



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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AFFORDABLE HOUSING
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To: Chris Burton and Emily Lipoma
Office of Economic Development
City of San Jose

From: Keyser Marston Associates, Inc.

Date: October 11, 2019

Subject: Conceptual Pro Forma Analysis of High-Density Apartment Development

Introduction

In accordance with your request, Keyser Marston Associates, Inc. has prepared a conceptual pro forma analysis of high-density apartment development as background and context for the upcoming City Council hearing on the Housing Crisis Workplan, the Cost of Development, the Inclusionary Housing Ordinance and other housing-related items. The purpose of the conceptual pro forma analysis is to present current market conditions and provide an understanding of the general development economics of high-density apartment development with a focus on selected Urban Villages, the Downtown Core and North San Jose.

The conceptual analysis uses prototypes developed with City staff to illustrate “typical” high density projects in selected areas under current market conditions. The findings of the analysis indicate that development economics are challenging for high-density apartment projects in San Jose due to rising construction costs and moderation of rent growth. While the market values of most apartment prototypes analyzed exceed their total development costs, the estimated profit falls below the targeted threshold except for the prototype in the strongest submarket (West San Jose / Stevens Creek). Despite challenges in the current market, a variety of factors could enable projects to proceed in the near term, such as projects with a low land basis due to long-term ownership, projects viewed as a longer-term investment, or projects that achieve programmatic efficiencies in parking, density, or unit size.

Analysis Approach and Limitations

The conceptual pro forma analysis utilizes a static financial model to evaluate the development economics of prototypical projects representative of “average” or “typical” high-density apartment projects in San Jose. By its nature the conceptual analysis can only provide an overview-level assessment of real estate development economics. The development economics may be better or worse when a specific project is proposed, due to any number of unique circumstances, such as site configuration and conditions, construction efficiencies, project design, land cost basis, and sources of capital. As a result, all financial and programmatic estimates are preliminary in nature.

The analysis presents a snapshot in time as of mid-2019. 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.

A summary of the conceptual pro forma analysis is provided in this memorandum; financial and market inputs are detailed in the attached tables.

Conceptual Development Programs

In collaboration with City staff, three generic prototypes were selected to serve as examples of high-density apartment development in San Jose:

- 5-story low-rise building (Type V construction over a podium)
- 7-story mid-rise building (Type III construction over a podium)
- 22-story high-rise building (Type I construction)

The building prototypes are assumed to exhibit a similar unit mix and size (an average of 900 sq. ft., consistent with recently built or approved projects). Average unit sizes are representative for projects occurring across a broad range of locations in the city recognizing that unit sizes for specific individual projects or specific areas of the city may vary.

While projects may be required to provide a minimum amount of ground floor commercial, this analysis focuses on the development economics of apartments and assumes that the commercial component is cost-neutral in that commercial rents support commercial space development costs.

Exhibit 1. Conceptual Development Programs

Building Type	Building Height	Density	Avg. Unit Size	Parking Ratio
Low-Rise: Type V	5 stories	65 du/ac	900 SF	1.0/du
Mid-Rise: Type III	7 stories	90 du/ac	900 SF	1.0/du
High-Rise: Type I	22 stories	350 du/ac	900 SF	0.8/du

San Jose Submarkets

The pro forma analysis compares the development economics of the three conceptual development programs based on market conditions in submarkets where high-density apartment development is most likely to occur. These submarkets include:

- South and East: Curtner Light Rail, Blossom Hill/ Snell, Alum Rock, and North Capitol Avenue Urban Villages
- Central: West San Carlos and North 1st Street Urban Villages
- West San Jose: Stevens Creek Boulevard Urban Village
- North: North San Jose and Berryessa BART Urban Village
- Downtown Core

Pro forma assumptions including rents, land prices, and city fees differ by submarket. The low-rise (5-story) prototype is analyzed based on market conditions in the South and East and Central submarkets respectively. The mid-rise (7-story) prototype is analyzed based on market conditions in the Central, West, and North submarkets. The high-rise (22-story) prototype reflects market conditions in the Downtown Core. These pairings are based on where projects of each type have been occurring or are expected to occur in the future. They are intended to represent a range of market conditions and building types but are by no means comprehensive. For example, mid-rise development has also occurred in the downtown, but was not specifically analyzed based on the finding that rents are similar to other areas of Central San Jose.

Exhibit 2. Conceptual Development Programs Analyzed by Submarket

Submarket	Type V 5 Stories	Type III 7 Stories	Type I 22 Stories
South & East	X		
Central San Jose	X	X	
West San Jose (Stevens Creek)		X	
North San Jose		X	
Downtown			X

Development Pro Forma Assumptions

The financial and market assumptions informing the conceptual pro forma analysis 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 submarkets.

Apartment Rents

The estimated average rent of the prototypes is based on asking rents of recently built apartment projects that represent comparable projects. For purposes of the pro forma analysis, the estimated average apartment rent ranges from \$2,900 to \$3,550 per month depending on the submarket. The average rent is net of concessions, such as a month of free rent offered at lease signing.

Exhibit 3. Estimated Apartment Rents by Submarket

Submarket	Monthly Rent Per Unit	Per SF
South & East	\$2,900	\$3.22
Central San Jose	\$3,300	\$3.67
West San Jose (Stevens Creek)	\$3,550	\$3.94
North San Jose	\$3,300	\$3.67
Downtown	\$3,400	\$3.78

While estimated rents are strong by historical standards, they are less than the rents achieved by recently built projects in nearby cities such as Campbell, Sunnyvale, and Mountain View, where average rents exceed \$3,900 per month for a 900 square foot, newly built apartment unit (above \$4.30 per square foot; see appendix tables for detail).

The rent differential between San Jose and nearby cities presents a challenge for San Jose projects in the near term, because construction costs are the same as in communities with higher rents. To investors and developers with a longer horizon, however, the rent differential also represents an opportunity for San Jose submarkets to improve their competitive position and over time approach the rents achieved in nearby cities.

Development Costs

The development cost estimates include direct construction costs, indirect or soft costs of development, such as professional services, as well as financing costs during construction and lease-up.

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 review pro formas for numerous private development projects and work in conjunction with 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 Marshall & Swift and RS Means which estimate costs for a wide variety of building types in varying locales.

Direct 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 (open to both unionized and non-unionized contractors).

- For Type V construction over a podium, direct construction costs are estimated to be \$315 per square foot of gross building area, including parking at a ratio of 1.0 space per unit.
- For Type III construction over a podium, direct construction costs are estimated to be \$335 per square foot of gross building area, including parking at a ratio of 1.0 space per unit.
- For Type I (tower) construction, direct construction costs are estimated to be approximately \$400 per square foot of gross building area, including parking at a ratio of 0.8 spaces per unit.

Indirect costs, including architecture and engineering, school fees, taxes, insurance and developer overhead and administration, are estimated to represent 17% to 19% of direct construction costs. Financing costs represent an additional 7% to 8% of direct costs. Financing costs are estimated based on an interest rate of 5.5% per year, a loan to cost ratio of 65%, a construction loan term of 24 to 30 months (varying by construction type), and an average outstanding balance of 55%.

