

MEMORANDUM

To: Suzanne Ise, City of Sunnyvale

From: Darin Smith, Michael Nimon, and Walker Toma

Subject: Housing Fee Survey and Development Feasibility
Considerations; EPS #131119

Date: October 6, 2014

The Economics of Land Use



Economic & Planning Systems, Inc. (EPS) was retained by the City of Sunnyvale (City) to update the existing fees that the City charges to commercial development in support of the City's affordable housing program. As part of this goal, the analysis presented in this memorandum is designed to inform an optimum fee level that could be charged by the City without adversely affecting new development prospects. An excessive financial burden on desired new development could thwart the City's other policy goals (economic development, housing production, etc.). This analysis builds on the maximum nexus-based affordable housing fee estimates completed by EPS and is designed to supplement those studies.

Feasibility considerations in this analysis combine the following two approaches:

- **Housing fee survey.** EPS conducted a survey of housing mitigation fees imposed in other comparable jurisdictions in the Bay Area. The data includes the current fees by land use, implementation considerations, and date of adoption.
- **Financial feasibility analysis.** EPS developed pro formas for key commercial uses to evaluate the financial impact of housing fees on project feasibility. This analysis assesses the extent to which the maximum impact fees may reduce a typical project's financial returns, and estimates a fee threshold at which development economics may be supported.

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Key Findings

- 1. The maximum nexus-supported fees calculated by EPS for Sunnyvale greatly exceed those currently imposed in Sunnyvale and other jurisdictions.** EPS calculated maximum fees ranging from \$76.22 to \$295.23 per square foot, based on the wages and density of employees in various land use categories and the full cost to subsidize below-market rate housing construction for those employee households. Many jurisdictions have adopted fees well below those supported by their own nexus fee studies, in recognition of the feasibility impacts on desired development or other considerations such as the potential availability of other funding sources.
- 2. Commercial fees charged by other Bay Area jurisdictions vary significantly based on geography and local development costs.** The City of San Francisco charges the highest development impact fees in the Bay Area (over \$15 per square foot for all uses), followed by jurisdictions in Silicon Valley (nearer \$10 per square foot, on average). In the East Bay and North Bay, fees are typically \$2 to \$4 per square foot. These differences largely parallel the cost to subsidize construction of affordable units in the different areas, with land values being a key component of those costs. Also, jurisdictions typically seek to charge fees similar to those in their general market area, to minimize the extent to which the fees may create a competitive disadvantage for attracting employment uses. Many jurisdictions charge hospitality uses lower fees than other uses.
- 3. Jurisdictions have taken different approaches to how they apply the fees to the square footage of new projects.** While most jurisdictions apply a straight-line fee charge based on the square footage, some jurisdictions use a step function approach. For example, the City of Mountain View charges a lower fee on the first 10,000 square feet (or 25,000 square feet for hotel and retail uses) with the fee increasing on the area that exceeds that size. This approach is comparable to Sunnyvale's current practice of charging fees only on development over a certain size, which varies by the allowances of the development's base zoning. However, many jurisdictions charge the fees on the full size of the new development, with potential downward adjustments if a preceding development on the site reduces the "net new" amount of square footage.
- 4. EPS suggests charging well below the maximum nexus-based fee to all evaluated commercial uses (lodging, office/R&D, light industrial/flex, and retail), nearer the range of fees charged by comparable cities.** Under current market conditions, all commercial uses are estimated to be infeasible under the maximum nexus-based fees because the fees represent too high a proportion of total development costs and achievable building values cannot support those added costs. However, with fees up to \$10 per square foot—similar to those imposed by Sunnyvale's neighboring cities in Silicon Valley—commercial projects are likely to remain feasible and generate reasonable returns on cost. As in Mountain View, the City might charge lower fees for lodging as well as for all uses below a certain size threshold (say, 25,000 square feet). Tested fee levels within this range would result in an insignificant increase of the overall development cost for commercial development in the City (referred to as Scenario A).

