting in an affordability gap similar to Low Income rentals and approximately $30,000 more than the Moderate Income for-sale affordability gap calculation. As the Moderate Income for-sale affordability gap calculation was found to be less, it was applied for purposes of maximum fee calculations in Section 3.5 to provide a more conservative analysis.

Table 4-4
Affordability Gap Calculation, Rental Affordable Units
Commercial Linkage Fee Nexus Analysis
City of San Jose, CA

		Extremely Low	Very Low	Low Income	Moderate
I.	**Affordable Prototype**				
	Tenure	Rental			
	Average Number of Bedrooms	1.3 Bedrooms			
II.	**Development Costs** [1]	Per Unit	Per Unit	Per Unit	Per Unit
	Land Acquisition	$45,000	$45,000	$45,000	$45,000
	Directs	$440,000	$440,000	$440,000	$440,000
	Indirects	$165,000	$165,000	$165,000	$165,000
	Financing	$40,000	$40,000	$40,000	$40,000
	Total Development Costs	$690,000	$690,000	$690,000	$690,000
III.	**Supported Financing**	Per Unit	Per Unit	Per Unit	Per Unit
	Affordable Rents				
	Maximum Rent [2]	$941	$1,570	$1,884	$3,232
	(Less) Utility Allowance [3]	($63)	($63)	($63)	($63)
	Maximum Monthly Rent	$878	$1,507	$1,821	$3,169
	Net Operating Income (NOI)				
	Gross Potential Income	Per Unit	Per Unit	Per Unit	Per Unit
	Monthly	$878	$1,507	$1,821	$3,169
	Annual	$10,537	$18,078	$21,846	$38,030
	Other Income	$250	$250	$250	$250
	(Less) Vacancy 5.0%	($539)	($916)	($1,105)	($1,914)
	Effective Gross Income (EGI)	$10,248	$17,412	$20,991	$36,366
	(Less) Operating Expense & Reserves [4]	($7,800)	($7,800)	($7,800)	($7,800)
	(Less) Property Taxes [5]	$0	$0	$0	($5,700)
	Net Operating Income (NOI)	$2,448	$9,612	$13,191	$22,866
	Permanent Financing				
	Permanent Loan [6]	$35,000	$139,000	$190,000	$330,000
	Deferred Developer Fee [7]	$21,000	$21,000	$21,000	$21,000
	4% Tax Credit Equity/Developer Equity [8]	$251,000	$251,000	$251,000	$127,000
	Total Sources	$307,000	$411,000	$462,000	$478,000
IV.	**Affordability Gap**	Per Unit	Per Unit	Per Unit	Per Unit
	Supported Permanent Financing	$307,000	$411,000	$462,000	$478,000
	(Less) Total Development Costs	($690,000)	($690,000)	($690,000)	($690,000)
	Affordability Gap	($383,000)	($279,000)	($228,000)	($212,000)

[1] Development costs estimated by KMA based on costs for recent and pipeline affordable projects in San Jose summarized in Table 4-5.

[2] Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits. Moderate Income rents at 110% AMI per City rent schedule.

[3] Utility allowances from Santa Clara County Housing Authority (2019).

[4] Based on median operating expense and replacement reserves for eight family affordable projects analyzed by KMA in a report entitled Review of Affordable Housing Development Costs, prepared by KMA for the City of San Jose in October 2019.

[5] Assumes tax exemption for non-profit general partner for units under 80% AMI. Property taxes for Moderate Income based on capitalized value at 5% and a 1.25% tax rate.

[6] Based on representative permanent loan terms including 5.25% interest rate, 1.15 debt service coverage and 40 year term.

[7] Reflects the average deferred developer fee for the specific projects on which development costs are based.

[8] Current tax credit underwriting assumptions drawn from Novogradac.com as of January 2020 and reflect tax credit yield of $0.94 and applicable percentage of 3.19%. Tax credit equity estimate assumes high cost area adjustment and basis limit adjustments for prevailing wage, parking beneath units, and inclusion of Very Low or ELI units as part of the unit mix. Moderate Income units over 80% AMI are not eligible for tax credits. Supported equity for moderate income is estimated based on a capitalization rate of 5%, which reflects a 0.5% premium over a market rate cap rate of 4.5% less debt financing. A cap rate is used rather than a return on cost as the developer receives a return through a developer fee included in project costs.

Table 4-5
Development Costs for Recent Affordable Housing Projects in San Jose
Commercial Linkage Fee Nexus Analysis
City of San Jose, CA

	Gallup & Mesa	West San Carlos	226 Balbach	Alum Rock Family	Roosevelt Park	Quetzal Gardens	Average	Average without Quetzal Gardens
Number of Units	46	80	87	87	80	71	75	76
Avg No. Bedrooms [(1)]	1.00	1.30	0.94	1.45	1.34	2.00	1.34	1.21
Cost Information Year	2019	2018	2019	2018	2018	2018		
Land	$0	$73,906	$27,586	$47,207	$55,243	$61,247	$44,000	$41,000
Direct Construction	$438,261	$376,544	$427,488	$421,862	$559,056	$611,972	$472,000	$444,000
Indirect Costs	$227,672	$171,220	$104,665	$127,284	$192,367	$170,027	$166,000	$165,000
Financing	$17,679	$24,420	$42,615	$39,810	$73,526	$67,211	$44,000	$40,000
Total Development Cost	$683,612	$646,091	$602,354	$636,163	$880,191	$910,456	$726,000	$690,000

(1) For purposes of average bedroom size calculations, studios are treated as having zero bedrooms.

Table 4-6
Affordability Gap Calculation, Moderate Income For-Sale
Commercial Linkage Fee Nexus Analysis
City of San Jose, CA

I. Affordable Prototype	
Tenure	For-Sale
Density	50 du/acre
Unit Size	1,150 SF
Bedrooms	2-Bedrooms
Construction Type	Condominiums (Type V over podium)

II. Development Costs [1]	Per Unit
Land Acquisition	$74,000
Directs	$483,000
Indirects	$148,000
Financing	$35,000
Total Costs	$740,000

III. Affordable Sales Price	Per Unit
Household Size	3 person HH
110% of Median Income [2]	$140,195
Maximum Affordable Sales Price	$558,700 [3]

IV. Affordability Gap	Per Unit
Affordable Sales Price	$558,700
(Less) Development Costs	($740,000)
Affordability Gap - Moderate Income	($181,300)

[1] Costs based on recent KMA pro forma analysis with adjustments to reflect a City funded affordable project including removal of the affordable housing fee, prevailing wages and inclusion of an upfront developer fee as part of indirect costs. The prior analysis is available at https://sanjose.legistar.com/LegislationDetail.aspx?ID=4200129&GUID=5E04A82B-8D9D-46D1-9FFD-5B80A82B565E&Options=&Search=

[2] Per California Health and Safety Code Section 50052.5, the affordable sale price for a Moderate Income household is to be based on 110% of AMI, whereas qualifying income can be up to 120% of AMI.

[3] See Table 4-7 for Moderate Income home price estimate.

Table 4-7
Affordable Sales Price Calculation
Commercial Linkage Fee Analysis
City of San Jose, CA

Unit Size (Bedroom)	2-Bedroom
Household Size	3-person HH
Santa Clara County 2020 Median Income	$127,450
Home Price at 110% of AMI	$140,195
% for Housing Costs	35%
Available for Housing Costs	$49,068
(Less) Property Taxes	($6,976)
(Less) HOA	($4,800)
(Less) Maintenance	($300)
(Less) Utilities	($1,440)
(Less) Hazard Insurance [5]	($900)
(Less) Mortgage Insurance	($4,242)
Income Available for Mortgage	$30,410
Supported Mortgage	$530,800
Down Payment @5%	$27,900
Home Price @110% AMI	**$558,700**

Expense Assumptions	
- HOA [1]	*$400*
- Utilities [2]	*$120*
- Maintenance [3]	*$25*
Common Assumptions	
- Mortgage Interest Rate [6]	*4.00%*
- Down Payment	*5.00%*
- Property Taxes (% of sales price)	*1.25%*
- Mortgage Insurance [4]	*0.80%*

Notes

(1) Estimated based on data reported by Redfin.com on HOA dues applicable to homes built since 2000 and sold from July through September 2019.

(2) Utility allowances per Santa Clara County Housing Authority (2019).

(3) Per City of San Jose affordable sales price calculations.

(4) Based on FHA mortgage insurance premium schedule.

(5) Calculated consistent with City of San Jose inclusionary housing guidelines. For attached units, reflects a "walls-in" policy.

(5) Reflects average for calendar year 2019 based on Freddie Mac PMMS. Historically low interest rates available as of the time this Nexus Study was prepared are not reflected as interest rates have been driven down by the effects of the pandemic and are unlikely to endure after.

5.0 MITIGATION FEE ACT FINDINGS

This section provides findings language consistent with the requirements of the Mitigation Fee Act as set forth in Government Code § 66000 et seq.

(1) Identify the purpose of the fee (66001(a)(1)).

The purpose of the commercial linkage fee is to fund construction of affordable housing to mitigate the increased demand for affordable housing from workers in newly developed workplace buildings.

(2) Identify the use to which the fee is to be put (66001(a)(2)).

Commercial linkage fees are used to increase the supply of housing affordable to qualifying Extremely Low, Very Low, Low and Moderate-Income households earning from 0% through 120% of median income.

(3) Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed (66001(a)(3)).

The foregoing Nexus Analysis has demonstrated that there is a reasonable relationship between the use of the fee, which is to increase the supply of affordable housing in San José, and the development of new non-residential buildings which increases the need for affordable housing. Development of new non-residential buildings increases the number of jobs in San José. A share of the new workers in these new jobs will have household incomes that qualify as Extremely Low, Very Low, Low and Moderate Income and result in an increased need for affordable housing.

(4) Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed (66001(a)(4)).

The analysis has demonstrated that there is a reasonable relationship between the development of non-residential workspace buildings in San José and the need for additional affordable units. Development of new workspace buildings accommodates additional jobs in San José. Eight different non-residential development types were analyzed (Office, Office High-Tech, Retail, Hotel, Industrial, R&D, Warehouse, and Residential Care). The number of jobs added in various types of new non-residential buildings is documented on page 7. Based on household income levels for the new workers in these new jobs, a significant share of the need is for housing affordable to Extremely Low, Very Low, Low and Moderate Income levels. The Nexus Analysis concludes that for every 100,000 square feet of new office space, 64.1 incremental

affordable units are needed. For High-Tech Office, 72.8 affordable units are needed per 100,000 square feet of space developed, 73.7 for Retail, 25.2 for Hotel, 58.7 for Industrial, 53.2 for R&D, 19.2 for Warehouse and 18.8 for Residential Care.

(5) Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed. (66001(b)).

There is a reasonable relationship between the amount of the fee and the cost of the needed affordable housing attributable to the new non-residential development. The Nexus Analysis has quantified the increased need for affordable units in relation to each type of new non-residential use being developed and determined maximum fee levels based on the cost of providing the needed affordable housing. Costs reflect the net subsidy required to produce the affordable units based on recent cost information for development of affordable housing in San José. Commercial Linkage fees do not exceed the cost of providing the affordable housing that is attributable to the new development.

(6) A fee shall not include the costs attributable to existing deficiencies in public facilities (66001(g)).

The Nexus Analysis quantifies only the net new affordable housing needs generated by new non-residential development in San José. Existing deficiencies with respect to housing conditions in San José are not considered nor in any way included in the analysis.

APPENDIX A: DISCUSSION OF VARIOUS FACTORS IN RELATION TO NEXUS CONCEPT

This appendix includes a discussion of various factors and assumptions in relation to the Nexus Analysis and provides a description of the validity of certain assumptions in the San José market.

1. No Excess Supply of Affordable Housing

An assumption of this Nexus Analysis is that there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by new non-residential development. Based on a review of San José's Housing Element, recent Census information for the City of San José, and other sources, conditions in San José are consistent with the underlying assumption that no excess supply of housing affordable to Extremely Low, Very Low, Low and Moderate Income households exists, as evidenced by the following:

- Census data for San José (from the 2013 to 2017 American Community Survey) shows 39% of all households in the City are paying thirty percent or more of their income on housing [(61)].

- For households earning less than $75,000 per year, a group that includes 38% of all households in the City, 73% are paying thirty percent or more of their income on housing according the U.S. Census 2013 to 2017 American Community Survey [(61)].

- San José's Housing Element [(62)] states that "…approximately 50% of owners (those with a mortgage) and an even higher percentage (53.4%) of renters experiencing housing burden in 2010, this analysis concludes that the existing housing need in San José is substantial. In fact, these results suggest that needs are not confined to lower-income residents, but extend to middle class households as well…"

- San José's Annual Housing Element Progress Report for 2018 [(63)] indicates approximately 13% of the 20,849 Very Low, Low, and Moderate income unit production target for the 2014 to 2023 Regional Housing Needs Allocation Period have been permitted, a pace that would result in only 30% of the needed Very Low, Low and Moderate Income units being built over the entire nine year planning period.

- Vacancy is approximately 5.6% for rental housing in San José as of 2019 according to real estate data provider Costar [(64)], a level generally considered normal to accommodate regular turnover of units. However, vacancy is skewed toward newer and higher rent units, classified as 4 and 5-star properties by Costar, which have a vacancy rate of 9.2%. Among older and lower rent properties that receive a one or two-star rating by Costar, vacancy is just 4.1%, indicating a tighter housing market among more affordable properties [(64)].

- According to mortgage provider HSH [65], an income of approximately $229,000 is needed to afford the median price home in the San José metro area as of the third quarter 2019, which is 1.62 times the area median income for a four-person household [5].

- Development of new rental units affordable to Extremely Low, Very Low, Low, and Moderate Income is unlikely to occur without a subsidy as rents affordable to these income groups are not sufficient to support the high cost of construction [66].

2. Addressing the Housing Needs of a New Population vs. the Existing Population

This Nexus Analysis assumes there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by development of new workplace buildings.

This nexus study does not address the housing needs of the existing population. Rather, the study focuses exclusively on documenting and quantifying the housing needs created by development of new workplace buildings.

3. Substitution Factor

Any given new building may be occupied partly, or even perhaps totally, by employees relocating from elsewhere in the region. Buildings are often leased entirely to firms relocating from other buildings in the same jurisdiction. However, when a firm relocates to a new building from elsewhere in the region, there is a space in an existing building that is vacated and occupied by another firm. That building in turn may be filled by some combination of newcomers to the area and existing workers. Somewhere in the chain there are jobs new to the region. The net effect is that new workplace buildings accommodate new employees, although not necessarily inside the new buildings themselves.

4. Relationship Between Construction of Employment Space and Job Growth Holds on Macro Scale

The Nexus Analysis relates square feet of new non-residential development to added jobs in San José on an individual building basis. While the analysis is conducted at the level of the individual building, the underlying relationships hold on a larger County-level scale. KMA reviewed published data on employment in Santa Clara County in relationship to the absorption of new office, R&D and industrial space. As summarized in Table A-1 below, employment has grown in proportion to new building area. Relationships between building area and jobs has been relatively consistent over time with a modest trend toward increasing density of employment. As shown in the table below, over the 10-year period from 2008 to 2018, an average of one new job was added for every 303 square feet of added office, R&D, and industrial space.

Table A-1. Relationship Between Added Jobs and Added Employment Space in Santa Clara County			
	2008	**2018**	**Incremental Growth**
Jobs in sectors relevant to Office/ R&D/Industrial Space [1] [2]	680,700 Jobs	868,200 Jobs	187,500 Jobs
Office, R&D, and Industrial Space, Santa Clara County [3]	249,629,088 Square Feet	306,369,983 Square Feet	56,740,895 Square Feet
Ratio: Added Jobs to Square Feet	**1 job per 367 square feet of office / R&D / industrial**	**1 job per 353 square feet of office / R&D / industrial**	**1 added job for every 303 square feet office / R&D / Industrial space added**

[1] Employment data is from the California Employment Development Department and is for Santa Clara County [(45)].
[2] Does not include employment in industry sectors less likely to be primarily located in private office / R&D and industrial buildings. jobs in governmental, farm, construction, retail, transportation, warehouse and utilities totaling 237,700 and 245,800 in 2008 and 2018, respectively, were removed from the indicated employment totals to provide for a more consistent comparison.
[3] NAI/BT Commercial [(67)] for 2008 building area totals; Colliers International [(68)] for 2018 building area totals (uses 4th quarter figures).

5. Indirect Employment and Multiplier Effects

The multiplier effect refers to the concept that the income generated by a new job recycles through the economy and results in additional jobs. The total number of jobs generated is broken down into three categories – direct, indirect and induced. In the case of this Nexus Analysis, the direct jobs are those located in the new workspace buildings that would be subject to the linkage fee. Multiplier effects encompass indirect and induced employment. Indirect jobs are generated by suppliers to the businesses located in the new workspace buildings. Induced jobs are generated by local spending on goods and services by employees.

Multiplier effects vary by industry. Industries that draw heavily on a network of local suppliers tend to generate larger multiplier effects. Industries that are labor intensive also tend to have larger multiplier effects as a result of the induced effects of employee spending.

Theoretically, a jobs-housing nexus analysis could consider multiplier effects although the potential for double-counting exists to the extent indirect and induced jobs are added in other new buildings in jurisdictions that have linkage fees. KMA chose to omit the multiplier effects (the indirect and induced employment impacts) to avoid potential double-counting and make the analysis more conservative.

In addition, the Nexus Analysis addresses direct “inside” employment only. In the case of an office building, for example, direct employment covers the various managerial, professional and clerical people that work in the building; it does not include delivery services, landscape maintenance workers, janitorial contractors and many others that are associated with the normal functioning of an office building. In other words, any analysis that ties lower income housing to the number of workers inside buildings will continue to understate the demand. Thus, confining

the analysis to the direct employees does not address all the lower income workers associated with each type of building and understates the impacts.

6. Jobs Housing Balance and Commuting

San José is a part of the broader Silicon Valley and Bay Area economies and many workers commute into and out of San José for work on a daily or regular basis. San José has been a net "exporter" of workers in that more workers live in San José than work in San José. As of the 2013 to 2017 American Community Survey, approximately 21% more workers were living in San José than there are jobs [48] [49]. Around half of workers who reside in the City commute out to work in another city while the other half hold jobs in San José. Overall, San José residents hold approximately 59% of the jobs that are located in San José and workers that reside elsewhere hold the other 41% of jobs [48] [49]. The City has long had policy goals around jobs housing balance and increasing the level of employment in the City.

The fact that San José is a net "exporter" of workers is not a material consideration from the standpoint of the nexus technical analyses. The methodology and assumptions do not rely upon a particular commute share or balance of jobs to housing. The important factor is that the San José market is consistent with the key underlying assumption that there is no excess supply of affordable housing available to meet the needs of new workers, as discussed above. In addition, the fact that many workers commute out of the City for work is not an indication of an excess capacity in the labor force available to absorb new job growth. Job growth in the City of San José and in the broader region necessitates corresponding growth in housing opportunities at a range of affordability levels to avoid exacerbating adverse effects already being experienced such as overcrowding, overpaying for housing, displacement and long commutes.

7. Economic Cycles

An impact analysis of this nature is intended to support a one-time impact requirement to address impacts generated over the life of a project (generally 40 years or more). Short-term conditions, such as a recession or a vigorous boom period, are not an appropriate basis for estimating impacts over the life of the building. These cycles can produce impacts that are higher or lower on a temporary basis.

Development of new workspace buildings tends to be minimal during a recession and generally remains minimal until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition will absorb existing vacant space and underutilized capacity of existing workers, employed and unemployed. By the time new buildings become occupied, conditions will have likely improved.

To the limited extent that new workspace buildings are built during a recession, housing impacts from these new buildings may not be fully experienced immediately, but the impacts will be experienced at some point. New buildings delivered during a recession can sometimes sit

vacant for a period after completion. Even if new buildings are immediately occupied, overall absorption of space can still be zero or negative if other buildings are vacated in the process. Jobs added may also be filled in part by unemployed or underemployed workers who are already housed locally. As the economy recovers, firms will begin to expand and hire again filling unoccupied space as unemployment is reduced. New space delivered during the recession still adds to the total supply of employment space in the region. Though the jobs are not realized immediately, as the economy recovers and vacant space is filled, this new employment space absorbs or accommodates job growth. Although there may be a delay in experiencing the impacts, the fundamental relationship between new buildings, added jobs, and housing needs remains over the long term.

In contrast, during a vigorous economic boom period, conditions exist in which elevated impacts are experienced on a temporary basis. As an example, compression of employment densities can occur as firms add employees while making do with existing space. Compressed employment densities mean more jobs added for a given amount of building area. The employment density data used in the Nexus Analysis are reflective of longer-term averages and in many cases are based on selection of estimates at the lower end of the range of sources considered. For office, a conservative assumption is made that employment density will decrease in the future. While rising construction costs in the Bay Area have also impacted development costs for the affordable projects which form the basis of the affordability gap analysis in the Nexus Analysis, the costliest project was removed from the average applied in the mitigation cost calculations. These conservative assumptions, among others, result in a Nexus Analysis that provides a conservative result and will tend to understate mitigation costs.

While the economic cycles can produce impacts that are temporarily higher or lower than normal, an impact fee is designed to be collected once, during the development of the project. Over the lifetime of the project, the impacts of the development on the demand for affordable housing will be realized, despite short-term booms and recessions.

8. Non-Duplication of Residential and Non-Residential Affordable Housing Mitigations

The City of San Jose has an existing Affordable Housing Impact Fee (AHIF) program that helps mitigate the impacts of new rental residential development on the demand for affordable housing. The City has been transitioning away from the AHIF program; however, it is expected to apply to some future rental residential developments. A separate Residential Nexus Analysis prepared in 2014 provides nexus support to the AHIF program [(69)]. This section evaluates the potential for overlap between the affordable housing impacts being mitigated by the City's existing AHIF program and a proposed new commercial linkage fee. The analysis demonstrates that no duplication in affordable housing mitigations will occur.

To briefly summarize the Commercial Linkage Fee Nexus Analysis, the logic begins with jobs located in new workplace buildings including office buildings, retail spaces, hotels and others.

The Nexus Analysis then identifies the compensation structure of the new jobs depending on the building type, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability categories.

In the Residential Nexus Analysis, the logic begins with households who rent new market rate units. The nexus analysis quantifies the number of jobs created in services to the new households and then identifies the compensation structure of the new jobs, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability categories.

Some of the jobs that are counted in the Commercial Linkage Fee Nexus Analysis may also be counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of residents of new rental residential units, such as expenditures for food, personal services, restaurant meals and entertainment. However, many jobs counted in the Commercial Linkage Fee Nexus Analysis are not addressed in the Residential Nexus Analysis at all. Firms in office, industrial, warehouse and hotel buildings often serve a much broader, sometimes international, market and are generally not focused on providing services to local residents. These non-local serving jobs are not counted in the Residential Nexus Analysis. Retail, which typically is primarily local serving, is the building type that has the greatest potential for overlap between the jobs counted in the Residential and Commercial Linkage Fee Nexus Analyses.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the Commercial Linkage Fee Nexus Analysis are also counted for purposes of the Residential Nexus Analysis. For example, a small retail store or restaurant might be located on the ground floor of a new apartment building and entirely dependent upon customers from the apartments in the floors above. The commercial space on the ground floor may be subject to a commercial linkage fee while the apartments above may pay a residential affordable housing impact fee. In this special case, the two programs mitigate the affordable housing demand of the very same workers. Therefore, in this special case, the combined requirements of the two programs to fund construction of affordable units must not exceed 100% of the demand for affordable units generated by employees in the new commercial space.

Complete overlap between jobs counted in the Commercial Linkage Fee Nexus Analysis and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of theoretical circumstances. The following analysis demonstrates that combined mitigation requirements would not exceed the nexus even if the jobs counted in the Residential Nexus Analysis are also counted in the Commercial Linkage Fee Nexus Analysis. As discussed, the theoretical possibility of 100% overlap exists mainly with retail jobs that serve residents of new rental housing in San Jose; therefore, the overlap analysis is focused on the retail land use.

Commercial Linkage Fee as Percent of Nexus Maximum

The Commercial Linkage Fee Nexus Analysis calculates the maximum fee supported by the analysis of $176.70 per square foot of retail. For purposes of the illustration in this section only, a commercial linkage fee for retail of not more than $30 per square foot is assumed. If the City were to adopt a retail commercial linkage fee of not more than $30 per square foot, it would mitigate no more than 17% of the total affordable housing impacts for retail as shown in Table A-2.

Table A-2 Illustrative Retail Fee as a Percent of Nexus Maximum

Building Type	Nexus Maximum	Retail Fee Assumed for Purposes of Illustration Only	Illustrative Retail Fee as Percent of Nexus
Retail	$176.70	Not more than $30/SF	Not more than 17%

AHIF as Percent of Nexus Maximum

The Residential Nexus Analysis identifies the affordable unit demand impacts of new market rate rental residential development and calculates maximum affordable housing impact fees based on the cost of mitigating these impacts. In Table A-3, KMA combines affordable unit demand impact findings of the 2014 Residential Nexus Analysis with the updated affordability gaps that are calculated in Section 4 to determine updated maximum supported affordable housing impact fees per square foot. Based on current mitigation costs, the updated maximum affordable housing impact fee for rental residential developments is $42.30 per square foot.

Table A-3 Update to Residential Nexus Analysis Findings to Reflect Current Affordability Gap.

	A. Affordable Unit Demand Per 100 Market Rate Units	B. Affordability Gap	C. Updated Mitigation Cost Per Residential Unit	D. Updated Mitigation Cost Per Square Foot
	Residential Nexus Analysis, Page 3	*Section 4*	*=A x B./100*	*= C. / 990 SF market rate unit size*
Extr. Low (Under 30% AMI)	2.5	$383,000	$9,600	$9.70
Very Low (30% - 50% AMI)	5.1	$279,000	$14,200	$14.30
Low (50%-80% AMI)	5.3	$228,000	$12,100	$12.20
Moderate (80%-120% AMI)	3.3	$181,300	$6,000	$6.10
Total	16.2		$41,900	$42.30

Source: 2014 Residential Nexus Analysis prepared by KMA for the City of San Jose.

The AHIF is currently $18.70/SF and applies only to rental projects between 3 and 19 units as well as certain pipeline rental projects with 20 or more units that submitted a planning application and affordable housing compliance plan prior to June 30, 2018. The AHIF is proposed to be phased out in favor of applying the City's Inclusionary Housing Ordinance (IHO)

to all residential development projects with five or more units; however, the AHIF will continue to apply to some projects until the phase out is complete.

As shown in Table A-4, the current AHIF rate of $18.70/SF represents approximately 44% of the $42.30/SF updated nexus maximum identified in Table A-3. Therefore, the AHIF mitigates approximately 44% of the affordable housing impacts associated with new market rate rental developments. While the Residential Nexus Analysis also included separate nexus findings for high-rise apartments, the current AHIF rate for applicable high-rise developments is zero.

TableA-4. Percent of Nexus Maximum Mitigated by AHIF	
Nexus Maximum Per Square Foot[1]	$42.30/SF
Current AHIF	$18.70/SF
Percent of Nexus Maximum Mitigated	44%

[1]Table A-3

Combined Affordable Housing Mitigations Do Not Exceed Nexus Maximums

As an illustrative commercial linkage fee for retail of up to $30 per square foot would mitigate no more than 17% of the maximum supported by the nexus, as shown in Table A-2, and residential fees mitigate an estimated 44% of the maximum supported by the nexus, combined residential and non-residential affordable housing mitigations would mitigate no more than 61% of the impacts (17% + 44% = 61%) even under the theoretical circumstance of 100% overlap in the jobs counted in the two nexus analyses. Therefore, no duplication in affordable housing mitigations will occur.

Inclusionary Housing Ordinance (IHO) is Compatible with Proposed Commercial Linkage Fee

As noted above, the City has been transitioning away from the AHIF toward implementation of the IHO for all residential development projects. In contrast to the AHIF, the IHO is not limited in purpose or extent to mitigation of impacts of new development. Findings made by the City Council at adoption indicate the purpose of the IHO is to “enhance the public welfare by establishing policies which require the development of housing affordable to households of very low, lower, and moderate incomes, meet the City's regional share of housing needs, and implement the housing element's goals and objectives.”

The IHO is not, and is not required to be, supported by a nexus study, as confirmed by the ruling in *California Building Industry Association v. City of San Jose* (2015) 61 Cal.4th 435, cert. denied 138 S.Ct. 928 (2016). Therefore, a similar test regarding potential overlapping mitigations is not performed with respect to the IHO because it is not focused on or limited to mitigation of impacts. So long as the San José housing market is consistent with the underlying assumption described in Appendix A, No. 1, that there is no excess supply of affordable housing available to meet the needs of new workers, which includes consideration of units produced through the IHO, proposed commercial linkage fees applicable to non-residential development

remain a valid requirement fully compatible with implementation of the IHO for residential developments.

This section may require updating if residential requirements are modified or if the proposed commercial linkage fees are adopted at levels that exceed the illustrative fee level assumed in this section.

APPENDIX B: LIST OF DATA SOURCES

This appendix lists data sources used in preparation of the Nexus Analysis. Numbering corresponds to the citations in the report text. Following the list of sources, a series of tables provides a summary of the employment density information from the sources consulted.

1. **Employment Development Department, Labor Market Information Division.** Industry Employment & Labor Force - by MONTH, San Jose, Sunnyvale, Santa Clara MSA (San Benito and Santa Clara Counties). June 19, 2020.
2. **PwC.** *US COVID-19 CFO Pulse Survey US findings.* June 15, 2020.
3. **Sherr, Ian.** The new work-from-home policies at Facebook, Twitter, Apple and More. *CNET.* May 29, 2020.
4. **Rafter, Dan.** Will COVID-19 change the way we work … forever? *REJournals.* April 16, 2020.
5. **California Department of Housing and Community Development.** *State Income Limits.* May 6, 2020.
6. **City of San Jose.** *Draft Environmental Impact Report, Santana West Redevelopment Project SCH No. 2015112006.* San Jose : s.n., June 2016.
7. **David J. Powers Associates, Inc. and City of San Jose.** *Initial Study / Addendum, 200 Park Avenue Office Project, File H18-045.* San Jose : s.n., October 2019.
8. **City of San Jose.** *Addendum to the Downtown Strategy 2000 Final Environmental Impact Report and Addenda Thereto, Downtown Strategy 2040 Final Environmental Impact Report, and Envision San Jose 2040 General Plan Final Environmental Impact Report as Supplemented.* San Jose : s.n., May 2019.
9. —. *Draft Subsequent Environmental Impact Report, America Center Phase III Project, File Numbers: PDC15-058 and PD15-053, State Clearinghouse Number: 2016092066.* San Jose : s.n., March 2017.
10. **ICF International.** *Facebook Campus Expansion Project Draft EIR. State Clearinghouse No. 2015062056.* May 2016.
11. **LSA Associates Inc.** *Apple Campus 2 Project Environmental Impact Report. State Clearinghouse #2011082055.* June 2013.
12. **David J. Powers and Associates and City of Mountain View.** *Draft Subsequent Environemntal Impact Report North Bayshore Precise Plan. State Clearinghouse #2013082088.* Mountain View : s.n., March 2017.
13. **Keyser Marston Associates, Inc.** *Office Employment Density Estimate.* San Francisco : s.n., October 2017.
14. **City of San Jose.** *Draft Environmental Impact Report, Santana Row Planned Development Rezoning, SCH# 2013122059.* March 2015.
15. **U.S. Green Building Council.** *Building Area Per Employee by Business Type based on sources including Institute of Transportation Engineers, U.S. Department of Energy, and San Diego Association of Governments.*
16. **Keyser Marston Associates, Inc.** *Summary of National Restaurant Association. 2009-10 National Restaurant Industry Operations Report.* 2009-2010.
17. **Silicon Valley Business Journal.** 2010 Book of Lists. *Silicon Valley Busiess Journal.* [Online] 2010. https://bizjournals.com/sanjose/digital-edition?issue_id=7404.

18. **City of San Jose.** *Draft Supplemental Environmental Impact Report to the Final Environmental Impact Report for the Downtown Strategy 2040 (SCH#2018082075) San Jose Tribute Hotel Prepared by File Nos. H16-042 and HP17-003.* May 2019.
19. **ARC Tech Architectural Technologies .** *A Planned Development Permit Package for Trammell Crow Company Midpoint at 237 San Jose California.* 2014.
20. **ICF International.** *Initial Study for 1350 Adams Court Project.* December 2018.
21. **Dennis Yee, Senior Economist. Jennifer Bradford, Associate Planner and Department, Growth Management Services.** *Portland Metro Employment Density Study.* 1999.
22. **Perkins, Williams and Cotterill Architects.** *Site Plan, Silicon Valley Industrial Center.* San Jose : s.n., 2014. Permit H14-027.
23. **HPA Architecture.** *IPT Silicon Valley, Site Development Permit H17-005.* San Jose : s.n., 2017.
24. **City of San Jose.** *Site Development Permit, 2829 Monterey Road, File H18-027.* San Jose : s.n., 2018.
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While we believe these sources are sufficiently accurate for purposes of the analyses, we cannot guarantee their accuracy. KMA assumes no liability for information derived from these or any other source.

Appendix B Tables 1 through 4 provide a summary of the employment density information derived from sources listed above.

APPENDIX B TABLE 1
OFFICE EMPLOYMENT DENSITY
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

OFFICE AND HIGH-TECH OFFICE

Source	SF Per Employee	Employees Per 1,000 SF
San Jose EIRs		
Santana West Redevelopment EIR, San Jose	300	3.33
200 Park Avenue Office Project, Initial Study, San Jose	300	3.33
Adobe North Tower, supplement to EIR, San Jose	300	3.33
America Center EIR, San Jose	300	3.33
Estimates for other cities (focus on tech)		
North Bay Shore Precise Plan EIR, Mountain View	250	4.00
Apple Campus 2.0 EIR, Cupertino	241	4.15
Facebook Campus Expansion Project EIR, Menlo Park	150	6.65
KMA office employment density estimate, San Francisco - blend of tenant t	238	4.20
- tech tenants only [2]	207	4.83
Institute of Transportation Engineers, Trip Generation [1]		
General Office	304	3.29
Single Tenant Office	295	3.39
Medical-Dental Office	207	4.83
Office park	278	3.60
Business park	332	3.01
Estimate for Nexus Study		
Office employment density estimate pre-coronavirus	300	3.33
With assumed 1/3 post-coronavirus increase in SF per employee	400	2.50
High-Tech Office employment density estimate pre-coronavirus	225	4.44
With assumed 1/3 post-coronavirus increase in SF per employee	300	3.33

(1) Drawn from summary prepared by U.S. Green Building Council.

(2) Based on one of the three methodologies used in the study adjusted for 10% vacancy.

APPENDIX B TABLE 2
HOTEL EMPLOYMENT DENSITY
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

HOTEL

Source	Number of Rooms	No. of Employees	Employees Per Room
Silicon Valley Book of Lists, 2010			
Fairmont San Jose	805	430	0.53
Santa Clara Marriott	759	300	0.40
Hilton San Jose	353	200	0.57
Crowne Plaza San Jose	239	100	0.42
San Jose Tribute Hotel EIR	274	125	0.46
U.S. Department of Energy (1) (2)			0.53

Estimate for Nexus Study	employees per room	0.4
	SF per employee(2)	1,500

(1) Drawn from summary prepared by U.S. Green Building Council.

(2) Translations between per room and per square foot figures are based on an average of 600 square feet per room.

APPENDIX B TABLE 3
RESIDENTIAL CARE EMPLOYMENT DENSITY
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

RESIDENTIAL CARE

Name	City	Beds	Units	Square Footage	Estimated Employees	SF / Employee
Belmont Village Union Avenue	San Jose	198	152	125,303	47	2,666
Holden Assisted Living, South Basc	San Jose	192	165	147,789	85	1,739
Oakmont of Evergreen Assisted Livi	San Jose	109	94	91,714	55	1,668
Oakmont	Concord	76	76	100,000	38	2,632
Oakmont Emerald Isle	Santa Rosa	71	49	68,114	50	1,362
					Average	**2,013**

Estimate for Nexus Study	2,000

Sources: Staff reports for applicable jurisdictions, EIRs and other sources. In some cases, the number of employees has been estimated by KMA based on the project description.

APPENDIX B TABLE 4
EMPLOYMENT DENSITY - RETAIL, R&D, INDUSTRIAL, WAREHOUSE
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Source	SF Per Employee	Employees Per 1,000 SF
RETAIL		
Institute of Transportation Engineers, Trip Generation [1]		
Specialty Retail Store	549	1.82
Discount Store	654	1.53
Quality Restaurant	134	7.46
High Turnover Restaurant	100	10.0
Restaurants, National Restaurant Association [2]	140	7.14
Portland Metro Employment Density Study [3]	470	2.13
Santana ROW EIR	400	2.50
Estimate for Nexus Study	500	2.00
RESEARCH AND DEVELOPMENT		
Institute of Transportation Engineers, Trip Generation [1]	400	2.50
Life Science R&D, estimate for 1350 Adams, Menlo Park	400	2.50
Estimate for Nexus Study	400	2.50
INDUSTRIAL		
Institute of Transportation Engineers, Trip Generation [3]		
Light Industrial	463	2.16
Heavy Industrial	549	1.82
Industrial Park	500	2.00
Manufacturing	535	1.87
San Jose Midpoint @237 Parking Ratio	500	2.00
Estimate for Nexus Study	500	2.00

APPENDIX B TABLE 4
EMPLOYMENT DENSITY - RETAIL, R&D, INDUSTRIAL, WAREHOUSE
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Source	SF Per Employee	Employees Per 1,000 SF
WAREHOUSE		
Institute of Transportation Engineers, Trip Generation [1]	781	1.28
Portland Metro Employment Density Study [3]		
Wholesale Trade	1,390	0.72
Transportation and Warehousing	3,290	0.30
U.S. Department of Energy [1]		
Warehousing	2,114	0.47
San Jose Pipeline Warehouse Projects, average parking ratio for six pipeline projects	1,146	0.87
Estimate for Nexus Study	2,000	0.50

Notes:

(1) Drawn from summary of ITE data prepared by U.S. Green Building Council.

(2) Calculated by KMA from data presented in 2009-10 national restaurant industry operations report. Based on limited service and full service restaurants with average check per person of $15.

(3) Technical Report 1999 Employment Density Study. Prepared by Portland Metro. 1999. Consideration of a range of data sources for employment density provides useful points of reference to inform the analysis even if not all sources are local.

APPENDIX C: SUPPORTING TECHNICAL ANALYSIS TABLES

Addressing: worker occupation, compensation, and household incomes, industry categories, and use categories.