San Jose Reach Code Ordinance

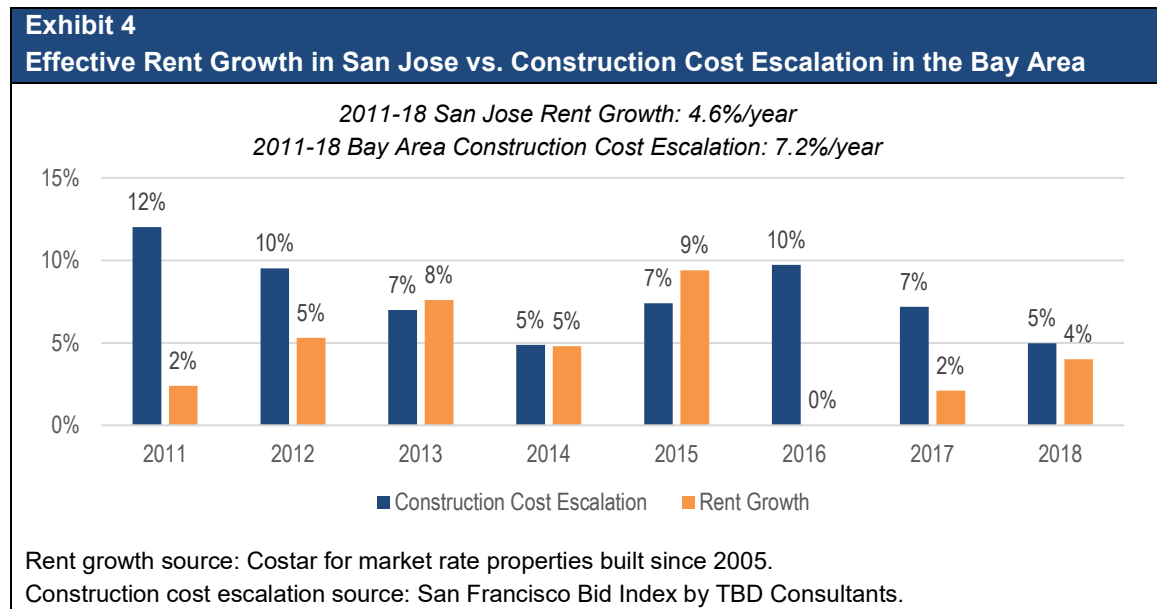
In September 2019, the San Jose City Council approved a reach code ordinance that introduces building standards for new construction that go beyond the 2019 California Green Building Standards Code and California Building Efficiency Standards. Taking effect in 2020, the reach code requires greater energy efficiency from mixed-fuel buildings and increases requirements for electric vehicle charging infrastructure. The cost to comply with the reach code is not reflected in the analysis because there was not enough available information regarding the impact on the prototype projects.

Trends in Rent Growth and Construction Cost Escalation

Market rate apartment rents recorded very strong growth for several years from 2013 through 2015. As shown in Exhibit 4, effective asking rents for properties built since 2005 in San Jose grew at an average rate of 7% per year from 2013 to 2015. Over this period, apartment rents outpaced construction cost escalation in the Bay Area, which averaged 6% annual growth.

Since 2016, however, rent growth has leveled to about 2% per year while construction cost escalation has averaged 7% per year. The rate of construction cost escalation during the current economic cycle is roughly double the historical average for the Bay Area, according to a local cost consultancy which tracks construction bid pricing.

The conceptual pro forma reflects today's construction costs and rents consistent with the near-term horizon of the analysis. Future changes in rents and construction costs will undoubtedly alter the findings of the analysis. Forecasts indicate that construction cost escalation may continue to outpace rent growth for another year. A local construction bid index projects Bay Area construction costs to grow by 5% to 6% over the next year while Essex Property Trust projects apartment rents in San Jose to grow by under 4%. In subsequent years, the rate of cost escalation is projected to subside, potentially bringing cost and rent growth back into balance.



City Fees

City 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 current 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. San Jose’s existing inclusionary requirements are assumed for purposes of this memorandum. The City is in the process of updating its inclusionary ordinance.

Under the City’s Affordable Housing Impact Fee (AHIF) transition program, downtown high-rise rentals that meet certain criteria, including receipt of first approvals prior to June 30, 2018 and a certificate of occupancy prior to December 31, 2023 (with the recent deadline extension), are not required to pay the AHIF or the inclusionary in-lieu fee. Accordingly, downtown high-rises are evaluated both with and without an in-lieu fee.

- **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 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 2018 Parkland In-Lieu Fee Schedule, the park fee net of credits ranges from \$10,200 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 \$2,200 per unit. For the conceptual pro forma, a reduced US 101/ Oakland/ Maybury fee is assumed in recognition that the policy area covers only a portion of the Central submarket.
- *Development Construction Taxes* – Residential projects are subject to construction taxes totaling 3.96% of the building permit value, plus \$200 per unit. Construction taxes are estimated to range from \$6,500 to \$6,800 per unit based on the Building Division's current valuation table. For high-rise residential development in the downtown, City Council recently voted to support a 50% suspension of the Building and Structure (B&S) tax and the Commercial, Residential, Mobile Home Park (CRMP) tax, which would reduce the total tax from approximately \$7,400 per unit to \$3,800 per unit for projects completed prior to December 31, 2023.
- *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 Fee Scenarios: The pro forma analysis evaluates two fee scenarios for downtown high-rise development, per the direction of City staff. The "no incentive" scenario assumes that the downtown high-rise project is required to pay the current Inclusionary Housing In-Lieu Fee and 100% of applicable construction taxes. The "incentive" scenario assumes an inclusionary in-lieu fee of \$0 and a 50% suspension of construction taxes.¹

¹ For purposes of this analysis, it is assumed that incentives would not constitute a subsidy for purposes of San Jose Municipal Code Section 14.10.110.

Exhibit 5 summarizes the estimated city fees by submarket. 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.

Exhibit 5: City Fees by Submarket

Submarket	Afford. Housing per unit	Parks (net) per unit	Const. Taxes per unit	Traffic (net) per unit	Dev. Permits per unit	Total per unit
South & East	\$25,000	\$10,800	\$6,500	\$0	\$6,500	\$48,800
Central San Jose	\$25,000	\$15,800	\$6,800	\$1,100	\$6,500	\$55,200
West San Jose	\$25,000	\$13,500	\$6,800	\$0	\$6,500	\$51,800
North San Jose	\$25,000	\$29,100	\$6,800	\$5,000	\$6,500	\$72,400
Downtown (incentive)	\$0	\$10,200	\$3,400	\$0	\$6,500	\$20,100
Downtown (no incentive)	\$25,000	\$10,200	\$6,700	\$0	\$6,500	\$39,800

Land Costs

Land costs are informed by recent land transactions within or near the submarkets that represent comparable sales. Comparable sales include land with commercial improvements or land with residential development potential. Based on recent sales, land costs are estimated to range from \$3.7 million per acre in South and East submarkets to \$21.0 million per acre in the Downtown Core. Per entitled apartment unit, land costs are in the range of \$48,000 to \$74,000 per unit, depending on the density. While the estimated cost of land in the Downtown Core is many times greater than other submarkets on a per acre basis, the cost per residential unit is similar, due to the density supported by downtown sites.