The City may choose to implement higher fees to ensure a higher share of affordable housing funding is available to meet existing needs. As such, EPS also tested a higher fee of \$20 per

square foot across all land uses (referred to as Scenario B). This fee level generally coincides to that charged by the City of Palo Alto. Fees imposed under both scenarios will help to ensure that the City is not “overcharging” for its affordable housing needs, when the Housing Mitigation Fee funds are added to the potential fees on rental housing.

Table 1 Current, Maximum, and Tested Fees by Product Type

| Land Use | Assumed Sunnyvale Fee per sq.ft. | | | | | Estimated Developer Return | | | |
|-----------------------|----------------------------------|---------------------|---------------------|------------|----------|----------------------------|------------|------------|---------|
| | Existing (1) | Scenario A | | Scenario B | Maximum | Existing | Scenario A | Scenario B | Maximum |
| | | Below 25,000 sq.ft. | Above 25,000 sq.ft. | | | | | | |
| Office/R&D | \$9.49 | \$5.00 | \$10.00 | \$20.00 | \$113.99 | 7.83% | 7.80% | 7.57% | 5.97% |
| Light Industrial/Flex | \$9.49 | \$5.00 | \$10.00 | \$20.00 | \$113.99 | 7.51% | 7.43% | 7.13% | 5.44% |
| Retail | na | \$5.00 | \$10.00 | \$20.00 | \$295.23 | 6.53% | 6.43% | 6.22% | 3.77% |
| Lodging | na | \$3.00 | \$6.00 | \$20.00 | \$76.22 | 7.82% | 7.70% | 7.38% | 6.37% |

(1) Applies to the square footage above that already entitled under existing zoning, which varies by location. For the purpose of this analysis, the fee is assumed to apply to development above 0.3 FAR.

Affordable Housing Fee Survey

EPS conducted a survey of commercial linkage fees in jurisdictions around Sunnyvale and throughout the greater Bay Area. These jurisdictions include several cities where fees have been recently updated. While this survey is not a comprehensive review of all fees in the Bay Area, it is designed to provide an illustration of common practices and variances for fees charged by various jurisdictions. Data for the Silicon Valley jurisdictions and several others has been verified to be accurate as of April 2014. This survey makes use of information collected by EPS for various clients over the past 12 months, and specific jurisdictions’ fees may slightly vary today as fees are periodically updated. Where necessary due to unique implementation factors, such as fees applied only to projects above a certain square footage, EPS has noted our assumption for displaying the applicable fee.

Given the range of evaluated land uses, EPS normalized the fee schedules for the following five categories:

- Office
- Retail
- Industrial
- Hotel
- R&D

The summary of the commercial housing fees for each category is provided in **Table 2**.

Results

There is a wide range in fees charged by various Bay Area jurisdictions. Silicon Valley housing mitigation fees generally fall below those in San Francisco but above those in the East and North Bay. Sunnyvale’s existing commercial housing fees for office/R&D, light industrial/flex uses fall within the lower end of the range of Silicon Valley cities (given that they only apply to the net building increase above existing zoning), which suggests that the fees could be increased without significant adverse impacts on the City’s regional competitiveness. The maximum nexus-based fees fall well outside of the typical fee range. Implementation of the maximum fee would put

Sunnyvale's commercial fee above all surveyed jurisdictions for all commercial land uses. Sunnyvale's implementation of the fee in the \$2 to \$20 per square foot range would fall within the range charged by other comparable jurisdictions. For purposes of further analysis below,

EPS tested a fee ranging from \$5 to \$10 per square foot for office/R&D, light industrial/flex, and retail uses, and a range of \$3 to \$6 for lodging uses as Scenario A and \$20 per square foot as Scenario B. Under Scenario A, the lower end of the range would be applied to the first 25,000 square feet of net new building space.

