



# 1313 SOUTH WOLFE ROAD GENERAL PLAN AMENDMENT STUDY

MARKET, FEASIBILITY, AND FISCAL IMPACT ANALYSIS

Prepared for:

City of Sunnyvale  
September 1, 2023



Sunnyvale

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# I. EXECUTIVE SUMMARY

The City of Sunnyvale is currently considering a development proposal and requested General Plan amendment to rezone a site located at 1313 South Wolfe Road, near the intersection of South Wolfe Road and East Fremont Avenue. The Applicant requested a rezoning of two parcels at 1313 South Wolfe Road from commercial uses to a primarily residential use. The City is reviewing this request to determine their preferred land use designation and zoning for these two parcels, as well as an adjacent parcel located at 898 East Fremont Avenue. The City requested a feasibility, fiscal, and market analysis for these three parcels to assist in determining the City’s preferred land use and zoning for the site.

The City developed five different site plan options for consideration at the site, and retained Strategic Economics to assess the current market demand, development feasibility, and fiscal impacts of each of these site plan options. The results of the analysis will be considered by the City to determine a preferred project description for an environmental analysis to be completed by lead consultant David J. Powers & Associates, Inc.

## Development Prototypes

The City requested that Strategic Economics consider four different “site plan options” for the three parcels. For each of these site plan options, the City of Sunnyvale commissioned Canon Design Group to conduct initial “site plan studies” outlining potential site layouts, building forms, and density levels that could be constructed within each set of zoning requirements. Strategic Economics used the site plan options and studies to create five development prototypes—one for each zoning category associated with the site plan options. In addition, the City of Sunnyvale developed a sixth development prototype—Option 0—which represents what *could* be built under the existing site zoning. These prototypes are generic representations of the type of development project that could be constructed within the zoning category.

FIGURE 1: DESCRIPTION OF PROTOTYPES ASSOCIATED WITH EACH SITE PLAN OPTION

Prototype Name	Site Plan Option	Site Plan Option Description	Site Acreage
Mixed Commercial	Option 0	Existing Zoning: Commercial-Only Uses	1.74
Freestanding Commercial	Option 1	Commercial and Residential, Separate Parcels	1.01
Townhomes			0.73
Small Multifamily	Option 2a	Mixed-Use, Medium Density	1.74
Podium Condos	Option 2b	Mixed-Use, High Density	1.74
Podium Rental	Option 3	High Density Residential	1.74

Sources: City of Sunnyvale, 2022; Strategic Economics, 2023.

## Analysis Findings and Conclusions

### RETAIL MARKET ANALYSIS

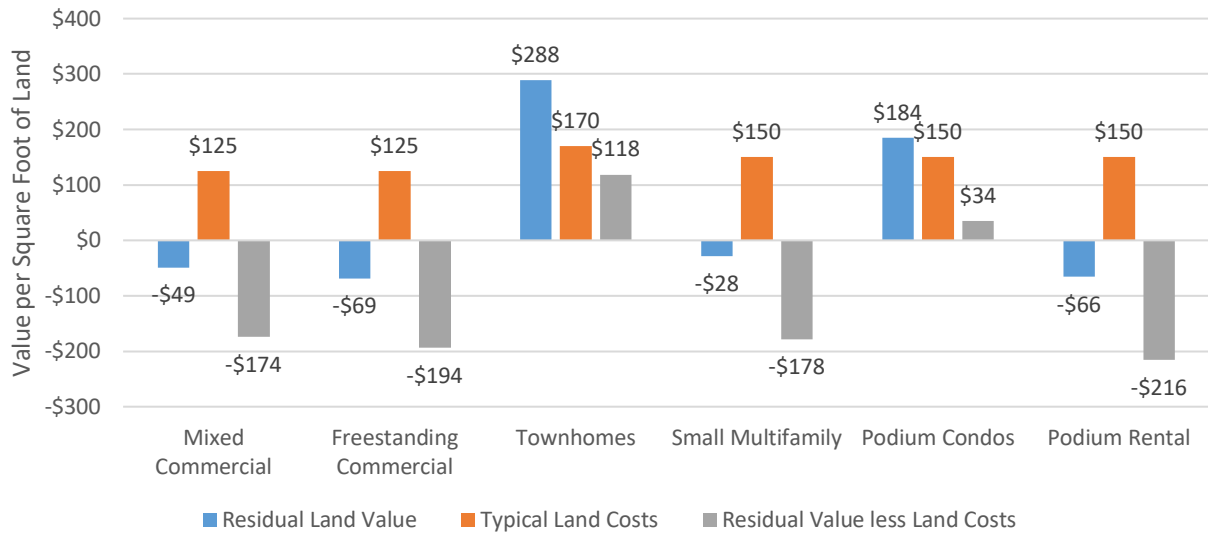
- The 1313 South Wolfe Road site is best positioned to attract convenience-oriented tenants serving a relatively small trade area, such as quick-service restaurants, coffee shops, salons, small consumer goods, or medical services. The site benefits from visibility and traffic volumes provided by its location at Fremont Avenue and South Wolfe Road.

- Future retail development at 1313 South Wolfe Road is likely to successfully attract tenants due to the site's location and projected increases in trade area household incomes, retail spending, and likely growth of households associated with future housing development projects. However, evidence of demand for retail does not necessarily imply that a new retail development would be financially feasible to develop.
- A strip-center or drive-through retail concept would be more likely to succeed at this site than a ground-floor retail location, due to the automobile-oriented nature of the location and context. A ground-floor retail space within a mixed-use building would likely command lower rents but could also succeed if convenient parking and access exist.

#### **FINANCIAL FEASIBILITY / RESIDUAL LAND VALUE ANALYSIS**

- The 1313 South Wolfe Road site is a desirable location for residential development due to the quality of local schools and commute access to employment centers.
- Certain constraints at the 1313 South Wolfe Road site create challenges for some residential uses, including potential remediation needs for the gas station site, and site layout and size challenges for podium product types, which can be more efficiently designed when located at larger properties with greater depth.
- Townhome products support the greatest residual land value and are currently the most financially feasible development product for this site due to the Townhomes' high sales prices, low construction costs per square foot of building area, and flexible placement options on the site. The Podium Condos prototype is also likely to be financially feasible, though much less so compared to Townhomes.
- All tested rental housing prototypes are currently infeasible to build due to limited current achievable rents and cap rates, greater inclusionary housing affordability requirements compared to ownership products, and, for the higher-density Podium Rental prototype, greater construction costs per square foot of building area.
- Multifamily podium projects—in which housing is built above a concrete parking podium—typically perform best when built at higher densities than that allowed by the R-4 zoning.
- Retail uses are likely to generate a net loss for the development prototypes, despite the existence of demand for retail space at the site; developers can potentially cross-subsidize retail space with feasible housing products—such as townhomes and condos—but the supportable quantity of retail is limited.

FIGURE 2: RESIDUAL LAND VALUE RESULTS PER SQUARE FOOT OF LAND, BY PROTOTYPE



Source: Strategic Economics, 2023.

### FISCAL IMPACT ANALYSIS

- The Mixed Commercial prototype generates the largest positive net fiscal impact on the City of Sunnyvale General Fund. This prototype generates the most revenue of all site plan options from sales tax collections, and requires minimal expenditures for the City due to the lack of residential uses on the site.
- The Freestanding Commercial and Townhomes prototype is the only other site plan option that clearly generates a positive fiscal impact on the City of Sunnyvale General Fund. The Podium Condos and Small Multifamily prototypes generate an approximately neutral impact, and the Podium Rental prototype generates a negative impact.
- Without the on-site retail component of the three mixed-use prototypes, the Freestanding Commercial and Townhomes prototype generates a neutral impact on the General Fund, the Podium Condos generate a neutral impact, and the Small Multifamily prototype generates a negative impact.
- Changes in housing sales prices or rents/values could significantly influence the fiscal outcomes associated with the residential components of the prototypes. The housing products primarily contribute to General Fund revenues via property taxes, which are based on the assessed value of the housing products.
- Policy tradeoffs exist between considering the very modest positive or negative fiscal impacts found in this analysis versus making progress toward the City’s housing production goals.



FIGURE 3: ESTIMATED ANNUAL NET GENERAL FUND IMPACT BY DEVELOPMENT PROTOTYPE

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Multifamily	Podium Condos	Podium Rental
Revenues	\$89,616	\$78,514	\$99,628	\$187,599	\$124,844
Expenditures	\$14,625	\$64,718	\$103,094	\$176,620	\$140,914
Net Revenue	\$74,990	\$13,796	-\$3,466	\$10,979	-\$16,069
Net Revenue as % of Total Revenues	84%	18%	-3%	6%	-13%

Source: Strategic Economics, 2023.

## II. INTRODUCTION

The City of Sunnyvale is currently considering a development proposal and requested General Plan amendment to rezone a site located at 1313 South Wolfe Road, near the intersection of South Wolfe Road and East Fremont Avenue. The project applicant (“Applicant”) initiated a request in January 2020 to rezone two parcels from Neighborhood Business to Medium Density Residential. At the direction of the Sunnyvale City Council, the City sought an analysis to determine a preferred land use designation and zoning for these two parcels and an adjacent parcel located at 898 East Fremont Avenue (collectively referred to as 1313 South Wolfe Road throughout this report). The City requested a feasibility, fiscal, and market analysis for these three parcels to assist in determining a preferred land use and zoning for the site.

The City developed five different site plan options for consideration at the site, and retained Strategic Economics to analyze the current market demand, development feasibility, and fiscal impacts of each of these site plan options. The results of this analysis will be used to help the City determine which site plan option or options to study in an environmental analysis to be completed by lead consultant David J. Powers & Associates.

City staff indicated that there are two priorities for this analysis: determining whether the City has adequate properties with a neighborhood commercial designation, and determining whether the need for housing is greater than the need for retail/commercial uses that support housing and other uses in the City. City staff also indicated that Sunnyvale has sufficient sites to meet its housing production goals, but neighborhood commercial sites throughout Sunnyvale are limited and preserving a mix of land uses throughout each neighborhood is a priority of the City’s zoning and General Plan.

This report contains the following sections:

- **Introduction:** provides an overview of the site, the City’s requested site plan options, and the corresponding development prototypes that were considered in the analyses.
- **Retail Market Analysis:** describes the market potential of the site to attract demand for retail uses.
- **Residential Market Analysis and Residual Land Value Analysis:** describes the site’s potential to capture demand for residential uses and assesses the development feasibility of each of the proposed site plan options, using a residual land value approach.
- **Fiscal Impact Analysis:** provides an overview of the impacts of each of the five development scenarios on the City of Sunnyvale’s General Fund revenues and expenditures.

### SITE OVERVIEW

The site consists of three parcels located at the intersection of Fremont Avenue and South Wolfe Road in southeast Sunnyvale. All three parcels are currently zoned C-1 commercial, which is a neighborhood business zoning district that allows for retail and service facilities that serve nearby residential areas. Two of the parcels are currently occupied by commercial uses, while the third parcel is currently vacant. Existing parcel sizes and uses are listed below and shown in Figure 4:

- “Parcel 15” – 898 East Fremont Avenue
  - 0.54 acres
  - Existing use: gas station & convenience store
- “Parcel 26” – No listed address

- 0.47 acres
- Existing use: vacant
- “Parcel 27” – 1313 South Wolfe Road
  - 0.73 acres
  - Existing use: quick-service restaurant

FIGURE 4: 1313 SOUTH WOLFE ROAD SITE PARCEL MAP



**South Wolfe Road Site Parcels**

▭ Parcels

Sources: City of Sunnyvale 2023, Esri 2023,  
Strategic Economics 2023



**APPLICANT PROPOSAL**

The Applicant’s proposal pertained only to parcels 26 and 27. The Applicant proposed changing the zoning on these two parcels from Commercial to Medium Density Residential in order to construct 27 three-story townhomes and a 2,000 square foot commercial building on the 1.2-acre site. This proposed site plan is shown in Figure 5.

FIGURE 5: APPLICANT PROPOSAL FOR PARCELS 26 AND 27 AT 1313 SOUTH WOLFE ROAD



Source: Kava Massih Architects, 2020; City of Sunnyvale, 2020.  
Note: Applicant proposal does not include the use of Parcel 15, the current gas station site.

### REQUESTED SITE PLAN OPTIONS

The City requested that Strategic Economics consider five different “site plan options” for the three parcels:

- Option 0: Existing Zoning: Commercial-Only Uses
  - Parcels 15, 26, and 27: C-1 zoning
  - Dedicates Parcel 15 to a quick service restaurant use, while Parcels 26 and 27 would be general commercial uses assumed to consist of retail stores.
- Option 1: Commercial and Residential on Separate Parcels
  - Parcel 15 & Parcel 26: C-1 zoning
  - Parcel 27: either R-3 or R-4 zoning
- Option 2a: Mixed Use with Medium Density Residential
  - All Parcels: R-3 zoning with mixed-use overlay requiring 10 to 25 percent commercial FAR
- Option 2b: Mixed Use with High Density Residential
  - All Parcels: R-4 zoning with mixed-use overlay requiring 10 to 25 percent commercial FAR
- Option 3: High Density Residential Only
  - All Parcels: R-4 zoning with no commercial component

For each of these site plan options one through three, the City of Sunnyvale commissioned Canon Design Group to conduct initial “site plan studies” outlining potential site layouts, building forms, and density levels that could be constructed within each set of zoning requirements. For Option 0, the City of Sunnyvale provided the site specifications for use in the analysis.

Throughout this document, the phrase “site plan options” is used to refer to the five zoning options for the three-parcel site as a whole. However, because Option 1 includes a horizontal separation of uses,

its two land uses were analyzed separately in the feasibility analysis. For this reason, Strategic Economics developed two different development “prototypes” for analysis of the site’s potential uses. Because of this, the report refers to five “site plan options” but six total “prototypes.” The financial feasibility analysis focuses on pro forma results for each of these six prototypes, while the fiscal impact analysis focuses on the budget implications for the five site plan options as a whole.

**PROTOTYPES**

Except for the development prototype for Option 0, which was directly provided by the City of Sunnyvale, Strategic Economics used the site plan studies conducted by Canon Design Group to create five new development prototypes—one for each zoning category associated with site plan options one through three. These prototypes are generic representations of the type of development project that could be constructed within the zoning category. In developing these prototypes, Strategic Economics prioritized providing the City of Sunnyvale with a variety of feasibility and fiscal impact scenarios, including both rental and ownership housing types. Strategic Economics developed the prototypes using the following steps:

1. Identified the maximum and minimum allowable building square footage for each prototype, based on site plan options provided by the City of Sunnyvale.
2. Reviewed site plan studies provided by the City of Sunnyvale as building type and layout options for each site.
3. Identified target project types, parking formats, and target densities that would fit within each zoning classification.
4. Refined expected building sizes based on data from project examples.
5. Estimated parking space required using commercial square feet and expected bedroom counts of each unit.
6. Prepared draft prototypes that optimized parking format and use of available building space.
7. Completed minor refinements in response to findings from the financial feasibility analysis.
8. Finalized the prototypes.

City of Sunnyvale staff reviewed and approved the draft prototypes and final prototypes to ensure that they reflected allowable usage of the site under the site plan options. Final proposed prototypes and site uses are shown in Figure 6 and Figure 7. In addition, visual representations of each prototype are provided in Figure 8. Further details on both the initial site plan studies from Canon Design Group as well as generalized visualizations of the site layouts associated with each prototype can be found in Appendix III.

**FIGURE 6: DESCRIPTION OF PROTOTYPES ASSOCIATED WITH EACH SITE PLAN OPTION**

Prototype Name	Site Plan Option	Site Plan Option Description	Site Acreage
Mixed Commercial	Option 0	Existing Zoning: Commercial-Only Uses	1.74
Freestanding Commercial	Option 1	Commercial and Residential, Separate	1.01
Townhomes		Parcels	0.73
Small Multifamily	Option 2a	Mixed-Use, Medium Density	1.74
Podium Condos	Option 2b	Mixed-Use, High Density	1.74
Podium Rental	Option 3	High Density Residential	1.74

Sources: City of Sunnyvale, 2022; Strategic Economics, 2023.

FIGURE 7: PROTOTYPE SPECIFICATIONS

	<u>Option 0</u>	<u>Option 1</u>	<u>Option 2a</u>	<u>Option 2b</u>	<u>Option 3</u>	
	Mixed Commercial	Freestanding Commercial	Townhomes	Small Multifamily	Podium Condos	Podium Rental
<b>Site Uses</b>						
Parcel 15	Drive-through restaurant	General Retail		Mixed-Use Multifamily	Condos over Podium w/ Retail	Rental over Podium
Parcel 26	General retail	General Retail		Multifamily		
Parcel 27	General retail		Townhomes	Multifamily		
<b>Residential Tenure</b>	n/a	n/a	Ownership	Rental	Ownership	Rental
<b>Number of Housing Units by Size</b>						
Studio	-	-	-	6	-	9
1-BD	-	-	-	12	5	28
2-BD	-	-	1	19	26	19
3-BD	-	-	5	4	21	6
<u>4-BD</u>	-	-	7	-	-	-
<b>Total Units (Including BMR)</b>			<b>13</b>	<b>41</b>	<b>52</b>	<b>62</b>
Number of BMR Units			2	6	8	9
<b>Site &amp; Building SF</b>						
Parcel Size (SF)	75,794	43,996	31,799	75,794	75,794	75,794
Units per Acre	-	-	18	24	30	36
Total Habitable Square Feet	-	-	22,925	42,475	69,075	57,700
Total Retail Square Feet	21,222	7,919	-	7,579	7,579	-
<b>Parking</b>						
Parking Type	Surface	Surface	Private Garage + Surface	Private Garage + Surface	Podium + Surface	Podium + Surface
Residential Parking Spaces	-	-	34	87	102	106
Commercial Parking Spaces	119	62	-	31	31	-
Residential Parking Ratio	-	-	2.6	2.1	2.0	1.7
Commercial Parking Ratio	5.6	7.8	-	4.1	4.1	-

Sources: City of Sunnyvale, 2023; Strategic Economics, 2023.



