



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

MEMORANDUM

ADVISORS IN:
REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: Peter Hamilton
City of San Jose

From: Keyser Marston Associates, Inc.

Date: November 7, 2019

Subject: Proposed Building Types and Market Subareas for Analysis in the
Commercial Linkage Fee Nexus and Financial Feasibility Analysis

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Keyser Marston Associates, Inc. (KMA) has prepared the following memorandum to summarize recommendations regarding building types and market subareas to be addressed in the commercial linkage fee nexus study and financial feasibility analyses currently under preparation for the City of San Jose (City).

KMA's recommendations reflect a review of development activity in San Jose, preliminary market research, and our experience preparing similar studies for other jurisdictions. Proposed prototype selections may be modified at the City's discretion to best meet City objectives for the study.

A. Considerations for Prototype Selection – Nexus vs. Feasibility Study

KMA's scope of services provides for analysis of up to eight (8) building prototypes consistent with the City's Request for Proposals (RFP). Separate building type selections are proposed for the nexus and feasibility components of the study to best fit the purpose of each study. Following is a summary of considerations for prototype selection for each study component.

Nexus study – For the nexus study, the key objective is to encompass the breadth of non-residential development activity potentially subject to a new commercial linkage fee. Building type categories are more generalized and intended as broadly representative. Major distinctions in employment density and worker occupational profile are important to address through separate building types. Differences in height, construction type, and parking type, while important to specify for purposes of

the feasibility study, do not need to be called out for purposes of the more generalized categories addressed in the nexus analysis.

Feasibility study – For the feasibility study, the selection of building types should reflect recent and expected future non-residential development activity, capture major distinctions in development costs, address building types of specific interest due to economic development or other considerations, and be designed to help support decision-making regarding fee levels by building type and geographic area.

B. Nexus Study – Building Types Recommended for Study

Following is a list of building type categories proposed to be addressed in the nexus study. Proposed selections are designed to cover the full range of expected non-residential development activity potentially subject to a new commercial linkage fee.

Table 1. Proposed Building Types for Inclusion in Nexus Study	
1.	Retail ⁽¹⁾
2.	Office
3.	High-Tech Office
4.	Hotel
5.	Industrial
6.	Warehouse
7.	Research and Development
8.	Residential Care / Assisted Living

(1) Retail category would include service uses such as dry cleaners.

High-tech office is proposed to be analyzed as a separate category from other office uses based on stakeholder interest in this category. KMA has addressed high-tech office as a separate category for a few other nexus studies where this category has been specifically of interest. In most cases, nexus studies include a single office category with high-tech represented as part of the overall tenant mix to the extent it is a factor in the local office market.

Research and development is included as a separate category because employment density and worker occupations differ from that of office. Most programs do not distinguish R&D from office for purposes of their fee schedule.

Residential care and assisted living uses are proposed to be addressed in the study based on the City's practice of applying the existing Affordable Housing Impact Fee

(AHIF) to assisted living facilities that meet certain criteria. Given the City is transitioning away from the AHIF program, and because this use is somewhat commercial in character, the City may wish to consider applying the proposed new commercial linkage fee to this use.

Institutional, cultural and hospital uses are not proposed for study. These building types are usually exempt from linkage fee programs. The policy reasoning for exempting these uses is usually that they serve an important community need or provide a public benefit. Unless the City would like to consider fees that apply to these uses, there is no need to address them in the study.

C. Feasibility Study - Building Types Recommended for Study

Building prototypes proposed to be addressed in the feasibility analysis are drawn from the list of potential building types identified in the City's request for proposals, a review of recent and planned non-residential projects, and discussions with City staff regarding specific building types of interest for the feasibility analysis.

Table 2 provides a list of the prototypes proposed for study. The selected prototypes address a cross section of non-residential development activity and are focused on the most active development types as well as building types that are of specific interest to the City based on discussions with staff.

Table 2. Proposed Building Types for Inclusion in Financial Feasibility Analysis	
1.	Office/R&D - 1-2 stories
2.	Office/R&D - mid-rise
3.	Office - high-rise
4.	Office - high-tech owner / user
5.	Retail - Neighborhood or community retail center
6.	Hotel - mid-rise
7.	Light Industrial / R&D
8.	Warehouse / Distribution

Table 3 lists additional building types identified in the RFP for potential inclusion as one of the eight prototypes to be addressed in the study, but which are not recommended for selection. Prototypes not recommended for study either represent a smaller share of future development activity or are expected to be less useful for purposes of fee level

selection. The comments included in Table 3 include a brief discussion of the rationale for not recommending each of the building prototypes for study.