Exhibit 6: Land Costs by Submarket

Submarket	Building Type	Land Cost Per Acre	Conceptual Density	Land Cost Per Unit
South & East	Type V	\$3.7M/ac	65 du/ac	\$56,600/du
Central San Jose	Type V	\$4.8M/ac	65 du/ac	\$73,500/du
	Type III	\$4.8M/ac	90 du/ac	\$53,300/du
West San Jose	Type III	\$5.2M/ac	90 du/ac	\$57,800/du
North San Jose	Type III	\$4.3M/ac	90 du/ac	\$47,800/du
Downtown	Type I	\$21.0M/ac	350 du/ac	\$60,000/du

Value Upon Completion

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.

Exhibit 7: Capitalization Rates by Submarket

	Central, West, & North	South & East	Downtown
Capitalization Rate	4.5%	4.75%	4.25%

Profit

Profit is calculated as the difference between value and cost. The estimated minimum profit target for all prototypes is 10% to 15% of costs. It should be noted that many developers have expressed that a profit of more than 15% is necessary to attract investors.

Another metric that developers and investors use to evaluate real estate projects is return on cost. Return on cost is calculated as stabilized net operating income divided by the total development cost. Developers in San Jose have cited a return on cost of 5.0% or greater as necessary to attract investors.

Exhibit 8 provides the equivalent return on cost based on a 10%, 15%, or 20% profit. As shown, a profit of 10% to 15% translates to a return on cost of 5.0% or greater in all submarkets outside the downtown. In the downtown, a developer profit of 18% is needed to produce a return on cost of 5.0%. The reason is that capitalization rates in the downtown are estimated to be lower than in other areas, implying a greater spread between the capitalized value of the project and the investment warranted by a 5.0% return on cost.

Exhibit 8: Conversion of Profit to Return on Cost

	Equivalent Return on Cost		
Profit	Central, West, & North	South & East	Downtown
10% Profit	5.0% ROC	5.2% ROC	4.7% ROC
15% Profit	5.2% ROC	5.5% ROC	4.9% ROC
20% Profit	5.4% ROC	5.7% ROC	5.1% ROC

Conceptual Pro Forma Findings

The conceptual pro forma is based on the relationship between the revenue potential, the estimated value at completion, and the estimated development costs for the prototypes analyzed. A summary of the conceptual pro forma estimates is presented in Exhibit 8; detail on each component is provided in the appendix tables. It is important to note that specific projects may perform better or worse than the “typical” prototypes shown here, depending on the sources of capital and the developer’s / investor’s overall business strategy.

Per Exhibit 9, the mid-rise apartment prototype in West San Jose (Stevens Creek) is the only apartment prototype to demonstrate an estimated profit that exceeds the targeted profit threshold of 10% to 15%. This scenario benefits from stronger rents in West San Jose which are estimated to be approximately 5% to 20% higher than other submarkets. The West San Jose prototype provides a benchmark for the rents required to meet the return expectations of developers and investors.

In Central and North San Jose submarkets, the conceptual pro forma indicates that the rental income generated by a low- or mid-rise multifamily apartment project is likely to be sufficient to support all of a project’s development costs, including land acquisition, but is not likely to yield a profit that is commensurate with current industry targets for apartment projects.

In South and East San Jose, estimated costs and values are out of balance, making it more challenging for projects to move forward under current market conditions. The primary driver of this conclusion is that current market rents are lower than other submarkets and are unable to cover the rising cost of construction.

In the Downtown Core, the estimated value per unit is slightly less than the estimated cost to build a high-rise apartment unit and is therefore insufficient to generate a profit. Development economics improve with the partial suspension of construction taxes and an Inclusionary Housing fee of \$0, but the estimated profit remains below the minimum target.

Exhibit 9: Summary of Pro Forma Findings

Submarket	Bldg. Type	Value Per Unit	Total Cost Per Unit	Est. Profit Per Unit ¹	Return on Cost ²
South & East	Type V	\$488,400	\$529,300	None	4.38%
Central San Jose	Type V	\$616,200	\$574,000	\$42,200 (7%)	4.83%
	Type III	\$616,200	\$579,800	\$36,400 (6%)	4.78%
West San Jose	Type III	\$677,300	\$580,900	\$96,400 (17%)	5.25%
North San Jose	Type III	\$622,900	\$592,000	\$30,900 (5%)	4.73%
Downtown (no incentive)	Type I	\$679,100	\$689,300	None	4.19%
Downtown (incentive)	Type I	\$679,100	\$659,300	\$19,800 (3%)	4.38%

¹ Profit is equal to the capitalized project value upon completion less development costs. It is stated as a percentage of development costs.

² Return on Cost (ROC) is an annual return metric equal to the un-trended stabilized net operating income (NOI) of the project divided by the total development cost.

Despite the challenges outside of the strongest submarket, developers and investors with a longer-term horizon might choose to move forward with projects today with the expectation that rents in these areas will appreciate more quickly over time, approaching the rents already achieved in West San Jose. For example, Central San Jose and downtown have attracted significant residential developer interest likely based on the expectation that rent growth will follow transit improvements and employment growth in the Diridon Station area. North San Jose is another submarket with significant developer interest, suggesting that developers see an upside to current rents.

The development prototypes analyzed reflect typical programmatic assumptions regarding unit size, density, and parking standards based on recently built projects. These common programmatic assumptions also change over time in response to market demand and cost considerations. For example, high-rise projects in downtown are now proposing parking ratios below 1.0 as a way of reducing construction costs. Lower parking ratios could become more common throughout the city in conjunction with improvements to public transit and trends in car ownership. At a ratio of one space per unit, the cost of parking currently accounts for approximately 13% of direct costs and 9% of total development costs for the seven-story apartment prototype.

In a few cases, developers in San Jose are exploring alternative housing types as a way of enhancing returns and enabling projects to be built in the near term. Two projects in downtown San Jose that were previously approved as traditional high-rise apartment towers are now being proposed as co-living communities. Co-living communities include individually leased bedrooms in the range of 150 to 250 square feet each and shared kitchen, bath and living areas. Local development professionals project that co-living bedrooms will lease for approximately 70% to 80% of market rents for studio apartments, which would support higher rental income on a square foot basis compared to a traditional apartment project. Residential construction costs are estimated to be

slightly higher for co-living communities, but parking costs are less due to lower parking ratios. While the development economics of co-living communities might be superior to traditional apartment projects in certain cases, co-living communities represent a small share of the city's pipeline of planned and proposed housing units, and no projects have been built in San Jose to verify that targeted rents can be achieved.