APPENDIX C TABLE 1
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
OFFICE WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Major Occupations (2% or more)	Worker Occupation Distribution Office
Management Occupations	*9.8%*
Business and Financial Operations Occupations	*14.8%*
Computer and Mathematical Occupations	*20.3%*
Architecture and Engineering Occupations	*4.4%*
Legal Occupations	*2.4%*
Arts, Design, Entertainment, Sports, and Media Occupations	*2.1%*
Healthcare Practitioners and Technical Occupations	*5.7%*
Healthcare Support Occupations	*3.5%*
Sales and Related Occupations	*6.0%*
Office and Administrative Support Occupations	*22.8%*
All Other Worker Occupations - Office	*8.2%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Office Workers
Page 1 of 4						
Management Occupations						
Chief Executives	$253,400	$255,000	$283,000	$284,000	3.1%	0.3%
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	25.0%	2.4%
Marketing Managers	$203,300	$207,000	$275,000	$276,000	6.5%	0.6%
Sales Managers	$177,700	$181,000	$260,000	$260,000	6.1%	0.6%
Administrative Services Managers	$145,000	$151,000	$224,000	$231,000	3.6%	0.3%
Computer and Information Systems Managers	$219,000	$223,000	$296,000	$297,000	17.2%	1.7%
Financial Managers	$181,200	$184,000	$266,000	$266,000	13.7%	1.3%
Human Resources Managers	$177,600	$181,000	$260,000	$260,000	2.5%	0.2%
Architectural and Engineering Managers	$207,000	$211,000	$280,000	$281,000	3.7%	0.4%
Medical and Health Services Managers	$147,200	$153,000	$227,000	$235,000	2.2%	0.2%
Managers, All Other	$174,500	$178,000	$256,000	$256,000	6.8%	0.7%
Other Management Occupations	$186,100	$189,000	$273,000	$273,000	9.5%	0.9%
Weighted Mean Annual Wage	***$186,100***	**$190,000**	**$264,000**	**$265,000**	**100.0%**	**9.8%**
Business and Financial Operations Occupations						
Buyers and Purchasing Agents	$84,000	$92,000	$153,000	$165,000	2.1%	0.3%
Claims Adjusters, Examiners, and Investigators	$83,500	$91,000	$152,000	$164,000	2.1%	0.3%
Compliance Officers	$95,400	$104,000	$174,000	$188,000	2.1%	0.3%
Human Resources Specialists	$86,300	$94,000	$157,000	$170,000	5.5%	0.8%
Management Analysts	$122,900	$128,000	$205,000	$210,000	11.7%	1.7%
Training and Development Specialists	$93,600	$102,000	$171,000	$184,000	3.4%	0.5%
Market Research Analysts and Marketing Specialists	$100,400	$105,000	$167,000	$172,000	10.7%	1.6%
Business Operations Specialists, All Other	$102,500	$107,000	$171,000	$176,000	10.5%	1.6%
Accountants and Auditors	$92,400	$101,000	$168,000	$182,000	26.3%	3.9%
Financial Analysts	$119,400	$124,000	$199,000	$204,000	4.1%	0.6%
Loan Officers	$85,100	$93,000	$155,000	$167,000	5.4%	0.8%
Tax Preparers	$80,000	$87,000	$146,000	$157,000	3.6%	0.5%
Other Business and Financial Operations Occupations	$98,300	$107,000	$179,000	$193,000	12.7%	1.9%
Weighted Mean Annual Wage	***$98,300***	**$105,000**	**$173,000**	**$183,000**	**100.0%**	**14.8%**
Computer and Mathematical Occupations						
Computer Systems Analysts	$122,500	$128,000	$204,000	$210,000	12.9%	2.6%
Information Security Analysts	$123,400	$129,000	$206,000	$211,000	2.4%	0.5%
Computer Programmers	$108,000	$113,000	$180,000	$185,000	6.9%	1.4%
Software Developers, Applications	$134,000	$139,000	$207,000	$214,000	28.4%	5.8%
Software Developers, Systems Software	$150,100	$153,000	$220,000	$220,000	10.3%	2.1%
Web Developers	$99,600	$109,000	$181,000	$196,000	2.6%	0.5%
Network and Computer Systems Administrators	$117,700	$123,000	$196,000	$202,000	5.9%	1.2%
Computer Network Architects	$148,300	$154,000	$229,000	$236,000	3.4%	0.7%
Computer User Support Specialists	$84,400	$92,000	$154,000	$166,000	12.2%	2.5%
Computer Network Support Specialists	$85,800	$94,000	$156,000	$169,000	3.2%	0.7%
Computer Occupations, All Other	$138,900	$144,000	$215,000	$221,000	7.2%	1.5%
Other Computer and Mathematical Occupations	$123,000	$128,000	$205,000	$211,000	4.6%	0.9%
Weighted Mean Annual Wage	***$123,000***	**$128,000**	**$198,000**	**$205,000**	**100.0%**	**20.3%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Office Workers
Page 2 of 4						
Architecture and Engineering Occupations						
Architects, Except Landscape and Naval	$124,200	$129,000	$207,000	$213,000	7.4%	0.3%
Surveyors	$92,900	$101,000	$169,000	$183,000	2.8%	0.1%
Aerospace Engineers	$142,600	$148,000	$220,000	$227,000	2.2%	0.1%
Civil Engineers	$116,100	$121,000	$194,000	$199,000	14.6%	0.6%
Computer Hardware Engineers	$164,700	$168,000	$241,000	$241,000	5.9%	0.3%
Electrical Engineers	$141,400	$147,000	$218,000	$225,000	7.6%	0.3%
Electronics Engineers, Except Computer	$144,700	$150,000	$224,000	$231,000	5.9%	0.3%
Environmental Engineers	$107,300	$112,000	$179,000	$184,000	2.3%	0.1%
Industrial Engineers	$124,600	$130,000	$208,000	$213,000	5.4%	0.2%
Mechanical Engineers	$128,300	$133,000	$198,000	$204,000	9.3%	0.4%
Engineers, All Other	$130,100	$135,000	$201,000	$207,000	4.7%	0.2%
Architectural and Civil Drafters	$66,500	$72,000	$138,000	$156,000	6.0%	0.3%
Civil Engineering Technicians	$77,400	$84,000	$141,000	$152,000	2.9%	0.1%
Electrical and Electronics Engineering Technicians	$73,500	$80,000	$152,000	$172,000	4.2%	0.2%
Engineering Technicians, Except Drafters, All Other	$78,200	$85,000	$142,000	$154,000	2.6%	0.1%
Surveying and Mapping Technicians	$73,300	$79,000	$152,000	$172,000	3.0%	0.1%
Other Architecture and Engineering Occupations	$117,100	$122,000	$195,000	$201,000	13.1%	0.6%
Weighted Mean Annual Wage	***$117,100***	**$122,000**	**$193,000**	**$201,000**	**100.0%**	**4.4%**
Legal Occupations						
Lawyers	$223,100	$227,000	$301,000	$303,000	60.7%	1.5%
Paralegals and Legal Assistants	$88,500	$96,000	$161,000	$174,000	32.9%	0.8%
Title Examiners, Abstractors, and Searchers	$69,700	$76,000	$144,000	$163,000	4.0%	0.1%
Other Legal Occupations	$171,500	$175,000	$251,000	$251,000	2.4%	0.1%
Weighted Mean Annual Wage	***$171,500***	**$177,000**	**$248,000**	**$254,000**	**100.0%**	**2.4%**
Arts, Design, Entertainment, Sports, and Media Occupations						
Art Directors	$123,200	$128,000	$206,000	$211,000	4.1%	0.1%
Multimedia Artists and Animators	$96,200	$105,000	$175,000	$189,000	5.8%	0.1%
Graphic Designers	$72,000	$78,000	$149,000	$169,000	17.7%	0.4%
Interior Designers	$72,500	$79,000	$150,000	$170,000	5.1%	0.1%
Merchandise Displayers and Window Trimmers	$42,700	$54,000	$110,000	$133,000	4.0%	0.1%
Producers and Directors	$108,200	$113,000	$180,000	$185,000	3.8%	0.1%
Public Relations Specialists	$85,700	$93,000	$156,000	$168,000	20.0%	0.4%
Editors	$78,700	$86,000	$143,000	$155,000	5.7%	0.1%
Technical Writers	$115,000	$120,000	$192,000	$197,000	8.7%	0.2%
Writers and Authors	$89,600	$98,000	$163,000	$176,000	4.1%	0.1%
Interpreters and Translators	$62,400	$68,000	$129,000	$146,000	2.5%	0.1%
Audio and Video Equipment Technicians	$64,000	$69,000	$132,000	$150,000	2.2%	0.0%
Photographers	$47,600	$60,000	$122,000	$149,000	2.8%	0.1%
Other Arts, Design, Entertainment, Sports, and Media Occupatio	$83,800	$91,000	$153,000	$165,000	13.3%	0.3%
Weighted Mean Annual Wage	***$83,800***	**$91,000**	**$157,000**	**$171,000**	**100.0%**	**2.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Office Workers
Page 3 of 4						
Healthcare Practitioners and Technical Occupations						
Dentists, General	$202,700	$206,000	$274,000	$275,000	10.1%	0.6%
Family and General Practitioners	$216,400	$220,000	$292,000	$293,000	2.6%	0.1%
Physicians and Surgeons, All Other	$250,000	$252,000	$279,000	$280,000	6.5%	0.4%
Physician Assistants	$133,900	$139,000	$207,000	$213,000	2.3%	0.1%
Physical Therapists	$104,700	$109,000	$175,000	$179,000	4.3%	0.2%
Veterinarians	$105,500	$110,000	$176,000	$181,000	2.1%	0.1%
Registered Nurses	$143,800	$150,000	$222,000	$229,000	9.7%	0.6%
Nurse Practitioners	$139,600	$145,000	$216,000	$222,000	3.2%	0.2%
Clinical Laboratory Technologists and Technicians	$66,100	$72,000	$137,000	$155,000	2.3%	0.1%
Dental Hygienists	$114,200	$119,000	$190,000	$196,000	20.1%	1.2%
Veterinary Technologists and Technicians	$50,400	$55,000	$104,000	$118,000	3.2%	0.2%
Licensed Practical and Licensed Vocational Nurses	$69,600	$75,000	$144,000	$163,000	3.4%	0.2%
Medical Records and Health Information Technicians	$61,000	$66,000	$126,000	$143,000	4.1%	0.2%
Other Healthcare Practitioners and Technical Occupations	$137,400	$143,000	$212,000	$219,000	26.0%	1.5%
Weighted Mean Annual Wage	***$137,400***	**$142,000**	**$208,000**	**$215,000**	**100.0%**	**5.7%**
Healthcare Support Occupations						
Physical Therapist Assistants	$72,400	$78,000	$150,000	$170,000	3.7%	0.1%
Physical Therapist Aides	$33,400	$42,000	$86,000	$104,000	2.3%	0.1%
Massage Therapists	$44,600	$56,000	$115,000	$139,000	2.7%	0.1%
Dental Assistants	$54,000	$59,000	$112,000	$127,000	50.8%	1.8%
Medical Assistants	$47,800	$60,000	$123,000	$149,000	26.9%	0.9%
Veterinary Assistants and Laboratory Animal Caretakers	$45,200	$57,000	$116,000	$141,000	4.7%	0.2%
Other Healthcare Support Occupations	$51,700	$56,000	$107,000	$121,000	8.9%	0.3%
Weighted Mean Annual Wage	***$51,700***	**$59,000**	**$116,000**	**$134,000**	**100.0%**	**3.5%**
Sales and Related Occupations						
First-Line Supervisors of Non-Retail Sales Workers	$88,000	$96,000	$160,000	$173,000	5.2%	0.3%
Retail Salespersons	$40,000	$51,000	$103,000	$125,000	2.0%	0.1%
Advertising Sales Agents	$77,600	$85,000	$141,000	$153,000	3.6%	0.2%
Insurance Sales Agents	$93,400	$102,000	$170,000	$184,000	9.9%	0.6%
Securities, Commodities, and Financial Services Sales Agents	$82,100	$89,000	$150,000	$161,000	13.3%	0.8%
Sales Representatives, Services, All Other	$83,400	$91,000	$152,000	$164,000	34.9%	2.1%
Sales Representatives, Wholesale and Manufacturing, Technical	$112,900	$118,000	$188,000	$193,000	11.4%	0.7%
Sales Representatives, Wholesale and Manufacturing, Except Te	$89,300	$97,000	$163,000	$176,000	5.8%	0.3%
Sales Engineers	$142,600	$148,000	$220,000	$227,000	3.7%	0.2%
Other Sales and Related Occupations	$89,900	$98,000	$164,000	$177,000	10.3%	0.6%
Weighted Mean Annual Wage	***$89,900***	**$97,000**	**$161,000**	**$173,000**	**100.0%**	**6.0%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Office Workers
Page 4 of 4						
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support Work	$71,800	$78,000	$149,000	$168,000	8.1%	1.8%
Billing and Posting Clerks	$52,900	$57,000	$109,000	$124,000	3.8%	0.9%
Bookkeeping, Accounting, and Auditing Clerks	$55,200	$60,000	$114,000	$129,000	9.3%	2.1%
Tellers	$41,400	$52,000	$106,000	$129,000	7.8%	1.8%
Customer Service Representatives	$48,900	$62,000	$126,000	$153,000	16.6%	3.8%
Loan Interviewers and Clerks	$51,400	$56,000	$106,000	$120,000	2.4%	0.5%
Receptionists and Information Clerks	$39,200	$50,000	$101,000	$122,000	6.9%	1.6%
Executive Secretaries and Executive Administrative Assistants	$84,200	$92,000	$153,000	$166,000	3.3%	0.8%
Legal Secretaries	$77,400	$84,000	$141,000	$152,000	2.0%	0.5%
Medical Secretaries	$55,600	$60,000	$115,000	$130,000	4.4%	1.0%
Secretaries and Administrative Assistants, Except Legal, Medica	$49,900	$63,000	$128,000	$156,000	8.5%	1.9%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	10.6%	2.4%
Other Office and Administrative Support Occupations	$53,000	$57,000	$110,000	$124,000	16.2%	3.7%
Weighted Mean Annual Wage	***$53,000***	**$62,000**	**$120,000**	**$141,000**	**100.0%**	**22.8%**
						91.8%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 3
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
TECH OFFICE WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Major Occupations (2% or more)	Worker Occupation Distribution Tech Office
Management Occupations	*12.0%*
Business and Financial Operations Occupations	*10.6%*
Computer and Mathematical Occupations	*42.3%*
Architecture and Engineering Occupations	*3.3%*
Life, Physical, and Social Science Occupations	*2.8%*
Arts, Design, Entertainment, Sports, and Media Occupations	*3.1%*
Sales and Related Occupations	*8.4%*
Office and Administrative Support Occupations	*11.6%*
Installation, Maintenance, and Repair Occupations	*2.6%*
All Other Worker Occupations - Tech Office	*3.3%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 4
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
TECH OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Tech Office Workers
Page 1 of 3						
Management Occupations						
Chief Executives	$253,400	$255,000	$283,000	$284,000	2.7%	0.3%
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	22.0%	2.6%
Marketing Managers	$203,300	$207,000	$275,000	$276,000	8.6%	1.0%
Sales Managers	$177,700	$181,000	$260,000	$260,000	9.0%	1.1%
Administrative Services Managers	$145,000	$151,000	$224,000	$231,000	2.8%	0.3%
Computer and Information Systems Managers	$219,000	$223,000	$296,000	$297,000	28.8%	3.5%
Financial Managers	$181,200	$184,000	$266,000	$266,000	5.9%	0.7%
Human Resources Managers	$177,600	$181,000	$260,000	$260,000	2.3%	0.3%
Architectural and Engineering Managers	$207,000	$211,000	$280,000	$281,000	2.9%	0.4%
Natural Sciences Managers	$200,200	$204,000	$270,000	$272,000	2.5%	0.3%
Managers, All Other	$174,500	$178,000	$256,000	$256,000	7.4%	0.9%
Other Management Occupations	$192,400	$196,000	$282,000	$282,000	5.1%	0.6%
Weighted Mean Annual Wage	***$192,400***	**$196,000**	**$270,000**	**$270,000**	**100.0%**	**12.0%**
Business and Financial Operations Occupations						
Buyers and Purchasing Agents	$84,000	$92,000	$153,000	$165,000	3.1%	0.3%
Compliance Officers	$95,400	$104,000	$174,000	$188,000	2.4%	0.3%
Human Resources Specialists	$86,300	$94,000	$157,000	$170,000	9.1%	1.0%
Logisticians	$98,900	$108,000	$180,000	$194,000	2.0%	0.2%
Management Analysts	$122,900	$128,000	$205,000	$210,000	15.1%	1.6%
Training and Development Specialists	$93,600	$102,000	$171,000	$184,000	6.3%	0.7%
Market Research Analysts and Marketing Specialists	$100,400	$105,000	$167,000	$172,000	22.1%	2.3%
Business Operations Specialists, All Other	$102,500	$107,000	$171,000	$176,000	16.8%	1.8%
Accountants and Auditors	$92,400	$101,000	$168,000	$182,000	12.1%	1.3%
Financial Analysts	$119,400	$124,000	$199,000	$204,000	4.7%	0.5%
Other Business and Financial Operations Occupations	$101,800	$106,000	$170,000	$174,000	6.5%	0.7%
Weighted Mean Annual Wage	***$101,800***	**$108,000**	**$175,000**	**$182,000**	**100.0%**	**10.6%**
Computer and Mathematical Occupations						
Computer Systems Analysts	$122,500	$128,000	$204,000	$210,000	12.0%	5.1%
Computer Programmers	$108,000	$113,000	$180,000	$185,000	7.0%	2.9%
Software Developers, Applications	$134,000	$139,000	$207,000	$214,000	31.4%	13.3%
Software Developers, Systems Software	$150,100	$153,000	$220,000	$220,000	10.5%	4.4%
Web Developers	$99,600	$109,000	$181,000	$196,000	3.2%	1.4%
Network and Computer Systems Administrators	$117,700	$123,000	$196,000	$202,000	5.2%	2.2%
Computer Network Architects	$148,300	$154,000	$229,000	$236,000	3.3%	1.4%
Computer User Support Specialists	$84,400	$92,000	$154,000	$166,000	11.8%	5.0%
Computer Network Support Specialists	$85,800	$94,000	$156,000	$169,000	3.0%	1.3%
Computer Occupations, All Other	$138,900	$144,000	$215,000	$221,000	6.9%	2.9%
Other Computer and Mathematical Occupations	$123,500	$129,000	$206,000	$211,000	5.7%	2.4%
Weighted Mean Annual Wage	***$123,500***	**$129,000**	**$198,000**	**$205,000**	**100.0%**	**42.3%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 4
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
TECH OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Tech Office Workers
Page 2 of 3						
Architecture and Engineering Occupations						
Aerospace Engineers	$142,600	$148,000	$220,000	$227,000	3.8%	0.1%
Computer Hardware Engineers	$164,700	$168,000	$241,000	$241,000	15.8%	0.5%
Electrical Engineers	$141,400	$147,000	$218,000	$225,000	11.2%	0.4%
Electronics Engineers, Except Computer	$144,700	$150,000	$224,000	$231,000	13.8%	0.5%
Industrial Engineers	$124,600	$130,000	$208,000	$213,000	8.6%	0.3%
Mechanical Engineers	$128,300	$133,000	$198,000	$204,000	10.6%	0.4%
Engineers, All Other	$130,100	$135,000	$201,000	$207,000	7.5%	0.2%
Electrical and Electronics Engineering Technicians	$73,500	$80,000	$152,000	$172,000	7.2%	0.2%
Engineering Technicians, Except Drafters, All Other	$78,200	$85,000	$142,000	$154,000	3.9%	0.1%
Other Architecture and Engineering Occupations	$133,100	$138,000	$206,000	$212,000	17.8%	0.6%
Weighted Mean Annual Wage	***$133,100***	**$138,000**	**$208,000**	**$215,000**	**100.0%**	**3.3%**
Life, Physical, and Social Science Occupations						
Biological Scientists, All Other	$112,400	$117,000	$187,000	$192,000	5.8%	0.2%
Medical Scientists, Except Epidemiologists	$115,700	$121,000	$193,000	$198,000	26.7%	0.7%
Physicists	$131,800	$137,000	$204,000	$210,000	4.0%	0.1%
Chemists	$117,000	$122,000	$195,000	$200,000	7.8%	0.2%
Biological Technicians	$66,400	$72,000	$137,000	$156,000	14.9%	0.4%
Social Science Research Assistants	$61,000	$66,000	$126,000	$143,000	3.4%	0.1%
Life, Physical, and Social Science Technicians, All Other	$72,000	$78,000	$149,000	$169,000	4.6%	0.1%
Other Life, Physical, and Social Science Occupations	$99,800	$109,000	$182,000	$196,000	32.8%	0.9%
Weighted Mean Annual Wage	***$99,800***	**$106,000**	**$177,000**	**$188,000**	**100.0%**	**2.8%**
Arts, Design, Entertainment, Sports, and Media Occupations						
Art Directors	$123,200	$128,000	$206,000	$211,000	3.9%	0.1%
Multimedia Artists and Animators	$96,200	$105,000	$175,000	$189,000	9.3%	0.3%
Graphic Designers	$72,000	$78,000	$149,000	$169,000	13.3%	0.4%
Producers and Directors	$108,200	$113,000	$180,000	$185,000	7.0%	0.2%
Public Relations Specialists	$85,700	$93,000	$156,000	$168,000	10.2%	0.3%
Editors	$78,700	$86,000	$143,000	$155,000	17.9%	0.6%
Technical Writers	$115,000	$120,000	$192,000	$197,000	11.2%	0.3%
Writers and Authors	$89,600	$98,000	$163,000	$176,000	6.6%	0.2%
Audio and Video Equipment Technicians	$64,000	$69,000	$132,000	$150,000	2.3%	0.1%
Other Arts, Design, Entertainment, Sports, and Media Occupa	$90,600	$99,000	$165,000	$178,000	18.2%	0.6%
Weighted Mean Annual Wage	***$90,600***	**$98,000**	**$164,000**	**$176,000**	**100.0%**	**3.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 4
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
TECH OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Tech Office Workers
Page 3 of 3						
Sales and Related Occupations						
First-Line Supervisors of Non-Retail Sales Workers	$88,000	$96,000	$160,000	$173,000	4.8%	0.4%
Advertising Sales Agents	$77,600	$85,000	$141,000	$153,000	7.9%	0.7%
Sales Representatives, Services, All Other	$83,400	$91,000	$152,000	$164,000	51.8%	4.3%
Sales Representatives, Wholesale and Manufacturing, Techni	$112,900	$118,000	$188,000	$193,000	17.2%	1.4%
Sales Representatives, Wholesale and Manufacturing, Except	$89,300	$97,000	$163,000	$176,000	6.6%	0.6%
Sales Engineers	$142,600	$148,000	$220,000	$227,000	5.4%	0.5%
Other Sales and Related Occupations	$92,400	$101,000	$168,000	$182,000	6.2%	0.5%
Weighted Mean Annual Wage	***$92,400***	**$100,000**	**$163,000**	**$174,000**	**100.0%**	**8.4%**
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support W	$71,800	$78,000	$149,000	$168,000	7.6%	0.9%
Bookkeeping, Accounting, and Auditing Clerks	$55,200	$60,000	$114,000	$129,000	7.0%	0.8%
Customer Service Representatives	$48,900	$62,000	$126,000	$153,000	31.1%	3.6%
Library Assistants, Clerical	$42,900	$54,000	$110,000	$134,000	4.0%	0.5%
Executive Secretaries and Executive Administrative Assistants	$84,200	$92,000	$153,000	$166,000	6.0%	0.7%
Secretaries and Administrative Assistants, Except Legal, Medi	$49,900	$63,000	$128,000	$156,000	8.4%	1.0%
Data Entry Keyers	$39,400	$50,000	$101,000	$123,000	3.6%	0.4%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	12.4%	1.4%
Other Office and Administrative Support Occupations	$53,500	$58,000	$111,000	$125,000	19.8%	2.3%
Weighted Mean Annual Wage	***$53,500***	**$63,000**	**$124,000**	**$146,000**	**100.0%**	**11.6%**
Installation, Maintenance, and Repair Occupations						
First-Line Supervisors of Mechanics, Installers, and Repairers	$96,300	$105,000	$175,000	$189,000	5.3%	0.1%
Computer, Automated Teller, and Office Machine Repairers	$46,900	$59,000	$120,000	$146,000	5.8%	0.1%
Telecommunications Equipment Installers and Repairers, Exc	$61,100	$66,000	$126,000	$143,000	50.5%	1.3%
Telecommunications Line Installers and Repairers	$82,400	$90,000	$150,000	$162,000	21.2%	0.5%
Maintenance and Repair Workers, General	$56,000	$61,000	$116,000	$131,000	7.4%	0.2%
Other Installation, Maintenance, and Repair Occupations	$66,800	$72,000	$138,000	$157,000	9.8%	0.3%
Weighted Mean Annual Wage	***$66,800***	**$73,000**	**$134,000**	**$150,000**	**100.0%**	**2.6%**
						96.7%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 5
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
RETAIL WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution Retail
Major Occupations (2% or more)	
Management Occupations	*2.5%*
Healthcare Practitioners and Technical Occupations	*2.1%*
Food Preparation and Serving Related Occupations	*42.6%*
Personal Care and Service Occupations	*5.1%*
Sales and Related Occupations	*28.0%*
Office and Administrative Support Occupations	*8.1%*
Installation, Maintenance, and Repair Occupations	*2.5%*
Transportation and Material Moving Occupations	*4.3%*
All Other Worker Occupations - Retail	*4.7%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 6
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
RETAIL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Retail Workers
Page 1 of 2						
Management Occupations						
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	52.8%	1.3%
Sales Managers	$177,700	$181,000	$260,000	$260,000	9.4%	0.2%
Food Service Managers	$87,400	$95,000	$159,000	$172,000	27.2%	0.7%
Other Management Occupations	$143,200	$149,000	$221,000	$228,000	10.6%	0.3%
Weighted Mean Annual Wage	***$143,200***	**$148,000**	**$219,000**	**$224,000**	**100.0%**	**2.5%**
Healthcare Practitioners and Technical Occupations						
Pharmacists	$156,100	$159,000	$229,000	$229,000	33.4%	0.7%
Pharmacy Technicians	$49,600	$63,000	$127,000	$155,000	53.8%	1.1%
Opticians, Dispensing	$49,900	$63,000	$128,000	$156,000	4.8%	0.1%
Other Healthcare Practitioners and Technical Occupations	$88,300	$96,000	$161,000	$174,000	8.0%	0.2%
Weighted Mean Annual Wage	***$88,300***	**$98,000**	**$164,000**	**$181,000**	**100.0%**	**2.1%**
Food Preparation and Serving Related Occupations						
First-Line Supervisors of Food Preparation and Serving Workers	$48,500	$61,000	$125,000	$151,000	7.3%	3.1%
Cooks, Fast Food	$31,700	$40,000	$81,000	$99,000	4.2%	1.8%
Cooks, Restaurant	$35,500	$45,000	$91,000	$111,000	10.6%	4.5%
Food Preparation Workers	$32,700	$41,000	$84,000	$102,000	5.9%	2.5%
Bartenders	$35,300	$45,000	$91,000	$110,000	4.2%	1.8%
Combined Food Preparation and Serving Workers, Including Fast	$31,700	$40,000	$81,000	$99,000	29.8%	12.7%
Counter Attendants, Cafeteria, Food Concession, and Coffee Sho	$32,200	$41,000	$83,000	$101,000	3.5%	1.5%
Waiters and Waitresses	$32,600	$41,000	$84,000	$102,000	20.1%	8.6%
Dining Room and Cafeteria Attendants and Bartender Helpers	$31,700	$40,000	$81,000	$99,000	3.0%	1.3%
Dishwashers	$31,700	$40,000	$81,000	$99,000	3.9%	1.7%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$31,700	$40,000	$81,000	$99,000	3.3%	1.4%
Other Food Preparation and Serving Related Occupations	$33,800	$43,000	$87,000	$106,000	4.3%	1.8%
Weighted Mean Annual Wage	***$33,800***	**$43,000**	**$87,000**	**$106,000**	**100.0%**	**42.6%**
Personal Care and Service Occupations						
First-Line Supervisors of Personal Service Workers	$46,200	$58,000	$119,000	$144,000	5.1%	0.3%
Nonfarm Animal Caretakers	$38,900	$49,000	$100,000	$121,000	5.6%	0.3%
Amusement and Recreation Attendants	$31,700	$40,000	$81,000	$99,000	5.0%	0.3%
Funeral Attendants	$38,700	$49,000	$99,000	$121,000	2.5%	0.1%
Hairdressers, Hairstylists, and Cosmetologists	$33,400	$42,000	$86,000	$104,000	32.9%	1.7%
Manicurists and Pedicurists	$31,700	$40,000	$81,000	$99,000	10.8%	0.6%
Skincare Specialists	$38,800	$49,000	$100,000	$121,000	3.9%	0.2%
Childcare Workers	$33,900	$43,000	$87,000	$106,000	3.1%	0.2%
Fitness Trainers and Aerobics Instructors	$64,800	$70,000	$134,000	$152,000	16.6%	0.9%
Other Personal Care and Service Occupations	$40,700	$51,000	$104,000	$127,000	14.5%	0.7%
Weighted Mean Annual Wage	***$40,700***	**$49,000**	**$99,000**	**$119,000**	**100.0%**	**5.1%**
Sales and Related Occupations						
First-Line Supervisors of Retail Sales Workers	$53,700	$58,000	$111,000	$126,000	11.6%	3.3%
Cashiers	$34,000	$43,000	$87,000	$106,000	31.2%	8.7%
Counter and Rental Clerks	$44,300	$56,000	$114,000	$138,000	2.8%	0.8%
Retail Salespersons	$40,000	$51,000	$103,000	$125,000	48.1%	13.5%
Sales Representatives, Services, All Other	$83,400	$91,000	$152,000	$164,000	2.4%	0.7%
Other Sales and Related Occupations	$40,900	$52,000	$105,000	$128,000	3.8%	1.1%
Weighted Mean Annual Wage	***$40,900***	**$50,000**	**$101,000**	**$121,000**	**100.0%**	**28.0%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 6
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
RETAIL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Retail Workers
Page 2 of 2						
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support Worke	$71,800	$78,000	$149,000	$168,000	5.5%	0.4%
Bookkeeping, Accounting, and Auditing Clerks	$55,200	$60,000	$114,000	$129,000	6.8%	0.6%
Customer Service Representatives	$48,900	$62,000	$126,000	$153,000	14.6%	1.2%
Receptionists and Information Clerks	$39,200	$50,000	$101,000	$122,000	8.5%	0.7%
Stock Clerks and Order Fillers	$33,700	$43,000	$87,000	$105,000	39.4%	3.2%
Secretaries and Administrative Assistants, Except Legal, Medical,	$49,900	$63,000	$128,000	$156,000	4.5%	0.4%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	10.1%	0.8%
Other Office and Administrative Support Occupations	$43,100	$54,000	$111,000	$135,000	10.5%	0.9%
Weighted Mean Annual Wage	***$43,100***	**$53,000**	**$107,000**	**$128,000**	**100.0%**	**8.1%**
Installation, Maintenance, and Repair Occupations						
First-Line Supervisors of Mechanics, Installers, and Repairers	$96,300	$105,000	$175,000	$189,000	7.7%	0.2%
Computer, Automated Teller, and Office Machine Repairers	$46,900	$59,000	$120,000	$146,000	4.7%	0.1%
Automotive Body and Related Repairers	$56,800	$62,000	$118,000	$133,000	3.7%	0.1%
Automotive Service Technicians and Mechanics	$60,300	$65,000	$125,000	$141,000	40.0%	1.0%
Bus and Truck Mechanics and Diesel Engine Specialists	$69,400	$75,000	$144,000	$163,000	3.4%	0.1%
Tire Repairers and Changers	$41,200	$52,000	$106,000	$129,000	10.9%	0.3%
Home Appliance Repairers	$55,200	$60,000	$114,000	$129,000	2.1%	0.1%
Maintenance and Repair Workers, General	$56,000	$61,000	$116,000	$131,000	9.6%	0.2%
Installation, Maintenance, and Repair Workers, All Other	$63,100	$68,000	$131,000	$148,000	3.0%	0.1%
Other Installation, Maintenance, and Repair Occupations	$60,100	$65,000	$124,000	$141,000	14.8%	0.4%
Weighted Mean Annual Wage	***$60,100***	**$66,000**	**$126,000**	**$143,000**	**100.0%**	**2.5%**
Transportation and Material Moving Occupations						
First-Line Supervisors of Transportation and Material Moving Worl	$67,800	$74,000	$140,000	$159,000	2.5%	0.1%
Driver/Sales Workers	$39,000	$49,000	$100,000	$122,000	20.5%	0.9%
Heavy and Tractor-Trailer Truck Drivers	$55,400	$60,000	$115,000	$130,000	3.3%	0.1%
Light Truck or Delivery Services Drivers	$50,400	$55,000	$104,000	$118,000	21.1%	0.9%
Taxi Drivers and Chauffeurs	$31,900	$40,000	$82,000	$100,000	3.4%	0.1%
Parking Lot Attendants	$33,000	$42,000	$85,000	$103,000	5.8%	0.3%
Cleaners of Vehicles and Equipment	$35,600	$45,000	$91,000	$111,000	9.3%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	$41,200	$52,000	$106,000	$129,000	15.4%	0.7%
Packers and Packagers, Hand	$33,200	$42,000	$85,000	$104,000	11.4%	0.5%
Other Transportation and Material Moving Occupations	$41,600	$53,000	$107,000	$130,000	7.4%	0.3%
Weighted Mean Annual Wage	***$41,600***	**$50,000**	**$100,000**	**$119,000**	**100.0%**	**4.3%**
						95.3%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income for the San Francicsco Bay Area identified in Table 3-6.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 7
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
HOTEL WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution Hotel
Major Occupations (2% or more)	
Management Occupations	*4.4%*
Food Preparation and Serving Related Occupations	*24.9%*
Building and Grounds Cleaning and Maintenance Occupations	*31.0%*
Personal Care and Service Occupations	*4.1%*
Sales and Related Occupations	*2.5%*
Office and Administrative Support Occupations	*20.0%*
Installation, Maintenance, and Repair Occupations	*5.5%*
Production Occupations	*2.4%*
All Other Worker Occupations - Hotel	*5.2%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 8
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
HOTEL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Hotel Workers
Page 1 of 2						
Management Occupations						
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	21.0%	0.9%
Sales Managers	$177,700	$181,000	$260,000	$260,000	7.4%	0.3%
Administrative Services Managers	$145,000	$151,000	$224,000	$231,000	4.2%	0.2%
Financial Managers	$181,200	$184,000	$266,000	$266,000	4.2%	0.2%
Human Resources Managers	$177,600	$181,000	$260,000	$260,000	2.2%	0.1%
Food Service Managers	$87,400	$95,000	$159,000	$172,000	9.6%	0.4%
Lodging Managers	$79,600	$87,000	$145,000	$156,000	44.4%	1.9%
Managers, All Other	$174,500	$178,000	$256,000	$256,000	3.3%	0.1%
Other Management Occupations	$119,400	$124,000	$199,000	$204,000	3.7%	0.2%
Weighted Mean Annual Wage	***$119,400***	**$125,000**	**$192,000**	**$199,000**	**100.0%**	**4.4%**
Food Preparation and Serving Related Occupations						
Chefs and Head Cooks	$86,000	$94,000	$157,000	$169,000	2.6%	0.7%
First-Line Supervisors of Food Preparation and Serving Workers	$48,500	$61,000	$125,000	$151,000	5.8%	1.4%
Cooks, Restaurant	$35,500	$45,000	$91,000	$111,000	15.7%	3.9%
Food Preparation Workers	$32,700	$41,000	$84,000	$102,000	2.2%	0.5%
Bartenders	$35,300	$45,000	$91,000	$110,000	7.8%	1.9%
Combined Food Preparation and Serving Workers, Including Fast F	$31,700	$40,000	$81,000	$99,000	3.1%	0.8%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	$32,200	$41,000	$83,000	$101,000	2.1%	0.5%
Waiters and Waitresses	$32,600	$41,000	$84,000	$102,000	31.2%	7.8%
Food Servers, Nonrestaurant	$37,300	$47,000	$96,000	$116,000	6.4%	1.6%
Dining Room and Cafeteria Attendants and Bartender Helpers	$31,700	$40,000	$81,000	$99,000	11.5%	2.9%
Dishwashers	$31,700	$40,000	$81,000	$99,000	5.8%	1.5%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$31,700	$40,000	$81,000	$99,000	3.5%	0.9%
Other Food Preparation and Serving Related Occupations	$35,700	$45,000	$92,000	$111,000	2.4%	0.6%
Weighted Mean Annual Wage	***$35,700***	**$45,000**	**$90,000**	**$109,000**	**100.0%**	**24.9%**
Building and Grounds Cleaning and Maintenance Occupations						
First-Line Supervisors of Housekeeping and Janitorial Workers	$52,900	$57,000	$109,000	$124,000	6.1%	1.9%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$38,500	$49,000	$99,000	$120,000	5.4%	1.7%
Maids and Housekeeping Cleaners	$37,400	$47,000	$96,000	$117,000	86.0%	26.7%
Other Building and Grounds Cleaning and Maintenance Occupation	$38,400	$49,000	$99,000	$120,000	2.4%	0.8%
Weighted Mean Annual Wage	***$38,400***	**$48,000**	**$97,000**	**$118,000**	**100.0%**	**31.0%**
Personal Care and Service Occupations						
First-Line Supervisors of Personal Service Workers	$46,200	$58,000	$119,000	$144,000	5.6%	0.2%
Ushers, Lobby Attendants, and Ticket Takers	$31,700	$40,000	$81,000	$99,000	2.1%	0.1%
Amusement and Recreation Attendants	$31,700	$40,000	$81,000	$99,000	17.4%	0.7%
Locker Room, Coatroom, and Dressing Room Attendants	$39,800	$50,000	$102,000	$124,000	4.9%	0.2%
Skincare Specialists	$38,800	$49,000	$100,000	$121,000	3.0%	0.1%
Baggage Porters and Bellhops	$34,300	$43,000	$88,000	$107,000	29.4%	1.2%
Concierges	$37,900	$48,000	$97,000	$118,000	18.1%	0.7%
Recreation Workers	$41,700	$53,000	$107,000	$130,000	6.0%	0.2%
Personal Care and Service Workers, All Other	$31,700	$40,000	$81,000	$99,000	2.9%	0.1%
Other Personal Care and Service Occupations	$36,100	$46,000	$93,000	$113,000	10.4%	0.4%
Weighted Mean Annual Wage	***$36,100***	**$46,000**	**$93,000**	**$113,000**	**100.0%**	**4.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 8
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
HOTEL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Hotel Workers
Page 2 of 2						
Sales and Related Occupations						
First-Line Supervisors of Retail Sales Workers	$53,700	$58,000	$111,000	$126,000	3.7%	0.1%
First-Line Supervisors of Non-Retail Sales Workers	$88,000	$96,000	$160,000	$173,000	3.1%	0.1%
Cashiers	$34,000	$43,000	$87,000	$106,000	18.1%	0.4%
Retail Salespersons	$40,000	$51,000	$103,000	$125,000	12.2%	0.3%
Sales Representatives, Services, All Other	$83,400	$91,000	$152,000	$164,000	56.1%	1.4%
Other Sales and Related Occupations	$67,100	$73,000	$139,000	$157,000	6.9%	0.2%
Weighted Mean Annual Wage	***$67,100***	**$75,000**	**$132,000**	**$147,000**	**100.0%**	**2.5%**
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support Workers	$71,800	$78,000	$149,000	$168,000	8.9%	1.8%
Bookkeeping, Accounting, and Auditing Clerks	$55,200	$60,000	$114,000	$129,000	5.6%	1.1%
Hotel, Motel, and Resort Desk Clerks	$32,300	$41,000	$83,000	$101,000	71.6%	14.3%
Secretaries and Administrative Assistants, Except Legal, Medical, a	$49,900	$63,000	$128,000	$156,000	2.3%	0.5%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	2.3%	0.5%
Other Office and Administrative Support Occupations	$38,400	$49,000	$99,000	$120,000	9.4%	1.9%
Weighted Mean Annual Wage	***$38,400***	**$47,000**	**$94,000**	**$113,000**	**100.0%**	**20.0%**
Installation, Maintenance, and Repair Occupations						
First-Line Supervisors of Mechanics, Installers, and Repairers	$96,300	$105,000	$175,000	$189,000	7.4%	0.4%
Maintenance and Repair Workers, General	$56,000	$61,000	$116,000	$131,000	89.8%	5.0%
Other Installation, Maintenance, and Repair Occupations	$59,100	$64,000	$122,000	$139,000	2.7%	0.1%
Weighted Mean Annual Wage	***$59,100***	**$64,000**	**$121,000**	**$136,000**	**100.0%**	**5.5%**
Production Occupations						
First-Line Supervisors of Production and Operating Workers	$76,200	$83,000	$139,000	$150,000	2.2%	0.1%
Bakers	$38,300	$48,000	$98,000	$120,000	7.0%	0.2%
Laundry and Dry-Cleaning Workers	$33,800	$43,000	$87,000	$106,000	85.9%	2.1%
Other Production Occupations	$35,100	$44,000	$90,000	$110,000	4.9%	0.1%
Weighted Mean Annual Wage	***$35,100***	**$44,000**	**$89,000**	**$108,000**	**100.0%**	**2.4%**
						94.8%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 9
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
INDUSTRIAL WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution Industrial
Major Occupations (2% or more)	
Management Occupations	*8.6%*
Business and Financial Operations Occupations	*5.9%*
Computer and Mathematical Occupations	*6.1%*
Architecture and Engineering Occupations	*10.4%*
Life, Physical, and Social Science Occupations	*5.7%*
Sales and Related Occupations	*3.8%*
Office and Administrative Support Occupations	*10.5%*
Installation, Maintenance, and Repair Occupations	*10.6%*
Production Occupations	*29.0%*
Transportation and Material Moving Occupations	*5.8%*
All Other Worker Occupations - Industrial	*3.6%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 10
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
INDUSTRIAL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Industrial Workers
Page 1 of 3						
Management Occupations						
Chief Executives	$253,400	$255,000	$283,000	$284,000	2.6%	0.2%
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	27.9%	2.4%
Marketing Managers	$203,300	$207,000	$275,000	$276,000	4.5%	0.4%
Sales Managers	$177,700	$181,000	$260,000	$260,000	5.0%	0.4%
Administrative Services Managers	$145,000	$151,000	$224,000	$231,000	3.1%	0.3%
Computer and Information Systems Managers	$219,000	$223,000	$296,000	$297,000	6.7%	0.6%
Financial Managers	$181,200	$184,000	$266,000	$266,000	5.7%	0.5%
Industrial Production Managers	$152,100	$155,000	$223,000	$223,000	9.3%	0.8%
Purchasing Managers	$155,200	$158,000	$227,000	$227,000	2.5%	0.2%
Human Resources Managers	$177,600	$181,000	$260,000	$260,000	2.1%	0.2%
Architectural and Engineering Managers	$207,000	$211,000	$280,000	$281,000	11.9%	1.0%
Natural Sciences Managers	$200,200	$204,000	$270,000	$272,000	6.6%	0.6%
Managers, All Other	$174,500	$178,000	$256,000	$256,000	7.3%	0.6%
Other Management Occupations	$181,400	$185,000	$266,000	$266,000	4.9%	0.4%
Weighted Mean Annual Wage	***$181,400***	**$185,000**	**$257,000**	**$258,000**	**100.0%**	**8.6%**
Business and Financial Operations Occupations						
Buyers and Purchasing Agents	$84,000	$92,000	$153,000	$165,000	15.2%	0.9%
Compliance Officers	$95,400	$104,000	$174,000	$188,000	6.1%	0.4%
Cost Estimators	$93,100	$101,000	$170,000	$183,000	5.3%	0.3%
Human Resources Specialists	$86,300	$94,000	$157,000	$170,000	7.3%	0.4%
Logisticians	$98,900	$108,000	$180,000	$194,000	5.9%	0.4%
Management Analysts	$122,900	$128,000	$205,000	$210,000	6.9%	0.4%
Training and Development Specialists	$93,600	$102,000	$171,000	$184,000	3.5%	0.2%
Market Research Analysts and Marketing Specialists	$100,400	$105,000	$167,000	$172,000	9.4%	0.6%
Business Operations Specialists, All Other	$102,500	$107,000	$171,000	$176,000	16.0%	0.9%
Accountants and Auditors	$92,400	$101,000	$168,000	$182,000	14.4%	0.8%
Budget Analysts	$105,800	$110,000	$176,000	$181,000	2.1%	0.1%
Financial Analysts	$119,400	$124,000	$199,000	$204,000	4.7%	0.3%
Other Business and Financial Operations Occupations	$97,500	$106,000	$178,000	$192,000	3.0%	0.2%
Weighted Mean Annual Wage	***$97,500***	**$104,000**	**$171,000**	**$181,000**	**100.0%**	**5.9%**
Computer and Mathematical Occupations						
Computer and Information Research Scientists	$170,900	$174,000	$250,000	$250,000	2.8%	0.2%
Computer Systems Analysts	$122,500	$128,000	$204,000	$210,000	9.2%	0.6%
Information Security Analysts	$123,400	$129,000	$206,000	$211,000	2.4%	0.1%
Computer Programmers	$108,000	$113,000	$180,000	$185,000	4.6%	0.3%
Software Developers, Applications	$134,000	$139,000	$207,000	$214,000	18.0%	1.1%
Software Developers, Systems Software	$150,100	$153,000	$220,000	$220,000	29.2%	1.8%
Network and Computer Systems Administrators	$117,700	$123,000	$196,000	$202,000	6.4%	0.4%
Computer Network Architects	$148,300	$154,000	$229,000	$236,000	2.4%	0.1%
Computer User Support Specialists	$84,400	$92,000	$154,000	$166,000	8.7%	0.5%
Computer Network Support Specialists	$85,800	$94,000	$156,000	$169,000	2.7%	0.2%
Computer Occupations, All Other	$138,900	$144,000	$215,000	$221,000	5.9%	0.4%
Statisticians	$123,400	$129,000	$206,000	$211,000	3.0%	0.2%
Other Computer and Mathematical Occupations	$130,700	$136,000	$202,000	$208,000	4.8%	0.3%
Weighted Mean Annual Wage	***$130,700***	**$135,000**	**$204,000**	**$209,000**	**100.0%**	**6.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 10
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
INDUSTRIAL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Industrial Workers
Page 2 of 3						
Architecture and Engineering Occupations						
Aerospace Engineers	$142,600	$148,000	$220,000	$227,000	5.3%	0.6%
Biomedical Engineers	$124,700	$130,000	$208,000	$214,000	2.8%	0.3%
Computer Hardware Engineers	$164,700	$168,000	$241,000	$241,000	3.5%	0.4%
Electrical Engineers	$141,400	$147,000	$218,000	$225,000	12.5%	1.3%
Electronics Engineers, Except Computer	$144,700	$150,000	$224,000	$231,000	7.6%	0.8%
Industrial Engineers	$124,600	$130,000	$208,000	$213,000	16.3%	1.7%
Mechanical Engineers	$128,300	$133,000	$198,000	$204,000	16.5%	1.7%
Engineers, All Other	$130,100	$135,000	$201,000	$207,000	5.7%	0.6%
Electrical and Electronics Engineering Technicians	$73,500	$80,000	$152,000	$172,000	7.8%	0.8%
Industrial Engineering Technicians	$63,900	$69,000	$132,000	$150,000	3.8%	0.4%
Mechanical Engineering Technicians	$71,500	$78,000	$148,000	$168,000	2.4%	0.2%
Engineering Technicians, Except Drafters, All Other	$78,200	$85,000	$142,000	$154,000	3.8%	0.4%
Other Architecture and Engineering Occupations	$121,900	$127,000	$203,000	$209,000	11.8%	1.2%
Weighted Mean Annual Wage	***$121,900***	**$127,000**	**$198,000**	**$206,000**	**100.0%**	**10.4%**
Life, Physical, and Social Science Occupations						
Biochemists and Biophysicists	$140,400	$146,000	$217,000	$224,000	9.3%	0.5%
Biological Scientists, All Other	$112,400	$117,000	$187,000	$192,000	4.7%	0.3%
Medical Scientists, Except Epidemiologists	$115,700	$121,000	$193,000	$198,000	23.4%	1.3%
Physicists	$131,800	$137,000	$204,000	$210,000	3.4%	0.2%
Chemists	$117,000	$122,000	$195,000	$200,000	8.5%	0.5%
Biological Technicians	$66,400	$72,000	$137,000	$156,000	12.8%	0.7%
Chemical Technicians	$51,800	$56,000	$107,000	$121,000	4.1%	0.2%
Social Science Research Assistants	$61,000	$66,000	$126,000	$143,000	7.0%	0.4%
Life, Physical, and Social Science Technicians, All Other	$72,000	$78,000	$149,000	$169,000	4.3%	0.2%
Other Life, Physical, and Social Science Occupations	$100,400	$105,000	$167,000	$172,000	22.6%	1.3%
Weighted Mean Annual Wage	***$100,400***	**$106,000**	**$172,000**	**$181,000**	**100.0%**	**5.7%**
Sales and Related Occupations						
First-Line Supervisors of Non-Retail Sales Workers	$88,000	$96,000	$160,000	$173,000	3.3%	0.1%
Cashiers	$34,000	$43,000	$87,000	$106,000	7.5%	0.3%
Counter and Rental Clerks	$44,300	$56,000	$114,000	$138,000	6.3%	0.2%
Parts Salespersons	$44,400	$56,000	$114,000	$139,000	3.0%	0.1%
Retail Salespersons	$40,000	$51,000	$103,000	$125,000	7.8%	0.3%
Sales Representatives, Services, All Other	$83,400	$91,000	$152,000	$164,000	9.4%	0.4%
Sales Representatives, Wholesale and Manufacturing, Technica	$112,900	$118,000	$188,000	$193,000	20.0%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except T	$89,300	$97,000	$163,000	$176,000	32.9%	1.3%
Demonstrators and Product Promoters	$37,200	$47,000	$96,000	$116,000	2.5%	0.1%
Sales Engineers	$142,600	$148,000	$220,000	$227,000	4.6%	0.2%
Other Sales and Related Occupations	$82,200	$90,000	$150,000	$162,000	2.9%	0.1%
Weighted Mean Annual Wage	***$82,200***	**$90,000**	**$153,000**	**$166,000**	**100.0%**	**3.8%**
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support Wor	$71,800	$78,000	$149,000	$168,000	5.3%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	$55,200	$60,000	$114,000	$129,000	9.6%	1.0%
Customer Service Representatives	$48,900	$62,000	$126,000	$153,000	13.0%	1.4%
Production, Planning, and Expediting Clerks	$62,600	$68,000	$130,000	$147,000	6.9%	0.7%
Shipping, Receiving, and Traffic Clerks	$41,900	$53,000	$108,000	$131,000	11.0%	1.2%
Stock Clerks and Order Fillers	$33,700	$43,000	$87,000	$105,000	5.6%	0.6%
Executive Secretaries and Executive Administrative Assistants	$84,200	$92,000	$153,000	$166,000	4.9%	0.5%
Secretaries and Administrative Assistants, Except Legal, Medica	$49,900	$63,000	$128,000	$156,000	13.0%	1.4%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	17.7%	1.9%
Other Office and Administrative Support Occupations	$52,100	$56,000	$108,000	$122,000	13.1%	1.4%
Weighted Mean Annual Wage	***$52,100***	**$61,000**	**$121,000**	**$142,000**	**100.0%**	**10.5%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 10
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
INDUSTRIAL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Industrial Workers
Page 3 of 3						
Installation, Maintenance, and Repair Occupations						
First-Line Supervisors of Mechanics, Installers, and Repairers	$96,300	$105,000	$175,000	$189,000	8.0%	0.8%
Computer, Automated Teller, and Office Machine Repairers	$46,900	$59,000	$120,000	$146,000	6.8%	0.7%
Electrical and Electronics Repairers, Commercial and Industrial	$59,900	$65,000	$124,000	$140,000	3.3%	0.3%
Automotive Body and Related Repairers	$56,800	$62,000	$118,000	$133,000	12.3%	1.3%
Automotive Glass Installers and Repairers	$66,300	$72,000	$137,000	$155,000	2.2%	0.2%
Automotive Service Technicians and Mechanics	$60,300	$65,000	$125,000	$141,000	28.2%	3.0%
Bus and Truck Mechanics and Diesel Engine Specialists	$69,400	$75,000	$144,000	$163,000	3.3%	0.4%
Industrial Machinery Mechanics	$76,800	$84,000	$140,000	$151,000	7.1%	0.7%
Medical Equipment Repairers	$62,300	$68,000	$129,000	$146,000	3.6%	0.4%
Maintenance and Repair Workers, General	$56,000	$61,000	$116,000	$131,000	7.7%	0.8%
Helpers--Installation, Maintenance, and Repair Workers	$46,500	$59,000	$119,000	$145,000	2.6%	0.3%
Other Installation, Maintenance, and Repair Occupations	$63,300	$69,000	$131,000	$148,000	14.9%	1.6%
Weighted Mean Annual Wage	***$63,300***	**$69,000**	**$130,000**	**$146,000**	**100.0%**	**10.6%**
Production Occupations						
First-Line Supervisors of Production and Operating Workers	$76,200	$83,000	$139,000	$150,000	6.8%	2.0%
Electrical, Electronic, and Electromechanical Assemblers, Excep	$47,500	$60,000	$122,000	$148,000	12.4%	3.6%
Assemblers and Fabricators, All Other, Including Team Assemb	$38,100	$48,000	$98,000	$119,000	13.8%	4.0%
Computer-Controlled Machine Tool Operators, Metal and Plastic	$45,800	$58,000	$118,000	$143,000	4.6%	1.3%
Machinists	$51,500	$56,000	$107,000	$121,000	12.6%	3.6%
Welders, Cutters, Solderers, and Brazers	$59,700	$65,000	$124,000	$140,000	4.4%	1.3%
Printing Press Operators	$45,500	$58,000	$117,000	$142,000	2.6%	0.7%
Inspectors, Testers, Sorters, Samplers, and Weighers	$51,800	$56,000	$107,000	$121,000	6.9%	2.0%
Dental Laboratory Technicians	$47,600	$60,000	$122,000	$149,000	2.3%	0.7%
Packaging and Filling Machine Operators and Tenders	$36,600	$46,000	$94,000	$114,000	2.9%	0.9%
Helpers--Production Workers	$32,900	$42,000	$84,000	$103,000	2.3%	0.7%
Other Production Occupations	$49,200	$62,000	$126,000	$154,000	28.3%	8.2%
Weighted Mean Annual Wage	***$49,200***	**$59,000**	**$116,000**	**$138,000**	**100.0%**	**29.0%**
Transportation and Material Moving Occupations						
First-Line Supervisors of Transportation and Material Moving W	$67,800	$74,000	$140,000	$159,000	5.8%	0.3%
Driver/Sales Workers	$39,000	$49,000	$100,000	$122,000	2.1%	0.1%
Heavy and Tractor-Trailer Truck Drivers	$55,400	$60,000	$115,000	$130,000	4.6%	0.3%
Light Truck or Delivery Services Drivers	$50,400	$55,000	$104,000	$118,000	6.3%	0.4%
Industrial Truck and Tractor Operators	$46,600	$59,000	$120,000	$146,000	4.7%	0.3%
Cleaners of Vehicles and Equipment	$35,600	$45,000	$91,000	$111,000	34.4%	2.0%
Laborers and Freight, Stock, and Material Movers, Hand	$41,200	$52,000	$106,000	$129,000	20.1%	1.2%
Packers and Packagers, Hand	$33,200	$42,000	$85,000	$104,000	8.4%	0.5%
Other Transportation and Material Moving Occupations	$41,600	$53,000	$107,000	$130,000	13.7%	0.8%
Weighted Mean Annual Wage	***$41,600***	**$51,000**	**$102,000**	**$123,000**	**100.0%**	**5.8%**
						96.4%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
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APPENDIX C TABLE 11
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
R&D WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution R&D
Major Occupations (2% or more)	
Management Occupations	*14.6%*
Business and Financial Operations Occupations	*9.7%*
Computer and Mathematical Occupations	*12.0%*
Architecture and Engineering Occupations	*16.5%*
Life, Physical, and Social Science Occupations	*25.7%*
Healthcare Practitioners and Technical Occupations	*3.0%*
Office and Administrative Support Occupations	*8.5%*
Production Occupations	*2.1%*
All Other Worker Occupations - R&D	*8.0%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 12
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
R&D WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total R&D Workers
Page 1 of 3						
Management Occupations						
Chief Executives	$253,400	$255,000	$283,000	$284,000	2.5%	0.4%
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	16.7%	2.4%
Marketing Managers	$203,300	$207,000	$275,000	$276,000	4.5%	0.7%
Sales Managers	$177,700	$181,000	$260,000	$260,000	2.7%	0.4%
Administrative Services Managers	$145,000	$151,000	$224,000	$231,000	3.8%	0.6%
Computer and Information Systems Managers	$219,000	$223,000	$296,000	$297,000	7.6%	1.1%
Financial Managers	$181,200	$184,000	$266,000	$266,000	6.0%	0.9%
Industrial Production Managers	$152,100	$155,000	$223,000	$223,000	2.6%	0.4%
Human Resources Managers	$177,600	$181,000	$260,000	$260,000	2.2%	0.3%
Architectural and Engineering Managers	$207,000	$211,000	$280,000	$281,000	12.1%	1.8%
Medical and Health Services Managers	$147,200	$153,000	$227,000	$235,000	4.3%	0.6%
Natural Sciences Managers	$200,200	$204,000	$270,000	$272,000	19.7%	2.9%
Managers, All Other	$174,500	$178,000	$256,000	$256,000	9.5%	1.4%
Other Management Occupations	$187,100	$190,000	$274,000	$274,000	5.6%	0.8%
Weighted Mean Annual Wage	***$187,100***	**$191,000**	**$263,000**	**$264,000**	**100.0%**	**14.6%**
Business and Financial Operations Occupations						
Buyers and Purchasing Agents	$84,000	$92,000	$153,000	$165,000	7.9%	0.8%
Compliance Officers	$95,400	$104,000	$174,000	$188,000	10.6%	1.0%
Human Resources Specialists	$86,300	$94,000	$157,000	$170,000	7.3%	0.7%
Logisticians	$98,900	$108,000	$180,000	$194,000	4.1%	0.4%
Management Analysts	$122,900	$128,000	$205,000	$210,000	10.7%	1.0%
Training and Development Specialists	$93,600	$102,000	$171,000	$184,000	4.0%	0.4%
Market Research Analysts and Marketing Specialists	$100,400	$105,000	$167,000	$172,000	8.5%	0.8%
Business Operations Specialists, All Other	$102,500	$107,000	$171,000	$176,000	23.3%	2.3%
Accountants and Auditors	$92,400	$101,000	$168,000	$182,000	12.9%	1.3%
Financial Analysts	$119,400	$124,000	$199,000	$204,000	4.5%	0.4%
Other Business and Financial Operations Occupations	$99,900	$109,000	$182,000	$196,000	6.2%	0.6%
Weighted Mean Annual Wage	***$99,900***	**$107,000**	**$174,000**	**$184,000**	**100.0%**	**9.7%**
Computer and Mathematical Occupations						
Computer and Information Research Scientists	$170,900	$174,000	$250,000	$250,000	6.8%	0.8%
Computer Systems Analysts	$122,500	$128,000	$204,000	$210,000	11.3%	1.4%
Information Security Analysts	$123,400	$129,000	$206,000	$211,000	4.0%	0.5%
Computer Programmers	$108,000	$113,000	$180,000	$185,000	5.8%	0.7%
Software Developers, Applications	$134,000	$139,000	$207,000	$214,000	16.7%	2.0%
Software Developers, Systems Software	$150,100	$153,000	$220,000	$220,000	17.6%	2.1%
Database Administrators	$112,200	$117,000	$187,000	$192,000	2.6%	0.3%
Network and Computer Systems Administrators	$117,700	$123,000	$196,000	$202,000	6.4%	0.8%
Computer Network Architects	$148,300	$154,000	$229,000	$236,000	3.0%	0.4%
Computer User Support Specialists	$84,400	$92,000	$154,000	$166,000	4.7%	0.6%
Computer Occupations, All Other	$138,900	$144,000	$215,000	$221,000	7.3%	0.9%
Operations Research Analysts	$101,400	$106,000	$169,000	$174,000	3.3%	0.4%
Statisticians	$123,400	$129,000	$206,000	$211,000	7.3%	0.9%
Other Computer and Mathematical Occupations	$131,000	$136,000	$202,000	$209,000	3.2%	0.4%
Weighted Mean Annual Wage	***$131,000***	**$136,000**	**$206,000**	**$211,000**	**100.0%**	**12.0%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 12
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
R&D WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation [1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total R&D Workers
Page 2 of 3						
Architecture and Engineering Occupations						
Aerospace Engineers	$142,600	$148,000	$220,000	$227,000	5.6%	0.9%
Biomedical Engineers	$124,700	$130,000	$208,000	$214,000	3.0%	0.5%
Chemical Engineers	$116,300	$121,000	$194,000	$199,000	3.3%	0.6%
Civil Engineers	$116,100	$121,000	$194,000	$199,000	2.2%	0.4%
Computer Hardware Engineers	$164,700	$168,000	$241,000	$241,000	6.1%	1.0%
Electrical Engineers	$141,400	$147,000	$218,000	$225,000	11.4%	1.9%
Electronics Engineers, Except Computer	$144,700	$150,000	$224,000	$231,000	7.9%	1.3%
Industrial Engineers	$124,600	$130,000	$208,000	$213,000	8.5%	1.4%
Materials Engineers	$115,400	$120,000	$192,000	$198,000	2.3%	0.4%
Mechanical Engineers	$128,300	$133,000	$198,000	$204,000	16.9%	2.8%
Engineers, All Other	$130,100	$135,000	$201,000	$207,000	7.7%	1.3%
Electrical and Electronics Engineering Technicians	$73,500	$80,000	$152,000	$172,000	4.4%	0.7%
Mechanical Engineering Technicians	$71,500	$78,000	$148,000	$168,000	2.2%	0.4%
Engineering Technicians, Except Drafters, All Other	$78,200	$85,000	$142,000	$154,000	5.1%	0.8%
Other Architecture and Engineering Occupations	$126,400	$131,000	$195,000	$201,000	13.5%	2.2%
Weighted Mean Annual Wage	***$126,400***	**$132,000**	**$201,000**	**$208,000**	**100.0%**	**16.5%**
Life, Physical, and Social Science Occupations						
Biological Scientists, All Other	$112,400	$117,000	$187,000	$192,000	5.8%	1.5%
Medical Scientists, Except Epidemiologists	$115,700	$121,000	$193,000	$198,000	27.6%	7.1%
Physicists	$131,800	$137,000	$204,000	$210,000	4.0%	1.0%
Chemists	$117,000	$122,000	$195,000	$200,000	7.8%	2.0%
Biological Technicians	$66,400	$72,000	$137,000	$156,000	15.5%	4.0%
Social Science Research Assistants	$61,000	$66,000	$126,000	$143,000	3.5%	0.9%
Life, Physical, and Social Science Technicians, All Other	$72,000	$78,000	$149,000	$169,000	3.9%	1.0%
Other Life, Physical, and Social Science Occupations	$100,000	$104,000	$167,000	$171,000	31.9%	8.2%
Weighted Mean Annual Wage	***$100,000***	**$105,000**	**$172,000**	**$180,000**	**100.0%**	**25.7%**
Healthcare Practitioners and Technical Occupations						
Physicians and Surgeons, All Other	$250,000	$252,000	$279,000	$280,000	7.7%	0.2%
Veterinarians	$105,500	$110,000	$176,000	$181,000	2.5%	0.1%
Registered Nurses	$143,800	$150,000	$222,000	$229,000	11.9%	0.4%
Nurse Practitioners	$139,600	$145,000	$216,000	$222,000	2.4%	0.1%
Clinical Laboratory Technologists and Technicians	$66,100	$72,000	$137,000	$155,000	41.9%	1.2%
Veterinary Technologists and Technicians	$50,400	$55,000	$104,000	$118,000	5.2%	0.2%
Medical Records and Health Information Technicians	$61,000	$66,000	$126,000	$143,000	4.3%	0.1%
Occupational Health and Safety Specialists	$91,100	$99,000	$166,000	$179,000	8.5%	0.3%
Healthcare Practitioners and Technical Workers, All Other	$75,700	$83,000	$138,000	$149,000	2.2%	0.1%
Other Healthcare Practitioners and Technical Occupations	$97,800	$107,000	$178,000	$192,000	13.4%	0.4%
Weighted Mean Annual Wage	***$97,800***	**$104,000**	**$167,000**	**$180,000**	**100.0%**	**3.0%**
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support Workers	$71,800	$78,000	$149,000	$168,000	7.3%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	$55,200	$60,000	$114,000	$129,000	6.4%	0.5%
Customer Service Representatives	$48,900	$62,000	$126,000	$153,000	5.3%	0.5%
Production, Planning, and Expediting Clerks	$62,600	$68,000	$130,000	$147,000	4.2%	0.4%
Shipping, Receiving, and Traffic Clerks	$41,900	$53,000	$108,000	$131,000	2.7%	0.2%
Executive Secretaries and Executive Administrative Assistants	$84,200	$92,000	$153,000	$166,000	16.3%	1.4%
Secretaries and Administrative Assistants, Except Legal, Medical, and	$49,900	$63,000	$128,000	$156,000	22.1%	1.9%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	16.9%	1.4%
Other Office and Administrative Support Occupations	$59,100	$64,000	$122,000	$139,000	18.8%	1.6%
Weighted Mean Annual Wage	***$59,100***	**$68,000**	**$130,000**	**$151,000**	**100.0%**	**8.5%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
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APPENDIX C TABLE 12
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
R&D WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total R&D Workers
Page 3 of 3						
Production Occupations						
First-Line Supervisors of Production and Operating Workers	$76,200	$83,000	$139,000	$150,000	14.6%	0.3%
Electrical, Electronic, and Electromechanical Assemblers, Except Coil	$47,500	$60,000	$122,000	$148,000	7.0%	0.1%
Machinists	$51,500	$56,000	$107,000	$121,000	8.1%	0.2%
Stationary Engineers and Boiler Operators	$104,700	$109,000	$175,000	$179,000	2.7%	0.1%
Chemical Equipment Operators and Tenders	$48,100	$61,000	$123,000	$150,000	3.0%	0.1%
Mixing and Blending Machine Setters, Operators, and Tenders	$51,700	$56,000	$107,000	$121,000	3.6%	0.1%
Inspectors, Testers, Sorters, Samplers, and Weighers	$51,800	$56,000	$107,000	$121,000	20.7%	0.4%
Packaging and Filling Machine Operators and Tenders	$36,600	$46,000	$94,000	$114,000	7.1%	0.1%
Production Workers, All Other	$41,700	$53,000	$107,000	$130,000	3.7%	0.1%
Other Production Occupations	$56,200	$61,000	$116,000	$132,000	29.5%	0.6%
Weighted Mean Annual Wage	***$56,200***	**$62,000**	**$117,000**	**$133,000**	**100.0%**	**2.1%**
						92.0%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

APPENDIX C TABLE 13
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
WAREHOUSE WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution Warehouse
Major Occupations (2% or more)	
Management Occupations	*2.7%*
Business and Financial Operations Occupations	*2.0%*
Office and Administrative Support Occupations	*22.5%*
Installation, Maintenance, and Repair Occupations	*2.8%*
Production Occupations	*2.4%*
Transportation and Material Moving Occupations	*63.4%*
All Other Worker Occupations - Warehouse	*4.1%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
\\SF-FS2\wp\19\19081\017\Land Use Files 6.28.2020.xlsm; 6/29/2020; dd

