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ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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To: Chris Burton, Office of Economic Development
Michael Brilliot, Planning Division
City of San Jose

From: Keyser Marston Associates, Inc.

Date: April 17, 2018

Subject: Conceptual Pro Forma Analysis

Introduction

The purpose of the following conceptual pro forma analysis is to present current market conditions for high density apartment development in San Jose and to:

- 1) Provide an understanding of the general financial feasibility of high density apartment development with a focus on selected Urban Villages, the Downtown and North San Jose.
- 2) Provide an understanding of how the Urban Village Implementation Framework could affect the development economics of housing development within Urban Villages.
- 3) Provide background and context for the City Council study session on April 26th and May 1st, 2018.
- 4) Inform the development of the City's strategy to build 25,000 housing units by 2022.

The conceptual analysis uses prototypes developed with city staff to illustrate "typical" high density projects in selected areas under current market conditions. The conclusion of the analysis is that high density apartment development currently faces challenges due to high development costs and the inability to project future apartment rent growth to offset rising costs. The only apartment prototype to demonstrate an estimated profit that exceeds the targeted profit threshold is in the West Valley (Stevens Creek). Apart from the West Valley, estimated costs and values are out of balance, making it challenging for projects to move forward in the current economic cycle.

Conceptual Pro Forma Analysis

Before describing the approach to the conceptual apartment pro forma analysis, it is important to put the analysis into perspective by explaining how it can be useful and where limitations exist in the ability to inform a longer-term policy direction:

a. Near-Term Time Horizon

This conceptual analysis presents a snapshot in time as of early 2018. Real estate development economics are fluid and are impacted by constantly changing conditions with regard to rent potential, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different, so the pro forma conclusions are not expected to hold over a longer-term time horizon.

b. "Prototypical" Nature of Analysis

This conceptual analysis by its nature can only provide an overview-level assessment of development economics generally. This analysis is intended to reflect an "average" or "typical" project for the high density residential apartment prototypes described. By using a conceptual development program, it is understood that the economics may be better or worse for specific projects, due to any number of unique circumstances, such as site configuration and conditions, construction efficiencies, land cost basis, and sources of capital.

c. On-Site Commercial Space

Residential projects may be required to provide a minimum amount of on-site commercial space based on the requirements of the applicable Urban Village Plan. The relationship between residential and commercial uses in mixed-use projects varies greatly from project to project with regard to the size of the commercial requirement, project location, tenant mix, and other project-specific factors. In other words, there is no "typical" commercial requirement that can be assumed for the residential prototypes.

For purposes of simplicity, this analysis focuses on the development economics of apartments and presumes that commercial development will pay for itself. It is recognized that each specific project will have its own unique set of conditions and that the development economics of commercial may be better or worse for that particular project.

Approach to Assignment

Case Study Sites and Submarkets

Ten case study sites provided by city staff were used as the basis for the preparation of conceptual development programs and the determination of city fees, market rents, and land values. The case study sites represent potential redevelopment sites within adopted or proposed Urban Villages, along with North San Jose and Downtown. Case study sites exhibiting similar market characteristics were grouped into five submarkets for purposes of providing a higher-level comparison of development economics in different areas of San Jose:

- Central: West San Carlos and North 1st Street
- West: Stevens Creek Boulevard
- South and East: Southwest Expressway, Curtner Light Rail, Blossom Hill/ Snell, Alum Rock, and Capitol Light Rail
- Downtown Core
- North San Jose.

Conceptual Development Programs

Each of the five submarkets described above was paired with a generic rental apartment prototype based on the predominant building type within the submarket:

- High Rise (20-25 stories of Type I construction)
- Mid Rise (up to seven stories, with Type III construction over a podium)
- Low Rise (up to five stories, with Type V construction over a podium).

The building prototypes are assumed to exhibit a similar unit mix and unit size (an average of 900 SF, consistent with recently built projects). Land values and rents differ by submarket based on current market conditions.

Submarket	Building Height	Density	Avg. Unit Size
W. San Carlos & N. 1st	up to 7 stories	90 du/acre	900 SF
Stevens Creek	up to 7 stories	90 du/acre	900 SF
South & East	up to 5 stories	65 du/acre	900 SF
Downtown	20-25 stories	320 du/acre	900 SF
North San Jose	up to 7 stories	90 du/acre	900 SF

Development Pro Forma

The financial and market assumptions informing the conceptual apartment pro forma are presented in the attached tables and charts. The assumptions were developed based on information provided by real estate professionals, developers, and investors actively participating in San Jose development. Data was also collected from published sources, such as land sales transactions and apartment rental rates. This information was adjusted to reflect the prototypes being evaluated and the local context of the case study sites.

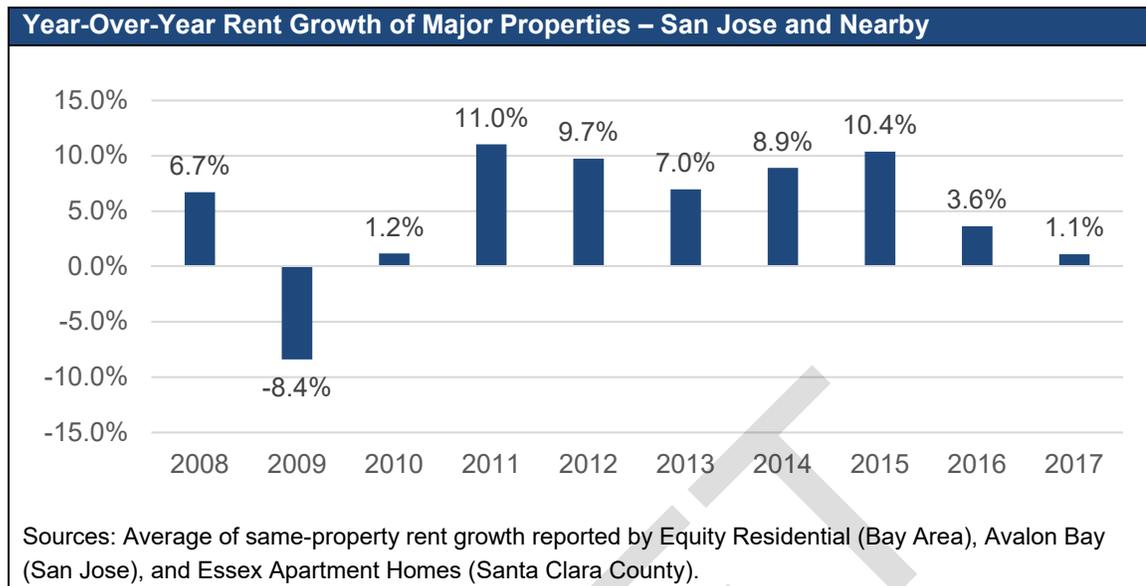
Rents

A key input into the pro forma is the estimated average rent, which is based on asking rents of recently built apartment projects that represent comparables for the case study sites. For purposes of the pro forma analysis, the estimated average apartment rent ranges from \$2,750 to \$3,450 per month depending on the submarket. The average rent is net of concessions, such as a month of free rent offered at lease signing. While estimated rents are strong by historical standards, they are less than the rents achieved by recently built projects in neighboring jurisdictions such as Campbell, Cupertino, and Sunnyvale (see Appendix).

Submarket	Monthly Rent Per Unit	Per SF
W. San Carlos & N. 1st	\$3,100	\$3.44
Stevens Creek	\$3,450	\$3.83
South & East	\$2,750	\$3.06
Downtown	\$3,200	\$3.56
North San Jose	\$3,000	\$3.33

Trending Rents

Apartment rents enjoyed very strong growth for several years from 2011 through 2015 but have flattened over the past year. As shown in the figure below, average rents of major properties in San Jose and the Bay Area grew by approximately 1% in 2017—less than the rate of inflation—compared to an average growth rate of over 9% from 2011 to 2015. Consistent with recent trends, the conceptual pro forma assumes current market rents remain stable over the near-term horizon of the analysis.



Development Costs

The development cost estimates include direct construction costs, as well as indirect, or soft costs of development, such as architecture and engineering, school fees, taxes, insurance, financing, and developer overhead and administration.

The estimates of development costs are based on a combination of sources. First, KMA regularly works on new residential development projects in cities throughout the Bay Area. Through this experience, we work in conjunction with private developers, outside construction consultants and cost estimators, general contractors, architects, engineers, and public agencies. The development cost estimates also utilize third party construction cost data from sources such as ULI which estimate costs for a wide variety of building types in varying locales.

Construction costs vary from project to project depending upon the quality of finishes and architecture, the level of amenities provided, and site-specific construction challenges such as demolition or environmental remediation requirements, unusual site grading or foundation costs, or tight/irregularly shaped parcels that result in cost inefficiencies. The construction cost estimates utilized in this study assume quality construction, architecture, and finishes but do not assume any extraordinary costs that would be typical for the market. Construction is presumed to be open shop.

- For towers, direct construction costs for a to-be-built project are estimated to be approximately \$430 per square foot of gross building area. The pricing reflects many variables, including parking ratios of at least one parking space per unit.

- For Type III construction over a podium, direct construction costs are estimated to be \$310 per square foot of gross building area.
- For Type V construction over a podium, direct construction costs are estimated to be \$290 per square foot of gross building area.

The estimate of financing costs takes into consideration the cost of both equity and debt financing during construction. Construction lenders have become more restrictive in terms of underwriting loans. As financial markets tighten, less money is available from lenders and on more stringent terms. As a result, projects require more equity or layering of funding sources, which is more expensive than terms from construction lenders.