Conclusions

The findings of the analysis indicate that development economics are likely to be challenging for apartment projects in San Jose due to rising construction costs and moderation of rent growth. While the market values of most apartment prototypes analyzed exceed development costs, the estimated profit falls below the targeted threshold except for the prototype in the strongest submarket (West San Jose / Stevens Creek). Despite challenges in the current market, a variety of factors could lead to projects proceeding in the near term, such as projects with a low land basis due to long-term ownership, projects viewed as a longer-term investment, or projects that achieve programmatic efficiencies in parking, density, or unit size.

A. Rental Pro Forma Analysis

Cost of Development Study

San Jose, CA

Prepared by Keyser Marston Associates

10/9/2019

Table A-1
Conceptual Pro Forma Analysis: Low-Rise Apartments
South & East San Jose
Cost of Development Study
San Jose, CA

10/9/2019

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	
Parking Ratio	1.0 /unit	
DEVELOPMENT COSTS		\$/Unit
Land	\$3.7M /acre	\$56,600
Direct Costs	\$315 /GSF	\$336,500
Indirect Costs ⁽¹⁾	19% of direct costs	\$62,400
City Fees (see below)		\$48,800
Construction Financing	5.50% interest 2.0 years 55% avg drawdown	\$25,000
Total Cost Per Unit		\$529,300
OPERATING INCOME		
Weighted Average Rent Per Month	\$3.22 /SF/mo.	\$2,900
Other Income Per Month		\$100
Vacancy		5%
Operating Exp. (incl. Prop. Tax) Per Yr.		\$11,000
ESTIMATED PROFIT		
Net Operating Income		\$23,200
Capitalized Value	4.75% cap rate	\$488,400
(Less) Development Costs		-\$529,300
Estimated Profit (as % of costs)		-\$40,900 no profit
CITY FEES DETAIL		
Affordable Housing		\$25,000
Parks (net)	30% credit	\$10,800
Construction Tax		\$6,500
Development Svcs Fees		\$6,500
Total		\$48,800

⁽¹⁾ Includes school fees.

Table A-2
Conceptual Pro Forma: Low-Rise Apartments
Central San Jose
Cost of Development Study
San Jose, CA

10/9/2019

PROGRAM

Construction Type	Type V over podium
Building Stories	4 over 1
Density	65 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	80% efficiency
Parking Ratio	1.0 /unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$4.8M /acre	\$73,500
Direct Costs	\$315 /GSF	\$353,100
Indirect Costs ⁽¹⁾	18% of direct costs	\$65,200
City Fees (see below)		\$55,200
Construction Financing	5.50% interest 2.0 years 55% avg drawdown	\$27,000
Total Cost Per Unit		\$574,000

OPERATING INCOME

Weighted Average Rent Per Month	\$3.67 /NSF/mo.	\$3,300
Other Income Per Month		\$150
Vacancy		5%
Operating Exp. (incl. Prop. Tax) Per Yr.		\$11,600

ESTIMATED PROFIT

Net Operating Income		\$27,700
Capitalized Value	4.5% cap rate	\$616,200
(Less) Development Costs		-\$574,000
Estimated Profit (as % of costs)		\$42,200 7% profit

CITY FEES DETAIL

Affordable Housing		\$25,000
Parks (net)	30% onsite credit	\$15,800
Construction Tax		\$6,800
Development Svcs Fees		\$6,500
Traffic - Oak./101/Maybury	partial fee	\$1,100
Total		\$55,200

⁽¹⁾ Includes school fees.

Table A-3
Conceptual Pro Forma Analysis: Mid-Rise Apartments
Central San Jose
Cost of Development Study
San Jose, CA

10/9/2019

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
Parking Ratio	1.0 /unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$4.8M /acre	\$53,300
Direct Costs	\$335 /GSF	\$376,500
Indirect Costs ⁽¹⁾	18% of direct costs	\$67,400
City Fees (see below)		\$55,200
Construction Financing	5.50% interest 2.0 years 55% avg drawdown	\$27,400
Total Cost Per Unit		\$579,800

OPERATING INCOME

Weighted Average Rent Per Month	\$3.67 /SF/mo.	\$3,300
Other Income Per Month		\$150
Vacancy		5%
Operating Exp. (incl. Prop. Tax) Per Yr.		\$11,600

ESTIMATED PROFIT

Net Operating Income		\$27,700	
Capitalized Value	4.5% cap rate	\$616,200	
(Less) Development Costs		-\$579,800	
Estimated Profit (as % of costs)		\$36,400	6% profit

CITY FEES DETAIL

Affordable Housing		\$25,000
Parks (net)	30% onsite credit	\$15,800
Construction Tax		\$6,800
Development Svcs Fees		\$6,500
Traffic - Oak./101/Maybury	partial fee	\$1,100
Total		\$55,200

⁽¹⁾ Includes school fees.

Table A-4
Conceptual Pro Forma Analysis: Mid-Rise Apartments
West San Jose
Cost of Development Study
San Jose, CA

10/9/2019

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
Parking Ratio	1.0 /unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$5.2M /acre	\$57,800
Direct Costs	\$335 /GSF	\$376,500
Indirect Costs ⁽¹⁾	18% of direct costs	\$67,400
City Fees (see below)		\$51,800
Construction Financing	5.50% interest 2.0 years 55% avg drawdown	\$27,400
Total Cost Per Unit		\$580,900

OPERATING INCOME

Weighted Average Rent Per Month	\$3.94 /SF/mo.	\$3,550
Other Income Per Month		\$150
Vacancy		5%
Operating Exp. (incl. Prop. Tax) Per Yr.		\$11,700

ESTIMATED PROFIT

Net Operating Income		\$30,500
Capitalized Value	4.50% cap rate	\$677,300
(Less) Development Costs		-\$580,900
Estimated Profit (as % of costs)		\$96,400 17% profit

CITY FEES DETAIL

Affordable Housing		\$25,000
Parks (net)	30% onsite credit	\$13,500
Construction Tax		\$6,800
Development Svcs Fees		\$6,500
Total		\$51,800

⁽¹⁾ Includes school fees.

Table A-5
Conceptual Pro Forma Analysis: Mid-Rise Apartments
North San Jose
Cost of Development Study
San Jose, CA

10/9/2019

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	
Parking Ratio	1.0 /unit	
DEVELOPMENT COSTS		\$/Unit
Land	\$4.3M /acre	\$47,800
Direct Costs	\$335 /GSF	\$376,500
Indirect Costs ⁽¹⁾	18% of direct costs	\$67,400
City Fees (see below)		\$72,400
Construction Financing	5.50% interest 2 years 55% avg drawdown	\$27,900
Total Cost Per Unit		\$592,000
OPERATING INCOME		
Weighted Average Rent Per Month	\$3.67 /SF/mo.	\$3,300
Other Income Per Month		\$150
Vacancy		5%
Operating Exp. (incl. Prop. Tax) Per Yr.		\$11,300
ESTIMATED PROFIT		
Net Operating Income		\$28,000
Capitalized Value	4.50% cap rate	\$622,900
(Less) Development Costs		-\$592,000
Estimated Profit (as % of costs)		\$30,900 5% profit
CITY FEES DETAIL		
Affordable Housing		\$25,000
Parks (net)	30% credit	\$29,100
Construction Tax		\$6,800
Development Svcs Fees		\$6,500
Traffic - NSJ		\$5,000
Total		\$72,400

⁽¹⁾ Includes school fees.