APPENDIX C TABLE 14
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
WAREHOUSE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Warehouse Workers
Page 1 of 2						
Management Occupations						
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	35.4%	0.9%
Sales Managers	$177,700	$181,000	$260,000	$260,000	2.9%	0.1%
Administrative Services Managers	$145,000	$151,000	$224,000	$231,000	4.4%	0.1%
Financial Managers	$181,200	$184,000	$266,000	$266,000	2.5%	0.1%
Industrial Production Managers	$152,100	$155,000	$223,000	$223,000	2.1%	0.1%
Transportation, Storage, and Distribution Managers	$146,800	$153,000	$227,000	$234,000	37.3%	1.0%
Human Resources Managers	$177,600	$181,000	$260,000	$260,000	3.1%	0.1%
Managers, All Other	$174,500	$178,000	$256,000	$256,000	4.9%	0.1%
Other Management Occupations	$158,500	$161,000	$232,000	$232,000	7.3%	0.2%
Weighted Mean Annual Wage	***$158,500***	**$163,000**	**$237,000**	**$240,000**	**100.0%**	**2.7%**
Business and Financial Operations Occupations						
Buyers and Purchasing Agents	$84,000	$92,000	$153,000	$165,000	15.8%	0.3%
Compliance Officers	$95,400	$104,000	$174,000	$188,000	2.3%	0.0%
Human Resources Specialists	$86,300	$94,000	$157,000	$170,000	15.8%	0.3%
Logisticians	$98,900	$108,000	$180,000	$194,000	13.8%	0.3%
Management Analysts	$122,900	$128,000	$205,000	$210,000	2.9%	0.1%
Training and Development Specialists	$93,600	$102,000	$171,000	$184,000	12.5%	0.3%
Market Research Analysts and Marketing Specialists	$100,400	$105,000	$167,000	$172,000	5.5%	0.1%
Business Operations Specialists, All Other	$102,500	$107,000	$171,000	$176,000	17.7%	0.4%
Accountants and Auditors	$92,400	$101,000	$168,000	$182,000	9.5%	0.2%
Other Business and Financial Operations Occupations	$94,400	$103,000	$172,000	$186,000	4.1%	0.1%
Weighted Mean Annual Wage	***$94,400***	**$102,000**	**$168,000**	**$179,000**	**100.0%**	**2.0%**
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support Worke	$71,800	$78,000	$149,000	$168,000	5.6%	1.3%
Customer Service Representatives	$48,900	$62,000	$126,000	$153,000	7.3%	1.6%
Order Clerks	$46,200	$58,000	$119,000	$144,000	2.2%	0.5%
Production, Planning, and Expediting Clerks	$62,600	$68,000	$130,000	$147,000	4.5%	1.0%
Shipping, Receiving, and Traffic Clerks	$41,900	$53,000	$108,000	$131,000	23.2%	5.2%
Stock Clerks and Order Fillers	$33,700	$43,000	$87,000	$105,000	38.7%	8.7%
Weighers, Measurers, Checkers, and Samplers, Recordkeeping	$38,800	$49,000	$100,000	$121,000	2.6%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical,	$49,900	$63,000	$128,000	$156,000	2.7%	0.6%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	5.2%	1.2%
Other Office and Administrative Support Occupations	$42,400	$54,000	$109,000	$132,000	8.0%	1.8%
Weighted Mean Annual Wage	***$42,400***	**$53,000**	**$106,000**	**$127,000**	**100.0%**	**22.5%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
Land Use Files 6.28.2020.xlsm; 6/29/2020; dd

APPENDIX C TABLE 14
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
WAREHOUSE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Warehouse Workers
Page 2 of 2						
Installation, Maintenance, and Repair Occupations						
First-Line Supervisors of Mechanics, Installers, and Repairers	$96,300	$105,000	$175,000	$189,000	8.8%	0.2%
Automotive Service Technicians and Mechanics	$60,300	$65,000	$125,000	$141,000	2.7%	0.1%
Bus and Truck Mechanics and Diesel Engine Specialists	$69,400	$75,000	$144,000	$163,000	9.1%	0.3%
Mobile Heavy Equipment Mechanics, Except Engines	$74,400	$81,000	$154,000	$174,000	2.8%	0.1%
Industrial Machinery Mechanics	$76,800	$84,000	$140,000	$151,000	3.9%	0.1%
Maintenance Workers, Machinery	$68,700	$74,000	$142,000	$161,000	2.6%	0.1%
Maintenance and Repair Workers, General	$56,000	$61,000	$116,000	$131,000	60.3%	1.7%
Installation, Maintenance, and Repair Workers, All Other	$63,100	$68,000	$131,000	$148,000	2.9%	0.1%
Other Installation, Maintenance, and Repair Occupations	$63,200	$69,000	$131,000	$148,000	7.0%	0.2%
Weighted Mean Annual Wage	***$63,200***	**$69,000**	**$128,000**	**$144,000**	**100.0%**	**2.8%**
Production Occupations						
First-Line Supervisors of Production and Operating Workers	$76,200	$83,000	$139,000	$150,000	8.3%	0.2%
Assemblers and Fabricators, All Other, Including Team Assemble	$38,100	$48,000	$98,000	$119,000	15.6%	0.4%
Sewing Machine Operators	$31,700	$40,000	$81,000	$99,000	3.1%	0.1%
Inspectors, Testers, Sorters, Samplers, and Weighers	$51,800	$56,000	$107,000	$121,000	27.2%	0.7%
Packaging and Filling Machine Operators and Tenders	$36,600	$46,000	$94,000	$114,000	16.8%	0.4%
Helpers--Production Workers	$32,900	$42,000	$84,000	$103,000	2.3%	0.1%
Production Workers, All Other	$41,700	$53,000	$107,000	$130,000	5.3%	0.1%
Other Production Occupations	$46,400	$59,000	$119,000	$145,000	21.4%	0.5%
Weighted Mean Annual Wage	***$46,400***	**$55,000**	**$107,000**	**$126,000**	**100.0%**	**2.4%**
Transportation and Material Moving Occupations						
First-Line Supervisors of Transportation and Material Moving Wor	$67,800	$74,000	$140,000	$159,000	6.4%	4.0%
Heavy and Tractor-Trailer Truck Drivers	$55,400	$60,000	$115,000	$130,000	7.9%	5.0%
Light Truck or Delivery Services Drivers	$50,400	$55,000	$104,000	$118,000	2.8%	1.8%
Industrial Truck and Tractor Operators	$46,600	$59,000	$120,000	$146,000	25.3%	16.0%
Laborers and Freight, Stock, and Material Movers, Hand	$41,200	$52,000	$106,000	$129,000	45.4%	28.8%
Packers and Packagers, Hand	$33,200	$42,000	$85,000	$104,000	9.4%	6.0%
Other Transportation and Material Moving Occupations	$45,000	$57,000	$116,000	$141,000	2.8%	1.8%
Weighted Mean Annual Wage	***$45,000***	**$55,000**	**$111,000**	**$133,000**	**100.0%**	**63.4%**
						95.9%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income for the San Francicsco Bay Area identified in Table 3-6.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
Land Use Files 6.28.2020.xlsm; 6/29/2020; dd

APPENDIX C TABLE 15
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
RESIDENTIAL CARE WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution Residential Care
Major Occupations (2% or more)	
Management Occupations	*3.3%*
Healthcare Practitioners and Technical Occupations	*10.6%*
Healthcare Support Occupations	*27.0%*
Food Preparation and Serving Related Occupations	*17.9%*
Building and Grounds Cleaning and Maintenance Occupations	*6.0%*
Personal Care and Service Occupations	*22.9%*
Office and Administrative Support Occupations	*5.3%*
Installation, Maintenance, and Repair Occupations	*2.5%*
All Other Worker Occupations - Residential Care	*4.6%*
TOTAL	100.0%

Source: Bureau of Labor Statistics
Keyser Marston Associates, Inc.
\\SF-FS2\wp\19\19081\017\Land Use Files 6.28.2020.xlsm; 6/29/2020; dd

APPENDIX C TABLE 16
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
RESIDENTIAL CARE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Res. Care Workers
Page 1 of 2						
Management Occupations						
Chief Executives	$253,400	$255,000	$283,000	$284,000	2.2%	0.1%
General and Operations Managers	$165,700	$169,000	$243,000	$243,000	32.2%	1.1%
Marketing Managers	$203,300	$207,000	$275,000	$276,000	2.9%	0.1%
Administrative Services Managers	$145,000	$151,000	$224,000	$231,000	5.9%	0.2%
Food Service Managers	$87,400	$95,000	$159,000	$172,000	7.8%	0.3%
Medical and Health Services Managers	$147,200	$153,000	$227,000	$235,000	33.4%	1.1%
Managers, All Other	$174,500	$178,000	$256,000	$256,000	2.1%	0.1%
Other Management Occupations	$153,700	$156,000	$225,000	$225,000	13.6%	0.4%
Weighted Mean Annual Wage	***$153,700***	**$158,000**	**$230,000**	**$234,000**	**100.0%**	**3.3%**
Healthcare Practitioners and Technical Occupations						
Registered Nurses	$143,800	$150,000	$222,000	$229,000	35.1%	3.7%
Dietetic Technicians	$40,200	$51,000	$103,000	$126,000	3.0%	0.3%
Licensed Practical and Licensed Vocational Nurses	$69,600	$75,000	$144,000	$163,000	52.0%	5.5%
Other Healthcare Practitioners and Technical Occupations	$97,500	$106,000	$178,000	$192,000	9.9%	1.1%
Weighted Mean Annual Wage	***$97,500***	**$104,000**	**$173,000**	**$188,000**	**100.0%**	**10.6%**
Healthcare Support Occupations						
Home Health Aides	$37,800	$48,000	$97,000	$118,000	27.5%	7.4%
Nursing Assistants	$40,900	$52,000	$105,000	$128,000	65.5%	17.6%
Medical Assistants	$47,800	$60,000	$123,000	$149,000	5.2%	1.4%
Other Healthcare Support Occupations	$40,400	$51,000	$104,000	$126,000	1.8%	0.5%
Weighted Mean Annual Wage	***$40,400***	**$51,000**	**$104,000**	**$126,000**	**100.0%**	**27.0%**
Food Preparation and Serving Related Occupations						
First-Line Supervisors of Food Preparation and Serving Workers	$48,500	$61,000	$125,000	$151,000	4.9%	0.9%
Cooks, Institution and Cafeteria	$41,200	$52,000	$106,000	$129,000	24.4%	4.4%
Food Preparation Workers	$32,700	$41,000	$84,000	$102,000	5.6%	1.0%
Combined Food Preparation and Serving Workers, Including Fast Fc	$31,700	$40,000	$81,000	$99,000	7.2%	1.3%
Waiters and Waitresses	$32,600	$41,000	$84,000	$102,000	8.5%	1.5%
Food Servers, Nonrestaurant	$37,300	$47,000	$96,000	$116,000	34.5%	6.2%
Dining Room and Cafeteria Attendants and Bartender Helpers	$31,700	$40,000	$81,000	$99,000	4.0%	0.7%
Dishwashers	$31,700	$40,000	$81,000	$99,000	5.9%	1.1%
Other Food Preparation and Serving Related Occupations	$37,200	$47,000	$96,000	$116,000	5.1%	0.9%
Weighted Mean Annual Wage	***$37,200***	**$47,000**	**$96,000**	**$116,000**	**100.0%**	**17.9%**
Building and Grounds Cleaning and Maintenance Occupations						
First-Line Supervisors of Housekeeping and Janitorial Workers	$52,900	$57,000	$109,000	$124,000	4.7%	0.3%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$38,500	$49,000	$99,000	$120,000	10.7%	0.6%
Maids and Housekeeping Cleaners	$37,400	$47,000	$96,000	$117,000	81.4%	4.9%
Landscaping and Groundskeeping Workers	$45,000	$57,000	$116,000	$141,000	2.9%	0.2%
Other Building and Grounds Cleaning and Maintenance Occupations	$38,500	$49,000	$99,000	$120,000	0.4%	0.0%
Weighted Mean Annual Wage	***$38,500***	**$48,000**	**$98,000**	**$118,000**	**100.0%**	**6.0%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
\\SF-FS2\wp\19\19081\017\Land Use Files 6.28.2020.xlsm; 6/29/2020; dd

APPENDIX C TABLE 16
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
RESIDENTIAL CARE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation [3]	2020 Avg. Worker Compensation[1]	Household Income Estimate [4] One Worker	Two Workers	Three+ Workers	% of Total Occupation Group [2]	% of Total Res. Care Workers
Page 2 of 2						
Personal Care and Service Occupations						
First-Line Supervisors of Personal Service Workers	$46,200	$58,000	$119,000	$144,000	4.1%	0.9%
Personal Care Aides	$31,700	$40,000	$81,000	$99,000	81.3%	18.6%
Recreation Workers	$41,700	$53,000	$107,000	$130,000	10.5%	2.4%
Other Personal Care and Service Occupations	$33,400	$42,000	$86,000	$104,000	4.1%	0.9%
Weighted Mean Annual Wage	***$33,400***	**$42,000**	**$85,000**	**$104,000**	**100.0%**	**22.9%**
Office and Administrative Support Occupations						
First-Line Supervisors of Office and Administrative Support Workers	$71,800	$78,000	$149,000	$168,000	8.1%	0.4%
Bookkeeping, Accounting, and Auditing Clerks	$55,200	$60,000	$114,000	$129,000	7.8%	0.4%
Customer Service Representatives	$48,900	$62,000	$126,000	$153,000	2.1%	0.1%
Receptionists and Information Clerks	$39,200	$50,000	$101,000	$122,000	36.1%	1.9%
Executive Secretaries and Executive Administrative Assistants	$84,200	$92,000	$153,000	$166,000	2.4%	0.1%
Medical Secretaries	$55,600	$60,000	$115,000	$130,000	3.7%	0.2%
Secretaries and Administrative Assistants, Except Legal, Medical, an	$49,900	$63,000	$128,000	$156,000	12.8%	0.7%
Office Clerks, General	$47,800	$60,000	$123,000	$149,000	17.0%	0.9%
Other Office and Administrative Support Occupations	$48,800	$62,000	$125,000	$152,000	10.0%	0.5%
Weighted Mean Annual Wage	***$48,800***	**$59,000**	**$118,000**	**$140,000**	**100.0%**	**5.3%**
Installation, Maintenance, and Repair Occupations						
First-Line Supervisors of Mechanics, Installers, and Repairers	$96,300	$105,000	$175,000	$189,000	9.9%	0.2%
Maintenance and Repair Workers, General	$56,000	$61,000	$116,000	$131,000	88.0%	2.2%
Other Installation, Maintenance, and Repair Occupations	$60,100	$65,000	$124,000	$141,000	2.1%	0.1%
Weighted Mean Annual Wage	***$60,100***	**$65,000**	**$122,000**	**$137,000**	**100.0%**	**2.5%**
						95.4%

[1] The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

[2] Occupation percentages are based on the 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

[3] Including occupations representing 2% or more of the major occupation group.

[4] Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department
Keyser Marston Associates, Inc.
\\SF-FS2\wp\19\19081\017\Land Use Files 6.28.2020.xlsm; 6/29/2020; dd

APPENDIX C TABLE 17
INDUSTRIES REPRESENTED
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

NAICS	Representative Industries	Percent of Employment
Office		
541500	Computer Systems Design and Related Services	20.008%
5220A1	Credit Intermediation and Related Activities (5221 And 5223 only)	8.079%
541200	Accounting, Tax Preparation, Bookkeeping, and Payroll Services	7.646%
511200	Software Publishers	6.826%
551100	Management of Companies and Enterprises	6.119%
621200	Offices of Dentists	5.333%
541300	Architectural, Engineering, and Related Services	5.123%
621100	Offices of Physicians	4.909%
541600	Management, Scientific, and Technical Consulting Services	4.782%
541700	Scientific Research and Development Services	4.701%
541100	Legal Services	3.455%
518200	Data Processing, Hosting, and Related Services	3.130%
517000	Telecommunications	2.591%
621300	Offices of Other Health Practitioners	2.444%
524200	Agencies, Brokerages, and Other Insurance Related Activities	1.951%
519100	Other Information Services	1.749%
813400	Civic and Social Organizations	1.602%
541900	Other Professional, Scientific, and Technical Services	1.292%
813200	Grantmaking and Giving Services	1.214%
541800	Advertising and Related Services	1.146%
524100	Insurance Carriers	1.049%
561400	Business Support Services	1.035%
813900	Business, Professional, Labor, Political, and Similar Organizations	1.008%
561100	Office Administrative Services	0.783%
561900	Other Support Services	0.723%
522200	Nondepository Credit Intermediation	0.481%
813300	Social Advocacy Organizations	0.421%
541400	Specialized Design Services	0.397%
Tech Office		
511200	Software Publishers	15.057%
517000	Telecommunications	5.715%
541500	Computer Systems Design and Related Services	44.133%
541710	Research and Development in the Physical, Engineering, and Life Sciences	10.370%
518200	Data Processing, Hosting, and Related Services	6.905%
519100	Other Information Services	17.820%

APPENDIX C TABLE 17
INDUSTRIES REPRESENTED
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

NAICS	Representative Industries	Percent of Employment
Retail		
441100	Automobile Dealers	4.033%
441200	Other Motor Vehicle Dealers	0.184%
441300	Auto Parts, Accessories, and Tire Stores	1.714%
442100	Furniture Stores	0.401%
442200	Home Furnishings Stores	1.057%
443100	Electronics and Appliance Stores	2.162%
444100	Building Material and Supplies Dealers	3.405%
444200	Lawn & Garden Equipment/Supplies Stores	0.176%
4450A1	Food and Beverage Stores (4451 and 4452 only)	10.057%
445300	Beer, Wine, and Liquor Stores	0.417%
446100	Health and Personal Care Stores	4.860%
447100	Gasoline Stations	1.535%
448100	Clothing Stores	5.168%
448200	Shoe Stores	2.558%
512130	Motion Picture and Video Exhibition	0.562%
448300	Jewelry, Luggage & Leather Goods Stores	0.491%
451100	Sporting Goods/Musical Instrument Stores	1.551%
451200	Book, Periodical, and Music Stores	0.462%
452000	General Merchandise Stores	0.956%
453100	Florists	0.202%
4530A1	Miscellaneous Store Retailers (4532 and 4533 only)	1.594%
453900	Other Miscellaneous Store Retailers	0.886%
532100	Automotive Equipment Rental and Leasing	0.936%
5320A1	Rental and Leasing Services (5322, 5323, and 5324 only)	0.761%
713940	Fitness and Recreational Sports Centers	2.557%
722300	Special Food Services	4.764%
722400	Drinking Places (Alcoholic Beverages)	1.250%
722500	Restaurant and Other Eating Places	39.655%
812100	Personal Care Services	3.678%
812200	Death Care Services	0.491%
812300	Drycleaning and Laundry Services	0.720%
812900	Other Personal Services	0.756%
Hotel		
721100	Traveler Accommodation (with Casino hotels removed)	100.00%

APPENDIX C TABLE 17
INDUSTRIES REPRESENTED
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

NAICS	Representative Industries	Percent of Employment
Industrial		
311500	Dairy Product Manufacturing	0.128%
311800	Bakeries and Tortilla Manufacturing	2.773%
311900	Other Food Manufacturing	0.710%
312100	Beverage Manufacturing	1.908%
323100	Printing and Related Support Activities	2.783%
339100	Medical Equipment and Supplies Manufacturing	7.178%
325400	Pharmaceutical and Medicine Manufacturing	0.913%
3320A1	Fabricated Metal Product Manufacturing (3321, 3322, 3325, 3326, and 3329 on	2.446%
332700	Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	7.973%
3330A1	Machinery Manufacturing (3331, 3332, 3334, and 3339 only)	6.492%
334200	Communications Equipment Manufacturing	3.400%
334500	Navigational, Measuring, Electromedical, and Control Instruments Manufacturin	19.103%
335900	Other Electrical Equipment and Component Manufacturing	2.535%
339100	Medical Equipment and Supplies Manufacturing	7.178%
541700	Scientific Research and Development Services	17.927%
339900	Other Miscellaneous Manufacturing	0.888%
811100	Automotive Repair and Maintenance	11.119%
811200	Electronic Equipment Repair/Maintenance	3.707%
811300	Commercial Machinery Repair/Maintenance	0.841%
Research and Development		
541710	Research and Development in the Physical, Engineering, and Life Sciences	100.000%
Warehouse		
493100	Warehousing and Storage	100.000%
Residential Care		
623300	Continuing Care Retirement Communities and Assisted Living Facilities for the Elderly	100.000%

(1) Employment by industry is weighted to reflect mix of industries in the City of San Jose using data from the Quarterly Census of Employment and Wages for 4th Q 2018.

NAICS = North American Industry Classification System

APPENDIX C TABLE 18
IDENTIFICATION OF CITY USE CLASIFICATIONS BY NEXUS STUDY BUILDING TYPE (1)
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Nexus Study Building Type Categories								
City Use Category	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care	Not Addressed in Nexus Study
Social Services Agencies (2)	X								
Health and Veterinary Services	X								
Health Services (4)	X								
Offices and Financial Services	X	X							
Television/radio studios	X								
Animal Boarding							X		
Recreation, commercial indoor			X						
Cannabis sales			X						
Poolroom/billiards, arcade, amusement games, card room			X						
Alcohol Sales			X						
Pawn shop/broker			X						
Bail Bond establishment			X						
Dining Facilities			X						
Drinking Establishment			X						
Drive-Through Uses			X						
Food Services			X						
Fuel Service Station			X						
General Retail			X						
General Services			X						
Health Recreation			X						
Public Eating Establishment			X						
Selling or leasing of vehicles			X						
Photo Processing, Printing and Publishing - in retail structures			X						
Photo Processing, Printing, Publishing - industrial facilities					X				
Hotel/Inn				X					
Recycling Uses					X (3)				
Cleaning Establishment					X				
Industry					X				
Installation or selling of vehicle accessories or services					X				
Manufacturing & Industrial Services					X				
R&D, Lab, Processing						X			
Stockyard, Warehouse, and Wholesale							X (3)		
Waste/ Hazardous material storage							X (3)		
Common Carrier Depot							X (3)		
Construction/ corporation yard							X (3)		

APPENDIX C TABLE 18
IDENTIFICATION OF CITY USE CLASIFICATIONS BY NEXUS STUDY BUILDING TYPE (1)
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Nexus Study Building Type Categories								
City Use Category	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care	Not Addressed in Nexus Study
Residential care/service facility for seven or more persons								X	
Shelter/hotel supportive housing									X
Agriculture									X
Aqua culture, aquaponics, and hydroponics									X
Stadiums, arenas, performing arts venues and rehearsal space									X
Cemetery									X
Certified Farmer's Market and Neighborhood Agriculture									X
Church/religious assembly									X
Commercial Vehicle Storage									X
Data Center									X
Day Care									X
Education and Training									X
Energy generation facility									X
Hospital									X
Mineral Extraction									X
Museum, Libraries, Parks, Playgrounds, Community Centers Public or Private									X
Outdoor Vending									X
Parking									X
Peaking Power Plant									X
Public, Quasi-Public and Assembly Uses									X
Stand-by/backup facilities									X
Public Storage / Mini-Storage									X
Utilities, Electrical Power Generation									X
Utilities, Power Generation									X
Utility Facilities									X
Wireless communications antenna									X

(1) This matrix is intended to serve as a general guide regarding how City use categories relate to Nexus Analysis building types; however, there may be instances of specific projects that, because of their unique character, another building type category would be more applicable. Buildings may house more than one use over their useful life and Nexus Analysis findings reflect a representative range of
(2) Except governmental.
(3) With respect to industrial or warehouse/storage structures included within such facilities. Nexus Analysis does not address outdoor storage areas.
(4) Not including hospitals, which as noted in the separate category below, are not addressed in the Nexus Analysis.

KEYSER MARSTON ASSOCIATES

FEASIBILITY ANALYSIS OF PROPOSED COMMERCIAL LINKAGE FEES

And Context for Setting Fees:
Fees as Percent of Development Cost
Fees in Other Jurisdictions

Prepared for:
City of San José

Prepared by:
Keyser Marston Associates

August 2020

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1.0 SUMMARY

This Feasibility Analysis of Proposed Commercial Linkage Fees ("Feasibility Analysis") has been prepared by Keyser Marston Associates, Inc. ("KMA") for the City of San José ("City") in support of a proposed new commercial linkage fee program. Commercial linkage fees are a type of impact fee imposed on new non-residential development to mitigate affordable housing impacts.

Commercial linkage fees are one-time charges typically applied on a per square foot basis at the time of initial development of new buildings. The concept behind commercial linkage fees is that new non-residential buildings add jobs and a share of the workers who hold these new jobs will require affordable housing. A companion report entitled "Commercial Linkage Fee Nexus Analysis" ("Nexus Analysis") determines nexus support for a potential new commercial linkage fee in San José. Because maximum commercial linkage fees that can be supported by nexus studies are generally very high, jurisdictions typically set fees below the maximums based on a variety of policy considerations. This Feasibility Analysis was prepared to inform selection of fees within a range that is sustainable for new commercial development projects in San José.

This Feasibility Analysis assesses the economic effects of potential commercial linkage fees and provides context materials to support selection of fee levels for a new commercial linkage fee program for San José. The study uses a real estate pro forma analysis to evaluate the economics of a range of prototype non-residential projects and their ability to sustain a new commercial linkage fee while still attracting the debt and equity investment necessary to move forward. Separate findings are provided for six geographic subareas of San José to address differences in market conditions, such as commercial rents and land costs, and physical characteristics, such as floor area ratio and parking type, by geographic area.

The geographic subareas include:

- Downtown and nearby
- North San José and nearby
- West San José Urban Villages
- Monterey Corridor
- Edenvale
- South and East San José Growth Areas

A map showing how the boundaries of the subareas are defined and a discussion of how subareas were selected is included in Section 2.3.

1.1 Report Organization

The report is organized into five sections and eight appendices, as follows:

- Section 1.0 is the Summary;
- Section 2.0 is the Introduction;
- Section 3.0 provides market context that informs the feasibility analysis;
- Section 4.0 presents the pro forma analysis for the nine building types under study, concluding with the supportable fee level per square foot of building area or per room;
- Section 5.0 provides information on commercial linkage fee programs in other jurisdictions;
- Appendix A provides the pro forma tables used to evaluate the impact of a range of fee levels on the economics of commercial projects;
- Appendices B through E provide market data for industrial, office, retail, and hotel uses;
- Appendix F is a memo relating to the selection of building types and geographic subareas for inclusion in the analysis, prepared by KMA in November 2019, which includes data on historical development activity and the pipeline of planned and proposed non-residential projects.
- Appendix G provides information on other commercial linkage fee programs, primarily in California.
- Appendix H provides a schedule that may be used to establish credits toward fee payment when a project provides affordable units directly.

1.2 Coronavirus Pandemic and Potential Implications for Project Feasibility

The pro forma analysis presented in this report is based on market conditions as of late 2019, early 2020. Since the pro forma analysis was prepared, the coronavirus pandemic has had widespread effects on business and society and caused a sharp recession which, within the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA)[1], resulted in the loss of approximately 133,000 jobs from February to May 2020[2]. The unemployment rate within the MSA peaked at 12% in April and improved slightly during the month of May. Based on a national economic forecast prepared by Deloitte in June 2020, economic conditions are expected to improve in the second half of the year, but a full recovery might not occur for an

[1] The MSA consists of Santa Clara and San Benito counties.
[2] Employment Development Department, Labor Market Information Division. Industry Employment & Labor Force - by MONTH, San Jose, Sunnyvale, Santa Clara MSA (San Benito and Santa Clara Counties). June 19, 2020.

additional 2 to 3 years, conditioned on controlling the virus and the timely development of an effective vaccine.

KMA conducted a qualitative assessment of the economic effects of the coronavirus pandemic on non-residential real estate in San José. The assessment is based on KMA's review of secondary sources and follow-up interviews with developers who previously provided feedback in early 2020 regarding development conditions prior to the pandemic.

Findings of the assessment are summarized as follows:

- *Office* – Developers interviewed by KMA note that the coronavirus pandemic has caused prospective office tenants in San José to pause or reassess their leasing plans. Office landlords and developers in San José have so far resisted repricing direct lease rates, but this could change if availability increases. Developers say that lenders have tightened underwriting criteria, making new speculative office development unlikely in the near term. On the other hand, office entitlement activity in San José remains robust, showing that developers continue to see San José as a viable location for office development once economic conditions normalize. Several developers cited plans for construction in 2021 or 2022, with the caveat that there is a great deal of uncertainty regarding how market conditions will change in the aftermath of the pandemic. Some real estate professionals speculated that the pandemic could have long-lasting effects on the office market if adaptive measures, such as work-from-home arrangements, become standard practice that endure beyond the pandemic.
- *Retail* – KMA's pro forma analysis, based on pre-pandemic market conditions, found relatively weak feasibility of retail development in San José (see Section 1.3). Under post-pandemic market conditions, challenges for retail development are likely to increase, as the pandemic has caused consumers to curtail retail spending and accelerated trends toward online shopping.
- *Hotel* – The hotel market has been severely impacted by the coronavirus pandemic. CBRE Hotels estimates that in the United States, average hotel revenues per available room will not return to 2019 levels until 2023. Developers interviewed by KMA expect financing for hotel development and operator interest to be very limited in the near- to mid-term.
- *Industrial and Warehouse* – Industrial and warehouse real estate has been less adversely impacted by the coronavirus pandemic compared to other non-residential real estate sectors. To date, industrial rents and leasing activity in San José have been largely unaffected. The pandemic might increase demand for logistics and warehouse space due to e-commerce growth and greater emphasis on supply chain resiliency. However, the industrial real estate sector would be vulnerable to a prolonged economic recession.

Developers who participated in follow-up interviews with KMA were far less optimistic about non-residential development conditions in San José than in interviews conducted prior to the pandemic (see Section 3.2). While most developers had previously acknowledged that a commercial linkage fee at some level could be supported, several developers now maintain that a fee of any amount has the potential to deter non-residential development activity during the economic recovery. Developers reiterated support for measures to gradually phase in the commercial linkage fee over several years and allow fees to be deferred until certificate of occupancy, or later.

1.3 Feasible Fee Levels

KMA prepared a real estate pro forma analysis evaluating the development economics of non-residential projects first without the proposed commercial linkage fee and then testing a range of potential fee levels. The analysis focuses on development prototypes representative of the types of non-residential development that have occurred or are expected to occur in the future. Rents, land costs, and governmental fees reflect development conditions specific to each geographic area analyzed. The non-residential project types evaluated include:

- Warehouse / Distribution
- Light Industrial / R&D
- Office / R&D: Low-Rise, Mid-Rise, Downtown Mid-Rise, and Downtown High-Rise
- Neighborhood Retail Center
- Hotel: Surface Parked and with Structured Parking

The pro forma analysis tests whether the development economics of projects support the cost of acquiring a site. Table 1-1 provides a summary of the feasibility analysis findings regarding the supportable fee levels based on the development economics of prototype buildings in each geographic area. The ability of specific individual projects to afford the fee levels tested will also vary based on location, site conditions and/or other project-specific factors. Feasibility of the non-residential project types is analyzed within geographic subareas where development of that project type has occurred or is expected to occur in the future based on the analysis of recent and pipeline development activity included in Appendix F. The fee level supported by office campuses developed by or in partnership with a major high-tech end user is evaluated through an alternative approach summarized in Section 1.6.

The pro forma analysis reflects pre-pandemic conditions and provides a general indication of development economics for representative commercial projects as of early 2020, at the end of a decade-long economic expansion that was subsequently halted by the coronavirus pandemic. The pro forma analysis was not revised to reflect economic fallout of the coronavirus pandemic, which is rapidly evolving and unpredictable as to its longer-term effects, because doing so would be speculative at this time. As of June 2020, there is not enough post-pandemic transaction data to support specific changes to pro forma assumptions. Even if conclusive data

emerges, the changes might not be representative of future conditions post-pandemic when commercial projects are more likely to move forward.

While market conditions will undoubtedly shift during and after the pandemic, the pro forma analysis presented herein still provides relevant policy context because it captures the baseline market conditions that have driven San José's commercial development pipeline and that are likely to continue to inform underwriting assumptions of commercial projects targeted for construction in the near term until data is available to assess post-pandemic market conditions.

Table 1-1. Supportable Fee Levels Per Square Foot of Gross Floor Area, Excluding Parking Based on Development Economics of Prototype Projects and Pre-Pandemic Market Conditions

	Downtown & Nearby	North SJ & Nearby	West SJ	Edenvale	Monterey Corridor	South & East SJ
Office / R&D (1)	$25/SF mid-rise $30/SF high-rise *Reflects unproven market expectations for achievable rents downtown that are 40%-50% over averages for existing space* (2)	$10/SF	$20/SF	$10/SF		None
High-Tech End User	Evaluated using an alternative approach described in Section 1.6					
Neighborhood Retail		None	None	None		None
Hotel (1)	$10/SF $6,000/rm	$15/SF $9,000/rm	$10/SF $6,000/rm	$5/SF $3,000/rm		
Warehouse		$10/SF		$7.50/SF	$5/SF	
Light Industrial / R&D		$7.50/SF		None	None	

(1) For ease of presentation, findings for multiple building types, such as low-rise and mid-rise are collapsed to a single category. Findings correspond to the building type most likely to be developed within each subarea.
(2) Market rent estimates mirror rents being targeted by developers for newly built Class A space in the downtown, which reflect a premium over rents for primarily older multi-tenant space in the downtown. See Section 4.2 a) for additional discussion.

Grey indicates that the building type was not analyzed in the indicated subarea. "None" indicates no fee was found to be supported.

All findings in this section reflect pre-pandemic conditions, as previously noted. Findings regarding supported fee levels are expressed per square foot of new non-residential gross floor area, excluding parking. Key findings of the pro forma analysis are summarized below.

Office/R&D

The fee level estimated to be supportable for the office prototypes varies based on geographic subareas from no supportable fee in South and East San José to $10 per square foot in Edenvale and North San José, $20 in West San José, to $25 to $30 per square foot in downtown for mid-rise and high-rise development, respectively.

Additional discussion of pro forma findings by geographic subarea for office/R&D is provided below:

Downtown – While the feasibility analysis shows support for a fee up to $25 per square foot for mid-rise and $30 per square foot for high-rise office, these findings have a higher degree of uncertainty and sensitivity in that they reflect unproven market expectations that new Class A office space in the downtown will achieve rents 40-50% above current averages for primarily older multi-tenant Class A office space downtown. The pro forma rents that support fees in the $25 to $30 per square foot range in downtown San José are significantly above current average rents in West San José and Cupertino and are comparable to existing averages in Sunnyvale. Market expectations that higher rents are achievable for large blocks of Class A space in a transit-accessible downtown setting has been motivating projects to proceed. However, conditions could shift depending on how initial projects perform and any changes in office demand that follow the coronavirus pandemic. See also Section 1.5 for a discussion of sensitivity testing performed for the downtown office prototypes.

The pro forma analysis used to determine supportable fees in the downtown is representative of projects in the development pipeline, which are concentrated in the downtown core and Diridon station area. Very little office development is planned for Urban Villages located on the periphery of the downtown sub-area (such as North First Street and West San Carlos), suggesting that development economics may be less favorable in these locations. Moreover, the pro forma analysis is reflective of large office developments (greater than 400,000 square feet) that comprise most of the planned and proposed projects in downtown San José. Large office projects are the most likely to achieve premium rents because they can attract the highest-paying tenants who require large blocks of space. Smaller, multi-tenant office projects will likely find it more difficult to achieve rents above the current market in downtown.

North San José – The feasibility analysis for mid-rise office development indicates support for a fee up to approximately $10 per square foot. Rents in North San José are not as strong as in West San José and are well below levels being targeted in the downtown. Additionally, existing City fees are approximately $7 per square foot higher in the North San José sub-area than in downtown and approximately $11 per square foot higher than in West San José, which also contributes to a lower feasible fee finding in North San José.

West San José – The feasibility analysis indicates support for a fee of up to $20 per square foot based on a representative mid-rise office development in this area. Rents for newly built space in West San José are estimated to be approximately 10% below the rents targeted for the mid-rise office prototype in the downtown; however, land costs are also lower. The net result is support for a linkage fee approximately $5 less than the fee finding for the mid-rise prototype in downtown.

Edenvale – The feasibility analysis for Edenvale indicates support for a fee up to $10 per square foot. However, this result is tempered by the following qualitative factors:

- The low-rise office structures developed in this area are generally lower-cost buildings that may be more sensitive to increases in cost than a mid-rise or high-rise office building (see Section 1.4).

- Lower land values and relatively few development projects in Edenvale are an indication of generally weaker market strength and more sensitivity to costs.

South and East San José – No fee was found to be supported for office projects in South and East San José based on marginal project feasibility in this location even without a fee. Estimated office rents in South and East San José are not materially different from Edenvale. The difference in the feasibility finding for South and East San José relative to Edenvale is driven by higher estimated land costs. However, as land costs are estimated based on limited land sales data in South and East, despite a difference in pro forma results, evidence of a distinction in office feasibility conditions between Edenvale and South and East is limited. Qualitative factors described above with respect to Edenvale are also applicable to South and East.

Retail

As is widely known, retail has been undergoing a major transition with the rise of online shopping, now accelerated by the coronavirus pandemic. Feasibility results indicate no fee is supportable for the prototype neighborhood retail center analyzed in any of the subareas. In mixed use projects, retail often serves as an amenity to other project components and is not a self-supporting project component (revenues do not justify development costs). While some retail projects are likely to move forward, especially sectors more insulated from the rise of online shopping such as food, the overall indication is that there is a limited ability to absorb additional costs in the retail sector.

Hotel

The supportable fee level for hotel prototypes is in the range of $15 per square foot in North San José (approximately $9,000 per room), $10 per square foot in West San José and downtown (approximately 6,000 per room) and $5 per square foot in Edenvale (approximately $3,000 per room). Favorable performance of hotels in North San José is driven by strong business and Airport-related room demand coupled with lower land costs than downtown or West San José. However, the primary driver of hotel values, the room rates, are actually somewhat lower in North San José than in downtown or West San José. As previously noted, the hotel market has been severely impacted by the coronavirus pandemic. Based on forecasts by industry professionals, room rates are not expected to return to levels reflected in the pro forma analysis until 2023.

Warehouse

The supportable feel level for the warehouse prototype ranges from $5 to $10 per square foot depending on the subarea, with North San José being the strongest and Monterey Corridor representing the lower end of the range. Notwithstanding this feasibility result, as indicated by the analysis in Section 1.4, warehouse buildings are lower-rent lower-cost structures and each dollar of fee will tend to have a greater influence on costs, and thus development decisions, than it will for higher-rent and higher-cost building such as office.

Light Industrial

The light industrial prototype shows limited capacity to support a linkage fee based on conventional real estate return metrics used by developers. North San José was the only geographic subarea found to support a fee at a level up to approximately $7.50 per square foot. While a speculative light industrial project was analyzed, most of the recently built light industrial projects in San José have been driven by end users that base their real estate decisions on a broader set of criteria. Projects driven by end users may move forward despite more challenging conditions for speculative projects. As with warehouses, light industrial buildings are lower-rent lower-cost structures for which each dollar of fee will tend to have a larger influence on costs and development decisions compared to higher rent and more costly buildings such as office.

1.4 Fees as Percentage of Development Costs

Another approach to understanding the likelihood that a new fee will impact development decisions is to consider how fees relate to the total development cost of projects. Fees representing a smaller share of development costs will be less likely to affect development decisions and vice versa. Table 1-2 summarizes a range of potential fees expressed as a percentage of total development costs. Warehouse and industrial buildings represent the low end of the development cost range, and as a result, each dollar of fees represents a larger burden relative to the total investment being made. As one illustration, a fee of $5 per square foot would represent approximately the same percentage of costs for a warehouse building as a $15 per square foot fee represents for a mid-rise office building.

Table 1-2. Potential Linkage Fee Levels as Percentage of Total Development Costs							
Prototype	Total Development Cost[1]	Linkage Fee as % of Development Costs					
		$5/SF $3K/rm	$10/SF $6K/rm	$15/SF $9K/rm	$20/SF $12K/rm	$25/SF $15K/rm	$30/SF $18K/rm
Warehouse/ Distribution	$245/SF	2.0%	4.1%	6.1%	8.2%	10.2%	12.2%
Light Industrial / R&D	$285/SF	1.8%	3.5%	5.3%	7.0%	8.8%	10.5%
Office/ R&D - Low-Rise	$445/SF	1.1%	2.2%	3.4%	4.5%	5.6%	6.7%
Office/ R&D - Mid-Rise	$680/SF	0.7%	1.5%	2.2%	2.9%	3.7%	4.4%
Office/ R&D - DT Mid-Rise	$745/SF	0.7%	1.3%	2.0%	2.7%	3.4%	4.0%
Office/ R&D - High-Rise	$815/SF	0.6%	1.2%	1.8%	2.5%	3.1%	3.7%
Neighborhood Retail	$645/SF	0.8%	1.6%	2.3%	3.1%	3.9%	4.7%
Hotel - Surface Parking	$328,000/rm	0.9%	1.8%	2.7%	3.7%	4.6%	5.5%
Hotel - Structured Parking	$374,000/rm	0.8%	1.6%	2.4%	3.2%	4.0%	4.8%

Legend: less than 3% of costs 3% to 5% of costs Over 5% of costs

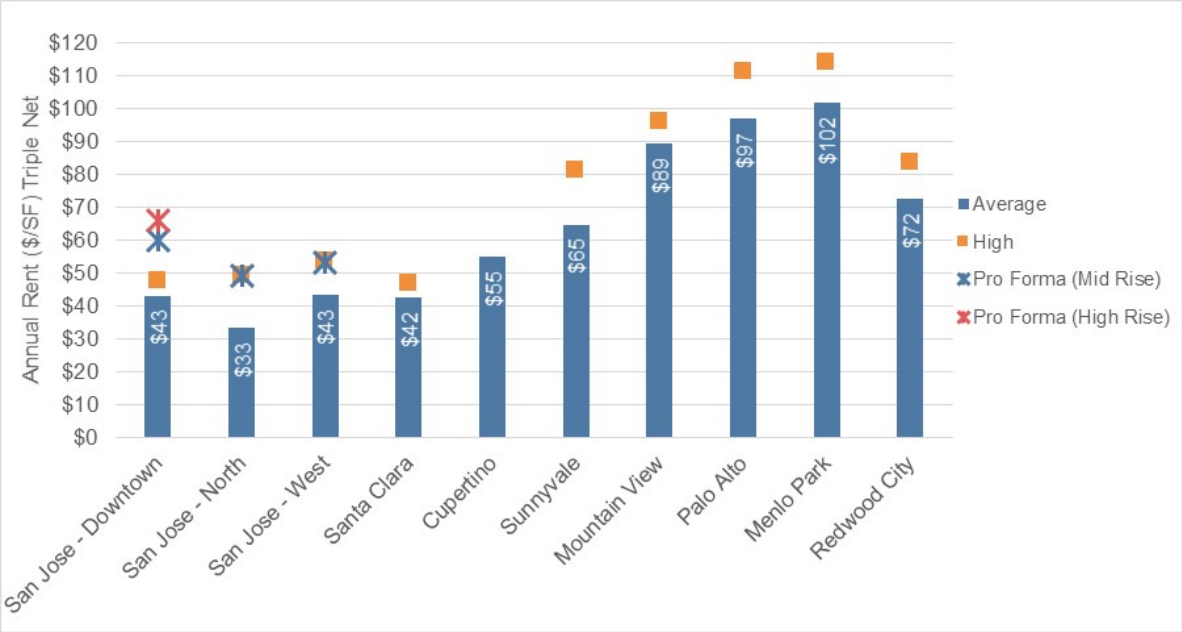
(1) Representative total development cost per square foot of GBA including land. Reflects average for multiple subareas.

1.5 Sensitivity Testing of Downtown Office Prototypes

The capacity of office prototypes to support a commercial linkage fee in downtown San José is highly sensitive to the expected rental rates of new office construction. There are no recently built projects in downtown San José that provide a benchmark for the rents likely to be achieved by new speculative projects being built in downtown today. Based on interviews with development professionals and asking rents for projects under construction, the pro forma analysis, which reflects pre-pandemic conditions, assumes an annual triple net rent of $60 per square foot for the mid-rise prototype and $66 per square foot for the high-rise prototype ($5.00 to $5.50 per square foot monthly). Construction costs for individual projects in the downtown can be expected to vary due to site conditions and other factors and some downtown pipeline projects are reported to target even higher rents to support project-specific costs and a risk adjusted return to investors.

The estimated rent range of the downtown office prototypes is within the range of rents being achieved elsewhere in the region but represents a premium of roughly 40% to 50% over current Class A asking rents in the downtown, which consists primarily of older multi-tenant space. As shown in Chart 1-1, estimated rents exceed average Class A asking rents in Cupertino, are comparable to averages for Sunnyvale, but remain well below averages for Mountain View, Menlo Park and Redwood City. Averages reflect a mix of older and newer space.

Chart 1-1. Class A Office Rent Comparison



Source: Average annual rents per CBRE 2019. Reported full service gross rents adjusted by KMA to estimated triple net equivalent rents. High rents reflect data on recent leases from Costar. Note: Fremont and Milpitas and other geographic subareas of San José that are not pictured in the chart have a limited supply of Class A space and so are not shown.

KMA performed a sensitivity analysis to test how the development economics of downtown office prototypes as well as the supportable fee levels would respond to changes in rent expectations. The sensitivity analysis was performed on the pro forma analyses that, as previously described, reflect pre-pandemic conditions. For purposes of illustrative sensitivity testing, costs and all other pro forma assumptions are assumed to remain constant. The rent sensitivity test for the downtown office prototypes indicates:

- If annual office rents fall short of pro forma estimates by $2 to $2.50 per square foot ($0.17 to $0.21 per month, or 3% to 4% less than estimated), projects would have limited capacity to support a linkage fee and pay prevailing land prices, even though rents would still exceed existing averages in the downtown by 35% - 48%.

- If annual rents outperform pro forma estimates by $2 per square foot ($0.17 per month, or 3% more than estimated), the sensitivity analysis indicates roughly a doubling of the supportable fee.

- If mid-rise office rents were to reach averages in Sunnyvale and high-rise rents were to reach averages in Redwood City (8% to 9% more than estimated), the sensitivity analysis indicates a tripling in the estimated linkage fee that could be supported.

An additional sensitivity test was conducted with respect to the parking ratio which found that increasing the 1.9 spaces per 1,000 square feet parking ratio estimated for downtown projects by 0.1 spaces per 1,000 square feet reduces the linkage fee estimated to be supportable by $7-

$9 per square foot and vice versa, assuming all other pro forma assumptions, including land prices, remain constant.

The finding that there is a high degree of sensitivity to rents and parking costs is fairly typical for a pro forma analysis of this type and not at all unique to the San José market. However, greater consideration of this sensitivity is appropriate in the case of the Downtown San José market as market rents are unproven at this time and there is also more uncertainty as to how parking needs might evolve in the future.

1.6 Large High-Tech End Users

In addition to conventional, investor-driven office projects, future development in San José is anticipated to include some large office campuses developed by or in partnership with a major high-tech corporation specifically for their long-term end use[3]. The Apple "spaceship," Facebook's Building 22, and Uber's Mission Bay campus are prominent examples of end-user projects, all headquarters, recently completed elsewhere in the Bay Area. Conventional real estate return metrics that underlie the office pro forma analysis are less applicable to projects built by large high-tech end users, which base their real estate decisions on a broader set of criteria. KMA compared the development costs of headquarters projects recently developed by three high-tech end users to conventional office projects. This analysis is summarized below and detailed in Section 4.9. The high-tech end user analysis was included in this study based on direction from City Council. Consistent with this direction, the Nexus Analysis also provides separate findings for high-tech office, as described in Section 1.8[4].

Based on publicly available cost data for three prominent high-tech end-user projects and interviews with local developers, KMA found that high-tech end users tend to invest more in their campuses than conventional, investor-driven office projects, suggesting a lesser degree of cost sensitivity and a potentially greater ability to support a commercial linkage fee. Based on publicly available cost data, the three projects' development costs ranged from 15% to 65% more than a conventional speculative office development on a cost per square foot basis. End-user project characteristics (e.g., headquarters vs. non-headquarters, private and public amenities) and financial considerations can vary widely. Table 4-22 provides an illustration of linkage fee levels that are adjusted proportionate to the cost premium observed for these three recent high-tech end user headquarters projects.

Establishing a separate fee for high-tech end users could be challenging for several reasons, including identifying objective criteria to determine which projects the separate rate would apply to. Ambiguity could arise as to whether a company is "high tech," whether it is large enough or

[3] The discussion of high-tech end user developments in this section does not pertain to projects that are not developed by an end user, such as a speculative office project, even if ultimately leased to a high-tech tenant.
[4] Affordable housing demand impacts documented in the Nexus Analysis are approximately 14% greater and maximum commercial linkage fees supported are $13.60 per square foot greater for high-tech offices compared to the general office category.

the intended type of company for application of the higher fee, and whether the company is a true "end user." High-tech end users that choose to invest more conservatively in their facilities would potentially be more cost-sensitive to a higher linkage fee. No other cities in California have adopted commercial linkage fees unique to an end-user office category.

1.7 Fee Comparison

Around 50 jurisdictions in California and most major cities on the West Coast have commercial linkage fee programs. Silicon Valley and Peninsula cities tend to have the most substantial linkage fees, supported by the strength of their real estate markets. Cities in the East Bay and Milpitas have adopted far more moderate fee levels as a reflection of more moderate market strength. Table 1-3 identifies fee level examples believed to be most relevant to San José. A more comprehensive listing is included in Section 5.0 and Appendix G.

Table 1-3. Commercial Linkage Fee Levels in Other Cities ($PSF) Selected Examples

	Office ($PSF)	**Retail** ($PSF)	**Hotel** ($PSF)	**Industrial** ($PSF)
West Santa Clara County				
Palo Alto	$36.53	$21.26	$21.26	$21.26
Mountain View	$28.25	$3.02	$3.02	$28.25
Santa Clara	$20.00	$5.00	$5.00	$10.00
Cupertino	$24.60	$12.30	$12.30	$24.60
Sunnyvale	$16.50	$8.25	$8.25	$16.50
East Bay and Milpitas				
Fremont	$8.00	$8.00	$8.00	$4.00
Milpitas (1)	$8.00	$8.00	$8.00	$4.00
Dublin	$1.45	$1.18	$0.49	$0.56
Pleasanton	$7.61	$4.56	$4.56	$12.64
Large Cities				
Oakland (2)	$5.89	N/A	N/A	N/A(2)
San Francisco (1) (3)	$69.60	$28.13	$22.57	N/A

(1) Identifies full phase-in level.

(2) Oakland has a fee for warehouse but not industrial.

(3) Office rate is $62.64 psf for buildings under 50,000 SF.

N/A = No fee or no applicable category

1.8 Nexus Analysis Maximum Supported Fees

The companion Nexus Analysis determines nexus support for a potential new linkage fee in San José. The Nexus Analysis quantifies the linkages between new non-residential buildings, the employees who work in them, and their demand for affordable housing, and calculates maximum supported fee levels based on the cost of mitigating the increased demand for affordable housing. Nexus Analysis maximum fee conclusions are summarized in Table 1-4. Appendix C, Table 18 to the Nexus Analysis includes a matrix relating building types listed in Table 1-4 to use categories utilized by the City. Nexus findings are maximums only and provide

flexibility to select a fee at a level that is financially feasible. As is typically the case, the commercial linkage fees supported by the Nexus Analysis are well above the feasible fee levels identified in Section 1.3, which consider the effect that fees would have on the development economics of non-residential projects.

The Nexus Analysis evaluated two office building types: Office and Office, High Tech. Office encompasses the full range of office uses in San José, while Office, High-Tech represents a subcategory of office space occupied by technology or "tech" sector businesses, including both multi-tenant and single-tenant buildings. The Nexus Analysis finds a higher nexus cost for the Office, High Tech building type primarily because employment density was determined to be greater than other tenant types, resulting in higher affordable housing impacts. Commercial linkage fee nexus analyses prepared for other jurisdictions in Silicon Valley have also studied high-tech office as a separate building category to ensure nexus findings adequately address this tenant type but did not establish a separate fee category for high-tech office versus general office.

Table 1-4. Nexus Analysis Maximum Fee Conclusions

Building Type [1]	Maximum Fee Per Square Foot [2]
Office	$137.70
Office, High-Tech	$151.30
Retail	$176.70
Hotel	$61.60
Industrial	$131.90
Research and Development	$108.80
Warehouse	$45.90
Residential Care	$44.60

(1) See Appendix C, Table 18 of the Nexus Analysis for a matrix relating building types addressed to use categories utilized by the City.
(2) Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.

For projects that provide affordable units as part of their project, it may be necessary to provide credit toward payment of the commercial linkage fee to the extent the affordable housing impacts documented in the Nexus Analysis are being fully mitigated. Some communities specify a formula to govern credits for provided affordable units while others include more general ordinance language to address this situation. Specifying a formula and establishing credits at a level that is in balance with fees is an approach to encouraging some projects to provide affordable units directly, which adds flexibility to the program and may accelerate delivery of affordable units in some instances. Appendix H includes a table that can be used to establish credits for delivery of affordable units in the event the City would like to specify a formula.

The financial feasibility analysis, sensitivity testing, analysis of the impact of fees on development costs, fee comparison, and nexus analysis maximums summarized above, are available to inform selection of fee levels and other program features for a potential new commercial linkage fee program for the City of San José.

2.0 INTRODUCTION TO THE FEASIBILITY ANALYSIS

This Feasibility Analysis of Proposed Commercial Linkage Fees ("Feasibility Analysis") has been prepared by Keyser Marston Associates, Inc. ("KMA") for the City of San José ("City") in support of a proposed new commercial linkage fee program. Commercial linkage fees are a type of impact fee imposed on new non-residential development to mitigate affordable housing impacts.

The feasibility study analyzes the economic effects of potential commercial linkage fees and provides context materials to support selection of fee levels for a new commercial linkage fee program. The study uses a real estate pro forma analysis to evaluate the economics of a range of prototype non-residential projects and their ability to sustain a new commercial linkage fee.

The pro forma analysis presented in this report draws from commercial real estate market data as of early 2020, before the onset of the coronavirus pandemic. Pro forma assumptions such as rents and construction costs were not revised to account for the effects of coronavirus pandemic because doing so would involve a high degree of speculation. As of early June 2020, there is not enough post-pandemic transaction data to support specific changes to pro forma assumptions. Even if conclusive data emerges, the changes might not be representative of future conditions post-pandemic when commercial projects are more likely to move forward. Therefore, a qualitative assessment is provided in Sections 1.2 and 3.2, informed by interviews with local developers, rather than attempt to make any specific modifications to the pro forma analyses prepared pre-pandemic. While market conditions will undoubtedly shift during and after the pandemic, the pro forma analysis presented herein still provides relevant policy context because it captures the baseline market conditions that have driven San José's commercial development pipeline and that are likely to continue to inform the underwriting assumptions of commercial projects targeted for construction in the next one to two years until data is available to assess post-pandemic market conditions.

