

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE ADOPTING THE URBAN VILLAGE IMPLEMENTATION AND AMENITY FRAMEWORK WHICH ESTABLISHES URBAN VILLAGE AMENITY INCENTIVE PROGRAM THAT APPLIES TO APPLICATIONS TO REZONE SITES IN URBAN VILLAGE PLAN AREAS FROM COMMERCIAL TO RESIDENTIAL OR MIXED USE RESIDENTIAL USES

WHEREAS, in 2011 the City Council adopted the Envision San José 2040 General Plan (“General Plan”) designating various areas of the City of San José (“City”) as Urban Villages, which are areas that are planned for a variety of uses centered around accessible and walkable neighborhood-serving commercial and office uses and access to mass transit; and

WHEREAS, the City has been underserved by employment uses, so the General Plan strives to achieve a balance between needed employment generating uses and residential uses of land so that people who reside in San José may also work in San José near their homes; and

WHEREAS, the City experiences pressure from the development community to convert land designated for employment uses to residential use, which generally results in a substantial increase in land value for the owner/developer; and

WHEREAS, the City Council may consider amendments to zoning from commercial to residential or mixed use residential uses in designated urban villages in accordance with the process and procedures for implementation of Urban Village Amenities, as defined in the “Urban Village Implementation and Amenities Framework” attached hereto and incorporated herein by reference as Exhibit “A” (“Framework”); and

so long as any such project contributes to and incorporates into the project as agreed upon conditions of approval the Urban Village Amenities defined in the “Urban Village Implementation and Amenities Framework” attached hereto and incorporated herein by reference as Exhibit “A” (“Framework”), and in accordance with the process and procedures for implementation of Urban Village Amenities; and

WHEREAS, The City Council conducted a duly noticed public hearing on the proposed Framework

WHEREAS, pursuant to Section 15168(c)(2) of the CEQA Guidelines, the City of San José has determined that the proposed Framework is pursuant to, in furtherance of and within the scope of the previously approved program evaluated in the Final Program Environmental Impact Report for the Envision San José 2040 General Plan (the “FEIR”), for which findings were adopted by City Council through its Resolution No. 76041 on November 1, 2011, and Supplemental Environmental Impact Report (the “SEIR”), through Resolution No. 77617, adopted by City Council on December 15, 2015, and Addenda thereto, and does not involve new significant effects beyond those analyzed in the FEIR and SEIR; and

WHEREAS, the City Council of the City of San José is the decision-making body for the proposed Framework; and

WHEREAS, this Council of the City of San José has considered and approves the information contained in the FEIR and related City Council Resolution No. 76041 and the SEIR and related City Council Resolution No. 77617, and Addenda thereto, and the determination of consistency therewith prior to acting upon or approving the subject Framework.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

Section 1. The Recitals above are incorporated herein as findings.

Section 2. The Framework attached hereto and incorporated herein by reference as **Exhibit A** is hereby adopted.

Section 3. This resolution shall take effect 30 days from and after its adoption.

ADOPTED this _____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

Urban Village Implementation and Amenities Framework

A. Findings and Purpose

1. San José is the largest “bedroom community” in the United States, being the only City in the United States over 5 00,000 people that has more employed residents than jobs. San José has a population of over one million residents with a ratio of only 0.8 jobs per employed resident, which means that there are fewer people in San José during the day than at night.
2. The Envision 2040 San José General Plan (“General Plan”) identifies improvement of the City’s jobs-housing imbalance, or “Jobs/Employed Residents Ratio,” as a critical policy goal. The General Plan seeks to support the generation of 380,000 new jobs through 2040, focusing employment growth in the Downtown area and on existing employment lands citywide like North San Jose, Edenvale, the Monterey Corridor, Evergreen, North Coyote Valley, urban villages, neighborhood business districts, and major commercial corridors along existing and future transit corridors. The General Plan places a strong emphasis on protecting employment lands, and recognizes that further employment land conversions to residential uses would have significant negative environmental, fiscal and economic implications, contrary to the General Plan’s policies.
3. The current General Plan, including the Housing Element of the General Plan, also identifies available land that is designated and zoned for 120,000 new housing units consistent with state law, and the City’s Housing Element is certified as adequate by the California Department of Housing and Community Development.
4. The policies in the City’s current General Plan were adopted unanimously by the City Council in 2011 after significant review and input (which included 51 public meetings for a 37-member task force leading the drafting of the General Plan and participation by over 5,000 community members over a four-year period) in order to achieve a balance between the need for housing and the creation of jobs in San José for San José residents and to achieve fiscal sustainability. Efforts to alter that balance should be subject to extensive community outreach and environmental review.
5. Specifically with regard to urban villages, the General Plan includes “Major Strategy #5 – Urban Villages,” as one of its primary strategies to accommodate projected job and population growth. This Strategy includes a policy framework to transform many of San Jose’s auto-oriented commercial corridors and nodes into more urban, walkable and mixed-use communities, where many of one’s daily needs could be met by walking, biking, riding transit, or making a shorter drive. The purpose of this Framework is to further the implementation of the Urban Village Strategy and the individual Urban Village Plans by outlining a zoning framework that will provide a more streamlined entitlement process for development consistent with the applicable Urban Village Plan. This Framework does not identify the specific development regulations or allowed uses within new Urban Village zoning districts but provides general direction for the

development of these zoning districts as a next step. Development regulations and allowed uses are specified in each adopted Urban Village Plan and will be included in Urban Village Plan zoning districts.

6. The purpose of this Framework is to support existing City policies that attempt to balance housing growth with local job availability so that residents can work near their homes. This Framework also authorizes the City to allow the conversion of employment lands in urban villages to residential or mixed use residential uses under very limited circumstances and where the development will provide additional amenities and public improvements in the urban village where it is located meeting specified criteria. The criteria herein for the conversion of employment lands is designed to be transparent and predictable to the development community and the public, and to enhance the quality of life in the affected urban village by assuring that any such conversion provides a substantial public purpose and benefit. The City shall consider the requirements of this Framework when it evaluates applications from developers or other proposals to convert land that is currently zoned for employment purposes, such as commercial, to residential or mixed use residential purposes.
7. This Framework does not create a barrier, financial or otherwise, for new development in Urban Villages because commercial and office development may continue to be approved and developed under the General Plan, current zoning, the Urban Village Plans, and this Framework. However, this intent of this Framework is to ensure that applications for a zoning change from commercial to residential or residential mixed-use in urban villages will only be considered by the City for approval if the developers share the increase in value of their projects from such zoning changes to residential use by constructing, providing, or otherwise funding amenities and public improvements as identified in the applicable Urban Village Plan and in accordance with this Framework. When there are applications for conversion of commercial uses to residential or mixed use residential in any urban village, the City Council may facilitate such a change in development on the condition that the City also obtains the amenities identified within the Urban Village Plans and in the manner specified in this Framework. Staff and the developer of a project that has applied for rezoning from commercial to residential or mixed use residential shall work together to identify the amenities in the applicable Urban Village that will be provided by the developer and shall agree to include the identified amenities as conditions of approval in all related project approvals along with a timeline for completion.
8. Based upon the foregoing, the City of San Jose establishes the following through this Framework:
 - a) Direction to develop an Urban Village Commercial and Urban Village Mixed-Use zoning (residential and mixed-use residential) districts that further the implementation of the Urban Village Strategy and the individual Urban Village Plans, as well as requiring conformance with this Framework.

- b) The process for approval of Urban Village Amenities for projects requesting rezoning from commercial to residential or mixed use residential in Urban Villages with adopted Urban Village Plans.
- c) The amount and type of Urban Village Amenity contribution for projects requiring rezoning from commercial to residential or mixed use residential in Urban Villages.