Table A-6
Conceptual Pro Forma Analysis: High-Rise Apartments, without Incentives
Downtown San Jose
Cost of Development Study
San Jose, CA

10/9/2019

PROGRAM

Construction Type	Type I tower
Building Stories	22
Density	350 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	78% efficiency
Parking Ratio	0.8 /unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$21.0M /acre	\$60,000
Direct Costs	\$400 /GSF	\$462,000
Indirect Costs ⁽¹⁾	17% of direct costs	\$79,800
City Fees (see below)		\$48,400
Construction Financing	5.50% interest 2.5 years 55% avg drawdown	\$39,100
Total Cost Per Unit		\$689,300

OPERATING INCOME

Weighted Average Rent Per Month	\$3.78 /SF/mo.	\$3,400
Other Income Per Month		\$250
Vacancy		5%
Operating Exp. (incl. Prop. Tax) Per Yr.		\$12,750

ESTIMATED PROFIT

Net Operating Income		\$28,900
Capitalized Value	4.25% cap rate	\$679,100
(Less) Development Costs		-\$689,300
Estimated Profit (as % of costs)		-\$10,200 0% profit

CITY FEES DETAIL

Affordable Housing		\$25,000
Parks (net)	30% credit	\$10,200
Construction Tax (CRMP, B&S)		\$6,500
Other Construction Tax		\$200
Development Svcs Fees		\$6,500
Total		\$48,400

⁽¹⁾ Includes school fees.

Table A-7**Conceptual Pro Forma Analysis: High-Rise Apartments, with Incentives****Downtown San Jose****Cost of Development Study****San Jose, CA****10/9/2019****PROGRAM**

Construction Type	Type I tower
Building Stories	22
Density	350 du/acre
Average Unit Size	900 SF/unit
Building Efficiency	78% efficiency
Parking Ratio	0.8 /unit

DEVELOPMENT COSTS

		\$/Unit
Land	\$21.0M /acre	\$60,000
Direct Costs	\$400 /GSF	\$462,000
Indirect Costs ⁽¹⁾	17% of direct costs	\$79,800
City Fees (see below)		\$20,100
Construction Financing	5.50% interest 2.5 years 55% avg drawdown	\$37,400
Total Cost Per Unit		\$659,300

OPERATING INCOME

Weighted Average Rent Per Month	\$3.78 /SF/mo.	\$3,400
Other Income Per Month		\$250
Vacancy		5%
Operating Exp. (incl. Prop. Tax) Per Yr.		\$12,750

ESTIMATED PROFIT

Net Operating Income		\$28,900	
Capitalized Value	4.25% cap rate	\$679,100	
(Less) Development Costs		-\$659,300	
Estimated Profit (as % of costs)		\$19,800	3% profit

CITY FEES DETAIL

Affordable Housing		\$0
Parks (net)	30% credit	\$10,200
Construction Tax (CRMP, B&S)	50% suspension	\$3,200
Other Construction Tax		\$200
Development Svcs Fees		\$6,500
Total		\$20,100

⁽¹⁾ Includes school fees.

Table A-8
Rental Pro Forma Assumptions
Cost of Development Study
San Jose, CA

10/9/2019

Development Costs		Income/Revenues	
<u>Land Costs</u>		<u>Market Apartment Rents (900 sf)</u>	
Central	\$4.8M /acre	Central	\$3,300 /Unit/Month
West	\$5.2M /acre	West	\$3,550 /Unit/Month
South & East	\$3.7M /acre	South & East	\$2,900 /Unit/Month
North	\$4.3M /acre	North	\$3,300 /Unit/Month
Downtown	\$21.0M /acre	Downtown	\$3,400 /Unit/Month
<u>Direct Construction Costs</u>		<u>Misc. Residential Income</u>	
Apartments: Type I*	\$350 /GSF	Central	\$150 /Unit/Month
Apartments: Type III*	\$290 /GSF	West	\$150 /Unit/Month
Apartments: Type V	\$270 /GSF	South & East	\$100 /Unit/Month
Retail (Warm Shell)	\$250 /GSF	North	\$150 /Unit/Month
Parking (Above Grade)	\$50,000 /space	Downtown	\$250 /Unit/Month
Parking (Below Grade)	\$80,000 /space		
*Type I = Concrete/ steel; Type V and III = Wood frame over podium			
<u>Indirect Construction Costs</u>		Operating Expenses	
Entitlements -Base	\$500K /project	<u>Vacancy</u>	
Entitlements - Tower	\$1.5M /project	Residential Vacancy	5.0%
Professional Fees	6.0% of directs	<u>Apartment OpEx</u>	
Taxes	0.5% of directs	Operating Expenses -Base	\$5,600 per unit
Insurance	0.5% of directs	Operating Expenses -Tower	\$6,250 per unit
Legal/Accounting	0.4% of directs	Property Taxes	Based on AV
Developer Fee	3.0% of directs		
Contingency	5.0% of directs		
Marketing	\$2,000 /unit		
Fees	Table A-9		
<u>Financing</u>		Investment Thresholds	
Loan-to-Cost	65% LTC	<u>Residential Cap Rates</u>	
Interest Rate	5.50% /year	North, Central & West	4.50% cap rate
Term - Type I	30 months	South & East	4.75% cap rate
Term - Type III or V	24 months	Downtown	4.25% cap rate
Avg Outstanding Balance	55% loan		
Points and Fees	1% loan		

Table A-9

Calculation of Residential Development Fees
Cost of Development Study
San Jose, CA

10/9/2019

		Low-Rise Central	Low-Rise South & East	Mid-Rise Central	Mid-Rise West	Mid-Rise North	High-Rise No Incentives	High-Rise w/ Incentives
I. Assumptions								
Residential NSF/Unit		900	900	900	900	900	900	900
Residential Efficiency		80%	85%	80%	80%	80%	78%	78%
Residential GSF/Unit		1,125	1,059	1,125	1,125	1,125	1,154	1,154
Park Zone		9	Multiple	9	15	07B	9	9
Base Park Fee		\$22,600	\$15,360	\$22,600	\$19,300	\$41,600	\$14,600	\$14,600
Private Recreation Credits ¹		30%	30%	30%	30%	30%	30%	30%
Traffic Impact Zone		101/Mayb.	None	101/Mayb.	None	North SJ	None	None
Traffic Impact Fee		\$2,200	\$0	\$2,200	\$0	\$5,000	\$0	\$0
Traffic Impact Discount % ²		50%	0%	50%	0%	0%	0%	0%
II. Building Permit Valuation								
Residential	\$118 /SF	\$133,000	\$125,000	\$133,000	\$133,000	\$133,000	\$137,000	\$137,000
Parking	\$84 /SF	<u>\$33,000</u>	<u>\$33,000</u>	<u>\$33,000</u>	<u>\$33,000</u>	<u>\$33,000</u>	<u>\$27,000</u>	<u>\$27,000</u>
Total		\$166,000	\$158,000	\$166,000	\$166,000	\$166,000	\$164,000	\$164,000
III. Fees and Permits Per Unit								
Parkland (net credits)		\$15,800	\$10,800	\$15,800	\$13,500	\$29,100	\$10,200	\$10,200
Affordable Housing	\$25,000 /du	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$0
<u>Construction Taxes</u>								
CRMP and B&S	4.0% BPV	\$6,600	\$6,300	\$6,600	\$6,600	\$6,600	\$6,500	\$3,200
Other Cxn Taxes	\$200 /du	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>
		\$6,800	\$6,500	\$6,800	\$6,800	\$6,800	\$6,700	\$3,400
School Fees	\$3.48 /SF	\$3,900	\$3,700	\$3,900	\$3,900	\$3,900	\$4,000	\$4,000
Traffic		\$1,100	\$0	\$1,100	\$0	\$5,000	\$0	\$0
<u>Other Permits and Fees</u>								
Entitlement	\$400 /du	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Improvement Plan	\$1,300 /du	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300
Permit Review Fees	\$2,700 /du	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700
Offsite/ Public Works	\$2,100 /du	<u>\$2,100</u>	<u>\$2,100</u>	<u>\$2,100</u>	<u>\$2,100</u>	<u>\$2,100</u>	<u>\$2,100</u>	<u>\$2,100</u>
		\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
Total Development Fees		\$59,100	\$52,500	\$59,100	\$55,700	\$76,300	\$52,400	\$24,100