Table 2 Commercial Housing Fee Schedules

| Item | Office | Retail | Industrial | Lodging | R&D |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Sunnyvale Existing Fee [1] | \$9.49 | - | \$9.49 | - | \$9.49 |
| EPS Maximum Fee Calculation [2] | \$113.99 | \$295.23 | \$113.99 | \$76.22 | \$113.99 |
| <u>Silicon Valley</u> | | | | | |
| Cupertino | \$5.56 | \$5.56 | \$5.56 | \$5.56 | \$5.56 |
| Menlo Park [3] | \$14.92 | \$8.10 | \$8.10 | \$8.10 | \$14.92 |
| Mountain View [4] | \$10.00 | \$2.47 | \$10.00 | \$2.47 | \$10.00 |
| Palo Alto | <u>\$19.31</u> | <u>\$19.31</u> | <u>\$19.31</u> | <u>\$19.31</u> | <u>\$19.31</u> |
| Silicon Valley Average | \$12.45 | \$8.86 | \$10.74 | \$8.86 | \$12.45 |
| <u>San Francisco</u> | \$24.03 | \$22.42 | \$18.89 | \$17.99 | \$16.01 |
| <u>North Bay [5]</u> | \$3.14 | \$4.06 | \$1.99 | \$2.37 | \$3.64 |
| City of Napa | \$1.00 | \$0.80 | \$0.50 | \$1.40 | - |
| Corte Madera | \$4.79 | \$8.38 | \$2.79 | \$1.20 | \$3.20 |
| Cotati | \$2.08 | \$3.59 | \$2.15 | \$2.08 | \$2.08 |
| Marin County | \$7.19 | \$5.40 | \$3.74 | \$3.49 | \$7.19 |
| Napa County | \$2.00 | \$2.00 | \$1.00 | \$3.00 | - |
| Petaluma | \$2.08 | \$3.59 | \$2.15 | \$2.08 | \$2.08 |
| Sonoma County | \$2.40 | \$4.15 | \$2.48 | \$2.40 | - |
| St. Helena | <u>\$3.61</u> | <u>\$4.57</u> | <u>\$1.11</u> | <u>\$3.33</u> | - |
| North Bay Average | | | | | |
| <u>East Bay [6]</u> | <u>\$3.14</u> | <u>\$2.59</u> | <u>\$2.27</u> | <u>\$2.42</u> | <u>\$2.76</u> |
| Walnut Creek | \$5.00 | \$5.00 | \$5.00 | \$5.00 | \$5.00 |
| Oakland | \$4.70 | - | \$4.70 | - | - |
| Berkeley | \$4.00 | \$4.00 | \$2.00 | \$4.00 | \$4.00 |
| Alameda | \$3.63 | \$1.84 | \$0.63 | \$1.86 | \$3.63 |
| Dublin | \$1.21 | \$0.97 | \$0.47 | \$0.41 | \$0.79 |
| Livermore [5] | \$0.58 | \$0.90 | \$0.29 | \$0.44 | \$0.29 |
| Pleasanton | <u>\$2.83</u> | <u>\$2.83</u> | <u>\$2.83</u> | <u>\$2.83</u> | <u>\$2.83</u> |
| East Bay Average | | | | | |
| Bay Area Nexus Fee Average [7] | \$6.05 | \$5.57 | \$4.68 | \$4.58 | \$6.46 |

[1] Applies to square footage in excess of allowable FAR.

[2] EPS max fee calculation based on full building square footage.

[3] Fees only apply to buildings of 10,000 square feet or more. This analysis assumes fees for a 10,000 square foot building.

[4] For office/high-tech/industrial uses, Mountain View applies fee of \$5.00/sqft up to 10,000 sqft and \$10.00/sqft for square footage above 10,000. Similarly, for hotel/retail/entertainment uses, \$1.27/sqft is applied below 25,000 sqft and \$2.47/sqft for square footage exceeding 25,000. This analysis assumes fees for a building exceeding 25,000 square feet.

[5] Includes cities of Napa, Madera, Cotati, Petaluma, St. Helena, as well as Marin, Napa, and Sonoma counties.

[6] Includes cities of Walnut Creek, Oakland, Berkeley, Alameda, Dublin, Livermore, and Pleasanton.

[7] Does not include Sunnyvale or jurisdictions that do not charge a nexus-based commercial linkage fee.