Table 3. Building Types Not Recommended for Inclusion in Feasibility Analysis		
	Building Type	Reasons Not Recommended for Study
1.	Urban Village Office/ Mixed Use at 0.5 FAR	Few projects expected at this FAR. Similar prototype to 1-2 story office prototype that is selected for study.
2.	Medical Office	Fewer office projects of this type. Medical office will tend to be more location-sensitive (i.e. near a hospital) and less likely to make location decisions based on fees.
3.	Large Format Retailer	Fewer projects of this type expected in future. Unlikely to distinguish fee level for large format vs. other retail.
4.	Major Mall Expansion	Only one mall expansion (Valley Fair). Future projects less likely due to changing retail landscape.
5.	Ground Floor Retail in Mixed Use (small scale)	Ground floor retail may be cross subsidized by office or residential project components and also provides an amenity for other uses. Very location / project specific and more challenging to isolate as a separate building type for study.
6.	Experiential / Entertainment Retail	Only two recent projects of this type and very use specific.
7.	Hotel - Downtown high-rise	The mid-rise hotel prototype proposed for analysis addresses the bulk of the hotel development pipeline.
8.	Urban Multi-tenant industrial	No recent precedents for new construction identified.

Appendix Tables 1 through 5 summarize recently completed, under construction, planned, and proposed non-residential development projects in San Jose organized by building type. The data in the appendix tables was used to support the prototype selection recommendations.

D. Geographic Subareas

KMA is proposing to address the following market subareas as part of the feasibility analysis:

1. Downtown and vicinity;
2. Edenvale;
3. North San Jose and vicinity;
4. West San Jose Urban Village;
5. Monterey Corridor; and
6. South and East San Jose Growth Area.

Proposed subareas follow those outlined in the RFP and encompass the majority of non-residential development activity occurring in the city.

The South and East San Jose Growth Area is the most broadly defined subarea. It is proposed to encompass urban villages, specific plan areas, and employment growth areas in the South, Evergreen, Alum Rock, Cambrian/Pioneer, and portions of Willow Glen and Berryessa planning areas. Monterey Corridor and Edenvale are not included because they are addressed as separate subareas. Retail has been the most prevalent non-residential development type within the South and East San Jose subarea. Smaller-scale office development is also occurring.

Table 4 pairs each of the building prototypes proposed for analysis with the applicable geographic subareas based on the locations where projects have been occurring or are expected to occur in the future. The feasibility analysis will separately analyze building prototypes within each applicable subarea, taking into account variations in land costs, market rents and impact fee requirements by subarea. The selection of applicable sub areas is guided by recent development activity by subarea as summarized in Appendix Tables 1 through 5.

Table 4. Identification of Building Types Applicable to Each Subarea						
	Downtown and vicinity	Edenvale	North San Jose and vicinity	West San Jose Urban Village	Monterey Corridor	South & East San Jose Growth Area
1. Office/R&D – 1-2 stories		X	X			X
2. Office/R&D - mid-rise	X		X	X		
3. Office - high-rise	X					
4. Office - high-tech owner / user	X		X	X		
5. Retail - Neighborhood or community retail center		X	X	X		X
6. Hotel - mid-rise	X	X	X	X		
7. Light Industrial / R&D		X	X		X	
8. Warehouse / Distribution		X	X		X	

The subareas represent a broad range of market conditions in San Jose. As shown in Table 5, among the subareas, average asking rents for office range from \$21 to \$53 per square foot; asking rents for retail range from \$37 to \$51 per square foot (triple net); and asking rents for industrial range from \$11 to \$15 per square foot (triple net). Part of the variation between subareas is explained by differences in the quality and type of space

To: Peter Hamilton

November 7, 2019

Subject: Proposed Building Types and Market Subareas for Analysis in the
Commercial Linkage Fee Nexus and Financial Feasibility Analysis Page 6

currently available for lease. Newly built commercial space is anticipated to achieve higher rents than the market average. Additional data on current market conditions by subarea is provided in Appendix Table 6.

Table 5. Direct Asking Rents by Subarea (2019 YTD)			
Subarea	Office Avg. Direct Asking Rent/SF ¹ Built 2000-	Retail Avg. Direct Asking Rent/SF (NNN) Built 2000-	Industrial ² Avg. Direct Asking Rent/SF (NNN) Built All Years
Downtown and vicinity	\$43/sf		
Edenvale	\$21/sf	\$37/sf	\$15/sf
North San Jose and vicinity	\$36/sf	\$40/sf	\$15/sf
West San Jose Urban Village	\$53/sf	\$51/sf	
Monterey Corridor			\$11/sf
South & East SJ Growth Area	\$31/sf	\$37/sf	
Citywide Average	\$37/sf	\$37/sf	\$14/sf

Source: Costar, using pre-defined submarkets that approximate subareas.

¹ Rent as reported by Co-star. Reflects the average asking rent. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.

² Includes warehouse, distribution, light industrial, and manufacturing uses.

APPENDIX TABLES

Appendix Table 1
Overview of Proposed Building Types and Subareas
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