¹ Assuming developers receive credit for provision of private open space.

² Traffic fee reduced in recognition that not all projects are located in the Transportation Development Policy plan area.

B. Rental Market Data

Cost of Development Study

San Jose, CA

Prepared by Keyser Marston Associates

10/9/2019

Table B-1
Recent Multifamily Residential Land Transactions (2015-2019)
Cost of Development Study
San Jose, CA

10/9/2019

Source: Costar

Property	Acres	Sale Yr	Price \$000s	\$/ Acre \$000s	\$/ Land SF	\$/Unit
<i>Multifamily (MF)</i>						
<u>Central SJ</u>						
1530 W San Carlos St	0.9	2019	\$12,750	\$14,415	\$331	\$123,000
117 N 5th St	0.2	2017	\$1,600	\$6,626	\$152	\$57,000
Shea Properties / Jackson St	5.3	2017	\$30,000	\$5,660	\$130	\$58,000
341 Page St (<u>affordable</u>)	0.2	2017	\$1,291	\$5,554	\$128	\$48,000
153 E Julian St	2.6	2018	\$10,289	\$3,927	\$90	\$27,000
<u>West SJ</u>						
4300 Stevens Creek ¹	9.9	2017	\$53,000	\$5,354	\$123	\$65,000
<u>North San Jose/ Berryessa</u>						
Berryessa BART site	6.5	2017	\$35,000	\$5,385	\$124	\$63,000
<u>South & East SJ</u>						
1695 Alum Rock (<u>affordable</u>)	0.8	2017	\$3,950	\$4,748	\$109	\$56,000
<u>Downtown SJ</u>						
199 Bassett (<u>co-living</u>) ²	0.8	2019	\$18,000	\$23,261	\$534	\$60,000
70 South Almaden Ave	1.6	2016	\$39,000	\$24,314	\$558	\$50,000
S San Pedro St	0.5	2015	\$8,800	\$18,723	\$430	\$39,000
618 S 1st St	0.4	2019	\$6,000	\$14,975	\$344	\$21,000
477 S Market St (<u>mid-rise</u>)	0.6	2019	\$6,525	\$11,447	\$263	\$50,000
201 W Julian St (<u>City transfer</u>)	1.5	2017	\$10,000	\$6,667	\$153	\$32,000
252 N 1st St	1.3	2017	\$8,000	\$6,041	\$139	\$36,000
<u>Diridon</u>						
341-383 Delmas Ave	0.9	2018	\$12,000	\$12,903	\$296	\$92,000
715 W Julian St	1.2	2019	\$12,200	\$9,924	\$228	\$49,000
496-498 Park Ave	0.3	2018	\$2,000	\$7,143	\$164	\$50,000
740 W San Carlos St	0.7	2018	\$3,900	\$5,821	\$134	\$62,000
267-279 Delmas Ave.	0.5	2015	\$1,350	\$2,836	\$65	\$40,000

¹ Per unit price assumes 50% of the site dedicated to commercial at a value of \$70/sf.

² Per unit price reflects original entitlements of 300 traditional multifamily units.

Table B-2
Recent Commercial Land Transactions
Cost of Development Study
San Jose, CA

10/9/2019

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/Acre (\$000s)	\$/ Land SF	Notes
Page 1 of 2						
Central SJ						
1555 W San Carlos St	0.5	2018	\$2,489	\$5,184	\$119	Mixed Use
1800 W San Carlos St	0.6	2016	\$2,106	\$3,611	\$83	
2347 N 1st St	43.0	2015	\$138,172	\$3,213	\$74	Apple
2165 The Alameda	0.6	2016	\$1,750	\$3,125	\$72	
567 Columbia Ave	0.1	2018	\$315	\$2,864	\$66	
1131 Auzerais Ave	1.0	2018	\$2,800	\$2,772	\$64	Industrial
Orchard Ct	12.3	2015	\$33,682	\$2,742	\$63	Apple
1080-1090 Oakland Rd	1.3	2018	\$2,905	\$2,306	\$53	Industrial
935-995 Oakland Rd	2.6	2019	\$6,000	\$2,273	\$52	
1343 The Alameda	0.2	2017	\$363	\$2,167	\$50	
1605 Industrial Ave	10.2	2018	\$21,000	\$2,053	\$47	Industrial
1123 Coleman Ave	12.7	2018	\$24,845	\$1,956	\$45	Office
Coleman Ave @ Taylor St	22.8	2015	\$41,053	\$1,799	\$41	Office
1400 Parkmoor Ave	5.1	2016	\$8,910	\$1,764	\$41	Office
Coleman Ave	20.2	2018	\$33,969	\$1,681	\$39	Mixed Use
1420 Old Bayshore Hwy	3.8	2019	\$5,458	\$1,436	\$33	Industrial
1336-1420 Old Bayshore Hwy	3.2	2019	\$4,165	\$1,305	\$30	Industrial
172 The Alameda	2.2	2015	\$2,113	\$965	\$22	
21 E Virginia St	0.2	2016	\$76	\$506	\$12	
West SJ						
1366 S De Anza Blvd	0.8	2019	\$7,000	\$8,861	\$203	Asstd. Living
125 Richfield Ave	1.0	2017	\$4,750	\$4,750	\$109	Auto
930 S Winchester Blvd	0.2	2017	\$950	\$4,439	\$102	Frmr. SF
1143 Minnesota Ave	0.4	2016	\$1,312	\$3,545	\$81	Office
1030 Lincoln Ave	0.2	2015	\$850	\$3,522	\$81	
Huff Ave	2.9	2015	\$5,152	\$1,801	\$41	
South & East SJ						
1015 S Bascom Ave	1.3	2018	\$9,550	\$7,127	\$164	Asstd. Living
1410 S Bascom Ave	6.3	2018	\$37,250	\$5,903	\$136	Resi. + office
1499 Monterey Rd	0.3	2018	\$1,050	\$3,500	\$80	
2123 Quimby Rd	0.2	2019	\$830	\$3,458	\$79	
1221 S Capitol Ave	1.1	2015	\$3,000	\$2,752	\$63	Medical
3500 San Felipe Rd	0.3	2018	\$680	\$2,345	\$54	
1110 Foxworthy Ave	0.9	2015	\$2,100	\$2,289	\$53	
1499 Monterey Rd	0.3	2017	\$650	\$2,022	\$46	
5855 Silver Creek Valley Pl (b)	3.0	2016	\$6,000	\$2,000	\$46	Retail
5855 Silver Creek Valley Pl (a)	5.9	2015	\$11,000	\$1,877	\$43	Medical
Pala Ave	0.1	2015	\$196	\$1,786	\$41	
6320-6340 San Ignacio Ave	7.5	2018	\$12,192	\$1,617	\$37	Data center
1288 N Capitol Ave	1.4	2016	\$2,000	\$1,481	\$34	
2829 Monterey Hwy	7.4	2018	\$10,500	\$1,419	\$33	Storage
1302 S 1st Ave	1.9	2015	\$2,551	\$1,355	\$31	