FIGURE 8: ILLUSTRATIVE PROTOTYPE BUILDING EXAMPLES

MIXED COMMERCIAL



FREESTANDING COMMERCIAL



TOWNHOMES



SMALL MULTIFAMILY



PODIUM CONDOS



PODIUM RENTAL



Sources: Steinberg Architects, 2017; Robert Becker, 2023; SF Yimby, 2023; Petrovich Development, 2023; City of Sunnyvale, 2022.

Notes: These renderings are illustrative examples of buildings similar to those described in each prototype. The renderings are not exact representations of the buildings as designated in prototypes.

### III. RETAIL MARKET ANALYSIS

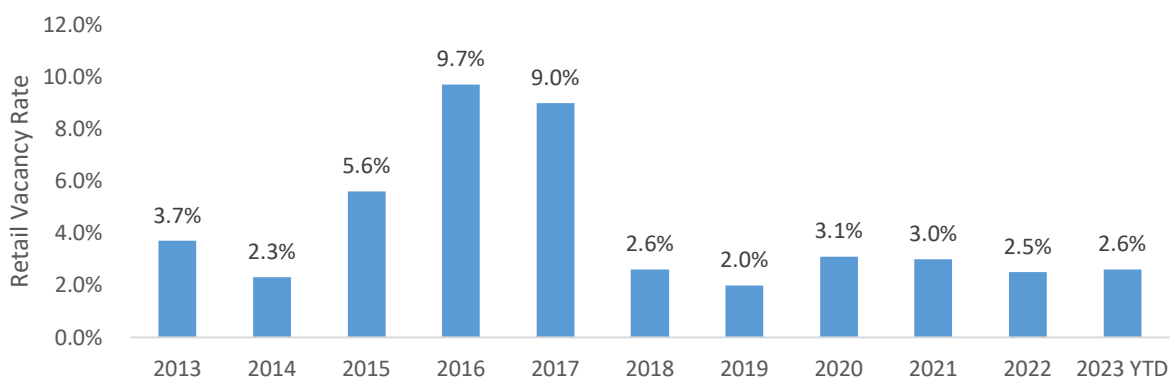
Strategic Economics evaluated the market demand for retail at the 1313 South Wolfe Road site by analyzing retail trends for the surrounding area alongside input from interviews with local retail brokers and developers. This analysis included an overview of long-term regional trends in the local market area, identification of a retail trade area for this specific site, and analysis of the competitive supply and demand that would influence future retail tenancing opportunities at the site. The purpose of this analysis was to assess the suitability of this particular site as a candidate for new development projects that would increase Sunnyvale’s retail supply. Note, however, that demand for retail space and a local need for retail uses do not necessarily mean that a developer could build a financially feasible retail development project. Section IV of this report describes retail feasibility findings.

#### General Retail Market Conditions

Retail suitability for a particular site is primarily dependent on trends in the retail trade area for the individual site—i.e., the area from which most customers originate—but can also be informed by broader regional retail market trends. Strategic Economics examined a retail market area consisting of Sunnyvale, Cupertino, and Santa Clara to analyze these broader market trends since the 1313 South Wolfe Road site is located near Sunnyvale’s border. The purpose of this analysis was to describe how overall demand, supply, and sales activity is changing for retail establishments throughout this three-city area.

**Retail real estate market conditions are generally stable in the Sunnyvale-Cupertino-Santa Clara area, with low vacancy rates and steady rents per square foot—with performance potentially bolstered by removal of underperforming inventory.** The overall supply of retail space (Figure 11) in the combined Sunnyvale, Cupertino, and Santa Clara area peaked around 2016, but vacancy rates at that time were close to 10 percent, as shown in Figure 9. Vacancy rates hovered between a very low two and three percent from 2018 to 2023. Retail rents in the Sunnyvale-Cupertino-Santa Clara area increased modestly (in nominal dollars) from 2021 to 2023, as shown in Figure 9. Ongoing low vacancy rates and modestly increasing rents indicate general stability in this three-city area, with performance enhanced by removal of underperforming retail supply—as indicated by the declining inventory shown in Figure 11.

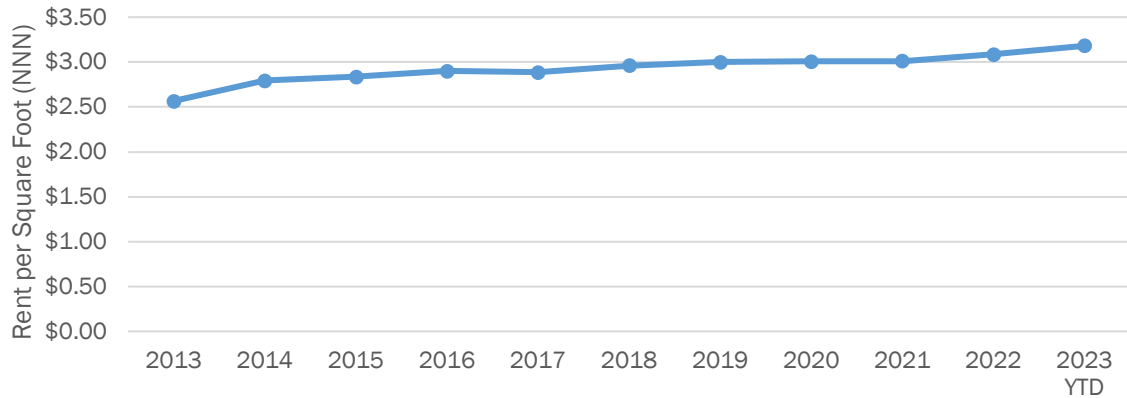
FIGURE 9: AVERAGE VACANCY RATE FOR RETAIL IN SUNNYVALE, CUPERTINO, AND SANTA CLARA, 2013 TO 2023



Sources: CoStar, 2023; Strategic Economics, 2023.

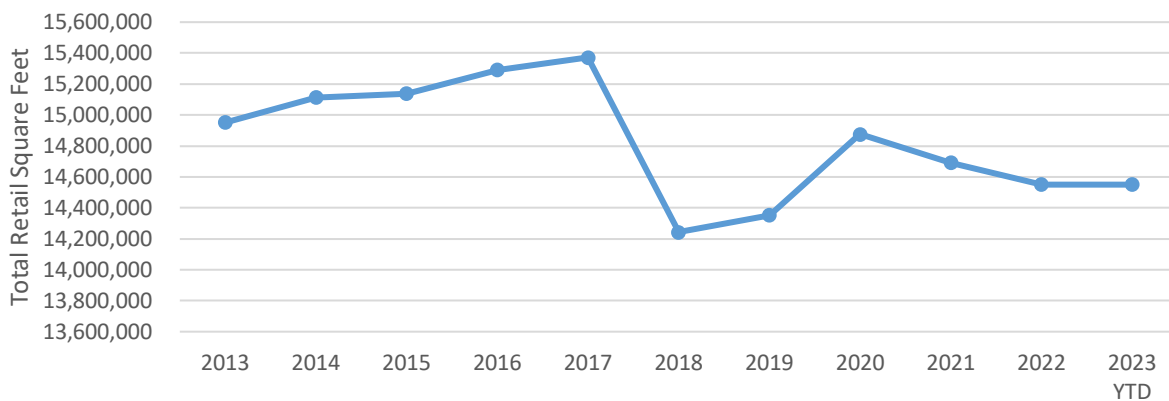


FIGURE 10: MONTHLY AVERAGE ASKING RETAIL RENT PER SQUARE FOOT (NNN) FOR SUNNYVALE, CUPERTINO, AND SANTA CLARA, 2013 TO 2023 (NOMINAL DOLLARS)



Sources: CoStar, 2023; Strategic Economics, 2023.

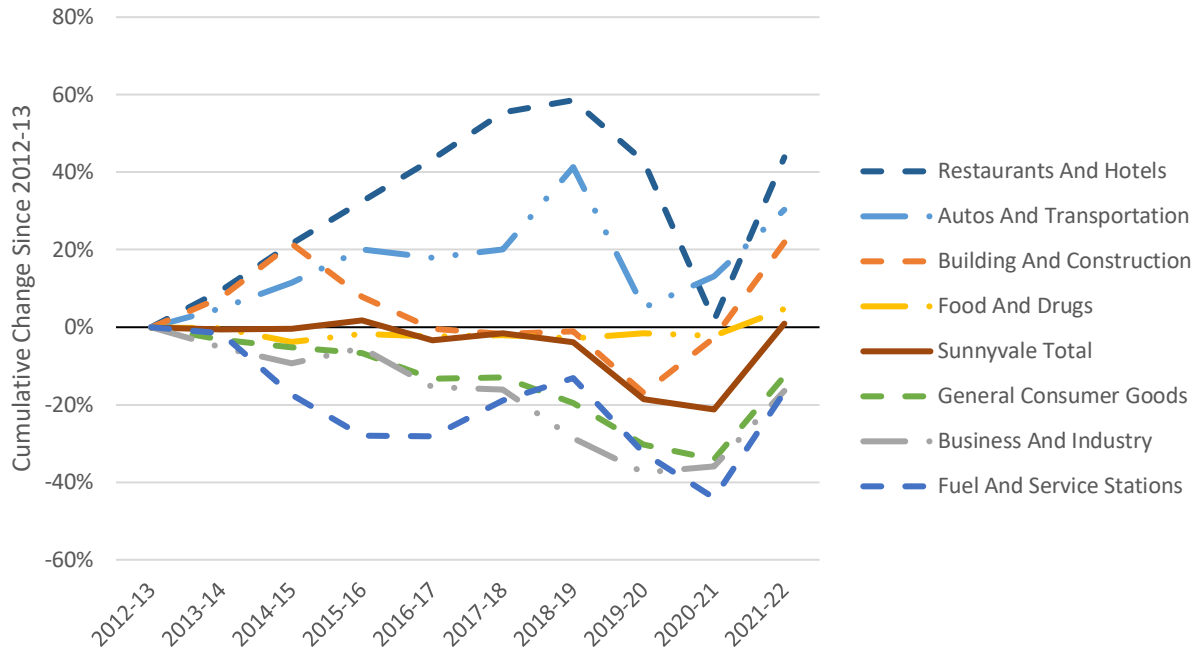
FIGURE 11: TOTAL RETAIL SQUARE FEET IN SUNNYVALE, CUPERTINO, AND SANTA CLARA, 2013 TO 2023



Sources: CoStar, 2023; Strategic Economics, 2023.

As with much of the retail industry overall, storefront-based retail sales in Sunnyvale are undergoing a shift from general consumer goods to “experiential” categories such as dining, drinking, entertainment, and personal services. Sunnyvale’s fastest sales tax growth from 2012 through 2019 occurred in the restaurants and hotels industry, but this industry also experienced the largest decline in sales tax revenue during the 2020-2021 fiscal year due to COVID-19 pandemic-related restrictions, as shown in Figure 12. The restaurant and hotel industry rebounded in 2022 and had the highest cumulative growth in sales taxes of any industry in Sunnyvale from 2012 through 2022—matching longer term industry trends favoring “experiential” dining, entertainment, and personal services uses that are not readily duplicated through internet sales. Other growing industries included autos and transportation, and building and construction, although these businesses are less likely to locate in storefront locations such as in the 1313 South Wolfe Road retail prototypes. During the same period, Sunnyvale’s sales tax activity in the General Consumer Goods; Business and Industry; and Fuel and Service Stations sectors declined significantly. Across all industries, sales activity in Sunnyvale grew by a total of only 0.9 percent over the past 10 years.

FIGURE 12: CUMULATIVE CHANGE IN SALES TAX COLLECTIONS FOR MAJOR INDUSTRIES IN SUNNYVALE, 2012 TO 2022 (CHANGE IN NOMINAL DOLLARS)



Source: HDL, 2022; Strategic Economics, 2023.

## Site-Specific Retail Trade Area

Any new retail development competes against other retail centers of a similar scale, with different centers serving customers from within different trade areas. Large shopping centers, such as regional malls, lifestyle centers, power centers, and community centers, serve a large trade area by drawing customers from within three miles or beyond, while smaller retail locations—such as the size under consideration at the 1313 South Wolfe Road site—typically serve a much smaller trade area with tenants serving day-to-day needs for which households will not travel long distances. Some common retail center categories are described in more detail below:

- **Lifestyle centers** are main-street style shopping centers including specialty stores and upscale restaurants. They are typically 150,000 to 500,000 square feet, and do not necessary rely on a single anchor tenant. They serve a trade area of approximately eight to 12 miles.
- **Community centers** typically offer general merchandise or convenience-oriented retail. They could be anchored by a discount store, supermarket, or large specialty discount store (such as a toy store or electronics store). Community centers typically range from 125,000 to 4000,000 combined square feet, and serve a trade area of three to six miles.
- **Neighborhood centers** typically serve trade areas of three or fewer miles and consist of 30,000 to 125,000 square feet. These centers typically serve day-to-day needs, and have a trade area of approximately three miles.

- **Strip centers** typically serve trade areas of around a mile or less and are typically 30,000 square feet or less. These centers are typically attached rows of stores or outlets managed by a single entity, and anchored by a convenience store or do not have a singular anchor tenant.
- **Small freestanding storefronts** typically consist of tenants similar to the non-anchor tenants found in neighborhood centers or strip centers, with small trade areas focused on convenient proximity and access to customers.

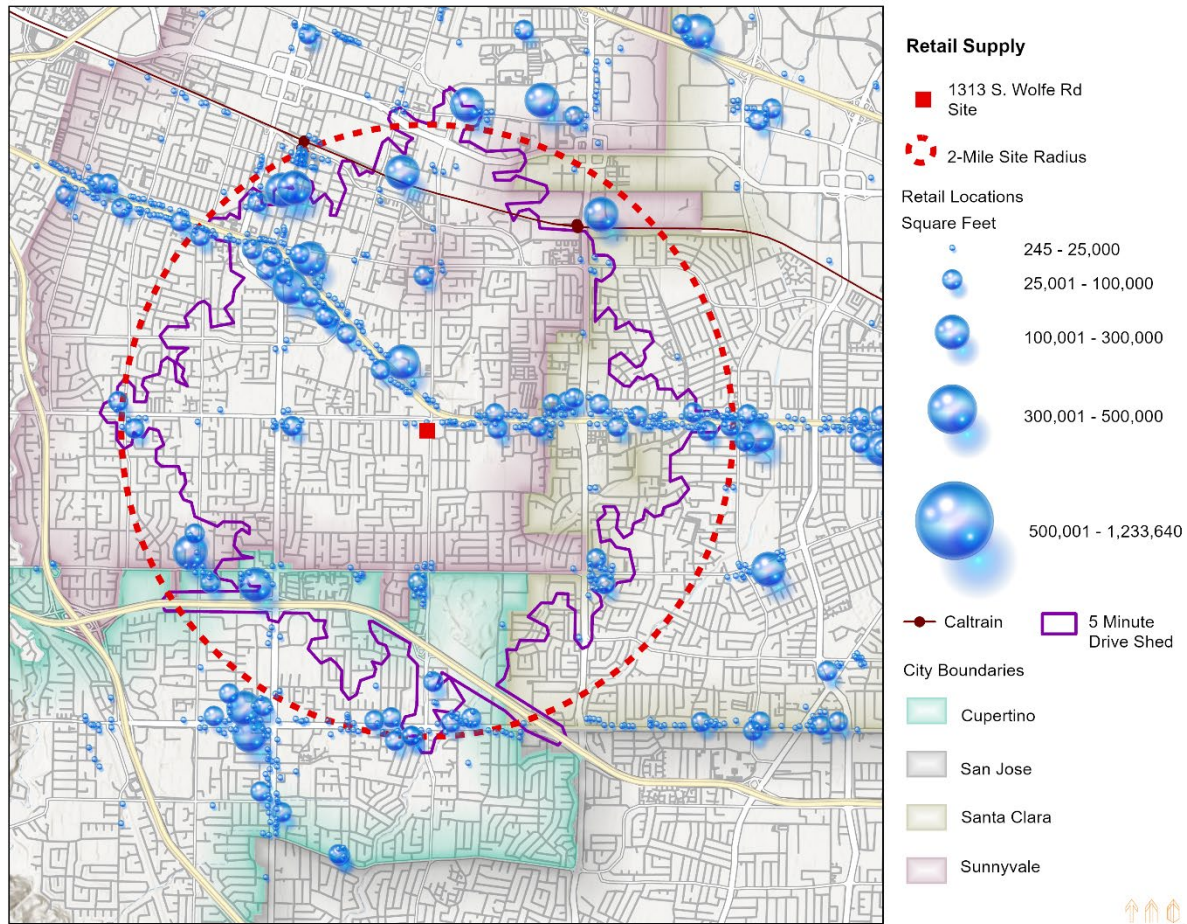
**The retail components of the prototypes for the 1313 South Wolfe Road site—most of which range from 7,500 to 8,000 square feet—would fall into a retail category similar to that of a strip center, serving a retail trade area of approximately one mile.<sup>1</sup>** However, this retail product could be designed or laid out on the site in a variety of ways. The exact trade area of the site could depend on whether it is set up as a drive-through, accessibility of the site from Fremont Avenue or Wolfe Road, and the types of tenants in the building.