	<u><i>Proposed for Analysis</i></u>	<u><i>Pipeline Projects</i></u>	<u><i>Inventory Built 2005-</i></u>	<u><i>Asking Rents vs. Citywide</i></u> ³
1 Office/R&D – 1-2 stories				
Downtown and vicinity ¹		0	7,890 sf	
Edenvale	X	1	101,201 sf	below avg.
North San Jose and vicinity	X	1	271,359 sf	near avg.
West San Jose Urban Village		0	17,666 sf	
Monterey Corridor		0	0 sf	
South & East San Jose Growth Area	X	1	17,000 sf	below avg.
All Other ²		<u>0</u>	<u>17,340 sf</u>	
Citywide		3	432,456 sf	
2 Office/R&D - mid-rise				
Downtown and vicinity ¹	X	4	58,411 sf	above avg.
Edenvale		0	150,000 sf	
North San Jose and vicinity	X	7	2,552,405 sf	near avg.
West San Jose Urban Village	X	5	635,336 sf	above avg.
Monterey Corridor		0	0 sf	
South & East San Jose Growth Area		0	0 sf	
All Other ²		<u>0</u>	<u>0 sf</u>	
Citywide		16	3,396,152 sf	
3 Office - high-rise				
Downtown and vicinity ¹	X	7	321,618 sf	above avg.
Edenvale		0	0 sf	
North San Jose and vicinity		0	0 sf	
West San Jose Urban Village		0	0 sf	
Monterey Corridor		0	0 sf	
South & East San Jose Growth Area		0	0 sf	
All Other ²		<u>0</u>	<u>0 sf</u>	
Citywide		7	321,618 sf	
4 Office - high-tech owner / user				
Downtown and vicinity ¹	X	2	0 sf	above avg.
Edenvale		0	0 sf	
North San Jose and vicinity	X	0	0 sf	near avg.
West San Jose Urban Village	X	0	0 sf	above avg.
Monterey Corridor		0	0 sf	
South & East San Jose Growth Area		0	0 sf	
All Other ²		<u>0</u>	<u>0 sf</u>	
Citywide		2	0 sf	

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11/7/2019

	<u><i>Proposed for Analysis</i></u>	<u><i>Pipeline Projects</i></u>	<u><i>Inventory Built 2005-</i></u>	<u><i>Asking Rents vs. Citywide</i></u> ³
5 Retail - Nbhd. or comm. retail center				
Downtown and vicinity ¹		0	362,149 sf	
Edenvale	X	0	257,119 sf	near avg.
North San Jose and vicinity	X	2	395,714 sf	above avg.
West San Jose Urban Village	X	0	278,217 sf	above avg.
Monterey Corridor		0	210,890 sf	
South & East San Jose Growth Area	X	2	416,491 sf	near avg.
All Other ²		<u>1</u>	<u>937,226 sf</u>	
Citywide		5	2,857,806 sf	
6 Hotel - mid-rise				
Downtown and vicinity ¹	X	5	210 keys	TBD
Edenvale	X	3	0 keys	TBD
North San Jose and vicinity	X	9	962 keys	TBD
West San Jose Urban Village	X	4	0 keys	TBD
Monterey Corridor		1	0 keys	
South & East San Jose Growth Area		0	0 keys	
All Other ²		<u>4</u>	<u>115 keys</u>	
Citywide		26	1,287 keys	
7 Light Industrial / R&D				
Downtown and vicinity ¹		0	0 sf	
Edenvale	X	0	570,224 sf	above avg.
North San Jose and vicinity	X	2	840,633 sf	near avg.
West San Jose Urban Village		0	0 sf	
Monterey Corridor	X	0	0 sf	below avg.
South & East San Jose Growth Area		0	0 sf	
All Other ²		<u>0</u>	<u>0 sf</u>	
Citywide		2	1,410,857 sf	
8 Warehouse / Distribution				
Downtown and vicinity ¹		0	19,866 sf	
Edenvale	X	1	579,018 sf	above avg.
North San Jose and vicinity	X	2	283,555 sf	near avg.
West San Jose Urban Village		0	0 sf	
Monterey Corridor	X	1	34,131 sf	below avg.
South & East San Jose Growth Area		0	0 sf	
All Other ²		<u>1</u>	<u>0 sf</u>	
Citywide		5	916,570 sf	

Source: KMA analysis of City of San Jose permit data; Costar

¹ Includes Downtown Core, Downtown Transit/ Diridon, and Central San Jose growth areas.

² Includes non-growth areas throughout the City.

³ Based on broad categories of industrial, retail, and office. See Appendix Table 6.

Appendix Table 2**Summary of Under Construction, Planned, and Proposed Non-Residential Projects (>25,000 sf)****Commercial Linkage Fee Study****San Jose, CA****11/7/2019**

<u>Prototype</u>	<u>Downtown & Vicinity¹</u>	<u>Edenvale</u>	<u>North San José</u>	<u>WSJ UV</u>	<u>Monterey Corridor</u>	<u>S&E Growth</u>	<u>All Other Areas</u>	<u>Total</u>
A. Retail and Entertainment								
Major Mall Expansion	0	0	0	1	0	0	0	1
Large-Format Retail	0	0	0	0	0	1	0	1
Mid-sized Commercial Center	0	0	2	0	0	1	0	3
Neighborhood Serving Retail	0	0	0	0	0	1	1	2
Ground Floor Retail ²	8	0	2	4	0	1	0	15
Experiential/Entertainment	0	0	1	0	0	0	0	1
Auto-Related Retail	0	0	0	1	0	0	1	2
Mid-sized Retail Store	0	0	0	1	0	0	0	1
B. Office/ R&D								
Office/R&D (1-2 stories)	0	1	1	0	0	1	0	3
Office/R&D (mid-rise)	4	0	7	5	0	0	0	16
Office (high-rise)	7	0	0	0	0	0	0	7
Medical Office	0	0	0	0	0	1	2	3
High-Tech Office	2	0	0	0	0	0	0	2
C. Hotel								
Hotel Citywide (4-7 Stories)	5	3	9	4	1	0	4	26
Hotel (8-11 Stories)	1	0	0	2	0	0	0	3
Hotel DT (12+ story)	2	0	0	0	0	0	0	2
D. Industrial								
Warehouse/Distribution	0	1	2	0	1	0	1	5
Data Center	0	3	1	0	0	0	0	4
Light Industrial/ R&D	0	0	2	0	0	0	0	2
Urban Multi-tenant industrial	0	0	0	0	0	0	0	0

p1/2

Appendix Table 2

Summary of Under Construction, Planned, and Proposed Non-Residential Projects (>25,000 sf)