Table B-2
Recent Commercial Land Transactions
Cost of Development Study
San Jose, CA

10/9/2019

Source: Costar

Property	Acres	Sale Yr	Price (\$000s)	\$/Acre (\$000s)	\$/ Land SF	Notes
Page 2 of 2						
<u>South & East, Cont.</u>						
Monterey Rd	1.4	2016	\$1,800	\$1,314	\$30	Retail
1770 Alum Rock Ave	0.2	2018	\$221	\$961	\$22	SA parcel
Ave A & Capitol Ave	0.4	2015	\$295	\$686	\$16	
Great Oaks Blvd	15.2	2016	\$9,412	\$619	\$14	Costco
<u>Downtown/Diridon</u>						
333 W San Fernando St	2.5	2018	\$68,000	\$27,200	\$624	Adobe
300-322 S 1st St (<u>Valley Title</u>)	2.8	2018	\$61,500	\$21,731	\$499	Mixed Use
35 S 2nd St (<u>Fountain Alley</u>)	1.3	2018	\$25,700	\$20,560	\$472	Mixed Use
450 W Santa Clara St	0.6	2017	\$11,000	\$18,966	\$435	Google
597 W San Carlos St	0.6	2018	\$6,500	\$10,656	\$245	Mixed Use
San Jose Diridon Station	6.5	2018	\$67,000	\$10,308	\$237	Google
140 S Montgomery St	0.6	2017	\$5,500	\$9,167	\$210	Google
557-587 Cinnabar St	6.1	2017	\$51,500	\$8,498	\$195	Google
74 S Autumn St	0.1	2017	\$1,000	\$7,692	\$177	Google
92 S Montgomery St	0.2	2017	\$1,136	\$7,282	\$167	Google
440 W Julian St	5.4	2019	\$38,750	\$7,176	\$165	
260 N Montgomery St	0.5	2018	\$3,000	\$6,383	\$147	Google
374 W Santa Clara St	8.2	2015	\$49,786	\$6,104	\$140	Google
559/573 W Julian St	0.7	2017	\$3,625	\$4,899	\$112	Google
466-470 W San Carlos St	0.2	2016	\$1,515	\$4,734	\$109	
292 Stockton Ave	0.9	2018	\$4,000	\$4,706	\$108	Hotel/ condos
<u>North San Jose</u>						
Montague Expy @ N First St	11.2	2018	\$31,000	\$2,770	\$64	
Hwy 237	3.5	2015	\$6,750	\$1,929	\$44	
140 Holger Way	4.0	2017	\$7,100	\$1,762	\$40	
N 1st St	21.5	2016	\$26,200	\$1,217	\$28	
Microsoft -Zanker Road	65.0	2017	\$76,000	\$1,169	\$27	
Orchard Pky	5.3	2015	\$5,787	\$1,089	\$25	

Table B-3**Land Costs of Downtown High-Rise Residential Projects****Cost of Development Study****San Jose, CA****10/9/2019***Source: Costar, RealQuest, KMA research*

Project	Acres (Gross)	SF Land (Gross)	Units	Land Price (\$M)	Purchase Year	Price / Land SF	Price / Unit	Notes
<u>Completed</u>								
1 The 88	1.3	57,209	197					
2 Axis	1.2	54,080	329					
3 360 Residences	1.0	44,431	213					
4 City Heights	0.8	33,541	124					
5 One South Market	1.0	42,253	312	\$16.0M	2013	\$379	\$51,000	
6 Centerra	1.3	54,886	347					
<u>Under Construction</u>								
7 180 W St. James	1.9	81,022	643	\$45.3M	2014	\$558	\$70,000	
8 The Graduate	1.5	63,162	260	\$18.1M	2017	\$286	\$69,000	Student housing
9 Miro	1.4	60,984	630	\$12.8M	2015	\$210	\$20,000	
<u>Approved</u>								
10 NSP Tower 3	1.5	65,340	313	\$10.0M	2017	\$153	\$32,000	City transaction
11 Parkview Tower	1.3	57,687	220	\$8.0M	2017	\$139	\$36,000	
12 Gateway Tower	0.5	21,780	300					
13 Greyhound	1.6	69,872	781	\$39.0M	2016	\$558	\$50,000	
14 Aviato (prior)	0.8	33,708	302	\$4.0M	2017	\$119	\$13,000	Now co-living (803 du)
Starcity			803	\$18.0M	2019	\$534	\$22,000	\$60K/ standard unit
15 27 West	0.6	24,829	342	\$2.0M	2003	\$81	\$6,000	
16 Post & San Pedro	0.5	20,473	228	\$8.8M	2015	\$430	\$39,000	
<u>Pending</u>								
17 Garden Gate Tower	0.4	17,424	285	TBD	2018			Co-living option
18 Davidson Plaza	1.8	77,537	653					
19 4th St Metro Station	0.5	21,780	101	\$4.0M	2007	\$185	\$40,000	

Table B-4
Recent Multifamily Property Transactions
Cost of Development Study
San Jose, CA

10/9/2019

Source: Costar, Institutional Property Advisors

Property	Year Built	Units	Acres	Sale Date	Price (\$000s)	/Unit (\$000s)	Cap Rate	Submarket
<u>San Jose Transactions</u>								
360 Residences (Tower)	2010	213		2017	\$133,500	\$627	4%-4.5%	Downtown
3101 Magliocco Dr	2008	50	0.8	2016	\$28,500	\$570	4.0%	West
175 Baypointe Pky	2011	183		2015	\$93,000	\$508		North
688 N 7th St (Mio)	2015	103	2.01	2016	\$51,250	\$498	4.8%	Central
Meridian at Midtown	2015	218	3.43	2018	\$104,000	\$477	4.3%	Central
Foundry Commons	2016	238	3.87	2018	\$110,250	\$463	4.5%	South of DT
Marquis*	2015	166	2.72	2018	\$70,942	\$427		Central
Domain	2013	444		2019	\$255,000	\$574		North
One South Market*	2015	312			\$175,000	\$560		Downtown
Median						\$508		
Avg						\$523		
Max						\$627		
<u>Nearby transactions</u>								
Loft House	2014	133		2017	\$104,000	\$782	3.9%	<u>City</u> Sunnyvale
Revere Campbell	2015	168		2017	\$118,897	\$708	4.0%	Campbell, CA
865-881 E El Camino Real	2015	149		2015	\$110,000	\$738	3.8%	Mountain View
Median						\$738		
Avg						\$743		
Max						\$782		

* Partial interest transfer. Sale price/ price per unit reflects implied market value.