B. Definitions.

1. **“Average Project Value”** is the price per square foot valuation for residential development in the City of San Jose specified in this Framework adopted by City Council resolution. The Average Project Value may be updated by resolution of the City Council modifying this Framework from time to time.
2. **“Total Net Residential Square Feet”** is the average square footage of the market rate residential units in the project multiplied by the total number of market rate residential units in the project. “Total net residential square feet” does not include parking areas and common areas such as lobbies, hallways, stairwells, community rooms, and the like, which are accessible to all residents of the project. “Total net residential square feet” also does not include the square footage of any deed restricted affordable housing units in the project including those constructed pursuant to the City’s Inclusionary Housing Ordinance and State Density Bonus Law.
3. **“Urban Village Amenity(ies)”** or **“UVA”** means a project amenity or amenities that achieve specified community goals, such as providing neighborhood streetscape improvements, publicly accessible parks and open space, publicly viewable art, and other similar improvements, in addition to what may be required as part of a discretionary review and approval of a project and/or in addition to what may be required by the San Jose Municipal Code. The Urban Village amenity or amenities are specified in each adopted Urban Village Plan for development within the Plan area.
4. **“Urban Village Plan”** is a Plan adopted in accordance with the City of San Jose’s Envision 2040 General Plan which specifies the Plan boundaries, land use designations and uses, development standards, and desired amenities.

C. Zoning

The zoning districts included in Title 20 of the Municipal Code were developed under the prior General Plan and often do not allow the denser urban type of development designated in the Envision San Jose 2040 General Plan. The development standards of many of the zoning districts within Urban Villages do not align with the urban design standards contained within the approved Urban Village Plans. To provide more clarity and a more simplified planning process, key urban design standards need to be incorporated within the Urban Village zoning framework, particularly as it relates to the relationship of

new development to street, and the public realm. This Framework provides direction to develop both Urban Village Commercial and Urban Village Mixed-Use zoning districts that further the implementation of the Urban Village Strategy and the individual Urban Village Plans, as well as requiring conformance with this Framework.

1. Urban Village Commercial

The Urban Village Commercial (UVC) Zoning District or Districts will be created to replace current commercial zoning districts and establish new development standards for commercial development that facilitates more urban and pedestrian oriented commercial development, precluding the need for Planned Development Zonings to implement the Urban Village Strategy and Plans. The District should also establish the non-residential uses that are appropriate and permitted within an Urban Village.

Affordable Housing Exception: This zoning district shall not allow residential uses, with the exception that 100% deed restricted affordable housing will be allowed in a mixed-use format.

As resources permit, the City should proactively and strategically rezone commercially zoned properties within Urban Villages to a UVC zoning district, focusing on those properties that present key development opportunities and have zoning districts that are significantly out of alignment with adopted Urban Village Plans. In locations where the City has not rezoned a property to UVC, a developer may need to initiate a rezoning to UVC as the first step in their entitlement process. This will bring a proposed commercial development in conformance with a given Urban Village Plan.

2. Urban Village Mixed-Use

The Urban Village Mixed-Use (UVMU) zoning district should have comparable development standards and allowable uses as the Urban Village Commercial zoning district; however, the UVMU would also allow mixed-use residential uses (including residential only in some Urban Villages). The UVMU zoning district would also include a requirement that residential or mixed-use residential projects must be consistent with this Framework, and provide Urban Village Amenities identified in the applicable Urban Village Plan as described in Section D below.

The City will not proactively rezone commercial properties within an Urban Village to a UVMU zoning district. As part of the entitlement process, applicants for residential and residential mixed-use development proposed on commercially zoned property will need to rezone to the UVMU zoning district consistent with the applicable Urban Village Plan. As part of this rezoning and development permit process, the Urban Village Amenities that would be provided shall be identified in the application process.

Residential or residential mixed-use development proposed prior to the establishment of a UVMU zoning district in the Zoning Ordinance would be considered and approved through a Planned Development Zoning and Planned Development Permit process.

Development under a Planned Development Zoning and Planned Development Permit process would also need to provide amenities consistent with this Framework.

All applications for a change in zoning from commercial to UVMU in Urban Villages shall include all applications for land use related permits for the project and shall be filed with the City concurrently so, for example, an application for rezoning from commercial to mixed-use residential shall also include all necessary project specific applications including but not limited to applications for tentative subdivision map, parcel map, zoning or rezoning, site development permit, conditional use permit, and special use permit (but excluding general plan amendments, annexation, specific plans, and areas development policies). The City shall not consider zoning-only applications for changes from commercial to UVMU.

D. Urban Village Amenities

While high quality private development will be instrumental in implementing the General Plan's Urban Village Strategy, integrating public improvements and Urban Village Amenities will also be critical in creating dynamic great places. This Framework establishes a mechanism to require UVAs and public improvements from residential and residential mixed-use development to support intensified residential development in Urban Villages, beyond what the City typically requires development to provide. The sections below specify the amount and method by which UVAs will be determined, what UVAs will be provided, and the process for selecting UVAs.

Exceptions: Because affordable housing has been identified as a primary need in the General Plan and in most Urban Village Plans, deed restricted affordable housing units are not subject to the required UVAs in this Framework (see definition of "Total Net Residential Square Footage" above). This Urban Village Amenity Framework is only applied to residential or residential mixed-use development in Villages with an approved Urban Village Plan, and therefore also does not apply to Signature Projects, as defined by the General Plan.

1. Urban Village Amenity Amount Calculation

Within Urban Villages that have an approved Urban Village Plan, residential or residential mixed-use projects shall include the provision of UVAs as a condition of approval of all land use entitlements for the project.

- a) Urban Village Amenity Contribution (VAC) Calculation: The required UVAs to be provided is equal to two percent (2%) of the total value of the residential units in the project and shall be calculated as follows:

$$\text{VAC} = \text{Average Project Value} \times \text{Total Net Residential Square Footage} \times 0.02$$

- b) Average Project Value Amount: As of the date of adoption of this Framework, the Average Project Value Amount is established at \$555 per square foot.

This Average Project Value is based on the April 17, 2018, “Conceptual Pro Forma Analysis” prepared by Keyser Marston Associates (available for public review in the offices of the Director of Planning, Building and Code Enforcement) which included a city-wide analysis of recent sales of high density residential and mixed-use projects in San José to calculate an average per square foot value of residential space. The Average Project Value reflects an average of these recent sales in various areas of the City. The Average Project Value may be updated by resolution of the City Council amending this Framework from time to time.

2. **UVA Types:** This Framework establishes the amenities below that can be provided and count towards a project’s VAC. These UVAs are explained in more detail in Table 1 attached hereto and incorporated herein by reference.
 - a) On-Site Plazas/Privately Owned and Publicly Accessible Open Spaces (Popos)
 - b) Commercial Space in addition to that required by the applicable Urban Village Plan.
 - c) Deed restricted commercial space for “non-formula” employment uses (as defined in Table 1 attached hereto) and community facilities.
 - d) On-site or off-site place making art installations in locations viewable by the public.
 - e) Off-site streetscape amenities or multi-modal improvements beyond standard City requirements. Such improvements could include, but are not limited to, roadway/intersection improvements, connections to transit, enhanced sidewalks or streetscapes, enhanced lighting, landscaping, or street furniture. Improvements would be subject to review and approval of the Department of Transportation (DOT) and the Public Works Department (PW).
 - f) Contributions towards, or construction of, unfunded projects or improvements identified in an Urban Village Plan.
 - g) Construction of additional public open space amenities and park facilities above and beyond the City’s Parkland Dedication Ordinance (PDO) and the Parks Impact Ordinance (PIO) fees, and dedication requirements specified in the San Jose Municipal Code. Amenities could include, but are not limited to, off-site trail connections, public open space or park amenities and improvements, or community center amenities and improvements.

To encourage developers to include or build the amenities as part of their project, this Framework provides more credit for construction of a given amenity than the actual cost to construct that amenity. A developer may, however, choose to pay the City VAC amount required instead of building the amenities.