2.1 Context and Limitations of Analysis

Before describing the pro forma analysis, it can be helpful to put the analysis into perspective by summarizing how it can be useful but also where limitations exist in its ability to inform longer-term policy decisions:

a) *Prototypical Nature of Analysis* – This pro forma analysis by its nature can only provide an overview-level assessment of development economics because it is based on prototypical projects rather than specific projects. Every project has unique characteristics that will dictate rents or room rates supported by the market as well as development costs and developer return requirements. Each developer will assess the project's risk and return and assemble project financing differently. This pro forma analysis is intended to reflect prototypical projects in San José, but it is recognized that

the economics of some projects may look better and some may look worse than those of the prototypes analyzed.

b) *Near Term Time Horizon* – This pro forma analysis is a snapshot of real estate market conditions as of late 2019, early 2020. Real estate development economics are fluid and are impacted by constantly changing conditions with regard to rent potential and sale prices, construction costs, land costs, and costs of financing. Since the analysis was prepared, the rapid economic change caused by the coronavirus pandemic has altered conditions such that the findings no longer hold. As described above, impacts of the pandemic on feasibility conditions are addressed through a qualitative assessment rather than through specific adjustments to the pro forma analysis.

c) *Adjustments to Land Costs over Time* – Developers purchase development sites at values that will allow for profitable projects. When a development impact fee is in place, developers "price in" the requirement when evaluating a project's economics and negotiating the purchase price for development sites. When fees are increased, it is possible that downward pressure on land costs could result as developers adjust what they can afford to pay for land. This downward pressure on land prices can to some degree bring costs back into better balance with the overall economics supported by projects. While adjustments to land costs are possible, several factors limit the extent to which adjustments can occur. Existing uses on a site that generate income or alternative land uses that compete for a site will tend to dampen the potential for downward adjustments to land price. Landowners also have expectations regarding the value of their property and may hold the property off the market rather than accept a less attractive price, especially if the property is generating income.

2.2 Commercial Prototypes

To help support decision making regarding fee levels by building type, KMA analyzed the following development prototypes:

- Warehouse / Distribution
- Light Industrial / R&D
- Office/ R&D: Low-Rise
- Office/ R&D: Mid-Rise (programmatic assumptions differ within and outside downtown)
- Office/ R&D: High-Rise
- Neighborhood Retail Center
- Mid-Rise Hotel with Surface Parking
- Mid-Rise Hotel with Structured Parking

Development prototypes were identified based on a review of recent and pipeline development activity in the City and are intended as representative of the types of non-residential

development currently occurring or expected to occur in San José over the next several years. Table 2-1 provides a summary of programmatic assumptions for each prototype.

Table 2-1. Commercial Development Prototypes

Prototype	Stories	FAR	Parking Ratio	Parking Type
Warehouse/ Distribution	1	0.4	0.9/1,000gsf	Surface
Light Industrial / R&D	1-2	0.4	2.0/1,000gsf	Surface
Office/ R&D - Low-Rise	2	0.6	3.2/1,000gsf	Surface
Office/ R&D – Mid-Rise	6	1.8	3.0/1,000gsf	Garage
Office/ R&D - Downtown Mid-Rise	7	4.0	1.9/1,000gsf	Podium/ Below Grade
Office/ R&D – High-Rise	19	10.5	1.9/1,000gsf	Podium/ Below Grade
Neighborhood Retail Center	1	0.2	4.4/1,000gsf	Surface
Mid-Rise Hotel - Surface Parking	5	1.0	0.9/room	Surface
Mid-Rise Hotel - Structured Parking	5	3.6	0.7/room	Below Grade

All prototypes are analyzed as income-generating buildings in the pro forma analysis. High-tech office campuses built and owned by a single large end user are addressed separately.

2.3 Geographic Subareas

The analysis addresses feasibility conditions within the following six different geographic subareas. Map 1 illustrates the location of the six subareas.

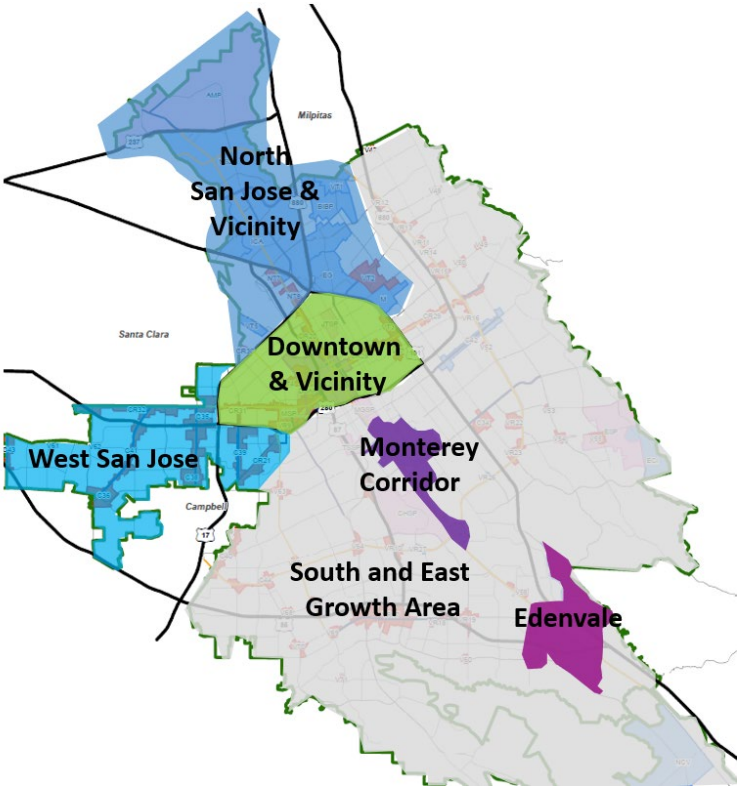
- Downtown and nearby (“Downtown”)
- North San José and nearby (“North San José” or “North SJ”)
- West San José Urban Villages (“West San José” or “West SJ”)
- Monterey Corridor
- Edenvale
- South and East San José Growth Areas (“South and East”).

The purpose of separately analyzing feasibility conditions by geographic area is to provide information regarding variation in feasibility conditions by location and to inform policy options for establishment of fee levels that may be distinguished by geographic area. Prototype and geographic area selections were described in a prior KMA memo dated November 2019, attached as Appendix F, and were reviewed as part of two stakeholder outreach meetings, a public meeting and a City Community and Economic Development Committee meeting in late 2019. Subareas were drawn from a list of subareas proposed for study in the City’s original request for proposal for the Nexus Analysis and Feasibility Analysis.

Conducting the analysis by subarea enables differences in findings between major existing and emerging business districts and urban villages within the City to be distinguished; allows distinctions in the physical attributes of development projects by geographic area to be captured, such as typical floor area ratio, height, construction type, and parking configuration;

and, allows differences in market conditions by location, including market rents and land costs, which drive differences in analysis findings by geographic area, to be taken into account in the analysis.

Map 1: Geographic Subareas



The subareas are identified on Map 1. The North San José subarea encompasses the City's North San José and Alviso Planning Areas[5] and adjacent employment areas and urban villages in the Berryessa Planning Area[6] where existing and planned development is similar in character. The Downtown subarea generally corresponds to the City's Central Planning Area. Within this subarea, the feasibility analysis focuses on the Downtown Core and Diridon Station Area, a three square mile area bounded by Taylor Street to the north for areas west of SR 87 and Julian for areas east of SR87, San José State University and City Hall to the east, Interstate 280 to the south, and the Diridon Station Area to the west. This portion of the Downtown subarea is where development activity is concentrated and is the only location where high-rise commercial development is anticipated. Commercial development activity on the periphery of the Downtown subarea is limited and development feasibility is likely to be more comparable to adjoining subareas. The West San José subarea corresponds to the West Valley Planning Area and urban villages within adjacent portions of the Willow Glen Planning Area where proposed mid-rise commercial development is similar in character to recent and proposed development

[5] City of San Jose Planning Area map accessed on July 29, 2020 at https://www.sanjoseca.gov/home/showdocument?id=23683

[6] Urban villages and employment areas are identified in the City's Envision San Jose 2040 General Plan.

projects in West Valley. Edenvale and Monterey Corridor each encompass distinct existing employment areas. South and East encompasses future growth areas of the City within the Evergreen, Alum Rock, Edenvale, Almaden, San Filipe, Coyote, Calero, South, Cambrian/Pioneer, Willow Glen, and Berryessa Planning Areas, except portions of these planning areas included within another subarea. Recent and proposed commercial development activity in South and East has been more limited based on the analysis in Appendix F and projects have tended to be low-rise structures with surface parking.

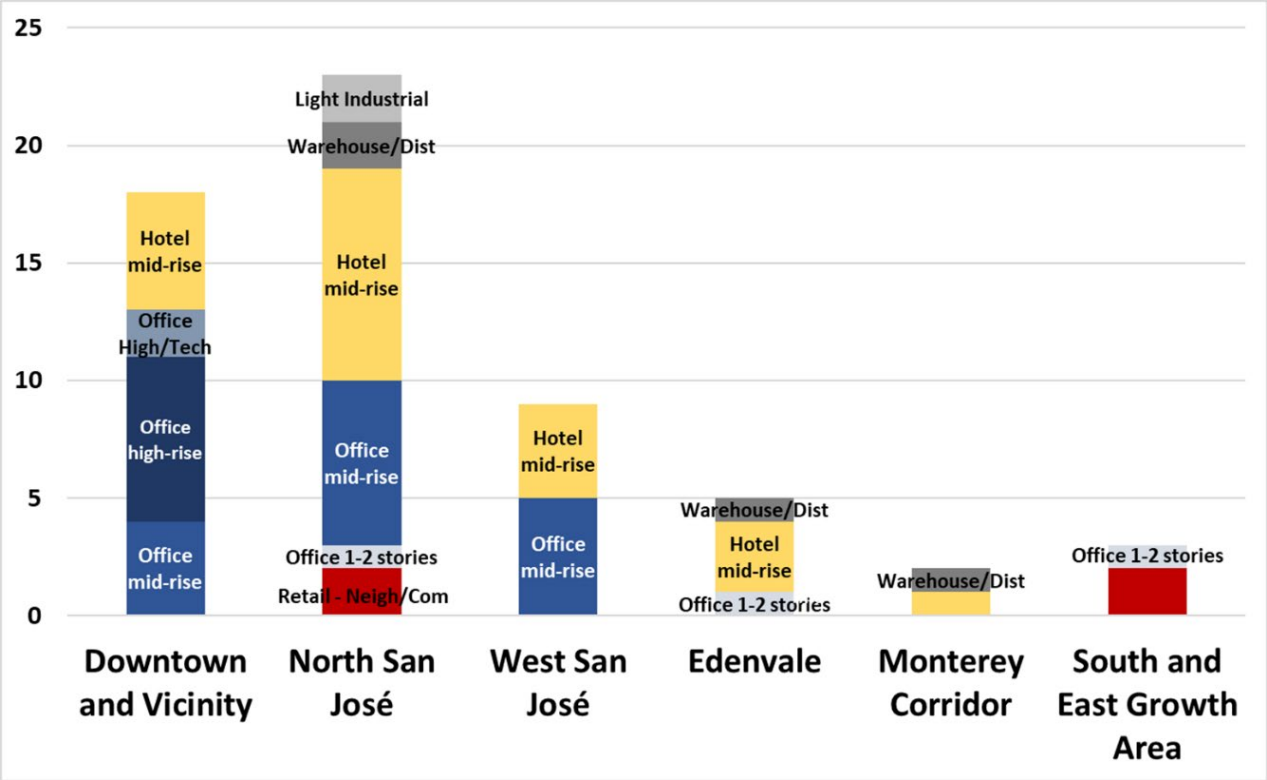
Table 2-2 pairs each of the building prototypes with applicable geographic subareas within which the building type is analyzed. Feasibility of non-residential project types is analyzed within geographic subareas where development of that project type has occurred or is expected to occur in the future based on the analysis of recent and pipeline development activity included within the KMA memo attached as Appendix F and summarized, in part, in the chart on the following page.

Table 2-2. Geographic Subareas

Prototype	Downtown & Nearby	North SJ & Nearby	West SJ	Monterey	Edenvale	South & East
Warehouse/ Distribution		X		X	X	
Light Industrial / R&D		X		X	X	
Office/ R&D - Low-Rise		X			X	X
Office/ R&D - Mid-Rise	X	X	X			
Office/ R&D – DT Mid-Rise	X					
Office/ R&D – High-Rise	X					
Neighborhood Retail Cntr.		X	X		X	X
Mid-Rise Hotel - Surface		X			X	
Mid-Rise Hotel- Structured	X		X			

The chart below illustrates the number of pipeline projects by type within each geographic subarea summarized from data included in Appendix F. This information informed the relationships between building types addressed in the study and the geographic subareas within which those building types are analyzed, as shown in Table 2-2.

Number of Pipeline Projects by Subarea
Building Types Addressed in Study, Projects >25,000 SF



The subareas encompass most of the nonresidential development activity occurring in San José and represent a broad range of market conditions. As shown in Table 2-3, among the subareas, average asking rents for office range from $21 to $53 per square foot per year ($1.75 to $4.40 per month); triple net asking rents for retail range from $37 to $51 per square foot per year ($3.10 to $4.25 per month); and triple net asking rents for industrial range from $11 to $15 per square foot per year ($0.90 to $1.25 per month). Part of the variation between subareas is explained by differences in the quality and type of space currently available for lease. Newly built commercial space is anticipated to achieve higher rents than the market average. Additional data on market conditions by subarea is provided in the appendix tables.

Table 2-3. Annual Direct Asking Rents by Subarea (Q4 2019)			
Subarea	**Office Avg. Direct Asking Rent/SF[1] Built 2000-**	**Retail Avg. Direct Asking Rent/SF (NNN) Built 2000-**	**Industrial[2] Avg. Direct Asking Rent/SF (NNN) Built All Years**
Downtown & nearby	$43/SF		
North San José & nearby	$36/SF	$40/SF	$15/SF
West San José Urban Village	$53/SF	$51/SF	
Monterey Corridor			$11/SF
Edenvale	$21/SF	$37/SF	$15/SF
South & East SJ Growth Area	$31/SF	$37/SF	
Citywide Average	*$37/SF*	*$37/SF*	*$14/SF*

Source: Costar, using pre-defined submarkets that approximate subareas.
[1] Reflects the average asking rent reported by Costar. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.
[2] Includes warehouse, distribution, light industrial, and manufacturing uses.

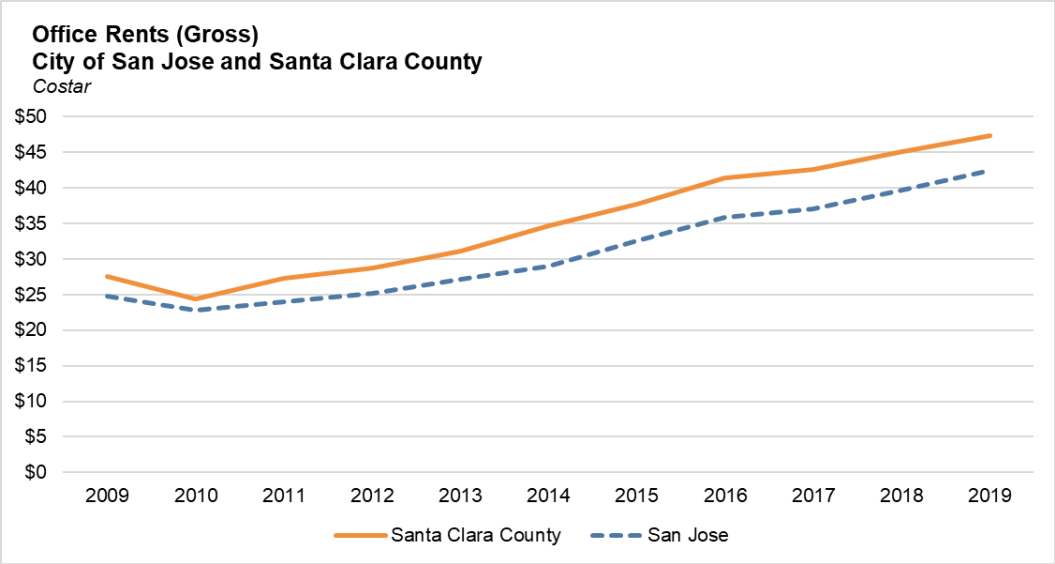
3.0 MARKET CONTEXT

The pro forma analysis presented in this report is based on market conditions as of late 2019, early 2020, as summarized in Section 3.1. Since the pro forma analysis was prepared, the coronavirus pandemic has had widespread effects on business and society and caused a sharp recession. An assessment of the potential effects of the coronavirus pandemic on non-residential market conditions is provided in Section 1.2. To gain a better understanding of local market conditions, both prior to and during the coronavirus pandemic, KMA conducted interviews with developers of commercial projects in San José, which are summarized in Section 3.2.

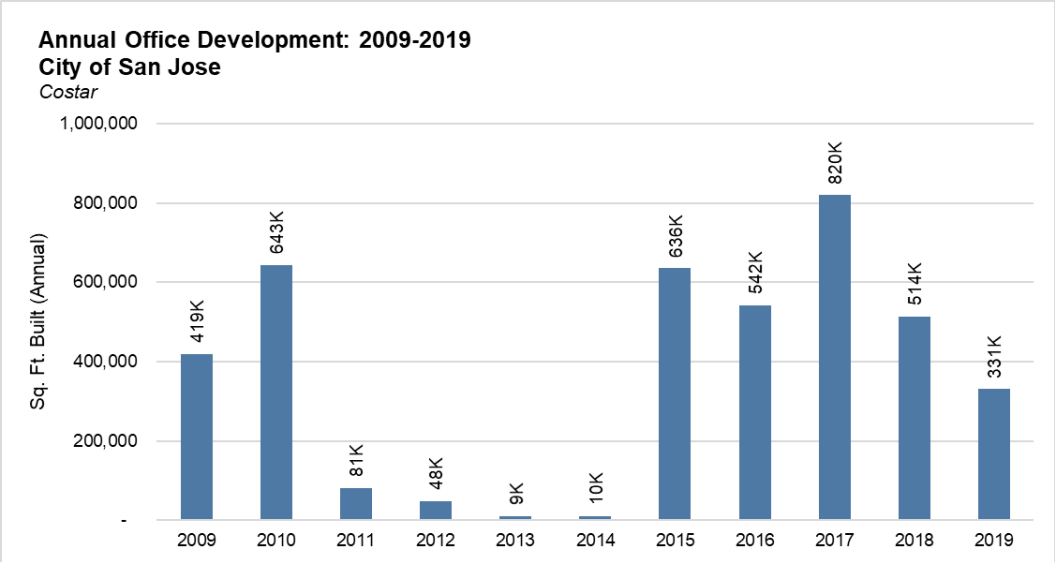
3.1 Non-Residential Market Trends Through Early 2020[7]

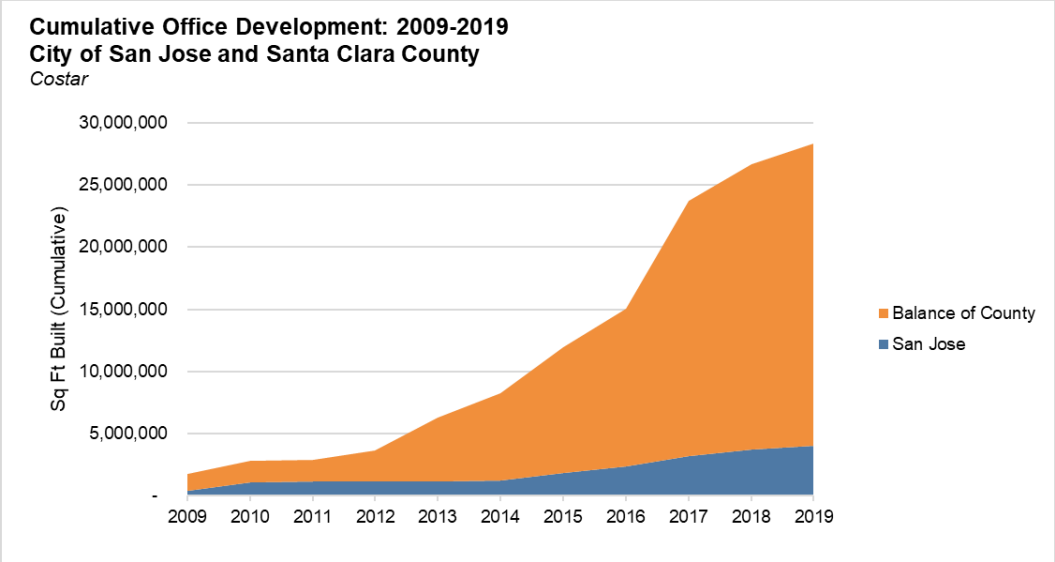
a) Office Market Trends

From 2015 to 2019, office rent growth averaged nearly 6% per year in Santa Clara County and nearly 7% per year in the City of San José. Office rents in San José are roughly 10% less than the average of all cities in the county, based on the weighted average of all available space. The county's office inventory has grown by more than 20 million square feet since 2015, with San José capturing 14% of total deliveries, or about 570,000 square feet per year. Major office projects now under construction in San José, such as 200 Park Avenue (885,000 square feet) and Adobe North Tower (700,000 square feet), are likely to cause a sharp increase in the city's office deliveries over the next several years. In early 2020, the office market appeared to be nearing the peak of a long economic expansion. In a peaking office market, it is typical for rent growth to slow and vacancies to increase as supply catches up with demand.



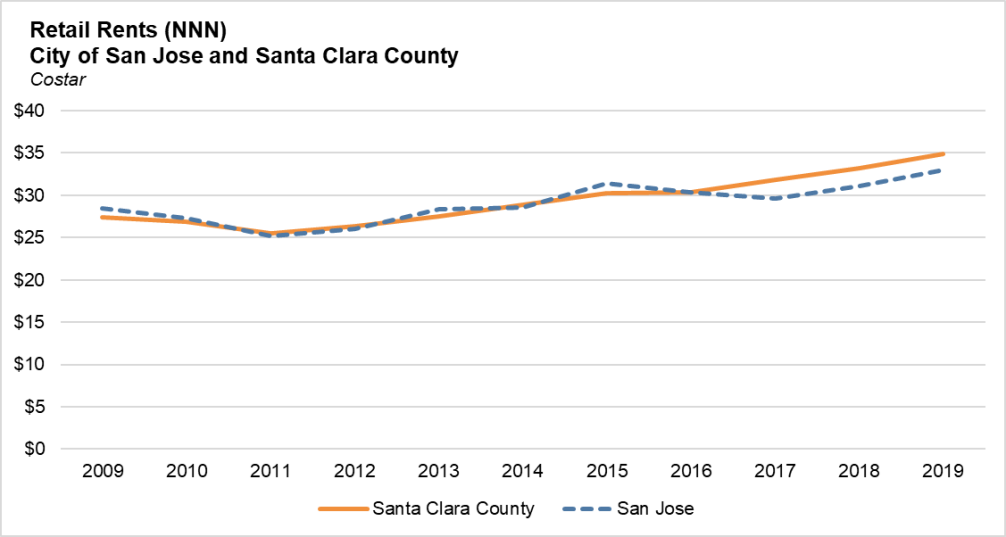
[7] Unless otherwise noted, statistics cited in this section are drawn from market data published by CoStar Group, www.costar.com [accessed November/ December 2019].

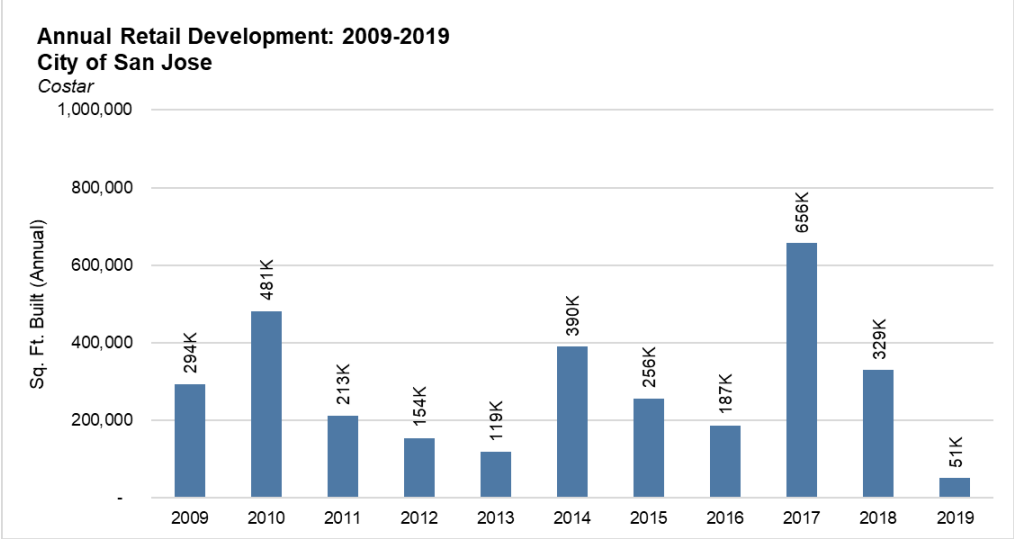


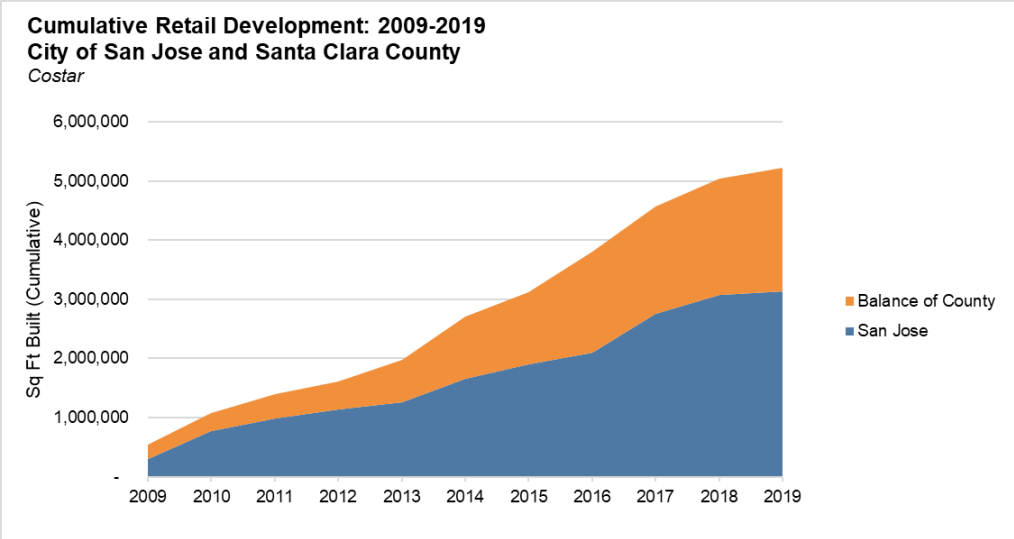


b) Retail Market Trends

Retail rents have oscillated in San José over the past decade, while long-term growth has not kept pace with inflation. Flat retail rents are indicative of the challenges that the retail industry faces due to the rise of online shopping. Despite these challenges, San José has added approximately 300,000 square feet of new retail space per year since 2015, representing over half of total deliveries countywide. The city's share of retail deliveries is roughly proportional to its share of the county population. There are relatively few mid-sized shopping centers currently planned or under construction in San José. Pipeline projects include the Market Park Shopping Center in Berryessa and Shops@Terra in Alviso.

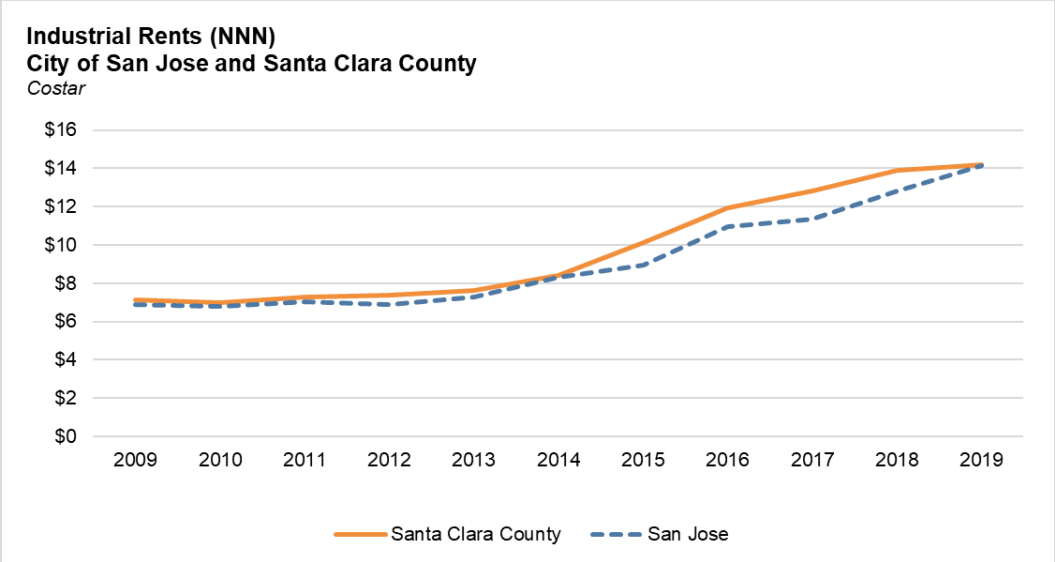

Retail Rents (NNN)
City of San Jose and Santa Clara County
Costar
$40
$35
$30
$25
$20
$15
$10
$5
$0
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Santa Clara County
San Jose

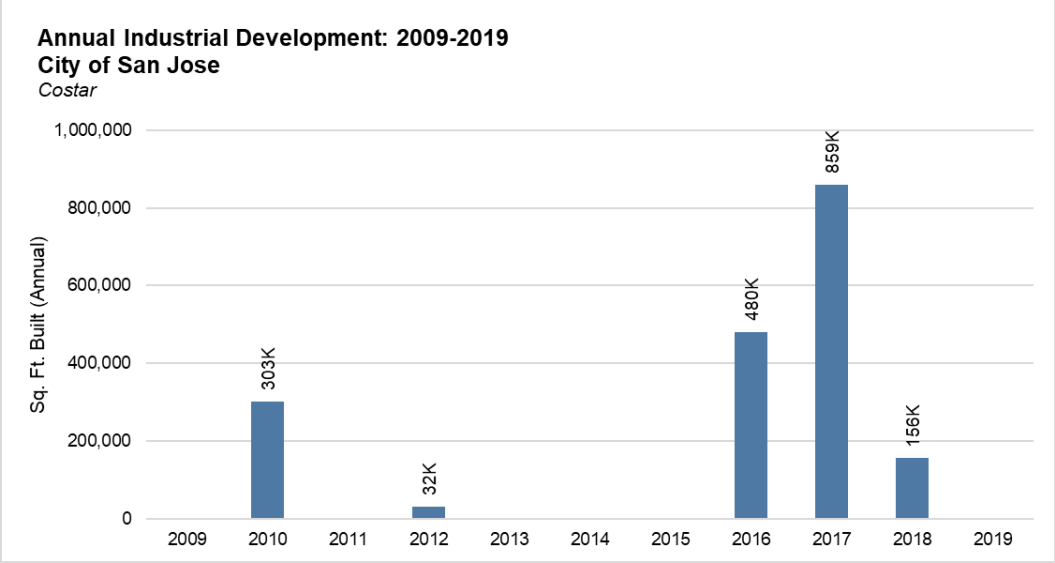

Annual Retail Development: 2009-2019
City of San Jose
Costar
Sq. Ft. Built (Annual)
1,000,000
800,000
600,000
400,000
200,000
-
294K
481K
213K
154K
119K
390K
256K
187K
656K
329K
51K
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019

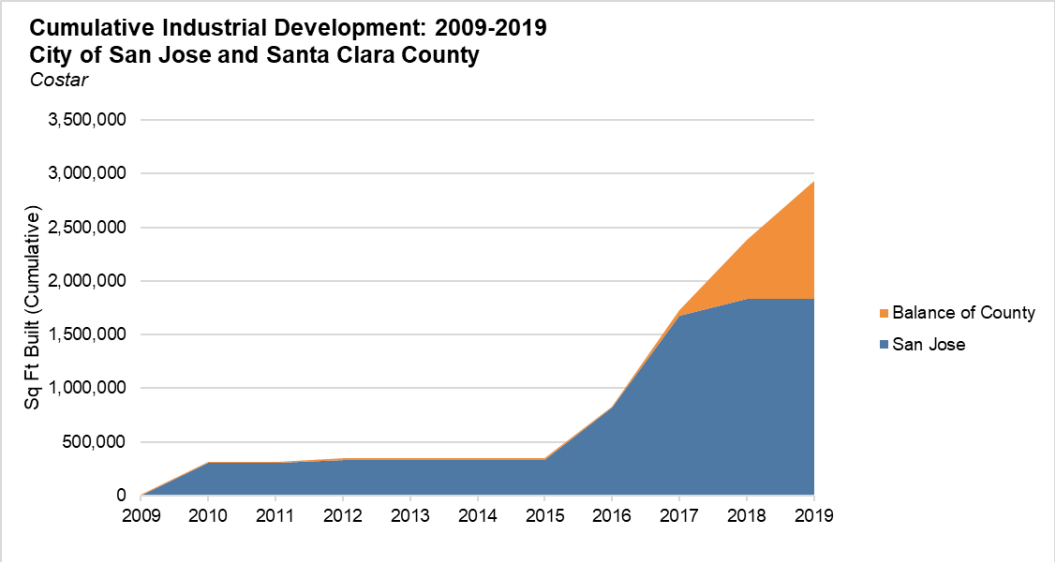

Cumulative Retail Development: 2009-2019
City of San Jose and Santa Clara County
Costar
Sq Ft Built (Cumulative)
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Balance of County
San Jose

c) Industrial Market Trends

From 2015 to 2019, average industrial rents (including warehouse, distribution, and manufacturing) increased by nearly 9% per year in Santa Clara County and over 12% per year in the City of San José. San José is the primary location for new industrial construction within the county, averaging 300,000 square feet per year since 2015. Warehouse and distribution space comprise most of the new construction, driven by growing demand for "last-touch" distribution centers near consumers. Light industrial development in San José is typically driven by end users with specialized requirements.

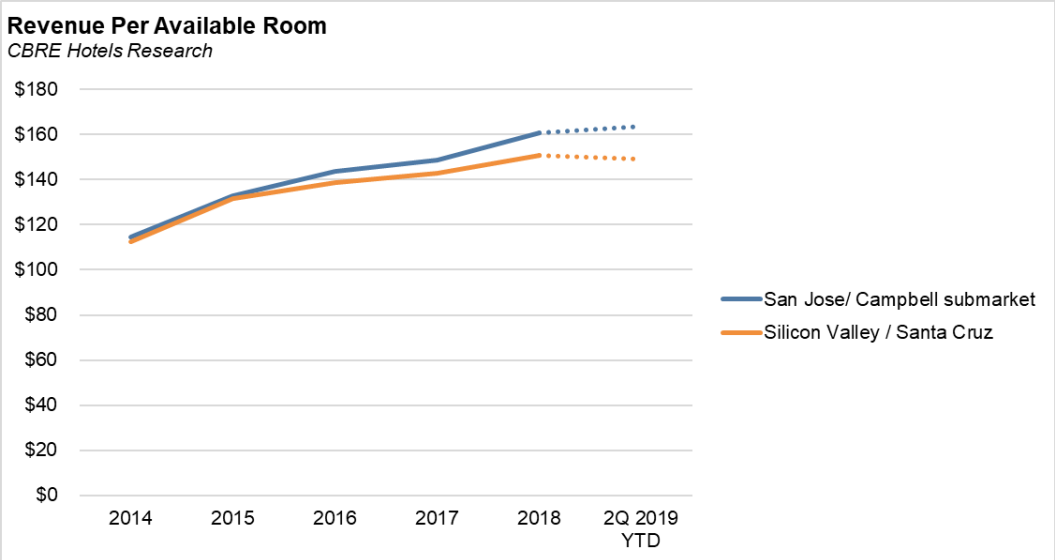




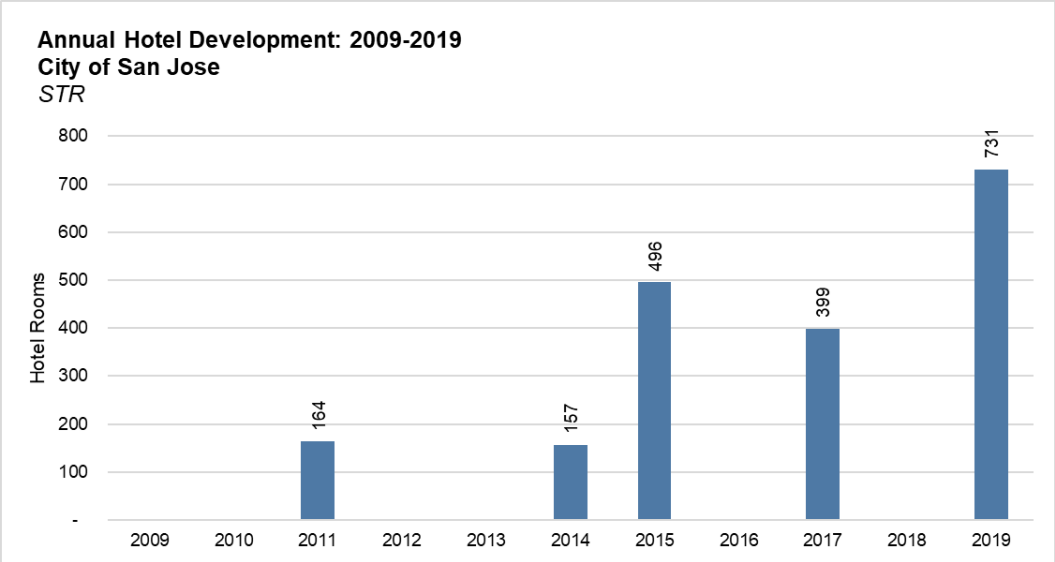


d) Hotel Market Trends

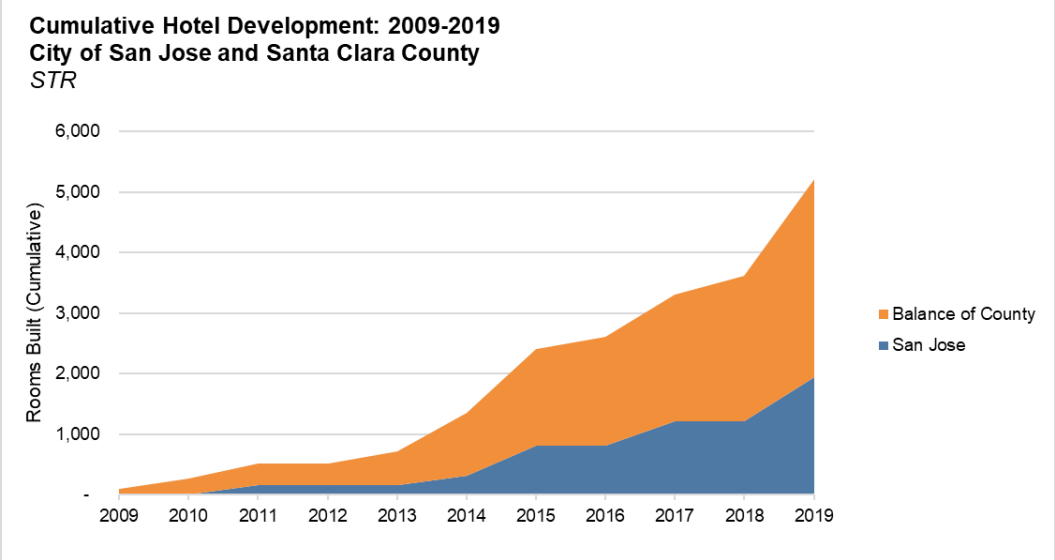
Hotel room rates and occupancy steadily increased in San José for most of the recent economic expansion. According to CBRE Hotels, from 2014 to 2018, revenue per available room (RevPAR) grew by 9% per year in the submarket that includes San José, Campbell, and Cupertino. Growth in room rates and RevPAR decelerated in 2019, however, as nearly 1,600 new rooms were added to the county's supply. Despite signs of a peaking market, in early 2020, there remained a sizable pipeline of hotel projects that are proposed, approved, or under construction in San José.



Source: CBRE Hotels. San Jose-Santa Cruz Hotel Horizons, September - November 2019 Edition.



Source: STR Participation List, San Jose/Santa Cruz [accessed November 2019]



Source: STR Participation List, San Jose/Santa Cruz [accessed November 2019]

3.2 Development Community Contacts

KMA conducted interviews with developers of commercial projects in San José to gain a better understanding of any unique considerations for commercial development projects as well as differences by geographic sub-area and product type. Developer interviews encompassed the following developers who have active development projects in San José and/or significant investments in commercial property:

- Borelli Investment Company
- Hudson Pacific Properties

- Hunter Storm
- Jay Paul Company
- Prologis
- Trammell Crow
- Urban Catalyst
- Boston Properties

KMA also reached out to several additional developers who did not participate in an interview.

Initial discussions with developers occurred in early 2020, prior to the coronavirus pandemic. In June 2020, KMA contacted these same developers again to inquire about how their overall outlook and plans for their specific projects may have shifted over the past few months due to the economic impacts of the coronavirus pandemic. KMA was able to speak with six of the eight commercial developers interviewed previously.

a) Development Community Contacts Prior to Pandemic (Early 2020)

The following key themes emerged in discussions with non-residential developers prior to the coronavirus pandemic:

- *Cautious optimism* – While rising construction costs were cited as an ongoing concern, non-residential developers that we spoke with were actively pursuing new projects in San José, and many had projects that were either under construction or expected to break ground in the coming year. Office developers were particularly active and saw an opportunity to capitalize on the arrival of BART, high-speed rail in the more distant future, and development of the proposed Downtown West Project. The exception to this sentiment was in the retail sector, which multiple developers cited as challenged.

- *Comprehensive view of governmental fees* – Developers stressed the importance of understanding the total fee burden in different areas of the city and how the proposed linkage fee would interact with other requirements, both current and proposed. Note that the pro forma analyses provided in this report consider all existing fees applicable to the geographies analyzed but do not address other new fees, taxes and assessments that may be adopted in the future.

- *Phase-in period* – Developers suggested a phase-in period to allow time for project economics to adjust to new fees and to avoid delays in projects that have already been financed. Designing a clear and transparent implementation process for new fees will help avoid uncertainty in the interim.

- *Timing of payment* – Two developers encouraged options to defer payment of new fees, either by allowing fees to be paid upon certificate of occupancy or establishing an annual special assessment (such as a Community Facilities District, or CFD) in-lieu of an up-

front fee. Deferring fee payment to certificate of occupancy would provide savings to commercial projects, since fees are typically financed with equity or upfront construction financing, which requires a return once funded.

- *Small projects* – Multiple developers noted that small projects faced unique challenges that should be considered in setting fee levels. Small office projects are unable to offer large blocks of space demanded by the highest-paying tenants, and as a result, rent potential may be weaker than for larger developments. In the case of warehouse and distribution projects, smaller warehouses are typically costlier to build on a per square foot basis than larger shell buildings.

- *Fee at Some Level Supported* – Several developers acknowledged that a commercial linkage fee at some level could be supported while cautioning against overreaching. Several developers also specifically mentioned conditions of approval that apply to their projects requiring payment of a new commercial linkage fee. The overall sentiment was that the fee is inevitable with one developer expressing a desire for swift resolution of the fee level to reduce uncertainty and risk as to how the program would impact their project.

- *High-tech end users* – Developers generally concurred with the notion that large, high-tech end users base their investment decisions on unique criteria and that certain single-user high-tech campuses would be better positioned to absorb a new fee than a typical speculative office development. However, responses were mixed regarding the policy merits of creating a separate fee category for high-tech end users.

b) Development Community Contacts During Pandemic (June 2020)

Developers who participated in follow-up interviews with KMA during the coronavirus pandemic were far less optimistic about non-residential development conditions in San José than in interviews conducted prior to the pandemic. The following themes emerged in follow-up discussions with non-residential developers:

- *Near-Term Speculative Development Unlikely* – Developers agreed that very few commercial projects in San José are likely to move forward with construction in the near term (6 to 9 months), regardless of whether a commercial linkage fee is adopted. Lenders have tightened their standards and are generally not providing construction financing to speculative office projects at this time. Tenant demand has also dropped sharply as tenants are reluctant to make long-term real estate commitments during the pandemic.

- *Entitlement Activity Continues* – Developers continue to seek entitlements, financing and tenants for commercial projects targeted for construction in the mid-term (2021 to 2022). However, developers expressed a high degree of uncertainty regarding how development conditions will change over the next several years. There is a lack of

transaction data to accurately assess how rents, market demand, development costs, and investor return thresholds will shift in the aftermath of the pandemic.

- *Greater Skepticism Toward Linkage Fee* – In prior conversations, most developers had acknowledged that a commercial linkage fee at some level could be supported. Due to heightened economic uncertainty, however, several developers now maintain that a fee of any amount has the potential to deter commercial development activity during the economic recovery. One of these developers mentioned the potential compounding effect of the linkage fee and other pending policies, such as the statewide "split roll" ballot initiative to tax commercial and industrial properties based on their market value (i.e. remove the Prop 13 limit on assessed value), scheduled for the November election.

- *Reiteration of Prior Policy Suggestions* – Developers reiterated their support for measures that would mitigate the impact of the linkage fee on the economics of non-residential projects including:

  - phasing in the fee over multiple years;
  - deferring fee payment until certificate of occupancy, or later, to reduce upfront financing costs; and
  - providing alternative compliance options such as fee credit for land donation to affordable housing developers.

4.0 PRO FORMA ANALYSIS

The pro forma analysis estimates the costs to develop a new non-residential project and the rental income or room revenue that would be generated by the project upon completion. If the rental income is sufficient to support the development costs and generate a sufficient profit margin, the prototype is determined to be generally feasible and has the potential to be built and financed in the near term. This approach is standard practice in the real estate industry and is utilized in one form or another by all developers when analyzing new construction projects.

This analysis organizes the pro forma as a "residual land value analysis," meaning the pro forma solves for what the project can afford to pay for a development site based on the income projections and the non-land acquisition costs of the project. It then compares the residual land values with land costs in the market in order to test whether developers can afford to buy land and develop projects.

A base case pro forma was prepared without the potential commercial linkage fee. KMA then modeled scenarios with a new commercial linkage fee at a range of fee levels.

Throughout this section, the charts, tables and narrative focus on the building type and geographic subarea combinations that are evaluated in this Feasibility Analysis, as identified in Table 2-2.

4.1 Non-Land Development Cost Estimates

Development costs excluding land represent all costs to design, finance, and construct the project other than the cost of acquiring a site. Key cost components include on-site improvements, vertical construction costs, parking costs, architectural and engineering fees, impact and planning fees, financing costs, overhead costs, and all other "indirect" costs of construction. Development cost estimates are drawn from KMA's database of cost data from similar commercial projects, third party data sources, as well as contacts with members of the development community. City fees are based on the City's FY 2020 impact and permit fee requirements and planning and building permit processing fees paid by recently built non-residential projects. Area-specific fees, such as traffic impact fees, are adjusted to be proportional to the share of each sub-area subject to the fee; i.e., if roughly three quarters of the sub-area is subject to the fee, then the fee is modeled at 75% of the standard amount (see Appendix Table A-12 for apportionment of fees by sub-area).

4.2 Commercial Rents and Hotel Room Rates

a) Commercial Rents

Commercial rents are estimated based on pre-pandemic market data from published and purchased data sources from firms such as CoStar, as well as market listings for available commercial space, as of late 2019, early 2020. Table 4-1 summarizes the rental rate assumptions by building prototype and geographic subarea. Annual triple net commercial rents are estimated to range from $13 to $16 per square foot for warehouse and distribution ($1.04 to $1.29 per month), $16 to $19 per square foot for light industrial ($1.25 to $1.54 per month), $37 to $45 per square foot for retail ($3.08 to $3.75 per month), $33 to $36 per square foot for low-rise office ($2.75 to $3.00 per month), $49 to $53 per square foot for mid-rise office outside downtown ($4.08 to $4.42 per month) and $60 to $66 per square foot for downtown office prototypes ($5.00 to $5.50 per month).

Table 4-1. Pro Forma Commercial Rents Per Square Foot

Prototype	Downtown & Nearby	North SJ & Nearby	West SJ Urban Village	Monterey Corridor	Edenvale	South & East SJ Growth
Annual Rents (NNN)						
Warehouse/ Distribution		$15.50		$14.00	$12.50	
Light Industrial / R&D		$18.50		$17.00	$15.00	
Office/ R&D - Low-Rise		$36.00			$33.00	$33.00
Office/ R&D - Mid-Rise	$60.00	$49.00	$53.00			
Office/ R&D – High-Rise	$66.00					
Neighborhood Retail Cntr.*		$40.00	$51.00		$37.00	$37.00
Monthly Rents (NNN)						
Warehouse/ Distribution		$1.29		$1.17	$1.04	
Light Industrial / R&D		$1.54		$1.42	$1.25	
Office/ R&D - Low-Rise		$3.00			$2.75	$2.75
Office/ R&D - Mid-Rise	$5.00	$4.08	$4.42			
Office/ R&D – High-Rise	$5.50					
Neighborhood Retail Cntr.*		$3.33	$4.25		$3.08	$3.08

* Weighted average of anchor tenant and smaller shop space.

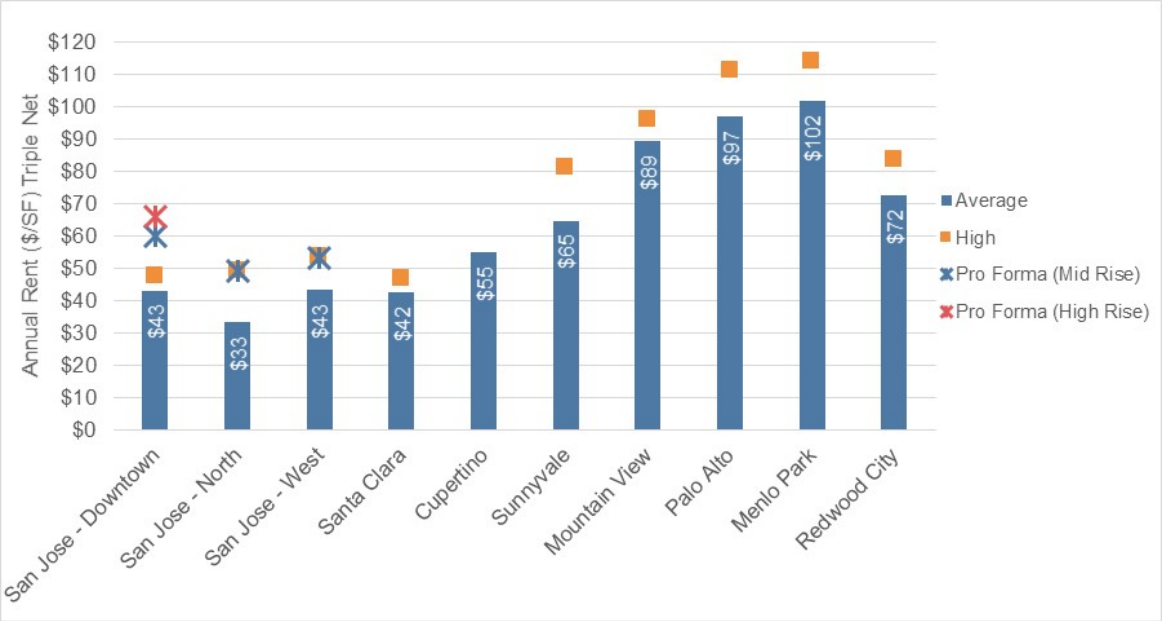
Commercial rent assumptions reflect rents for newly built space as opposed to a broad market average. For mid-rise and high-rise office prototypes, new construction commands a significant premium over older space. The triple net office rent assumed for the mid-rise office prototype in West San José Urban Villages and North San José exceeds the overall average in each submarket by 25% and 50%, respectively, consistent with the rental rates of newly built projects. There are no newly built projects in downtown San José that provide a benchmark for the rents likely to be achieved by new projects in the downtown. Downtown rent assumptions are representative of the range being targeted by developers of pipeline projects based on interviews with development professionals and initial asking rents for projects now under

construction. Since construction costs in the downtown can vary significantly based on site conditions, some downtown pipeline projects are reported to target even higher rents in order to support site-specific costs and a risk adjusted return to investors.

The following chart compares the pro forma rent assumptions for mid-rise and high-rise building prototypes to annual asking rents in San José and nearby communities. As shown, current average office rents in San José are well below the averages in nearby communities. In North San José and West San José Urban Villages, pro forma assumptions align with the upper end of rents in each geography and approach the current average in Cupertino.

Pro forma office rents for the downtown mid-rise and high-rise prototypes exceed comparable rents for existing built space in San José. This is generally consistent with rents being targeted by developers active in the downtown and is designed to mirror the way developers are evaluating project feasibility. Estimates reflect expectations of downtown and Diridon's emergence as a market area that commands rents on par with averages for Sunnyvale for Class A space. Expectations of stronger rents are driven by a scarcity in the market of large blocks of Class A space available for near term occupancy, which enables such space to command a premium in the market. Rent estimates remain approximately 50% below average Class A rents in Palo Alto and Menlo Park, approximately 35% below Mountain View, and around 10% below averages for Redwood City. Since rents at the levels reflected in the pro forma are unproven within the downtown San José submarket, a higher risk-adjusted return is reflected as described in Section 4.3.

Chart 4-1. Class A Office Rent Comparison



Source: Average annual rents per CBRE 2019. Reported full service gross rents adjusted by KMA to estimated triple net equivalent rents. High rents reflect data on recent leases from Costar. Note: Fremont and Milpitas and other geographic subareas of San José that are not pictured in the chart have a limited supply of Class A space and so are not shown in the Class A rent comparison.

b) Pro Forma Hotel Room Rates

Hotel room rates are estimated based on market data from published and purchased data sources from firms such as STR, as well as a point-in-time survey of room rates, accessed in late 2019. The average daily rate for the mid-rise hotel with surface parking is estimated to be $225 per night in Edenvale and $250 per night in North San José. The mid-rise hotel with structured parking is estimated to be $265 per night in West San José Urban Villages and $270 per night in downtown. Stabilized occupancy is projected at 80%, in line with recent performance levels. Revenues from food and beverage operations and other non-room revenues are estimated to represent a combined 8% of gross revenue.