Table B-5**Average Effective Rents - Recently Built Projects In San Jose****Cost of Development Study****San Jose, CA****10/9/2019***Source: Costar*

Building Name	Year Built	Stories	SF/Unit	Asking Rent/Unit	Effective Rent/Unit ⁽¹⁾	900 SF Equiv. ⁽²⁾
<u>West SJ</u>						
Levare	2012	4	1,081	\$4,676	\$4,645	\$3,870
Misora	2013	5	1,111	\$4,135	\$4,135	\$3,350
<i>Average</i>			1,096	\$4,406	\$4,390	\$3,610
<u>Central SJ</u>						
The Standard	2017	6	761	\$3,005	\$2,988	\$3,530
Hanover Cannery Park	2018	5	842	\$3,278	\$3,238	\$3,460
Silver San Jose	2019	5	903	\$3,297	\$3,297	\$3,290
Modera the Alameda	2018	5	879	\$3,484	\$3,115	\$3,190
The Pierce (<u>Downtown</u>)	2016	7	939	\$3,162	\$3,140	\$3,010
Meridian	2015	4	847	\$2,847	\$2,818	\$3,000
Marquis	2015	3	835	\$2,778	\$2,765	\$2,980
Mio Japantown	2015	4	897	\$2,985	\$2,959	\$2,970
808 West Apartments	2018	7	974	\$3,184	\$2,734	\$2,530
Avalon Morrison Park	2014	4	1,229	\$3,428	\$3,415	\$2,500
Mosaic	2012	5	1,055	\$2,840	\$2,811	\$2,390
<i>Average</i>			924	\$3,117	\$3,025	\$2,990
<i>Top 3 Effective Rent</i>			835	\$3,193	\$3,174	\$3,430
<u>North SJ</u>						
River View	2014	4	922	\$3,356	\$3,342	\$3,270
251 Brandon	2015	4	811	\$2,957	\$2,940	\$3,260
AIRE	2014	4	847	\$3,025	\$3,025	\$3,210
The Verdant	2014	5	877	\$2,967	\$2,880	\$2,950
Epic	2013	5	880	\$2,869	\$2,869	\$2,930
Crescent Village	2012	4	991	\$3,180	\$3,163	\$2,870
Vista 99	2015	5	1,082	\$3,393	\$3,378	\$2,810
121 Tasman	2013	4	975	\$3,033	\$3,033	\$2,800
Enso	2011	4	902	\$2,814	\$2,799	\$2,790
Venue Apartments	2015	5	1,049	\$3,311	\$3,250	\$2,790
Verona	2015	5	905	\$2,754	\$2,742	\$2,730
Domain Apartments	2013	5	1,031	\$3,114	\$3,085	\$2,690
<i>Average</i>			939	\$3,064	\$3,042	\$2,930
<i>Top 3 Effective Rent</i>			860	\$3,113	\$3,102	\$3,250

Table B-5
Average Effective Rents - Recently Built Projects In San Jose
Cost of Development Study
San Jose, CA

10/9/2019

Source: Costar

Building Name	Year Built	Stories	SF/Unit	Asking Rent/Unit	Effective Rent/Unit ⁽¹⁾	900 SF Equiv. ⁽²⁾
<u>Downtown Tower</u>						
Century Towers (N 1st)	2017	14	878	\$3,107	\$3,088	\$3,170
Centerra	2015	20	1,001	\$3,447	\$3,425	\$3,080
One South Market	2015	23	899	\$3,121	\$3,070	\$3,070
<i>Average</i>			926	\$3,225	\$3,194	\$3,110
<u>South & East SJ</u>						
LINQ Apartment Homes	2016	5	834	\$2,665	\$2,594	\$2,800
Aviara	2012	4	845	\$2,631	\$2,616	\$2,780
VIO Luxury Apartments	2016	4	902	\$2,730	\$2,730	\$2,730
Latitude Phase II	2018	5	1,189	3,820	\$3,502	\$2,660
Lex Apartments	2017	5	874	\$2,659	\$2,432	\$2,500
Ascent	2015	6	1,032	\$3,123	\$2,867	\$2,500
Anton La Moraga	2014	4	1,033	\$2,832	\$2,807	\$2,450
Latitude 37	2012	5	1,016	\$2,580	\$2,563	\$2,270
<i>Average</i>			966	\$2,880	\$2,764	\$2,586
<i>Top 3 Effective Rent</i>			860	\$2,675	\$2,647	\$2,770

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

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

Table B-6**Average Effective Rents - Recently Built Projects In Nearby Cities****Cost of Development Study****San Jose, CA****10/9/2019***Source: Costar*

Building Name	Year Built	Stories	SF/Unit	Asking Rent/Unit	Effective Rent/Unit ⁽¹⁾	900 SF Equiv. ⁽²⁾
<u>Campbell</u>						
300 Railway Apartments	2018	5	762	\$3,493	\$3,493	\$4,126
Orchard City Lofts	2018	3	925	\$3,872	\$3,872	<u>\$3,767</u>
						\$3,950
<u>Mountain View</u>						
Revela	2019	4	808	\$4,209	\$4,209	\$4,688
Elan Mountain View	2018	4	789	\$4,195	\$4,097	\$4,673
100 Moffett	2016	4	896	\$4,563	\$4,527	\$4,547
Domus on the Boulevard	2015	4	881	\$4,445	\$4,429	\$4,525
Montrose	2016	4	884	\$4,371	\$4,184	\$4,260
Verve	2017	4	1,112	\$5,116	\$5,081	<u>\$4,112</u>
						\$4,450
<u>Sunnyvale</u>						
Encasa Apartments	2016	3	966	\$4,699	\$4,652	\$4,334
Naya	2016	4	856	\$3,871	\$3,871	\$4,070
481 On Mathilda	2016	4	863	\$3,891	\$3,867	\$4,033
The Flats at CityLine	2018	5	1,171	\$5,035	\$4,932	\$3,791
Ironworks	2017	7	1,105	\$4,375	\$4,350	\$3,543
6tenEAST	2017	4	996	\$3,944	\$3,929	<u>\$3,550</u>
						\$3,900

⁽¹⁾ Average rent net of concessions, per Costar.⁽²⁾ Effective Rent PSF x 900 SF, per Costar.