**The 1313 South Wolfe Road site is in an attractive location due to visibility and access by motorists, but the size and layout of the parcels on the site limit the size of the trade area that it could serve.** Retail brokers and developers interviewed for this study indicated that the site would be most likely to serve a small local trade area with tenants such as quick service restaurants, coffee shops, hair salons, or potentially medical or financial services. For these types of tenants, the location on Wolfe Road and Fremont Avenue would be an advantage—particularly for drive-through tenants. However, local real estate professionals indicated that a small freestanding or ground-floor retail building on this site could not serve as large of a trade area as a larger building located directly on nearby El Camino Real, due to the limited size of the site and its lack of visibility from greater traffic volumes at El Camino Real. Lastly, due to vehicle access and parking convenience, interviewees viewed a freestanding building as slightly more attractive—and able to command slightly higher rents—than a ground-floor retail building on this site.

**Because of the site’s location at the intersection of two relatively high-traffic corridors, Strategic Economics projects that the site’s trade area would be slightly above average for a strip center or small retail product—serving a primary trade area of two miles or less.** Strategic Economics used a drive-time analysis to identify an exact retail trade area for the 1313 South Wolfe Road Site. Based on feedback from local brokers and the type and sizes of retail space included in the prototypes, Strategic Economics assumed a five-minute drive time as the basis for a primary trade area for the site. This equated to a trade area of between 1.5 and two miles, spanning from Central Expressway in Sunnyvale to Stevens Creek Boulevard in Cupertino. Figure 13 shows this trade area, as well as the size and locations of current retail establishments in the surrounding areas.

<sup>1</sup> International Council of Shopping Centers, 2017.

FIGURE 13: RETAIL LOCATIONS IN THE PRIMARY 1313 SOUTH WOLFE ROAD TRADE AREA (5 MINUTE DRIVE SHED)



Sources: CoStar, 2023; ESRI Business Analyst; Strategic Economics, 2023.

## Retail Site Assessment

### COMPETITIVE RETAIL SUPPLY

A substantial existing supply of retail inventory already exists within the primary trade area, but rents and vacancy rates indicate strength of demand for space. There are currently 307 retail buildings in the five-minute drive-time trade area, with over four million square feet of retail space, as shown in Figure 14. Across all retail building types, the average monthly rent per square foot in the trade area is \$3.53. As shown in Figure 15, the majority of retail locations in the trade area are located directly on El Camino Real—a high-traffic commercial corridor. In comparison to these locations, the 1313 South Wolfe Road site is considered by brokers to be slightly less attractive than retail on El Camino Real—implying that it may command slightly lower rents. On the other hand, retail buildings in the trade area currently have an availability rate of 4.4 percent, which is slightly higher than the regional average of 3.6 percent, but still relatively low.



FIGURE 14: MARKET CHARACTERISTICS OF CURRENT RETAIL SPACE IN THE 1313 SOUTH WOLFE ROAD TRADE AREA, BY RETAIL TYPE

	Number of Buildings	Total SF	Availability Rate	Average Size (SF)	Average Monthly Rent
Retail (General)	179	1,263,765	3.1%	7,060	\$3.45
Retail (Community Center)	23	893,714	6.6%	38,857	\$3.74
Retail (Lifestyle Center)	2	290,000	0.7%	145,000	\$3.02
Retail (Neighborhood Center)	58	1,247,526	3.0%	21,509	\$3.64
Retail (Strip Center)	45	439,201	9.8%	9,760	\$3.61
<b>All Types</b>	<b>307</b>	<b>4,134,206</b>	<b>4.4%</b>	<b>13,466</b>	<b>\$3.53</b>

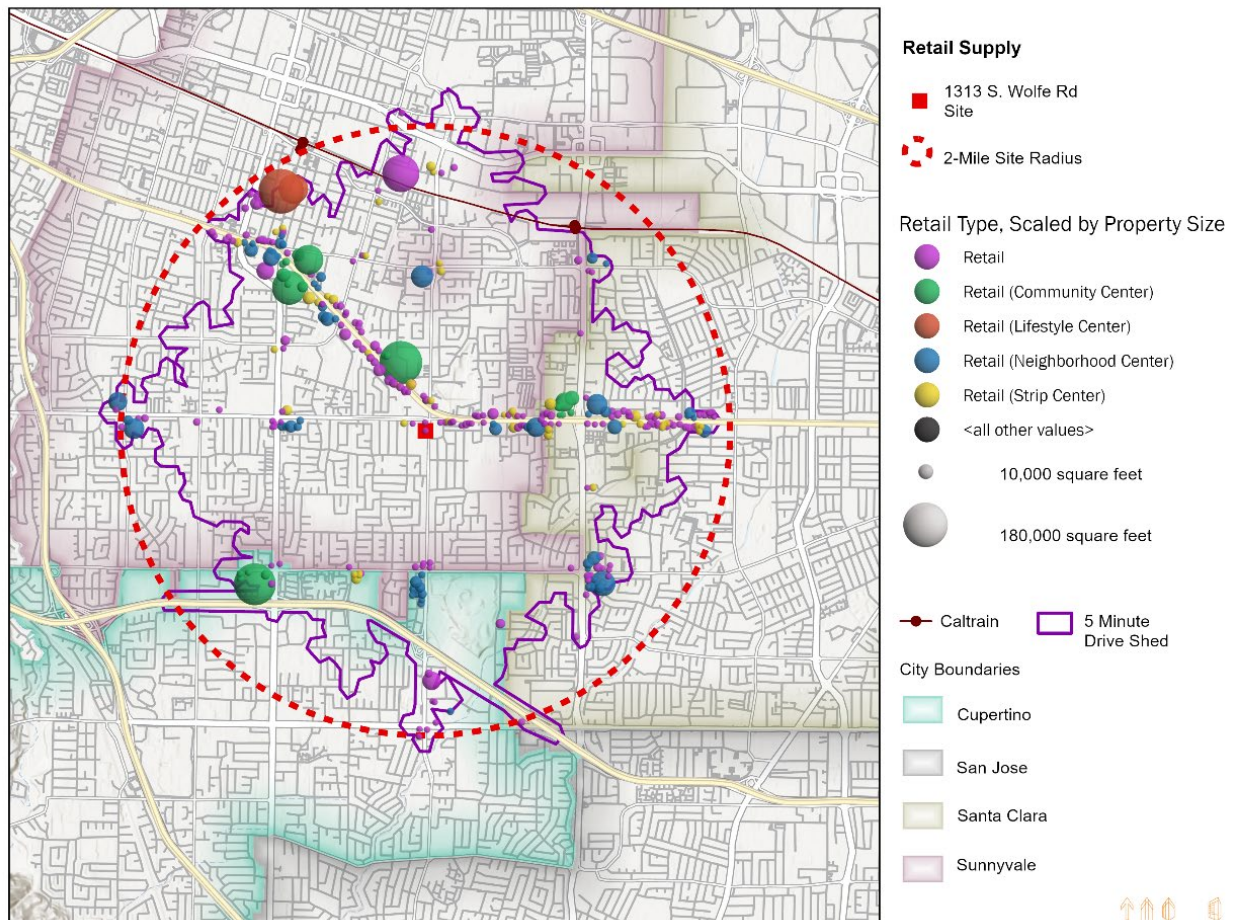
Sources: CoStar, 2023; Strategic Economics, 2023.

Notes:

Includes all existing retail buildings in a five-minute drive-time radius of the 1313 South Wolfe Road site.

Availability rate is a metric similar to vacancy rate, but also includes spaces that are currently occupied, but listed as available for lease.

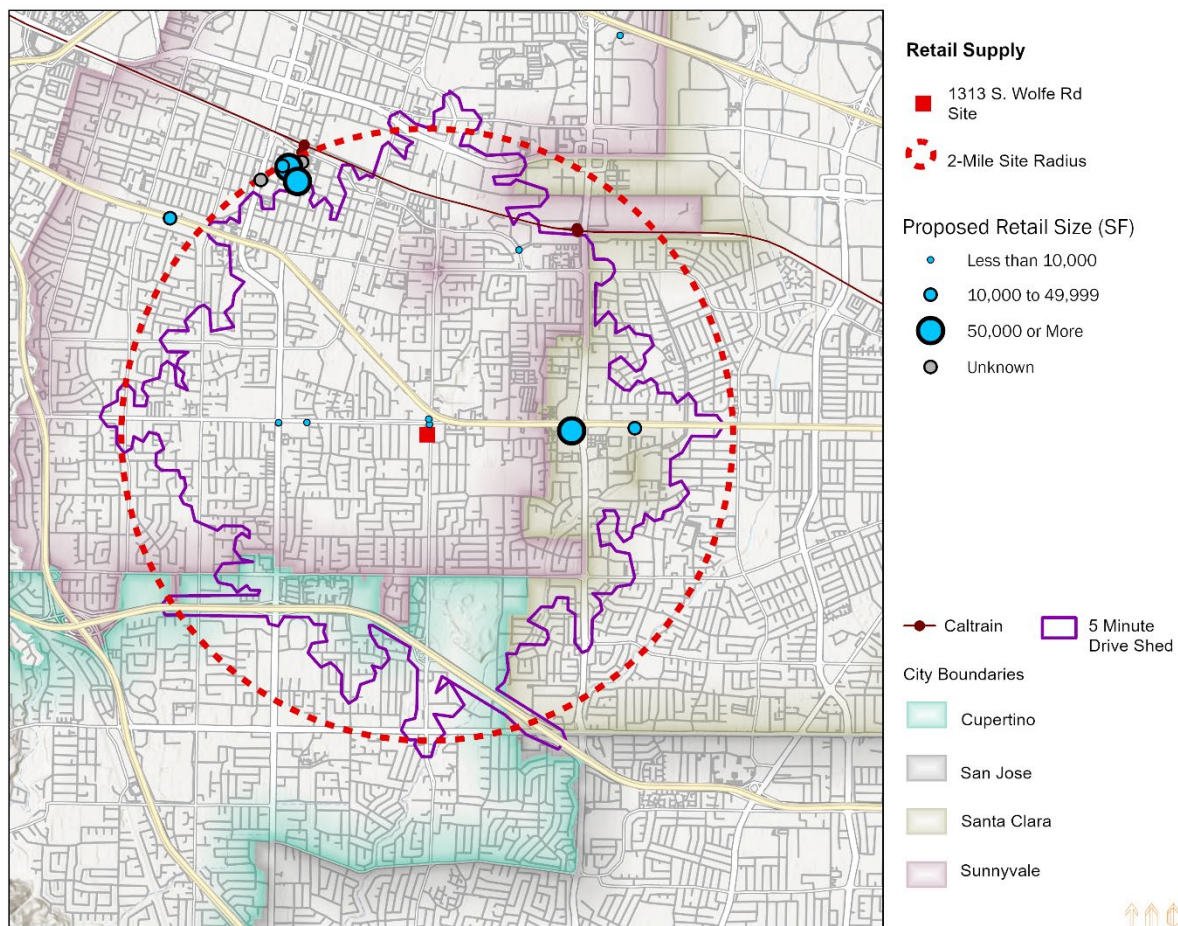
FIGURE 15: CURRENT RETAIL LOCATIONS IN THE 1313 SOUTH WOLFE ROAD TRADE AREA, BY RETAIL TYPE



Sources: CoStar, 2023; Strategic Economics, 2023.

New retail projects proposed within the trade area indicate strength of market demand for new space—but some projects will also create new competitive supply. Nine new retail projects are already proposed in the trade area, and expected to add around 600,000 total square feet of retail space. The location and sizes of these projects are shown in Figure 16. Approximately 550,000 of the total 600,000 square feet of new development comes from just two projects: the Cityline project at the edge of the trade area at 2502 Town Center Lane, and the Gateway Village project in Santa Clara at 3700 El Camino Real. These two large-scale projects would serve very different purposes and trade areas than any new development at 1313 South Wolfe Road. However, there are also seven proposed developments in the trade area that would be 15,000 square feet or less, with projects closest to 1313 South Wolfe Road potentially attracting tenants that would compete with future tenants at the site.

FIGURE 16: PROPOSED OR UNDER CONSTRUCTION RETAIL IN THE 1313 SOUTH WOLFE ROAD TRADE AREA



Sources: City of Sunnyvale, 2023; CoStar, 2023; Strategic Economics, 2023.

## RETAIL DEMAND ANALYSIS

Trade area household income growth and additions of households in new residential development projects will drive consumer spending increases in some industries, such as food and beverages. ESRI Business Analyst data estimates the population within the trade area was 92,000 residents as of 2022, including 23,000 families and 34,000 total households. The analysis indicates projected

increases in household income levels—as shown in Figure 17. Although not captured in these projections, the trade area population is also likely to further increase if current planned, proposed, and under construction housing development projects are completed and occupied—further growing spending power and demand within the retail trade area. Figure 18 shows projected trade area consumer spending and demand by retail category. Based on the configuration and location of the 1313 South Wolfe Road prototypes, Strategic Economics identified food and beverage, personal care products and services, sports or hobby supplies, and small medical offices as potential site uses. Trade area sales in these industries are projected to grow by approximately \$73 million dollars from 2022 to 2027, led primarily by growth in the restaurant industry (Food Away from Home). Across all selected categories, this represents 16 percent growth over the next five years.

**FIGURE 17: PROJECTED DEMOGRAPHIC TRENDS, 2022 TO 2027, IN 1313 SOUTH WOLFE ROAD TRADE AREA**

	2022	2027, Projected
Total Population	91,966	91,080
Average Household Size	2.67	2.64
Median Age	37.6	38.0
Median Household Income	\$167,071	\$195,096

Note: This data primarily describes demographic changes, and does not fully account for the likely growth in future population associated with planned, proposed, and under construction residential development projects.

Sources: ESRI Business Analyst, 2023; Strategic Economics, 2023.

**FIGURE 18: PROJECTED GROWTH IN SPENDING POWER AND DEMAND FOR SELECTED RETAIL CATEGORIES IN THE TRADE AREA, 2022 TO 2027**

Industry	2022 Consumer Spending	2027 Forecasted Demand	Change in Demand
Food Away from Home	\$296,512,786	\$344,840,533	\$48,327,747
Alcoholic Beverages	\$51,910,533	\$60,359,217	\$8,448,684
Personal Care Products	\$36,713,720	\$42,693,222	\$5,979,502
Sports/Recreation/Exercise Equipment	\$13,304,199	\$15,474,708	\$2,170,509
School Books and Supplies	\$10,070,289	\$11,712,449	\$1,642,160
Toys/Games/Crafts/Hobbies	\$7,976,965	\$9,280,183	\$1,303,218
Reading	\$7,784,617	\$9,047,630	\$1,263,013
Telephones and Accessories	\$6,976,832	\$8,101,837	\$1,125,005
Eyeglasses and Contact Lenses	\$6,580,549	\$7,647,572	\$1,067,023
Apparel Products and Services	\$4,416,075	\$5,130,739	\$714,664
Photo Equipment and Supplies	\$3,803,238	\$4,425,798	\$622,560
Catered Affairs	\$2,808,451	\$3,265,050	\$456,599
<b>Total</b>	<b>\$448,858,254</b>	<b>\$521,978,938</b>	<b>\$73,120,684</b>

Note: Growth in spending power / demand will likely exceed these projections if current planned, proposed, and under construction residential development projects are completed and occupied.

Sources: ESRI, 2023; Strategic Economics, 2023.

**Trends in spending power and demand suggest that there is likely future demand for local-serving retail space at 1313 South Wolfe Road.** Figure 19 provides a simple estimate of how demand for retail space within the trade area could change with a 16 percent increase in sales. Strategic Economics used a definition for “local-serving retail” to segment the trade area’s supply based on properties that are similar to what would be constructed at 1313 South Wolfe Road. This category includes properties



of less than 25,000 square feet that are in either a general retail or strip center retail development. Based on the currently-leased retail space in the trade area, the projected growth, and a five percent vacancy assumption, the trade area is expected to support 260,000 square feet of additional retail space in 2027 (assuming maintenance of current sales per square foot). Approximately 105,000 square feet of this demand could be accommodated within either currently available space or proposed developments, but excess demand would remain for 150,000 square feet of retail space.