City Fees

Fees and permits costs are based on current estimates of impact fees and construction taxes. The City has five types of development-related fees:

- *Inclusionary Housing In-Lieu Fee* – San Jose’s Inclusionary Housing Ordinance requires that residential developers provide 15% of housing units at rents affordable to low- and moderate-income households or pay an in-lieu fee based on a 20% requirement. Payment of the fee is estimated to represent a lower-cost option than providing affordable units on site for most projects. The current in-lieu fee of \$125,000 per affordable unit multiplied by the 20% in-lieu requirement is equivalent to \$25,000 per market rate unit.
- *Park In-Lieu Fee* – San Jose’s Park Impact Ordinance requires that residential developers provide three acres of parkland per 1,000 new residents or pay an in-lieu fee. Developers can satisfy up to half of the parkland requirement by providing on-site amenities, such as swimming pools, plazas, and picnic areas. For the conceptual pro forma, it is assumed that projects offset 20% to 30% of the parkland requirement through private recreation credits and pay the in-lieu fee to satisfy the remainder of the requirement. Pursuant to the 2017/2018 Parkland In-Lieu Fee Schedule, the park fee net of credits ranges from \$10,800 to \$29,100 per unit, varying by area.
- *Traffic Impact Fees* – San Jose has adopted traffic impact fees for Transportation Development Policy areas including North San Jose and 101/Oakland/Maybury. In North San Jose, the fee per residential unit is estimated to be \$5,000 per unit (net of demolition credits). The fee for the US 101/Oakland/ Maybury policy area is estimated to be approximately \$2,000 per unit. For the conceptual pro forma, a reduced US 101/Oakland/Maybury fee is assumed in recognition that the policy area covers a relatively small portion of the Central, South, and East submarkets.

- *Development Construction Taxes* – Residential projects are subject to construction taxes totaling 3.96% of the building permit value, plus \$165 per unit. Construction taxes are estimated to range from \$6,200 to \$6,400 per unit based on the Building Division’s current valuation table.
- *Development Permitting Fees* – Residential projects are subject to development permitting fees aimed at recovering city costs associated with entitlement, plan check, permit review, inspection, and public improvements. Based on the experience of recently built projects, the cost of development permitting fees is estimated to total \$6,500 per unit.

Downtown Incentives: The City Council voted to approve a Downtown High-Rise Incentive Program on December 13, 2016 to encourage additional residential development in the downtown area. To qualify, a project must be at least twelve stories tall, be located in the Downtown Core, and begin construction before July 2018. The program includes an exemption from the affordable housing requirement, reduced parkland impact fees and some suspended construction taxes for qualifying residential projects. The conceptual pro forma estimates fees for Downtown high rises with and without these incentives.

The estimate of city fees does not include the costs of CEQA mitigation, which vary substantially by project. Fees imposed by other jurisdictions, principally school fees, are included in the estimate of other indirect costs.

Submarket	Afford. Housing per unit	Parks (net) per unit	Const. Taxes per unit	Traffic (net) per unit	Dev. Permits per unit	Total per unit
W. San Carlos & N. 1st	\$25,000	\$15,800	\$6,400	\$1,100	\$6,500	\$54,800
Stevens Creek	\$25,000	\$13,500	\$6,400	\$0	\$6,500	\$51,400
South & East	\$25,000	\$10,800	\$6,200	\$400	\$6,500	\$48,900
Downtown (incentive)	Exempt	\$11,300	\$3,100	\$0	\$6,500	\$20,900
Downtown (non-incentive)	\$25,000	\$11,700	\$6,000	\$0	\$6,500	\$49,200
North San Jose	\$25,000	\$29,100	\$6,400	\$5,000	\$6,500	\$72,000

Land Cost

Land values are informed by recent land transactions within or near the Urban Villages that represent comparable sales for case study sites. Comparable sales include land with commercial improvements or land with residential development potential. Based on recent sales, land values are estimated to range from \$3.8 million per acre in South and East submarkets to \$12.8 million in the Downtown. Per entitled apartment unit, land values are in the range of \$40,000 to \$58,000 per unit, depending on the density.

Submarket	Land Cost Per Acre	Conceptual Density	Land Cost Per Unit
W. San Carlos & N. 1st	\$4.8M/acre	90 du/acre	\$53,000/unit
Stevens Creek	\$5.2M/acre	90 du/acre	\$58,000/unit
South & East	\$3.8M/acre	65 du/acre	\$58,000/unit
Downtown	\$12.8M/acre	320 du/acre	\$40,000/unit
North San Jose	\$4.6M/acre	90 du/acre	\$51,000/unit

Profit

Profit is determined as the difference between value and cost. The estimated minimum profit target for all prototypes is 10% to 15% of costs.

Value is determined by capitalizing the net operating income, i.e. net operating income divided by the capitalization rate. The capitalization rate is based on developer inputs and upon benchmarks published by nationally recognized research firms. The conceptual pro forma estimates that the capitalization rate for residential projects is currently in the range of 4% to 5%. The capitalization rate of Downtown projects is estimated to fall at the lower end of the range, the capitalization rate of projects in South and East submarkets is estimated to fall at the upper end, while projects in remaining submarkets are estimated to achieve a capitalization rate close to the average.

	Downtown	South & East	Remaining Submarkets
Capitalization Rate	4.25%	4.75%	4.50%

Conceptual Pro Forma Estimates

The conceptual pro forma is based on the relationship between the revenue potential, the estimated development costs, and the estimated value at completion for the prototypes analyzed. A summary of the conceptual pro forma estimates is presented in the table below; detail on each component is provided in the slides and tables included in the Appendix.

Per the table below, the housing market currently faces challenges due to high development costs and the inability to project future rent growth to offset rising costs. The only apartment prototype to demonstrate an estimated profit that exceeds the targeted profit threshold is in the West Valley (Stevens Creek). Apart from the West Valley, estimated costs and values are out of balance, making it challenging for projects to move forward under current market conditions.

As mentioned previously, specific projects may perform better or worse than the “typical” prototypes shown here. Despite challenges in the current market, unique circumstances could enable projects to proceed, such as projects with a low land basis due to long-term ownership, or projects viewed as a longer-term investment.

Moreover, real estate development economics are constantly changing with respect to construction costs, land values, rent potential, and cost of capital. If, for example, market values improve relative to costs, more projects would be able to achieve an acceptable return.

Submarket	Building Type	Value Per Unit	Total Cost Per Unit	Estimated Profit ¹ Per Unit
W. San Carlos & N. 1st	Type III	\$575,000	\$558,000	\$17,000 (3%)
Stevens Creek	Type III	\$665,000	\$557,000	\$108,000 (19%)
South & East	Type V	\$455,000	\$505,000	None
Downtown (incentive)	Tower	\$640,000	\$669,000	None
Downtown (non-incentive)	Tower	\$640,000	\$697,000	None
North San Jose	Type III	\$560,000	\$568,000	None

¹ Profit is shown as a percentage of development costs.

Implications for Urban Village Implementation Framework

The following section considers how funding mechanisms included in the proposed Urban Village Implementation Framework could affect the development economics of housing development within Urban Villages.

The City of San Jose’s Envision 2040 General Plan promotes the development of Urban Villages to accommodate growth in walkable, mixed-use communities. At this time, the City wishes to standardize the process for funding amenities identified in Urban Village Plans. It is the intent of the proposed Urban Village Implementation Framework to encourage developers to incorporate amenities as part of their projects rather than contribute funds toward amenities built by the City. Toward this end, the proposed Framework includes an Urban Village Amenity Contribution (UVAC) that would require residential developers to provide amenities up to a specified dollar amount.

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As currently proposed, the amount of the UVAC would be equal to 2% of the total value of the proposed project, which equates to roughly \$10,000 per unit. The net or effective cost of the UVAC to developers could be significantly less than the gross contribution target. First, developers would be credited an amount greater than the actual cost to build amenities as an incentive for building onsite. In addition, it is possible that some of the requested amenities, such as plazas, public art, and streetscape improvements would otherwise be provided voluntarily, given that these investments can add value to the project.

As discussed above, in most of San Jose, high density apartment development faces challenges in the current market due to high development costs and flattening rents. That being said, adding the UVAC as a development requirement is not likely to be the deciding factor in determining whether a project breaks ground in the current economic cycle. In areas of the City where values and costs are in balance, development would likely move forward with or without the UVAC. In areas where development economics are already challenging, the UVAC alone would not make the difference in the decision to move forward.