Commercial Linkage Fee Study

San Jose, CA

11/7/2019

<u>Prototype</u>	<u>Downtown & Vicinity¹</u>	<u>Edenvale</u>	<u>North San José</u>	<u>WSJ UV</u>	<u>Monterey Corridor</u>	<u>S&E Growth</u>	<u>All Other Areas</u>	<u>Total</u>
E. Other Non-Residential Uses								
Cultural/ Institutional	2	1	0	0	0	1	1	5
Residential Care	2	0	0	0	0	0	2	4
Storage Facility	0	2	1	1	3	0	4	11

p1/2

Source: KMA analysis of City of San Jose permit data

¹ Includes Downtown Core, Downtown Transit/ Diridon, and Central San Jose growth areas.

² Ground floor retail square footage was not estimated.

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

Use	Project	File#	Geography	Status	Project Size
A. Retail and Entertainment					<i>Sq. Ft.</i> ^{1/6}
Major Mall Expansion	Valley Fair Expansion	HA06-027-02	WSJ UV	UC	525,000
Large-Format Retail	Evergreen Circle Costco	PDA15-013-02	S&E Growth	Pending	153,000
Mid-sized Commercial Center	Evergreen Square	PD15-013	S&E Growth	Approved	157,000
	Market Park Shopping Center	PDA08-069-01	NSJ	Pending	101,000
	Shops @ Terra (excl Top Golf)	PD16-034	NSJ	Approved	110,000
Amenity Retail Neighborhood Serving/	Communications Hill Village	PD14-035	S&E Growth	Approved	68,000
	Pepper Lane Mixed Use	PD08-001	All Other	Approved	30,000
Ground Floor Retail	<i>See Table 3</i>				
Experiential/Entertainment	Top Golf	PD16-034	NSJ	Approved	72,000
Auto-Related Retail	Mercedes Expansion	PD18-010	WSJ UV	Pending	171,351
	Capitol Toyota	SP14-032	All Other	UC	261,286
Mid-sized Retail Store	Scandinavia Designs	H15-059	WSJ UV	Approved	39,410

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Commercial Linkage Fee Study
San Jose, CA

11/7/2019

Use	Project	File#	Geography	Status	Project Size
B. Office/ R&D					<i>Sq. Ft.</i> <small>2/6</small>
Office/R&D (1-2 stories)	Western Digital Great Oaks Campus	PDA14-005-10	Edenvale	Approved	73,400
	Lumileds Building 90	H19-024	NSJ	Pending	1,280,000
	Tropicana Shopping Center Expansion	H15-014	S&E Growth	Pending	31,744
Office/R&D (mid-rise)	El Paseo Mixed Use Village	PRE19-115	WSJ UV	Prelim Rev.	155,000
	335 Winchester Office	SP18-049	WSJ UV	Pending	94,996
	River Corp Center III	H16-013	Downtown	UC	191,397
	Ryland Rail Yard	PRE19-101	Downtown	Prelim Rev.	150,000
	Akatiff/Platform 16	SP18-020	DT Transit/ Diridon	Approved	982,128
	The Station on North First	H14-029	NSJ	Approved	1,653,731
	Coleman Highline Office	PD12-019	NSJ	UC	683,000
	Broadcom expansion/Innovation Place	H15-037	NSJ	Approved	536,949
	237 @ First Street (balance)	PD13-012	NSJ	Approved	430,458
	Cloud 10 Skyport Plaza	PD18-039	NSJ	Pending	350,000
	101 Technology Place office (Phase I	PD15-062	NSJ	Approved	234,192
	America Center (balance)	PD15-053	NSJ	Approved	192,350
	T.T. Group/ N 1st St	PRE19-091	Central Growth	Prelim Rev.	147,950
	South Bascom Gateway Station	PD18-015	WSJ UV [WG]	Pending	213,500
	Santana West Phase 1	PD18-045	WSJ UV	Pending	850,000
	Stevens Creek Promenade (Office)	PD17-014	WSJ UV	Approved	233,000