**FIGURE 19: PROJECTED DEMAND FOR RETAIL DEVELOPMENT IN 1313 SOUTH WOLFE ROAD TRADE AREA, 2022 TO 2027**

	Local-Serving Retail Only	All Retail in Trade Area
<b>Currently Leased Square Feet</b>	<b>1,178,892</b>	<b>3,952,974</b>
<u>Projected 2022 to 2027 Sales Growth in Selected Industries</u>	<u>16%</u>	<u>16%</u>
Projected New Leased Square Feet, 2027	1,370,938	4,596,928
<u>Vacancy Allowance</u>	<u>5%</u>	<u>5%</u>
<b>New Leasable Area with Vacancy Allowance</b>	<b>1,439,485</b>	<b>4,826,775</b>
<b>Change in Retail Area, 2022 to 2027</b>	<b>260,593</b>	<b>873,801</b>
Currently Available Space	65,450	181,232
<u>Proposed Developments</u>	<u>40,414</u>	<u>539,677</u>
<b>Remaining Needed Square Feet</b>	<b>154,729</b>	<b>152,892</b>

Sources: CoStar, 2023; City of Sunnyvale, 2023; City of Santa Clara, 2023; ESRI, 2023; Strategic Economics, 2023.  
Note: Local-serving retail includes only retail properties that are less than 25,000 square feet, in the General Retail or Strip Center Retail categories.

**However, evidence of demand for retail space does not guarantee that a developer could build a financially feasible new retail development project.** For example, brokers and developers interviewed for this study noted that tenants could be easily attracted to new ground floor retail at the 1313 South Wolfe Road site, but ground floor retail would not necessarily generate a positive return on investment. This is because a ground-floor retail space would be less accessible for the automobile access needed in this location, and would therefore command lower rents. Although developers and brokers indicated that a drive-through food and beverage business would likely be the most profitable retail use of the site, the financial feasibility analysis described in the following section of this report indicates that even relatively high-rent retail uses are still unlikely to provide a sufficient return on investment to the developer compared to housing.

## Summary of Retail Market Analysis Conclusions

- The 1313 South Wolfe Road site is best positioned to attract convenience-oriented tenants serving a relatively small trade area, such as quick-service restaurants, coffee shops, salons, small consumer goods, or medical services. The site benefits from visibility and traffic volumes provided by its location at Fremont Avenue and South Wolfe Road, although locations directly along nearby El Camino Real would be more attractive.
- Future retail development at 1313 South Wolfe Road is likely to successfully attract tenants due to the site's location and projected increases in trade area household incomes, retail



spending, and likely growth of households associated with future housing development projects. Retail vacancy rates are low in the trade area, and projected growth in retail spending and demand is estimated to support demand for additional local-serving retail space beyond existing vacant space and planned and proposed retail projects. Trade area spending within the categories of retail uses compatible with the site is expected to grow by 16 percent over the next five years. Approximately 40,000 square feet could be filled by projects that are already in the development pipeline, but 150,000 square feet would still remain.

- A strip-center or drive-through retail concept would likely be more successful at this site than a ground-floor retail location, due to the automobile-oriented nature of the location and context. A ground-floor retail space within a mixed-use building would likely command lower rents but could also succeed if convenient parking and access exist.
- Evidence of demand for retail does not necessarily imply that a new retail development would be financially feasible to develop. Financial feasibility depends on the costs of construction, the rents that tenants would pay, the site layout and accessibility, and the type of tenant that the site would attract. The analysis in the next section indicates that retail space, on its own, is not currently financially feasible to construct at the site.

## IV. RESIDENTIAL MARKET ANALYSIS AND PROTOTYPES RESIDUAL LAND VALUE ANALYSIS

Strategic Economics conducted a financial feasibility analysis to assess the relative likelihood that a developer would pursue construction of each of the six development prototypes. This analysis considered the total revenue that each prototype is expected to generate alongside the current construction costs, financing, and feasibility considerations that a developer would assess to determine whether to move forward with a project. The purpose of this analysis was to provide the City of Sunnyvale with insights on how each of the City's specified site plan options would be viewed by prospective developers when translated to actual development prototypes. The financial feasibility analysis results are presented in terms of each prototype's supportable residual land value, which allows for comparison of project types across land use, density, and residential tenure.

Strategic Economics also conducted a targeted residential market analysis for the 1313 South Wolfe Road site to inform the residual land value analysis. The purpose of this analysis was to determine the suitability of the 1313 South Wolfe Road site for various residential uses and identify the residential sale prices or rents that each prototype could achieve. These results were used alongside retail market analysis findings as assumptions in the financial feasibility model.

### Residential Market Analysis

Strategic Economics reviewed market data and consulted with local residential developers to gain insights on the 1313 South Wolfe Road site's suitability for residential development and determine the market value of each residential prototype. Strategic Economics interviewed five different residential developers with experience in the Sunnyvale market and expertise with a range of product types similar to the site's residential prototypes. These developers provided insights about what types of projects they would be most likely to pursue among the site plan alternatives, as well as current costs, revenue, and feasibility considerations for each product type. Strategic Economics combined these insights with local market data and trends from recent Sunnyvale development projects to define the residential assumptions in the residual land value analysis.

**Overall, the 1313 South Wolfe Road site is considered a valuable location for new residential development, due to the quality of local schools and commute access to employment centers.** The 1313 South Wolfe Road site provides convenient access to Silicon Valley jobs, and developers noted that the 94087 ZIP code is especially desirable for its access to quality schools. These factors can make a considerable difference in the sale price of single-family homes, townhomes, or condos. This assessment is supported by data on recent townhome and condo sales prices, as shown in Figure 20.

FIGURE 20: AVERAGE SALES PRICE PER SQUARE FOOT OF TOWNHOMES AND CONDOS IN SUNNYVALE AND SANTA CLARA, BY ZIP CODE, 2020 TO 2023

Zip Code	Average Price per Square Foot	Number of Sales
94085	\$875	215
94086	\$940	156
<b>94087</b>	<b>\$1,047</b>	<b>21</b>
94089	\$895	33
94805	\$838	1
95050	\$792	59
95051	\$871	203

Sources: Redfin, 2023; Strategic Economics, 2023.

On the other hand, the site’s dimensions, zoning alternatives, and potential contamination concerns could pose some challenges for residential development—particularly for higher-density “podium” products. For example, many developers expressed concerns about unknown remediation challenges associated with conversion of the gas station parcel; they indicated that cleanup of this site, if necessary, could add additional costs and considerable time concerns for any new development project. In addition, the site’s overall size and dimensions may limit the ability to design efficient multifamily development projects, which are typically most successful on sites with greater depth or larger overall acreage. Lastly, developers indicated that the zoning designations being considered by the City might limit success for the multifamily rental prototype and podium residential products due to the zoning’s limited maximum allowable density. Podium products are typically most cost effective at greater densities such as 50 dwelling units per acre or above.

Based on these considerations, most developers believed that townhomes would be the most financially feasible residential use of the site, given cost considerations, site constraints, market demand, and zoning categories associated with the site plan options. Developers indicated that townhomes would be most suitable for the dimensions of the site because they do not need a large building footprint for cost-effective construction and are able to adapt to the rectangular orientation of the parcel. There is some evidence, based on recent comparable projects, that a condo product could also be successful—condo projects have recently been proposed or completed elsewhere in Sunnyvale, including 1115 Aster Avenue, 102 East Fremont Avenue, and 925 South Wolfe Road.<sup>2</sup> However, developers were split on whether a condo project could succeed at the site’s location.

Based on market data, prototypes at the 1313 South Wolfe Road are expected to achieve average multifamily rents of approximately \$4.50 per square foot and average townhome or condo sales prices of approximately \$975 per square foot. Strategic Economics compiled these estimated values based on price trends from CoStar, Redfin, developer input, and current listings for comparable projects. As is typical, monthly rents per square foot for multifamily products were generally higher for smaller units with fewer units, and somewhat higher for units in higher-density buildings.

<sup>2</sup> City of Sunnyvale, 2023, February 2023 Development Update.

FIGURE 21: EXPECTED MARKET SALES PRICES AND MONTHLY RENTS PER SQUARE FOOT FOR RESIDENTIAL PROTOTYPES AT 1313 SOUTH WOLFE ROAD

Number of Bedrooms	Sale Price per SF		Monthly Rent per SF	
	Townhomes	Condos	Small Mixed Use	Podium
Studio			\$5.30	\$6.00
1-BD		\$975	\$4.40	\$4.70
2-BD	\$1,025	\$1,075	\$3.75	\$4.00
3-BD	\$1,000	\$875	\$3.50	\$3.75
4-BD	\$950			

Sources: Redfin, 2023; CoStar, 2023; Developer Interviews, 2023; Apartment Websites, 2023; Strategic Economics, 2023.  
Note: References for current apartment listings included 481 on Mathilda, Sofi Sunnyvale, Maxwell, Naya, and Solstice.

## Residual Land Value Methodology

Strategic Economics measured the financial feasibility of each prototype using a static pro forma model that solves for the residual land value of each project. A pro forma model is a tool that is commonly used to estimate the financial performance of a development project. The model incorporates assumptions based on current conditions for each prototype’s revenue, construction costs, and financing costs. “Residual land value” represents the value remaining to pay for land after accounting for all other project costs and expected revenues.

Residual land value is calculated in four steps:

1. Estimate the total value of each prototype’s retail and residential uses:
  - a. For for-sale products, this is based on the net revenue generated from sales;
  - b. For rental products, this is based on the net operating income for the project’s first stabilized year and the corresponding capitalized value of the product based on current expected cap rates;
2. Calculate the total supportable value of the project, based on the total value of the project and the developer’s “target return” (i.e. the current industry standard return on investment needed for the developer to pursue the project);
3. Estimate all development costs *except land cost*. These costs include direct construction costs (“hard” costs) and indirect costs (“soft” costs such as design, engineering, taxes, insurance, professional fees, City fees, and a contingency for unanticipated overruns);
4. Subtract the development costs estimated in Step 3 from the total supportable value of the project estimated in Step 2. The result is the Residual Land Value.
  - a. In real estate economics, the residual land value represents the maximum amount the developer can pay for land for the project to be feasible.

## Residual Land Value Analysis

The following findings describe the results of the residual land value analysis of the development prototypes. Revenue components in this analysis included total revenue for each prototype raised from sales prices, total revenue from rentable areas of multifamily or retail space, and total revenue from deed-restricted affordable housing units required for each prototype by the City of Sunnyvale’s

inclusionary requirements. Development cost considerations included costs of site preparation, hard costs (labor and materials), soft costs (design, engineering, taxes, insurance, professional fees, City fees, contingency), and financing costs. City of Sunnyvale staff reviewed and vetted the municipal fee estimates, impact fee estimates, and affordable housing sales price and rent assumptions and calculations. Figure 22 shows a summary of the values and development costs for each prototype. Detailed assumptions and the detailed pro forma statements are shown in Appendix II starting on page 41 of this report.

**FIGURE 22: REVENUE AND DEVELOPMENT COSTS FOR PROTOTYPES, IN MILLIONS OF DOLLARS**

	<u>Option 0</u>	<u>Option 1</u>		<u>Option 2a</u>	<u>Option 2b</u>	<u>Option 3</u>
	Mixed Commercial	Freestanding Commercial	Townhomes	Small Mixed Use	Podium Condos	Podium Rental
<b>Revenue</b>						
Net Revenue: For Sale Residential	\$0.0	\$0.0	\$19.8	\$0.0	\$60.1	\$0.0
Capitalized Value: Rental Residential	\$0.0	\$0.0	\$0.0	\$24.7	\$0.0	\$41.5
<u>Capitalized Value: Retail</u>	<u>\$16.4</u>	<u>\$5.7</u>	<u>\$0.0</u>	<u>\$4.7</u>	<u>\$4.7</u>	<u>\$0.0</u>
<b>Total Revenue / Project Value</b>	<b>\$16.4</b>	<b>\$5.7</b>	<b>\$19.8</b>	<b>\$29.3</b>	<b>\$64.8</b>	<b>\$41.5</b>
<b>Development Costs</b>						
<b>Hard Costs</b>						
Site Prep, Demo	\$3.6	\$2.2	\$1.4	\$3.6	\$3.6	\$3.6
Vertical Hard Costs	\$6.7	\$2.5	\$4.6	\$12.6	\$24.8	\$18.7
Parking Costs	\$0.9	\$0.5	\$0.1	\$0.6	\$2.9	\$3.6
<u>Tenant Improvement Allowances</u>	<u>\$1.6</u>	<u>\$0.6</u>	<u>\$0.0</u>	<u>\$0.6</u>	<u>\$0.6</u>	<u>\$0.0</u>
<b>Total Hard Costs</b>	<b>\$12.8</b>	<b>\$5.8</b>	<b>\$6.1</b>	<b>\$17.4</b>	<b>\$32.0</b>	<b>\$25.9</b>
<b>Soft Costs</b>						
Hard Cost Contingency	\$0.6	\$0.3	\$0.5	\$1.3	\$2.4	\$1.9
Arch., Eng., and Other Soft Costs	\$1.5	\$0.7	\$0.6	\$1.8	\$3.4	\$2.7
<u>Municipal Fees</u>	<u>\$0.7</u>	<u>\$0.4</u>	<u>\$1.1</u>	<u>\$3.2</u>	<u>\$4.6</u>	<u>\$4.6</u>
<b>Total Soft Costs</b>	<b>\$2.9</b>	<b>\$1.3</b>	<b>\$2.2</b>	<b>\$6.4</b>	<b>\$10.4</b>	<b>\$9.2</b>
<b>Financing Costs</b>	<b>\$0.7</b>	<b>\$0.3</b>	<b>\$0.4</b>	<b>\$1.0</b>	<b>\$1.9</b>	<b>\$2.0</b>
<b>Total Development Costs, Excluding Land</b>	<b>\$16.4</b>	<b>\$7.4</b>	<b>\$8.6</b>	<b>\$24.8</b>	<b>\$44.3</b>	<b>\$37.1</b>

Source: Strategic Economics, 2023.

**The Townhome prototype supports the greatest residual land value and is most likely to be financially feasible to build; the condo prototype is also likely feasible to build.** As shown in Figure 23 and Figure 24, the townhome component of the Option 1 horizontal mixed-use prototype supports a residual land value of \$288 per square foot of land, followed by the Podium Condo prototype at \$184 per square foot. These values exceed typical land prices for the area, which range from around \$125 per square foot to \$170 per square foot, depending on the land use.

**The Townhome and Condo prototypes perform well partly due to high achievable sales prices, low Townhome construction costs, and less onerous inclusionary requirements.** The Townhome prototype performs well due to the high achievable sales prices of the units coupled with relatively

low construction costs per square foot of space. The condo prototype achieves high sales prices per square foot of space that still exceed the higher construction costs associated with building a concrete parking podium with housing above. As ownership products, the Townhome and Condo prototypes are also subject to less onerous inclusionary requirements. The City of Sunnyvale requires 15 percent of housing units in ownership projects to be set aside for moderate income households, whereas 15 percent of units in rental projects must be set aside for low- and very low-income households.

**The Mixed Commercial, Freestanding Commercial, Small Multifamily, and Podium Rental prototypes support a negative residual land value, indicating that these prototypes are infeasible to build.** As shown in Figure 23 and Figure 24, costs exceed achievable project values for each of these prototypes. As a low-intensity, surface-parked use, the Mixed Commercial prototype and the Freestanding Commercial component of Option 1 provide little usable building area relative to the overall property size—even though the buildings would be likely to attract tenants. Project revenues and capitalized values for the Small Multifamily and Podium Rental prototypes are constrained by current achievable rents, applicable inclusionary requirements, and prevailing cap rates. The Podium Rental prototype is an expensive product to build, requiring concrete ground floor construction and greater upper-floor fire resistance. Compared to the Podium Rental prototype allowed under R-4 zoning, developers typically need to build such products at higher densities, with greater numbers of total units, and/or with lower parking ratios.

**Retail uses are likely to generate a net loss for the development prototypes.** Retail uses on the site are expected to be a net loss for the prototypes due to the lower achievable rents for retail use. This finding matches input by local developers. If the Townhome prototype was constructed in conjunction with the Freestanding Commercial product of the size modeled here, the project would be infeasible. It is possible that a horizontal mixed-use project such as Option 1 could still be successful if the retail component of the site occupied less area, with additional Townhomes added to offset the costs of the retail space. Ground floor retail space in the Small Multifamily and Podium Condos is also likely to generate a negative return, especially since achievable rents would be lower than the Freestanding Commercial use due to reduced visibility and access.