Source: Economic & Planning Systems, Inc.

Financial Feasibility Analysis

Methodology

EPS developed vertical development pro formas as a tool for analyzing the financial feasibility of different types of development in evaluation of potential housing mitigation fee levels. These pro formas include the general costs of land, construction and other development activities, as well as values or lease rates achieved by new development under current market conditions. Pro

forma assumptions build on financial feasibility work recently completed by EPS for a range of the development projects in the Bay Area. For the purpose of this analysis, EPS developed pro formas for office/R&D, light industrial/flex, retail, and lodging uses.

Background and support for the inputs in the feasibility analysis are described in the **Appendices** as follows:

- **Appendix A:** return on cost for product type with existing housing fee¹
- **Appendix B:** return on cost for product type with Scenario A housing fees
- **Appendix C:** return on cost for product type with Scenario B housing fees
- **Appendix D:** return on cost for product type with maximum housing fees per the nexus study

The land uses considered in this analysis are assumed to have podium/structured parking for office/R&D and surface parking for all other uses and each use is assumed to be developed on a 2-acre site. The evaluated product types reflect likely building prototypes that fall under each land use. Given the range of potential densities, building materials, design factors, and parking accommodation strategies, any given development project could have somewhat different development costs from those estimated in this analysis. Given the policy level nature of this analysis, site-specific circumstances and unique product types are not considered.

Results

EPS compared developer/builder's return on cost estimates for each land use under the existing, tested, and maximum commercial linkage fee scenarios. This comparison, summarized in **Table 1**, is designed to evaluate the impact of the fee on the overall development feasibility for each land use. The detailed calculations are shown in the **Appendices**.

Under current market conditions, all commercial uses are estimated to be infeasible under the maximum nexus-based fees because the fees represent too high a proportion of total development costs and achievable developer return cannot support those added costs. However, with tested fees at or below \$10 per square foot and \$20 per square foot, similar to those imposed by Sunnyvale's neighboring cities in Silicon Valley, commercial projects are likely to yield financial returns similar to those achievable under the City's current fee structure leaving the basic feasibility of the Project largely unchanged.²

Key Assumptions

EPS utilized a number of assumptions to develop the financial feasibility analysis. These factors will change over time as the economy and real estate market conditions continue to fluctuate. Key assumptions are described below.

¹ Applies to office/R&D, light industrial/flex uses; lodging and retail uses currently have no housing fee.

² This analysis assumes a return on cost (annual net operating income/total development cost) of at least 7.0% would need to be achieved to support development feasibility of commercial vertical development. Return on development investment varies based on a range of factors such as risk, capital and real estate market conditions, building uses, and other trends.

Land Values

EPS based the land value estimates on research of recent land sales in select Santa Clara and San Mateo County jurisdictions. Commercial land is assumed at \$4 million per acre for office/R&D, retail, and lodging uses. While the economics of each of these uses vary, all commercial uses generally compete for available sites with differences in values between office/R&D, retail, and lodging typically negligible. Light industrial/flex land value is estimated at \$2.5 million per acre. This use typically results in lower land values relative to other commercial uses due to its weaker economics associated with low rents and high vacancies in the Silicon Valley. In practice, the economics of any given development project in Sunnyvale will be heavily influenced by the underlying value of the property, which may reflect the value of existing uses (e.g., a low-scale retail strip center that may be redeveloped for office space), the allowable land uses and densities under development regulations (e.g., residential vs. office vs. industrial), location and access attributes, and certainly the value and return expectations of the property owner.

Revenues

This analysis utilizes a range of annual rent assumptions based on EPS's previously conducted work in Sunnyvale, additional market research, and market data reported by Costar. Office/R&D rents are based on full-service leases while light industrial/flex and retail rents are based on a triple-net lease. Lodging revenues are based on typical room charges in the Silicon Valley hotels.

Potential building sale values are determined by applying a capitalization rate to net operating income. Capitalization rates are based on the IRR Viewpoint 2014 Investor survey for the San Jose submarket and other sources. EPS assumes a 3 percent cost of sale for all uses.