DRAFT

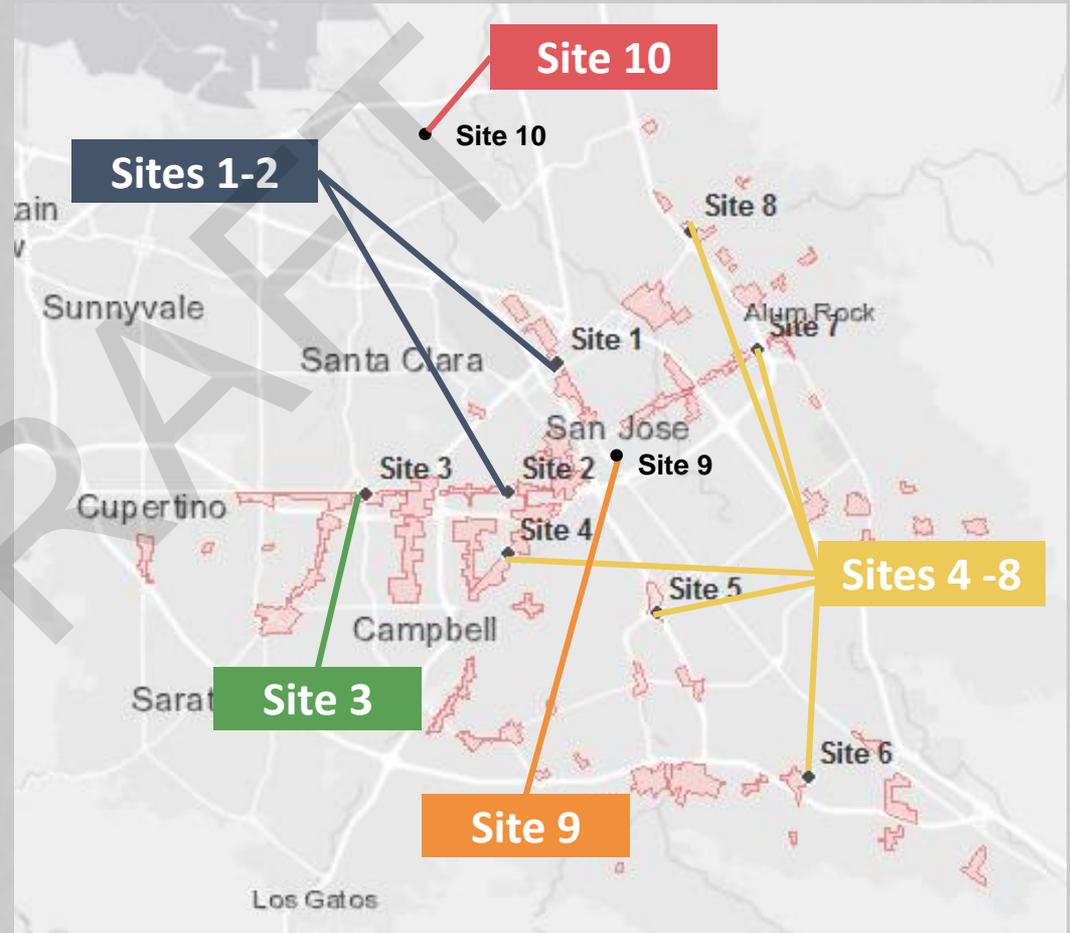
URBAN VILLAGE IMPLEMENTATION ANALYSIS

PREPARED FOR: CITY OF SAN JOSE
PREPARED BY: KEYSER MARSTON ASSOCIATES
MAY 1, 2018



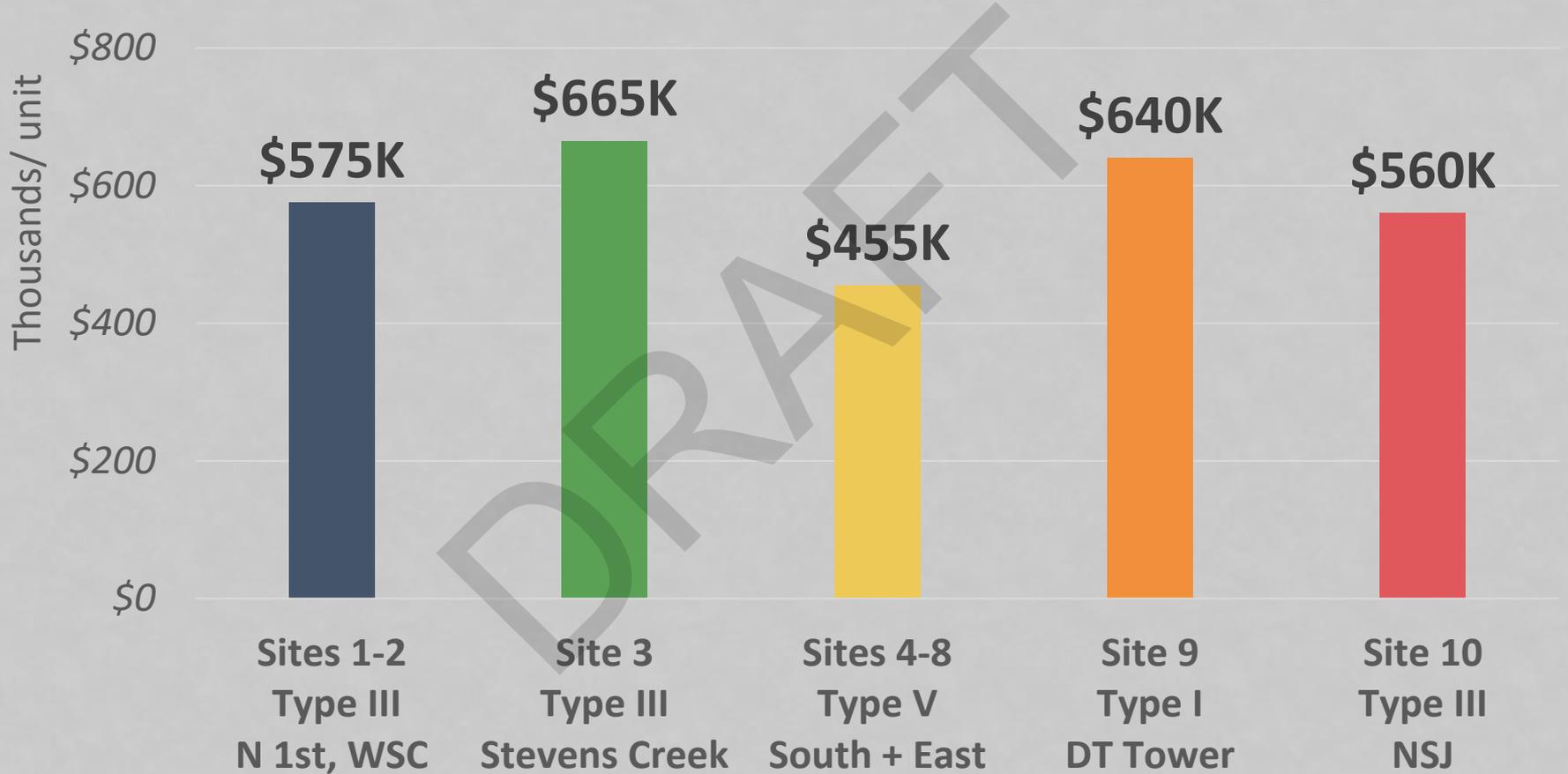
CASE STUDY SITES

Sites 1-2	North 1 st Street West San Carlos
Site 3	Stevens Creek Blvd
Sites 4- 8	Southwest Expy. Curtner LR Blossom Hill/ Snell Alum Rock Capitol LR
Site 9	Downtown Tower
Site 10	North San Jose