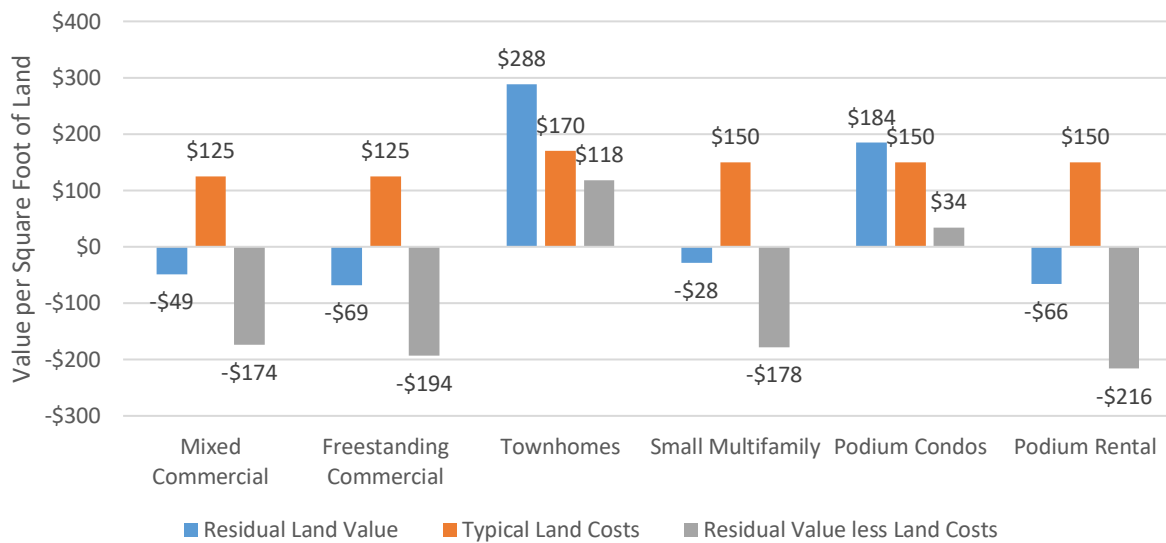
**Though neither prototype is feasible, the Mixed Commercial prototype generates a slightly higher residual land value per square foot than the Freestanding Commercial component of Option 1 because of the diversity of retail and restaurant uses that could be accommodated when assuming retail uses across the entire multi-parcel site.** Both prototypes include general retail space, which could be used for small shops or personal services establishments. However, the Mixed Commercial prototype was assumed to include a drive-through restaurant, a retail type that is expected to command higher rents than other types of retail at this location. This Mixed Commercial prototype therefore generates more revenue per square foot than either the Freestanding Commercial or the retail components of mixed-used prototypes. However, this inclusion has limited impact on overall feasibility results; even if all commercial space was dedicated to drive-through or other restaurant uses, the Mixed Commercial prototype would still be unlikely to be feasible given current development conditions.

FIGURE 23: RESIDUAL LAND VALUE RESULTS

	<u>Option 0</u> Mixed Commercial	<u>Option 1</u> Freestanding Commercial	Townhomes	<u>Option 2a</u> Small Multifamily	<u>Option 2b</u> Podium Condos	<u>Option 3</u> Podium Rental
<b>Residual Land Value (RLV):</b>	<b>-\$3,697,771</b>	<b>-\$3,016,492</b>	<b>\$9,172,042</b>	<b>-\$2,127,606</b>	<b>\$13,983,795</b>	<b>-\$4,993,609</b>
psf land	-\$49	-\$69	\$288	-\$28	\$184	-\$66
<b>Typical Land Costs:</b>	<b>\$9,474,300</b>	<b>\$5,499,450</b>	<b>\$5,405,796</b>	<b>\$11,369,160</b>	<b>\$11,369,160</b>	<b>\$11,369,160</b>
psf land	\$125	\$125	\$170	\$150	\$150	\$150
<b>RLV Less Typical Land Costs:</b>	<b>-\$13,172,071</b>	<b>-\$8,515,942</b>	<b>\$3,766,246</b>	<b>-\$13,496,766</b>	<b>\$2,614,635</b>	<b>-\$16,362,769</b>
psf land	-\$174	-\$194	\$118	-\$178	\$34	-\$216

Source: Strategic Economics, 2023.

FIGURE 24: RESIDUAL LAND VALUE RESULTS PER SQUARE FOOT OF LAND, BY PROTOTYPE



Source: Strategic Economics, 2023.

## Summary of Residual Land Value Analysis Conclusions

- The 1313 South Wolfe Road site is a desirable location for residential development due to the quality of local schools and commute access to employment centers.
- Certain constraints at the 1313 South Wolfe Road site create challenges for some residential uses, including potential remediation needs for the gas station site, and site layout and size challenges for podium product types, which can be more efficiently designed when located at larger properties with greater depth.

- The Townhome prototype supports the greatest residual land value and is currently the most financially feasible development product for this site due to its high sales prices, low construction costs per square foot of building area, and flexibility for placement on the site. The Podium Condos prototype is also likely to be financially feasible, though much less so compared to Townhomes.
- All tested rental housing prototypes are currently infeasible to build due to limited current achievable rents and cap rates, greater inclusionary housing affordability requirements, and, for the higher-density Podium Rental prototype, greater construction costs per square foot of building area.
- Multifamily podium projects—in which housing is built above a concrete parking podium—typically perform best when built at higher densities than that allowed by the R-4 zoning to achieve financial feasibility. Compared to the Podium Rental prototype allowed under R-4 zoning, developers typically need to build such products at higher densities, with greater numbers of total units, and/or with lower parking ratios.
- Retail uses are likely to generate a net loss for the development prototypes, despite the existence of demand for retail space at the site; developers can potentially cross-subsidize retail space with feasible housing products—such as townhomes and condos—but the supportable quantity of retail is limited. Notably, the quantity of retail space included in Option 1 (horizontal mixed-use retail and townhomes) results in the overall development prototype becoming infeasible.



## V. FISCAL IMPACT ANALYSIS

A fiscal impact analysis measures the impact of new development and associated municipal services on a city's budget. New residents and businesses create demand for city services (such as public safety) and facilities (such as parks and streets), but are also associated with increased sales tax, property taxes, other local taxes, and other revenues. The net fiscal impact reflects the revenues minus the costs that growth is expected to generate.

This fiscal impact analysis focused on the ongoing City operations and maintenance impacts associated with the five site plan options at the 1313 South Wolfe Road site, using the assumptions for development programs as described in each of the six development prototypes. The analysis examined impacts on the City of Sunnyvale's General Fund, which is the primary operating fund for the City. As such, the analysis did not include estimates of one-time capital expenses for infrastructure or facilities that may be required to accommodate new development. The analysis also excluded impacts on special districts, enterprise funds, and other agencies that are funded independently of the General Fund, such as school districts and utility districts.

The analysis presented here is "static," in that it only estimated fiscal impacts for one year upon build-out and stabilized occupancy of the developments, rather than providing annual estimates of revenues and costs that would occur while the project is being completed and occupied over time. The revenue and cost estimates were primarily based on the 2021-2022 budget year; this was the last budget year for which audited actual revenues and expenses were available when Strategic Economics gathered inputs for the fiscal impact analysis. Results are reported in 2023 dollars throughout this memo, based on inputs and assumptions reflecting conditions from 2022 through early 2023.

Fiscal impact analysis requires long-range projections of the future and is therefore best used to understand which components of a growth scenario generate revenues and costs, and to understand the relative magnitude of revenues and costs between scenarios. Fiscal impact analysis uses the best available data to generate assumptions for projecting future revenues and expenses. These revenues and costs are derived from existing and historic conditions, but actual budget conditions could change over time. Finally, this fiscal impact analysis is not based on a measurement of the market feasibility of the development scenarios, but instead relies on the hypothetical development program represented by the site plan options and their corresponding prototypes.

### Fiscal Impact Analysis Findings

The following findings summarize the results of the fiscal impact analysis of the site plan options. Detailed assumptions, methodology notes, and calculations are shown in Appendix III beginning on page 48 of this report.

**The Mixed Commercial site plan option is anticipated to result in the greatest net positive impact on the City of Sunnyvale's General Fund.** Figure 25 shows the estimated General Fund revenues, expenditures, and net revenue associated with growth under each development scenario. The Mixed Commercial site plan option would result in an anticipated net revenue of \$74,990 annually for the City's General Fund. The expected net revenue for this project is 84 percent of its total revenue.

**The Freestanding Commercial and Townhomes development site plan option is expected to generate the second largest net positive impact on the City of Sunnyvale's General Fund.** As shown, the annual

net revenue (total revenues less expenditures) of \$13,796 for this option represents 18 percent of the total revenue associated with the Townhome and Freestanding Retail development option.

**The Podium Condos and Small Multifamily options would likely generate an approximately neutral impact on the City's General Fund, with the condos more likely to generate a positive fiscal impact.** As shown in Figure 25, the Small Multifamily and Podium Condos options were estimated to generate a negative \$3,466 and positive \$10,979 impact on the General Fund, respectively. However, net revenues are within six percent of total revenues for both options, indicating that both options are essentially neutral in their impacts after accounting for the long-range assumptions and uncertainties involved in fiscal impact analysis.

**The Podium Rental site plan option would currently result in a negative fiscal impact on the City's General Fund.** This site plan option would generate an expected negative \$16,069 in annual net fiscal impacts on the General Fund, with net revenues 13 percent below total revenues.

**Given that property taxes account for the largest source of revenues associated with most of the site plan options, the fiscal analysis results will shift over time depending on market conditions when a given development is built.** Property tax and property tax in-lieu of vehicle license fee revenues are based on the assessed value of the site plan options, which in turn is based on the market value of the developments upon reassessment of the projects and housing units. The two property tax revenue sources account for 50 percent to 59 percent of General Fund revenues associated with all site plan options, with the exception of the Mixed Commercial site plan option (for which property tax revenue accounts for 31 percent of the total). Therefore, the positive fiscal impact outcomes for ownership products are partly explained by the relatively high achievable project values for the Townhomes and Podium Condos. If values for rental products increase in the future to a point such that developers pursue these projects, then those site plan options' associated property tax revenues would increase and may result in a fiscally positive outcome under those market conditions.

**Retail sales components of projects are likely to generate the most positive net revenue for the City of Sunnyvale's General Fund, as shown by the results for the Mixed Commercial site option.** This applies to other options as well: without the retail component of the site plan options, Townhomes generate a fiscally neutral impact on the General Fund and the Small Multifamily site plan option generates a clearly negative impact. The on-site retail space would generate sales tax revenue from shoppers above and beyond the spending of on-site residents within the developments' housing units. The retail space therefore positively influences the fiscal analysis results. Without this sales tax revenue, the Townhomes alone would generate an approximately neutral \$986 per year net revenue impact, two percent of total revenue. The Small Multifamily site plan option would generate a significantly negative \$14,854 net revenue impact, a net negative 17 percent of total revenue.

FIGURE 25: ESTIMATED ANNUAL NET GENERAL FUND IMPACT BY SITE PLAN OPTION

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Multifamily	Podium Condos	Podium Rental
<b>Revenues</b>					
Property Tax	\$20,159	\$31,399	\$36,120	\$79,709	\$51,135
Property Tax In-Lieu of VLF	\$7,723	\$12,030	\$13,838	\$30,539	\$19,592
Property Transfer Tax	\$600	\$1,765	\$1,076	\$4,891	\$1,523
Sales Tax	\$56,452	\$15,009	\$18,964	\$22,800	\$12,322
Business License Tax	\$594	\$224	\$818	\$298	\$890
Other Recurring Revenues	\$4,088	\$18,087	\$28,813	\$49,361	\$39,382
<i>Subtotal, Revenues</i>	\$89,616	\$78,514	\$99,628	\$187,599	\$124,844
<b>Expenditures</b>					
General Government	\$1,297	\$5,741	\$9,145	\$15,667	\$12,499
Library and Recreation	\$1,194	\$5,285	\$8,419	\$14,423	\$11,507
Public Works	\$1,635	\$7,236	\$11,527	\$19,747	\$15,755
Public Safety	\$6,345	\$28,078	\$44,728	\$76,627	\$61,136
Environmental Services	\$19	\$86	\$136	\$233	\$186
Community Development	\$254	\$1,124	\$1,791	\$3,068	\$2,447
Non Departmental	\$3,880	\$17,169	\$27,349	\$46,854	\$37,382
<i>Subtotal, Expenditures</i>	\$14,625	\$64,718	\$103,094	\$176,620	\$140,914
<b>Net Revenue</b>	<b>\$74,990</b>	<b>\$13,796</b>	<b>-\$3,466</b>	<b>\$10,979</b>	<b>-\$16,069</b>
Net Revenue as % of Total Revenues	84%	18%	-3%	6%	-13%

Source: Strategic Economics, 2023.

## Summary of Fiscal Impact Analysis Conclusions

- The Mixed Commercial and Freestanding Commercial and Townhomes options are the only ones that clearly generate a positive fiscal impact on the City of Sunnyvale General Fund. The Podium Condos and Small Multifamily site plan options generate an approximately neutral impact, and the Podium Rental site plan option generates a negative impact.
- Without the on-site retail component of the mixed-use site plan options, the Freestanding Commercial and Townhomes site plan option generates a neutral impact on the General Fund, the Podium Condos generate a neutral impact, and the Small Multifamily site plan option generates a negative impact.
- Since results of the analysis are primarily driven by the assessed value of the developments, any future changes in project sales prices or rents/values could influence the fiscal impact analysis results.
- Policy tradeoffs exist between considering the modest positive or negative fiscal impacts found in this analysis versus making progress toward the City’s housing production goals.

# APPENDIX I: SITE PLAN STUDIES AND SITE LAYOUTS FOR SITE PLAN OPTIONS

## Canon Design Group Site Plan Studies

FIGURE 26: R-3 SITE PLAN STUDY A



Source: Canon Design Group, 2022.



FIGURE 27: R-3 SITE PLAN STUDY B



Source: Canon Design Group, 2022.

FIGURE 28: R-4 SITE PLAN STUDY A



Source: Canon Design Group, 2022.

FIGURE 29: R-4 SITE PLAN STUDY B

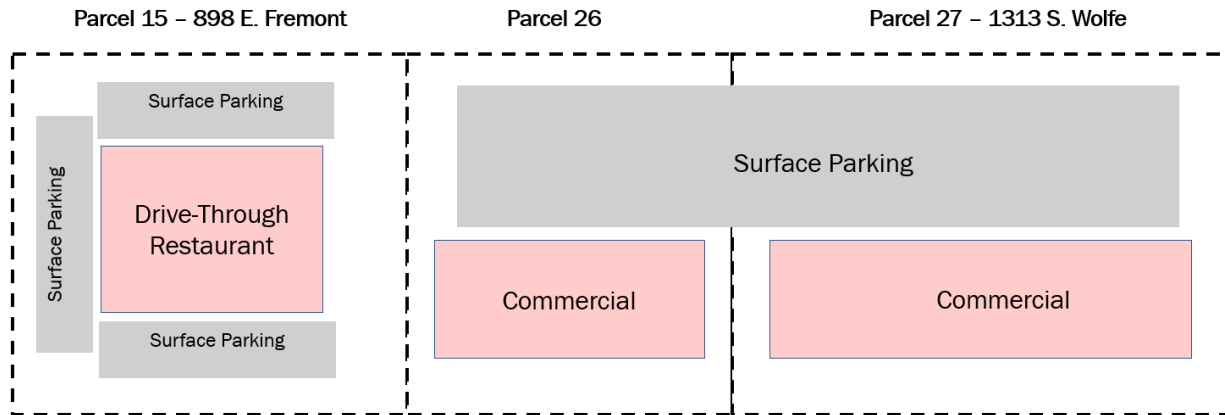


Source: Canon Design Group, 2022.

## Illustrative Site Layouts Corresponding to Site Plan Options

The following images correspond to the site plan options analyzed in this report. The images depict approximate locations of buildings and parking on the site and the approximate area used for buildings and parking. The images are intended to further orient the reader to the site plan options and corresponding prototypes, but are not exactly to scale and do not represent exact building placement.

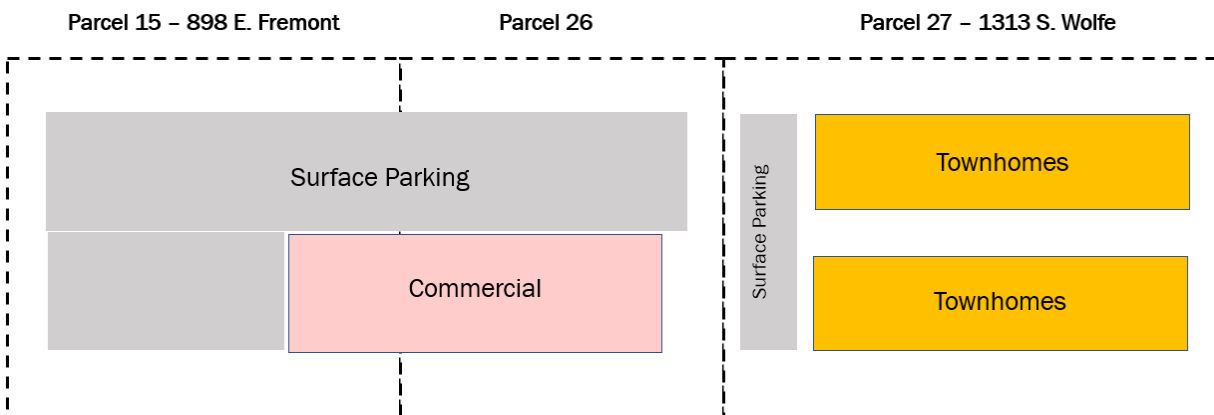
FIGURE 30: OPTION 0: MIXED COMMERCIAL



Source: Strategic Economics, 2023.

Note: Site layout is not intended to represent the exact building or parking locations, scale, or shapes that would be used by a developer. Rather, this visual is intended to provide a rough representation of the scale and structure of the building and parking lot footprints across the site.