Table 1 of this Framework, attached hereto, establishes the amount of credit towards the VAC that is given for constructing specific types of UVAs. Table 1 also establishes the minimum requirements for each type of UVA with the maximum amount of credit that can be given towards meeting a developer’s total VAC requirement. If the credit for

UVAs provided by a development is less than the total required VAC, the developer shall pay the City the balance.

3. Process to Select Urban Village Amenities

Based on community input and staff's professional recommendation, the City Council approved Urban Village Plans identify the amenities that are priorities for each Urban Village and provide direction on which should be sought from new development. As part of the entitlement process, a developer may initially propose the amenities to be provided. Staff should then work with the developer to refine these amenities, referring to the adopted Urban Village Plan for guidance. In addition, a community meeting should be held by staff and the applicant, consistent with the City's Public Outreach Policy, to seek input from the affected Urban Village community. The amenities required of a development shall be consistent with the applicable Urban Village Plan, incorporate community input, and should be appropriate in relation to the given development.

E. Procedures for Providing Urban Village Amenities

1. Land Use Applications.

- a) To insure the timely completion of UVA improvements, all applications for land use related permits for the project shall be filed with the City concurrently so, for example, an application for rezoning from commercial to residential or mixed use residential shall also include all necessary project specific applications including but not limited to applications for tentative subdivision map, parcel map, zoning or rezoning, planned development permit, conditional use permit, and special use permit (but excluding general plan amendments, annexation, specific plans, and area development policies). The City shall not consider zoning-only applications for changes from commercial to residential or mixed use residential.
- b) The UVAs shall be incorporated into the project design, directly on-site and maintained for the life of a project unless it is part of a public improvement, whereupon it shall be constructed in accordance with design and specifications approved by the City or through an in lieu monetary contribution.
 - i) On-site amenities – The amenities shall be incorporated on development plans and as conditions of approval as part of the project discretionary review process.
 - ii) Off-site amenities – The amenities shall be included in project approvals and shall be subject to an approved Improvement Agreement with the Department of Public Works Development Services Division with appropriate security for completion, warranty, and labor and materials.
- c) Public Parks or Open Space – When the amenities required for the project are Public Open Space, the developer shall record a covenant that runs with the land in a form approved in advance by the City to:
 - i) Maintain in a clean, sanitary, and available condition the amenities for the life of the project.
 - ii) Ensure the Public Open Space is open and available to the public during normal operating hours of the retail/commercial facilities within the mixed-use

development project or as otherwise determined by the City in the conditions of approval for the project.

2. Amenities Identified in Project Approvals; Enforcement.

The developer shall sign an Affidavit for Acceptance of Conditions certifying agreement to provide the required amenities as part of the project development. All ordinances, resolutions, or other approval of a project shall not become operative if the developer fails to sign the affidavit, and the project permits granting the change in zoning to mixed use residential or residential and the related development project shall be null and void. If the developer or any successor in interest fails to maintain the required amenities identified in the project approvals, then any permit or other revocable permit granted by the City as part of the approval of the project shall be referred to the Planning Commission for revocation pursuant to Title 20 of the San Jose Municipal Code and the matter may be referred for enforcement utilizing any and all available remedies in equity and law to enforce the permit conditions.

F. Accounting

All VAC funds paid to the City shall be deposited into an Urban Village Amenity Fund and shall be accounted for in such a manner that the VACs paid for a specific Urban Village will only be used for UVAs in that Urban Village. ALL VAC funds shall accrue interest thereon which interest shall be used in the same manner as the VAC.

G. Process to Update the Framework

The Urban Village Implementation Framework is intended to evolve over time to reflect changes in the real estate market and the economy, community preferences and City needs, and changes in State and Federal Laws.

While this Framework does not establish a schedule for considering updates or conducting a comprehensive review, a real estate market analysis should be conducted periodically to update the residential and residential mixed-use project value that is used to calculate the Average Project Value.

The Average Project Value of \$555 per net residential square foot is initially established by this Framework as a City-wide value, reflecting the average value for new high density residential or residential mixed-use projects throughout the City as whole. This Average Project Value should be adjusted and refined periodically, using the most current apartment building and condominium sales data, to better reflect the current market conditions of different geographies and product types in San José.

H. Application of Framework to Projects With Applications in Process

Planned development zonings and discretionary development permits that have been submitted to the City, including full payment of initial application fees, prior to adoption of this Urban Village Implementation Framework, are not subject to this Framework.

Table 1 - Urban Village Amenity Credit Methodology

Village Amenity Contribution (VAC) = Average Project Value x Total Net Residential Square Footage x 0.02

Village Amenity	Formula	Minimum Requirement	Maximum Credit	Comments
On-site Plazas/Private Owned and Publicly Accessible Open Space (POPO)	<p>2% – 3.5% of site developed as a POPO = 25% of VAC</p> <p>3.5% - 4.9% of site developed as a POPO = 50% of VAC</p> <p>5% - 6.9% of site developed as a POPO = 75% of VAC</p>	2,000 SF	75%	<p>Privately maintained</p> <p>Will not be counted towards a project's PDO/PIO obligation.</p> <p>Required common open space areas, landscape corridors, emergency vehicle access easements, walkways, unsuitable topography areas, riparian corridors, and environmental mitigation areas stormwater low impact development areas, are not eligible for credit towards this provision</p>
Commercial Space, above and beyond UV requirement	% of commercial space provide beyond requirement = % of credit towards VAC	5,000 SF	40%	<p>e.g. 20,000 SF required and 25,000 SF provided 25% increase results in 25% reduction in VAC</p> <p>Commercial spaces must be used for employment uses</p>
Deed Restricted commercial space for “non-formula” retail uses and community facilities	% of total commercial provided that is deed restricted = % of credit towards VAC	2,000 SF	20%	<p>e.g. 20,000 SF provided and 3,000 SF deed restricted 15% deed restricted results in 15% reduction in VAC</p> <p>“Non- formula” retail uses are establishments that do not share common features, such as a standardized array of merchandise, trademark, architecture, and décor, with 11 or more establishments worldwide. The term “retail use” includes both</p>

				stores and restaurants, as well as some services.
On or off-site place making art Installations in locations viewable by the public	\$1.5 credit for each \$1 invested	<ol style="list-style-type: none"> 1. Min. \$1,220.00 per dwelling unit if developer managed/City approved 2. Min. \$1,600.00 per dwelling unit if City Public Art program managed/approved 	20%	e.g. 100 unit project would include public art installation valued at minimum of \$122,000 subject to City approval
Off-site streetscape amenities or multi-modal improvements beyond standard requirements: includes, but not limited to, roadway/intersection improvements, connections to transit, enhanced sidewalk or streetscape, enhanced lighting, or landscaping.	\$1.50 credit for each \$1 invested	\$50,000 of cost (equal to \$75,000 of credit)	Up to 100%	Cost to be provided by applicant and verified by City DPW. Cost = hard construction costs, and soft costs, not to exceed 10% of total project cost, subject to approval by DPW.
Contributions towards, or construction of, unfunded projects or improvements identified in an Urban Village Plan.	\$1.50 credit for each \$1 invested	\$50,000 of cost (equal to \$75,000 of credit)	50%	Cost to be provided by applicant and verified by City DPW or other Department. Cost = hard construction costs, and soft costs, not to exceed 10% of total project cost, subject to approval by DPW or appropriate City Department.