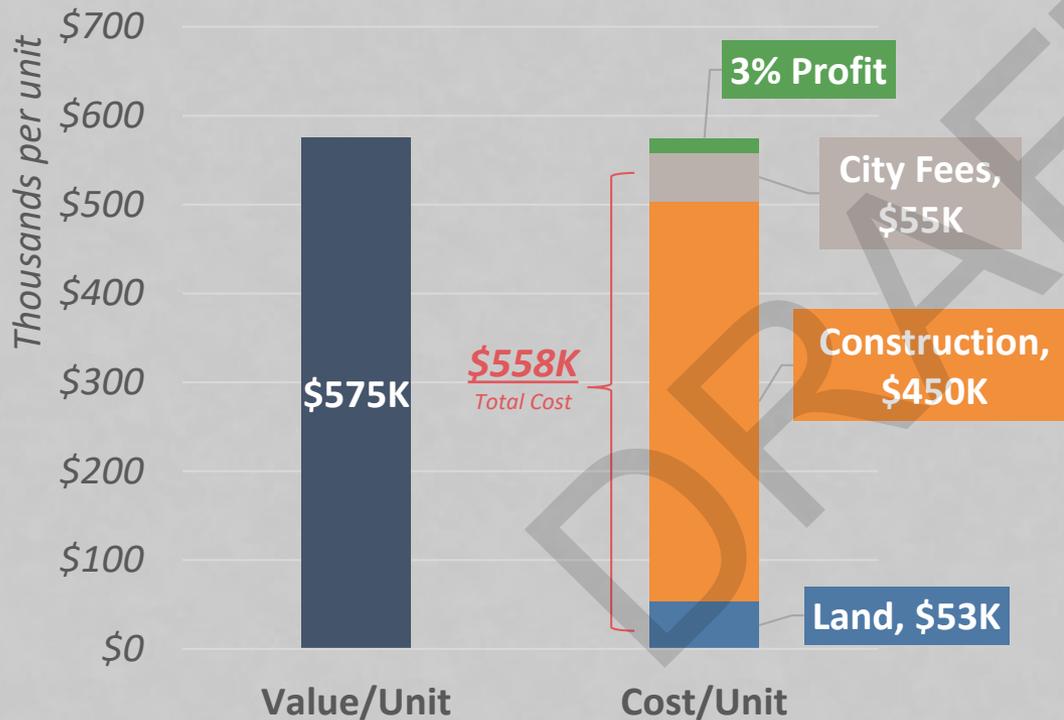
VALUES PER UNIT

BASED ON CAPITALIZED VALUE OF AVERAGE RENTS AT NEARBY PROJECTS



CONCEPTUAL PRO FORMA | SITES 1 & 2

NORTH 1ST ST. & W. SAN CARLOS | VALUE PER UNIT VS. COSTS PER UNIT



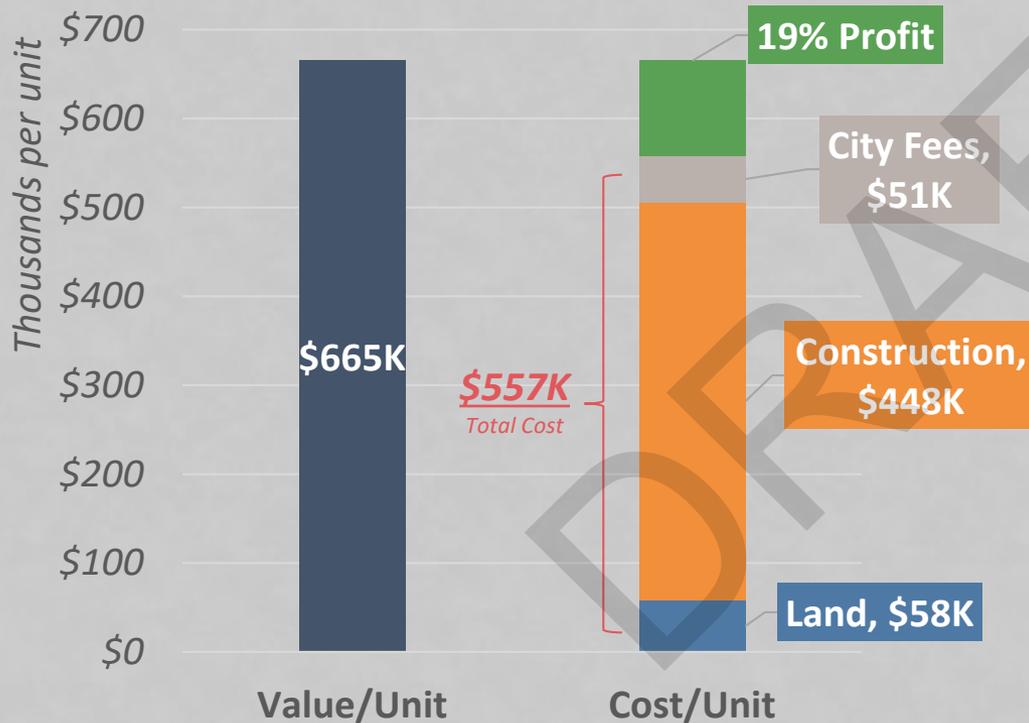
Construction Type	Type III Over Podium
Land Price	\$4.8M/acre
Density	90 du/acre
Avg. Monthly Rent	\$3,100/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$16K/du Construction Tax: \$6K/du Remainder: \$8K/du
CEQA Mitigations & Off-sites	To be determined

Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITE 3

STEVENS CREEK | VALUE PER UNIT VS. COSTS PER UNIT



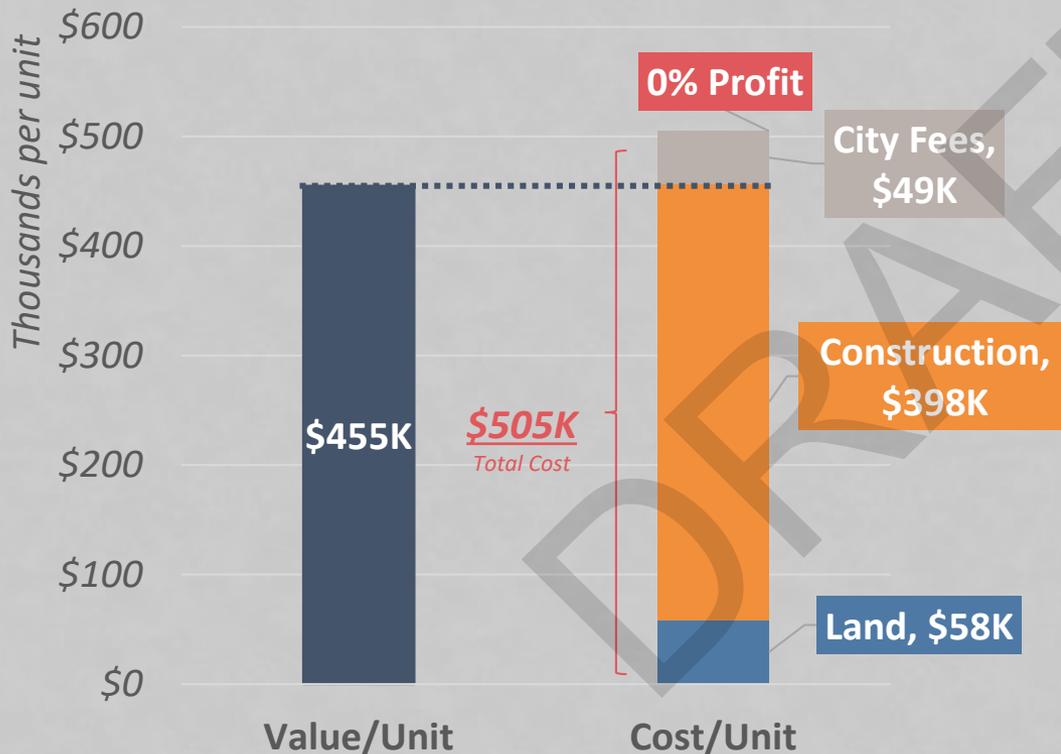
Construction Type	Type III Over Podium
Land Price	\$5.2M/acre
Density	90 du/acre
Avg. Monthly Rent	\$3,450/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$14K/du Construction Tax: \$6K/du Remainder: \$6K/du
CEQA Mitigations & Off-sites	To be determined

Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITES 4 - 8

SOUTH & EAST URBAN VILLAGES | VALUE PER UNIT VS. COSTS PER UNIT



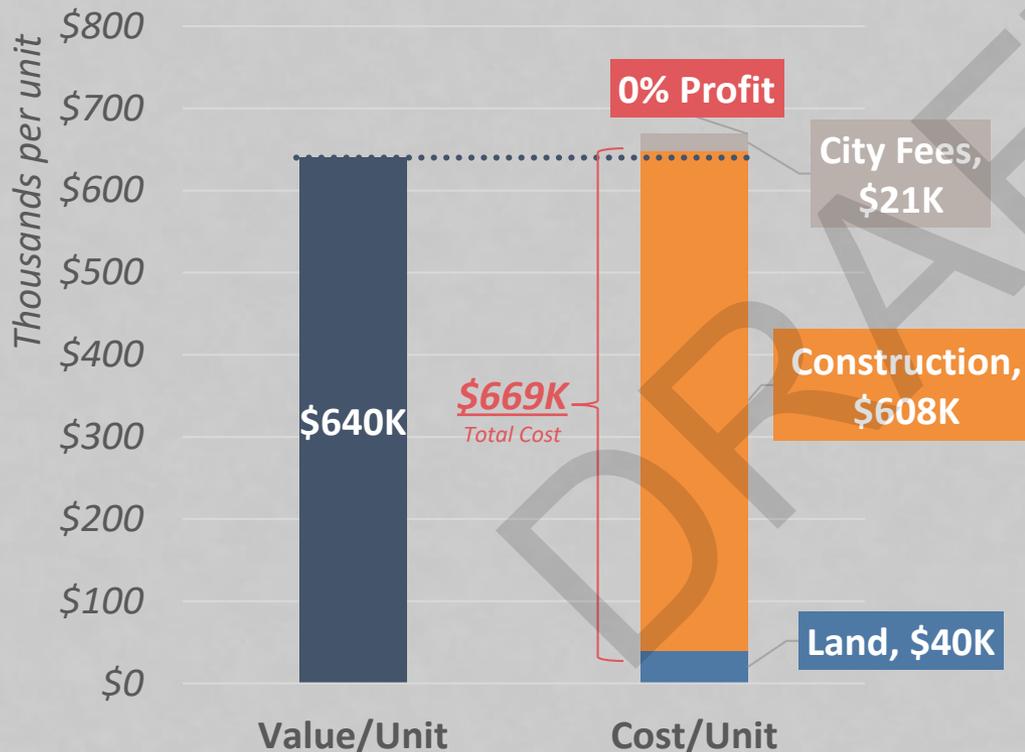
Construction Type	Type V over Podium
Land Price	\$3.8M/acre
Density	65 du/acre
Avg. Monthly Rent	\$2,750/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$11K/du Construction Tax: \$6K/du Remainder: \$7K/du
CEQA Mitigations & Off-sites	To be determined

Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITE 9

DOWNTOWN | VALUE PER UNIT VS. COSTS PER UNIT: WITH INCENTIVES*



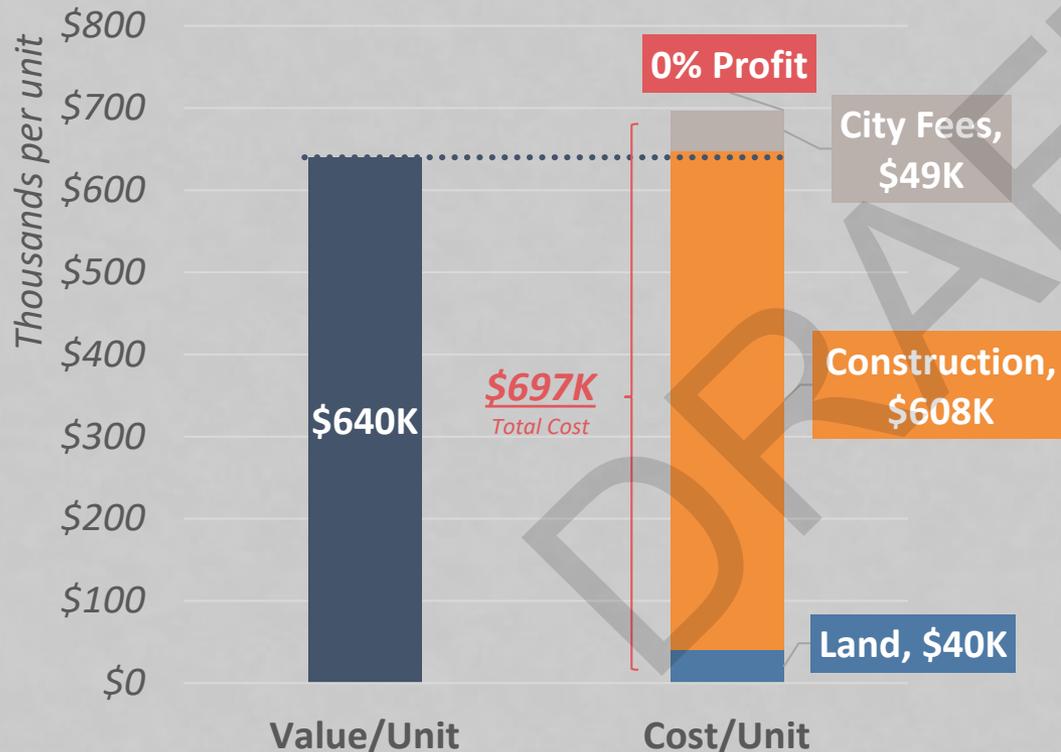
Construction Type	Type I (Tower)
Land Price	\$12.8M/acre
Density	320 du/acre
Avg. Monthly Rent	\$3,200/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$0 Park (incentive): \$11K/du Construction Tax: \$3K/du Remainder: \$7K/du
CEQA Mitigations & Off-sites	To be determined