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11/7/2019

Use	Project	File#	Geography	Status	Project Size
Office/ R&D Continued					<i>Sq. Ft.</i> <small>3/6</small>
Office (12+ stories)	Cityview Plaza	H19-016	Downtown	Pending	3,400,000
	South Almaden Office	H19-004	Downtown	Pending	1,952,045
	Museum Place	SPA17-031-01	Downtown	Pending	774,000
	DiNapolo Office	H18-045	Downtown	Pending	717,246
	335 West San Fernando St	H16-018	Downtown	Approved	700,000
	Sobrato Block 8	H19-033	Downtown	Pending	568,286
	South Almaden Office	H19-004	Downtown	Pending	116,480
Medical Office	The Capitol (Formerly Orchard)	PD16-025	S&E Growth	Approved	38,000
	Samaritan Medical Phase 1	PD16-023	All Other	Approved	350,000
	Evergreen Valley College	PDC17-017	All Other	Pending	103,000
High-Tech Office	Diridon TOD (Office)	PD15-061	Downtown	Approved	1,040,000
	Adobe North Tower	H18-037	Downtown	UC	1,015,200

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San Jose, CA

11/7/2019

Use	Project	File#	Geography	Status	Project Size
C. Hotel					<i>Keys</i> <i>4/6</i>
Hotel Citywide (4-7 stories)	Hotel Clariana Addition	H17-059	Downtown	Pending	63
	2nd Street Hotel	H18-033	Downtown	Pending	106
	Stockton Ave Hotel	SP18-060	DT Transit/ Diridon	Pending	54
	Piercy Hotel	H18-016	Edenvale	Pending	175
	Piercy Hotel	H18-029	Edenvale	Pending	112
	Silver Creek Valley Rd Hotel	H18-002	Edenvale	Pending	127
	Holiday Inn	H15-023	Monterey Corridor	UC	81
	Hampton Inn/Holiday Inn	H13-048	NSJ	UC	284
	Fairfield Inn & Suites	PD16-015	NSJ	UC	261
	Shilla Stay Hotel	PDA16-034-02	NSJ	Pending	200
	Hyatt Place	HA14-006-01	NSJ	UC	190
	Coleman Hotel	PDA12-019-04	NSJ	Pending	175
	Bay 101 Hotel (Embassy Suites)	PD13-049	NSJ	UC	174
	Hyatt House	HA14-006-01	NSJ	UC	165
	Oakland Road Comfort Suites	PD18-042	NSJ	Pending	61
	Hilton Garden Inn	H17-044	NSJ	Approved	150
	1899 West San Carlos	PRE19-108	Central Growth	Prelim Rev.	100
	West San Carlos Hotel	SP18-012	Central Growth	Pending	
	AC Hotel Stevens Creek Blvd	H17-023	WSJ UV	Approved	168
	Bark Lane Hotel	SP18-005	WSJ UV	Pending	126
	Hampton Inn (De Anza Blvd)	H16-032	WSJ UV	Approved	90
	Holiday Inn Express & Suites (Bark Ln)	SP18-005	WSJ UV	Pending	86
	Hotel on DeAnza	H19-017	All Other	Pending	124
	995 Oakland Road Hotel	CP18-034	All Other	Pending	116
	Almaden Ranch Hotel	PDA14-037-02	All Other	UC	115
	North Hotel	SP16-034	All Other	Approved	60

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San Jose, CA

11/7/2019

Use	Project	File#	Geography	Status	Project Size
Hotel Continued					<i>Keys 5/6</i>
Hotel (8-11 stories)	Stockton Ave Hotel	PD18-035	DT Transit/ Diridon	Pending	303
	Cambria Hotel at Valley Fair	H16-010	WSJ UV	Approved	175
	Hotel Baywood	H18-014	WSJ UV	Approved	105
Hotel DT (12+ stories)	Tribute Hotel	H16-042	Downtown	Pending	279
	Almaden Corner Hotel	H18-038	Downtown	Pending	272
D. Industrial					<i>Sq. Ft.</i>
Warehouse/Distribution	Piercy Warehouse	H17-005	Edenvale	UC	166,740
	2829 Monterey Distribution	H18-027	Monterey Corridor	Pending	81,100
	1605 Industrial Avenue Warehouse	PD18-044	NSJ	Pending	180,500
	Panattoni Distribution Center	H17-034	NSJ	Approved	83,117
	970 McLaughlin Industrial	H17-058	All Other	Pending	223,717
Data Center	Equinix Data Center	SP15-031	Edenvale	Approved	579,000
	Equinix (iStar)	PD15-031	Edenvale	UC	386,000
	San Ignacio Data and Office	SP18-054	Edenvale	Pending	282,000
	Microsoft data center/industrial	SP16-053	NSJ	Approved	426,093
Light Industrial/ R&D	SuperMicro (Phase 3)	H16-031	NSJ	UC	209,320
	SuperMicro (Phase 2)	H15-012	NSJ	UC	162,500