Construction of additional public open space amenities and park facilities above and beyond the City's Parkland Dedication Ordinance (PDO) and the Parks Impact Ordinance (PIO) fees and dedication requirements specified in the San Jose Municipal Code.	\$1.50 credit for each \$1 invested	\$50,000 of cost (equal to \$75,000 of credit)	20%	<p>Cost to be provided by applicant and verified by City PRNS.</p> <p>Cost = hard construction costs, and soft costs, not to exceed 10% of total project cost, subject to approval by PRNS.</p> <p>Amenities could include, but are not limited to, off-site trail connections, public open space or park amenities and improvements, or community center amenities and improvements.</p>
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Attachment B

Hypothetical Urban Village Residential Mixed-Use Project

Land Area (in acres)	3
Dwelling Units per Acre	90
Total units	270
Value per Square Foot	\$ 555
Total Value of Residential Units (Rounded to nearest \$1,000)	\$ 135,000,000
Total Required Village Amenity Contribution @ 2% of Value	\$ 2,700,000

	Village Enhancement Cost	Village Enhancement Credit	Credit as % of Required Contribution
Project Example: 270 unit project on three acres			
Provision of unique amenity identified in Urban Village Plan (E.g. a gateway feature)	\$ 500,000	750,000	28%
Placemaking Art Installation	\$ 300,000	\$ 450,000	17%
Constructing Additional Street Enhancements and Improvements	\$ 1,000,000	\$ 1,500,000	56%
Sub Total	\$ 1,800,000	\$ 2,700,000	100%
Total Required Amenity Contribution		\$ 2,700,000	
Total Effective Cost of Providing Amenities		\$ 1,800,000	

Attachment C

Summary of Development Community and Urban Village Stakeholder Input March through April 2018

Development Community Input

Staff held an Urban Village Implementation meeting with the development community on March 29, 2018. At the meeting, staff presented and discussed the proposed implementation approach. Approximately 25 people participated. The following themes were received as feedback from the participants at the meeting:

- Geography matters, how does the Framework consider the value in different areas of the City?
- Review the Fremont study
- You should use cost per square foot and not cost per unit when looking at for sale residential units.
- The City needs for-sale residential units and that should be studied as well for determining the UVA framework, not just rental.
- Who really gets to select the UVA? If it's not the developer, then it's just more uncertainty. Use of language, developers propose versus developers select.
- What is the process for establishing the cost of the amenity? Are maintenance and land costs included?
- What about when there are multiple land owners and developers? Timing of the improvements, especially when its one improvement with contributions by each owner/developer.
- There should be a process to allow for the appraisal of different residential values, but we don't want to battle over appraisal values.
- Have options for a developer to select the appraisal route, either the base unit value or for the developer to get their own appraisal for unit value.
- Concerned that planning implementation staff will not know how, nor consistently process / implement the Framework.
- The community will want to know why the developer is getting more credit than the improvement is worth. This should be explained in the Framework.
- Don't put retail where it does not need to go.
- Requiring commercial square footage is a cost
- This is a good start, but simplify and show your work.
- Where does the 2% come from? Why not 1.5%?
- What about other new fees that the City is considering? e.g. VMT
- Ensure that the rules stay the same from planning permit through building permits.
- This feels to complicated, just like the North San Jose Development Policy, which has failed.

Urban Village Community Stakeholders Input

On April 5, 2018, staff held a community meeting for community leaders within The Alameda, Little Portugal, Roosevelt Park, West San Carlos, South Bascom, Winchester Boulevard, Santana Row/Valley Fair, Stevens Creek Boulevards, and East Santa Clara Street Urban Village plan areas. At the meeting, staff presented and discussed the proposed implementation approach. Approximately 37 people participated. The following themes were received as feedback from the participants at the meeting:

- Confirm, UVA fees are on top of other City fees, such as PDO/PIO
- What about small business displacement – the framework should encourage putting small businesses back into the new development.
- Affordable housing credit – do they get credit under the affordable housing ordinance and as an amenity?
- What is the process for setting the Village priorities and for changing them?
- Affordable housing units require more resources, but they pay only 50% of the PDO/PIO fees resulting in substandard parks with no capacity for maintenance (e.g. Cahill park).
- Allowance for up-zoning/density bonus for affordable.
- What is the community involvement in choosing amenities?
- Can all credits be spent on one amenity? Affordable units could suck out all the credit with none left for any other amenities.
- Certain projects should be required to provide a certain amenity (e.g. a park in a park deficient area where there is nothing for a ¼ mile, they should be required to build open space)
- The location of POPOS should be public and not interior to a site or gated.
- What about giving credits to an unfunded future project (e.g. the Five Wounds trail)
- We may want to address amenities beyond a single project scope – larger unfunded projects.
- What level of affordable units will get credit? Moderate income?
- Place making and art are not the same thing and should be listed separately.
- It's not realistic to revisit the UVI every year.
- How can you keep this simple? Each project is different; neighborhood priorities are different. UVI should adjust by area.
- Level of credit based on the priority in the Plan, receive more credit for higher priorities. Citywide approach versus a by Village area approach.
- Provide affordable rent to small (non-franchise/formula) businesses.
- When does the community get to provide input on the developers chosen amenities?
- These incentives will encourage more density and taller development near single-family homes and the community will need to negotiate down.
- Placemaking – encourage hiring a consultant to help developers include placemaking in their site planning.

- Some single-family will be impacted by new development. How can we have that conversation ahead of time so that no one is surprised? What are you protecting with Urban Villages and what are you not?
- What about an incentive for Urban Ag? It should be on the amenity list.
- Don't allow all amenity credits to go to one item – we need placemaking elements to beautify each area.
- Affordable units get credit to the inclusionary policy as well? If they get a density bonus the community should get more amenities.
- Affordable will take all of the eggs out of the basket. Most in the meeting indicated that affordable as an amenity should be removed from the list. Give less credit towards units.
- Lessen the number of years for deed restricted affordable.
- Building market rate housing and low end retail jobs will add traffic. Workers will not be able to love here.
- The movement of people should be an amenity – signal technology.
- Give credit to build more parking.
- How did you land on the 2%? This may not be enough for areas that do not have a lot now.
- Fees are for residential only, why not commercial?
- Transit is a missing piece of Urban Village's.
- More good things in the community equals people staying in the community and not driving elsewhere, to other cities.
- Parking caps do not encourage car ownership. Paring permit program for neighborhoods adjacent to Urban Villages.



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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 23, 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.

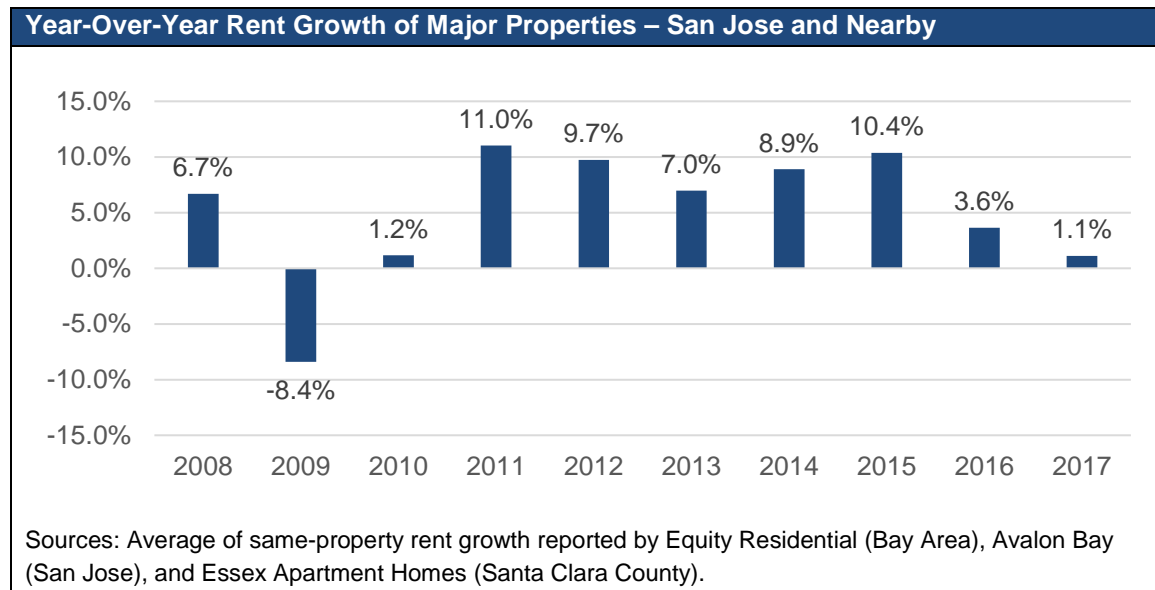
Rents

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 atypical 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.