Table 4-2. Pro Forma Room Rates

Prototype	Downtown & Nearby	Edenvale	North SJ & Nearby	West SJ Urban Village
Mid-Rise Hotel - Surface		$225	$250	
Mid-Rise Hotel - Structured	$270			$265

4.3 Supported Investment

To determine the developer investment supported by the commercial prototypes, KMA first estimated each prototype's Net Operating Income (NOI), which is equal to rental income minus operating expenses and vacancy. The NOI is then divided by a return on cost (ROC)[8] threshold to estimate the developer investment supported. The return on cost assumes a development spread over market cap rates[9] drawn from a variety of sources including review of recent sales and publications such as Real Estate Research Corporation (RERC) and the PwC Real Estate Investor Survey. The development spread over the market cap rate ranges from 100 to 175 basis points according to the risk profile of each building prototype. The highest spread of 175 basis points is assumed for the downtown office prototypes, in recognition of the greater risk that rents could fall below expectations.

[8] Return on Cost (ROC) is a development return metric that relates the estimated NOI of the property once built to the total development cost (ROC = NOI / development cost).
[9] Capitalization rate or "cap rate" is a percentage relating the market value of a property to the annual NOI it generates (cap rate = NOI / value).

Table 4-3. Return on Cost Assumptions			
Prototype	Market Cap Rate	Return on Cost	Development Spread
Warehouse/ Distribution	4.30%	5.30%	100 bps
Light Industrial / R&D	4.60%	5.60%	100 bps
Office/ R&D - Low-Rise	5.50%	6.70%	120 bps
Office/ R&D - Mid-Rise	5.25%	6.50%	125 bps
Office/ R&D - Downtown Mid-Rise	5.25%	7.00%	175 bps
Office/ R&D - High-Rise	5.25%	7.00%	175 bps
Neighborhood Retail Center	5.40%	6.50%	110 bps
Mid-Rise Hotel: Surface Pkg.			
a) Edenvale	8.00%	9.20%	120 bps
b) North San José	7.60%	8.80%	120 bps
Mid-Rise Hotel: Structured Pkg.	7.60%	8.80%	120 bps

4.4 Commercial Land Values

The pro forma analysis is organized as a residual land value analysis that identifies land values supported by development economics based on market conditions in early 2020. Residual land values are then compared against market land prices to determine whether projects support the cost of acquiring a site, a threshold for a finding that a prototype project is generally feasible and likely to be financed and built in the near term.

Market land prices for each of the prototypes and geographic areas were estimated based on a review of recent land sales published by Costar, a third-party vendor of market data. Based on the sales data, a set of "target" land value estimates were identified which represent the estimated cost of acquiring a development site for each prototype. Target land values are used as the main point of comparison for evaluating feasibility. If residual land values are within range of target land values, then projects are generally feasible because they are able to support the cost of acquiring a development site. Targeted land values are generally based on the average of comparable land sales, weighted by land area. In a few instances, the target was adjusted to account for outlier sales or differences between building prototypes and the development parameters of comparable sales.

Table 4-4 presents the land sales data for each of the prototypes and geographic areas along with the target land values used to evaluate feasibility. Charts 4-2 to 4-6 present the land sales and targeted land values in graphic format. The following land value targets are used in evaluating the feasibility of the prototypes:

- *Warehouse and Light Industrial Building Prototypes* – The land value target for warehouse and light industrial building prototypes is $16 per square foot of land in Edenvale, $30 per square foot in North San José, and $29 per square foot in Monterey Corridor.

- *Low-Rise Office Building Prototype* – The land value target for the low-rise office prototype is $20 per square foot of land in Edenvale, $38 per square foot in North San José, and $30 land square foot in South and East San José. The land value target in Edenvale is based on a single office land sale. The land value target in North San José is based on the lower end of this area's office land sales, which have a proposed floor area ratio that is comparable to the low-rise prototype. Because no recent office land sales were identified in South and East San José Growth Areas, the land value target represents the average of other industrial and commercial land sales in this geographic area.

- *Mid-Rise Prototype* – The land value target for the mid-rise office prototype is $46 per square foot of land in North San José, $142 per square foot in West San José Urban Villages, and $400 per square foot in downtown. The targets reflect the weighted average of recent office land sales in each geographic area.

- *High-Rise Office Prototype* – The land value target for the high-rise office prototype is $855 per square foot of land based on the weighted average of recent downtown land sales targeted for high-rise office development.

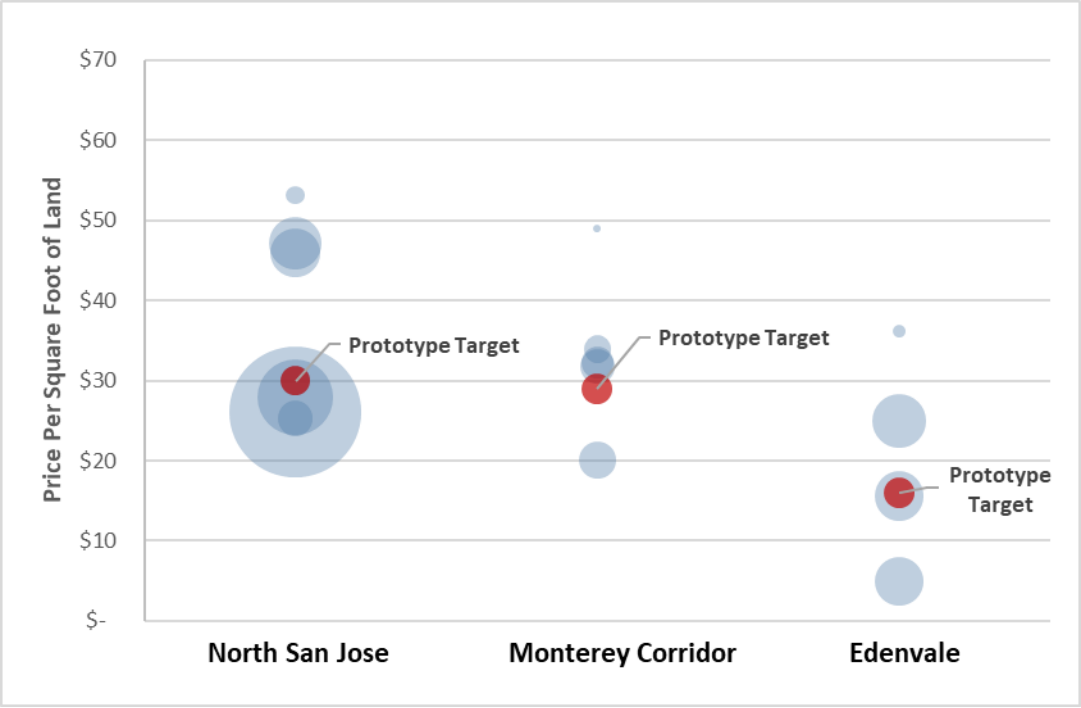
- *Neighborhood Retail Center* – The land value target for the neighborhood retail center is $20 per square foot of land in Edenvale, $30 per square foot in North San José, $109 per square foot in West San José Urban Villages, and $39 per square foot in South and East San José Growth Areas. In North San José, the target is based on industrial land sales, because only one retail land sale could be identified, and retail will likely need to support a land price as high as industrial in order to compete for development sites in this area.

- *Hotel Prototypes* – The land value target for the hotel prototypes is $46 per square foot of land in Edenvale, $110 per square foot in North San José, $173 per square foot in downtown, and $130 per square foot in West San José Urban Villages. Targets reflect the weighted average of recent hotel land sales in each geography.

Table 4-4. Commercial Land Transactions Since 2016 and Residual Land Value Targets						
		Sale Price ($/SF of Land)				
Geography	No. of Sales	Min	Max	Weighted Average	Residual Value Target ($/SF of Land)	Note
Industrial and Warehouse						
Edenvale	4	$5	$36	$16	$16	
North San José & Nearby	7	$25	$53	$30	$30	
Monterey Corridor	5	$20	$49	$29	$29	
Office						
Downtown & Nearby *(High-Rise)*	5	$501	$1,500	$855	$855	High-rise
Downtown & Nearby *(All Sales)*	11	$196	$1,500	$400	$400	Mid-rise
Edenvale	1			$20	$20	Low-rise
North San José & Nearby	5	$39	$64	$46	Low-rise $39 Mid-rise $46	Low and Mid-Rise
West San José Urban Village	3	$132	$322	$142	$142	Mid-rise
S&E Growth Area	0				$30	Low-rise
Retail						
Edenvale	3	$14	$45	$20	$20	
North San José & Nearby	1			$20	$30	
West San José Urban Village	1			$109	$109	
S&E Growth Area	3	$30	$79	$39	$39	
Hotel						
Downtown & Vicinity	5	$108	$288	$173	$173	
Edenvale	2	$28	$57	$46	$46	
North San José	3	$53	$148	$110	$110	
West San José Urban Village	1			$130	$130	

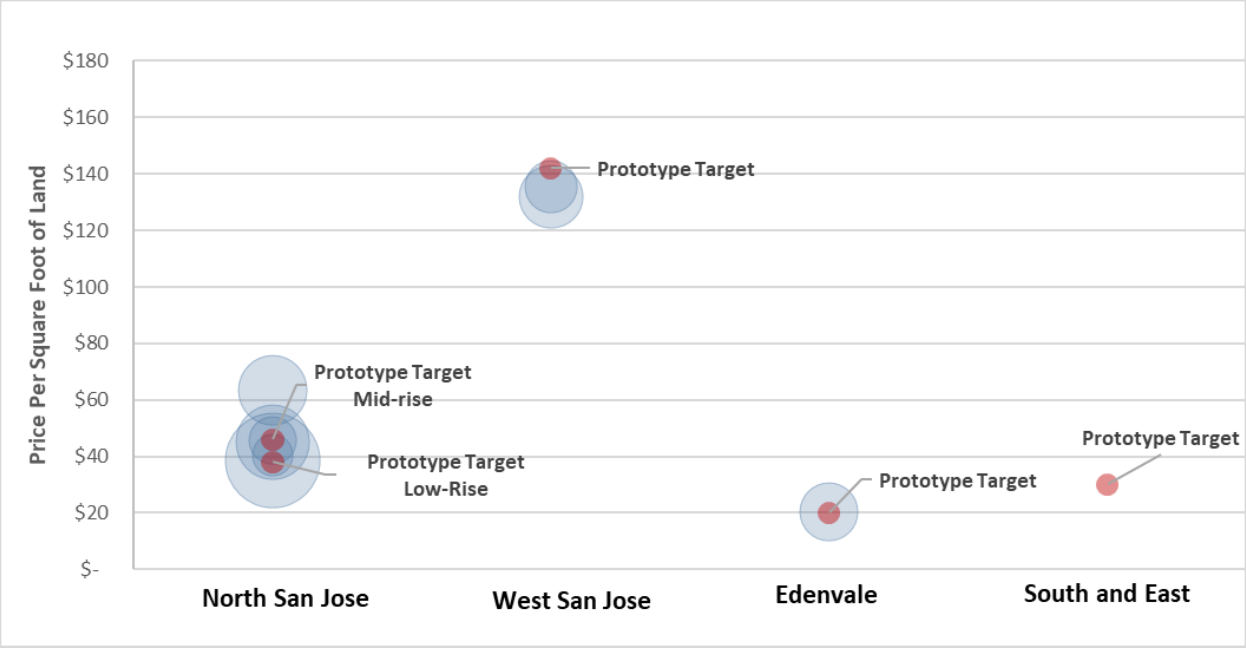
Source: Costar

Chart 4-2. Industrial and Warehouse Land Sales



Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

Chart 4-3. Office Land Sales



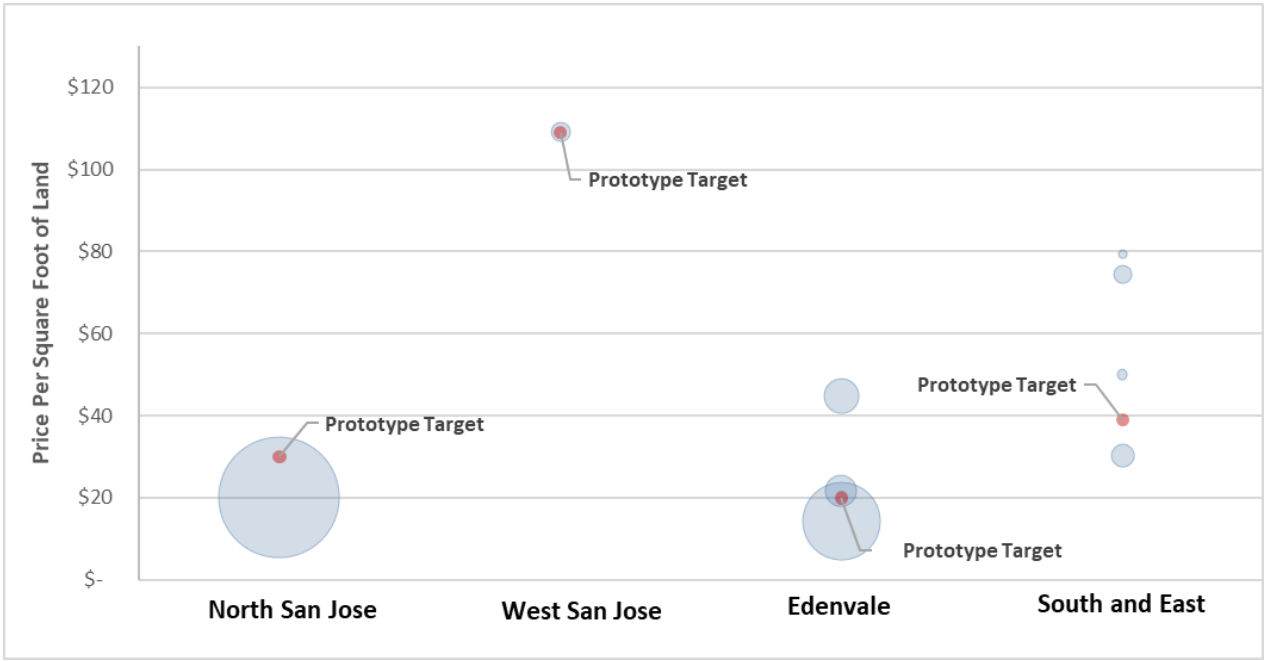
Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

Note: One land sale in West San José at $322 psf not shown on chart. There were no office land sales in South and East subarea, the target land value is estimated based on industrial land sales in the Monterey Corridor. The absence of land sales is also an indicator of weaker feasibility or limited developer interest.

Chart 4-4. Downtown Office Land Sales

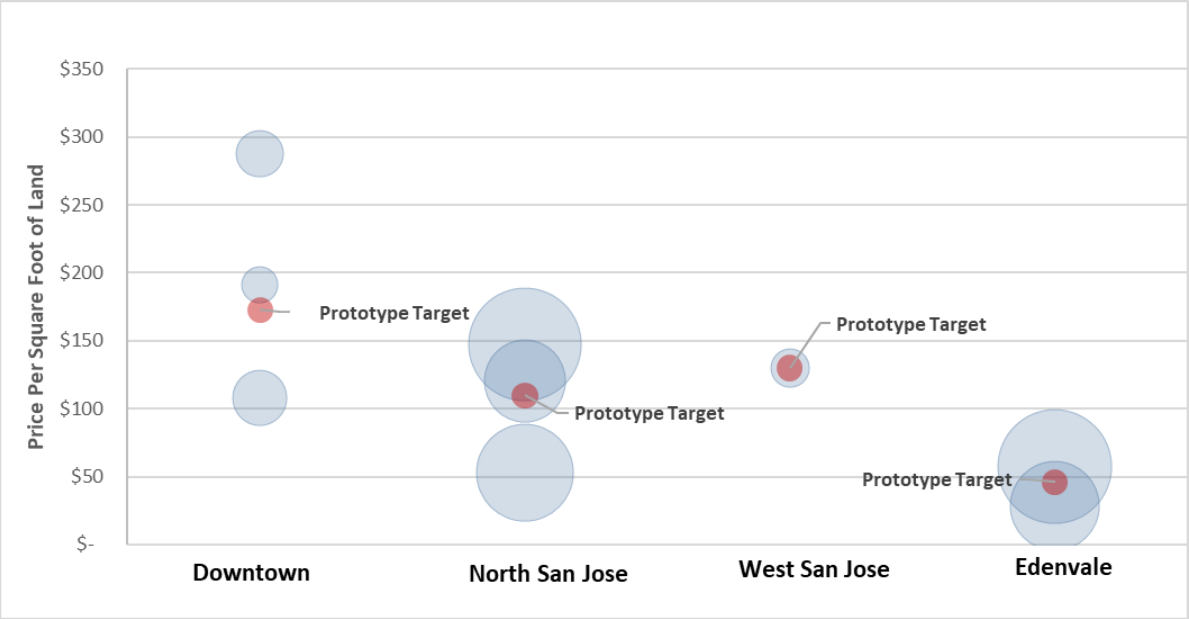
Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

Chart 4-5. Retail Land Sales



Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

Chart 4-6. Hotel Land Sales



Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

4.5 Base Pro Forma Analysis Without Commercial Linkage Fee

The pro forma analysis is based on the relationship between the project's revenue potential, the estimated development costs, and a reasonable developer profit commensurate with the cost of funds and development risk.

The residual land value approach described earlier identifies a residual land value that each prototype can afford to pay to acquire a site. The residual land value is derived by subtracting the development costs before land acquisition from the supported investment. Residual land values are then compared to land value targets representative of market land prices by prototype and geography to evaluate project feasibility. Results are classified using the criteria summarized below and in Table 4-5.

- Scenarios able to support the cost of acquiring a site at market prices, within 10% of target land values, are identified as **generally feasible**. Scenarios in which fees have an outsized negative impact on supported land values of more than 30% are excluded from the generally feasible category even if supported land values fall within the targeted range.

- Scenarios that support the cost of acquiring a site at land values at the lower end of the range of prevailing land costs, or between 10% and 20% below target land values, are identified as having **marginal or weaker feasibility**.

- Scenarios that are not able to afford the cost of acquiring a site at market land values are estimated to be the most challenging to develop in the near term but may still move

forward in some circumstances. Such scenarios are identified as having **more challenging feasibility or infeasible**. Projects with supported land values falling more than 20% below target land values are included in this category.

Table 4-5. Feasibility Indicators	
Classification	**Criteria**
Generally Feasible	Project can afford a site at prevailing land costs. Supported land value is both within 10% of target and does not decrease by more than 30% with new fees.
Marginal or Weaker Feasibility	Project can afford a site at the lower end of prevailing land costs, within 20% of target land value.
More Challenging Feasibility to Infeasible	Project cannot afford a site at prevailing land costs. Supported land value is more than 20% below target land value.

Tables 4-6 to 4-9 summarize the supported investment, development costs, and resulting residual land value of the building prototypes, before accounting for the potential linkage fee. Additional detail is provided in the appendix tables. As mentioned previously, it would be the case that some projects would have economics that are somewhat better as well as some that are somewhat worse than the "typical" prototypes analyzed.

a) Office

The residual land value of the low-rise office prototype ranges from $26 to $45 per square foot of land. The residual value of mid-rise prototypes ranges from $70 to $465 per square foot of land, and the residual value of the high-rise prototype is estimated to be $1,095 per square foot of land. In all but one of the geographic areas, the residual land values supported are consistent with prevailing land values indicating that low-rise, mid-rise, and high-rise office prototypes are generally feasible under early 2020 market conditions and prior to a new commercial linkage fee.

The only scenario to fall short of the corresponding land value target is the low-density prototype in South and East San José Growth Areas, which falls into the marginal feasibility category based on supported land value more than 10% but within 20% of the land value target. The residual land value of the low-density prototype is slightly higher in Edenvale and is sufficient to meet the land value target for this geography. However, weaker land values and limited recent development activity are suggestive of generally more challenging feasibility conditions and less developer interest in office projects in both Edenvale and South and East San José Growth Areas compared to other areas of San José.

The strongest land values are supported by the mid-rise and high-rise prototypes in downtown, driven by pro forma rental rates that anticipate a significant premium relative to the existing office supply for newly built Class A office space. Section 4.8 illustrates the impact that alternative rent assumptions would have on the residual land value of downtown office prototypes.

Table 4-6. Office Pro Forma Findings, Without a Commercial Linkage Fee						
Prototype and Subarea	Supported Investment /RSF	Dev. Cost Excl. Land /RSF	Supported Land Value /RSF	Supported Land Value /Land SF	Target Land Value /Land SF	Feasibility Finding
Low-Rise						
North SJ	$502	$423	$79	$45	$39	Feasible
Edenvale	$460	$409	$51	$29	$20	Feasible
S&E Growth	$460	$414	$46	$26	$30	Marginal
Mid-Rise						
North SJ	$704	$663	$41	$70	$46	Feasible
West SJ UV	$762	$661	$101	$171	$142	Feasible
Downtown	$801	$678	$122	$465	$400	Feasible
High-rise						
Downtown	$881	$771	$110	$1,095	$855	Feasible

b) Warehouse and Industrial

The residual land value of the warehouse prototype ranges from $18 to $33 per square foot of land, while the residual value supported by the industrial prototype is $13 to $30 per square foot of land, slightly below the range of the warehouse prototype.

The residual land values for the warehouse prototype are in line with the target land prices, indicating that warehouse development is generally feasible in the Edenvale, North San José and Monterey Corridor subareas.

The light industrial prototype was found to be generally feasible in the North San José and Monterey Corridor subareas as projects are able to support the cost of acquiring a site. In Edenvale, projects were found to be more marginal with supported land values below the estimated cost of acquiring a site in that area.

Table 4-7. Warehouse and Industrial Pro Forma Findings, Without a Commercial Linkage Fee						
Prototype and Subarea	Supported Investment /RSF	Dev. Cost Excl. Land /RSF	Supported Land Value /RSF	Supported Land Value /Land SF	Target Land Value /Land SF	Feasibility Finding
Warehouse/ Distribution						
Edenvale	$222	$177	$45	$18	$16	Feasible
North SJ	$275	$193	$82	$33	$30	Feasible
Monterey	$248	$178	$70	$28	$29	Feasible
Light Industrial / R&D						
Edenvale	$252	$219	$33	$13	$16	Marginal
North SJ	$311	$235	$75	$30	$30	Feasible
Monterey	$285	$220	$65	$26	$29	Feasible

c) Retail

The residual land value of the neighborhood retail center prototype ranges from $15 to $61 per square foot of land. The prototype does not meet the land value target in any of the geographies. The residual land value is within 20% of the target in Edenvale and North San José, and well below the target in West San José Urban Villages and South and East San José Growth Areas. Findings are indicative of a marginal level of feasibility for retail in North San José and Edenvale and challenging to infeasible conditions in the West and South and East subareas.

Table 4-8. Retail Pro Forma Findings, Without a Commercial Linkage Fee

	Supported Investment	Dev. Cost Excl. Land	Supported Land Value		Target Land Value	
Subarea	/RSF	/RSF	/RSF	/Land SF	/Land SF	Feasibility Finding
North SJ	$577	$467	$110	$26	$30	Marginal
West UV	$736	$476	$260	$61	$109	Challenged / Infeasible
Edenvale	$534	$462	$72	$17	$20	Marginal
S&E Growth	$534	$471	$63	$15	$39	Challenged / Infeasible

While retail projects face challenges, some retail projects are still expected to move forward. There is a wide array of tenant types with some more affected than others by the rise of online shopping. Retail often serves as an amenity for other uses, a feature that may make it an attractive component of a mixed-use project even if the economics of the retail component itself do not fully support the development cost.

d) Hotel

Hotel projects were found to be generally feasible across all of the market subareas under early 2020 market conditions. The residual land value of the mid-rise hotel prototype with surface parking ranges from $48 to $117 per square foot of land, while the residual land value of the mid-rise hotel with structured parking ranges from $174 to $205 per square foot of land. These residual land value findings support the cost of acquiring a site in each of the corresponding geographic areas.

Table 4-9. Hotel Pro Forma Findings, Without a Commercial Linkage Fee

Prototype and	Supported Investment	Dev. Cost Excl. Land	Supported Land Value		Target Land Value	Feasibility
Subarea	/room	/room	/room	/Land SF	/Land SF	Finding
Mid-Rise Hotel (Surface Pkg.)						
Edenvale	$305,900	$275,700	$30,200	$48	$46	Feasible
North SJ	$355,300	$282,300	$73,000	$117	$110	Feasible
Mid-Rise Hotel (Structured)						
Downtown	$383,700	$350,700	$33,000	$205	$173	Feasible
West SJ UV	$376,600	$348,600	$28,000	$174	$130	Feasible

4.6 Analysis of Fee Alternatives

The pro forma analyses are used to test the impact that potential fee requirements at a range of levels would have on the development economics of the building prototypes. Feasibility is evaluated using the same metrics as in Section 4.5 and summarized in Table 4-5. Tables 4-10 to 4-13 summarize the residual land value of the building protypes assuming a range of fee requirements.

a) Office

Table 4-10 summarizes the office residual land value findings with the base analysis with no commercial linkage fee and for scenarios with commercial linkage fees up to $30 per square foot of gross building area.

Table 4-10. Residual Land Value of Office Prototypes Under Fee Alternatives (Per SF Land)

Prototype	Geography	Base No Fee	Alt A $5/SF	Alt B $10/SF	Alt C $15/SF	Alt D $20/SF	Alt E $25/SF	Alt F $30/SF	Target Land Value
Low-Rise	Edenvale	$29	$26	$23	$20	$17	$14	$11	$20
	North SJ	$45	$42	$39	$36	$33	$30	$27	$38
	S&E Growth	$26	$23	$20	$17	$14	$11	$8	$30
Mid-Rise	North SJ	$70	$61	$53	$44	$35	$26	$17	$46
	West SJ UV	$171	$162	$153	$144	$135	$126	$117	$142
	Downtown	$465	$445	$425	$405	$385	$365	$345	$400
High-Rise	Downtown	$1,095	$1,042	$989	$937	$884	$832	$779	$855

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

Low-Rise Office – The prototype low-rise office project in Edenvale was found to be feasible with a fee up to $10 per square foot based on supported land values consistent with the cost of acquiring a site in this location. However, it is important to keep in mind that lower land values in Edenvale are also an indication of weaker economics for projects more generally. In North San José, the prototype low-rise project was found to be generally feasible with a fee of up to $15 per square foot. In the South and East subarea, projects have marginal feasibility without a fee and become more challenged with implementation of a fee.

Mid-Rise Office – The mid-rise prototype results indicate potential to support a fee of up to $10 per gross square foot in North San José, $20 per gross square foot in West San José and $25 per square foot in the downtown.

High-Rise Office – The high-rise prototype demonstrates the greatest capacity to absorb a new linkage fee provided that pro forma rents, which are unproven in the downtown San José

market, can be achieved. The scenarios testing linkage fee levels of up to $30 per square foot were found to be feasible. See Section 4.8 for a sensitivity analysis of the fees that can be supported in downtown if rents differ from base assumptions.

b) Warehouse and Industrial

The warehouse prototype was found to sustain a fee of up to $7.50/SF in Edenvale, $5/SF in Monterey Corridor and $10/SF in North San José while maintaining feasibility based on a supported land value within range of prevailing land costs in the respective locations.

The light industrial prototype shows limited capacity to support fees, with North San José being the only subarea where support for a fee is indicated at a level up to $7.50/SF. Most recent light industrial projects in San José have been built by end users whose real estate decisions are driven by their specific needs, allowing some projects to move forward even if a speculative project would face greater challenges.

Table 4-11. Residual Land Value of Industrial Prototypes Under Fee Alternatives (Per SF Land)

Prototype	Geography	Base No Fee	Alt A $5/SF	Alt B $7.50/SF	Alt C $10/SF	Alt D $15/SF	Target Land Value
Warehouse/ Distribution	Edenvale	$18	$16	$15	$14	$12	$16
	North SJ	$33	$31	$30	$29	$27	$30
	Monterey	$28	$26	$25	$24	$22	$29
Light Industrial/ R&D	Edenvale	$13	$11	$10	$9	$7	$16
	North SJ	$30	$28	$27	$26	$24	$30
	Monterey	$26	$24	$23	$22	$20	$29

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

c) Retail

The neighborhood retail prototype demonstrates limited capacity to support a fee. As discussed in Section 4.5, these projects are marginally feasible to infeasible even without a fee and so there is limited ability to support an increase in costs.

Table 4-12. Residual Land Value of Retail Prototypes Under Fee Alternatives (Per SF Land)							
Prototype	**Geography**	**Base No Fee**	**Alt A $5/SF**	**Alt B $10/SF**	**Alt C $15/SF**	**Alt D $20/SF**	**Target Land Value**
Neighborhood Retail Center	North San José	$26	$25	$23	$22	$21	$30
	West SJ UV	$61	$60	$59	$58	$56	$109
	Edenvale	$17	$16	$15	$13	$12	$20
	S&E Growth	$15	$14	$12	$11	$10	$39

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

d) Hotel

Hotel prototypes in downtown and West San José Urban Villages demonstrate support for a fee of approximately $10 per gross square foot ($6,000 per room). In North San José, support for a somewhat higher fee up to approximately $15 per gross square foot is indicated ($9,000 per room). In Edenvale, the capacity to support a fee is weaker. The hotel prototype in this area is estimated to support a fee of up to approximately $5 per gross square foot ($3,000 per room).

Table 4-13. Residual Land Value of Hotel Prototypes Under Fee Alternatives (Per SF Land)							
Prototype	**Geography**	**Base No Fee**	**Alt A $5/SF** $3,000 /room	**Alt B $10/SF** $6,000 /room	**Alt C $15/SF** $9,000 /room	**Alt D $20/SF** $12,000 /room	**Target Land Value**
Mid-Rise (Surface Pkg.)	Edenvale	$48	$44	$40	$36	$32	$46
	North SJ	$117	$113	$109	$105	$101	$110
Mid-Rise (Structured)	Downtown	$205	$189	$174	$158	$143	$173
	West SJ UV	$174	$158	$143	$127	$112	$130

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

4.7 Summary of Supportable Fee Levels

Table 4-14 summarizes the supportable fee levels by prototype and geography based on the pro forma analysis.

Table 4-14. Supportable Fee Levels Per Square Foot of Gross Floor Area, Excluding Parking Based on Development Economics of Prototype Projects and Pre-Pandemic Market Conditions						
	Downtown & Nearby	**North SJ & Nearby**	**West SJ**	**Edenvale**	**Monterey Corridor**	**South & East SJ**
Office / R&D (1)	$25/SF mid-rise $30/SF high-rise *Reflects unproven market expectations for achievable rents downtown 40%-50% over averages for existing space (2)*	$10/SF	$20/SF	$10/SF		None
Neighborhood Retail		None	None	None		None
Hotel (1)	$10/SF $6,000/rm	$15/SF $9,000/rm	$10/SF $6,000/rm	$5/SF $3,000/rm		
Warehouse		$10/SF		$7.50/SF	$5/SF	
Light Industrial / R&D		$7.50/SF		None	None	

(1) For ease of presentation, findings for multiple building types, such as low-rise and mid-rise are collapsed to a single category. Findings correspond to the building type most likely to be developed within each subarea.
(2) Market rent estimates mirror rents being targeted by developers for newly built Class A space in the downtown, which reflect a premium over rents for primarily older multi-tenant space in the downtown. See Section 4.2 a) for additional discussion.
Grey indicates that the building type was not analyzed in the indicated subarea.

In summary, the upper end of the range of supportable fees for office identified in the analysis is $0 in South and East, $10 in North San José and Edenvale, $20 per square foot in West San José and $25 to $30 per square foot in the downtown. Supportable fee levels are based on conventional real estate return metrics and are not necessarily representative of the fees that can be supported by other market participants such as large high-tech end users. See Section 4.9 for a discussion regarding high-tech end users.

For retail, the analysis did not support commercial linkage fees anywhere in the city due to more challenging conditions for retail under early 2020 market conditions.

For hotel, support for a fee ranged from $5 per square foot ($3,000 per room) in Edenvale to $15 per square foot ($9,000 per room) in North San José where a combination of strong demand and lower land costs than downtown and West San José drove the highest supportable fee level.

For warehouse development, support for a fee ranged from $5 to $10 per square foot depending on the location. While support for a fee of up to $10 per square foot was identified in the pro forma analysis for North San José, caution is suggested given warehouse buildings are generally lower cost structures that will tend to be more sensitive to increased costs.

For industrial, no supportable fee was identified in either Edenvale or the Monterey corridor, while support for a fee up to $7.50 was found in North San José.

4.8 Sensitivity Analysis of Downtown Office Prototypes

KMA performed a sensitivity analysis to test how the economics of downtown office prototypes as well as supportable commercial fee levels would respond to changes in rent assumptions.

Sensitivity of Supportable Fee Findings to Rents

Tables 4-15 and 4-16 identify how the supportable linkage fee level for downtown mid-rise and high-rise office projects would change at different estimated rent levels. As shown:

- If annual office rents fall short of pro forma estimates by $2 to $2.50 per square foot ($0.17 to $0.21 per month, or 3% to 4% less than estimated), projects would have limited capacity to support a linkage fee, even though rents would still exceed existing averages in the downtown by 35% - 48%.

- If annual rents outperform pro forma estimates by $2 per square foot ($0.17 per month), the sensitivity analysis indicates roughly a doubling in the supportable fee.

- If mid-rise office rents were to reach averages in Sunnyvale and high-rise rents were to reach averages in Redwood City, the sensitivity analysis indicates more than triple the estimated linkage fee could be supported.

For purposes of illustrative sensitivity testing, costs and all other pro forma assumptions, including the targeted land price, are assumed to remain constant.

Table 4-15. Sensitivity Test: Adjustments to Supportable Downtown Mid-Rise Fee with Change in Office Rents

	Annual Office Rents $/RSF/Yr NNN	**Monthly Office Rents $/RSF/Mo NNN**	**Supportable Fee ($/GSF)** [rounded to nearest $5]
Current SJ Downtown (average)	$43.00	$3.58	Infeasible or Marginal Feasibility with no fee if rents more than $2/SF/Yr below pro forma
Current SJ Downtown (high)	$47.00	$3.92	
Cupertino Average (1)	$55.00	$4.58	
	$57.50	$4.79	
	$58.00	$4.83	$0
	$58.50	$4.88	$5
	$59.00	$4.92	$10
	$59.50	$4.96	$20
Mid Rise Pro Forma	**$60.00**	$5.00	**$25**
	$60.50	$5.04	$30
	$61.00	$5.08	$35
	$61.50	$5.13	$40
	$62.00	$5.17	$50
Sunnyvale Average (1)	$65.00	$5.42	$85

(1) Reflects averages for available space, both existing and new.

Table 4-16. Sensitivity Test: Adjustments to Supportable Downtown High-Rise Fee with Change in Office Rents			
	Annual Office Rents $/RSF/Yr NNN	**Monthly Office Rents $/RSF/Mo NNN**	**Supportable Fee ($/GSF)** [rounded to nearest $5]
Current Downtown (average)	$43.00	$3.58	Infeasible or Marginal Feasibility with no fee if rents more than $2.50/SF/Yr below pro forma
Current Downtown (high)	$47.00	$3.92	
Cupertino Average (1)	$55.00	$4.58	
	$63.00	$5.25	
	$63.50	$5.29	$0
	$64.00	$5.33	$5
	$64.50	$5.38	$10
Sunnyvale Average (1)	$65.00	$5.42	$15
	$65.50	$5.46	$20
High Rise Pro Forma	**$66.00**	$5.50	**$30**
	$66.50	$5.54	$35
	$67.00	$5.58	$40
	$67.50	$5.63	$45
	$68.00	$5.67	$50
Redwood City Average (1)	$72.00	$6.00	$100

(1) Reflects averages for available space both existing and new.

Sensitivity of Residual Land Values to Rents

The charts depict the residual land value findings with annual office rents ranging from $52 to $66 per square foot for the mid-rise and $56 to $70 per square foot for the high-rise. As shown, every $1-dollar shift in annual office rents ($0.08 per month) increases the residual land value by roughly $50 per land square foot for the midrise and by $125 per square foot of land for the high-rise.

Chart 4-7. Residual Land Value Sensitivity to Rents, Downtown High-Rise Office

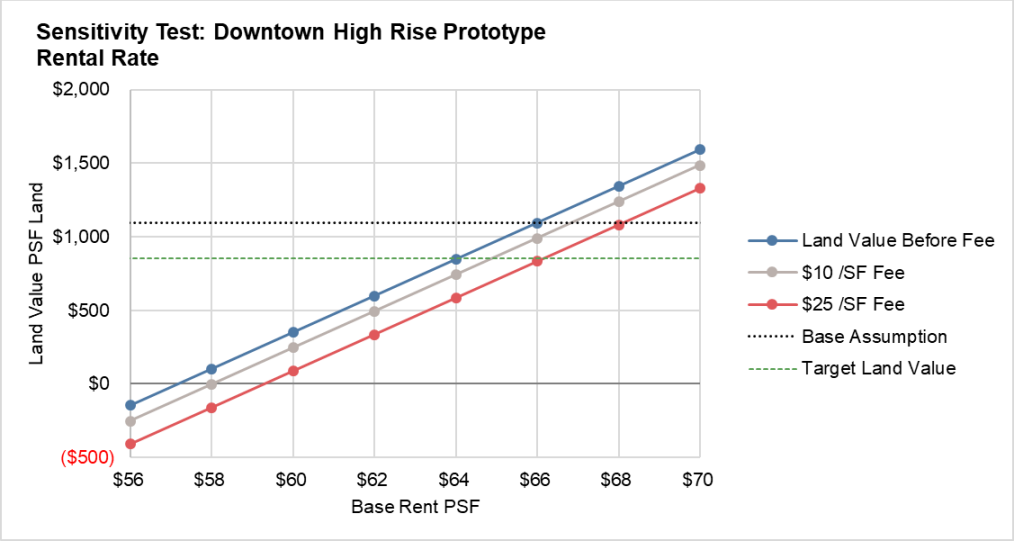
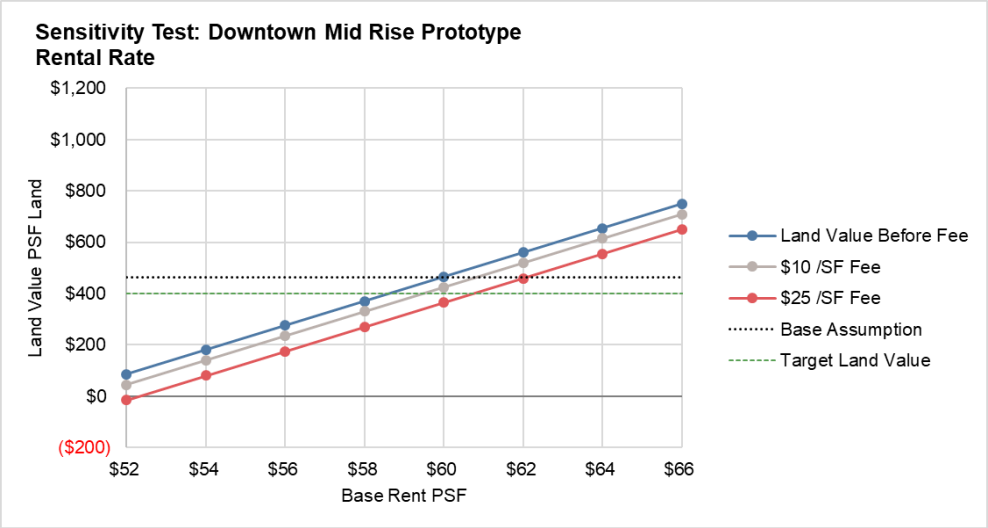


Chart 4-8. Residual Land Value Sensitivity to Rents, Downtown Mid-Rise Office



Sensitivity of Project Value Premium Over Development Costs to Rents

Speculative office developers and their capital partners require the anticipated finished value of a project to exceed development costs by a significant margin to provide a return to investors commensurate with the significant risks inherent in development. This is especially the case in a location such as downtown San José where targeted rents are not yet demonstrated by recently completed projects, a fact that introduces a greater level of risk.

Table 4-17 compares the market value supported by the high-rise office prototype at different rent levels to development costs to determine the value premium, or percentage by which value exceeds costs. A value premium of at least 33% is estimated to be necessary to incentivize speculative office development in the downtown. The table shows that if annual triple net rents of the high-rise office prototype fail to exceed the current range of $43 to $47 per square foot per year, then the prototype would generate a value that is insufficient to cover development costs. If rents are comparable to West San José and Cupertino, the project value would exceed development costs, but would likely be insufficient to incentivize speculative office development. Only by achieving rents similar to averages for Sunnyvale does the high-rise prototype realize an adequate value relative to development costs.

The ability to support a commercial linkage fee downtown is highly sensitive to the expected rental rates of new construction. At the baseline pro forma rent of $66 per square foot per year, near the existing average for Sunnyvale, a fee of up to $30 per gross square foot would preserve an adequate premium over costs. With a higher rent expectation of $72 per square foot, commensurate with average rents in Redwood City, a higher fee would be supported and still allow for an adequate premium over costs.

Table 4-17. Value Premium as % of Development Costs – Downtown High-Rise Prototype									
				Value Premium % of Costs Assuming Linkage Fee of:					
Benchmark	Type	NNN Rent Per SF Per Yr	% Increase vs. Downtown Rents Today	No Fee	$10/ SF	$15/ SF	$20/ SF	$25/ SF	$30/ SF
San José – Downtown	Average	$43	n/a	-7%	-8%	-9%	-9%	-10%	-11%
San José – Downtown	Peak	$47	10%	1%	0%	0%	-1%	-2%	-2%
San José – West	Peak	$53	24%	14%	12%	12%	11%	10%	10%
Cupertino	Average	$55	28%	17%	15%	15%	14%	13%	13%
Sunnyvale	Average	$65	50%	36%	34%	34%	33%	32%	31%
San José – Downtown	*Pro Forma*	*$66*	*53%*	39%	37%	36%	35%	34%	34%
Redwood City	Average	$72	68%	52%	49%	48%	47%	47%	46%

Legend No Profit Below Threshold Above Threshold

Table 4-18 illustrates the estimated minimum rent needed for feasibility of downtown mid-rise and high-rise prototypes. Without any linkage fee, the minimum annual rent requirement is approximately $58 per square foot for the mid-rise prototype and $63 per square foot for the high-rise prototype ($4.83 to $5.25 per month). A linkage fee of $20 per gross square foot adds approximately $1.70 per square foot to the minimum annual rent estimated to be necessary for feasibility, approximately a 2.9% increase for the mid-rise prototype or 2.7% for the high-rise prototype. While land prices would potentially adjust over time to absorb the linkage fee, in the near term, projects already under contract for development sites would need to absorb the cost of the fee within the economics of their projects. Since the City's exploration of a new linkage fee has been public for some time, developers who believe their projects will be subject to the fee are likely carrying some assumption in their pro formas to account for the potential additional cost.

Table 4-18. Estimated Minimum Annual Rent Needed for Feasibility				
Linkage Fee	Downtown Mid-Rise Rent/SF NNN	% Increase vs No Fee	Downtown High-Rise Rent/SF NNN	% Increase vs No Fee
No Fee	$57.80		$63.40	
$5/SF Fee	$58.20	0.7%	$63.80	0.6%
$10/SF Fee	$58.60	1.4%	$64.20	1.3%
$15/SF Fee	$59.10	2.2%	$64.70	2.1%
$20/SF Fee	$59.50	2.9%	$65.10	2.7%
$25/SF Fee	$59.90	3.6%	$65.50	3.3%
$30/SF Fee	$60.30	4.3%	$65.90	3.9%

Large-scale office projects are the most likely to achieve premium rents because they can attract the highest-paying tenants who require large blocks of space. Smaller, multi-tenant office

projects will find it more difficult to achieve rents above the current market in downtown. Smaller office projects in the downtown might still generate an acceptable return through cost efficiencies such as reduced onsite parking. As an illustration, eliminating all parking would allow a smaller mid-rise project to reduce annual rent expectations by roughly $12 per square foot ($1 per month), bringing the rent requirement in line with market comparables.

Sensitivity of Estimated Supportable Linkage Fee to Parking Ratio

The cost of structured parking represents 29% and 24% of estimated direct construction costs for the downtown mid-rise and high-rise office prototypes, respectively. As parking is a significant component of development costs, if cost savings can be achieved through a reduction in on-site parking without negatively impacting rents or incurring additional operating expenses to fund transportation demand management measures, it would result in a greater ability to support a linkage fee. Conversely if more parking is assumed, it reduces the estimated linkage fee that can be supported.

The pro forma parking ratio of 1.9 spaces per 1,000 square feet is based on an average for six pipeline office projects in the downtown. Table 4-19 shows the result of a sensitivity test adjusting this pro forma parking ratio both upwards and downwards by 0.1 spaces per 1,000 square feet. As shown the 0.1 space per 1,000 adjustment results in an adjustment to the supportable fee findings in the range of $7-9 per square foot.

Table 4-19. Parking Ratio Sensitivity Test

	Supportable Fee ($/GSF)	
	Downtown Mid-rise Office	Downtown High-rise Office
1.9 spaces per 1,000 (pro forma assumption)	$25	$30
2 spaces per 1,000 SF (+0.1 spaces per 1,000)	$18 (-$7)	$23 (-$7)
1.8 spaces per 1,000 SF (- 0.1 spaces per 1,000)	$34 (+$9)	$38 (+$8)

4.9 Large High-Tech End Users

The pro forma analysis identifies supportable fees based on conventional real estate return metrics used by real estate investors. A portion of the demand for commercial space in San José is driven by large end users in the technology sector who intend to build and own their own space. High-tech end users do not behave the same way as typical real estate investors. High-tech end users appear to focus more on their longer-term vision and overall space needs than conventional profitability metrics. For high-tech end users, real estate is a cost center, not necessarily a profit center. As a consequence, conventional real estate pro forma analyses evaluating revenues relative to costs does not adequately capture the real estate decision-making process or the sensitivity of these real estate decisions to new fees.

To assist in understanding the potential impact of new fees on high-tech end users, publicly available development cost information was assembled for three recently built mid-rise office buildings that are owned and occupied by high-tech end users. The precedent projects are comprised of Uber's Mission Bay headquarters, Building 22 of Facebook's Menlo Park headquarters campus, and the Apple Park headquarters campus in Cupertino and are summarized in Table 4-20. The development cost per gross square foot of the precedent projects averages approximately $1,300 per square foot, excluding land, which is well above the development costs of the mid-rise prototypes evaluated in the pro forma analysis. Developer contacts confirmed that high-tech end users typically have higher development costs than speculative buildings based on their overall corporate objectives and space needs. Publicly available cost data could not be accessed for high-rise buildings developed by high-tech end users to provide a comparison to the high-rise prototype.

Table 4-20. Reported Non-Land Development Costs of High-Tech End User Office Buildings

Project	Built	Gross Building Area (GBA)	Non-Land Development Cost	Cost / SF GBA	Cost/ SF GBA Current $
Uber Mission Bay HQ [(1)] San Francisco	2020	450,000	$480 million	$1,067	$1,067
Facebook Bldg. 22 HQ[(2)] Menlo Park	2019	457,000	$600 million	$1,313	$1,313
Apple Park HQ[(3)] Cupertino	2017	3,420,000	$5 billion	$1,462	$1,581
Average					*$1,320*

[(1)] San Francisco Business Times, "Largest Bay Area Construction Projects," November 1, 2019.
[(2)] Truebeck Construction, "Facebook MPK 22" (project qualification), July 15, 2019.
[(3)] Bay Area News Group, "How much did it actually cost to build Apple Park?" December 11, 2017.

One offsetting factor to higher levels of investment in facilities by major high-tech end users is a tendency toward a higher density of employment. For example, a density of 150 square feet per employee was anticipated in the EIR addressing Facebook's Building 22 project,[10] around double the number of employees as a typical office employment density of 300 square feet per employee. This higher density of employment means occupancy costs are lower when considered on a per employee or per "seat" basis.

Table 4-21 provides an estimate of the potential total investment by a high-tech end user to deliver a mid-rise office building based on the non-land development costs of precedent tech campuses and market land prices in downtown San José. The potential total end user investment in San José is estimated to exceed the total market value of the mid-rise office prototype in downtown by 40%. The 40% premium is based on the average non-land development costs of the three projects shown in Table 4-20. The investment premium would

[10] ICF International. Facebook Campus Expansion Project Draft EIR. State Clearinghouse No. 2015062056. May 2016.

range from 15% to 65% for the specific project examples identified, suggesting that end-user projects and investment levels can vary widely.

Table 4-21. Estimated Over-Investment by High-Tech End Users Relative to Market Values

	High-Tech Office Mid-Rise
Non-Land Development Cost / SF GBA (Table 4-20)	$1,320/SF
San José Land Cost / SF GBA (Downtown)	$100/SF
Potential Total Investment / SF GBA	$1,420/SF
Capitalized Value of Downtown Mid-Rise Office Prototype	$1,015/SF
High-Tech Over-Investment Relative to Market Values	*40%*

It is possible that the cost premium observed in recent projects developed by large high-tech end users for their own long-term use may be impacted by the coronavirus pandemic. As an example, the pandemic has resulted in a need for businesses to implement measures to protect the health and safety of workers. Among the changes being implemented or contemplated are modifications to office layouts that increase the distance and physical separation between employees, leading to reduced density of employment within office buildings. Reduced density of employment results in higher real estate costs on a per employee basis. If changes brought on by the pandemic are adopted on a longer-term basis, high-tech end users might cut back on real estate spending in response to the reduced level of employment that new facilities physically accommodate and the corresponding increase in costs per employee. This possible outcome of the pandemic could result in a decrease in the investment premium for high-tech end users described above.

The tendency of high-tech end users to over-invest in their facilities relative to speculative developers is indicative of a lower degree of cost sensitivity compared to a speculative office project whose capacity to support a new fee is ultimately limited by the value generated by the building's rental income. The higher level of investment also means that every commercial linkage fee dollar has a smaller impact on project costs when considered in percentage terms.

Table 4-22 illustrates how linkage fees at a range of levels would translate to a high-tech campus, assuming fees are set at a level representing a similar percentage burden relative to overall project costs. Applying an illustrative 40% cost premium beyond what conventional real estate metrics would support, as calculated in Table 4-21, to the illustrative base fee range of $10 to $30 per gross square foot yields an equivalent fee range of $14 to $42 per gross square foot for high-tech campuses sponsored by a single large end user. For reference, affordable housing demand impacts documented in the Nexus Analysis are approximately 14%[11] greater

[11] This 14% figure is based on Nexus Analysis Table 3-8, which identifies affordable housing demand impacts of 72.8 units per 100,000 square feet of building area for office, high-tech, which is approximately 14% greater than the 64.1 units of affordable housing demand per 100,000 square feet of building area for the office category.

and maximum commercial linkage fees supported are $13.60[12] per square foot greater for high-tech office compared to the general office category.

Table 4-22. Potential Adjustments to Linkage Fee, High-Tech End User Office Buildings

Illustrative Linkage Fee Applied to Speculative Office Development	Illustrative High-Tech Investment Premium Over Market Value	Equivalent Fee for High-Tech Campuses Adjusted for Investment Premium
$10/SF	40%	$14/SF
$15/SF	40%	$21/SF
$20/SF	40%	$28/SF
$25/SF	40%	$35/SF
$30/SF	40%	$42/SF

[12] This $13.60 figure is calculated based on the difference between the Nexus Analysis maximum supported fee level findings for office, high-tech of $151.30 and office of $137.70.

5.0 COMMERCIAL LINKAGE FEE PROGRAMS IN OTHER JURISDICTIONS

Information on other commercial linkage fee programs in nearby or comparable cities is often helpful context in considering new or updated fees. The following section provides information assembled regarding other programs in the Bay Area as well as other large city examples.

At least 48 cities and counties in California have commercial linkage fees. A majority of programs are in the Bay Area and greater Sacramento. Most major cities on the West Coast have commercial linkage fees or similar programs. This includes San Diego, Los Angeles, Oakland, Sacramento, San Francisco, Portland and Seattle.

Silicon Valley and the Peninsula, which have some of the strongest real estate market conditions in the Bay Area, is where many of the jurisdictions with the highest fee levels are found. For office, fee levels range from $8 psf (Milpitas) to $36 psf (Palo Alto). For retail, fee ranges are much broader as some jurisdictions have adopted similar fee levels across all building types while others have lower fee levels for retail and hotels.

In the East Bay, fees have been adopted at a more moderate range. Fremont currently represents the upper end of the range of fees for office space at $8 per square foot.

Table 5-1 summarizes adopted commercial linkage fee levels for selected Bay Area jurisdictions as well as other large city examples on the West Coast. Research on fee levels summarized in Table 5-1 was completed in late 2019 and early 2020 and does not reflect adjustments due to application of annual indexes or updates to fee schedules subsequent to KMA's review. For use other than general comparison, please consult the code and staff of the jurisdiction. A more complete overview of these programs is presented in Appendix G.

Table 5-1. Commercial Linkage Fee Levels in Other Cities ($PSF) Selected Examples	Office ($PSF)	Retail ($PSF)	Hotel ($PSF)	Industrial ($PSF)
Santa Clara County				
Palo Alto	$36.53	$21.26	$21.26	$21.26
Milpitas (1)	$8.00	$8.00	$8.00	$4.00
Mountain View	$28.25	$3.02	$3.02	$28.25
Santa Clara	$20.00	$5.00	$5.00	$10.00
Cupertino	$24.60	$12.30	$12.30	$24.60
Sunnyvale	$16.50	$8.25	$8.25	$16.50
Peninsula				
Menlo Park	$18.69	$10.14	$10.14	$10.14
Redwood City	$20.00	$5.00	$5.00	N/A
San Mateo	$26.10	$5.22	$10.44	N/A
San Bruno	$13.10	$6.55	$13.10	N/A
East Palo Alto	$10.72	$10.72	$10.72	$10.72
Foster City	$27.50	$6.25	$10.44	N/A
South San Francisco	$15.00	$2.50	$5.00	N/A
East Bay				
Fremont	$8.00	$8.00	$8.00	$4.00
Dublin	$1.45	$1.18	$0.49	$0.56
Pleasanton	$7.61	$4.56	$4.56	$12.64
Newark	$3.80	$3.80	$3.80	$0.72
Large Cities				
Oakland (2)	$5.89	N/A	N/A	N/A(2)
San Francisco (1) (3)	$69.60	$28.13	$22.57	N/A
Sacramento	$2.60	$2.09	$2.48	$1.62
San Diego	$2.12	$1.28	$1.28	N/A
Los Angeles	$3 to $5 depending on location			
Portland	1% of building permit value (4)			
Seattle	$0 to $17.50 depending on location			

(1) Identifies full phase-in level.