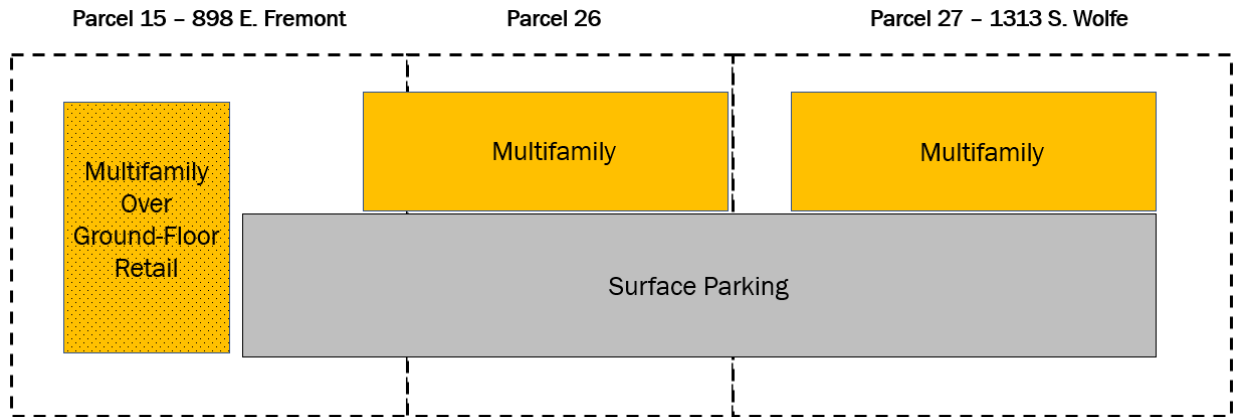
FIGURE 31: OPTION 1: FREESTANDING COMMERCIAL AND TOWNHOMES



Source: Strategic Economics, 2023.

Note: Site layout is not intended to represent the exact building or parking locations, scale, or shapes that would be used by a developer. Rather, this visual is intended to provide a rough representation of the scale and structure of the building and parking lot footprints across the site.

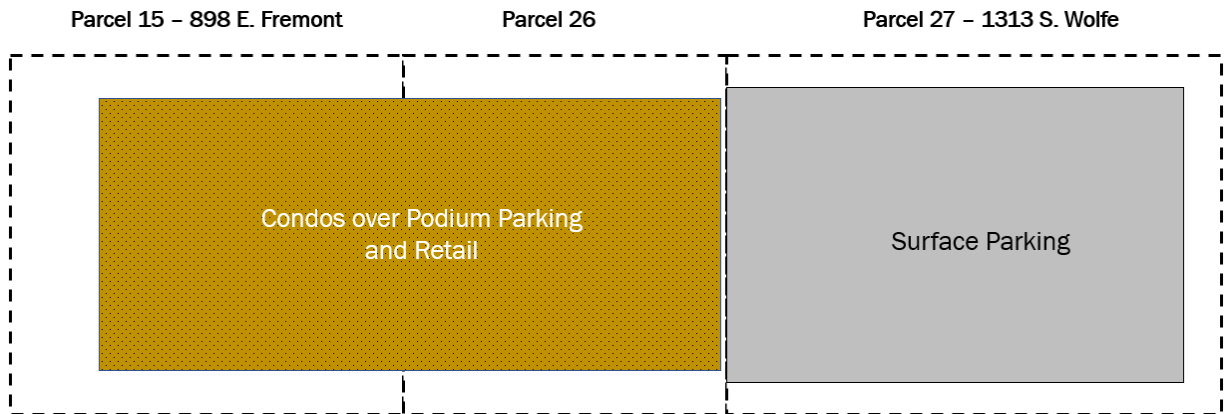
FIGURE 32: OPTION 2A: SMALL MULTIFAMILY



Source: Strategic Economics, 2023.

Notes: Site layout is not intended to represent the exact building or parking locations, scale, or shapes that would be used by a developer. Rather, this visual is intended to provide a rough representation of the scale and structure of the building and parking lot footprints across the site.

FIGURE 33: OPTION 2B: PODIUM CONDOS

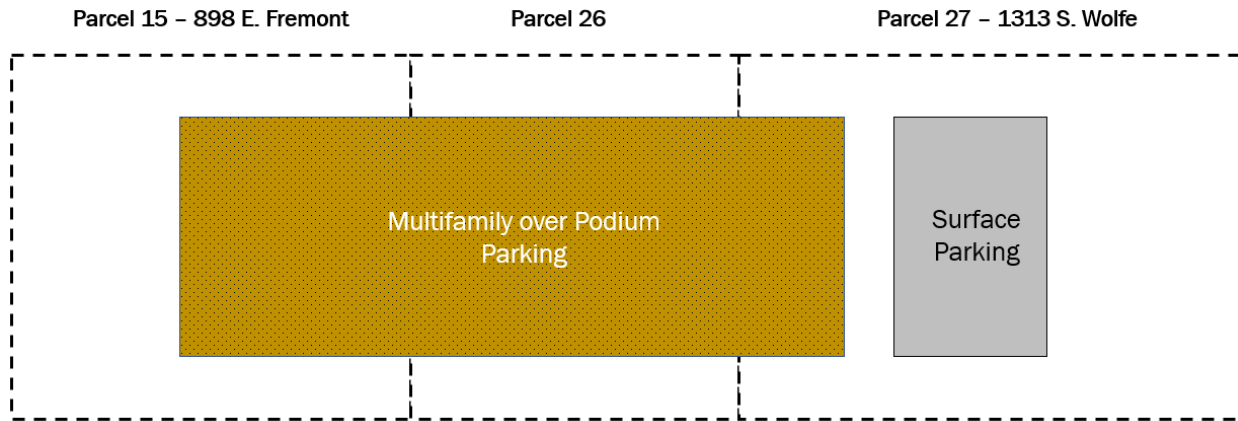


Source: Strategic Economics, 2023.

Note: Site layout is not intended to represent the exact building or parking locations, scale, or shapes that would be used by a developer. Rather, this visual is intended to provide a rough representation of the scale and structure of the building and parking lot footprints across the site.



FIGURE 34: OPTION 3: PODIUM RENTAL



Source: Strategic Economics, 2023.

Note: Site layout is not intended to represent the exact building or parking locations, scale, or shapes that would be used by a developer. Rather, this visual is intended to provide a rough representation of the scale and structure of the building and parking lot footprints across the site.

## APPENDIX II: DETAILED RESIDUAL LAND VALUE ASSUMPTIONS

### Revenue Assumptions

FIGURE 35: AVERAGE RENTS AND UTILITIES FOR SUNNYVALE VERY LOW-INCOME UNITS

Bedroom Count	Base Rent	Utility Allowance	Allowable Rents
Studio	\$1,475	\$182	\$1,293
1	\$1,670	\$191	\$1,479
2	\$1,896	\$220	\$1,676
3	\$2,108	\$277	\$1,831
4	\$2,275	\$311	\$1,964

Sources: City of Sunnyvale, 2023; Strategic Economics, 2023.

Note: Reference projects include Encasa, 481 on Mathilda, Redwood Place, Maxwell Apartments, Ironworks Apartments, 6TenEAST, and The Murphy Station.

FIGURE 36: ASSUMED SALE PRICES AND MONTHLY RENT FOR AFFORDABLE FOR-SALE AND RENTAL UNITS, BY INCOME

Bedroom Count	For Sale Units, Sale Price	For-Rent Units, Rent per Month	
	Moderate Income	Very Low Income	Low Income
Studio		\$1,293	\$1,872
1-BD	\$406,000	\$1,479	\$2,140
2-BD	\$474,000	\$1,676	\$2,407
3-BD	\$542,000	\$1,831	\$2,675
4-BD	\$597,000	\$1,964	\$2,889
5-BD	\$648,000		

Sources: City of Sunnyvale, 2022; Strategic Economics, 2023.

Notes: Moderate income sales prices correspond to BMR sale price limits published annually by the City of Sunnyvale. Low Income rent maximums correspond to maximum monthly rent limits published by the City of Sunnyvale. Very low-income rent limits were calculated based on a sample of affordable rental projects, as shown in the prior figure.

FIGURE 37: ADDITIONAL MARKET RATE RESIDENTIAL REVENUE ASSUMPTIONS

	Unit of Measure	Assumption
<b>Apartment Assumptions</b>		
Operating Expenses	% of Gross	30%
Vacancy Rate	% of Gross	5%
Cap Rate	Percent	4.25%
<b>For-Sale Residential Assumption</b>		
Marketing Costs	% of Gross	4%

Sources: Strategic Economics, 2023.; CoStar, 2023; Kidder Matthews, 2022; Institutional Property Advisors, 2022.

FIGURE 38: RETAIL REVENUE ASSUMPTIONS, BY PROTOTYPE

	Unit	Drive-Through Restaurant	Freestanding Retail	Ground- Floor Retail
Monthly Rent	Per SF, Triple-Net	\$4.25	\$3.50	\$3.00
Operating Expenses	% of Gross	2%	2%	2%
Vacancy Rate	% of Gross	5%	5%	5%
Cap Rate	Net Operating Income / Project Value	5.15%	5.15%	5.15%

Sources: Strategic Economics, 2023; Developer Interviews, 2023; Apartment Leasing, 2023; CoStar, 2023.

Notes: Operating Expenses are assumed to be minimal for retail because rent is expressed as triple-net, in which the tenant is responsible for taxes, insurance, and maintenance.

## Cost Assumptions

FIGURE 39: SITE ACQUISITION AND HARD COST ASSUMPTIONS, BY DEVELOPMENT TYPE

Cost Input	Unit of measure	Mixed/ Freestanding Commercial	Townhomes	Small Multifamily	Podium Condos	Podium Rental
<b>Site Acquisition Cost</b>						
Residential	per land sf		\$170	\$150	\$150	\$150
Commercial	per land sf	\$125				
<b>Hard Costs</b>						
Site Prep/Demo	per square foot					
Gas Station Site	per square foot	\$55	\$55	\$55	\$55	\$55
Other Sites	per square foot	\$45	\$45	\$45	\$45	\$45
<b>Vertical Hard Costs</b>						
Townhomes	per gross sf		\$200			
3-story multifamily	per gross sf			\$190		
4-story condos	per gross sf				\$275	
4-story multifamily	per gross sf					\$275
Retail Costs	per gross sf	\$315		\$330	\$330	
<b>Parking</b>						
Surface	per space	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Podium	per space			\$45,000	\$45,000	\$45,000
In-Unit	per space					
Tenant Improvement Allowance - Retail	per net square foot	\$80		\$80	\$80	

Sources: Developer Interviews, 2023; RLB, 2023; Turner & Townsend, 2022; Strategic Economics, 2023.

Notes: On a per square-foot basis, cost assumptions for Mixed Commercial and Freestanding commercial prototypes were the same. Assumes Type V or IIIA construction for all residential product types and Type I concrete podiums for all podium parking spaces.

FIGURE 40: MUNICIPAL FEE ESTIMATES, BY SITE PLAN OPTION

	Mixed Commercial	Freestanding Commercial & Townhomes	Small Multifamily	Podium Condos	Podium Rental
General Plan Amendment, Rezone, and ER	\$232,220	\$232,220	\$232,220	\$232,220	\$232,220
Development Permit and Project ER	\$331,256	\$1,138,531	\$2,851,921	\$4,187,794	\$4,145,314
Building Permit Fees	\$25,775	\$29,888	\$45,615	\$69,989	\$59,582
Planning Fees	\$52,585	\$59,225	\$91,271	\$137,128	\$112,326
Department of Environmental Services	\$28,533	\$17,811	\$15,112	\$15,112	\$15,112
<b>All City Fees TOTAL</b>	<b>\$670,368</b>	<b>\$1,477,675</b>	<b>\$3,236,140</b>	<b>\$4,642,243</b>	<b>\$4,564,554</b>

Sources: City of Sunnyvale, 2023; Strategic Economics, 2023.

Note: In the financial feasibility analysis, municipal fees associated with freestanding commercial and townhomes were distributed relative to each portion of the project's total building permit value.

FIGURE 41: SOFT COST, FINANCING, AND DEVELOPER RETURN ASSUMPTIONS

Cost Input	Unit of measure	Mixed Commercial & Freestanding Commercial	Town-homes	Small Multi-family	Podium Condos	Podium Rental
<b>Soft Costs</b>						
Architecture, Engineering, Taxes, Developer Overhead	% of hard costs	12.0%	10.5%	10.5%	10.5%	10.5%
Hard Cost Contingency	% of hard costs	5.0%	7.5%	7.5%	7.5%	7.5%
Municipal Fees and Permits		See Previous Table				
<b>Financing</b>						
Amount Financed (Loan-to-cost)	% of hard + soft costs	65%	65%	65%	65%	65%
Average outstanding balance	% of Amt Financed	55%	55%	55%	55%	55%
Construction Loan Fee	% of Amt Financed	1%	1%	1%	1%	1%
Construction Interest (annual)		7%	7%	7%	7%	7%
Term	Months	18	18	18	18	24
Total Cost as Share of Hard and Soft Costs		4.4%	4.4%	4.4%	4.4%	5.7%
<b>Developer Return</b>						
Cap Rate for Primary Land Use	NOI/Project Value	5.15%	-	4.25%	-	4.25%
Minimum Yield on Cost	NOI / (Development Cost + Land)	6.7%	-	5.5%	-	5.5%
Minimum Percent Profit	Net Revenue / Total Revenue	-	10%		10%	-

Sources: Developer Interviews, 2023; Strategic Economics, 2023.

## Full Pro Forma Results

FIGURE 42: TOTAL REVENUE AND COSTS – MIXED COMMERCIAL, FREESTANDING COMMERCIAL, AND TOWNHOMES

	Mixed Commercial	Freestanding Commercial	Townhomes
<b>Revenues</b>			
For-Sale Revenue			
Gross Revenue	\$0	\$0	\$20,726,855
<u>Less Marketing Costs</u>	<u>\$0</u>	<u>\$0</u>	<u>-\$925,971</u>
<b>Net Sales Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,800,883</b>
Rental Revenue			
Gross Income, Residential	\$0	\$0	\$0
<u>Less Vacancy &amp; Operating Costs</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0	\$0
<b>Total Capitalized Value</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Retail Revenue			
Gross Income, Residential	\$906,841	\$315,968	\$0
<u>Less Vacancy &amp; Operating Costs</u>	<u>-\$63,479</u>	<u>-\$22,118</u>	<u>\$0</u>
Net Operating Income	\$843,362	\$293,850	\$0
<b>Total Capitalized Value</b>	<b>\$16,375,960</b>	<b>\$5,705,832</b>	<b>\$0</b>
<b>Total Project Revenue</b>	<b>\$16,375,960</b>	<b>\$5,705,832</b>	<b>\$19,800,883</b>
<b>Development Costs</b>			
Hard Costs			
Site Prep, Demo	\$3,645,968	\$2,215,022	\$1,430,946
Vertical Hard Costs			
Building Costs	\$6,685,066	\$2,494,485	\$4,585,000
Parking Costs	\$892,500	\$465,000	\$60,000
<u>Tenant Improvement Allowance</u>	<u>\$1,612,905</u>	<u>\$601,844</u>	<u>\$0</u>
<b>Total Hard Costs</b>	<b>\$12,836,439</b>	<b>\$5,776,351</b>	<b>\$6,075,946</b>
Soft Costs			
Hard Cost Contingency	\$641,822	\$288,818	\$455,696
Arch., Eng., and Other Soft Costs	\$1,540,373	\$693,162	\$637,974
<u>Municipal Fees</u>	<u>\$670,368</u>	<u>\$363,342</u>	<u>\$1,114,332</u>
<b>Total Soft Costs</b>	<b>\$2,852,563</b>	<b>\$1,345,322</b>	<b>\$2,208,003</b>
Financing Costs	\$690,904	\$313,621	\$364,804
<b>Total Development Costs, Excluding Land</b>	<b>\$16,379,906</b>	<b>\$7,435,294</b>	<b>\$8,648,753</b>

Source: Strategic Economics, 2023.

FIGURE 43: TOTAL REVENUE AND COSTS, SMALL MULTIFAMILY, PODIUM CONDOS, AND PODIUM RENTAL

	Small Multifamily	Podium Condos	Podium Rental
<b>Revenues</b>			
For-Sale Revenue			
Gross Revenue	\$0	\$62,855,944	\$0
<u>Less Marketing Costs</u>	<u>\$0</u>	<u>-\$2,785,685</u>	<u>\$0</u>
<b>Net Sales Revenue</b>	<b>\$0</b>	<b>\$60,070,259</b>	<b>\$0</b>
Rental Revenue			
Gross Income, Residential	\$1,743,774	\$0	\$2,813,919
<u>Less Vacancy &amp; Operating Costs</u>	<u>-\$695,696</u>	<u>\$0</u>	<u>-\$1,048,478</u>
Net Operating Income	\$1,048,078	\$0	\$1,765,441
<b>Total Capitalized Value</b>	<b>\$24,660,651</b>	<b>\$0</b>	<b>\$41,539,785</b>
Retail Revenue			
Gross Income, Residential	\$259,217	\$259,217	\$0
<u>Less Vacancy &amp; Operating Costs</u>	<u>-\$18,145</u>	<u>-\$18,145</u>	<u>\$0</u>
Net Operating Income	\$241,072	\$241,072	\$0
<b>Total Capitalized Value</b>	<b>\$4,681,003</b>	<b>\$4,681,003</b>	<b>\$0</b>
<b>Total Project Revenue</b>	<b>\$29,341,654</b>	<b>\$64,751,263</b>	<b>\$41,539,785</b>
<b>Development Costs</b>			
Hard Costs			
Site Prep, Demo	\$3,645,968	\$3,645,968	\$3,645,968
Vertical Hard Costs			
Building Costs	\$12,589,028	\$24,849,009	\$18,667,647
Parking Costs	\$577,500	\$2,947,500	\$3,570,000
<u>Tenant Improvement Allowance</u>	<u>\$576,037</u>	<u>\$576,037</u>	<u>\$0</u>
<b>Total Hard Costs</b>	<b>\$17,388,533</b>	<b>\$32,018,515</b>	<b>\$25,883,615</b>
Soft Costs			
Hard Cost Contingency	\$1,304,140	\$2,401,389	\$1,941,271
Arch., Eng., and Other Soft Costs	\$1,825,796	\$3,361,944	\$2,717,780
<u>Municipal Fees</u>	<u>\$3,236,140</u>	<u>\$4,642,243</u>	<u>\$4,564,554</u>
<b>Total Soft Costs</b>	<b>\$6,366,076</b>	<b>\$10,405,576</b>	<b>\$9,223,605</b>
Financing Costs	\$1,046,094	\$1,868,251	\$1,985,313
<b>Total Development Costs, Excluding Land</b>	<b>\$24,800,702</b>	<b>\$44,292,341</b>	<b>\$37,092,534</b>

Source: Strategic Economics, 2023.