Development Costs

EPS uses cost estimates that vary for each use and include direct building construction cost, parking/site improvement costs, tenant improvements, indirect costs, and contingency. Direct building construction cost estimates are based on EPS's prior work in Sunnyvale as well as other financial feasibility work.

In each scenario, the assumed housing mitigation fee is listed among the project's indirect costs. Other indirect costs include general and administration, permitting/fees, architecture and engineering, legal, marketing, insurance, and financing costs. A 5 percent contingency is assumed across all product types to reflect a potential cost escalation risk or uncertainty associated with cost estimates in this analysis.

Potential Funding Overlap Considerations

The City is exploring adoption of an affordable housing fee to be imposed on new market-rate rental housing. Those fees would be calculated based on the number of lower-wage workers required to meet the demand for goods and services of the new housing residents. As such, it is important to ensure that the City's affordable housing fees imposed on residential and

commercial development are coordinated and do not, in combination, exceed the nexus-based need for housing subsidies³.

The tested Housing Mitigation Fee levels in this memorandum reflect a range of 3 to 9 percent of the maximum nexus-supported fees in Scenario A and a range of 7 to 26 percent of the maximum nexus-supported fees in Scenario B, as shown in **Table 1**. This suggests that unless a substantial or full share of the maximum rental housing fee is adopted, an overlap is unlikely. The current recommendation for rental housing fee of up to \$20 per square foot (the highest figure suggested in public discussions of the potential rental fee) falls significantly below the nexus-based maximum of about \$40 to \$50 per square foot, depending on rental unit size. This rental housing fee coverage of 50 percent or below of the maximum nexus suggests that the nexus-based need for housing subsidies would not be exceeded unless either or both of the discussed fees are adopted at a level significantly above that outlined in this analysis.

³ The City's adopted zoning requirement applied to for-sale residential development is excluded from this analysis since it is not a nexus fee.



APPENDIX A: Existing Housing Fee

Table A-1

Office/R&D Pro Forma (Midrise/Podium)

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 2.00 F.A.R. | | 174,240 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 156,816 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | |
| Podium Parking | 80% of parking spaces | | 278 |
| Surface Parking | 20% of parking spaces | | <u>70</u> |
| Total Parking Spaces | | | 348 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (FS) (1) | \$50.00 /net sq. ft./yr. | \$45.00 | \$7,840,800 |
| (less) Operating Expenses | 30.0% | (\$13.50) | (\$2,352,240) |
| (less) Commissions | 3.0% | (\$1.35) | (\$235,224.00) |
| (less) Vacancy Rate | 5.0% | <u>(\$2.25)</u> | <u>(\$392,040)</u> |
| Subtotal, Annual Net Operating Income | | \$27.90 | \$4,861,296 |
| LAND VALUE | | \$45.91 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$150.00 /GLA sq. ft. | \$150.00 | \$26,136,000 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$1,742,400 |
| Parking Cost | \$20,000 /podium space | <u>\$31.96</u> | <u>\$5,568,000</u> |
| Total Direct Costs | | \$191.96 | \$33,446,400 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$8.07 | \$1,405,507 |
| Tenant Improvements | \$40.00 /net sq. ft. | \$36.00 | \$6,272,640 |
| Construction Tax | 0.5% of direct costs | \$0.96 | \$167,232 |
| Other Permits & Fees | 4.0% of direct costs | \$7.68 | \$1,337,856 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.76 | \$1,003,392 |
| Architecture & Engineering | 8.0% of direct costs | \$15.36 | \$2,675,712 |
| Developer Fee | 7.0% of direct costs | \$13.44 | \$2,341,248 |
| General & Administrative | 2.5% of direct costs | \$4.80 | \$836,160 |
| Financing Costs | <u>6.0%</u> of direct costs | <u>\$11.52</u> | <u>\$2,006,784</u> |
| Total Indirect Costs | 54.0% of direct costs | \$103.57 | \$18,046,531 |
| Total Development Cost | | \$295.53 | \$51,492,931 |
| Contingency | 5.0% of direct and indirect costs | \$14.78 | \$2,574,647 |
| Total Cost | | \$356 | \$62,067,578 |
| Return on Cost | | | 7.83% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table A-2
Light Industrial/Flex Commercial Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Gross Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.55 F.A.R. | | 47,916 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 43,124 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | 96 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$28.00 /net sq. ft./yr. | \$25.20 | \$1,207,483 |
| (less) Operating Expenses | 2.0% | (\$0.50) | (\$24,149.66) |
| (less) Vacancy Rate | 5.0% | (\$1.26) | (\$60,374) |
| (less) Commissions | 3.0% | (\$0.76) | (\$36,224) |
| Subtotal, Annual Net Operating Income | | \$22.68 | \$1,086,735 |
| LAND VALUE | | | |
| | | \$104.35 | \$5,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$115.00 /GLA sq. ft. | \$115.00 | \$5,510,340 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$479,160 |
| Total Direct Costs | | \$125.00 | \$5,989,500 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$4.31 | \$206,692 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$22.50 | \$1,078,110 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$29,948 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$239,580 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$179,685 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$479,160 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$419,265 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$149,738 |
| Financing Costs | 4.0% of direct costs | \$5.00 | \$239,580 |
| Total Indirect Costs | 50.5% of direct costs | \$63.06 | \$3,021,757 |
| Total Development Cost | | \$188.06 | \$9,011,257 |
| Contingency | 5.0% of direct and indirect costs | \$9.40 | \$450,563 |
| Total Cost | | \$302 | \$14,461,820 |
| Return on Cost | | | |
| | | | 7.51% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table A-3