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

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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.

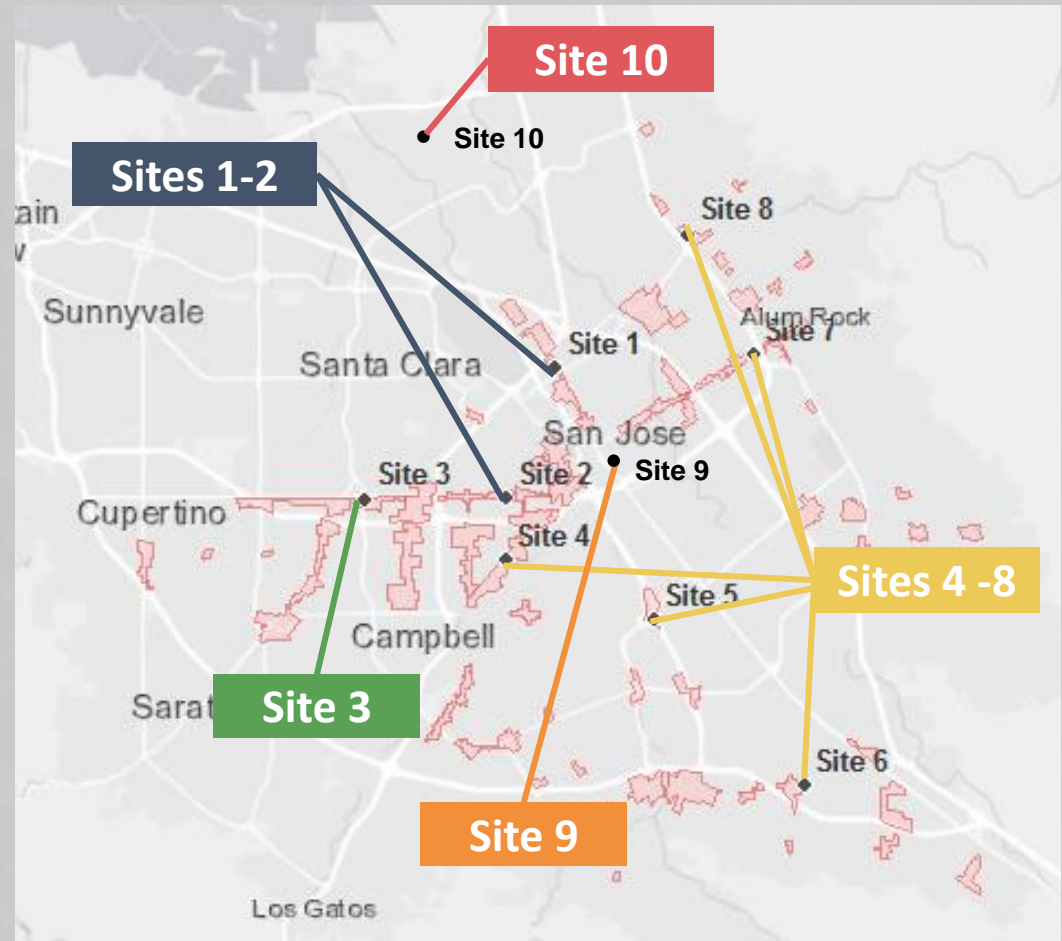
URBAN VILLAGE IMPLEMENTATION ANALYSIS

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



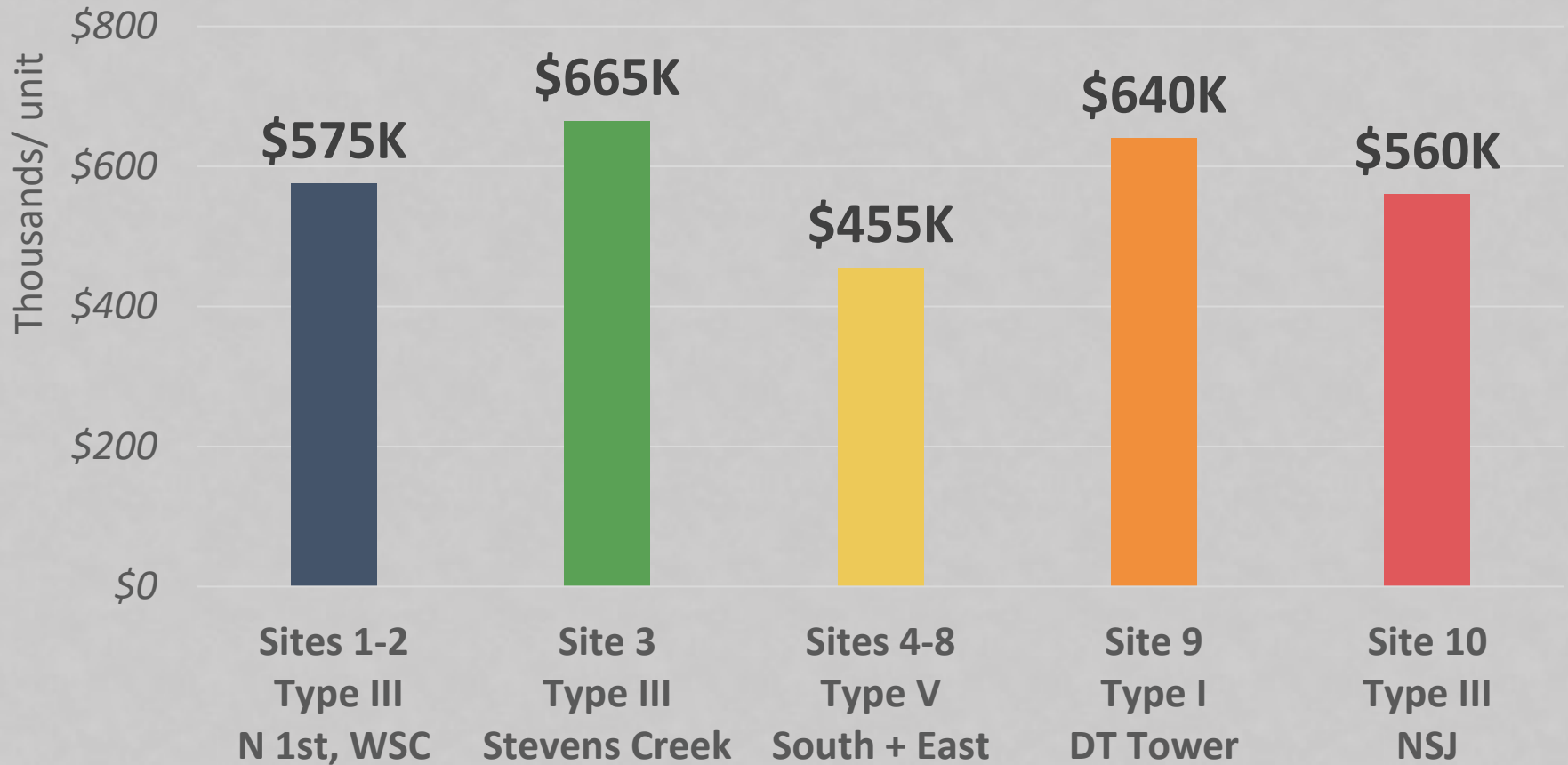
CASE STUDY SITES

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



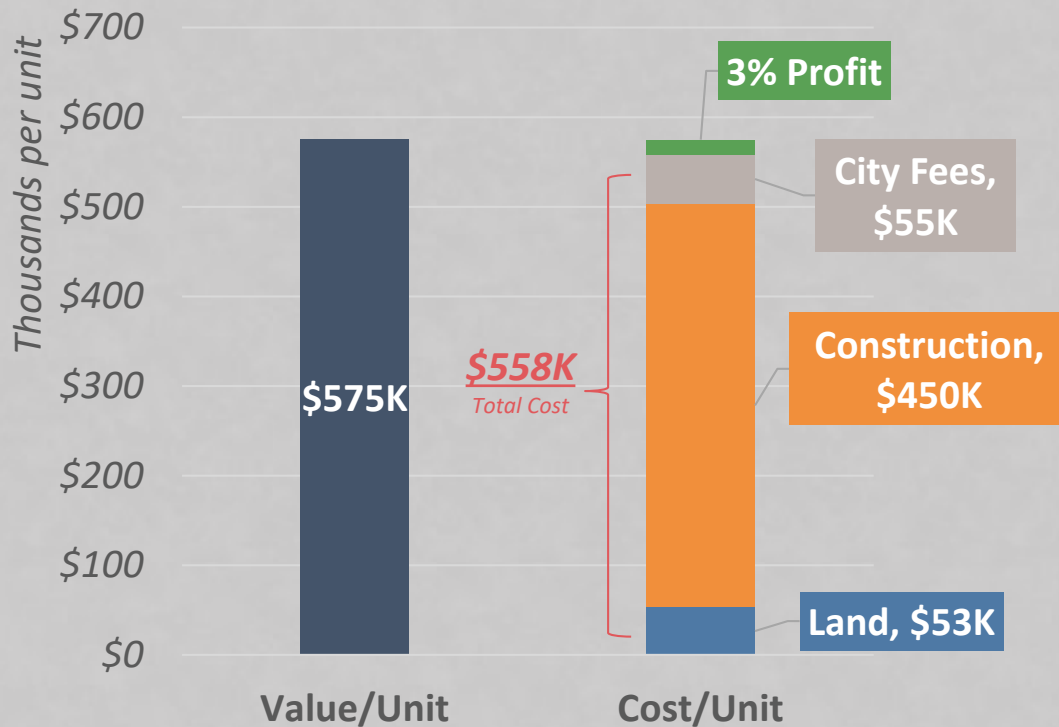
VALUES PER UNIT

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



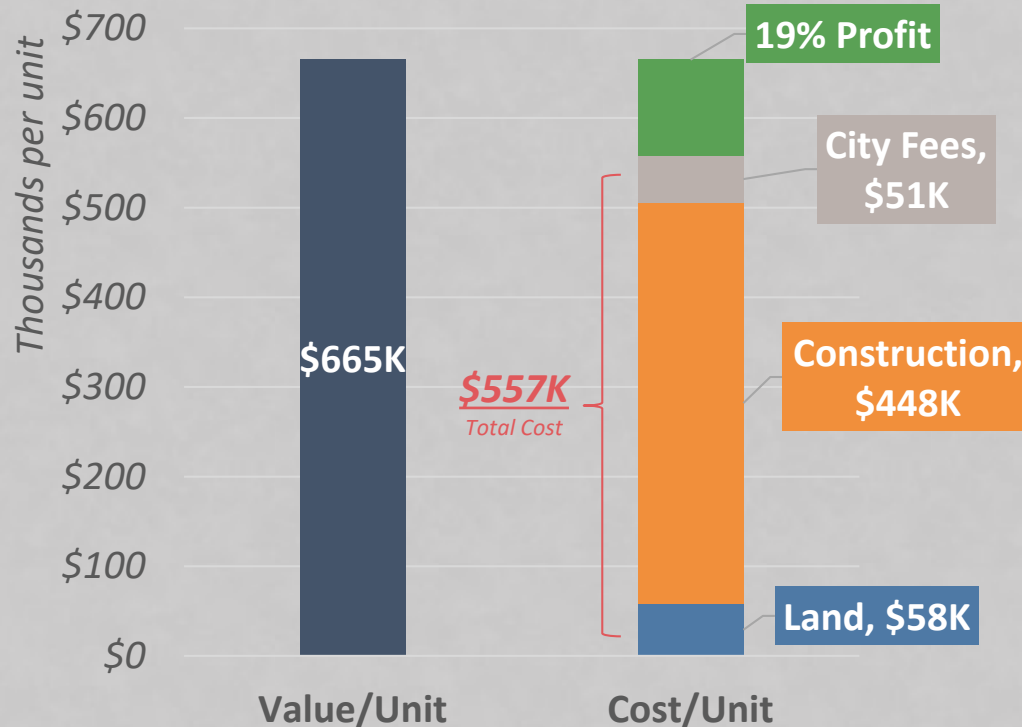
Construction Type	Type III Over Podium