* **Incentives** = Affordable Hsg. exemption, construction tax partial exemption, park incentive. Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITE 9

DOWNTOWN | VALUE PER UNIT VS. COSTS PER UNIT: WITHOUT INCENTIVES*



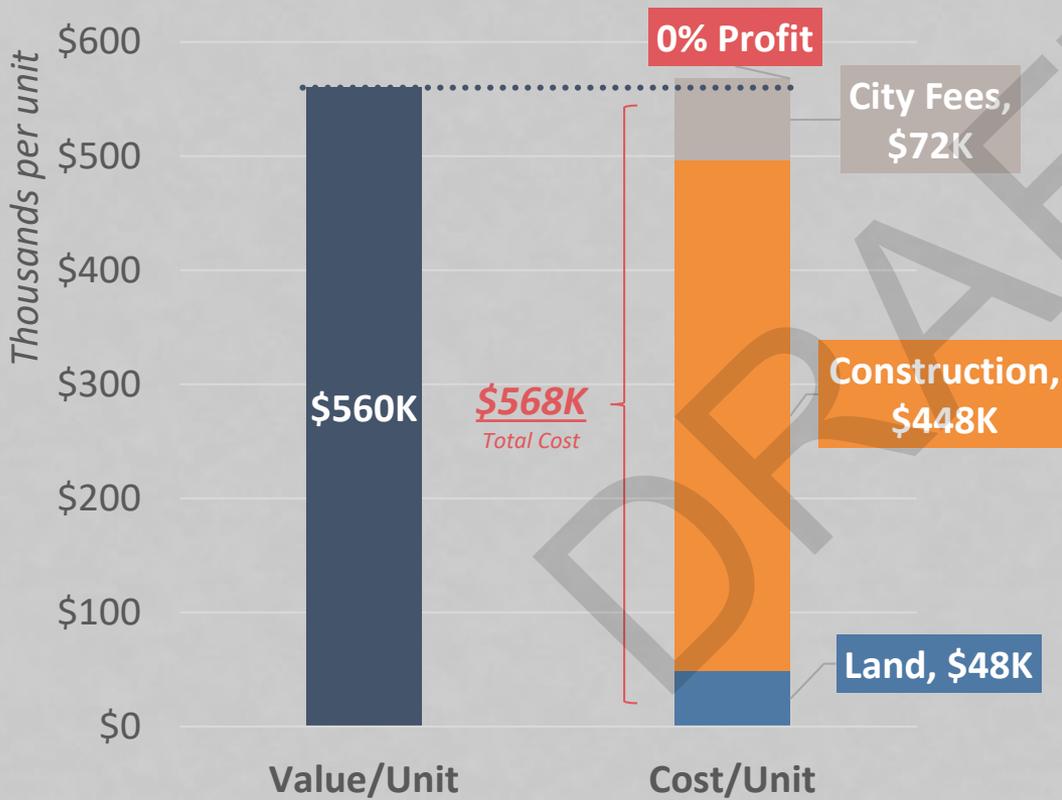
Construction Type	Type I (Tower)
Land Price	\$12.8M/acre
Density	320 du/acre
Avg. Monthly Rent	\$3,200/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$12K/du Construction Tax: \$6K Remainder: \$6K/du
CEQA Mitigations & Off-sites	To be determined

* **Incentives** = Affordable Hsg. exemption, construction tax partial exemption, park incentive.
Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITE 10

NORTH SAN JOSE | VALUE PER UNIT VS. COSTS PER UNIT



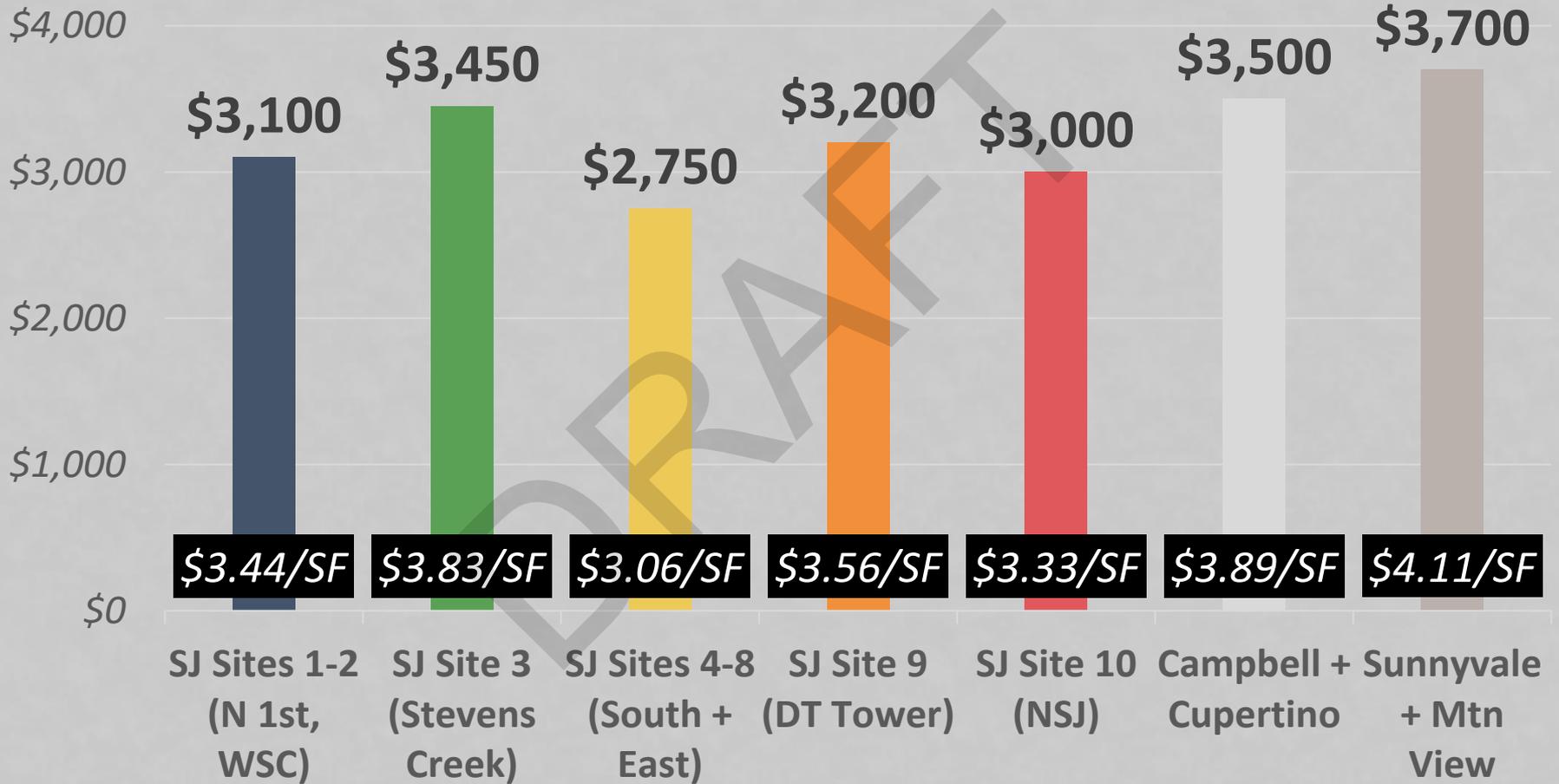
Construction Type	Type III over Podium
Land Price	\$4.3M/acre
Density	90 du/acre
Avg. Monthly Rent	\$3,000/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$29K/du Traffic Impact: \$5K/du Construction Tax: \$6K/du Remainder: \$7K/du
CEQA Mitigations & Off-sites	To be determined

Profit expressed as a percentage of costs.



AVERAGE PRO FORMA RENT

BASED ON RECENTLY BUILT PROJECTS, ADJUSTED FOR UNIT SIZE (900 SF)*



* Rents are net of estimated concessions.