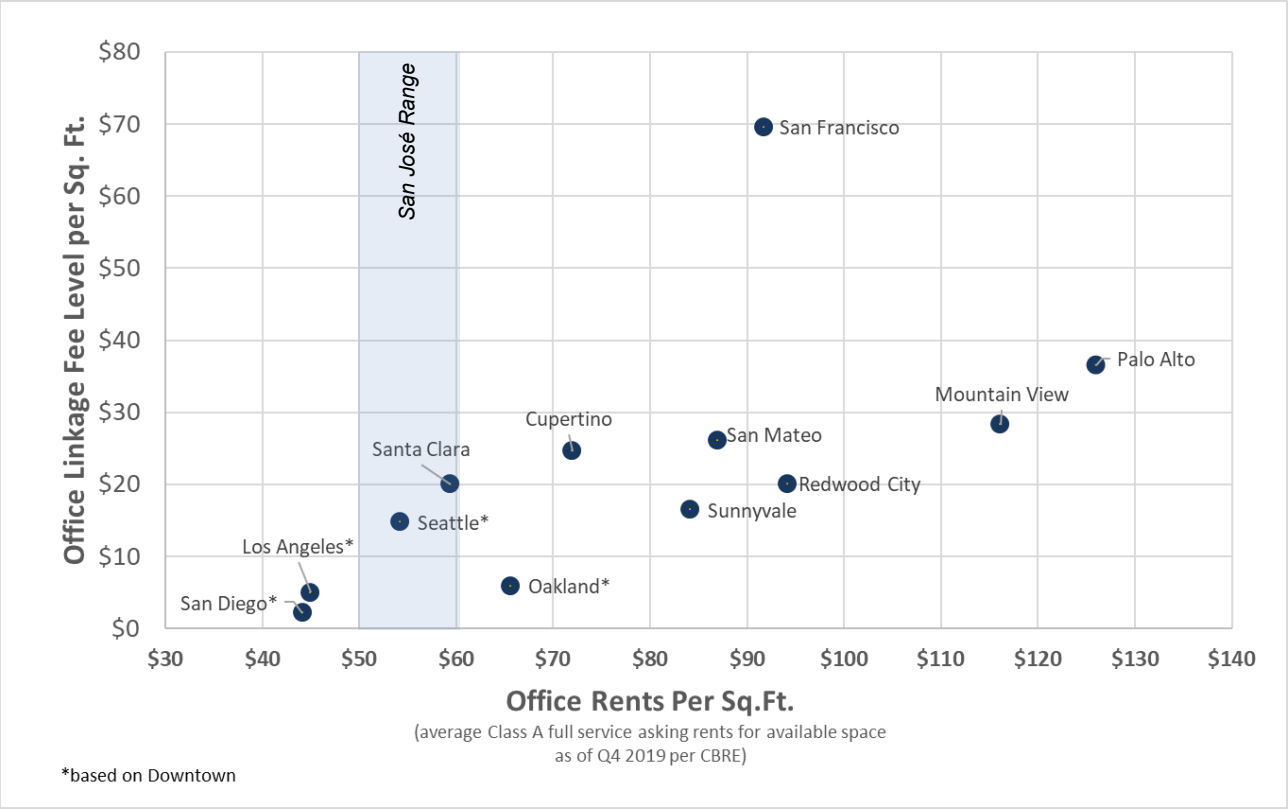
(2) Oakland has a fee for warehouse but not industrial.

(3) Office rate is $62.64 psf for buildings under 50,000 SF.

(4) Program is established as an excise tax rather than as a commercial linkage fee.
N/A = No fee or no applicable category

As a way to provide context regarding the market conditions in each of the communities, the chart on the following page shows office linkage fees (the building type that usually has the highest fees) in relation to office rents by city. Office rents are an indicator of market strength and major driver of real estate values. The focus is on Silicon Valley and the Peninsula as well as larger cities.

Chart 5-1. Linkage Fees vs. Average Annual Office Rents, Selected Examples



By way of comparison, annual full-service asking rents for Class A office space in downtown and West San José are currently in the range of $60 per square foot and around $50 per square foot in North San José per CBRE as of 4th quarter 2019. Rents are reported full service asking rents consistent with Chart 5-1 as opposed to triple net rents as referenced elsewhere in this report. Full-service rents include maintenance, utilities, taxes and insurance while triple net rents are lower because these expenses are not included in the rent.

Ordinance or Program Features

Linkage fee programs often include features to address a jurisdiction's policy objectives or specific concerns. The most common are:

- *Minimum Threshold Size* – A minimum threshold sets a building size over which fees are in effect. Programs with low fees often have no thresholds and all construction is subject to the fee. Some jurisdictions establish a building size over which the fee applies. Sometimes the fee applies to the whole building, and sometimes the fee applies only to the square foot area over the threshold. Thresholds are often employed to minimize costs for small infill projects in older commercial areas, when such infill is a policy objective. Thresholds, which reduce fees for smaller projects, are more common for programs with more significant fees. Santa Clara, Sunnyvale and Mountain View all

have reduced fees for square footage below a threshold size of 20,000 to 25,000 square feet.

- *Geographic Area Variations and Exemptions* – Geographic variation in fees is generally more common among large cities that have a diverse range of conditions. Los Angeles and Seattle are examples of larger cities that have fees that vary based on geography in consideration of broad differences in economic health from one subarea of the city to the next.

- *Specific Use Exemptions* – Some cities charge all building types while others choose to exempt specific uses. A common exemption is for buildings owned by non-profits which typically encompass religious, educational/institutional, and hospital building types. Some programs identify specific uses as exempt such as schools and child-care centers.

Information about ordinance features such as exemptions and thresholds for the surveyed programs is provided in Appendix G.

Appendix A: Pro Forma Analysis

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table A-1
Prototype Development Programs
Commercial Linkage Feasibility Study
San Jose, CA

	1	2	3	4	5	6	7	8	9
	Warehouse / Distribution	***Light Industrial / R&D [1]***	***Office/R&D Low Rise***	***Office/R&D Mid Rise***	***Office/R&D DT Mid Rise***	***Office - High Rise***	***Neighborhood Retail***	***Mid-Rise Hotel Surface Pkg***	***Mid-Rise Hotel Structured Pkg***
Sub-Areas	*Edenvale North San Jose Monterey*	*Edenvale North San Jose Monterey*	*Edenvale North San Jose S&E Growth*	*North San Jose West UV*	*Downtown*	*Downtown*	*Edenvale North San Jose West UV S&E Growth*	*Edenvale North San Jose*	*Downtown West UV*
Site Size (acres)	6.0	6.0	2.5	2.5	2.5	2.5	6.0	2.5	0.5
Building Stories	1	1-2	2	6	7	19	1	5	5
Construction Type	Type IIIB	Type IIIB	Type IIB	Type IB	Type IB	Type IA	Type VB	Type IIIA or VB + podium	Type IIIA or VB + podium
Gross Bldg Area (GSF)	105,000	105,000	65,000	195,000	435,000	1,145,000	65,000	108,500	78,300
Rentable Bldg Area (RSF)	105,000	105,000	61,750	185,250	413,250	1,087,750	61,750		
Hotel Rooms								175	135
FAR (excl parking)	0.4	0.4	0.6	1.8	4.0	10.5	0.2	1.0	3.6
Hotel Room Density								70	270
Parking Ratio	0.9/1,000gsf	2.0/1,000gsf	3.2/1,000gsf	3.0/1,000gsf	1.9/1,000gsf	1.9/1,000gsf	4.4/1,000gsf	0.9/key	0.7/key
Parking Spaces	95	210	208	585	827	2,176	286	98	55
Surface %	100%	100%	100%	0%	0%	0%	100%	100%	0%
Garage %	0%	0%	0%	86%	0%	0%	0%	0%	0%
Podium %	0%	0%	0%	0%	30%	50%	0%	0%	0%
Below Grade %	0%	0%	0%	14%	70%	50%	0%	0%	100%

[1] This prototype has historically been developed by owner-users but is modeled as a for-lease property for purposes of this analysis.

Appendix Table A-2
Conceptual Pro Forma: Warehouse/ Distribution
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 1A			Prototype 1B			Prototype 1C		
	Warehouse/ Distribution Edenvale			Warehouse/ Distribution North San Jose & Nearby			Warehouse/ Distribution Monterey Business Corridor		
Site Area	6.0 acres			6.0 acres			6.0 acres		
Floor Area Ratio (excl. Pkg)	0.4 FAR			0.4 FAR			0.4 FAR		
Gross Building Area (GSF)	105,000 sf			105,000 sf			105,000 sf		
Rentable Building Area (RSF)	105,000 sf		*100%*	105,000 sf		*100%*	105,000 sf		*100%*
Parking Ratio	0.90 /1,000 sf			0.90 /1,000 sf			0.90 /1,000 sf		
Parking Type	Surface Parking			Surface Parking			Surface Parking		
Base Rent	$12.50 /sf NNN			$15.50 /sf NNN			$14.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$1,312,500	$13	100%	$1,627,500	$16	100%	$1,470,000	$14	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($65,600)	($1)	-5%	($81,400)	($1)	-5%	($73,500)	($1)	-5%
Effective Gross Income	$1,246,900	$12	95%	$1,546,100	$15	95%	$1,396,500	$13	95%
(Less) OPEX	($13,100)	($0)	-1%	($16,300)	($0)	-1%	($14,700)	($0)	-1%
Net Operating Income	$1,233,800	$12	94%	$1,529,800	$15	94%	$1,381,800	$13	94%
Return on Cost		*5.3%*			*5.3%*			*5.3%*	
Supported Investment	$23,280,000	$222		$28,860,000	$275		$26,070,000	$248	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$13,125,000	$125	100%	$13,125,000	$125	100%	$13,125,000	$125	100%
Tenant Improvements	$1,575,000	$15	12%	$1,575,000	$15	12%	$1,575,000	$15	12%
A&E	$656,300	$6	5%	$656,300	$6	5%	$656,300	$6	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$446,800	$4	3%	$1,830,400	$17	14%	$446,800	$4	3%
Taxes/Ins./Legal/Accounting	$262,500	$3	2%	$262,500	$3	2%	$262,500	$3	2%
Leasing Commissions	$459,400	$4	4%	$569,600	$5	4%	$514,500	$5	4%
Overhead/Admin/Other	$525,000	$5	4%	$525,000	$5	4%	$525,000	$5	4%
Contingency	$656,300	$6	5%	$656,300	$6	5%	$656,300	$6	5%
Financing	$851,200	$8	6%	$1,055,200	$10	8%	$953,200	$9	7%
Total Costs excl. Land	$18,560,000	$177	141%	$20,260,000	$193	154%	$18,710,000	$178	143%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$4,720,000	$18	$45	$8,600,000	$33	$82	$7,360,000	$28	$70
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$4,195,000	$16	$40	$8,075,000	$31	$77	$6,835,000	$26	$65
Illustrative Fee at $8/GSF	$3,932,500	$15	$37	$7,812,500	$30	$74	$6,572,500	$25	$63
Illustrative Fee at $10/GSF	$3,670,000	$14	$35	$7,550,000	$29	$72	$6,310,000	$24	$60
Illustrative Fee at $15/GSF	$3,145,000	$12	$30	$7,025,000	$27	$67	$5,785,000	$22	$55

Appendix Table A-3
Conceptual Pro Forma: Light Industrial / R&D
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 2A Light Industrial/ R&D Edenvale			Prototype 2B Light Industrial/ R&D North San Jose & Nearby			Prototype 2C Light Industrial/ R&D Monterey Business Corridor		
Site Area	6.0 acres			6.0 acres			6.0 acres		
Floor Area Ratio (excl. Pkg)	0.4 FAR			0.4 FAR			0.4 FAR		
Gross Building Area (GSF)	105,000 sf			105,000 sf			105,000 sf		
Rentable Building Area (RSF)	105,000 sf		*100%*	105,000 sf		*100%*	105,000 sf		*100%*
Parking Ratio	2.0 /1,000 sf			2.0 /1,000 sf			2.0 /1,000 sf		
Parking Type	Surface Parking			Surface Parking			Surface Parking		
Base Rent	$15.00 /sf NNN			$18.50 /sf NNN			$17.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$1,575,000	$15	100%	$1,942,500	$19	100%	$1,785,000	$17	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($78,800)	($1)	-5%	($97,100)	($1)	-5%	($89,300)	($1)	-5%
Effective Gross Income	$1,496,200	$14	95%	$1,845,400	$18	95%	$1,695,700	$16	95%
(Less) OPEX	($15,800)	($0)	-1%	($19,400)	($0)	-1%	($17,900)	($0)	-1%
Net Operating Income	$1,480,400	$14	94%	$1,826,000	$17	94%	$1,677,800	$16	94%
Return on Cost		*5.6%*			*5.6%*			*5.6%*	
Supported Investment	$26,440,000	$252		$32,610,000	$311		$29,960,000	$285	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$16,275,000	$155	100%	$16,275,000	$155	100%	$16,275,000	$155	100%
Tenant Improvements	$2,100,000	$20	13%	$2,100,000	$20	13%	$2,100,000	$20	13%
A&E	$813,800	$8	5%	$813,800	$8	5%	$813,800	$8	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$455,000	$4	3%	$1,838,600	$18	11%	$455,000	$4	3%
Taxes/Ins./Legal/Accounting	$325,500	$3	2%	$325,500	$3	2%	$325,500	$3	2%
Leasing Commissions	$551,300	$5	3%	$679,900	$6	4%	$624,800	$6	4%
Overhead/Admin/Other	$651,000	$6	4%	$651,000	$6	4%	$651,000	$6	4%
Contingency	$813,800	$8	5%	$813,800	$8	5%	$813,800	$8	5%
Financing	$966,700	$9	6%	$1,192,300	$11	7%	$1,095,400	$10	7%
Total Costs excl. Land	$22,950,000	$219	141%	$24,690,000	$235	152%	$23,150,000	$220	142%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$3,490,000	$13	$33	$7,920,000	$30	$75	$6,810,000	$26	$65
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$2,965,000	$11	$28	$7,395,000	$28	$70	$6,285,000	$24	$60
Illustrative Fee at $8/GSF	$2,702,500	$10	$26	$7,132,500	$27	$68	$6,022,500	$23	$57
Illustrative Fee at $10/GSF	$2,440,000	$9	$23	$6,870,000	$26	$65	$5,760,000	$22	$55
Illustrative Fee at $15/GSF	$1,915,000	$7	$18	$6,345,000	$24	$60	$5,235,000	$20	$50

Appendix Table A-4
Conceptual Pro Forma: Low-Rise Office/ R&D
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 3A Low-Rise Office/ R&D Edenvale			Prototype 3B Low-Rise Office/ R&D North San Jose & Nearby			Prototype 3C Low-Rise Office/ R&D South & East Growth		
Site Area	2.5 acres			2.5 acres			2.5 acres		
Floor Area Ratio (excl. Pkg)	0.6 FAR			0.6 FAR			0.6 FAR		
Gross Building Area (GSF)	65,000 sf			65,000 sf			65,000 sf		
Rentable Building Area (RSF)	61,750 sf		*95%*	61,750 sf		*95%*	61,750 sf		*95%*
Parking Ratio	3.2 /1,000 sf			3.2 /1,000 sf			3.2 /1,000 sf		
Parking Type	Surface Parking			Surface Parking			Surface Parking		
Base Rent	$33.00 /sf NNN			$36.00 /sf NNN			$33.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$2,037,800	$33	100%	$2,223,000	$36	100%	$2,037,800	$33	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($101,900)	($2)	-5%	($111,200)	($2)	-5%	($101,900)	($2)	-5%
Effective Gross Income	$1,935,900	$31	95%	$2,111,800	$34	95%	$1,935,900	$31	95%
(Less) OPEX	($32,600)	($1)	-2%	($35,600)	($1)	-2%	($32,600)	($1)	-2%
Net Operating Income	$1,903,300	$31	93%	$2,076,200	$34	93%	$1,903,300	$31	93%
Return on Cost		*6.7%*			*6.7%*			*6.7%*	
Supported Investment	$28,410,000	$460		$30,990,000	$502		$28,410,000	$460	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$16,900,000	$274	100%	$16,900,000	$274	100%	$16,900,000	$274	100%
Tenant Improvements	$3,396,300	$55	20%	$3,396,300	$55	20%	$3,396,300	$55	20%
A&E	$845,000	$14	5%	$845,000	$14	5%	$845,000	$14	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$603,600	$10	4%	$1,316,800	$21	8%	$904,000	$15	5%
Taxes/Ins./Legal/Accounting	$338,000	$5	2%	$338,000	$5	2%	$338,000	$5	2%
Leasing Commissions	$713,200	$12	4%	$778,100	$13	5%	$713,200	$12	4%
Overhead/Admin/Other	$676,000	$11	4%	$676,000	$11	4%	$676,000	$11	4%
Contingency	$845,000	$14	5%	$845,000	$14	5%	$845,000	$14	5%
Financing	$946,400	$15	6%	$1,032,400	$17	6%	$946,400	$15	6%
Total Costs excl. Land	$25,260,000	$409	149%	$26,130,000	$423	155%	$25,560,000	$414	151%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$3,150,000	$29	$51	$4,860,000	$45	$79	$2,850,000	$26	$46
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$2,825,000	$26	$46	$4,535,000	$42	$73	$2,525,000	$23	$41
Illustrative Fee at $10/GSF	$2,500,000	$23	$40	$4,210,000	$39	$68	$2,200,000	$20	$36
Illustrative Fee at $15/GSF	$2,175,000	$20	$35	$3,885,000	$36	$63	$1,875,000	$17	$30
Illustrative Fee at $20/GSF	$1,850,000	$17	$30	$3,560,000	$33	$58	$1,550,000	$14	$25
Illustrative Fee at $25/GSF	$1,525,000	$14	$25	$3,235,000	$30	$52	$1,225,000	$11	$20
Illustrative Fee at $30/GSF	$1,200,000	$11	$19	$2,910,000	$27	$47	$900,000	$8	$15

Appendix Table A-5
Conceptual Pro Forma: Mid-Rise Office/ R&D
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 4A Mid-Rise Office/ R&D North San Jose & Nearby			Prototype 4B Mid-Rise Office/ R&D West San Jose Urban Village			Prototype 5A Mid-Rise Office/ R&D Downtown & Nearby		
Site Area	2.5 acres			2.5 acres			2.5 acres		
Floor Area Ratio (excl. Pkg)	1.8 FAR			1.8 FAR			4.0 FAR		
Gross Building Area (GSF)	195,000 sf			195,000 sf			435,000 sf		
Rentable Building Area (RSF)	185,250 sf		*95%*	185,250 sf		*95%*	413,250 sf		*95%*
Parking Ratio	3.00 /1,000 sf			3.00 /1,000 sf			1.90 /1,000 sf		
Parking Type	Parking Garage			Parking Garage			Podium w/ 1 Level Below Grade		
Base Rent	$49.00 /sf NNN			$53.00 /sf NNN			$60.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$9,077,300	$49	100%	$9,818,300	$53	100%	$24,795,000	$60	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($453,900)	($2)	-5%	($490,900)	($3)	-5%	($1,239,800)	($3)	-5%
Effective Gross Income	$8,623,400	$47	95%	$9,327,400	$50	95%	$23,555,200	$57	95%
(Less) OPEX	($145,200)	($1)	-2%	($157,100)	($1)	-2%	($396,700)	($1)	-2%
Net Operating Income	$8,478,200	$46	93%	$9,170,300	$50	93%	$23,158,500	$56	93%
Return on Cost		*6.5%*			*6.5%*			*7.0%*	
Supported Investment	$130,430,000	$704		$141,080,000	$762		$330,840,000	$801	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$85,382,100	$461	100%	$86,357,100	$466	100%	$190,672,500	$461	100%
Tenant Improvements	$11,115,000	$60	13%	$11,115,000	$60	13%	$30,993,800	$75	16%
A&E	$4,269,100	$23	5%	$4,317,900	$23	5%	$9,533,600	$23	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$4,694,700	$25	5%	$2,612,800	$14	3%	$7,358,800	$18	4%
Taxes/Ins./Legal/Accounting	$1,707,600	$9	2%	$1,727,100	$9	2%	$3,813,500	$9	2%
Leasing Commissions	$3,177,100	$17	4%	$3,436,400	$19	4%	$8,678,300	$21	5%
Overhead/Admin/Other	$3,415,300	$18	4%	$3,454,300	$19	4%	$7,626,900	$18	4%
Contingency	$4,269,100	$23	5%	$4,317,900	$23	5%	$9,533,600	$23	5%
Financing	$4,733,500	$26	6%	$5,120,000	$28	6%	$12,006,700	$29	6%
Total Costs excl. Land	$122,760,000	$663	144%	$122,460,000	$661	142%	$280,220,000	$678	147%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$7,670,000	$70	$41	$18,620,000	$171	$101	$50,620,000	$465	$122
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$6,695,000	$61	$36	$17,645,000	$162	$95	$48,445,000	$445	$117
Illustrative Fee at $10/GSF	$5,720,000	$53	$31	$16,670,000	$153	$90	$46,270,000	$425	$112
Illustrative Fee at $15/GSF	$4,745,000	$44	$26	$15,695,000	$144	$85	$44,095,000	$405	$107
Illustrative Fee at $20/GSF	$3,770,000	$35	$20	$14,720,000	$135	$79	$41,920,000	$385	$101
Illustrative Fee at $25/GSF	$2,795,000	$26	$15	$13,745,000	$126	$74	$39,745,000	$365	$96
Illustrative Fee at $30/GSF	$1,820,000	$17	$10	$12,770,000	$117	$69	$37,570,000	$345	$91

Appendix Table A-6
Conceptual Pro Forma: High-Rise Office
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 6A High-Rise Office Downtown & Nearby		
Site Area	2.5	acres	
Floor Area Ratio (excl. Pkg)	10.5	FAR	
Gross Building Area (GSF)	1,145,000	sf	
Rentable Building Area (RSF)	1,087,750	sf	*95%*
Parking Ratio	1.9	/1,000 sf	
Parking Type	Podium & Below Grade		
Base Rent	$66.00	/sf NNN	

Operating Income	Total	$/RSF	%Gross
Base Rent	$71,791,500	$66	100%
Parking Income	$0	$0	0%
(Less) Vacancy/Bad Debt	($3,589,600)	($3)	-5%
Effective Gross Income	$68,201,900	$63	95%
(Less) OPEX	($1,148,700)	($1)	-2%
Net Operating Income	$67,053,200	$62	93%
Return on Cost		*7.0%*	
Supported Investment	$957,900,000	$881	

Development Costs excl. Land	Total	$/RSF	%Direct
Directs, incl. Parking	$565,375,000	$520	100%
Tenant Improvements	$97,897,500	$90	17%
A&E	$28,268,800	$26	5%
Commercial Linkage Fee	$0	$0	0%
Other Fees & Permits	$19,369,800	$18	3%
Taxes/Ins./Legal/Accounting	$11,307,500	$10	2%
Leasing Commissions	$25,127,000	$23	4%
Overhead/Admin/Other	$22,615,000	$21	4%
Contingency	$28,268,800	$26	5%
Financing	$40,471,300	$37	7%
Total Costs excl. Land	$838,700,000	$771	148%

Residual Land Value	Total	$/Land SF	$/RSF
Base, Without Fee	$119,200,000	$1,095	$110
Illustrative Fee Levels			
Illustrative Fee at $5/GSF	$113,475,000	$1,042	$104
Illustrative Fee at $10/GSF	$107,750,000	$989	$99
Illustrative Fee at $15/GSF	$102,025,000	$937	$94
Illustrative Fee at $20/GSF	$96,300,000	$884	$89
Illustrative Fee at $25/GSF	$90,575,000	$832	$83
Illustrative Fee at $30/GSF	$84,850,000	$779	$78

Appendix Table A-7
Adjusted Fee Levels for High Tech Office Prototype
Commercial Linkage Feasibility Study
San Jose, CA

		Mid Rise Downtown	High Rise Downtown
High Tech Office Development Costs (Mid Rise)			
Cost / SF GBA, Excluding Land[1]		$1,320	$1,320
Tower Cost Premium[2]	14%	n/a	$185
Land Value / SF GBA		$100	$80
Total Cost / SF GBA		*$1,420*	*$1,585*
Building Value of Mid Rise Office Prototype[2]			
Net Operating Income / SF GBA		$53	$59
Capitalization Rate		5.25%	5.25%
Total Value / SF GBA		*$1,015*	*$1,115*
High Tech Office Premium vs Typical Building Value		**40%**	**42%**

Equivalent Linkage Fee Assuming Value Premium	Base Fee PSF	Equivalent Fee w/ Premium	Equivalent Fee w/ Premium
Illustrative Fee @	$10/SF	$14	$14
Illustrative Fee @	$15/SF	$21	$21
Illustrative Fee @	$20/SF	$28	$28
Illustrative Fee @	$25/SF	$35	$36
Illustrative Fee @	$30/SF	$42	$43

1 Appendix Table C-11
2 Based on cost differential between high rise and mid rise office prototypes.
3 Appendix Table A-5

Appendix Table A-8
Conceptual Pro Forma: Neighborhood Retail Center
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 7A			Prototype 7B			Prototype 7C			Prototype 7D		
	Neighborhood Retail Center Edenvale			Neighborhood Retail Center North San Jose & Nearby			Neighborhood Retail Center West San Jose Urban Village			Neighborhood Retail Center South & East Growth Area		
Site Area	6.0 acres			6.0 acres			6.0 acres			6.0 acres		
Floor Area Ratio (excl. Pkg)	0.25 FAR			0.25 FAR			0.25 FAR			0.25 FAR		
Gross Building Area (GSF)	65,000 sf			65,000 sf			65,000 sf			65,000 sf		
Rentable Building Area (RSF)	61,750 sf		*95%*	61,750 sf		*95%*	61,750 sf		*95%*	61,750 sf		*95%*
Parking Ratio	4.4 /1,000 sf			4.4 /1,000 sf			4.4 /1,000 sf			4.4 /1,000 sf		
Parking Type	Surface Parking			Surface Parking			Surface Parking			Surface Parking		
Base Rent												
Anchor	$25 /sf NNN		65%	$26 /sf NNN		65%	$30 /sf NNN		50%	$25 /sf NNN		65%
In Line	$60 /sf NNN		35%	$65 /sf NNN		35%	$72 /sf NNN		50%	$60 /sf NNN		35%
Wtd. Average	$37 /sf NNN		100%	$40 /sf NNN		100%	$51 /sf NNN		100%	$37 /sf NNN		100%
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$2,284,800	$37	100%	$2,470,000	$40	100%	$3,149,300	$51	100%	$2,284,800	$37	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($114,200)	($2)	-5%	($123,500)	($2)	-5%	($157,500)	($3)	-5%	($114,200)	($2)	-5%
Effective Gross Income	$2,170,600	$35	95%	$2,346,500	$38	95%	$2,991,800	$48	95%	$2,170,600	$35	95%
(Less) OPEX	($27,800)	($0)	-1%	($30,000)	($0)	-1%	($38,300)	($1)	-1%	($27,800)	($0)	-1%
Net Operating Income	$2,142,800	$35	94%	$2,316,500	$38	94%	$2,953,500	$48	94%	$2,142,800	$35	94%
Return on Cost		*6.5%*			*6.5%*			*6.5%*			*6.5%*	
Supported Investment	$32,970,000	$534		$35,640,000	$577		$45,440,000	$736		$32,970,000	$534	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$19,175,000	$311	100%	$19,175,000	$311	100%	$19,175,000	$311	100%	$19,175,000	$311	100%
Tenant Improvements	$3,705,000	$60	19%	$3,705,000	$60	19%	$3,705,000	$60	19%	$3,705,000	$60	19%
A&E	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$670,100	$11	3%	$863,500	$14	5%	$815,400	$13	4%	$1,210,200	$20	6%
Taxes/Ins./Legal/Accounting	$383,500	$6	2%	$383,500	$6	2%	$383,500	$6	2%	$383,500	$6	2%
Leasing Commissions	$799,700	$13	4%	$864,500	$14	5%	$1,102,300	$18	6%	$799,700	$13	4%
Overhead/Admin/Other	$767,000	$12	4%	$767,000	$12	4%	$767,000	$12	4%	$767,000	$12	4%
Contingency	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%
Financing	$1,098,300	$18	6%	$1,187,300	$19	6%	$1,513,700	$25	8%	$1,098,300	$18	6%
Total Costs excl. Land	$28,520,000	$462	149%	$28,860,000	$467	151%	$29,380,000	$476	153%	$29,060,000	$471	152%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$4,450,000	$17	$72	$6,780,000	$26	$110	$16,060,000	$61	$260	$3,910,000	$15	$63
Illustrative Fee Levels												
Illustrative Fee at $5/GSF	$4,125,000	$16	$67	$6,455,000	$25	$105	$15,735,000	$60	$255	$3,585,000	$14	$58
Illustrative Fee at $10/GSF	$3,800,000	$15	$62	$6,130,000	$23	$99	$15,410,000	$59	$250	$3,260,000	$12	$53
Illustrative Fee at $15/GSF	$3,475,000	$13	$56	$5,805,000	$22	$94	$15,085,000	$58	$244	$2,935,000	$11	$48
Illustrative Fee at $20/GSF	$3,150,000	$12	$51	$5,480,000	$21	$89	$14,760,000	$56	$239	$2,610,000	$10	$42

Appendix Table A-9
Conceptual Pro Forma: Mid-Rise Hotel (Surface Parking)
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 8A			Prototype 8B		
	Mid-Rise Hotel (Surface Pkg.) Edenvale			Mid-Rise Hotel (Surface Pkg.) North San Jose & Nearby		
Site Area	2.5 acres			2.5 acres		
Floor Area Ratio (excl. Pkg)	1.0 FAR		*70 rm/ac*	1.0 FAR		*70 rm/ac*
Gross Building Area (GSF)	108,500 sf			108,500 sf		
Hotel Rooms	175 rooms		*620 sf/rm*	175 rooms		*620 sf/rm*
Parking Ratio	0.90 /room			0.90 /room		
Parking Type	Surface Parking			Surface Parking		
Average Room Rate	$225 /room			$250 /room		
Stabilized Occupancy	80%			80%		
Operating Income	Total	$/Room	%Gross	Total	$/Room	%Gross
Room Revenue	$11,497,500	$65,700	92%	$12,775,000	$73,000	92%
Food & Beverage	$663,700	$3,790	5%	$737,500	$4,210	5%
Other Revenues	$382,200	$2,180	3%	$424,700	$2,430	3%
(Less) OPEX	($7,619,000)	($43,540)	-61%	($8,465,600)	($48,370)	-61%
Net Operating Income	$4,924,400	$28,100	39%	$5,471,600	$31,300	39%
Return on Cost		*9.2%*			*8.8%*	
Supported Investment	$53,530,000	$305,900	$493	$62,180,000	$355,300	$573
Development Costs excl. Land	Total	$/Room	$/GSF	Total	$/Room	$/GSF
Directs, incl. Parking and FF&E	$38,342,500	$219,100	$353	$38,342,500	$219,100	$353
A&E	$1,917,100	$11,000	$18	$1,917,100	$11,000	$18
Commercial Linkage Fee	$0	$0	$0	$0	$0	$0
Other Fees & Permits	$1,277,500	$7,300	$12	$2,117,500	$12,100	$20
Taxes/Ins./Legal/Accounting	$575,100	$3,300	$5	$575,100	$3,300	$5
Working Capital	$728,500	$4,200	$7	$728,500	$4,200	$7
Overhead/Admin/Other	$1,533,700	$8,800	$14	$1,533,700	$8,800	$14
Contingency	$1,917,100	$11,000	$18	$1,917,100	$11,000	$18
Financing	$1,957,200	$11,200	$18	$2,273,500	$13,000	$21
Total Costs excl. Land	$48,250,000	$275,700	$445	$49,410,000	$282,300	$455
Residual Land Value	Total	$/Room	$/Land SF	Total	$/Room	$/Land SF
Base, Without Fee	$5,280,000	$30,200	$48	$12,770,000	$73,000	$117
Illustrative Fee Levels						
Illustrative Fee at $3,000/rm	$4,755,000	$27,200	$44	$12,245,000	$70,000	$112
Illustrative Fee at $6,000/rm	$4,230,000	$24,200	$39	$11,720,000	$67,000	$108
Illustrative Fee at $9,000/rm	$3,705,000	$21,200	$34	$11,195,000	$64,000	$103
Illustrative Fee at $12,000/rm	$3,180,000	$18,200	$29	$10,670,000	$61,000	$98

Appendix Table A-10
Conceptual Pro Forma: Mid-Rise Hotel (Structured Parking)
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 9A			Prototype 9B		
	Mid-Rise Hotel (Structured Pkg.) Downtown & Nearby			Mid-Rise Hotel (Structured Pkg.) West San Jose Urban Village		
Site Area	0.5 acres			0.5 acres		
Floor Area Ratio (excl. Pkg)	3.6 FAR		*270 rm/ac*	3.6 FAR		*270 rm/ac*
Gross Building Area (GSF)	78,300 sf			78,300 sf		
Hotel Rooms	135 rooms		*580 sf/rm*	135 rooms		*580 sf/rm*
Parking Ratio	0.7 /room			0.7 /room		
Parking Type	Below Grade			Below Grade		
Average Room Rate	$270 /room			$265 /room		
Stabilized Occupancy	80%			80%		
Operating Income	Total	$/Room	%Gross	Total	$/Room	%Gross
Room Revenue	$10,643,400	$78,840	92%	$10,446,300	$77,380	92%
Food & Beverage	$614,400	$4,550	5%	$603,000	$4,470	5%
Other Revenues	$353,800	$2,620	3%	$347,300	$2,570	3%
(Less) OPEX	($7,053,000)	($52,240)	-61%	($6,922,400)	($51,280)	-61%
Net Operating Income	$4,558,600	$33,800	39%	$4,474,200	$33,100	39%
Return on Cost		*8.8%*			*8.8%*	
Supported Investment	$51,800,000	$383,700	$662	$50,840,000	$376,600	$649
Development Costs excl. Land	Total	$/Room	$/GSF	Total	$/Room	$/GSF
Directs, incl. Parking and FF&E	$37,546,000	$278,100	$480	$37,546,000	$278,100	$480
A&E	$1,877,300	$13,900	$24	$1,877,300	$13,900	$24
Commercial Linkage Fee	$0	$0	$0	$0	$0	$0
Other Fees & Permits	$1,363,500	$10,100	$17	$1,120,500	$8,300	$14
Taxes/Ins./Legal/Accounting	$563,200	$4,200	$7	$563,200	$4,200	$7
Working Capital	$713,400	$5,300	$9	$713,400	$5,300	$9
Overhead/Admin/Other	$1,501,800	$11,100	$19	$1,501,800	$11,100	$19
Contingency	$1,877,300	$13,900	$24	$1,877,300	$13,900	$24
Financing	$1,893,900	$14,000	$24	$1,858,800	$13,800	$24
Total Costs excl. Land	$47,340,000	$350,700	$605	$47,060,000	$348,600	$601
Residual Land Value	Total	$/Room	$/Land SF	Total	$/Room	$/Land SF
Base, Without Fee	$4,460,000	$33,000	$205	$3,780,000	$28,000	$174
Illustrative Fee Levels						
Illustrative Fee at $3,000/rm	$4,055,000	$30,000	$186	$3,375,000	$25,000	$155
Illustrative Fee at $6,000/rm	$3,650,000	$27,000	$168	$2,970,000	$22,000	$136
Illustrative Fee at $9,000/rm	$3,245,000	$24,000	$149	$2,565,000	$19,000	$118
Illustrative Fee at $12,000/rm	$2,840,000	$21,000	$130	$2,160,000	$16,000	$99

Appendix Table A-11
Fee Assumptions
Commercial Linkage Feasibility Study
San Jose, CA

	WH/ Industrial	Office/ R&D	Retail	Hotel
1. Citywide Fees and Taxes				
a) Construction Tax				
Building & Structure (B&S)	1.000% BPV	1.500% BPV	1.500% BPV	1.500% BPV
Commercial, Residential, Mobile Home (CRMP)	0.00% BPV	0.50% BPV	3.00% BPV	3.00% BPV
Construction Tax	$0.08 /gsf	$0.08 /gsf	$0.08 /gsf	$0.08 /gsf
Strong Motion Instrumentation (SMIPA)	0.028% BPV	0.028% BPV	0.028% BPV	0.028% BPV
Building Standards Administration (BSARSF)	0.004% BPV	0.004% BPV	0.004% BPV	0.004% BPV
b) Utility Fees				
Sanitary Sewer				
Base, Up to 10 Acres	$1,991 /acre	$1,991 /acre	$1,991 /acre	$1,991 /acre
> 7 Living Units Equivalent Per Acre	$194 /LUE	$194 /LUE	$194 /LUE	$194 /LUE
Living Units Equivalent Factor	2,500 /gsf	2,000 /gsf	2,000 /gsf	0.8 /room
Storm Drainage Fees	$1,815 /acre	$1,815 /acre	$1,815 /acre	$1,815 /acre
Sewage Treatment Plant Connection (STP)	$0.59 /gsf	$0.55 /gsf	$0.75 /gsf	$630 /room
Municipal Water (SJWC)				
Area & Frontage Fee	$0.13 /gsf	$0.13 /gsf	$0.13 /gsf	$80 /room
Engineering & Inspection	$0.01 /gsf	$0.01 /gsf	$0.01 /gsf	$5 /room
Water Meter Fee	$0.02 /gsf	$0.02 /gsf	$0.02 /gsf	$10 /room
c) Planning and Building Service Fees	$2.25 /gsf	$1.54 /gsf	$4.00 /gsf	$1,600 /room
2. Area-Specific Impact Fees				
a) Diridon Station Area Impact Fee	$0.00 /gsf	$5.95 /gsf	$3.98 /gsf	$5.44 /gsf
b) Traffic Impact Fees				
North San Jose Traffic Impact Fee	$16.45 /gsf	$16.45 /gsf	$0.00 /gsf	$4,838 /room
Evergreen-East Hills Traffic Impact Fee	$0.00 /gsf	$14.22 /gsf	$14.22 /gsf	$0.00 /gsf
Interstate 280/ Winchester				
Fee Per PM Peak Hour Trip	$26,877 /trip	$26,877 /trip	$26,877 /trip	$26,877 /trip
PM Trip Generation (net of pass-by credits)	0.80 /1,000sf	1.54 /1,000sf	2.77 /1,000sf	0.81 /room
% of PM Trips Using Off-Ramp (assumed)	10% of trips	10% of trips	10% of trips	10% of trips
Effective Fee	$2.15 /gsf	$4.14 /gsf	$7.45 /gsf	$2,177 /room
US-101/Oakland/Mabury				
Fee Per PM Peak Hour Trip	$38,623 /trip	$38,623 /trip	$38,623 /trip	$38,623 /trip
PM Trip Generation (net of pass-by credits)	0.80 /1,000sf	1.54 /1,000sf	2.77 /1,000sf	0.81 /room
% of PM Trips Using Interchange (assumed)	10% of trips	10% of trips	10% of trips	10% of trips
Industrial Trip Credit %	-30% credit	0% credit	0% credit	0% credit
Effective Fee	$2.16 /gsf	$5.95 /gsf	$10.71 /gsf	$3,128 /room
Areas without Impact Fee				
Street-related in-lieu fees	$0.00 /gsf	$3.15 /gsf	$0.00 /gsf	$40 /room
c) Municipal Water				
Major Facility (No San Jose)	$0.30 /gsf	$0.30 /gsf	$0.30 /gsf	$370 /room
3. School District Fees				
Maximum Level 1 Commercial Fee	$0.61 /gsf	$0.61 /gsf	$0.61 /gsf	$0.61 /gsf

Source: City of San Jose Municipal Code, KMA review of permit applications
Note: Fee assumptions do not include off-site improvements or CEQA mitigations.

Appendix Table A-12
Apportionment of Area-Specific Impact Fees by Sub-Area
Commercial Linkage Feasibility Study
San Jose, CA

Sub-Area	Major Water Facility	Diridon Fee	Traffic Impact Fees				
	North San Jose		North San Jose	Evergreen	280/ Winchester	101 / Mabury	Other Areas[1]
Downtown and Nearby	0%	50%	0%	0%	0%	30%	70%
Edenvale	0%	0%	0%	0%	0%	0%	100%
North San Jose and Nearby	100%	0%	75%	0%	0%	25%	0%
West San Jose Urban Village	0%	0%	0%	0%	30%	0%	70%
Monterey Corridor	0%	0%	0%	0%	0%	0%	100%
South & East SJ Growth Area	0%	0%	0%	33%	0%	33%	33%

[1] For certain land uses KMA includes an allowance for in-lieu fees to address intersection impacts in areas without a traffic impact fee.

Appendix B: Industrial Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table B-1
Industrial Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Est. FAR	$/FAR	Notes
Edenvale							
455 Piercy Rd	390,733	2019	$2.0M	$5			Industrial Park
448 Piercy Rd	405,500	2016	$6.3M	$16	0.41	$38	WH/ Distrib.
4230 1/2 Monterey Hwy	23,496	2019	$0.9M	$36			Auto Repair
5941 Monterey Rd	485,258	2016	$12.1M	$25	0.80	$31	Data Center
Average [1]				*$16*	*0.62*	*$33*	
Monterey Corridor							
2829 Monterey Hwy (Industrial)	199,505	2019	$6.3M	$32	0.40	$79	Heavy Industrial
Senter Rd & Alma Ave	225,205	2017	$4.5M	$20			Heavy Industrial
2829 Monterey Hwy (Storage)	122,839	2018	$4.2M	$34	1.06	$32	Self-Storage
639 Quinn Ave	162,914	2017	$5.3M	$32			Light Industrial
291 San Jose Ave	11,234	2016	$0.6M	$49	0.62	$79	Contractor Yard
Average [1]				*$29*	0.65	*$51*	
North San Jose & Nearby							
1080-1090 Oakland Rd	54,711	2018	$2.9M	$53			Heavy Industrial
1055 Commercial Ct	391,789	2019	$18.0M	$46			WH/ Distrib.
1336-1420 Old Bayshore Hwy	138,781	2019	$4.2M	$30	0.49	$61	WH/ Distrib.
1605 Industrial Ave	445,619	2018	$21.0M	$47	0.41	$116	WH/ Distrib.
2059-2063 Oakland Rd	208,652	2017	$5.3M	$25	0.41	$62	WH/ Distrib.
Midpoint @ 237 Office	937,847	2016	$26.2M	$28	0.44	$63	Adv. Mfg.
Microsoft Data Center	2,809,620	2017	$73.2M	$26	0.43	$61	Data Center
Average [1]				*$30*	0.43	$67	
S&E Growth							
3761 Yerba Buena Rd	70,132	2017	$1.4M	$20			Industrial Park
Coyote Valley							
Santa Teresa/ Blanchard	1,310,284	2016	$4.3M	$3	0.39	$8	WH/ Distrib.
All Other							
970 McLaughlin Ave (Central)	466,092	2019	$15.2M	$33	0.48	$68	WH/ Distrib.
2905 S King Rd (Evergreen)	209,523	2017	$6.6M	$32			Light Industrial

Source: Costar

[1] Averages for FAR and land price per square foot of floor area exclude transactions with missing data.

Appendix Table B-2
Industrial Asking Rents (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Total RBA	Available SF	Asking Rent/Type	Notes
North San Jose					
Venture Commerce Center	2005	22,464	3,120	$19/sf /nnn	Industrial/Flex
1605 Industrial Ave	2020	179,600	179,600	$16/sf /nnn	WH/Distrib.
2528 Qume Drive	2006	72,958	5,481	$20/sf /ig	Industrial/R&D

Source: Costar, Loopnet

Appendix Table B-3
Industrial Lease Comparables (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
Edenvale					
Silicon Valley Industrial Center	2018	2019	90,229	$10 /nnn(est)	Warehouse
Hellyer Commons	2006	2019	6,093	$18 /nnn(est)	Flex

Source: Costar

Appendix Table B-4
Industrial Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose							
Google (5079-93 Disk Dr)	2016	563,211	2018	$117.3M	$208		
929 Berryessa Rd	2002	5,578	2016	$1.3M	$230		
1020 Rock Ave	1999	22,062	2018	$5.2M	$236		
1020 Rock Ave	1999	22,062	2017	$2.8M	$127		
2090 Fortune Dr	1996	71,750	2019	$14.0M	$195		
2371-2373 Paragon Dr	1986	29,014	2016	$3.4M	$116		
1710 Ringwood Ave	1984	20,130	2016	$3.2M	$156		
2222 Trade Zone Blvd	1983	29,000	2019	$7.8M	$268		
3010-3040 N 1st St	1983	54,180	2017	$8.4M	$155		
1039-1043 Commercial St	1982	25,992	2017	$3.9M	$149		
1849 Fortune Dr	1982	55,189	2017	$4.5M	$82		
1462 Seareel Ln	1982	10,633	2016	$2.2M	$210		
1454 Seareel Pl	1982	7,470	2016	$1.0M	$131		
1371 Oakland Rd	1980	15,124	2017	$3.5M	$231		
1310-1330 N 4th St	1980	14,000	2017	$3.3M	$232		
1466 Seareel Ln	1980	12,140	2016	$2.7M	$222		
Ringwood Ave/ Fortune Drive	1980	100,638	2016	$16.6M	$165	5.0%	
2373 Oakland Rd	1980	13,588	2016	$3.7M	$269		
910-912 Rincon Cir	1980	9,744	2016	$2.0M	$206		
Fortune Dr and Qume Dr	1980	71,600	2016	$8.2M	$115		
Edenvale							
500 Piercy Rd	2017	162,066	2019	$39.2M	$242		Portfolio
6212 Hellyer Ave	2017	111,043	2019	$26.7M	$240		
6212 Hellyer Ave	2017	111,043	2017	$16.8M	$151		
5900 Optical Ct	2002	191,276	2017	$61.0M	$319		
Monterey Business Corridor							
1268-1286 Alma Ct	1981	5,886	2016	$1.3M	$212		
260 Phelan Ave	1980	27,000	2018	$3.4M	$126		
South & East Growth							
662 Giguere Ct	1991	17,027	2019	$3.5M	$206		
Lion Business Park	1990	146,598	2017	$16.2M	$110		
Other - Central & West							
900-912 Olinder Ct	1980	58,516	2018	$11.3M	$193	6.8%	
900-912 Olinder Ct	1980	58,516	2017	$9.3M	$159		
254-258 Kinney Dr	1980	7,200	2017	$2.0M	$278	4.9%	
1130-1170 Olinder Ct	1980	64,595	2016	$18.7M	$290	5.8%	
1202 Campbell Ave	1980	34,164	2016	$7.7M	$224		
Other- South & East							
1290 Tully Rd	1986	23,758	2016	$7.5M	$316	5.4%	
1290 Tully Rd	1986	23,758	2016	$3.0M	$128	6.5%	
165 Lewis Rd	1983	7,800	2019	$1.5M	$192		

Source: Costar

Appendix Table B-5
Flex Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose							*1/2*
1756-68 Automation Pky	2000	260,228	2016	$38.0M	$146	7.5%	
1720-1722 Ringwood Ave	2000	28,176	2016	$5.5M	$195		
2100 Gold St	1999	70,755	2018	$21.2M	$299		
Novellus campus bldgs	1980-99	531,499	2016	$82.0M	$154		
2660 -2700 Zanker Rd	1998	222,064	2018	$53.4M	$241	5.9%	
110 Baytech Dr	1997	57,976	2019	$14.0M	$241		
3200 N 1st St	1997	85,017	2018	$30.2M	$355	6.0%	
Cisco (Tasman)	1997	317,612	2018	$50.0M	$157		
1704 Automation Pky	1997	84,208	2017	$21.5M	$255	6.8%	
Alviso Tech Park	1997	189,755	2017	$35.5M	$187	7.0%	
2300 Orchard Pky	1997	116,381	2017	$47.5M	$408		
Baytech Bus. Park	1997	474,004	2017	$175.2M	$370		
110-180 W Tasman Dr	1994	426,170	2018	$174.0M	$408		
190-230 W Tasman Dr	1994	287,371	2016	$122.0M	$425		
3860 N 1st St	1991	101,582	2017	$21.2M	$208		
160 E Tasman Dr	1990	112,232	2018	$41.5M	$370		
2825 N 1st St	1989	51,758	2019	$16.3M	$315		
1110-20 Ringwood	1987	78,592	2018	$11.7M	$149		
Ridder Tech Park	1986	238,342	2019	$54.0M	$227		
2355-65 Paragon Dr	1986	64,719	2016	$11.1M	$171		
145 Baytech Dr	1986	54,851	2016	$7.5M	$137		
Rose Orchard	1985	314,455	2019	$128.2M	$408		
2125 O'Nel Dr	1985	110,669	2018	$24.2M	$218		
3775 N 1st St	1985	67,733	2018	$19.0M	$281		
1510-1530 Old Oakland Rd	1985	55,901	2018	$12.0M	$215		
1130 Ringwood Ct	1985	58,760	2018	$9.8M	$167	6.1%	
91 E Tasman Dr	1985	84,049	2016	$23.4M	$279		
401-431 Charcot Ave	1985	56,610	2016	$10.0M	$177		
175 Nortech Pky	1984	47,860	2019	$8.2M	$171		
1996 Lundy Ave	1984	19,201	2018	$5.2M	$271		
2610-30 Orchard Pky	1984	121,520	2018	$41.7M	$343	6.1%	
1525-1531 Atteberry Ln	1984	48,970	2018	$9.2M	$188		
2188 Del Franco St	1984	26,398	2018	$5.9M	$224		
2240 Ringwood Ave	1984	82,500	2017	$10.5M	$127		
Rio Robles Tech Park	1984	289,310	2016	$72.5M	$251		
2216-2220 O'Toole Ave	1984	52,825	2016	$8.7M	$165		
350 E Plumeria Dr	1984	142,700	2016	$44.0M	$308	6.5%	
1953-1965 Concourse Dr	1984	110,132	2016	$14.7M	$133	7.0%	
2302 Zanker Rd	1983	54,444	2018	$10.1M	$186		
2304-2306 Zanker Rd	1983	38,898	2018	$8.1M	$208		
2581 Junction Ave	1983	92,864	2018	$32.0M	$345	5.9%	
408 E Plumeria Dr	1983	58,289	2018	$26.5M	$455	5.2%	
N 1st/ Daggett	1983	190,576	2017	$51.6M	$271		
2127-2135 Ringwood Ave	1983	72,224	2017	$11.0M	$153		
2195 Fortune Dr	1983	34,621	2016	$7.5M	$215		
2581 Junction Ave	1983	92,864	2016	$16.0M	$172		
2730-2760 Junction Ave	1982	90,467	2018	$26.3M	$290		

Appendix Table B-5
Flex Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose, cont.							*2/2*
2904 Orchard Pky	1982	78,979	2018	$27.0M	$342	8.5%	
611-697 River Oaks Parkway	1982	264,825	2017	$90.0M	$340		
1980-1998 Concourse Dr	1982	85,572	2016	$10.7M	$125		
Orchard Park	1981	121,520	2017	$41.7M	$343		
NSJ Business Park	1980	230,521	2018	$55.3M	$240		
215-217 Devcon Dr	1980	51,392	2016	$9.1M	$178		
1353 Oakland Rd	1980	15,728	2016	$3.3M	$207		
Edenvale							
6070 Hellyer Ave	2006	6,093	2018	$1.8M	$287		
5750-5784 Hellyer Ave	2001	73,300	2019	$17.5M	$239	5.4%	
19 Great Oaks Blvd	2001	27,473	2019	$7.5M	$273		
5901 Optical Ct	2001	67,701	2019	$10.7M	$158		
San Ignacio/ Villa del Oro	2001	349,397	2018	$53.2M	$152		
845-855 Embedded Way	2001	67,912	2018	$12.5M	$184		
5750-5784 Hellyer Ave	2001	73,300	2018	$9.4M	$128	9.0%	
Optical Tech Park	2001	513,273	2017	$81.0M	$158	7.0%	
5921 Optical Ct	2001	67,703	2017	$9.2M	$136		
Silver Creek Business Park	2000	295,105	2018	$31.3M	$106		County
5350 Hellyer Ave	2000	100,000	2019	$26.3M	$263	7.0%	
5500-5550 Hellyer Ave	2000	196,534	2018	$35.3M	$180	8.0%	
5390-5400 Hellyer Ave	2000	77,184	2017	$12.0M	$155		
5830-5870 Hellyer Ave	1998	109,718	2019	$19.9M	$181	7.6%	
5830-5870 Hellyer Ave	1998	109,718	2018	$15.7M	$143		
6680 Via Del Oro	1998	18,000	2017	$4.2M	$233		
5853 & 5863 Rue Ferrari	1992	287,890	2019	$30.8M	$107		
5883 Rue Ferrari	1985	95,860	2017	$17.1M	$178	6.3%	
6580 Via Del Oro	1984	80,158	2017	$14.0M	$175		
Hellyer Oaks Technology Pk	1984	353,815	2017	$36.2M	$102		
5521 Hellyer Ave	1984	203,807	2016	$23.4M	$115		
30-32 Great Oaks Blvd	1983	181,736	2018	$28.5M	$157	6.9%	
6320-6340 San Ignacio Ave	1982	162,554	2018	$12.2M	$75		
6835 Via Del Oro	1980	99,576	2016	$10.2M	$103		
Monterey Corridor							
198 Stauffer Blvd	2001	20,049	2017	$4.7M	$232		
2149-61 O'Toole Ave	1984	124,624	2016	$36.7M	$294	5.0%	
South & East Growth							
3403 Yerba Buena Rd	1992	416,008	2017	$20.0M	$48		
2230 Quimby Rd	1984	14,000	2017	$2.8M	$202		
Downtown							
70-80 N 27th St	1998	21,244	2018	$6.6M	$311		
Other - South and East							
Tully Business Center	1986	143,913	2016	$27.1M	$188	6.5%	

Source: Costar

Appendix Table B-6
Industrial Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Edenvale							
85 Great Oaks Blvd	1984	18,620	2016	$2.9M	$156		Condo
North San Jose							
527 Charcot Ave	2012	4,730	2017	$1.2M	$262		Condo
527 Charcot Ave	2012	2,512	2016	$0.6M	$225		Condo
527 Charcot Ave	2012	2,268	2016	$0.6M	$245		Condo
2526 Qume Dr	2006	5,472	2019	$2.0M	$365		Condo
2526 Qume Dr	2006	5,472	2016	$1.0M	$183		Condo
921 Berryessa Rd	2002	5,578	2018	$1.6M	$278		Condo
2272-2292 Trade Zone Blvd	1983	3,718	2016	$0.8M	$204		Condo
South & East Growth							
1901 Las Plumas Ave	1984	7,871	2019	$2.8M	$349		Condo
1901 Las Plumas Ave	1984	15,565	2019	$3.9M	$249		Condo
1901 Las Plumas Ave	1984	7,865	2018	$1.2M	$156		Condo
1901 Las Plumas Ave	1984	15,565	2018	$2.5M	$161		Condo
Other- South & East							
1845-1851 Little Orchard St	1987	3,344	2017	$1.0M	$287		Condo
1853-1859 Little Orchard St	1987	2,604	2016	$0.5M	$196		Condo
2814 Aiello Dr	1985	2,365	2018	$0.7M	$297		Condo
2828 Aiello Dr	1985	2,621	2016	$0.5M	$196		Condo
414 Umbarger Rd	1984	4,485	2019	$1.1M	$243		Condo
414 Umbarger Rd	1984	4,126	2019	$0.9M	$218		Condo
1691 Villa Stone Rd	1984	10,152	2018	$2.5M	$241		Condo
404 Umbarger Rd	1984	7,256	2016	$1.4M	$196		Condo
414 Umbarger Rd	1984	4,500	2016	$0.9M	$192		Condo
1830-1836 Stone Ave	1980	3,830	2019	$1.2M	$325		Condo
1830-1836 Stone Ave	1980	3,592	2018	$1.2M	$328		Condo
1830-1836 Stone Ave	1980	3,592	2017	$1.0M	$281		Condo
1838-1848 Stone Ave	1980	2,888	2016	$0.7M	$234		Condo

Source: Costar

Appendix Table B-7
Flex Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Edenvale							
320-322 Piercy Rd	2006	7,704	2018	$2.0M	$265		Condo
310-312 Piercy Rd	2006	6,134	2017	$1.9M	$310		Condo
351-363 Piercy Rd	2005	2,811	2016	$0.9M	$306		Condo
North San Jose							
527 Charcot Ave	2012	2,337	2017	$0.6M	$245		Condo
527 Charcot Ave	2012	2,319	2017	$0.6M	$257		Condo
527 Charcot Ave	2012	2,489	2016	$0.6M	$225		Condo
521 Charcot Ave	2008	1,587	2018	$0.6M	$347		Condo
521 Charcot Ave	2008	1,397	2017	$0.4M	$314		Condo
521 Charcot Ave	2008	2,511	2017	$0.6M	$245		Condo
521 Charcot Ave	2008	1,572	2017	$0.6M	$350		Condo
521 Charcot Ave	2008	832	2016	$0.2M	$279		Condo
521 Charcot Ave	2008	823	2016	$0.2M	$283		Condo
521 Charcot Ave	2008	822	2016	$0.2M	$275		Condo
521 Charcot Ave	2008	1,397	2016	$0.4M	$314		Condo
521 Charcot Ave	2008	7,203	2016	$1.8M	$250		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
2528 Qume Dr	2006	4,905	2018	$1.6M	$317		Condo
2200-2228 Ringwood Ave	2005	3,120	2016	$0.9M	$288		Condo
2200-2228 Ringwood Ave	2005	3,156	2016	$0.9M	$280		Condo
1161 Ringwood Ct	2004	1,699	2019	$0.6M	$350		Condo
2130-2162 Ringwood Ave	2004	3,468	2019	$1.0M	$288		Condo
1141 Ringwood Ct	2004	1,702	2018	$0.6M	$347		Condo
1141 Ringwood Ct	2004	1,702	2018	$0.6M	$347		Condo
1925-1949 Concourse Dr	2004	1,446	2017	$0.5M	$346		Condo
1161 Ringwood Ct	2004	1,578	2017	$0.5M	$304		Condo
1151 Ringwood Ct	2004	3,269	2017	$1.0M	$302		Condo
1151 Ringwood Ct	2004	3,503	2016	$0.9M	$246		Condo
1863-1885 Concourse Dr	2004	3,470	2016	$1.0M	$274		Condo
1141 Ringwood Ct	2004	1,580	2016	$0.4M	$244		Condo
238-256 E Gish Rd	1998	2,600	2018	$0.8M	$308		Condo
1912-1950 Otoole Way	1984	2,880	2019	$0.9M	$309		Condo
1901-1933 O'Toole Way	1984	2,928	2019	$0.9M	$302		Condo
1912-1950 Otoole Way	1984	2,880	2018	$0.8M	$281		Condo
1912-1950 Otoole Way	1984	2,880	2017	$0.7M	$233		Condo
1901-1933 O'Toole Way	1984	2,448	2016	$0.6M	$225		Condo
2050 Concourse Dr	1983	1,939	2017	$0.6M	$297		Condo
2050 Concourse Dr	1983	1,057	2017	$0.4M	$355		Condo
2260-2268 Trade Zone Blvd	1982	3,843	2019	$1.1M	$281		Condo
2260-2268 Trade Zone Blvd	1982	3,843	2019	$1.1M	$281		Condo
2235-2243 Ringwood Ave	1981	4,613	2016	$0.8M	$179		Condo
Other - South & East							
175 Lewis Rd	1987	6,868	2016	$1.2M	$169		Condo

Source: Costar

Appendix Table B-8
Industrial Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share
	Inventory		Deliveries		Inventory		Deliveries		
	Bldgs	SF	Bldgs	SF	Bldgs	SF	Bldgs	SF	of Deliveries
YTD	1,730	42.34M	1	2,477	3,644	88.36M	5	550,592	0%
2018	1,729	42.33M	1	155,909	3,649	87.96M	5	653,112	24%
2017	1,728	42.18M	5	859,294	3,655	87.58M	7	896,091	96%
2016	1,723	41.32M	3	480,251	3,662	88.09M	3	480,251	100%
2015	1,720	40.84M	0	0	3,679	88.39M	0	0	
2014	1,720	40.84M	0	0	3,700	88.95M	0	0	
2013	1,720	40.84M	0	0	3,739	89.88M	1	3,000	0%
2012	1,720	40.84M	1	32,330	3,779	90.87M	1	32,330	100%
2011	1,719	40.81M	0	0	3,830	93.09M	0	0	
2010	1,719	40.81M	3	302,866	3,881	94.85M	3	302,866	100%
2009	1,716	40.50M	0	0	3,903	95.25M	2	11,908	0%
2008	1,716	40.50M	0	0	3,924	96.58M	7	101,915	0%
2007	1,716	40.50M	0	0	3,929	97.01M	1	6,310	0%
2006	1,716	40.50M	1	80,000	3,937	97.55M	7	162,178	49%

Source: Costar

Appendix Table B-9
Average Industrial/ Warehouse Market Conditions by Subarea
Commercial Linkage Feasibility Study
San Jose, CA

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
	Inventory SF	Direct Vacancy %	Direct Rent (NNN)	Inventory SF	Direct Vacancy %	Direct Rent (NNN)
Downtown and Vicinity	5,384,635	1%	$17	19,866	0%	-
Edenvale	2,629,033	3%	$15	1,131,185	6%	$10
North San Jose	23,558,465	5%	$15	2,286,526	28%	$10
West San Jose Urban Village	23,638	0%	-	0	0%	-
Monterey Corridor	9,084,852	3%	$11	552,645	0%	-
South & East SJ Growth Area	15,305,263	2%	$12	260,906	2%	-
Citywide	42,336,571	3%	$14	2,877,787	22%	$10

Source: Costar

Note: Data reflects Costar-defined submarket boundaries which approximate the proposed subareas.