FIGURE 44: PRO FORMA FEASIBILITY RESULTS, MIXED COMMERCIAL, FREESTANDING COMMERCIAL, AND TOWNHOMES

	Mixed Commercial	Freestanding Commercial	Townhomes
<b>Feasibility Summary</b>			
Total Market Value of Project	\$16,375,960	\$5,705,832	\$19,800,883
Total Supportable Value of Project	\$12,682,135	\$4,418,802	\$17,820,795
<u>Less Development Costs</u>	<u>\$16,379,906</u>	<u>\$7,435,294</u>	<u>\$8,648,753</u>
<b>Residual Land Value of Project</b>	<b>-\$3,697,771</b>	<b>-\$3,016,492</b>	<b>\$9,172,042</b>
<u>Typical Site Acquisition Cost</u>	<u>\$9,474,300</u>	<u>\$5,499,450</u>	<u>\$5,405,796</u>
<b>RLV Less Typical Acquisition Cost</b>	<b>-\$13,172,071</b>	<b>-\$8,515,942</b>	<b>\$3,766,246</b>

Source: Strategic Economics, 2023.

FIGURE 45: PRO FORMA FEASIBILITY RESULTS, SMALL MULTIFAMILY, PODIUM CONDOS, AND PODIUM RENTAL

	Small Multifamily	Podium Condos	Podium Rental
<b>Feasibility Summary</b>			
Total Market Value of Project	\$29,341,654	\$64,751,263	\$41,539,785
Total Supportable Value of Project	\$22,673,097	\$58,276,136	\$32,098,925
<u>Less Development Costs</u>	<u>\$24,800,702</u>	<u>\$44,292,341</u>	<u>\$37,092,534</u>
<b>Residual Land Value of Project</b>	<b>-\$2,127,606</b>	<b>\$13,983,795</b>	<b>-\$4,993,609</b>
<u>Typical Site Acquisition Cost</u>	<u>\$11,369,160</u>	<u>\$11,369,160</u>	<u>\$11,369,160</u>
<b>RLV Less Typical Acquisition Cost</b>	<b>-\$13,496,766</b>	<b>\$2,614,635</b>	<b>-\$16,362,769</b>

Source: Strategic Economics, 2023.

## APPENDIX III: DETAILED FISCAL IMPACT ANALYSIS ASSUMPTIONS AND METHODOLOGY

This appendix describes the methodology and assumptions used to conduct the fiscal impact analysis of the site plan options at 1313 South Wolfe Road. The fiscal impact model used for this analysis was “static” and measured fiscal impacts at build-out, rather than a dynamic model that shows revenues and costs for every year. This analysis only estimated potential impacts to the City’s General Fund.

### BASE ASSUMPTIONS

#### BUDGET YEAR

The analysis was based on Sunnyvale’s audited budget actuals for the 2021-2022 Fiscal Year, shown in Figure 47. At the time that this analysis was conducted, this budget year was the most recent fiscal year for which budget actuals were available.

#### EXISTING SERVICE POPULATION

To calculate certain costs and revenues on a per capita basis, an existing service population – or “daytime population” of residents and workers – was established. The service population refers to an equivalent population, incorporating residents and employees, for which a city provides services. Sunnyvale had an estimated population of 156,235 residents and 92,610 workers according to the City’s 2022 Comprehensive Annual Financial Report and the U.S. Census Longitudinal Employer-Household Dynamics dataset. An estimated 11.3 percent of employees in Sunnyvale also live in Sunnyvale, and these workers were subtracted from the number of total workers to avoid double counting the population’s service impacts. Each worker was counted as producing one-third of the impacts of a resident for analytical purposes, since workers are assumed to consume fewer services compared to residents (library, parks, recreation, etc.). The current service population is shown in Figure 46.

FIGURE 46: CURRENT SERVICE POPULATION, SUNNYVALE, 2022

Population Type	Number
Residents	156,234
Employees	
Total Employees	92,610
<u>Less: 11.3% of Employees Who Also Live in Sunnyvale</u>	<u>-10,422</u>
Remaining Employees	82,188
Employee Factor	0.33
Employee Service Population	27,122
<b>Total Service Population</b>	<b>183,356</b>

Source: City of Sunnyvale, Comprehensive Annual Financial Report, 2022; U.S. Census LEHD, 2020; Strategic Economics, 2023.

FIGURE 47: SUNNYVALE GENERAL FUND BUDGET, FY 2021-2022 AUDITED ACTUAL VALUES

	FY 2021/2022	Percent of Total
<b>General Fund Revenues</b>		
Property Tax		
Other Property Tax	\$89,066,001	37.7%
Property Tax In-Lieu of VLF	\$24,433,851	10.4%
Sales Tax		
Sales Tax	\$33,553,066	14.2%
Public Safety Sales Tax	\$2,248,249	1.0%
Other Taxes		
Business License Tax	\$2,045,190	0.9%
Construction Tax	\$5,548,089	2.4%
Real Property Transfer Tax	\$2,952,570	1.3%
Transient Occupancy Tax	\$10,584,492	4.5%
Utility Users Taxes	\$8,594,301	3.6%
Franchises	\$7,221,935	3.1%
Rents and Concessions	\$3,972,499	1.7%
Federal, State and Intergovernmental Revenue	\$1,676,787	0.7%
Permits and Licenses	\$2,065,751	0.9%
Fines and Forfeitures	\$592,024	0.3%
Service Fees	\$6,406,156	2.7%
Interest Income	\$2,512,492	1.1%
Inter-Fund Revenues	\$4,419,817	1.9%
Miscellaneous Revenues	\$1,521,916	0.6%
Sale of Property	\$6,225	0.0%
Transfer From Other Funds	\$26,645,843	11.3%
<b>Total Revenues</b>	<b>\$236,067,255</b>	<b>100.0%</b>
<b>General Fund Expenditures</b>		
General Government	\$20,921,440	9.7%
Office of the City Attorney	\$1,760,389	0.8%
Office of the City Manager	\$5,109,708	2.4%
Finance	\$9,922,826	4.6%
Human Resources	\$4,128,516	1.9%
Community Development	\$3,686,889	1.7%
Environmental Services	\$2,153,266	1.0%
Library and Community (Recreation) Services	\$17,334,447	8.0%
Public Safety	\$92,096,065	42.6%
Public Works	\$23,733,973	11.0%
Non Departmental	\$56,313,215	26.0%
Transfers Out	\$56,269,617	26.0%
Other Non Departmental	\$43,598	0.0%
<b>Total Expenditures</b>	<b>\$216,239,295</b>	<b>100.0%</b>

Source: City of Sunnyvale, Fiscal Year 21-22; Strategic Economics, 2023.

SERVICE POPULATION FOR PREFERRED ALTERNATIVE

Figure 48 shows assumptions used to estimate resident and on-site employee growth associated with each site plan option. The assumptions were developed based on census data, minimum household size requirements for below market rate units, and the specific unit mix within each prototype. Figure 49 shows the projected residential and employee service populations associated with growth in each site plan option based on the service population assumptions.

FIGURE 48: SERVICE POPULATION ASSUMPTIONS

Land Use	Per	Value
<b>Residential (residents)</b>		
Household Size	Unit	
Townhomes	Unit	4.0
Small Mixed Use	Unit	2.1
Condos		2.9
Podium Rental		2.0
<b>Commercial (employees)</b>		
Retail	Square foot	550

Source: Strategic Economics, 2023.

FIGURE 49: ESTIMATED EMPLOYEES, RESIDENTS, AND SERVICE POPULATION FOR DEVELOPMENT SCENARIOS

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
New Residents	0	52	86	151	124
New Employees	39	15	14	14	0
Employee Factor	0.33	0.33	0.33	0.33	0.33
Employee Service Population	13	5	5	5	0
<b>Total Service Population</b>	<b>13</b>	<b>57</b>	<b>91</b>	<b>155</b>	<b>124</b>

Source: Strategic Economics, 2023.

LAND USE ASSUMPTIONS

PROPERTY OCCUPANCY, TURNOVER, AND ASSESSED VALUE ASSUMPTIONS

**Holding period:** A holding period is the length of time between changes in ownership of property. The holding period is used to calculate property transfer taxes. Strategic Economics assumed an approximately 15-year period for commercial and residential ownership properties, and an approximately 7-year period for residential rental properties, based on experience and industry standards.

**Vacancy:** Occupancy and vacancy rates are used to determine the actual revenues and costs generated by properties, given that buildings are not usually fully occupied. Unoccupied spaces would not generate workers or residents, nor, on the revenue side, retail sales (where applicable). The analysis applied long-term vacancy rates typically assumed by developers, which were verified to be reasonable compared to current market conditions in Sunnyvale.

**Retail and Residential Project Value:** Property values for the fiscal impact model were based on the prototype project values determined through the pro forma residual land value analysis.

## Estimating Revenues

This section summarizes assumptions and calculations for property tax, property tax in lieu of vehicle license fees, property transfer tax, sales tax, business license tax, transient-occupancy tax, and other recurring revenues.

### PROPERTY TAX, PROPERTY TAX IN LIEU OF VEHICLE LICENSE FEES (VLF), AND PROPERTY TRANSFER TAX

**Assessed value:** Strategic Economics estimated the assessed value of the potential uses under each development scenario based on the project value for each prototype, as shown in Figure 50. The assessed values are used to inform estimates for property tax revenue, property transfer tax revenue, and property tax in lieu of vehicle license fee revenue.

FIGURE 50: ESTIMATED ASSESSED VALUE OF DEVELOPMENT SCENARIOS

Property Type	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
<b>Retail</b>	\$16,375,960	\$4,701,605	\$3,857,147	\$3,857,147	\$0
<b>Residential</b>					
Townhomes	\$0	\$19,800,883	\$0	\$0	\$0
Podium Condos	\$0	\$0	\$0	\$60,070,259	\$0
Small Mixed Use	\$0	\$0	\$24,660,651	\$0	\$0
Podium Apts.	\$0	\$0	\$0	\$0	\$41,539,785
<b>Total Assessed Values</b>	<b>\$16,375,960</b>	<b>\$24,502,488</b>	<b>\$28,517,798</b>	<b>\$63,927,406</b>	<b>\$41,539,785</b>

Source: Strategic Economics, 2023.

**Annual property tax revenue:** Per California’s Proposition 13, the base property tax rate in Sunnyvale is one percent of assessed property value. The apportionment of the one percent revenue varies by jurisdiction and by tax rate areas in each jurisdiction; for the purposes of this analysis, Strategic Economics examined the share of Sunnyvale’s one percent that is received within the 1313 South Wolfe Road Tax Rate Area, after accounting for shifts to the Educational Revenue Augmentation Fund (ERAF). The property tax rate is shown in Figure 51.

**Property Transfer Tax:** The Property Transfer Tax, also known as the Document Transfer Tax, is applicable whenever there is a change in ownership of a property. Figure 51 shows the property transfer tax rate, and Figure 53 shows the estimated property tax transfer revenue that was estimated for each development scenario.

FIGURE 51: PROPERTY TAX AND PROPERTY TRANSFER TAX RATE ASSUMPTIONS

Tax Type	Tax Rate
<b>Property Tax</b>	
Share of 1% General Tax Rate, Net of ERAF Deduction	12.31%
<b>Property Transfer Tax</b>	
Share of Sales Price	0.0550%

Source: Santa Clara County, 2022; Strategic Economics, 2023.

FIGURE 52: ESTIMATED ANNUAL PROPERTY TAX REVENUES

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
<b>Retail</b>	\$20,159	\$7,024	\$5,762	\$5,762	\$0
<b>Residential</b>					
Townhomes (For-Sale)		\$24,375	\$0	\$0	\$0
Condos (For-Sale)		\$0	\$0	\$73,946	\$0
Mixed Use Apartments (Rental)		\$0	\$30,357	\$0	\$0
Podium Apartments (Rental)		\$0	\$0	\$0	\$51,135
<b>Total Property Tax Revenues</b>	<b>\$20,159</b>	<b>\$31,399</b>	<b>\$36,120</b>	<b>\$79,709</b>	<b>\$51,135</b>

Source: Strategic Economics, 2023.

FIGURE 53: ESTIMATED ANNUAL PROPERTY TRANSFER TAX REVENUES

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
<b>Retail</b>	\$600	\$209	\$172	\$172	\$0
<b>Residential</b>					
Townhomes (For-Sale)	\$0	\$1,556	\$0	\$0	\$0
Condos (For-Sale)	\$0	\$0	\$0	\$4,720	\$0
Mixed Use Apartments (Rental)	\$0	\$0	\$904	\$0	\$0
Podium Apartments (Rental)	\$0	\$0	\$0	\$0	\$1,523
<b>Total Property Transfer Tax Revenues</b>	<b>\$600</b>	<b>\$1,765</b>	<b>\$1,076</b>	<b>\$4,891</b>	<b>\$1,523</b>

Source: Strategic Economics, 2023.

**Property Tax In-Lieu of Vehicle License Fees (VLF):** Since 2004, the State of California has swapped city and county vehicle license fee revenues for additional property tax revenues. The property tax payment provided in-lieu of the VLF grows proportionally to a city's assessed value. Figure 54 shows the calculation of property tax in-lieu of VLF revenue per dollar of assessed value, based on Sunnyvale's total estimated assessed value in FY 2021-2022 and the final revised in-lieu payment from the State for the same fiscal year.

FIGURE 54: PROPERTY TAX IN LIEU OF VLF ASSUMPTIONS

Total Estimated Citywide Assessed Value (FY 2018-2019)	\$41,702,257,790
Citywide VLF Property Tax In-lieu Revenue (FY 2018-2019)	\$19,668,168
VLF Property Tax In-lieu Per \$1 Assessed Value	\$0.000472

Source: City of Sunnyvale, Adopted Budget, Fiscal Year 2020/21; Office of the Assessor, Santa Clara County, 2018-2019 Annual Report; Strategic Economics, 2023.

FIGURE 55: ESTIMATED ANNUAL PROPERTY TAX IN LIEU OF VEHICLE LICENSE FEE NET REVENUES

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
<b>Retail</b>	\$7,723	\$2,691	\$2,208	\$2,208	\$0
<b>Residential</b>					
Townhomes (For-Sale)	\$0	\$9,339	\$0	\$0	\$0
Condos (For-Sale)	\$0	\$0	\$0	\$28,331	\$0
Mixed Use Apartments (Rental)	\$0	\$0	\$11,631	\$0	\$0
Podium Apartments (Rental)	\$0	\$0	\$0	\$0	\$19,592
<b>Total General Fund VLF Revenues</b>	<b>\$7,723</b>	<b>\$12,030</b>	<b>\$13,838</b>	<b>\$30,539</b>	<b>\$19,592</b>

Source: Strategic Economics, 2023.

## SALES TAX

Anticipated sales tax revenues reflect the revenues generated by taxable purchases that new residents and workers make at retail stores in Sunnyvale. Estimates for residential purchases were calculated by using household expenditures data for the Western region provided by the Bureau of Labor Statistics Consumer Expenditure Surveys. These spending patterns were used to calculate taxable expenditures as a percentage of household incomes, and these percentages were applied to the estimated household incomes by housing type to estimate annual taxable sales. Taxable sales for residents were then multiplied by a 50 percent factor to account for the fact that new households living in the development will not make all of their purchases within the area.

Taxable sales from on-site retail were estimated based on average sales per square foot of retail types that may occupy the space. For site plan options including residential components, it was assumed that some on-site retail sales may be made by residents of 1313 South Wolfe Road, so taxable sales were multiplied by a 95 percent factor to avoid double counting of resident purchases. In addition, the share of sales expected to be taxable varies from prototype to prototype, as some uses such as grocery or personal services would not be taxable. The expected spending and taxable sales calculations for residents are shown in Figure 56 and Figure 57.