ESTIMATED CITY FEES

PER UNIT BY CASE STUDY AREA

	Sites 1-2 N 1st, WSC	Site 3 Stevens Creek	Sites 4-8 South + East	Site 9 DT Tower (a)	Site 9 DT Tower (b)	Site 10 NSJ
Affordable Housing	\$25,000	\$25,000	\$25,000	\$0	\$25,000	\$25,000
Parks (net)	\$15,820	\$13,510	\$10,750	\$11,300	\$11,680	\$29,120
Traffic (average)	\$1,050	\$0	\$420	\$0	\$0	\$4,960
Construction	\$6,430	\$6,430	\$6,160	\$3,080	\$5,970	\$6,430
Other	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
Total	\$54,800	\$51,440	\$48,830	\$20,880	\$49,150	\$72,010

(a) w/ DT incentives
 (b) w/o DT incentives



CITY FEE CALCULATIONS

Affordable Housing	\$/unit	Calculation
All Sites (w/o incentive)	\$25,000	\$125,000/ affordable unit X 20% inclusionary
Parkland (net)	\$/unit	Calculation
Sites 1-2	\$15,820	\$22,600/unit less 30% onsite credit
Site 3	\$13,510	\$19,300/unit less 30% onsite credit
Sites 4- 8	\$10,750 (avg.)	\$9,200 – \$22,600/unit less 30% onsite credit
Site 9 (w/ incentive)	\$11,300	\$11,300/unit (no onsite credit permitted)
Site 9 (w/o incentive)	\$11,680	\$14,600/unit less 20% onsite credit
Site 10	\$29,120	\$41,600/unit less 30% onsite credit
Traffic Impacts	\$/unit	Calculation
Sites 1 and 8	\$2,100	US101: \$35,787/peak interchange trip; 5.9 trips/100 DU
Site 10	\$4,960	NSJ: \$8,262/unit less 40% demolition credit
All Others	None	Note: average is shown for groups w/ differing traffic fees



CITY FEE CALCULATIONS

Construction Taxes	\$/unit	Calculation
Type III	\$6,430	3.96% X \$117K/du + \$165/du + \$1,635/du for parking
Type V	\$6,160	3.96% X \$110K/du + \$165/du + \$1,635/du for parking
Type I w/ Incentive	\$3,080	1.98% X \$117K/du + \$165/du + \$600/du for parking
Type I w/o Incentive	\$5,970	3.96% X \$117K/du + \$165/du + \$1,170/du for parking
All Other Fees	\$/unit	Calculation
Entitlement	\$400	Average of recently built projects
Improvement Plan	\$1,300	Average of recently built projects
Permit Review	\$2,700	Average of recently built projects
Offsite/Public Works	\$2,100	Average of recently built projects
Total, Other Fees	\$6,500	Sum of above

School fees (\$3,900/unit) and utility connection fees included in construction cost.



TABLE 1
CONCEPTUAL PRO FORMA: CENTRAL SUBMARKET ⁽¹⁾
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

PROGRAM

Construction Type	Type III over podium
Building Stories	5 over 2
Density	90 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	80% efficiency

DEVELOPMENT COSTS

		\$/Unit
Land	\$4.8M /acre	\$53,000
Direct Costs	\$310 /GSF	\$349,000
Indirect Costs	18% of direct costs	\$63,000
City Fees (see below)		\$55,000
Construction Financing	8% cost of capital 2.5 years 50% avg drawdown	\$38,000
Total Cost Per Unit		\$558,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.44 PSF/mo	\$3,100
Other Income Per Month	\$1,800 /year	\$150
Vacancy		4%
Operating Exp. (incl. Prop. Tax)/ year		\$11,500

ESTIMATED PROFIT

Net Operating Income		\$25,900
Capitalized Value	4.5% cap rate	\$575,000
(Less) Development Costs		-\$558,000
Estimated Profit		\$17,000
		3% of cost

CITY FEES DETAIL

Affordable Housing		\$25,000
Parkland - Zone 09 (net)	30% onsite credit	\$15,800
Construction Tax		\$6,400
Development Svcs Fees		\$6,500
Traffic - Oak./101/Maybury	partial fee	\$1,100
Total		\$54,800
Rounded		\$55,000

⁽¹⁾ West San Carlos, North 1st Street, and Japantown.

TABLE 2
CONCEPTUAL PRO FORMA: WEST SUBMARKET ⁽¹⁾
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

PROGRAM

Construction Type	Type III over podium
Building Stories	5 over 2
Density	90 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	80% efficiency

DEVELOPMENT COSTS

		\$/Unit
Land	\$5.2M /acre	\$58,000
Direct Costs	\$310 /GSF	\$349,000
Indirect Costs	17% of direct costs	\$61,000
City Fees (see below)		\$51,000
Construction Financing	8% cost of capital 2.5 years 50% avg drawdown	\$38,000
Total Cost Per Unit		\$557,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.83 PSF/mo	\$3,450
Other Income Per Month	\$1,800 /year	\$150
Vacancy		4%
Operating Exp. (incl. Prop. Tax)/ year		\$11,600

ESTIMATED PROFIT

Net Operating Income		\$30,000
Capitalized Value	4.5% cap rate	\$665,000
(Less) Development Costs		-\$557,000
Estimated Profit		\$108,000
		19% of cost

CITY FEES DETAIL

Affordable Housing		\$25,000
Parkland - Zone 15 (net)	30% onsite credit	\$13,500
Construction Tax		\$6,400
Development Svcs Fees		\$6,500
Total		\$51,400
Rounded		\$51,000

⁽¹⁾ Stevens Creek Boulevard.

TABLE 3
CONCEPTUAL PRO FORMA: SOUTH AND EAST SUBMARKETS ⁽¹⁾
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

PROGRAM

Construction Type	Type V over podium
Building Stories	4 over 1
Density	65 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	85% efficiency

DEVELOPMENT COSTS

		\$/Unit
Land	\$3.8M /acre	\$58,000
Direct Costs	\$290 /GSF	\$307,000
Indirect Costs	19% of direct costs	\$57,000
City Fees (see below)		\$49,000
Construction Financing	8% cost of capital 2.5 years 50% avg drawdown	\$34,000
Total Cost Per Unit		\$505,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.06 PSF/mo	\$2,750
Other Income Per Month	\$1,200 /year	\$100
Vacancy		4%
Operating Exp. (incl. Prop. Tax)/ year		\$11,100

ESTIMATED PROFIT

Net Operating Income		\$21,700
Capitalized Value	4.75% cap rate	\$455,000
(Less) Development Costs		-\$505,000
Estimated Profit		-\$50,000

CITY FEES DETAIL

Affordable Housing		\$25,000
Parkland - Multiple Zones	30% onsite credit	\$10,800
Construction Tax		\$6,200
Development Svcs Fees		\$6,500
Traffic - Oak./101/Maybury	partial fee	\$400
Total		\$48,900
Rounded		\$49,000

⁽¹⁾ Southwest Expressway, Curtner Light Rail, Blossom Hill/ Snell, Alum Rock, and Capitol Light Rail.

TABLE 4A
CONCEPTUAL PRO FORMA: DOWNTOWN CORE, WITH INCENTIVES ⁽¹⁾
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

PROGRAM

Construction Type	Type I tower
Building Stories	20
Density	320 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	80% efficiency

DEVELOPMENT COSTS

		\$/Unit
Land	\$12.8M /acre	\$40,000
Direct Costs	\$430 /GSF	\$484,000
Indirect Costs	15% of direct costs	\$71,000
City Fees (see below)		\$21,000
Construction Financing	8% cost of capital 2.5 years 50% avg drawdown	\$53,000
Total Cost Per Unit		\$669,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.56 PSF/mo	\$3,200
Other Income Per Month	\$2,100 /year	\$175
Vacancy		4%
Operating Exp. (incl. Prop. Tax)/ year		\$11,800

ESTIMATED PROFIT

Net Operating Income		\$27,100
Capitalized Value	4.25% cap rate	\$640,000
(Less) Development Costs		-\$669,000
Estimated Profit		-\$29,000

CITY FEES DETAIL

Affordable Housing	exempt	\$0
Parkland - Zone 09/DC	incentive rate	\$11,300
Construction Tax	partial	\$3,100
Development Svcs Fees		\$6,500
Traffic		\$0
Total		\$20,900
Rounded		\$21,000

⁽¹⁾ Downtown Core, reflecting current High Rise Incentive Program.

TABLE 4B
CONCEPTUAL PRO FORMA: DOWNTOWN CORE, WITHOUT INCENTIVES ⁽¹⁾
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

PROGRAM

Construction Type	Type I tower
Building Stories	20
Density	320 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	80% efficiency

DEVELOPMENT COSTS

		\$/Unit
Land	\$12.8M /acre	\$40,000
Direct Costs	\$430 /GSF	\$484,000
Indirect Costs	15% of direct costs	\$71,000
City Fees (see below)		\$49,000
Construction Financing	8% cost of capital 2.5 years 50% avg drawdown	\$53,000
Total Cost Per Unit		\$697,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.56 PSF/mo	\$3,200
Other Income Per Month	\$1,800 /year	\$175
Vacancy		4%
Operating Exp. (incl. Prop. Tax)/ year		\$11,800

ESTIMATED PROFIT

Net Operating Income		\$27,100
Capitalized Value	4.5% cap rate	\$640,000
(Less) Development Costs		-\$697,000
Estimated Profit		-\$57,000

CITY FEES DETAIL

Affordable Housing		\$25,000
Parkland - Zone 09/DC (net)	20% onsite credit	\$11,700
Construction Tax		\$6,000
Development Svcs Fees		\$6,500
Traffic		\$0
Total		\$49,200
Rounded		\$49,000

⁽¹⁾ Downtown Core, excluding High Rise Incentive Program.