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Use	Project	File#	Geography	Status	Project Size
E. Other Non-Residential Uses					<i>Sq. Ft.</i> <small>6/6</small>
Cultural/ Institutional	Invicta Towers (Performing Arts)	CP18-038	Downtown	Pending	41,500
	Enzo Behavioral Hospital	CP16-048	Edenvale	Approved	80,000
	Alum Rock Mixed Use (School)	CP17-052	S&E Growth	Pending	39,000
	Creative Center for the Arts	PD16-039	Central Growth	Approved	60,000
	Presentation High School	SP18-008	All Other	Pending	106,248
Residential Care	Holden Assisted Living on Bascom	CP17-046	Central Growth	Approved	156,022
	Meridian Memory Care	CP14-011	WSJ UV [WG]	UC	38,861
	Oakmond Residential Care	CP16-029	All Other	Approved	91,714
	Williams Rd Residential Care Facility	CP17-047	All Other	Approved	31,801
Storage Facility	Edenvale Self Storage Facility	H16-035	Edenvale	Approved	155,550
	Winfield Self Storage	H18-024	Edenvale	Pending	109,527
	475 Tully Road Mini Storage	H18-018	Monterey Corridor	Pending	219,282
	Monterey Rd Self Storage	H17-040	Monterey Corridor	Approved	142,766
	Senter/Alma Ministorage	H15-058	Monterey Corridor	UC	91,885
	SAF Keep Storage	H15-010	NSJ	UC	120,432
	Winchester ministorage	PD16-016	WSJ UV	Approved	84,000
	231 Capitol Public Storage	H18-048	All Other	Pending	359,232
	Self-storage (King Rd)	PD16-037	All Other	Approved	198,000
	Knox Trojan Storage	H17-041	All Other	Approved	139,615
	Oakland Rd Self Storage	PD16-027	All Other	Approved	91,875

WG = Willow Glen

Source: KMA analysis of City of San Jose permit data

Appendix Table 4
Summary of Non-Residential Inventory Built Since 2005
Commercial Linkage Fee Study
San Jose, CA
11/7/2019

Prototype	<u>Downtown & Vicinity¹</u>	<u>Edenvale</u>	<u>North San José</u>	<u>WSJ UV</u>	<u>Monterey Corridor</u>	<u>S&E Growth</u>	<u>All Other Areas</u>	<u>Total</u>
A. Retail and Entertainment (SF)								
Major Mall Expansion	0	0	0	0	0	0	0	0
Large-Format Retail	143,424	462,741	569,105	0	159,066	126,344	458,757	1,919,437
Mid-sized Commercial Center	212,285	185,430	348,100	92,976	104,505	188,725	712,070	1,844,091
Neighborhood Serving Retail	205,437	71,689	47,614	129,668	106,385	227,766	225,156	1,013,715
Ground Floor Retail ²								
Experiential/Entertainment	0	0	68,000	0	0	0	0	68,000
Auto-Related Retail	5,702	14,928	0	1,973	0	1,100	51,333	75,036
Mid-sized Retail Store	0	0	0	0	0	0	0	0
B. Office/ R&D (SF)								
Office/R&D (1-2 stories)	9,509	101,201	271,359	16,047	0	17,000	17,340	432,456
Office/R&D (mid-rise)	17,411	150,000	2,552,405	635,336	0	0	41,000	3,396,152
Office (high-rise)	321,618	0	0	0	0	0	0	321,618
Medical Office	28,363	18,279	153,112	21,586	0	65,108	335,583	622,031
High-Tech Office	0	0	0	0	0	0	0	0
UV Office (0.5 FAR)	0	0	0	?	0	?	0	?
C. Hotel (Rooms)								
Hotel Citywide (4-7 Stories)	210	0	962	0	0	0	115	1,287
Hotel (8-11 Stories)	0	0	0	0	0	0	0	0
Hotel DT (12+ story)	0	0	0	0	0	0	0	0
D. Industrial (SF)								
Warehouse/Distribution	19,866	579,018	283,555	0	34,131	0	0	916,570
Data Center	0	128,131	0	0	0	0	0	128,131
Light Industrial/ R&D	0	570,224	840,633	0	0	0	0	1,410,857
Urban Multi-tenant industrial	0	0	0	0	0	0	0	0

p1/2

Appendix Table 4**Summary of Non-Residential Inventory Built Since 2005****Commercial Linkage Fee Study****San Jose, CA****11/7/2019**

<u>Prototype</u>	<u>Downtown & Vicinity¹</u>	<u>Edenvale</u>	<u>North San José</u>	<u>WSJ UV</u>	<u>Monterey Corridor</u>	<u>S&E Growth</u>	<u>All Other Areas</u>	<u>Total</u>	
E. Other Non-Residential Uses (SF)									<i>p1/2</i>
Cultural/ Institutional	57,469	90,085	0	370,000	0	0	63,412	580,966	
Residential Care	0	0	0	150,560	0	0	0	150,560	
Storage Facility	0	0	195,072	0	0	657,672	345,365	1,198,109	

Source: Costar

¹ Includes Downtown Core, Downtown Transit/ Diridon, and Central San Jose growth areas.² Ground floor retail square footage was not estimated.