Appendix C: Office Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table C-1
Office Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Est. FAR	$/FAR	Notes
Downtown & Nearby							
200 Park Ave	66,647	2019	$100.0M	$1,500	13.1	$114	High-Rise
Valley Title (300 S 1st St)	122,839	2018	$61.5M	$501	9.8	$51	High-Rise
CityView Plaza	300,564	2018	$283.5M	$943	11.3	$83	High-Rise
333 W San Fernando St	108,900	2018	$68.0M	$624	6.4	$97	High-Rise (HT)
95 S. Almaden Ave	43,560	2019	$36.7M	$841			High-Rise
Platform 16 (2020 Option)	235,224	2019/20	$134.8M	$573	4.2	$137	Mid-Rise
26-30 S 1st St	13,068	2019	$6.9M	$528	6.7	$79	Mid-Rise
Google (City Props.)	462,769	2018	$111.5M	$241			High-Tech
Google (Private Props.)	1,138,658	2019	$223.4M	$196			High-Tech
Google (Pacific Bell Bldg.)	226,512	2016	$55.0M	$243			High-Tech
Fntn Alley Pkg. (35 S 2nd St)	54,450	2018	$25.7M	$472			TBD
409-425 S 2nd St	33,000	2019	$15.0M	$455			TBD
Average of All Sales [1]				*$400*	*8.6*	*$90*	
Only High Rise [1]				$855	*10.3*	*$83*	
North San Jose & Nearby							
@First Ph2 (140 Holger Way)	175,547	2017	$7.1M	$40	2.4	$17	Mid-Rise
Coleman Highline (2nd Ph)	880,500	2018	$34.0M	$39	0.8	$51	Mid-Rise
Coleman Highline (Expansion)	553,212	2018	$24.8M	$45	0.8	$60	Mid-Rise
Cloud 10	230,432	2015	$10.5M	$46	1.5	$30	Mid-Rise
Hynix (Montague Expy)	487,436	2018	$31.0M	$64			TBD
Average [1]				*$46*	*1.1*	*$41*	
Edenvale							
Santa Clara Cty (Hellyer)	345,126	2018	$7.0M	$20			Public
West San Jose UV							
4300-4400 Stevens Creek	402,059	2016	$53.0M	$132	1.2	$114	Mid-Rise/ MU
Former Dick's Supermarket	274,864	2018	$37.3M	$136	2.7	$50	Mid-Rise/ MU
335 S Winchester Blvd	31,012	2016	$10.0M	$322	3.1	$105	Mid-Rise
Average [1]				*$142*	*1.8*	*$77*	

Source: Costar

[1] Averages for FAR and land price per square foot of floor area exclude transactions with missing data.

Appendix Table C-2
Office Asking Rents of Properties Built 2005-
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Total RBA	Available SF	Asking Rent/Type	Notes
Edenvale					
Hellyer Commons	2006	5,104	5,104	$13/sf /nnn	Medical
Downtown & Nearby					
1140 S 2nd St	2019	8,988	1,028	$24/sf /nnn	Medical
North & Nearby					
2755 Orchard Pky	2018	36,383	36,383	$33/sf /nnn	Low-Rise
Other - South & East					
4205 San Felipe Rd	2010	20,140	640	$39/sf /nnn	LR Medical
The Plant	2008	9,540	8,020	$33/sf /nnn	Low-Rise
Tegra San Jose Medical Office	2007	122,125	1,700	$39/sf /nnn	Medical
West Tully Center	2006	20,000	1,250	$32/sf /nnn	Medical
Other- West & Central					
Town Square at Willow Glen	2012	41,000	236	$61/sf /fsg	Mid-Rise

Source: Costar

Appendix Table C-3
Office Asking Rents of Planned, Proposed, and Under Construction Projects
Commercial Linkage Feasibility Study
San Jose, CA

Site	Status	Total RBA	Available SF	Estimated Rent/Type	Type
North San Jose & Nearby					
America Center Phase II & III	UC	660,123	415,877	$44 /sf nnn	Mid-Rise
237 @ First	UC	430,458	430,458	$40 /sf nnn	Mid-Rise
I3@North First (Fmr Midpoint@237)	UC	415,000	415,000	$35 /sf nnn	Low-/Mid-Rise
Station On North First	Entitled	1,560,000	1,560,000	$47 /sf nnn	Mid-Rise
Coleman Highline	Entitled	1,373,000	1,221,970	$47 /sf nnn	Mid-Rise
@ First Phase II	Entitled	249,814	249,814	$41 /sf nnn	Mid-Rise
Bay 101 Technology Place	Entitled	245,000	245,000	$51 /sf nnn	Mid-Rise
Downtown & Nearby					
Museum Place	Planned	850,000	850,000	$51 /sf nnn	High-Rise
200 Park Ave	UC	875,000	875,000	$71 /sf nnn	High-Rise
West San Jose UV					
Santana West One & Two	UC	700,000	700,000	$56-$59 /sf nnn	Mid-Rise
Gateway Station [WG]	Planned	200,056	200,056	$47 /sf nnn	Mid-Rise

Source: Colliers February 2019 Pipeline Report, Loopnet, Commercial Café

Appendix Table C-4
Office Lease Comparables (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
Downtown & Vicinity					
30 E Santa Clara St	2007	2019	2,971	$47/sf /nnn(est)	Storefront
River Corporate Center	2019	2019	204,000	$41/sf /nnn	County bldg.
West San Jose Urban Village					
500 Santana Row (sublease)	2017	2019	39,500	$53/sf /nnn(est)	Mid-Rise
500 Santana Row (Splunk)	2017	2017	235,000	$46/sf /nnn	Mid-Rise
700 Santana Row (Splunk)	2019	2019	301,000	$47/sf /nnn	Mid-Rise
North San Jose					
i3@NorthFirst	2018	2019	41,500	$35/sf /nnn(est)	Low-Rise
2777 Orchard Parkway	2018	2018	64,991	$32/sf /nnn(est)	Low-Rise
3030 Orchard Parkway	2001	2018	77,822	$33/sf /nnn(est)	Low-Rise
2300 Orchard Parkway	1997	2018	116,381	$31/sf /nnn(est)	Low-Rise
Coleman Highline	2017	2019	640,000	$49/sf /nnn(est)	Mid-Rise
Coleman Highline	2017	2019	162,557	$46/sf /nnn(est)	Mid-Rise
Coleman Highline	2017	2018	162,557	$40/sf /nnn(est)	Mid-Rise
America Center Phase II	2019	2018	84,273	$44/sf /nnn(est)	Mid-Rise
America Center Phase I	2009	2017	14,483	$35/sf /nnn(est)	Mid-Rise
HQ@First	2010	2019	172,405	$42/sf /nnn(est)	Mid-Rise
Hudson Pacific buildings (various)	1984-2001	2019	57,437	$44/sf /nnn(est)	Mid-Rise
Other Areas					
The Plant San Jose (South)	2007	2019	500	$20/sf /nnn(est)	Low-Rise
Town Square at Willow Glen	2012	2019	236	$61/sf /fs(est)	Mid-Rise
Town Square at Willow Glen	2012	2019	350	$53/sf /fs(est)	Mid-Rise

Source: Costar

Appendix Table C-5
Office Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Downtown & Nearby							*1/2*
300 Park Ave	2009	321,618	2017	$146.8M	$456		
151 S Almaden Blvd	2003	266,985	2017	$103.6M	$388		High-Tech
450 W Santa Clara St	2000	22,000	2017	$11.0M	$500		
303 Almaden Blvd	1994	162,800	2017	$80.2M	$492		
50 W San Fernando St	1988	356,247	2019	$238.0M	$668		
160 W Santa Clara St	1988	212,181	2018	$101.5M	$478	5.2%	
333 W San Carlos St	1987	304,597	2017	$136.7M	$449		
60 S Market St	1986	234,439	2016	$87.6M	$374	5.8%	
CityView Plaza	1974-85	580,871	2018	$274.8M	$473		
425 E Santa Clara St	1985	9,031	2018	$2.7M	$301		
152 N 3rd St	1985	127,346	2018	$40.0M	$314		
Edenvale							
5855 Silver Creek Valley Pl	2018	90,085	2018	$70.0M	$777		VA Clinic
6377 San Ignacio Ave	2002	84,574	2018	$27.9M	$330		
5300 Hellyer Ave	2001	60,000	2019	$29.2M	$487	7.0%	
80 Great Oaks Blvd	1996	71,830	2019	$25.1M	$350		
393 Blossom Hill Rd	1995	44,649	2017	$13.2M	$295	5.4%	
6203 San Ignacio Ave	1992	116,779	2017	$28.3M	$242		
570-590 Blossom Hill Rd	1985	8,000	2018	$3.1M	$388		
554 Blossom Hill Rd	1983	5,850	2018	$2.3M	$393	7.2%	
North San Jose & Nearby							
i3 @ North First	2018	332,000	2019	$137.5M	$414		High-Tech
2755-77 Orchard Pky	2017	101,374	2019	$47.8M	$471	6.80%	
110-130 Holger Way	2010	603,366	2019	$429.0M	$711		Mid-Rise
110-130 Holger Way	2010	603,366	2017	$186.6M	$309		
1889-1921 Concourse Dr	2004	1,756	2019	$0.6M	$360		
4300-4400 N 1st St	2004	376,664	2018	$154.5M	$410		High-Tech
1889-1921 Concourse Dr	2004	1,416	2018	$0.5M	$318		
1889-1921 Concourse Dr	2004	2,060	2017	$0.7M	$316		
178 E Tasman Dr	2002	112,043	2019	$36.0M	$321		
2851 Junction Ave	2002	155,613	2017	$82.0M	$527	5.6%	
2851 Junction Ave	2002	155,613	2016	$76.0M	$488		
eBay Orchard campus	2001	249,832	2018	$132.5M	$530	5.4%	
Valley Technology Center	2000	247,858	2018	$91.1M	$367	5.9%	
400 Holger Way	1999	76,410	2018	$49.2M	$643		
475 Holger Way	1999	19,550	2018	$7.5M	$381		
450 Holger Way	1999	98,423	2018	$40.8M	$415		
3060-80 N 1st St	1999	265,054	2017	$58.5M	$221		
2300 Orchard Pky	1997	116,381	2019	$61.0M	$524	5.2%	Low-Rise
2300 Orchard Pky	1997	116,381	2017	$48.5M	$417		Low-Rise
250 W Tasman Dr	1995	95,550	2016	$37.7M	$394		
2107 N 1st St	1985	103,197	2019	$35.5M	$344	6.0%	
2150 N 1st St	1985	123,699	2019	$42.0M	$340		
2665 N 1st St	1985	130,723	2019	$41.0M	$314		
2460-80 N 1st St	1985	147,774	2019	$54.1M	$366	6.0%	
Central Park Plaza	1985	302,472	2018	$83.8M	$277	7.1%	

Appendix Table C-5
Office Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose cont.							*2/2*
2055 Junction Ave	1985	1,889	2018	$0.7M	$344		
100 Century Center Ct	1985	112,200	2016	$22.9M	$204	7.0%	
2460-80 N 1st St	1985	147,774	2016	$34.2M	$231		
Central Park Plaza	1985	302,472	2016	$68.7M	$227		
1941-1975 O'Toole Way	1984	2,448	2017	$0.7M	$278		
3553 N 1st St	1984	86,145	2017	$36.2M	$420		
110 Rio Robles	1984	87,608	2016	$22.5M	$257		
3025 Orchard Pky	1983	61,926	2018	$24.3M	$392		
2611-35 N 1st St	1982	72,832	2019	$29.7M	$408		
3055 Orchard Dr	1982	111,285	2016	$36.5M	$328	6.5%	
2811 Orchard Pky	1981	84,696	2018	$35.0M	$413	7.5%	
Orchard Commons	1981	76,030	2017	$35.1M	$462		
South & East Growth							
3501 E Capitol Expy	2017	10,328	2017	$11.2M	$1,087	5.0%	Medical
2180 Story Rd	1986	8,195	2016	$3.0M	$360		
3315 Almaden Expy	1980	47,124	2019	$16.5M	$350		
West San Jose UV							
888 S Bascom Ave	2014	10,300	2017	$9.8M	$951	5.4%	Medical
2880 Stevens Creek Blvd	2001	60,000	2017	$31.1M	$519	6.2%	
1484 Saratoga Ave	2000	1,650	2017	$1.6M	$986		
1190-1198 Saratoga Ave	1987	43,444	2019	$15.3M	$351	6.8%	
550 S Winchester Blvd	1987	103,622	2019	$63.6M	$614	4.2%	
1479 Saratoga Ave	1987	7,200	2016	$1.7M	$237		
606 Saratoga Ave	1986	12,944	2019	$8.4M	$645		
950 S Bascom Ave	1985	71,303	2019	$19.1M	$267	5.0%	
2405 Forest Ave	1981	3,850	2016	$1.8M	$468	5.3%	
999 Saratoga Ave	1980	5,150	2016	$2.8M	$536		
Other Area - Central & West							
792 Meridian Way	2005	7,800	2017	$2.0M	$255		
1905 The Alameda	1986	4,860	2017	$2.2M	$457		
2110 Forest Ave	1984	20,241	2019	$13.5M	$667		
1217 Park Ave	1983	1,534	2018	$1.0M	$671		
1602 The Alameda	1980	14,548	2016	$3.4M	$234	5.5%	
Other Area - C&W cont.							
760 Meridian Way	1982	4,017	2018	$1.4M	$353		
2099 Lincoln Ave	1980	3,100	2019	$1.4M	$444		
824 N Winchester Blvd	1980	5,500	2016	$1.4M	$255		
Other Area- South & East							
3162 S White Rd	2009	12,188	2016	$8.0M	$657		
2175-2207 Tully Rd	1999	12,918	2018	$3.4M	$262	5.0%	
4340 Almaden Expy	1984	13,740	2016	$3.0M	$218		
2324 Montpelier Dr	1980	6,790	2017	$2.7M	$398		

Source: Costar

Appendix Table C-6
Office Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Downtown & Nearby							*1/2*
97 E Saint James St	1986	2,452	2019	$1.0M	$393	4.9%	Condo
Edenvale							
6120 Hellyer Ave	2006	3,090	2019	$1.2M	$375		Condo
6120 Hellyer Ave	2006	1,461	2018	$0.8M	$565		Condo
315-327 Piercy Rd	2005	3,160	2019	$1.2M	$380		Condo
329-341 Piercy Rd	2005	3,137	2017	$1.0M	$303		Condo
329-341 Piercy Rd	2005	3,136	2016	$0.8M	$249		Condo
North San Jose & Nearby							
1879 Lundy Ave	1984	1,761	2019	$0.7M	$387		Condo
1879 Lundy Ave	1984	875	2019	$0.3M	$289		Condo
1879 Lundy Ave	1984	1,156	2018	$0.4M	$380		Condo
1879 Lundy Ave	1984	2,301	2018	$0.7M	$325		Condo
1879 Lundy Ave	1984	1,828	2018	$0.7M	$363		Condo
1879 Lundy Ave	1984	1,031	2018	$0.4M	$355		Condo
1879 Lundy Ave	1984	1,156	2018	$0.4M	$350		Condo
1879 Lundy Ave	1984	1,316	2018	$0.4M	$304		Condo
1879 Lundy Ave	1984	1,305	2017	$0.4M	$333		Condo
1879 Lundy Ave	1984	1,498	2017	$0.5M	$317		Condo
1879 Lundy Ave	1984	1,285	2016	$0.3M	$257		Condo
1879 Lundy Ave	1984	1,161	2016	$0.3M	$280		Condo
1879 Lundy Ave	1984	1,761	2016	$0.5M	$270		Condo
1941-1975 O'Toole Way	1984	3,216	2016	$0.9M	$275		Condo
1754 Technology Dr	1980	2,154	2019	$0.9M	$440		Condo
1754 Technology Dr	1980	1,022	2017	$0.4M	$372		Condo
1754 Technology Dr	1980	2,276	2017	$0.8M	$364		Condo
1754 Technology Dr	1980	1,022	2016	$0.4M	$381		Condo
1754 Technology Dr	1980	4,685	2016	$1.2M	$260		Condo
South & East Growth							
1569 Lexann Ave	2007	1,027	2016	$0.8M	$755		Condo
1569 Lexann Ave	2007	996	2016	$0.6M	$599		Condo
West San Jose UV							
2021 The Alameda	1984	1,138	2018	$0.6M	$529		Condo
2021 The Alameda	1984	1,183	2016	$0.5M	$440		Condo
2211 Moorpark Ave	1983	1,735	2019	$0.9M	$519		Condo
2211 Moorpark Ave	1983	2,100	2018	$1.1M	$527		Condo
2211 Moorpark Ave	1983	26,216	2018	$0.6M	$22		Condo
2211 Moorpark Ave	1983	1,132	2017	$0.6M	$540		Condo
2211 Moorpark Ave	1983	26,216	2016	$8.6M	$328		Condo

Appendix Table C-6
Office Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Other Area - Central & West							*2/2*
105 N Bascom Ave	1991	2,233	2019	$1.0M	$448		Condo
105 N Bascom Ave	1991	2,356	2019	$1.0M	$424		Condo
105 N Bascom Ave	1991	2,233	2019	$1.0M	$448		Condo
105 N Bascom Ave	1991	2,233	2017	$0.7M	$313		Condo
2039 Forest Ave	1988	2,707	2018	$0.9M	$323		Condo
2039 Forest Ave	1988	1,749	2017	$0.6M	$317		Condo
2039 Forest Ave	1988	1,472	2017	$0.5M	$319		Condo
Other Area- South & East							
200 Jose Figueres Ave	2007	1,708	2019	$0.6M	$351		Condo
155 N Jackson Ave	1982	1,475	2019	$0.4M	$244		Condo
125 N Jackson Ave	1982	1,530	2018	$0.3M	$203		Condo
125 N Jackson Ave	1982	1,001	2018	$0.2M	$220		Condo
125 N Jackson Ave	1982	1,300	2016	$0.3M	$231		Condo
115 N Jackson Ave	1982	877	2017	$0.3M	$315		Condo

Source: Costar

Appendix Table C-7
Parking Ratios of Selected Built and Proposed Projects
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Status/ Yr. Built	GFA	Stories	Parking /1,000 gsf	Comments
High-Rise Office					
Cityview Plaza	Approved	3,400,000	19	1.5	
200 Park Avenue	UC	875,000	19	2.0	
Riverpark Towers	2009	321,618	16	2.3	
Adobe North Tower	UC	690,328	18	1.7	High-Tech
Diridon TOD (Office)	Approved	994,108	13	1.9	High-Tech
Mid-Rise Office					
Downtown & Nearby					
Akatiff/Platform 16	Approved	1,023,000	6	1.7	
North & Nearby					
101 Technology Place Ph1	Approved	234,192	9	3.8	
237 @ First	2016	181,133	6	3.3	
Cloud 10 Skyport Plaza	Pending	350,000	9	3.4	
Coleman Highline	2017	357,106	5-6	3.2	
HQ@First	2010	603,366	4-8	3.3	
Legacy on 101	2016	201,000	6	3.3	
North First & Brokaw Campus	2017	116,800	5	3.4	
Samsung HQ (3655 N 1st St)	2015	636,000	10	2.3	
West San Jose UV					
300 Santana Row	2009	79,183	5	3.0	
500 Santana Row	2017	234,622	6	3.0	
700 Santana Row	2019	321,531	8	3.0	

Source: Costar and planning applications

Appendix Table C-8
Office Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share
	Inventory		Deliveries		Inventory		Deliveries		
	Bldgs	SF	Bldgs	SF	Bldgs	SF	Bldgs	SF	of Deliveries
YTD	1,751	41.66M	2	330,519	4,510	130.26M	11	1,634,074	20%
2018	1,747	41.21M	6	514,085	4,502	128.74M	15	2,975,659	17%
2017	1,741	40.70M	7	820,230	4,495	125.94M	38	8,638,400	9%
2016	1,734	39.87M	4	542,033	4,469	117.51M	24	3,129,372	17%
2015	1,730	39.33M	1	636,000	4,458	114.60M	25	3,651,678	17%
2014	1,729	38.70M	1	10,300	4,471	111.88M	20	1,937,617	1%
2013	1,728	38.69M	1	9,075	4,490	110.92M	22	2,682,628	0%
2012	1,727	38.68M	3	48,256	4,501	108.63M	15	751,525	6%
2011	1,724	38.63M	2	81,300	4,516	108.21M	3	87,829	93%
2010	1,722	38.55M	6	643,440	4,546	109.73M	13	1,024,853	63%
2009	1,716	37.90M	4	419,459	4,545	108.88M	21	1,788,717	23%
2008	1,712	37.48M	5	239,719	4,557	107.69M	25	2,375,069	10%
2007	1,707	37.25M	3	160,172	4,551	106.31M	20	638,641	25%
2006	1,704	37.09M	19	159,154	4,543	106.07M	29	340,414	47%

Source: Costar

Appendix Table C-9
Average Office Market Conditions by Subarea
Commercial Linkage Feasibility Study
San Jose, CA

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
	Inventory SF	Direct Vacancy %	Direct Rent[1]	Inventory SF	Direct Vacancy %	Direct Rent[1]
Downtown and Vicinity	14,560,018	8%	$46	2,561,965	6%	$43
Edenvale	4,173,007	5%	$32	1,162,354	11%	$21
North San Jose	21,659,551	12%	$36	7,406,808	15%	$36
West San Jose Urban Village	3,237,665	14%	$45	939,013	31%	$53
Monterey Corridor	249,430	2%	$29	42,770	11%	$34
South & East SJ Growth Area	2,421,175	7%	$28	451,564	2%	$31
Citywide	41,655,821	10%	$39	10,286,447	14%	$37

(1) Rent as reported by Co-star. Reflects the average asking rent. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.

Source: Costar

Note: Data reflects Costar-defined submarket boundaries which approximate the proposed subareas.

Appendix Table C-10
Office Lease Comparables In Nearby Jurisdictions
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
SANTA CLARA COUNTY					p1/2
Campbell					
675 Creekside Way	2017	2019	177,815	$44 /nnn	Midrise
Santa Clara					
Santa Clara Sq. (2445 Augustine Dr)	2017	2018	220,156	$47 nnn	Midrise
Sunnyvale					
520 Almanor Avenue	2020	2019	231,000	$58 /nnn	Midrise
925 W Maude Ave. & 625 N Mary Ave.	2020	2019	242,000	$57 /nnn	Midrise
455 N Mary Ave	2019	2019	360,100	$60 /nnn	Midrise
221 N Mathilda Ave	2019	2018	154,987	$70 /nnn	Midrise
Moffett Towers II Phase 3	2019	2018	1,051,989	$52 /nnn	Midrise
Moffett Towers II Phase 2	2017	2017	350,663	$49 /nnn	Midrise
200 S Mathilda Ave	2010	2019	156,960	$81 /nnn(est)	Midrise
1160 Enterprise Way (Moffett Towers)	2009	2018	171,188	$47 /nnn	Midrise
150 Mathilda	2002	2019	22,663	$63 /nnn	Midrise
599 North Mathilda Avenue	2000	2019	76,031	$50 /nnn	Midrise
Mountain View					
1001 North Shoreline Boulevard	2017	2018	132,960	$67 /nnn	Midrise
600 & 620 National Avenue	2017	2019	151,064	$59 /nnn	Midrise
899 W Evelyn Avenue	2013	2019	75,475	$96 /nnn	Midrise
2240 El Camino Real	1986	2018	39,800	$70 /nnn	Midrise
600 Clyde Avenue	2020	2019	189,974	$56 /nnn	Midrise
750 Moffett Boulevard	2020	2019	216,700	$78 /nnn	Midrise
Los Altos					
467 1st St	2017	2019	3,127	$96 /nnn(est)	Lowrise
SAN MATEO COUNTY					
Palo Alto					
301 High St	2015	2019	4,978	$111 /nnn(est)	Low rise
2555 Park Blvd	2018	2019	29,989	$102 /nnn(est)	Low rise
Menlo Park					
1125 Merrill St	2020	2019	5,239	$114 /nnn(est)	Midrise
100 Independence Drive	2018	2017	205,222	$72 nnn	Midrise
Redwood City					
2075 Broadway	2019	2017	102,079	$78 /nnn	Midrise
550 Allerton	2018	2017	46,875	$75 /nnn	Midrise
601 Marshall	2018	2016	99,100	$83 /nnn	Midrise
889 Winslow St	2018	2017	37,814	$81 /nnn	Midrise
900 Middlefield	2015	2018	54,006	$83 /nnn	Midrise

Appendix Table C-10
Office Lease Comparables In Nearby Jurisdictions
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
San Carlos					p2/2
835 Industrial Rd	2020	2019	99,557	$67 /nnn	Midrise
835 Industrial Rd	2020	2019	96,463	$67 /nnn	Midrise
661 El Camino Real	2019	2019	8,247	$65 /nnn(est)	Low rise
San Mateo					
2850 S Delaware St	2018	2018	189,000	$61 /nnn	Midrise
2950 S Delaware St	2017	2016	108,015	$60 /nnn	Midrise
450 Concar Dr	2017	2019	102,000	$58 /nnn(est)	Midrise
South San Francisco					
279 E Grand Ave	2019	2019	8,606	$66 /nnn(est)	Midrise
279 E Grand Ave	2019	2019	9,092	$54 /nnn(est)	Midrise
ALAMEDA COUNTY					
Oakland					
1955 Broadway	?019 (Reno.	2018	356,000	$58 /nnn	Midrise
601 City Center	2019	2019	13,460	$69 /ig(est)	High rise
601 City Center	2019	2019	27,831	$64 /ig	High rise
Emeryville					
5959 Horton St	2018	2019	35,000	$58 /nnn	Midrise

Source: Costar

Appendix Table C-11
Reported Construction Costs of High-Tech Office Campuses
Commercial Linkage Feasibility Study
San Jose, CA

Project	Year Built	Gross Sq. Ft.	Construction Cost ($M)[1]	Cost / Sq Ft	Adjusted to $2020 4.0%/yr
San Francisco Bay Area					
Uber Mission Bay[2] San Francisco, CA	2020	450,000	$480	$1,067	$1,067
Facebook Bldg. 22[2] Menlo Park, CA	2019	457,000	$600	$1,313	$1,313
Apple Park[3] Cupertino, CA	2017	3,420,000	$5,000	$1,462	$1,581
Average					*$1,320*
Excluding Apple Park					*$1,190*
Outside Bay Area					
Apple Austin Campus[4] Austin, TX	2022	3,000,000	$1,000	$333	$333
Google Hudson Square[4] New York, NY	2020	1,700,000	$1,000	$588	$588
Google Pearl Place[5] Boulder, CO	2017	210,000	$131	$624	$675
Amazon HQ1[4] Seattle, WA	2010-16	8,100,000	$3,700	$457	$578
Amazon HQ2[4] Arlington, VA/ TBD	TBD	8,000,000	$5,000	$625	$625

1 Cost excludes land, unless noted. Most sources did not specify which soft costs are included.
2 San Francisco Business Times
3 Santa Clara County Assessor estimate.
4 Corporate press release.
5 Costar. Reflects purchase price upon completion, including land.

Appendix D: Retail Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table D-1
Commercial/ Retail Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Est. FAR	$/FAR	Notes
Edenvale							
5855 Silver Creek Valley Pl	133,900	2016	$6.0M	$45	0.12	$385	Retail
In-N-Out (5590 Cottle Rd)	110,415	2017	$2.4M	$22	0.04	$618	Retail
Costco (Great Oaks Blvd)	662,112	2016	$9.4M	$14	0.23	$63	Large Format
Average				*$20*	*0.19*	*$105*	
North San Jose & Nearby							
Shops @ Terra (N First St)	1,575,565	2017	$31.5M	$20	0.12	$173	Incl. Topgolf
West San Jose UV							
125 Richfield Ave	43,560	2017	$4.8M	$109			Auto-Related
S&E Growth							
2123 Quimby Rd	10,459	2019	$0.8M	$79			Retail
Including Monterey Corridor, below				*$39*			
Monterey Corridor							
Montecito Vista (Monterey Rd)	59,677	2016	$1.8M	$30	0.29	$103	Retail
1499 Monterey Rd	12,998	2017	$0.7M	$50			Auto-Related
Average [1]				*$34*	*0.29*	*$103*	
Downtown & Vicinity							
320 Race Street	68,143	2016	$8.7M	$128	0.33	$389	Smart & Final
Other- South & East							
2905 Senter Rd	38,333	2016	$2.9M	$74	0.31	$241	

Source: Costar

[1] Averages for FAR and land price per square foot of floor area exclude transactions with missing data.

Appendix Table D-2
Retail Asking Rents (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Total RBA	Available SF	Asking Rent/Type	Notes
Edenvale					
Silver Creek Landing	2007	24,065	6,439	$35/sf /nnn	
West San Jose Urban Village					
603 Saratoga Ave	2019	8,770	8,770	$70/sf /nnn	New pad
Town Square Willow Glen [WG]	2015	312,106	1,428	$60/sf /nnn	
403 Saratoga Ave	2014	6,675	1,432	$54/sf /nnn	
North San Jose					
Market Park	2020	101,040	21,690	$72/sf /nnn	In-line space
@First Retail Center	2010	227,946	2,742	$60/sf /nnn	
Bel Air Plaza	2007	11,217	1,500	$59/sf /nnn	
South & East Growth Area					
1075 S White Rd	2009	8,000	3,805	$28/sf /nnn	
1918 Alum Rock Ave	2005	6,751	3,600	$28/sf /nnn	
Monterey Business Corridor					
Montecito Vista	2019	15,513	15,500	$48/sf /nnn	
Pearl Senter	2008	11,598	1,073	$30/sf /nnn	
Downtown and Nearby					
Alma Plaza	2008	9,680	3,700	$12/sf /nnn	
2311 Stevens Creek Blvd	2017	3,884	900	$36/sf /nnn	
1570 W San Carlos St	2018	3,744	1,174	$45/sf /nnn	
Other Area (S&E)					
Ann Darling Shopping Center	2019	5,400	5,400	$44/sf /nnn	
Bellini Plaza	2013	6,976	2,645	$28/sf /nnn	
1601 Branham Ln	2017	6,987	3,741	$39/sf /nnn	
Senter Plaza (2611)	2010	10,662	2,739	$23/sf /nnn	
Senter Plaza (4280)	2017	4,100	3,100	$39/sf /nnn	
Capitol Senter Plaza (3151)	2012	9,466	1,535	$33/sf /nnn	
Other Area (C&W)					
Willow Plaza (201 Willow St)	2007	6,930	2,058	$35/sf /nnn	
Bldg 1 (565 W Alma Ave)	2010	11,264	2,928	$32/sf /nnn	

Source: Costar

Appendix Table D-3
2019 Retail Lease Comparables (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
North San Jose & Nearby					
Bel Air Plaza	2007	2019	1,419	$59/sf /nnn(est)	
Sprouts Brokaw	2016	2016-2017	136,733	$38/sf /nnn	Center avg.
West San Jose Urban Village					
V Center	2017	2019	1,560	$48/sf /nnn(est)	
Saratoga Plaza San Jose	2008	2019	1,290	$43/sf	
Winchester & Payne Center	1989	2019	5,244	$47/sf /nnn	Center avg.
Edenvale					
Silver Creek Landing	2007	2019	1,100	$35/sf /nnn(est)	
South & East Growth					
2230-2232 Alum Rock Ave	2013	2019	1,500	$36/sf /nnn(est)	
1918 Alum Rock Ave	2005	2019	1,100	$28/sf /nnn(est)	
Monterey Corridor					
Pearl Senter	2008	2019	1,488	$24/sf /nnn	
Pearl Senter	2008	2019	713	$30/sf /nnn(est)	
Pearl Senter	2008	2019	1,481	$24/sf /nnn(est)	
Downtown & Vicinity					
Alma Plaza	2008	2019	1,700	$12/sf /nnn(est)	1st year only
2202 Stevens Creek (7 Eleven)	2018	2018	2,500	$53/sf /nnn	
2202 Stevens Creek (Viet Noodles)	2018	2019	1,800	$56/sf /nnn	
Other Area					
Canyon Creek Plaza (Evergreen)	2018	2019	1,274	$48/sf /nnn	
Bellini Plaza (Alum Rock)	2013	2019	1,100	$30/sf /nnn	
565-583 W Alma Ave (Willow Glen)	2010	2019	1,056	$39/sf /nnn(est)	

Source: Costar, Loopnet

Appendix Table D-4
Retail Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Edenvale							
5138 Monterey Hwy	1991	6,906	2017	$3.7M	$531	6.1%	
955 Branham Ln	1984	6,891	2017	$0.8M	$121		
6970 Santa Teresa Blvd	1982	6,890	2017	$2.0M	$283		
North San Jose & Nearby							
@First Retail Center	2012	84,001	Asking	$50.0M	$595	5.5%	
1902 N Capitol Ave	1996	3,396	2016	$3.7M	$1,090	6.6%	Gas Station
1141-1143 N Capitol Ave	1991	1,600	2016	$2.3M	$1,434		
South & East Growth							
2549-69 S King Rd	1995	31,617	2018	$17.5M	$553	5.4%	
1820 Alum Rock Ave	1992	3,220	2016	$1.9M	$575		
2040 Aborn Rd	1986	7,876	2016	$7.4M	$936	5.6%	
2 N Jackson Ave	1984	3,430	2018	$2.2M	$627		
1936 Alum Rock Ave	1981	4,750	2017	$3.5M	$737		
West San Jose UV							
El Paseo de Saratoga	1997	273,389	2019	$146.6M	$536		
1298 S Winchester Blvd	1991	1,974	2017	$2.5M	$1,266	4.0%	
Downtown & Nearby							
2202 Stevens Creek Blvd	2018	5,800	2018	$5.6M	$966	5.2%	
2202 Stevens Creek Blvd	2018	2,500	2018	$3.4M	$1,354	3.9%	7 Eleven
30 E Santa Clara St	2007	24,436	2018	$6.2M	$254	7.7%	
30 E Santa Clara St	2007	24,436	2016	$6.4M	$262	6.3%	
1401-1421 W San Carlos St	2005	7,744	2017	$4.5M	$578	5.0%	
375 Bird Ave	1989	7,005	2019	$4.1M	$589		
1499 Monterey Rd	1989	13,000	2018	$1.1M	$81		Auto Repair
CityView Plaza (retail)	1970-85	22,920	2018	$8.7M	$379		
850 The Alameda	1983	10,560	2016	$3.5M	$327	4.0%	
Monterey Business Corridor							
Montecito Vista (Monterey Rd)	2019	7,750	Asking	$5.0M	$645	6.4%	Implied cap
Other - Central & West							
1030 Mclaughlin Ave	1989	2,543	2018	$2.2M	$853		
Other- South & East							
3151 Senter Rd	2012	9,466	2016	$4.0M	$423	4.0%	
2611 Senter Rd	2010	10,662	2016	$3.0M	$277		
2198 Tully Rd	2008	39,025	2017	$10.4M	$266		
Eastridge Mall	1971-08	895,429	2016	$225.0M	$251		
140-160 S Jackson Ave	1986	12,711	2016	$5.7M	$446		
2887-2907 The Villages Pky	1982	23,421	2018	$8.3M	$354	5.2%	

Source: Costar

Appendix Table D-5
Retail Condo Sales
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose							*1/2*
2092 Concourse Dr	1983	2,076	2018	$0.6M	$287		Condo
2092 Concourse Dr	1983	2,076	2016	$0.5M	$255		Condo
2092 Concourse Dr	1983	2,076	2016	$0.8M	$361		Condo
South & East Growth							
3005 Silver Creek Rd	2006	1,109	2018	$0.8M	$694		Condo
3005 Silver Creek Rd	2006	1,204	2018	$0.8M	$664	5.0%	Condo
3005 Silver Creek Rd	2006	1,643	2018	$0.7M	$444		Condo
3005 Silver Creek Rd	2006	1,107	2017	$0.8M	$732		Condo
3005 Silver Creek Rd	2006	1,148	2017	$0.7M	$575		Condo
3005 Silver Creek Rd	2006	1,172	2016	$0.6M	$469		Condo
1692 Tully Rd	1990	901	2019	$0.3M	$305		Condo
1692 Tully Rd	1990	1,919	2018	$0.6M	$332		Condo
1692 Tully Rd	1990	960	2016	$0.4M	$375		Condo
1692 Tully Rd	1990	1,919	2016	$0.6M	$300		Condo
Monterey Business Corridor							
2268 Senter Rd	2008	3,578	2017	$1.3M	$360		Condo
2266-2268 Senter Rd	2008	1,411	2017	$0.6M	$410		Condo
2268 Senter Rd	2008	2,043	2017	$0.9M	$426		Condo
2268 Senter Rd	2008	1,467	2016	$0.6M	$400		Condo
2268 Senter Rd	2008	1,273	2016	$0.5M	$400		Condo
2268 Senter Rd	2008	1,368	2016	$0.5M	$400		Condo
2266-2268 Senter Rd	2008	1,538	2016	$0.6M	$410		Condo
2266-2268 Senter Rd	2008	1,497	2016	$0.7M	$450		Condo
2268 Senter Rd	2008	1,376	2016	$0.6M	$405		Condo
2302-2328 Senter Rd	1999	1,855	2019	$0.9M	$469		Condo
Other- Central & West							
919 Story Rd	2017	1,000	2019	$0.7M	$666		Condo
919 Story Rd	2017	1,000	2019	$0.7M	$666		Condo
919 Story Rd	2017	1,000	2019	$0.7M	$666		Condo
919 Story Rd	2017	589	2019	$0.4M	$610		Condo
919 Story Rd	2017	1,000	2018	$0.6M	$630		Condo
919 Story Rd	2017	840	2018	$0.5M	$583		Condo
909 Story Rd	2017	1,000		$0.7M	$650		Condo
919 Story Rd	2017	600		$0.4M	$700		Condo
979 Story Rd	2011	1,000	2018	$0.6M	$640		Condo
979 Story Rd	2011	1,000	2017	$0.6M	$560		Condo
999 Story Rd	2011	1,000	2017	$0.7M	$660		Condo
979 Story Rd	2011	1,000	2017	$0.7M	$650		Condo
969 Story Rd	2011	1,000	2017	$0.6M	$560		Condo
989 Story Rd	2011	1,472	2017	$0.8M	$560		Condo
969 Story Rd	2011	1,000	2017	$0.6M	$555		Condo
999 Story Rd	2011	1,000	2017	$0.5M	$500		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,060	2016	$0.6M	$550		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$560		Condo

Appendix Table D-5
Retail Condo Sales
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Other CW Continued							*2/2*
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
999 Story Rd	2011	1,472	2016	$0.8M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$565		Condo
979 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$565		Condo
999 Story Rd	2011	1,060	2016	$0.6M	$560		Condo
979 Story Rd	2011	1,000	2016	$0.5M	$485		Condo
979 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
979 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
999 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
999 Story Rd	2011	1,060	2016	$0.6M	$555		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
979 Story Rd	2011	1,040	2016	$0.6M	$561		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
979 Story Rd	2011	1,040	2016	$0.6M	$561		Condo
992 Story Rd	2001	885	2017	$0.3M	$282		Condo
992 Story Rd	2001	885	2016	$0.5M	$565		Condo
992 Story Rd	2001	960	2016	$0.6M	$573		Condo

Source: Costar

Appendix Table D-6
Retail Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share
	Inventory		Deliveries		Inventory		Deliveries		
	Bldgs	SF	Bldgs	SF	Bldgs	SF	Bldgs	SF	of Deliveries
YTD	3,087	36.81M	8	51,250	6,549	77.73M	15	180,210	28%
2018	3,079	36.76M	15	329,181	6,544	77.61M	26	468,848	70%
2017	3,064	36.43M	19	656,292	6,531	78.40M	29	762,555	86%
2016	3,043	35.77M	12	187,412	6,511	77.70M	38	685,368	27%
2015	3,031	35.58M	9	256,257	6,501	77.31M	19	410,735	62%
2014	3,022	35.32M	15	389,771	6,518	77.36M	26	735,755	53%
2013	3,007	34.93M	8	118,503	6,518	76.74M	26	363,466	33%
2012	2,999	34.82M	12	154,189	6,538	76.89M	17	209,968	73%
2011	2,987	34.66M	13	213,048	6,579	77.39M	20	316,286	67%
2010	2,974	34.45M	11	481,107	6,613	77.38M	17	541,923	89%
2009	2,963	33.97M	14	294,168	6,615	77.11M	23	542,335	54%
2008	2,949	33.67M	39	795,972	6,626	77.05M	70	1,280,436	62%
2007	2,910	32.88M	25	501,944	6,564	75.81M	44	1,218,555	41%
2006	2,885	32.37M	17	376,402	6,543	74.86M	54	1,138,129	33%

Source: Costar

Appendix Table D-7
Average Retail Market Conditions by Subarea
Commercial Linkage Feasibility Study
San Jose, CA

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
	Inventory SF	Direct Vacancy %	Direct Rent (NNN)	Inventory SF	Direct Vacancy %	Direct Rent (NNN)
Downtown and Vicinity	5,346,250	3%	$25	674,358	1%	$37
Edenvale	10,543,719	5%	$35	1,995,152	2%	$37
North San Jose	14,993,334	4%	$35	3,429,098	2%	$40
West San Jose Urban Village	6,162,496	3%	$37	873,477	1%	$58
Monterey Corridor	1,941,188	4%	$24	1,079,648	3%	$18
South & East SJ Growth Area	10,664,742	4%	$33	2,092,625	9%	$37
Citywide	36,810,219	4%	$33	7,318,267	4%	$39

Source: Costar

Note: Data reflects Costar-defined submarket boundaries which approximate the proposed subareas.

Appendix E: Hotel Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table E-1
Hotel Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Keys Per Acre	$/Key	Notes
Downtown & Vicinity							
615 Stockton Ave	15,682	2019	$3.0M	$191	203	$41,000	Mid-Rise
292 Stockton Ave	37,026	2018	$4.0M	$108	356	$13,000	9 Stories
1470 W San Carlos St	16,988	2018	$2.1M	$124			Mid-Rise
540 S 1st St	7,841	2016	$1.2M	$148			TBD
491 W San Carlos St	27,095	2019	$7.8M	$288	273	$46,000	8 Stories
Average [1]				*$173*	324	*$25,000*	
North San Jose							
Shilla Stay (4701 N 1st St)	152,460	2019	$22.5M	$148	57	$113,000	Mid-Rise
-May include offsite parking							
Element Hotel	81,457	2019	$9.8M	$120	94	$56,000	Mid-Rise
995 Oakland Rd. (Central/ North)	113,256	2019	$6.0M	$53	45	$52,000	Mid-Rise
Average [1]				*$110*	*62*	*$78,000*	
Edenvale							
5952 Silver Creek Valley Rd	94,960	2017	$2.7M	$28	58	$21,000	Mid-Rise
469 Piercy Road	156,816	*Asking*	$9.0M	$57	49	$51,000	Mid-Rise
Average [1]				*$46*	*52*	*$39,000*	
West San Jose Urban Village							
AC by Marriott Stevens Creek	18,113	2016	$2.4M	$130	405	$14,000	Mid-Rise
All Other							
750 Story Rd	169,000	2019	$10.6M	$63			TBD
1510 S De Anza Blvd	37,314	Asking	$7.6M	$202	299	$61,000	Mid-Rise

Source: Costar

[1] Averages for hotel room density and land price per key exclude transactions with missing data.

Appendix Table E-2
Hotel Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total Rooms	Sale Year	Sale Price ($M)	$/key	Cap Rate	Notes
Downtown & Nearby							
350 W Santa Clara St	2016	210	2019	$98.5M	$469,000	6.8%-7.5%	AC Hotel
301 S Market St	2003	510	2016	$154.0M	$302,000		Tower
300 S Almaden Blvd	1991	353	2020	$117.6M	$333,000		Leasehold
300 S Almaden Blvd	1991	353	2017	$92.5M	$262,000	8.1%	Leasehold
170 S Market St	1990	805	2018	$250.0M	$311,000		Tower

Source: Costar

Appendix Table E-3
Hotel Market Trends
Commercial Linkage Feasibility Study
San Jose, CA

Competitive Set/ Year	Census Hotels	Census Rooms	Avg Daily Rate	Occ. %	RevPAR
Recently Built - North San Jose[1]					
2019YTD	6	962	$232	81%	$188
2018	6	962	$224	82%	$184
AC by Marriott San Jose[2]					
January 2019 (Trailing 12 Months)	1	210	$255	81%	$205
2018	1	210	$252	80%	$202
Select Downtown & Nearby Hotels[3]					
January 2019 (Trailing 12 Months)	6	1,095	$243	81%	$195
2018	6	1,095	$227	80%	$181

Source: STR, CCRE Commercial Mortgage Securities, L.P.

[1] Six upscale hotels built since 2012: aloft Hotel Santa Clara, SpringHill Suites San Jose Airport, Residence Inn San Jose Airport, Homewood Suites by Hilton San Jose North, Courtyard San Jose North Silicon Valley, Hyatt House San Jose Silicon Valley

[2] AC by Marriott is an upscale hotel in Downtown San Jose that opened in 2017.

[3] Three upper midscale/upscale hotels (Hampton Inn San Jose, Courtyard San Jose Airport, and Hyatt Place San Jose Downtown) and three upper upscale/ luxury class hotels (Westin San Jose, Hilton San Jose, Hotel De Anza). Hotels were built 1931 to 2002. Hampton Inn is located in Monterey corridor; Courtyard is located in North San Jose; all others located in downtown.