TABLE 5
CONCEPTUAL PRO FORMA: NORTH SUBMARKET⁽¹⁾
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

PROGRAM

Construction Type	Type III over podium
Building Stories	5 over 2
Density	90 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	80% efficiency

DEVELOPMENT COSTS

		\$/Unit
Land	\$4.3M /acre	\$48,000
Direct Costs	\$310 /GSF	\$349,000
Indirect Costs	17% of direct costs	\$61,000
City Fees (see below)		\$72,000
Construction Financing	8% cost of capital 2.5 years 50% avg drawdown	\$38,000
Total Cost Per Unit		\$568,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.33 PSF/mo	\$3,000
Other Income Per Month	\$1,800 /year	\$150
Vacancy		4%
Operating Exp. (incl. Prop. Tax)/ year		\$11,200

ESTIMATED PROFIT

Net Operating Income		\$25,100
Capitalized Value	4.5% cap rate	\$560,000
(Less) Development Costs		-\$568,000
Estimated Profit		-\$8,000

CITY FEES DETAIL

Affordable Housing		\$25,000
Parkland - Zone 07B (net)	30% onsite credit	\$29,100
Construction Tax		\$6,400
Development Svcs Fees		\$6,500
Traffic -NSJ	40% demo credit	\$5,000
Total		\$72,000
Rounded		\$72,000

⁽¹⁾ North San Jose.

TABLE 6
RECENT MULTIFAMILY LAND SALES NEAR CASE STUDY SITES
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/ Acre \$000s	\$/ Land SF	Intended Use	\$/Unit
<i>Page 1 of 2</i>							
<i>Multifamily (MF)</i>							
Site 1 - North 1st St							
Shea Properties / Jackson St	5.3	2017	\$30,000	\$5,660	\$130	MF	\$58,000
117 N 5th St	0.2	2017	\$1,600	\$6,667	\$153	MF	\$57,000
Site 2 - West San Carlos							
341 Page St	0.2	2017	\$1,291	\$5,613	\$129	MF affordable	\$50,000
777 Park Ave	0.7	2016	\$2,558	\$3,553	\$82	MF affordable	\$43,000
785-807 The Alameda ⁽¹⁾	1.0	2015	\$10,250	\$9,856	\$226	MF	\$73,000
267-279 Delmas Ave.	0.3	2015	\$616	\$4,402	\$101	MF	\$27,000
Site 3 - Stevens Creek							
4300 Stevens Creek	9.9	2017	\$53,000	\$5,354	\$123	MF	\$65,000
Site 7 - Alum Rock							
1695 Alum Rock Avenue	0.9	2017	\$3,950	\$4,647	\$107	MF affordable	\$56,000
Site 8 - Capitol LR							
Berryessa BART site	6.5	2017	\$35,000	\$5,385	\$124	MF	\$63,000
Average (Excluding Downtown)				\$5,569	\$128		\$54,667
Median (Excluding Downtown)				\$5,370	\$124		\$57,000
Max (Excluding Downtown)				\$9,856	\$226		\$73,000
Site 9 - Downtown							
S San Pedro St	0.47	2015	\$8,800	\$18,723	\$430	MF tower	\$49,000
252 N 1st St	1.3	2017	\$8,000	\$6,107	\$140	MF tower	\$37,000
W Julian St	1.5	2017	\$10,000	\$6,667	\$153	MF tower	\$32,800

⁽¹⁾ Not arms length.

TABLE 6
RECENT MULTIFAMILY LAND SALES NEAR CASE STUDY SITES
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/ Acre \$000s	\$/ Land SF	Intended Use	\$/Unit
<i>Page 2 of 2</i>							
<i>Townhomes (SF Attached)</i>							
Site 5 - Curtner LR							
2482 Almaden Expy	1.1	2015	\$4,600	\$4,182	\$96	SF attached	\$192,000
Hillsdale Ave	9.8	2016	\$20,516	\$2,093	\$48	SF attached	\$128,000
955-987 S First St	1.1	2017	\$5,200	\$4,860	\$112	SF attached	\$104,000
Site 7 - Alum Rock							
1875 Dobbin Drive	4.9	2017	\$28,000	\$5,691	\$131	SF attached	\$277,000
Site 8 - Capitol LR							
641 N Capitol Ave	10.6	2017	\$30,200	\$2,849	\$65	SF attached	\$161,000

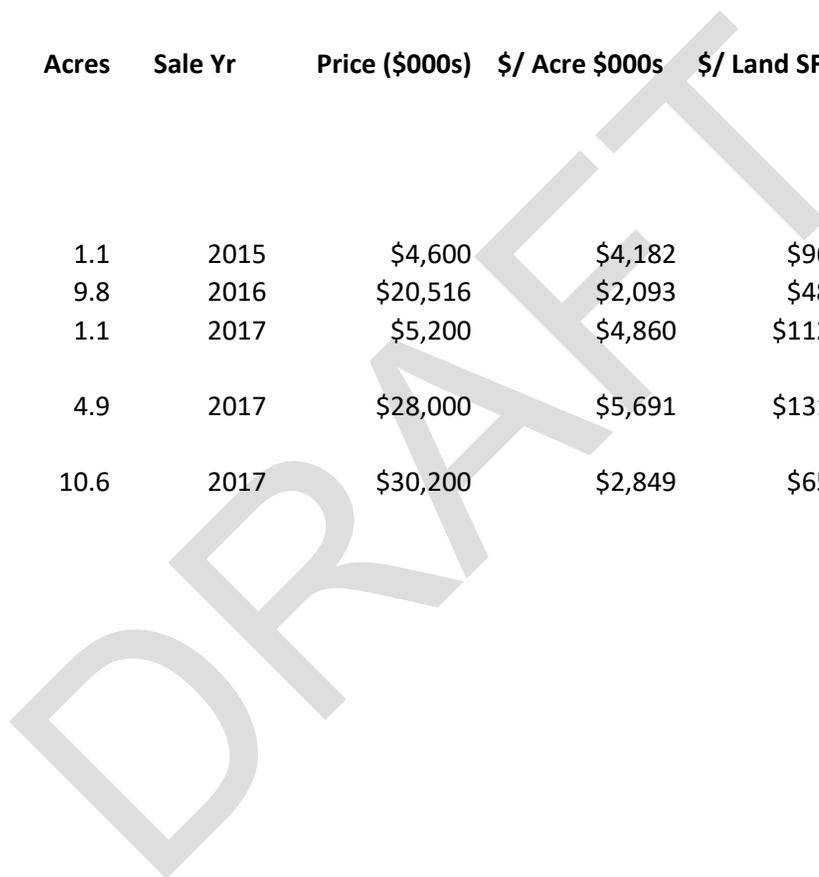


TABLE 7
RECENT COMMERCIAL LAND SALES NEAR CASE STUDY SITES
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/Acre (\$000s)	\$/ Land SF	Zoning	Notes
Site 1 - North 1st St							
Coleman Ave @ Taylor St	22.8	2015	\$41,053	\$1,799	\$41	ID	Office
2347 N 1st St	43.0	2015	\$138,172	\$3,213	\$74	M1	Apple
Orchard Ct	12.3	2015	\$33,682	\$2,742	\$63	IP-B	Apple
21 E Virginia St	0.2	2016	\$76	\$506	\$12	CP	
Site 2 - West San Carlos							
1800 W San Carlos St	0.6	2016	\$2,106	\$3,611	\$83	CG	
1400 Parkmoor Ave	5.1	2016	\$8,910	\$1,764	\$41	IP	Office
1343 The Alameda	0.2	2017	\$363	\$2,167	\$50	C3, San jose	
172 The Alameda	2.2	2015	\$2,113	\$965	\$22	0	
2165 The Alameda	0.6	2016	\$1,750	\$3,125	\$72	CL	
Site 3 - Stevens Creek							
125 Richfield Ave	1.0	2017	\$4,750	\$4,750	\$109	C3	Auto
Huff Ave	2.9	2015	\$5,152	\$1,801	\$41	C, San Jose	
930 S Winchester Blvd	0.2	2017	\$950	\$4,439	\$102	R18	Frmr. SF
1030 Lincoln Ave	0.2	2015	\$850	\$3,522	\$81	C2	
1143 Minnesota Ave	0.4	2016	\$1,312	\$3,545	\$81	Commercial (CO)	Office
Site 5 - Curtner							
1110 Foxworthy Ave	0.9	2015	\$2,100	\$2,289	\$53	R1	
Monterey Rd	1.4	2016	\$1,800	\$1,314	\$30	0	Retail
1499 Monterey Rd	0.3	2017	\$650	\$2,022	\$46	CN	
1302 S 1st Ave	1.9	2015	\$2,551	\$1,355	\$31	C2	

TABLE 7
RECENT COMMERCIAL LAND SALES NEAR CASE STUDY SITES
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/Acre (\$000s)	\$/ Land SF	Zoning	Notes
Site 6 - Blossom Hill							
5855 Silver Creek Valley Pl (a)	5.9	2015	\$11,000	\$1,877	\$43	IP	Medical
5855 Silver Creek Valley Pl (b)	3.0	2016	\$6,000	\$2,000	\$46	IP	Retail
Great Oaks Blvd	15.2	2016	\$9,412	\$619	\$14	I	Costco
Site 7 - Alum Rock							
Pala Ave	0.1	2015	\$196	\$1,786	\$41	R1	
Ave A & Capitol Ave	0.4	2015	\$295	\$686	\$16	R1	
1221 S Capitol Ave	1.1	2015	\$3,000	\$2,752	\$63	R1PD	Medical
Site 8 - Capitol Light Rail							
1288 N Capitol Ave	1.4	2016	\$2,000	\$1,481	\$34	R-1-8	
Site 10- North San Jose							
Hwy 237	3.5	2015	\$6,750	\$1,929	\$44	A(PD)	
140 Holger Way	4.0	2017	\$7,100	\$1,762	\$40	IP	
N 1st St	21.5	2016	\$26,200	\$1,217	\$28	A(PD)	
Microsoft -Zanker Road	65.0	2017	\$76,000	\$1,169	\$27	O	
Orchard Pky	5.3	2015	\$5,787	\$1,089	\$25	IP	
Average (Excluding Downtown)					\$48		
Median (Excluding Downtown)					\$41		
Max (Excluding Downtown)					\$109		
Site 9 - Downtown/Diridon							
333 W San Fernando St	2.5	2018	\$68,000	\$27,200	\$624	C3	Adobe
92 S Montgomery St	0.2	2017	\$1,136	\$7,282	\$167	LI	Google
374 W Santa Clara St	8.2	2015	\$49,786	\$6,104	\$140		Google
City Land - Diridon	6.5	2018	\$67,000	\$10,308	\$237		Google
466-470 W San Carlos St	0.2	2016	\$1,515	\$4,734	\$109	M1	