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

Use	Project	Geography	Yr. Built	Ownership ¹	Size
A. Retail and Entertainment					<i>Sq. Ft. 1/6</i>
Large Format Retail	Target (San Jose Market Center)	DT Transit/ Diridon	2005	Corp.	143,424
	Costco (6898 Raleigh Rd)	Edenvale	2017	Corp.	153,211
	Target (Village Oaks)	Edenvale	2014	Lease	140,000
	Lowe's (5550 Cottle Rd)	Edenvale	2010	Lease	169,530
	Target & Office Max (The Plant)	Monterey Corridor	2008	Corp.	296,782
	VillaSport Athletic Club	NSJ	2018	Lease	130,000
	Target (@ First Retail Center)	NSJ	2011	Corp.	137,954
	Lowe's (775 Ridder Park Dr)	NSJ	2008	Lease	141,000
	Costco (1709 Automation Pky)	NSJ	2007	Corp.	160,151
	Target (Plaza de San Jose)	S&E Growth Area	2005	Lease	126,344
	Bass Pro Shops (Almaden Ranch)	All Other	2015	Lease	150,000
	Lowe's (Coleman Landings)	All Other	2009	Lease	171,041
Mid-Sized Commercial Center	San Jose Market Center	DT Transit/ Diridon	2005	Lease	212,285
	Village Oaks	Edenvale	2014	Lease	185,430
	The Plant	Monterey Corridor	2008	Lease	274,562
	Sprouts @ Brokaw	NSJ	2016	TBD	84,550
	Brokaw Commons	NSJ	2012	Lease	102,216
	@ First Retail Center	NSJ	2011	Lease	89,992
	Pueblo Plaza	S&E Growth Area	2010	Corp.	118,908
	Santana Row	WSJ UV	2006	Lease	92,976
	Plaza de San Jose	S&E Growth Area	2005	Lease	69,817
	Vietnam Town	All Other	2018	Condos	276,174
	Sun Garden Retail Center	All Other	2018	Lease	111,133
	Almaden Ranch	All Other	2015	Lease	162,106
	Coleman Landings	All Other	2009	Lease	71,342

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

Use	Project	Geography	Yr. Built	Ownership ¹	Size
Retail Continued					<i>Sq. Ft. 2/6</i>
Neighborhood-Serving/ Amenity Retail	2222 Senter Rd	Monterey Corridor	2014	Lease	33,339
	Pearl Senter	Monterey Corridor	2008	Condos	33,011
	Whole Foods (777 The Alameda)	Central Growth Area	2014	Corp.	32,891
	Smart & Final (1290 W San Carlos St)	Central Growth Area	2018	Lease	29,565
	Paloma Plaza	S&E Growth Area	2006	Condos	96,655
	Caribbees Center	All Other	2018	Lease	34,000
Ground Floor Retail (Not Comprehensive)	The 88 Ground Floor	Downtown	2008	TBD	31,408
	Delmas (598 W San Carlos St)	Downtown	2007	Lease	31,255
	Fruitdale Station	WSJ UV [WG]	2017	Lease	30,000
Experiential/ Entertainment	Bay 101 Casino (1788 N 1st St)	NSJ	2017	Operator	68,000
Auto-Related Retail	Beshoff Infiniti (2198 Tully Rd)	All Other	2008	TBD	39,025

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

Use	Project	Geography	Yr. Built	Ownership ¹	Size
B. Office/ R&D					<i>Sq. Ft. 3/6</i>
Office/R&D (1-2 stories)	Hellyer Commons	Edenvale	2006	Condos	50,622
	Edenvale Technology Park	Edenvale	2005	Condos	38,393
	i3@NorthFirst	NSJ	2018	Corp.	166,000
	2777 Orchard Pky	NSJ	2017	Lease	64,991
	2755 Orchard Pky	NSJ	2017	Lease	36,383
Office/R&D (mid-rise)	Hitachi Campus	Edenvale	2016	Corp.	150,000
	Coleman Highline (B1)	NSJ	2019	Lease	162,557
	i3@NorthFirst	NSJ	2018	Corp.	249,000
	North First & Brokaw Corp Campus	NSJ	2017	Lease	116,800
	HQ@First	NSJ	2010	Lease	140,043
	Cadence Campus	NSJ	2008	Corp.	208,000
	Santana Row	WSJ UV	2009	Lease	79,183
	Town Square at Willow Glen	All Other	2012	Lease	41,000
	Coleman Highline (B2)	NSJ	2019	Lease	194,549
	Legacy on 101	NSJ	2016	Corp.	201,000
	237 @ First	NSJ	2016	Lease	181,133
	Samsung HQ (3655 N 1st St)	NSJ	2015	Corp.	636,000
	HQ@First	NSJ	2010	Lease	463,323
	Santana Row	WSJ UV	2017-19	Lease	556,153
Office (12+ stories)	Riverpark Towers	Downtown	2009	Lease	321,618

Appendix Table 5

Non-Residential Projects Built Since 2005 (>25,000 sq ft)

Commercial Linkage Fee Study

San Jose, CA

11/7/2019

Use	Project	Geography	Yr. Built	Ownership ¹	Size
Office/ R&D Continued					<i>Sq. Ft. 4/6</i>
Medical Office	Skyport Kaiser	NSJ	2018	Corp.	153,112
	Paloma Professional Center	S&E Growth Area	2007	Condos	32,000
	Samaritan Medical Center	All Other	2011	Lease	74,800
	Tegra San Jose Medical Office	All Other	2007	Condos	122,125
	125 Ciro Ave	All Other	2006	Lease	39,975
C. Hotel					<i>Keys</i>
Hotel (4-7 stories)	AC Hotel by Marriott	Downtown	2016	Operator	210
	Homewood Suites (237 @ First)	NSJ	2016	Operator	145
	Residence Inn Marriott/Springhill	NSJ	2015	Operator	321
	Aloft Hotel (America Center Ct)	NSJ	2015	Operator	175
	Courtyard by Marriott (Holger Way)	NSJ	2013	Operator	157
	Hyatt House	NSJ	2011	Operator	164
	Wingate by Wyndham (Cherry Ave)	All Other	2019	Operator	115