Appendix Table E-4
Spot Test of San Jose Room Rates
Commercial Linkage Feasibility Study
San Jose, CA

Name	Sub-Area	Opened	2020 Rate (Thurs.) Jan. 16	Feb. 6
Luxury				*1/2*
Fairmont San Jose	Downtown & Nearby	1987	$242	$225
Destination Hotels Hotel De Anza	Downtown & Nearby	1931	$305	$305
Valencia Group Hotel Valencia Santana Row	West San Jose UV	2003	$314	$314
Upper Upscale				
Marriott San Jose	Downtown & Nearby	2003	$479	$544
Westin San Jose	Downtown & Nearby	1926	$390	$359
Upscale				
AC Hotels by Marriott San Jose Downtown	Downtown & Nearby	2017	$308	$305
Hyatt Place San Jose Downtown	Downtown & Nearby	1974	$384	$251
Four Points by Sheraton San Jose Downtown	Downtown & Nearby	1911	$349	$324
Residence Inn San Jose North/Silicon Valley	North & Nearby	2019	$297	$316
Hyatt Place San Jose Airport	North & Nearby	2019	$193	$193
Homewood Suites by Hilton San Jose North	North & Nearby	2017	$179	$179
aloft Hotel Santa Clara	North & Nearby	2015	$278	$386
SpringHill Suites San Jose Airport	North & Nearby	2015	$323	$289
Residence Inn San Jose Airport	North & Nearby	2015	$314	$334
Courtyard San Jose North Silicon Valley	North & Nearby	2014	$249	$394
Hyatt House San Jose Silicon Valley	North & Nearby	2011	$219	$219
Courtyard San Jose Airport	North & Nearby	1991	$279	$279
Homewood Suites by Hilton SJ Airport	North & Nearby	1991	$356	$356
Staybridge Suites San Jose	North & Nearby	1990	$203	$199
Four Points by Sheraton San Jose Airport	North & Nearby	1986	$173	$178
DoubleTree by Hilton Hotel San Jose	North & Nearby	1982	$279	$377
aloft San Jose Cupertino	West San Jose UV	2001	$299	$329
Residence Inn San Jose South	Edenvale	1998	$279	$259
Hayes Mansion	Edenvale	1905	$305	$305
Upper Midscale				
Hilton San Jose	Downtown & Nearby	1992	n/a	$261
The Row Hotel	Downtown & Nearby	1986	$224	$234
Fairfield Inn & Suites SJ North/SV	North & Nearby	2019	$238	$246
Comfort Suites San Jose Airport	North & Nearby	2002	$118	$139
Country Inn & Suites SJ Int. Airport	North & Nearby	1995	$154	$135
Best Western Plus Airport Plaza	North & Nearby	1987	$265	$265
La Quinta Inns & Suites San Jose Airport	North & Nearby	1974	$189	$189
Holiday Inn San Jose Silicon Valley	North & Nearby	1972	$159	$167
Wyndham Garden Hotel San Jose Airport	North & Nearby	1969	$134	$134
Fairfield Inn & Suites San Jose	North & Nearby	1968	$233	$206
TownePlace Suites San Jose Cupertino	West San Jose UV	2000	$255	$263
Wyndham Garden Hotel SJ SV	Edenvale	1990	$111	$111
Upper Midscale cont				*2/2*
Hampton Inn San Jose	Monterey Corridor	2002	$191	$191
Holiday Inn Express San Jose Central City	Monterey Corridor	1997	$169	$156
Clarion Inn Silicon Valley	Monterey Corridor	1989	$122	$135

Source: Google hotel search, 11/26/2016

Appendix Table E-5
Parking Ratios of Selected Built and Proposed Projects
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Status/ Yr. Built	Stories	Rooms	Parking /Room	Comments
Downtown & Nearby					
AC Hotel by Marriott (350 W Santa Clara St)	2016	6	210	0.4	offsite pkg
West San Jose UV					
AC Hotel Stevens Creek Blvd	Approved	7	168	0.6	
Bark Lane Hotel	Pending	5	126	0.7	
Cambria Hotel at Valley Fair	Approved	10	175	0.7	
Hampton Inn (De Anza Blvd)	Approved	4	90	0.6	
North & Nearby					
@ First Hyatt House	2011	7	164	0.7	
Coleman Hotel	Pending	5	175	0.4	
Fairfield Inn & Suites	UC	4	261	0.9	
Hampton Inn (2088 N 1st St)	2019	5	144	0.6	
Holiday Inn (2088 N 1st)	UC	5	146	0.6	
Hilton Garden Inn	Approved	5	150	1.1	
Hyatt House	UC	5	165	1.0	
Hyatt Place	UC	7	190	0.9	
Residence Inn /Springhill (10 Skyport Dr)	2015	7	321	0.8	
Edenvale					
Piercy Hotel	Pending	6	175	1.6	
Piercy Hotel	Pending	5	112	1.1	
Silver Creek Valley Rd Hotel	Pending	4	127	1.1	
All Other					
North Hotel	Approved	4	59	0.9	
Wingate by Wyndham (5190 Cherry Ave)	2019	4	115	1.0	

Appendix Table E-6
Hotel Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share
	Inventory		Deliveries		Inventory		Deliveries		
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	of Deliveries
YTD	91	10,017	5	731	413	37,388	11	1,595	46%
2018	86	9,286	0	0	402	35,793	2	310	0%
2017	86	9,286	3	399	400	35,483	5	685	58%
2016	83	8,887	0	0	395	34,798	3	209	0%
2015	83	8,887	3	496	392	34,589	8	1,056	47%
2014	80	8,391	1	157	384	33,533	5	627	25%
2013	79	8,234	0	0	379	32,906	2	213	0%
2012	79	8,234	0	0	377	32,693	0	0	
2011	79	8,234	1	164	377	32,693	2	248	66%
2010	78	8,070	0	0	375	32,445	1	162	0%
2009	78	8,070	0	0	374	32,283	1	100	0%
2008	78	8,070	0	0	373	32,183	0	0	
2007	78	8,070	0	0	373	32,183	1	10	0%
2006	78	8,070	0	0	372	32,173	0	0	

Source: STR

Appendix F: KMA Memo Regarding Building Types and Market Subarea Selections

Commercial Linkage Feasibility Study
San Jose, CA

KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Peter Hamilton
City of San Jose

From: Keyser Marston Associates, Inc.

Date: November 7, 2019

Subject: Proposed Building Types and Market Subareas for Analysis in the Commercial Linkage Fee Nexus and Financial Feasibility Analysis

Keyser Marston Associates, Inc. (KMA) has prepared the following memorandum to summarize recommendations regarding building types and market subareas to be addressed in the commercial linkage fee nexus study and financial feasibility analyses currently under preparation for the City of San Jose (City).

KMA's recommendations reflect a review of development activity in San Jose, preliminary market research, and our experience preparing similar studies for other jurisdictions. Proposed prototype selections may be modified at the City's discretion to best meet City objectives for the study.

A. Considerations for Prototype Selection – Nexus vs. Feasibility Study

KMA's scope of services provides for analysis of up to eight (8) building prototypes consistent with the City's Request for Proposals (RFP). Separate building type selections are proposed for the nexus and feasibility components of the study to best fit the purpose of each study. Following is a summary of considerations for prototype selection for each study component.

Nexus study – For the nexus study, the key objective is to encompass the breadth of non-residential development activity potentially subject to a new commercial linkage fee. Building type categories are more generalized and intended as broadly representative. Major distinctions in employment density and worker occupational profile are important to address through separate building types. Differences in height, construction type, and parking type, while important to specify for purposes of

the feasibility study, do not need to be called out for purposes of the more generalized categories addressed in the nexus analysis.

Feasibility study – For the feasibility study, the selection of building types should reflect recent and expected future non-residential development activity, capture major distinctions in development costs, address building types of specific interest due to economic development or other considerations, and be designed to help support decision-making regarding fee levels by building type and geographic area.

B. Nexus Study – Building Types Recommended for Study

Following is a list of building type categories proposed to be addressed in the nexus study. Proposed selections are designed to cover the full range of expected non-residential development activity potentially subject to a new commercial linkage fee.

Table 1. Proposed Building Types for Inclusion in Nexus Study
1. Retail (1)
2. Office
3. High-Tech Office
4. Hotel
5. Industrial
6. Warehouse
7. Research and Development
8. Residential Care / Assisted Living

(1) Retail category would include service uses such as dry cleaners.

High-tech office is proposed to be analyzed as a separate category from other office uses based on stakeholder interest in this category. KMA has addressed high-tech office as a separate category for a few other nexus studies where this category has been specifically of interest. In most cases, nexus studies include a single office category with high-tech represented as part of the overall tenant mix to the extent it is a factor in the local office market.

Research and development is included as a separate category because employment density and worker occupations differ from that of office. Most programs do not distinguish R&D from office for purposes of their fee schedule.

Residential care and assisted living uses are proposed to be addressed in the study based on the City's practice of applying the existing Affordable Housing Impact Fee

(AHIF) to assisted living facilities that meet certain criteria. Given the City is transitioning away from the AHIF program, and because this use is somewhat commercial in character, the City may wish to consider applying the proposed new commercial linkage fee to this use.

Institutional, cultural and hospital uses are not proposed for study. These building types are usually exempt from linkage fee programs. The policy reasoning for exempting these uses is usually that they serve an important community need or provide a public benefit. Unless the City would like to consider fees that apply to these uses, there is no need to address them in the study.

C. Feasibility Study - Building Types Recommended for Study

Building prototypes proposed to be addressed in the feasibility analysis are drawn from the list of potential building types identified in the City's request for proposals, a review of recent and planned non-residential projects, and discussions with City staff regarding specific building types of interest for the feasibility analysis.

Table 2 provides a list of the prototypes proposed for study. The selected prototypes address a cross section of non-residential development activity and are focused on the most active development types as well as building types that are of specific interest to the City based on discussions with staff.

Table 2. Proposed Building Types for Inclusion in Financial Feasibility Analysis	
1.	Office/R&D - 1-2 stories
2.	Office/R&D - mid-rise
3.	Office - high-rise
4.	Office - high-tech owner / user
5.	Retail - Neighborhood or community retail center
6.	Hotel - mid-rise
7.	Light Industrial / R&D
8.	Warehouse / Distribution

Table 3 lists additional building types identified in the RFP for potential inclusion as one of the eight prototypes to be addressed in the study, but which are not recommended for selection. Prototypes not recommended for study either represent a smaller share of future development activity or are expected to be less useful for purposes of fee level

selection. The comments included in Table 3 include a brief discussion of the rationale for not recommending each of the building prototypes for study.

Table 3. Building Types Not Recommended for Inclusion in Feasibility Analysis

	Building Type	Reasons Not Recommended for Study
1.	Urban Village Office/ Mixed Use at 0.5 FAR	Few projects expected at this FAR. Similar prototype to 1-2 story office prototype that is selected for study.
2.	Medical Office	Fewer office projects of this type. Medical office will tend to be more location-sensitive (i.e. near a hospital) and less likely to make location decisions based on fees.
3.	Large Format Retailer	Fewer projects of this type expected in future. Unlikely to distinguish fee level for large format vs. other retail.
4.	Major Mall Expansion	Only one mall expansion (Valley Fair). Future projects less likely due to changing retail landscape.
5.	Ground Floor Retail in Mixed Use (small scale)	Ground floor retail may be cross subsidized by office or residential project components and also provides an amenity for other uses. Very location / project specific and more challenging to isolate as a separate building type for study.
6.	Experiential / Entertainment Retail	Only two recent projects of this type and very use specific.
7.	Hotel - Downtown high-rise	The mid-rise hotel prototype proposed for analysis addresses the bulk of the hotel development pipeline.
8.	Urban Multi-tenant industrial	No recent precedents for new construction identified.

Appendix Tables 1 through 5 summarize recently completed, under construction, planned, and proposed non-residential development projects in San Jose organized by building type. The data in the appendix tables was used to support the prototype selection recommendations.

D. Geographic Subareas

KMA is proposing to address the following market subareas as part of the feasibility analysis:

1. Downtown and vicinity;
2. Edenvale;
3. North San Jose and vicinity;
4. West San Jose Urban Village;
5. Monterey Corridor; and
6. South and East San Jose Growth Area.

Proposed subareas follow those outlined in the RFP and encompass the majority of non-residential development activity occurring in the city.

The South and East San Jose Growth Area is the most broadly defined subarea. It is proposed to encompass urban villages, specific plan areas, and employment growth areas in the South, Evergreen, Alum Rock, Cambrian/Pioneer, and portions of Willow Glen and Berryessa planning areas. Monterey Corridor and Edenvale are not included because they are addressed as separate subareas. Retail has been the most prevalent non-residential development type within the South and East San Jose subarea. Smaller-scale office development is also occurring.

Table 4 pairs each of the building prototypes proposed for analysis with the applicable geographic subareas based on the locations where projects have been occurring or are expected to occur in the future. The feasibility analysis will separately analyze building prototypes within each applicable subarea, taking into account variations in land costs, market rents and impact fee requirements by subarea. The selection of applicable sub areas is guided by recent development activity by subarea as summarized in Appendix Tables 1 through 5.

Table 4. Identification of Building Types Applicable to Each Subarea

	Downtown and vicinity	Edenvale	North San Jose and vicinity	West San Jose Urban Village	Monterey Corridor	South & East San Jose Growth Area
1. Office/R&D – 1-2 stories		X	X			X
2. Office/R&D - mid-rise	X		X	X		
3. Office - high-rise	X					
4. Office - high-tech owner / user	X		X	X		
5. Retail - Neighborhood or community retail center		X	X	X		X
6. Hotel - mid-rise	X	X	X	X		
7. Light Industrial / R&D		X	X		X	
8. Warehouse / Distribution		X	X		X	

The subareas represent a broad range of market conditions in San Jose. As shown in Table 5, among the subareas, average asking rents for office range from $21 to $53 per square foot; asking rents for retail range from $37 to $51 per square foot (triple net); and asking rents for industrial range from $11 to $15 per square foot (triple net). Part of the variation between subareas is explained by differences in the quality and type of space

currently available for lease. Newly built commercial space is anticipated to achieve higher rents than the market average. Additional data on current market conditions by subarea is provided in Appendix Table 6.

Table 5. Direct Asking Rents by Subarea (2019 YTD)

Subarea	Office Avg. Direct Asking Rent/SF[1] Built 2000-	Retail Avg. Direct Asking Rent/SF (NNN) Built 2000-	Industrial[2] Avg. Direct Asking Rent/SF (NNN) Built All Years
Downtown and vicinity	$43/sf		
Edenvale	$21/sf	$37/sf	$15/sf
North San Jose and vicinity	$36/sf	$40/sf	$15/sf
West San Jose Urban Village	$53/sf	$51/sf	
Monterey Corridor			$11/sf
South & East SJ Growth Area	$31/sf	$37/sf	
Citywide Average	*$37/sf*	*$37/sf*	*$14/sf*

Source: Costar, using pre-defined submarkets that approximate subareas.
[1] Rent as reported by Co-star. Reflects the average asking rent. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.
[2] Includes warehouse, distribution, light industrial, and manufacturing uses.

APPENDIX TABLES

Appendix Table 1
Overview of Proposed Building Types and Subareas
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

		Proposed for Analysis	*Pipeline Projects*	*Inventory Built 2005-*	*Asking Rents vs. Citywide* [3]
1	**Office/R&D – 1-2 stories**				
	Downtown and vicinity[1]		0	7,890 sf	
	Edenvale	X	1	101,201 sf	below avg.
	North San Jose and vicinity	X	1	271,359 sf	near avg.
	West San Jose Urban Village		0	17,666 sf	
	Monterey Corridor		0	0 sf	
	South & East San Jose Growth Area	X	1	17,000 sf	below avg.
	All Other[2]		0	17,340 sf	
	Citywide		*3*	*432,456 sf*	
2	**Office/R&D - mid-rise**				
	Downtown and vicinity[1]	X	4	58,411 sf	above avg.
	Edenvale		0	150,000 sf	
	North San Jose and vicinity	X	7	2,552,405 sf	near avg.
	West San Jose Urban Village	X	5	635,336 sf	above avg.
	Monterey Corridor		0	0 sf	
	South & East San Jose Growth Area		0	0 sf	
	All Other[2]		0	0 sf	
	Citywide		*16*	*3,396,152 sf*	
3	**Office - high-rise**				
	Downtown and vicinity[1]	X	7	321,618 sf	above avg.
	Edenvale		0	0 sf	
	North San Jose and vicinity		0	0 sf	
	West San Jose Urban Village		0	0 sf	
	Monterey Corridor		0	0 sf	
	South & East San Jose Growth Area		0	0 sf	
	All Other[2]		0	0 sf	
	Citywide		*7*	*321,618 sf*	
4	**Office - high-tech owner / user**				
	Downtown and vicinity[1]	X	2	0 sf	above avg.
	Edenvale		0	0 sf	
	North San Jose and vicinity	X	0	0 sf	near avg.
	West San Jose Urban Village	X	0	0 sf	above avg.
	Monterey Corridor		0	0 sf	
	South & East San Jose Growth Area		0	0 sf	
	All Other[2]		0	0 sf	
	Citywide		*2*	*0 sf*	

Appendix Table 1
Overview of Proposed Building Types and Subareas
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

		Proposed for Analysis	*Pipeline Projects*	*Inventory Built 2005-*	*Asking Rents vs. Citywide* [3]
5	**Retail - Nbhd. or comm. retail center**				
	Downtown and vicinity[1]		0	362,149 sf	
	Edenvale	X	0	257,119 sf	near avg.
	North San Jose and vicinity	X	2	395,714 sf	above avg.
	West San Jose Urban Village	X	0	278,217 sf	above avg.
	Monterey Corridor		0	210,890 sf	
	South & East San Jose Growth Area	X	2	416,491 sf	near avg.
	All Other[2]		1	937,226 sf	
	Citywide		*5*	*2,857,806 sf*	
6	**Hotel - mid-rise**				
	Downtown and vicinity[1]	X	5	210 keys	TBD
	Edenvale	X	3	0 keys	TBD
	North San Jose and vicinity	X	9	962 keys	TBD
	West San Jose Urban Village	X	4	0 keys	TBD
	Monterey Corridor		1	0 keys	
	South & East San Jose Growth Area		0	0 keys	
	All Other[2]		4	115 keys	
	Citywide		*26*	*1,287 keys*	
7	**Light Industrial / R&D**				
	Downtown and vicinity[1]		0	0 sf	
	Edenvale	X	0	570,224 sf	above avg.
	North San Jose and vicinity	X	2	840,633 sf	near avg.
	West San Jose Urban Village		0	0 sf	
	Monterey Corridor	X	0	0 sf	below avg.
	South & East San Jose Growth Area		0	0 sf	
	All Other[2]		0	0 sf	
	Citywide		*2*	*1,410,857 sf*	
8	**Warehouse / Distribution**				
	Downtown and vicinity[1]		0	19,866 sf	
	Edenvale	X	1	579,018 sf	above avg.
	North San Jose and vicinity	X	2	283,555 sf	near avg.
	West San Jose Urban Village		0	0 sf	
	Monterey Corridor	X	1	34,131 sf	below avg.
	South & East San Jose Growth Area		0	0 sf	
	All Other[2]		1	0 sf	
	Citywide		*5*	*916,570 sf*	

Source: KMA analysis of City of San Jose permit data; Costar

[1] Includes Downtown Core, Downtown Transit/ Diridon, and Central San Jose growth areas.

[2] Includes non-growth areas throughout the City.

[2] Based on broad categories of industrial, retail, and office. See Appendix Table 6.

Appendix Table 2
Summary of Under Construction, Planned, and Proposed Non-Residential Projects (>25,000 sf)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Prototype	Downtown & Vicinity[1]	Edenvale	North San José	WSJ UV	Monterey Corridor	S&E Growth	All Other Areas	Total
A. Retail and Entertainment								
Major Mall Expansion	0	0	0	1	0	0	0	1
Large-Format Retail	0	0	0	0	0	1	0	1
Mid-sized Commercial Center	0	0	2	0	0	1	0	3
Neighborhood Serving Retail	0	0	0	0	0	1	1	2
Ground Floor Retail[2]	8	0	2	4	0	1	0	15
Experiential/Entertainment	0	0	1	0	0	0	0	1
Auto-Related Retail	0	0	0	1	0	0	1	2
Mid-sized Retail Store	0	0	0	1	0	0	0	1
B. Office/ R&D								
Office/R&D (1-2 stories)	0	1	1	0	0	1	0	3
Office/R&D (mid-rise)	4	0	7	5	0	0	0	16
Office (high-rise)	7	0	0	0	0	0	0	7
Medical Office	0	0	0	0	0	1	2	3
High-Tech Office	2	0	0	0	0	0	0	2
C. Hotel								
Hotel Citywide (4-7 Stories)	5	3	9	4	1	0	4	26
Hotel (8-11 Stories)	1	0	0	2	0	0	0	3
Hotel DT (12+ story)	2	0	0	0	0	0	0	2
D. Industrial								
Warehouse/Distribution	0	1	2	0	1	0	1	5
Data Center	0	3	1	0	0	0	0	4
Light Industrial/ R&D	0	0	2	0	0	0	0	2
Urban Multi-tenant industrial	0	0	0	0	0	0	0	0

Appendix Table 2
Summary of Under Construction, Planned, and Proposed Non-Residential Projects (>25,000 sf)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Prototype	Downtown & Vicinity[1]	Edenvale	North San José	WSJ UV	Monterey Corridor	S&E Growth	All Other Areas	Total
E. Other Non-Residential Uses								
Cultural/ Institutional	2	1	0	0	0	1	1	5
Residential Care	2	0	0	0	0	0	2	4
Storage Facility	0	2	1	1	3	0	4	11

p1/2

Source: KMA analysis of City of San Jose permit data

[1] Includes Downtown Core, Downtown Transit/ Diridon, and Central San Jose growth areas.

[2] Ground floor retail square footage was not estimated.

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	File#	Geography	Status	Project Size
A. Retail and Entertainment					*Sq. Ft.* *1/6*
Major Mall Expansion	Valley Fair Expansion	HA06-027-02	WSJ UV	UC	525,000
Large-Format Retail	Evergreen Circle Costco	PDA15-013-02	S&E Growth	Pending	153,000
Mid-sized	Evergreen Square	PD15-013	S&E Growth	Approved	157,000
Commercial Center	Market Park Shopping Center	PDA08-069-01	NSJ	Pending	101,000
	Shops @ Terra (excl Top Golf)	PD16-034	NSJ	Approved	110,000
Amenity Retail	Communications Hill Village	PD14-035	S&E Growth	Approved	68,000
Neighborhood Serving/	Pepper Lane Mixed Use	PD08-001	All Other	Approved	30,000
Ground Floor Retail	*See Table 3*				
Experiential/Entertainment	Top Golf	PD16-034	NSJ	Approved	72,000
Auto-Related Retail	Mercedes Expansion	PD18-010	WSJ UV	Pending	171,351
	Capitol Toyota	SP14-032	All Other	UC	261,286
Mid-sized Retail Store	Scandinavia Designs	H15-059	WSJ UV	Approved	39,410

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	File#	Geography	Status	Project Size
B. Office/ R&D					*Sq. Ft.* *2/6*
Office/R&D (1-2 stories)	Western Digital Great Oaks Campus	PDA14-005-10	Edenvale	Approved	73,400
	Lumileds Building 90	H19-024	NSJ	Pending	1,280,000
	Tropicana Shopping Center Expansion	H15-014	S&E Growth	Pending	31,744
Office/R&D (mid-rise)	El Paseo Mixed Use Village	PRE19-115	WSJ UV	Prelim Rev.	155,000
	335 Winchester Office	SP18-049	WSJ UV	Pending	94,996
	River Corp Center III	H16-013	Downtown	UC	191,397
	Ryland Rail Yard	PRE19-101	Downtown	Prelim Rev.	150,000
	Akatiff/Platform 16	SP18-020	DT Transit/ Diridon	Approved	982,128
	The Station on North First	H14-029	NSJ	Approved	1,653,731
	Coleman Highline Office	PD12-019	NSJ	UC	683,000
	Broadcom expansion/Innovation Place	H15-037	NSJ	Approved	536,949
	237 @ First Street (balance)	PD13-012	NSJ	Approved	430,458
	Cloud 10 Skyport Plaza	PD18-039	NSJ	Pending	350,000
	101 Technology Place office (Phase I	PD15-062	NSJ	Approved	234,192
	America Center (balance)	PD15-053	NSJ	Approved	192,350
	T.T. Group/ N 1st St	PRE19-091	Central Growth	Prelim Rev.	147,950
	South Bascom Gateway Station	PD18-015	WSJ UV [WG]	Pending	213,500
	Santana West Phase 1	PD18-045	WSJ UV	Pending	850,000
	Stevens Creek Promenade (Office)	PD17-014	WSJ UV	Approved	233,000

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	File#	Geography	Status	Project Size
Office/ R&D Continued					*Sq. Ft.* *3/6*
Office (12+ stories)	Cityview Plaza	H19-016	Downtown	Pending	3,400,000
	South Almaden Office	H19-004	Downtown	Pending	1,952,045
	Museum Place	SPA17-031-01	Downtown	Pending	774,000
	DiNapolo Office	H18-045	Downtown	Pending	717,246
	335 West San Fernando St	H16-018	Downtown	Approved	700,000
	Sobtrato Block 8	H19-033	Downtown	Pending	568,286
	South Almaden Office	H19-004	Downtown	Pending	116,480
Medical Office	The Capitol (Formerly Orchard)	PD16-025	S&E Growth	Approved	38,000
	Samaritian Medical Phase 1	PD16-023	All Other	Approved	350,000
	Evergreen Valley College	PDC17-017	All Other	Pending	103,000
High-Tech Office	Diridon TOD (Office)	PD15-061	Downtown	Approved	1,040,000
	Adobe North Tower	H18-037	Downtown	UC	1,015,200

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	File#	Geography	Status	Project Size
C. Hotel					*Keys* *4/6*
Hotel Citywide (4-7 stories)	Hotel Clariana Addition	H17-059	Downtown	Pending	63
	2nd Street Hotel	H18-033	Downtown	Pending	106
	Stockton Ave Hotel	SP18-060	DT Transit/ Diridon	Pending	54
	Piercy Hotel	H18-016	Edenvale	Pending	175
	Piercy Hotel	H18-029	Edenvale	Pending	112
	Silver Creek Valley Rd Hotel	H18-002	Edenvale	Pending	127
	Holiday Inn	H15-023	Monterey Corridor	UC	81
	Hampton Inn/Holiday Inn	H13-048	NSJ	UC	284
	Fairfield Inn & Suites	PD16-015	NSJ	UC	261
	Shilla Stay Hotel	PDA16-034-02	NSJ	Pending	200
	Hyatt Place	HA14-006-01	NSJ	UC	190
	Coleman Hotel	PDA12-019-04	NSJ	Pending	175
	Bay 101 Hotel (Embassy Suites)	PD13-049	NSJ	UC	174
	Hyatt House	HA14-006-01	NSJ	UC	165
	Oakland Road Comfort Suites	PD18-042	NSJ	Pending	61
	Hilton Garden Inn	H17-044	NSJ	Approved	150
	1899 West San Carlos	PRE19-108	Central Growth	Prelim Rev.	100
	West San Carlos Hotel	SP18-012	Central Growth	Pending	
	AC Hotel Stevens Creek Blvd	H17-023	WSJ UV	Approved	168
	Bark Lane Hotel	SP18-005	WSJ UV	Pending	126
	Hampton Inn (De Anza Blvd)	H16-032	WSJ UV	Approved	90
	Holiday Inn Express & Suites (Bark Ln)	SP18-005	WSJ UV	Pending	86
	Hotel on DeAnza	H19-017	All Other	Pending	124
	995 Oakland Road Hotel	CP18-034	All Other	Pending	116
	Almaden Ranch Hotel	PDA14-037-02	All Other	UC	115
	North Hotel	SP16-034	All Other	Approved	60

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	File#	Geography	Status	Project Size
Hotel Continued					*Keys* *5/6*
Hotel (8-11 stories)	Stockton Ave Hotel	PD18-035	DT Transit/ Diridon	Pending	303
	Cambria Hotel at Valley Fair	H16-010	WSJ UV	Approved	175
	Hotel Baywood	H18-014	WSJ UV	Approved	105
Hotel DT (12+ stories)	Tribute Hotel	H16-042	Downtown	Pending	279
	Almaden Corner Hotel	H18-038	Downtown	Pending	272
D. Industrial					*Sq. Ft.*
Warehouse/Distribution	Piercy Warehouse	H17-005	Edenvale	UC	166,740
	2829 Monterey Distribution	H18-027	Monterey Corridor	Pending	81,100
	1605 Industrial Avenue Warehouse	PD18-044	NSJ	Pending	180,500
	Panattoni Distribution Center	H17-034	NSJ	Approved	83,117
	970 McLaughlin Industrial	H17-058	All Other	Pending	223,717
Data Center	Equinix Data Center	SP15-031	Edenvale	Approved	579,000
	Equinix (iStar)	PD15-031	Edenvale	UC	386,000
	San Ignacio Data and Office	SP18-054	Edenvale	Pending	282,000
	Microsoft data center/industrial	SP16-053	NSJ	Approved	426,093
Light Industrial/	SuperMicro (Phase 3)	H16-031	NSJ	UC	209,320
R&D	SuperMicro (Phase 2)	H15-012	NSJ	UC	162,500

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	File#	Geography	Status	Project Size
E. Other Non-Residential Uses					*Sq. Ft.* *6/6*
Cultural/ Institutional	Invicta Towers (Performing Arts)	CP18-038	Downtown	Pending	41,500
	Enzo Behavioral Hospital	CP16-048	Edenvale	Approved	80,000
	Alum Rock Mixed Use (School)	CP17-052	S&E Growth	Pending	39,000
	Creative Center for the Arts	PD16-039	Central Growth	Approved	60,000
	Presentation High School	SP18-008	All Other	Pending	106,248
Residential Care	Holden Assisted Living on Bascom	CP17-046	Central Growth	Approved	156,022
	Meridian Memory Care	CP14-011	WSJ UV [WG]	UC	38,861
	Oakmond Residential Care	CP16-029	All Other	Approved	91,714
	Williams Rd Residential Care Facility	CP17-047	All Other	Approved	31,801
Storage Facility	Edenvale Self Storage Facility	H16-035	Edenvale	Approved	155,550
	Winfield Self Storage	H18-024	Edenvale	Pending	109,527
	475 Tully Road Mini Storage	H18-018	Monterey Corridor	Pending	219,282
	Monterey Rd Self Storage	H17-040	Monterey Corridor	Approved	142,766
	Senter/Alma Ministorage	H15-058	Monterey Corridor	UC	91,885
	SAF Keep Storage	H15-010	NSJ	UC	120,432
	Winchester ministorage	PD16-016	WSJ UV	Approved	84,000
	231 Capitol Public Storage	H18-048	All Other	Pending	359,232
	Self-storage (King Rd)	PD16-037	All Other	Approved	198,000
	Knox Trojan Storage	H17-041	All Other	Approved	139,615
	Oakland Rd Self Storage	PD16-027	All Other	Approved	91,875

WG = Willow Glen

Source: KMA analysis of City of San Jose permit data

Appendix Table 4
Summary of Non-Residential Inventory Built Since 2005
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Prototype	Downtown & Vicinity[1]	Edenvale	North San José	WSJ UV	Monterey Corridor	S&E Growth	All Other Areas	Total
A. Retail and Entertainment (SF)								
Major Mall Expansion	0	0	0	0	0	0	0	0
Large-Format Retail	143,424	462,741	569,105	0	159,066	126,344	458,757	1,919,437
Mid-sized Commercial Center	212,285	185,430	348,100	92,976	104,505	188,725	712,070	1,844,091
Neighborhood Serving Retail	205,437	71,689	47,614	129,668	106,385	227,766	225,156	1,013,715
Ground Floor Retail[2]								
Experiential/Entertainment	0	0	68,000	0	0	0	0	68,000
Auto-Related Retail	5,702	14,928	0	1,973	0	1,100	51,333	75,036
Mid-sized Retail Store	0	0	0	0	0	0	0	0
B. Office/ R&D (SF)								
Office/R&D (1-2 stories)	9,509	101,201	271,359	16,047	0	17,000	17,340	432,456
Office/R&D (mid-rise)	17,411	150,000	2,552,405	635,336	0	0	41,000	3,396,152
Office (high-rise)	321,618	0	0	0	0	0	0	321,618
Medical Office	28,363	18,279	153,112	21,586	0	65,108	335,583	622,031
High-Tech Office	0	0	0	0	0	0	0	0
UV Office (0.5 FAR)	0	0	0	?	0	?	0	?
C. Hotel (Rooms)								
Hotel Citywide (4-7 Stories)	210	0	962	0	0	0	115	1,287
Hotel (8-11 Stories)	0	0	0	0	0	0	0	0
Hotel DT (12+ story)	0	0	0	0	0	0	0	0
D. Industrial (SF)								
Warehouse/Distribution	19,866	579,018	283,555	0	34,131	0	0	916,570
Data Center	0	128,131	0	0	0	0	0	128,131
Light Industrial/ R&D	0	570,224	840,633	0	0	0	0	1,410,857
Urban Multi-tenant industrial	0	0	0	0	0	0	0	0

p1/2

Appendix Table 4
Summary of Non-Residential Inventory Built Since 2005
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Prototype	Downtown & Vicinity[1]	Edenvale	North San José	WSJ UV	Monterey Corridor	S&E Growth	All Other Areas	Total	
E. Other Non-Residential Uses (SF)									*p1/2*
Cultural/ Institutional	57,469	90,085	0	370,000	0	0	63,412	580,966	
Residential Care	0	0	0	150,560	0	0	0	150,560	
Storage Facility	0	0	195,072	0	0	657,672	345,365	1,198,109	

Source: Costar

[1] Includes Downtown Core, Downtown Transit/ Diridon, and Central San Jose growth areas.

[2] Ground floor retail square footage was not estimated.

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	Geography	Yr. Built	Ownership[1]	Size
A. Retail and Entertainment					*Sq. Ft.* *1/6*
Large Format Retail	Target (San Jose Market Center)	DT Transit/ Diridon	2005	Corp.	143,424
	Costco (6898 Raleigh Rd)	Edenvale	2017	Corp.	153,211
	Target (Village Oaks)	Edenvale	2014	Lease	140,000
	Lowe's (5550 Cottle Rd)	Edenvale	2010	Lease	169,530
	Target & Office Max (The Plant)	Monterey Corridor	2008	Corp.	296,782
	VillaSport Athletic Club	NSJ	2018	Lease	130,000
	Target (@ First Retail Center)	NSJ	2011	Corp.	137,954
	Lowe's (775 Ridder Park Dr)	NSJ	2008	Lease	141,000
	Costco (1709 Automation Pky)	NSJ	2007	Corp.	160,151
	Target (Plaza de San Jose)	S&E Growth Area	2005	Lease	126,344
	Bass Pro Shops (Almaden Ranch)	All Other	2015	Lease	150,000
	Lowe's (Coleman Landings)	All Other	2009	Lease	171,041
Mid-Sized	San Jose Market Center	DT Transit/ Diridon	2005	Lease	212,285
Commercial Center	Village Oaks	Edenvale	2014	Lease	185,430
	The Plant	Monterey Corridor	2008	Lease	274,562
	Sprouts @ Brokaw	NSJ	2016	TBD	84,550
	Brokaw Commons	NSJ	2012	Lease	102,216
	@ First Retail Center	NSJ	2011	Lease	89,992
	Pueblo Plaza	S&E Growth Area	2010	Corp.	118,908
	Santana Row	WSJ UV	2006	Lease	92,976
	Plaza de San Jose	S&E Growth Area	2005	Lease	69,817
	Vietnam Town	All Other	2018	Condos	276,174
	Sun Garden Retail Center	All Other	2018	Lease	111,133
	Almaden Ranch	All Other	2015	Lease	162,106
	Coleman Landings	All Other	2009	Lease	71,342

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	Geography	Yr. Built	Ownership[1]	Size
Retail Continued					*Sq. Ft.* *2/6*
Neighborhood-Serving/ Amenity Retail	2222 Senter Rd	Monterey Corridor	2014	Lease	33,339
	Pearl Senter	Monterey Corridor	2008	Condos	33,011
	Whole Foods (777 The Alameda)	Central Growth Area	2014	Corp.	32,891
	Smart & Final (1290 W San Carlos St)	Central Growth Area	2018	Lease	29,565
	Paloma Plaza	S&E Growth Area	2006	Condos	96,655
	Caribbees Center	All Other	2018	Lease	34,000
Ground Floor Retail (Not Comprehensive)	The 88 Ground Floor	Downtown	2008	TBD	31,408
	Delmas (598 W San Carlos St)	Downtown	2007	Lease	31,255
	Fruitdale Station	WSJ UV [WG]	2017	Lease	30,000
Experiential/ Entertainment	Bay 101 Casino (1788 N 1st St)	NSJ	2017	Operator	68,000
Auto-Related Retail	Beshoff Infiniti (2198 Tully Rd)	All Other	2008	TBD	39,025

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	Geography	Yr. Built	Ownership[1]	Size
B. Office/ R&D					*Sq. Ft.* *3/6*
Office/R&D (1-2 stories)	Hellyer Commons	Edenvale	2006	Condos	50,622
	Edenvale Technology Park	Edenvale	2005	Condos	38,393
	i3@NorthFirst	NSJ	2018	Corp.	166,000
	2777 Orchard Pky	NSJ	2017	Lease	64,991
	2755 Orchard Pky	NSJ	2017	Lease	36,383
Office/R&D (mid-rise)	Hitachi Campus	Edenvale	2016	Corp.	150,000
	Coleman Highline (B1)	NSJ	2019	Lease	162,557
	i3@NorthFirst	NSJ	2018	Corp.	249,000
	North First & Brokaw Corp Campus	NSJ	2017	Lease	116,800
	HQ@First	NSJ	2010	Lease	140,043
	Cadence Campus	NSJ	2008	Corp.	208,000
	Santana Row	WSJ UV	2009	Lease	79,183
	Town Square at Willow Glen	All Other	2012	Lease	41,000
	Coleman Highline (B2)	NSJ	2019	Lease	194,549
	Legacy on 101	NSJ	2016	Corp.	201,000
	237 @ First	NSJ	2016	Lease	181,133
	Samsung HQ (3655 N 1st St)	NSJ	2015	Corp.	636,000
	HQ@First	NSJ	2010	Lease	463,323
	Santana Row	WSJ UV	2017-19	Lease	556,153
Office (12+ stories)	Riverpark Towers	Downtown	2009	Lease	321,618

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	Geography	Yr. Built	Ownership[1]	Size
Office/ R&D Continued					*Sq. Ft.* *4/6*
Medical Office	Skyport Kaiser	NSJ	2018	Corp.	153,112
	Paloma Professional Center	S&E Growth Area	2007	Condos	32,000
	Samaritan Medical Center	All Other	2011	Lease	74,800
	Tegra San Jose Medical Office	All Other	2007	Condos	122,125
	125 Ciro Ave	All Other	2006	Lease	39,975
C. Hotel					*Keys*
Hotel (4-7 stories)	AC Hotel by Marriott	Downtown	2016	Operator	210
	Homewood Suites (237 @ First)	NSJ	2016	Operator	145
	Residence Inn Marriott/Springhill	NSJ	2015	Operator	321
	Aloft Hotel (America Center Ct)	NSJ	2015	Operator	175
	Courtyard by Marriott (Holger Way)	NSJ	2013	Operator	157
	Hyatt House	NSJ	2011	Operator	164
	Wingate by Wyndham (Cherry Ave)	All Other	2019	Operator	115

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	Geography	Yr. Built	Ownership[1]	Size
D. Industrial					*Sq. Ft.* *5/6*
Warehouse/ Distribution	Silicon Valley Industrial Center	Edenvale	2018	Lease	155,909
	6212 Hellyer Ave	Edenvale	2017	Lease	261,043
	500 Piercy Road	Edenvale	2017	Corp.	162,066
	760 Ridder Park Dr	NSJ	2017	Corp.	171,225
	527 Charcot Ave	NSJ	2012	Condos	32,330
	Fortune Corporate Campus	NSJ	2006	Condos	80,000
Data Center	Equinix SV5 (9 Great Oaks Blvd)	Edenvale	2009	Operator	128,131
Light Industrial/ R&D	Hitachi Campus	Edenvale	2016	Corp.	411,752
	Silver Creek Business Ctr	Edenvale	2006	Condos	110,536
	Edenvale Technology Park	Edenvale	2005	Condos	29,609
	Midpoint @ 237	NSJ	2017	Corp.	563,211
	Super Micro (750 Ridder Park)	NSJ	2017	Corp.	182,000
	Fortune Campus (2528 Qume Dr)	NSJ	2006	Condos	72,958

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

Use	Project	Geography	Yr. Built	Ownership[1]	Size
E. Other Non-Residential Uses					*Sq. Ft.* *6/6*
Cultural/ Institutional	First United Methodist	Downtown	2014	Corp.	27,472
	VA San Jose Clinic	Edenvale	2018	Lease	90,085
	Santa Clara Valley Medical Center	WSJ UV [WG]	2017	Corp.	370,000
	San Jose City College	All Other	2012	Corp.	40,862
Residential Care	Merrill Gardens at Willow Glen	WSJ UV [WG]	2009	Operator	150,560
Self Storage	1750 Junction Ct	NSJ	2019	TBD	120,432
	Oakland Rd Storage	NSJ	2018	TBD	74,640
	601 N King Rd	S&E Growth Area	2018	Corp.	597,168
	691 Lenfest Rd	S&E Growth Area	2010	Corp.	60,504
	1850 Stone Ave	All Other	2017	TBD	250,000
	2185 Stone Ave	All Other	2011	TBD	95,365
Auto Storage	Club Auto Sport	NSJ	2008	Condos	130,500

WG = Willow Glen

[1] Corp. = corporate owner/user. Condos = sold as condo units. Lease = traditional commercial lease.
Operator = operator generates income. TBD = ownership type/ business model could not be verified.

Source: Costar

Appendix Table 6
Market Conditions by Subarea (2019 YTD)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
A. Industrial (including Warehouse)	**Inventory SF**	**Direct Vacancy %**	**Direct Rent (NNN)**	**Inventory SF**	**Direct Vacancy %**	**Direct Rent (NNN)**
Downtown and Vicinity	5,384,635	1%	$17	19,866	0%	-
Edenvale	2,629,033	3%	$15	1,131,185	6%	$10
North San Jose	23,558,465	5%	$15	2,286,526	28%	$10
West San Jose Urban Village	23,638	0%	-	0	0%	$0
Monterey Corridor	9,084,852	3%	$11	552,645	0%	-
South & East SJ Growth Area	15,305,263	2%	$12	260,906	2%	-
Citywide	42,336,571	3%	$14	2,877,787	22%	$10
B. Office	**Inventory SF**	**Direct Vacancy %**	**Direct Rent**	**Inventory SF**	**Direct Vacancy %**	**Direct Rent[1]**
Downtown and Vicinity	14,560,018	8%	$46	2,561,965	6%	$43
Edenvale	4,173,007	5%	$32	1,162,354	11%	$21
North San Jose	21,659,551	12%	$36	7,406,808	15%	$36
West San Jose Urban Village	3,237,665	14%	$45	939,013	31%	$53
Monterey Corridor	249,430	2%	$29	42,770	11%	$34
South & East SJ Growth Area	2,421,175	7%	$28	451,564	2%	$31
Citywide	41,655,821	10%	$39	10,286,447	14%	$37
C. Retail	**Inventory SF**	**Direct Vacancy %**	**Direct Rent (NNN)**	**Inventory SF**	**Direct Vacancy %**	**Direct Rent (NNN)**
Downtown and Vicinity	5,346,250	3%	$25	674,358	1%	$41
Edenvale	10,543,719	5%	$35	1,995,152	2%	$37
North San Jose	14,993,334	4%	$35	3,429,098	2%	$40
West San Jose Urban Village	6,162,496	3%	$37	873,477	1%	$51
Monterey Corridor	1,941,188	4%	$24	1,079,648	3%	$18
South & East SJ Growth Area	10,664,742	4%	$33	2,092,625	9%	$37
Citywide	36,810,219	4%	$33	7,318,267	4%	$37

Notes:
(1) Rent as reported by Co-star. Reflects the average asking rent. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.

Source: Costar

Note: Data reflects Costar-defined submarket boundaries which approximate the proposed subareas.

Appendix G: Summary of Commercial Linkage Fee Programs

Commercial Linkage Feasibility Study
San Jose, CA

APPENDIX G

SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Comments
SAN FRANCISCO, PENINSULA, SANTA CLARA COUNTY						
San Francisco Population: 864,000	1981 Updated 2002, 2007 2019	Retail / Entertainment Hotel Office (50,000 gsf and above) Office (<50,000 gsf) Laboratory Small Enterprise Workspace	$28.13 $22.57 $69.60 $62.64 $38.37 $23.70	25,000 gsf threshold Exempt: freestanding pharmacy < 50,000 SF; grocery < 75,000	Yes, may contribute land for housing.	Office and Laboratory fees reflect fully phased in January 1, 2021 fee levels. Fee is adjusted annually based on the construction cost increases.
County of Santa Clara	2018	Academic Space (Stanford University)	$68.50		Yes	Fee in effect July 1, 2020.
City of Palo Alto Population: 67,000	1984 Updated 2002 and 2017.	Office & R&D Other Commercial	$36.53 $21.26	Churches; universities; recreation; hospitals; private educational facilities; day care and nursery school; public facilities; retail, restaurants, services < 1,500 sf are exempt	Yes	Fee is adjusted annually based on CPI.
City of Menlo Park Population: 34,000	1998	Office & R&D Other com./industrial	$18.69 $10.14	10,000 gross SF threshold Churches, private clubs, lodges, fraternal orgs, public facilities and projects with few or no employees are exempt.	Yes, preferred. May provide housing on- or off-site.	Fee is adjusted annually based on CPI.
City of Sunnyvale Population: 152,000	1984 Updated 2003 and 2015.	Industrial, Office, R&D: Retail, Hotel	$16.50 $8.25	Office fee is 50% on the first 25,000 SF of building area. Exemptions for Child care, education, hospital, non-profits, public uses.	N/A	Fee is adjusted annually based on CPI.
City of Santa Clara Population: 125,000	2017	Office 20,000 SF + Office, under 20,000 SF Industrial 20,000 SF + Industrial under 20,000 SF Retail, Hotel, Other 5,000 SF+ Low intensity uses	$20.00 $10.00 $10.00 $5.00 $5.00 $2.00	Assembly, day care, nursery, schools and hospitals and commercial space in a mixed use project under 20,000 square feet are exempt.	Yes.	Fee is adjusted annually based on ENR.
City of San Mateo Population: 104,000	2016	Office Hotel Retail	$26.10 $10.44 $5.22	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, religious, child care centers, public and non-profit uses exempt.		Fee is adjusted annually based on ENR.
City of Foster City Population: 34,000	2016	Office , Medical Office and R&D Hotel Retail, Restaurant and Services	$27.50 $12.50 $6.25	5,000 SF threshold Schools, places of public assembly, recreational facilities, hospitals, cultural institutions, childcare facilities, nursing homes, rest homes, residential care facilities, and skilled		
South San Francisco Population: 67,000	2018	Office , Medical Office and R&D Hotel Retail, Restaurant and Services	$15.00 $5.00 $2.50	25% fee reduction for projections paying prevailing wage. Schools, churches, child care centers, public uses exempt.		
East Palo Alto Population: 30,000	2016	non-residential	$10.72	10,000 SF threshold		
San Bruno Population: 43,000	2015	Office and R&D Hotel Retail, Restaurant, Services	$13.10 $13.10 $6.55	No minimum threshold	Yes. Program specifies number of units per 100,000 SF.	Fee is adjusted annually based on ENR.

APPENDIX G

SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Comments
Redwood City Population: 84,000	2015	Office (Medical, R&D, Admin) Hotel Retail & Restaurant	$20.00 $5.00 $5.00	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, child care centers, public uses exempt.	Yes. Program specifies number of units per 100,000 SF.	Fee is adjusted annually based on ENR.
City of Mountain View Population: 80,000	Updated 2002 / 2012 /2014 /2016	Office/High Tech/Indust. Hotel/Retail/Entertainment.	$28.25 $3.02	Fee is 50% on building area under thresholds: Office <10,000 SF Hotel <25,000 SF Retail <25,000 SF	Yes	Fee is adjusted annually based on CPI.
City of Cupertino Population: 61,000	1993, 2015	Office/Industrial/R&D Hotel/Commercial/Retail	$24.60 $12.30	No minimum threshold.	N/A	Fee is adjusted annually based on CPI.
City of Los Altos Population: 31,000	2018	Office (recommended fee level) All Other Non-Residential (rec. fee)	*$25.00* *$15.00*	500 SF threshold	Yes	Fee is adjusted annually based on CPI.
City of Milpitas Population: 75,000	2019	Office/ Retail Industrial	$8.00 $4.00	5,000 SF threshold Assembly, day care, schools, hospitals exempt.	N/A	Fee is adjusted annually based on ENR.
County of San Mateo Population: 763,000	2016	Office/Medical/R&D Hotel Retail / Restaurant /Services	$25.00 $10.00 $5.00	3,500 SF threshold; 25% fee reduction for prevailing wage. public, institutional, childcare, recreational, assisted living exempt.	Yes. Program specifies number of units.	Fee is adjusted annually based on ENR.

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.

APPENDIX G

SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Comments
EAST BAY						
City of Walnut Creek Population: 69,000	2005	Office, retail, hotel and medical	$5.00	First 1,000 SF no fee applied.	Yes	Reviewed every five years.
City of Oakland Population: 417,000	2002	Office/ Warehouse	$5.89	25,000 SF exemption	Yes - Can build units equal to total eligible SF times .00004	Fee due in 3 installments. Fee adjusted with an annual escalator tied to residential construction cost increases.
City of Berkeley Population: 120,000	1993 2014	Office Retail/Restaurant Industrial/Manufacturing Hotel/Lodging Warehouse/Storage Self-Storage R&D	$4.50 $4.50 $2.25 $4.50 $2.25 $4.37 $4.50	7,500 SF threshold.	Yes	Annual CPI increase. May negotiate fee downward based on hardship or reduced impact.
City of Fremont Population: 231,000	2017	Office, R&D, Hotel, Retail Industrial, Mfg, Warehouse	$8.00 $4.00	Public uses, additions less than 1,000 SF, manufacturing over 100,000 SF / building exempt.	Yes by formula	Fees are as of 2020 full phase in.
City of Emeryville	2014	All Commercial	$4.43	Schools, daycare centers, storage.	Yes	Fee adjusted annually.
City of Alameda Population: 78,000	1989	Retail Office Warehouse Manufacturing Hotel/Motel	$2.54 $4.99 $0.87 $0.87 $1,223	No minimum threshold	Yes. Program specifies # of units per 100,000 SF	Fee may be adjusted by CPI.
City of Pleasanton Population: 79,000	1990, 2018	Retail Hotel/Motel Office Indust. / R&D / Manuf / Warehouse	$4.56 $4.56 $7.61 12.64	No minimum threshold Churches exempt.	Yes	Fee adjusted annually.
City of Dublin Population: 57,000	2005	Industrial Office R&D Retail Services & Accommodation	$0.56 $1.45 $0.95 $1.18 $0.49	20,000 SF threshold	N/A	
City of Newark Population: 46,000		Commercial Industrial	$3.80 $0.72	No min threshold Schools, recreational facilities, religious institutions exempt.	Yes	Revised annually
City of Livermore Population: 88,000	1999	Retail Service Retail Office Hotel Manufacturing Warehouse Business / Commercial High Intensity Industrial Low Intensity Industrial	$1.38 $1.04 $0.89 $679/ rm $0.43 $0.12 $0.88 $0.44 $0.28	No minimum threshold Church, private or public schools exempt.	Yes; negotiated on a case-by-case basis.	

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.

APPENDIX G

SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Comments
OTHER LARGE WEST COAST CITIES					
City of Sacramento Population: 490,000	1989 Most recent update, 2017	Office $2.60 Hotel $2.48 Commercial $2.09 Manufacturing $1.62 Warehouse/Office $0.71	No minimum threshold State or federal property, mixed use w/50%+ residential, certain non-profits, temporary buildings.	Yes. Specifies No. of units per SF	Fee is adjusted annually based on construction cost index
City of Los Angeles Population: 3,950,000	2017	Non-Residential - fee varies by zone Low $3.00 Medium $4.00 High $5.00	15,000 SF threshold Governmental and public institutional uses developed for governmental or community use, private elementary or high school, hospitals, grocery stores not located within 1/3 mile of existing grocer stores, Central City West Specific Plan Area, South LA Transit Empowerment Zone.	N/A	Fees adjusted annually based on CPI.
City of San Diego Population: 1,391,000	1990 Updated 2014	Office $2.12 Hotel $1.28 R&D $0.80 Retail $1.28	No minimum threshold Industrial/ warehouse, non-profit hospitals exempt.	Can dedicate land or air rights in lieu of fee	
Seattle, WA Population: 638,000	Citywide Expansion Adopted 2015	Fees vary by geographic area / zone: Downtown and S. Lake Union $0 - $17.50 (fees vary by specific zoning district) Outside Downtown: Low Fee Areas $5 Medium Fee Areas $7 High Fee Areas $8 IC 85-160 zone $10	4,000 SF threshold; Exemptions include (1) a number of specific zoning districts; (2) for structures with at least 50 percent residential use: up to 4,000 SF street-level retail, restaurant, arts, entertainment; (3) commercial uses within affordable projects.	Yes	Fee is indexed based on CPI.
Portland, OR Population: 653,000	2016	Affordable Housing Construction Excise Tax at 1% of building permit value	Improvements <$100,000, private schools, hospitals, religious, agriculture, certain non-profit care facilities, public improvements.		

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.

Appendix H: Credits for Delivery of Affordable Units

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table H-1
Schedule of Fee Credits for Delivery of Affordable Units.
Commercial Linkage Feasibility Study
San Jose, CA

Credit for Provision of Affordable Units --- Credits Based on Nexus Maximums								
	Square Feet of Development Credited for Fee Payment							
Type of Unit Provided	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low Income	2,781	2,531	2,168	6,218	2,904	3,520	8,344	8,587
Very Low Income	2,026	1,844	1,579	4,529	2,115	2,564	6,078	6,256
Low Income	1,656	1,507	1,290	3,701	1,729	2,096	4,967	5,112
Moderate Income	1,317	1,198	1,026	2,943	1,375	1,666	3,950	4,065

Note: the above credits reflect nexus maximums. To determine a schedule of credits more reflective of adopted fees and which would provide an incentive for delivery of the affordable units, the following procedure may be used:

a) determine the percentage of nexus maximum fee levels that are mitigated by the adopted fee.
b) divide the above square footage figures by this amount.

For example, if adopted office fees mitigate 10% of nexus maximums, the credit provided for delivery of one extremely low income unit could be determined as 2,781 / 0.1 = 27,810 square feet of fee payment credited for delivery of the unit.