The estimated taxable sales were summed and multiplied by 1.05 percent. The State of California's Bradley-Burns Uniform Local Sales and Use Tax law allows cities to receive one percent of all sales tax revenue, and the City of Sunnyvale has an additional .05 percent public safety sales tax as allowed by Proposition 172. These calculations and the estimated sales tax revenue that the City will receive are shown in Figure 59.



FIGURE 56: TAXABLE SALES ASSUMPTIONS

<b>Assumption</b>	<b>Value</b>
<b>Sales Tax Rate (Percent of Taxable Sales)</b>	1.05%
Sales Tax rate	1.00%
Public Safety Sales Tax (Proposition 172)	0.05%
<b>Housing Cost Assumptions</b>	
Down Payment	20%
Mortgage Interest Rate	6.00%
HOA	\$285
Annual Taxes and Insurance	2%
Bond Amortization Period	30
Income Dedicated to Housing Costs	35%
<b>Citywide Capture from New Households</b>	50%
<b>On-Site Retail Sales Assumptions</b>	
Retail Sales Per Square Foot (a)	\$300
Retail Sales Per Square Foot, Mixed Commercial (a)	\$400
Retail Vacancy Rate	5%
Less Retail Spending by On-Site Residents (b)	95%
Percent Taxable, General Commercial Prototypes (c)	50%
Percent Taxable, Mixed Commercial Prototype (d)	67%

Source: Strategic Economics, 2023., HDL, 2019.

Notes:

(a) Sales per square foot varies widely by type of business. Restaurant sales are typically closer to \$600/sf (HDL, 2019)

(b) Assumes 5% of sales may come from on-site residents, whose spending is counted separately.

(c) Assumes 50% of sales are not taxable, such as grocery items or personal services.

(d) Assumes that 100% of restaurant sales are taxable, increasing the overall percentage to 67% for the Mixed Commercial prototype.

FIGURE 57: ESTIMATED ANNUAL TAXABLE EXPENDITURES PER HOUSEHOLD

Product Type	Per Unit Average Sales Price / Monthly Rent	Est. Annual Housing Costs (a)	Est. Household Income (b)	Taxable Expenditures % Income (c)	Annual Taxable Expenditures per Household
<b>Townhomes</b>					
Townhomes: Market Rate	\$1,719,375	\$133,349	\$380,998	16%	\$61,954
Townhomes: BMR	\$620,231	\$48,103	\$168,500	21%	\$35,504
<b>Podium Condos</b>					
Condos: Market Rate	\$1,359,736	\$105,457	\$301,305	16%	\$48,995
Condos: BMR	\$557,673	\$43,251	\$151,650	21%	\$31,954
<b>Mixed Use Apartments</b>					
Mixed Use: Market Rate	\$4,289	\$51,467	\$147,049	29%	\$42,215
Mixed Use: BMR	\$2,274	\$27,282	\$94,360	29%	\$27,447
<b>Podium Apartments</b>					
Podium Rental: Market Rate	\$4,262	\$51,148	\$146,137	29%	\$41,953
Podium Rental: BMR	\$2,259	\$27,104	\$94,360	29%	\$27,447

Source: Strategic Economics, 2023.

Notes:

(a) Based on a 6%, 30-year fixed-rate mortgage with a 20% down payment and 2% annual taxes and insurance.

(b) Assumes 35% of income dedicated to housing costs (mortgage, taxes, insurance, and HOA dues). Estimated annual household income for rental BMR is based on 70% AMI and for-sale BMR is based on 100% AMI.

(c) Based on household expenditures data from the Bureau of Labor Statistics, Consumer Expenditure Surveys, Western Region, 2021.

FIGURE 58: ESTIMATED ANNUAL TAXABLE SALES PER HOUSEHOLD

Product Type	Annual Taxable Expenditures per Household	Freestanding Commercial and Townhomes		Small Mixed Use		Podium Condos		Podium Rental	
		# of Units	Taxable Sales	# of Units	Taxable Sales	# of Units	Taxable Sales	# of Units	Taxable Sales
<b>Townhomes</b>									
Market Rate	\$61,954	10	\$647,420	0	\$0	0	\$0	0	\$0
BMR	\$35,504	2	\$67,458	0	\$0	0	\$0	0	\$0
<b>Podium Condos</b>									
Market Rate	\$48,995	0	\$0	0	\$0	42	\$2,048,011	0	\$0
BMR	\$31,954	0	\$0	0	\$0	8	\$242,850	0	\$0
<b>Small Mixed Use</b>									
Market Rate	\$42,215	0	\$0	33	\$1,403,646	0	\$0	0	\$0
BMR	\$27,447	0	\$0	6	\$156,445	0	\$0	0	\$0
<b>Podium Rental</b>									
Market Rate	\$41,953	0	\$0	0	\$0	0	\$0	50	\$2,112,347
BMR	\$27,447	0	\$0	0	\$0	0	\$0	9	\$234,668
<b>Total Taxable Retail Expenditures from New Households</b>			<b>\$714,879</b>		<b>\$1,560,092</b>		<b>\$2,290,851</b>		<b>\$2,347,015</b>

Source: Strategic Economics, 2023.

Note: No calculations for Mixed Commercial site plan option, because this option does not include a residential component.

FIGURE 59: ESTIMATED ANNUAL SALES TAX REVENUES

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
<b>Estimated Citywide Capture from New Households</b>					
Annual Taxable Sales from New Households	\$0	\$714,879	\$1,560,092	\$2,290,851	\$2,347,015
Adjusted City Taxable Sales from New Households (a)	\$0	\$357,439	\$780,046	\$1,145,425	\$1,173,507
<b>Estimated Sales Tax from New Retail Space</b>					
Annual Taxable Sales from New Retail Space	<u>\$5,376,349</u>	\$1,128,458	\$1,080,008	\$1,080,008	\$0
Adjusted Taxable Sales from New Retail Space (b)	N/A	<u>\$1,072,035</u>	<u>\$1,026,007</u>	<u>\$1,026,007</u>	<u>\$0</u>
<b>Total Annual City Taxable Sales from Market Support and On-Site Sales</b>	<b>\$5,376,349</b>	<b>\$1,429,474</b>	<b>\$1,806,053</b>	<b>\$2,171,433</b>	<b>\$1,173,507</b>
<b>1.05% Annual Sales Tax Revenue</b>	<b>\$56,452</b>	<b>\$15,009</b>	<b>\$18,964</b>	<b>\$22,800</b>	<b>\$12,322</b>

Source: Strategic Economics, 2023.

Notes:

(a) Assumes 50% of taxable sales from new households would be spent in Sunnyvale.

(b) Assumes 5% of taxable sales are from on-site residents, which are removed in order to avoid double counting on-site resident purchases. The Mixed Commercial site plan option does not require an adjustment, because it has no on-site residents.

**BUSINESS LICENSE TAX**

The City of Sunnyvale has enacted a business license tax, to be paid every two years, with rates based on whichever is higher between the number of employees or the number of rental units. The rate applied is the 2023-2024 tax rate. To demonstrate revenues for one year only, the estimated business license tax revenue was halved. The assumptions are shown in Figure 60, and the estimated business license tax revenue generated is shown in Figure 61. The business license tax calculation did *not* assume a cap on application to projects based on number of employees or housing units since those limits would not be reached under the development scenarios included in the fiscal impact analysis.

**FIGURE 60: BUSINESS LICENSE TAX RATE ASSUMPTIONS**

Number of Employees or Rental Units	2023+2024+CASP Rates
1	\$90.53
2-5	\$151.99
6-10	\$299.98
11-15	\$447.97
16-20	\$595.96
21-25	\$743.95
26-30	\$891.94
31-35	\$1,039.93
36-40	\$1,187.92
41-45	\$1,335.91
46-50	\$1,483.90
51-55	\$1,631.89
56-60	\$1,779.88
61-65	\$1,927.87

Source: City of Sunnyvale, 2023.

**FIGURE 61: ESTIMATED ANNUAL BUSINESS LICENSE TAX REVENUE**

	Mixed Commercial	Freestanding Commercial & Townhomes	Small Mixed Use	Podium Condos	Podium Rental
New Employees	39	15	14	14	0
New Occupied Residential Units (a) (b)	-	12	39	49	59
Revenues from New Employees	\$1,188	\$448	\$448	\$596	\$0
Revenues from New Residential Units		\$0	\$1,188	\$0	\$1,780
<b>Total Business License Tax Revenues</b>	<b>\$1,188</b>	<b>\$448</b>	<b>\$1,636</b>	<b>\$596</b>	<b>\$1,780</b>
<b>Total Business License Tax Revenues (2023) (c)</b>	<b>\$594</b>	<b>\$224</b>	<b>\$818</b>	<b>\$298</b>	<b>\$890</b>

Source: City of Sunnyvale, 2023; Strategic Economics, 2023.

Notes:

(a) Assumes 5% vacancy

(b) Business License Tax does not apply to ownership units

(c) Business license tax revenues are collected for two-year periods. Total revenues were halved to assess one-year revenues.

## OTHER RECURRING REVENUES

**Calculating other revenue per capita:** Strategic Economics determined which remaining General Fund revenues vary with service population growth based on experience and prior consultation with the Sunnyvale Finance Department. As shown in Figure 62, the “percent variable” values reflect the degree to which Strategic Economics and Sunnyvale City staff anticipate revenues will vary in relationship to the new residents and employees being added to the area. Therefore, revenue sources which fluctuate independently of the number of the service population in a jurisdiction, such as “Miscellaneous,” were assigned percent variable values of zero, while revenue sources that vary partially as a function of the service population in a jurisdiction were given percent values between zero and 100. Construction tax revenue was assigned a variable value of zero percent because it will not be an ongoing source of revenue upon full buildout of a development project, but the construction tax is expected to be a source of revenue *during* any development of the site.

For all the revenue sources that vary on a per capita basis, Strategic Economics applied a service population factor of either 1.00 or .33 to reflect the respective service demand for new residents and employees. The value of the variable revenues was multiplied by the respective service population factor, and then divided by the current total current service population in order to generate an estimate of the current total revenues per capita for each service population type by expense category. Finally, these per capita factors were multiplied by the respective new service populations associated with the prototypes to arrive at additional revenues associated with residential and worker growth. The results of these estimates for each site plan option are shown in Figure 63.

FIGURE 62: OTHER RECURRING REVENUE PER CAPITA ASSUMPTIONS

Revenue Source	Revenue (FY 2021- 2022)	% Variable	Variable Revenues	Service Pop. Factors		Revenue Per Capita	
				Resident	Employee	Resident	Employee
Construction Tax	\$5,548,089	0%	\$0	1.00	0.33	\$0.00	\$0.00
Utility Users Taxes	\$8,594,301	100%	\$8,594,301	1.00	0.33	\$46.01	\$15.18
Franchises	\$7,221,935	100%	\$7,221,935	1.00	0.33	\$38.66	\$12.76
Rents and Concessions	\$3,972,499	100%	\$3,972,499	1.00	0.33	\$21.27	\$7.02
Federal, State and Intergovernmental Revenue	\$1,676,787	0%	\$0	1.00	0.33	\$0.00	\$0.00
Permits and Licenses	\$2,065,751	100%	\$2,065,751	1.00	0.33	\$11.06	\$3.65
Fines and Forfeitures	\$592,024	0%	\$0	1.00	0.33	\$0.00	\$0.00
Service Fees	\$6,406,156	100%	\$6,406,156	1.00	0.33	\$34.30	\$11.32
Interest Income	\$2,512,492	0%	\$0	1.00	0.33	\$0.00	\$0.00
Inter-Fund Revenues	\$4,419,817	100%	\$4,419,817	1.00	0.33	\$23.66	\$7.81
Miscellaneous Revenues	\$1,521,916	0%	\$0	1.00	0.33	\$0.00	\$0.00
Sale of Property	\$6,225	0%	\$0	1.00	0.33	\$0.00	\$0.00
Transfer From Other Funds	\$26,645,843	100%	\$26,645,843	1.00	0.33	\$142.65	\$47.07
<b>Total Per Capita Revenues</b>	<b>\$71,183,836</b>					<b>\$317.60</b>	<b>\$104.81</b>

Source: City of Sunnyvale, 2022; Strategic Economics, 2023.



FIGURE 63: ESTIMATED ANNUAL OTHER RECURRING REVENUE

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
<b>Increase in Service Population</b>					
New Residents	0	52	86	151	124
New Employees	39	15	14	14	0
<b>Increase to General Fund Revenues</b>					
New Residents	\$0	\$16,515	\$27,345	\$47,894	\$39,382
New Employees	\$4,088	\$1,572	\$1,467	\$1,467	\$0
<b>Total Increase General Fund Revenues</b>	<b>\$4,088</b>	<b>\$18,087</b>	<b>\$28,813</b>	<b>\$49,361</b>	<b>\$39,382</b>

Source: Strategic Economics, 2023.

## Expenditure Estimates

A per capita approach was used to calculate Sunnyvale's departmental General Fund expected expenditures for items that will be impacted by new growth. Similar to the calculations for the expected revenues, Strategic Economics employed a "percent variable" value to reflect the degree to which expenditures are expected to vary in relationship to the new residents and employees being added to the area, base primarily on prior fiscal impact modeling efforts for the City of Sunnyvale that incorporated feedback from the Finance Department.

Strategic Economics applied a service population factor of either 1.00 or .33 to reflect the respective service demand for new residents and employees. The value of the variable expenditures was multiplied by the respective service population factor, and then divided by the current total current service population in order to generate an estimate of the current total expenditures per capita for each service population type by expense category. Finally, these per capita factors were multiplied by the respective new service populations in the development prototypes to arrive at additional expenditures associated with residential and worker growth. Other and Non-Departmental expenses were also estimated using a per capita approach. Non-Departmental expenses include several items that are not specific to a particular department but are part of the General Fund and will be impacted by new growth from development. Examples of items under "other non-departmental expenses" include building maintenance, general supplies, and leases. Examples of items under "transfers out" include funds for infrastructure, technology and communication services, and employee benefits. Figure 64 shows the per capita expenditure assumptions and Figure 65 shows the recurring expenditures for each site plan option.

FIGURE 64: GENERAL FUND EXPENDITURES PER CAPITA ASSUMPTIONS

Department	Expenditures (FY 2021-2022)	% Variable	Variable Cost	Service Pop. Factors		Expenditures Per Capita	
				Resident	Employee	Resident	Employee
<b>General Government</b>	<b>\$20,921,440</b>		<b>\$18,829,296</b>	1.00	0.33	<b>\$100.80</b>	<b>\$33.26</b>
Office of the City Attorney	\$1,760,389	90%	\$1,584,350	1.00	0.33	\$8.48	\$2.80
Office of the City Manager	\$5,109,708	90%	\$4,598,737	1.00	0.33	\$24.62	\$8.12
Finance	\$9,922,826	90%	\$8,930,543	1.00	0.33	\$47.81	\$15.78
Human Resources	\$4,128,516	90%	\$3,715,665	1.00	0.33	\$19.89	\$6.56
<b>Library and Recreation</b>	<b>\$17,334,447</b>	100%	<b>\$17,334,447</b>	1.00	0.33	<b>\$92.80</b>	<b>\$30.62</b>
<b>Public Works</b>	<b>\$23,733,973</b>	100%	<b>\$23,733,973</b>	1.00	0.33	<b>\$127.06</b>	<b>\$41.93</b>
<b>Public Safety</b>	<b>\$92,096,065</b>	100%	<b>\$92,096,065</b>	1.00	0.33	<b>\$493.03</b>	<b>\$162.70</b>
<b>Environmental Services</b>	<b>\$2,153,266</b>	90%	<b>\$1,914,548</b>	1.00	0.33	<b>\$1.50</b>	<b>\$0.50</b>
<b>Community Development</b>	<b>\$3,686,889</b>	100%	<b>\$3,686,889</b>	1.00	0.33	<b>\$19.74</b>	<b>\$6.51</b>
<b>Non-Departmental</b>	<b>\$56,313,215</b>		<b>\$56,313,215</b>	1.00	0.33	<b>\$301.47</b>	<b>\$99.49</b>
Transfers Out	\$56,269,617	100%	\$56,269,617	1.00	0.33	\$301.24	\$99.41
Other Non-Departmental	\$43,598	100%	\$43,598	1.00	0.33	\$0.23	\$0.08

Source: City of Sunnyvale, 2022; Strategic Economics, 2023.

FIGURE 65: ESTIMATED ANNUAL GENERAL FUND EXPENDITURES

	Mixed Commercial	Freestanding Commercial and Townhomes	Small Mixed Use	Podium Condos	Podium Rental
General Government	\$1,297	\$5,741	\$9,145	\$15,667	\$12,499
Library and Recreation	\$1,194	\$5,285	\$8,419	\$14,423	\$11,507
Public Works	\$1,635	\$7,236	\$11,527	\$19,747	\$15,755
Public Safety	\$6,345	\$28,078	\$44,728	\$76,627	\$61,136
Environmental Services	\$19	\$86	\$136	\$233	\$186
Community Development	\$254	\$1,124	\$1,791	\$3,068	\$2,447
Non-Departmental	\$3,880	\$17,169	\$27,349	\$46,854	\$37,382
<b>Total Increase to General Fund Expenditures</b>	<b>\$14,625</b>	<b>\$64,718</b>	<b>\$103,094</b>	<b>\$176,620</b>	<b>\$140,914</b>

Source: Strategic Economics, 2023.