TABLE 8
RECENT MULTIFAMILY PROPERTY TRANSACTIONS
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Source: Costar, Institutional Property Advisors

Property	Year Built	Units	Acres	Sale Date	Sale Price (\$000s)	/Unit (\$000s)	Nearest Site
<u>San Jose Transactions</u>							
360 Residences (Tower)	2010	213		2017	\$133,500	\$627	Site 9
3101 Magliocco Dr	2008	50	0.8	2016	\$28,500	\$570	Site 3
175 Baypointe Pky	2011	183		2015	\$93,000	\$508	NSJ
688 N 7th St	2015	103	2.01	2016	\$51,250	\$498	Site 1
Median						\$539	
Avg						\$551	
Max						\$627	
<u>Nearby transactions</u>							
Loft House	2014	133		2017	\$104,000	\$782	<u>City</u> Sunnyvale
Revere Campbell	2015	168		2017	\$118,897	\$708	Campbell, CA
865-881 E El Camino Real	2015	149		2015	\$110,000	\$738	Mountain View
Median						\$738	
Avg						\$743	
Max						\$782	

TABLE 9
AVERAGE EFFECTIVE RENTS - RECENTLY BUILT SAN JOSE PROJECTS
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Source: Costar

Building Name	Year Built	Stories	SF/Unit	Asking Rent/Unit	Effective Rent/Unit ⁽¹⁾	900 SF Equiv. ⁽²⁾
<u>Stevens Creek</u>						
Levare	2012	4	1,081	\$4,292	\$4,259	\$3,550
Misora	2013	5	1,111	\$4,164	\$4,164	\$3,380
<i>Average</i>			1,096	\$4,228	\$4,212	\$3,470
<u>West San Carlos/ North 1st/ Japantown</u>						
The Standard	2017	6	764	\$2,800	\$2,787	\$3,290
The Pierce (Downtown)	2016	7	940	\$3,162	\$3,068	\$2,930
Meridian	2015	4	837	\$2,776	\$2,776	\$2,980
Mio Japantown	2015	4	897	\$2,897	\$2,837	\$2,840
808 West Apartments	2018	7	1,003	\$3,094	\$3,076	\$2,760
Marquis	2015	3	835	\$2,565	\$2,530	\$2,730
Mosaic	2012	5	1,054	\$2,992	\$2,781	\$2,380
<i>Average</i>			904	\$2,898	\$2,836	\$2,840
<i>Top 3 Effective Rent</i>				\$2,913	\$2,877	\$3,070
<u>North San Jose</u>						
251 Brandon	2015	4	811	\$2,903	\$2,903	\$3,220
River View	2014	4	922	\$3,123	\$3,123	\$3,050
AIRE	2014	4	847	\$2,863	\$2,840	\$3,020
Epic	2013	5	880	\$2,835	\$2,835	\$2,900
Vista 99	2015	5	1,082	\$3,408	\$3,389	\$2,820
Crescent Village	2012	4	965	\$3,002	\$3,002	\$2,800
Enso	2011	4	902	\$2,769	\$2,769	\$2,760
The Verdant	2014	5	998	\$3,114	\$3,040	\$2,750
121 Tasman	2013	4	975	\$2,921	\$2,921	\$2,700
Venue Apartments	2015	5	1,046	\$3,221	\$3,111	\$2,670
Domain Apartments	2013	5	1,032	\$2,997	\$2,997	\$2,610
Avalon Morrison Park	2014	4	1,229	\$3,375	\$3,375	\$2,480
Verona	2015	5	905	\$2,604	\$2,588	\$2,570
<i>Average</i>			969	\$3,010	\$2,992	\$2,800
<i>Top 3 Effective Rent</i>			860	\$2,963	\$2,955	\$3,100

TABLE 9
AVERAGE EFFECTIVE RENTS - RECENTLY BUILT SAN JOSE PROJECTS
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Source: Costar

Building Name	Year Built	Stories	SF/Unit	Asking Rent/Unit	Effective Rent/Unit ⁽¹⁾	900 SF Equiv. ⁽²⁾
<u>Downtown Tower</u>						
Centerra ⁽³⁾	2015	20	1,001	\$3,374	\$3,171	\$2,850
One South Market	2015	23	900	\$3,104	\$3,104	\$3,110
Century Towers	2017	14	878	\$2,942	\$2,942	\$3,020
<i>Average</i>			926	\$3,140	\$3,072	\$2,990
<u>South & East Submarkets</u>						
The Foundry Commons	2016	4	836	\$2,740	\$2,706	\$2,920
Aviara	2012	4	845	\$2,548	\$2,533	\$2,700
Lex Apartments	2017	5	803	\$2,604	\$2,362	\$2,650
LINQ Apartment Homes	2016	5	834	\$2,595	\$2,413	\$2,600
VIO Luxury Apartments	2016	4	904	\$2,621	\$2,599	\$2,590
Ascent	2015	6	1,026	\$2,999	\$2,749	\$2,410
Fruitdale Station	2015	4	1,079	\$2,888	\$2,731	\$2,280
Latitude 37	2012	5	1,004	\$2,555	\$2,427	\$2,180
Anton La Moraga	2014	4	1,044	\$2,879	\$2,519	\$2,170
<i>Average</i>			931	\$2,714	\$2,560	\$2,500
<i>Top 3 Effective Rent</i>			828	\$2,631	\$2,534	\$2,760

⁽¹⁾ Average rent net of concessions, per Costar.

⁽²⁾ Effective Rent PSF x 900 SF, per Costar.

⁽³⁾ Asking average of \$3,600 PSF, per apartment website.

TABLE 10
CITY DEVELOPMENT FEE ASSUMPTIONS
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Page 1 of 2

	Number	Unit
<u>Parkland In-Lieu Fee</u>		
Base Fee Schedule		
04, Alum Rock	\$9,200	/unit
05, Berryessa	\$13,800	/unit
09, Downtown	\$22,600	/unit
10, Willow Glen	\$20,800	/unit
12, Blossom Valley	\$10,400	/unit
15, Campbell	\$19,300	/unit
Downtown Highrise	\$14,600	/unit, allows credits
07B, North San Jose	\$41,600	/unit
Acreage Requirement		
Residents Per Unit	2.34	res/unit
Acres Per Res	0.003	acres/res
Acres/ Unit	0.007	acres/unit
Private Recreation Credit (Tower)	20%	of req.
Private Recreation Credit (All Other)	30%	of req.
Min. Park Dedication	0.50	acres
Max. Park Dedication	10%	of on-site acreage
Affordable Unit Discount	50%	of applicable fee
<u>Traffic Impact Fee</u>		
101/Oakland/Maybury	\$35,767	/peak hour interchange trip
Trip Generation		
Residential	0.44	PM trips per unit
Commercial (GF Retail)	1.00	PM trips per 1,000 SF (net passby credit)
Commercial (Office)	1.54	PM trips per 1,000 SF
Impacted Intersections	13%	of PM trips
North San Jose	\$4,957	/unit (net)
<u>Inclusionary Housing</u>		
In-Lieu Fee	\$25,000	/ unit
<u>Construction Taxes</u>		
Construction Tax		
Residential tax	\$75	/unit
Commercial tax	\$0.08	/SF
Construction Excise Tax		
Residential tax	2.42%	BP valuation
Commerical tax	3.0%	BP valuation
B&S Tax		
Residential tax	1.54%	BP valuation
Commercial tax	1.5%	BP valuation

TABLE 10
CITY DEVELOPMENT FEE ASSUMPTIONS
URBAN VILLAGE IMPLEMENTATION
SAN JOSE, CA

Draft
4/12/2018

Page 2 of 2

	Number	Unit
Res Construction	\$90	/unit
SMIPA		
Residential	0.010%	BP valuation
Commercial	0.028%	BP valuation
BSARSF		
Residential	0.004%	BP valuation
Commercial	0.004%	BP valuation
BP Valuation Factors		
Multifamily Residential	\$104	/SF
Office (Type I)	\$183	/SF
Retail (Type I)	\$134	/SF
Parking (Type I)	\$79	/SF
<u>School Fees</u>		
Residential Fee	\$3.48	/SF assessable area
Commercial Fee	\$0.56	/SF assessable area
<u>Other Permits and Fees</u>		
Entitlement	\$400	/unit (zoning/ map, dev permit)
Improvement Plan	\$1,300	/unit (storm, sanitary, undergrounding)
Permit Review Fees	\$2,700	/unit
Offsite/ Public Works	\$2,100	/unit
CEQA Mitigation	\$0	TBD
<u>Current Downtown Exemptions</u>		
Parkland Fee	50%	of applicable fees/ no credits
Affordable Housing	\$0	per unit
B&S Tax, Cnx Excise Tax	50%	of applicable tax