Land Price	\$4.8M/acre
Density	90 du/acre
Avg. Monthly Rent	\$3,100/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$16K/du Construction Tax: \$6K/du Remainder: \$8K/du
CEQA Mitigations & Off-sites	To be determined

Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITE 3

STEVENS CREEK | VALUE PER UNIT VS. COSTS PER UNIT



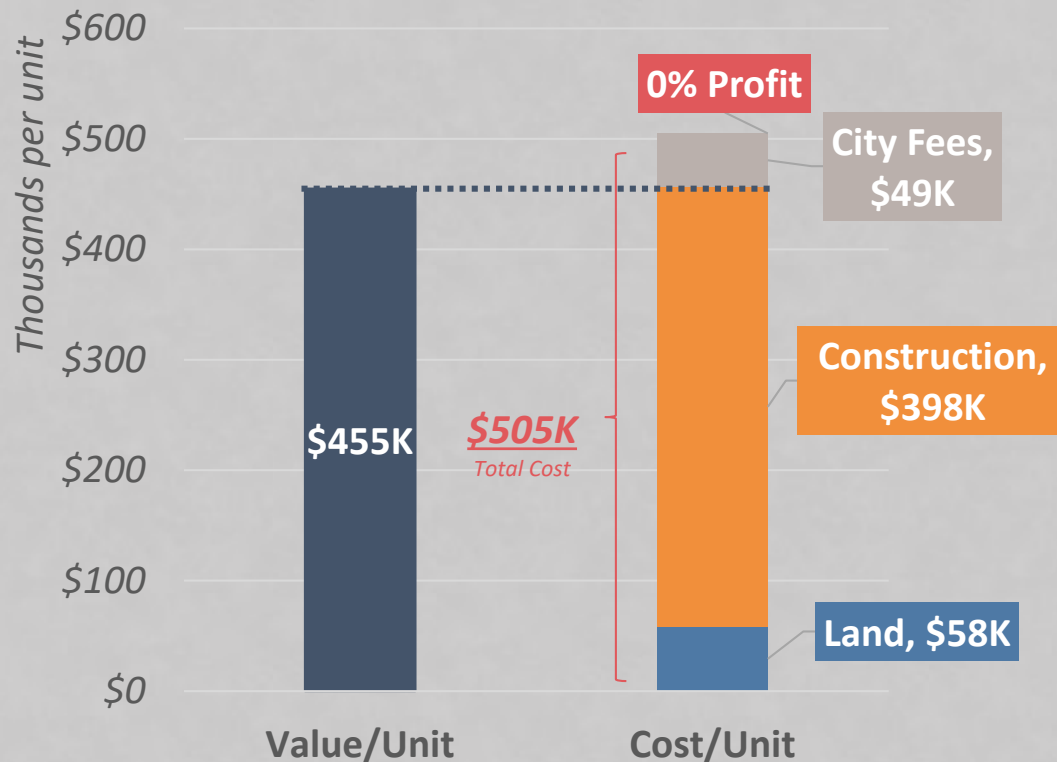
Construction Type	Type III Over Podium
Land Price	\$5.2M/acre
Density	90 du/acre
Avg. Monthly Rent	\$3,450/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$14K/du Construction Tax: \$6K/du Remainder: \$6K/du
CEQA Mitigations & Off-sites	To be determined

Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITES 4 - 8

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



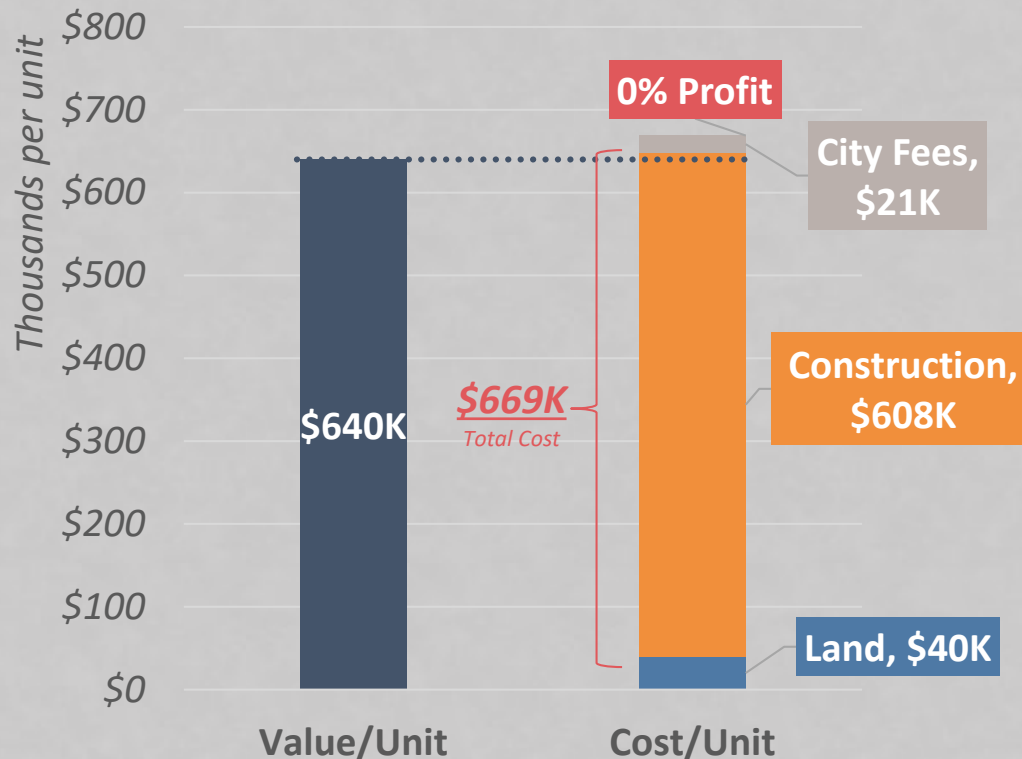
Construction Type	Type V over Podium
Land Price	\$3.8M/acre
Density	65 du/acre
Avg. Monthly Rent	\$2,750/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$11K/du Construction Tax: \$6K/du Remainder: \$7K/du
CEQA Mitigations & Off-sites	To be determined

Profit expressed as a percentage of costs.



CONCEPTUAL PRO FORMA | SITE 9

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



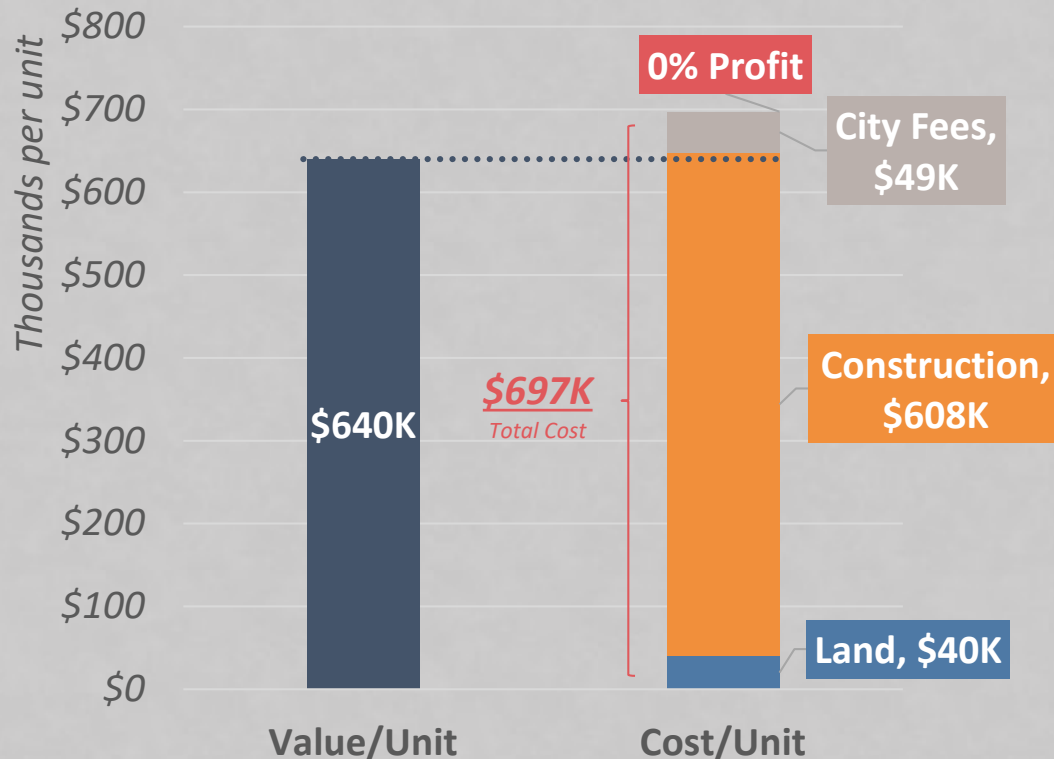
Construction Type	Type I (Tower)
Land Price	\$12.8M/acre
Density	320 du/acre
Avg. Monthly Rent	\$3,200/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$0 Park (incentive): \$11K/du Construction Tax: \$3K/du Remainder: \$7K/du
CEQA Mitigations & Off-sites	To be determined

* **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*



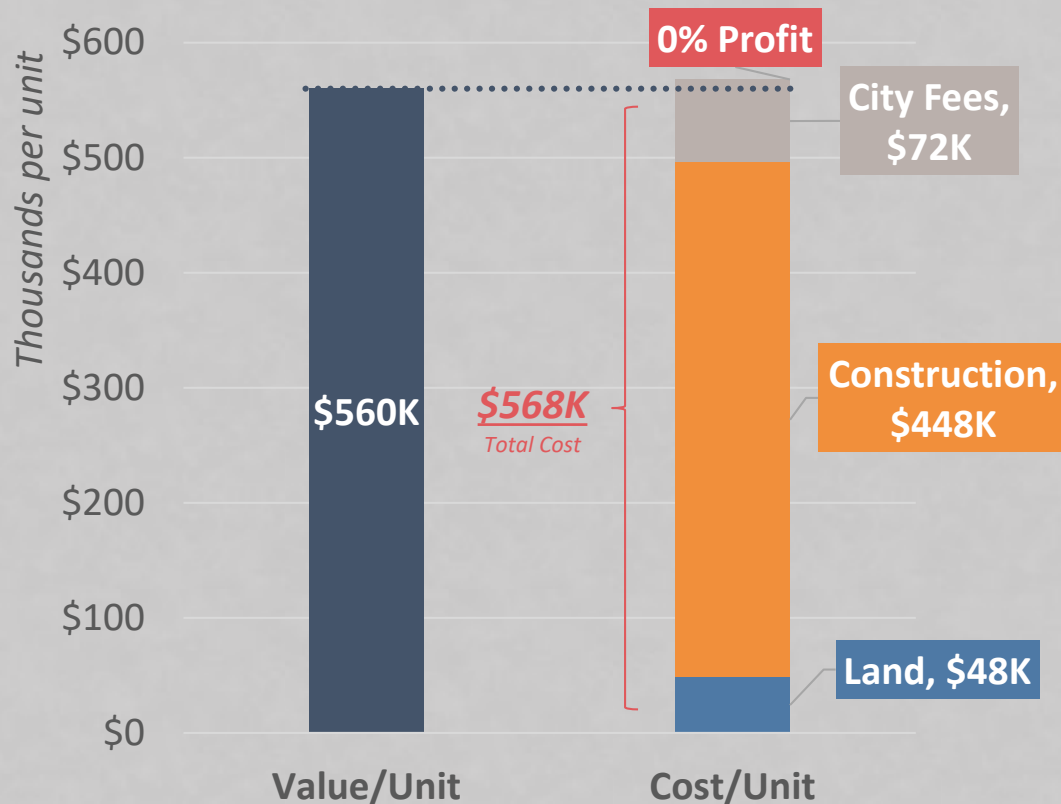
Construction Type	Type I (Tower)
Land Price	\$12.8M/acre
Density	320 du/acre
Avg. Monthly Rent	\$3,200/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$12K/du Construction Tax: \$6K Remainder: \$6K/du
CEQA Mitigations & Off-sites	To be determined