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

Use	Project	Geography	Yr. Built	Ownership ¹	Size
D. Industrial					<i>Sq. Ft.</i> 5/6
Warehouse/ Distribution	Silicon Valley Industrial Center	Edenvale	2018	Lease	155,909
	6212 Hellyer Ave	Edenvale	2017	Lease	261,043
	500 Piercy Road	Edenvale	2017	Corp.	162,066
	760 Ridder Park Dr	NSJ	2017	Corp.	171,225
	527 Charcot Ave	NSJ	2012	Condos	32,330
	Fortune Corporate Campus	NSJ	2006	Condos	80,000
Data Center	Equinix SV5 (9 Great Oaks Blvd)	Edenvale	2009	Operator	128,131
Light Industrial/ R&D	Hitachi Campus	Edenvale	2016	Corp.	411,752
	Silver Creek Business Ctr	Edenvale	2006	Condos	110,536
	Edenvale Technology Park	Edenvale	2005	Condos	29,609
	Midpoint @ 237	NSJ	2017	Corp.	563,211
	Super Micro (750 Ridder Park)	NSJ	2017	Corp.	182,000
	Fortune Campus (2528 Qume Dr)	NSJ	2006	Condos	72,958

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

Use	Project	Geography	Yr. Built	Ownership ¹	Size
E. Other Non-Residential Uses					<i>Sq. Ft.</i> 6/6
Cultural/ Institutional	First United Methodist	Downtown	2014	Corp.	27,472
	VA San Jose Clinic	Edenvale	2018	Lease	90,085
	Santa Clara Valley Medical Center	WSJ UV [WG]	2017	Corp.	370,000
	San Jose City College	All Other	2012	Corp.	40,862
Residential Care	Merrill Gardens at Willow Glen	WSJ UV [WG]	2009	Operator	150,560
Self Storage	1750 Junction Ct	NSJ	2019	TBD	120,432
	Oakland Rd Storage	NSJ	2018	TBD	74,640
	601 N King Rd	S&E Growth Area	2018	Corp.	597,168
	691 Lenfest Rd	S&E Growth Area	2010	Corp.	60,504
	1850 Stone Ave	All Other	2017	TBD	250,000
	2185 Stone Ave	All Other	2011	TBD	95,365
Auto Storage	Club Auto Sport	NSJ	2008	Condos	130,500
WG = Willow Glen					

¹ Corp. = corporate owner/user. Condos = sold as condo units. Lease = traditional commercial lease.

Operator = operator generates income. TBD = ownership type/ business model could not be verified.

Source: Costar

Appendix Table 6
Market Conditions by Subarea (2019 YTD)
Commercial Linkage Fee Study
San Jose, CA

11/7/2019

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
	Inventory SF	Direct Vacancy %	Direct Rent (NNN)	Inventory SF	Direct Vacancy %	Direct Rent (NNN)
A. Industrial (including Warehouse)						
Downtown and Vicinity	5,384,635	1%	\$17	19,866	0%	-
Edenvale	2,629,033	3%	\$15	1,131,185	6%	\$10
North San Jose	23,558,465	5%	\$15	2,286,526	28%	\$10
West San Jose Urban Village	23,638	0%	-	0	0%	\$0
Monterey Corridor	9,084,852	3%	\$11	552,645	0%	-
South & East SJ Growth Area	15,305,263	2%	\$12	260,906	2%	-
Citywide	42,336,571	3%	\$14	2,877,787	22%	\$10
B. Office						
Downtown and Vicinity	14,560,018	8%	\$46	2,561,965	6%	\$43
Edenvale	4,173,007	5%	\$32	1,162,354	11%	\$21
North San Jose	21,659,551	12%	\$36	7,406,808	15%	\$36
West San Jose Urban Village	3,237,665	14%	\$45	939,013	31%	\$53
Monterey Corridor	249,430	2%	\$29	42,770	11%	\$34
South & East SJ Growth Area	2,421,175	7%	\$28	451,564	2%	\$31
Citywide	41,655,821	10%	\$39	10,286,447	14%	\$37
C. Retail						
Downtown and Vicinity	5,346,250	3%	\$25	674,358	1%	\$41
Edenvale	10,543,719	5%	\$35	1,995,152	2%	\$37
North San Jose	14,993,334	4%	\$35	3,429,098	2%	\$40
West San Jose Urban Village	6,162,496	3%	\$37	873,477	1%	\$51
Monterey Corridor	1,941,188	4%	\$24	1,079,648	3%	\$18
South & East SJ Growth Area	10,664,742	4%	\$33	2,092,625	9%	\$37
Citywide	36,810,219	4%	\$33	7,318,267	4%	\$37

Notes:

(1) Rent as reported by Co-star. Reflects the average asking rent. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.

Source: Costar

Note: Data reflects Costar-defined submarket boundaries which approximate the proposed subareas.