* **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



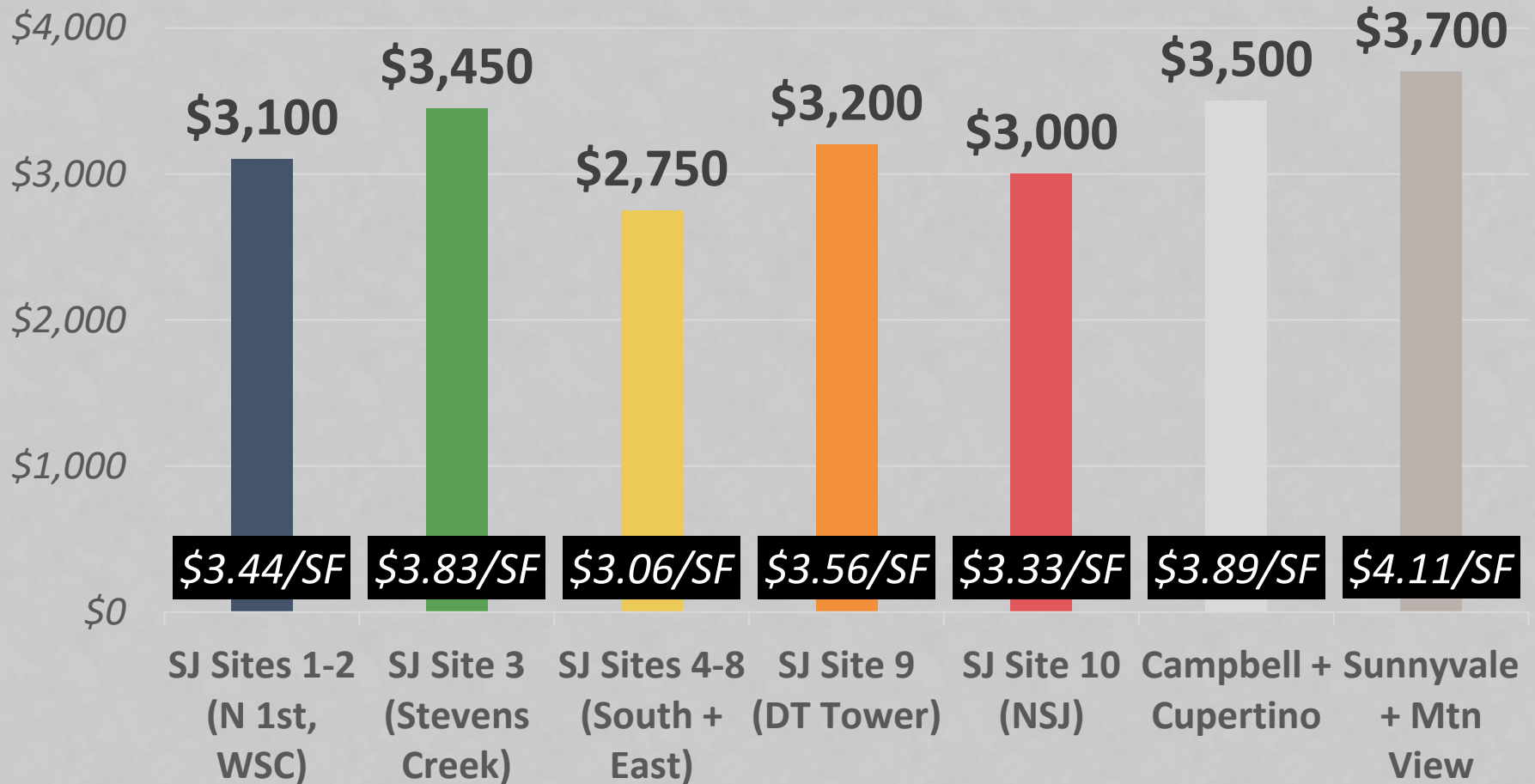
Construction Type	Type III over Podium
Land Price	\$4.3M/acre
Density	90 du/acre
Avg. Monthly Rent	\$3,000/unit (900 SF avg.)
City Fees	Affordable Hsg.: \$25K/du Park In-Lieu (net): \$29K/du Traffic Impact: \$5K/du Construction Tax: \$6K/du Remainder: \$7K/du
CEQA Mitigations & Off-sites	To be determined

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	$3.96\% \times \$117\text{K/du} + \$165/\text{du} + \$1,635/\text{du}$ for parking
Type V	\$6,160	$3.96\% \times \$110\text{K/du} + \$165/\text{du} + \$1,635/\text{du}$ for parking
Type I w/ Incentive	\$3,080	$1.98\% \times \$117\text{K/du} + \$165/\text{du} + \$600/\text{du}$ for parking
Type I w/o Incentive	\$5,970	$3.96\% \times \$117\text{K/du} + \$165/\text{du} + \$1,170/\text{du}$ 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

4/23/2018

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

4/23/2018

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

4/23/2018

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****4/23/2018****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****4/23/2018****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

4/23/2018

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

4/23/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/ Acre \$000s	\$/ Land SF	Intended Use	\$/Unit
Page 1 of 2							
<i>Multifamily (MF)</i>							
<u>Site 1 - North 1st St</u>							
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
<u>Site 2 - West San Carlos</u>							
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
<u>Site 3 - Stevens Creek</u>							
4300 Stevens Creek	9.9	2017	\$53,000	\$5,354	\$123	MF	\$65,000
<u>Site 7 - Alum Rock</u>							
1695 Alum Rock Avenue	0.9	2017	\$3,950	\$4,647	\$107	MF affordable	\$56,000
<u>Site 8 - Capitol LR</u>							
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
<u>Site 9 - Downtown</u>							
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

4/23/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/ Acre \$000s	\$/ Land SF	Intended Use	\$/Unit
Page 2 of 2							
<i>Townhomes (SF Attached)</i>							
<u>Site 5 - Curtner LR</u>							
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
<u>Site 7 - Alum Rock</u>							
1875 Dobbin Drive	4.9	2017	\$28,000	\$5,691	\$131	SF attached	\$277,000
<u>Site 8 - Capitol LR</u>							
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

4/23/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/Acre (\$000s)	\$/ Land SF	Zoning	Notes
Page 1 of 2							
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	O	
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	O	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

4/23/2018

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/Acre (\$000s)	\$/ Land SF	Zoning	Notes
Page 2 of 2							
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

4/23/2018

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

4/23/2018

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
Average			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
Average			904	\$2,898	\$2,836	\$2,840
Top 3 Effective Rent				\$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
Average			969	\$3,010	\$2,992	\$2,800
Top 3 Effective Rent			860	\$2,963	\$2,955	\$3,100

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

4/23/2018

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

4/23/2018

	Number	Unit
<i>Page 1 of 2</i>		
<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
Commercial 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

4/23/2018

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