Retail Pro Forma

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.40 F.A.R. | | 34,848 sq.ft. |
| Efficiency Ratio | 95% | | |
| Net Area | | | 33,106 sq.ft. |
| Parking Spaces | 4.0 parking space per 1,000 sq.ft. | | 139 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$32.00 /net sq. ft./yr. | \$30.40 | \$1,059,379 |
| (less) Operating Expenses | 2.0% | (\$0.61) | (\$21,188) |
| (less) Commissions | 3.0% | (\$0.91) | (\$31,781) |
| (less) Vacancy Rate | 4.0% | (\$1.22) | (\$42,375) |
| Subtotal, Annual Net Operating Income | | \$27.66 | \$964,035 |
| LAND VALUE | | \$229.57 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$110.00 /GLA sq. ft. | \$110.00 | \$3,833,280 |
| Site Work / Surface Parking | \$15.00 /GLA sq. ft. | \$15.00 | \$522,720 |
| Total Direct Costs | | \$125.00 | \$4,356,000 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$0.00 | \$0 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$23.75 | \$827,640 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$21,780 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$174,240 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$130,680 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$348,480 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$304,920 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$108,900 |
| Financing Costs | 4.0% of direct costs | \$5.00 | \$174,240 |
| Total Indirect Costs | 48.0% of direct costs | \$60.00 | \$2,090,880 |
| Total Development Cost | | \$185.00 | \$6,446,880 |
| Contingency | 5.0% of direct and indirect costs | \$9.25 | \$322,344 |
| Total Cost | | \$423.82 | \$14,769,224 |
| Return on Cost | | | 6.53% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table A-4
Lodging Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Per Room | Total |
|---------------------------------------|--|------------------|-------------------|----------------------|
| DEVELOPMENT PROGRAM | | | | |
| Land Area (acres) | | | | 2.0 |
| Gross Leasable Area | 1.00 F.A.R. | | | 87,120 sq.ft. |
| Rooms | 700 sq.ft./ room (including common area) | | | 124 |
| Parking Spaces | 1.0 parking space per room | | | 124 |
| REVENUE ASSUMPTIONS | | | | |
| Room Revenue | \$160 /room per night | \$83.12 | \$58,400 | \$7,241,600 |
| Other Operating Revenue (1) | 10% | \$8.31 | \$5,840 | \$724,160 |
| (less) Vacancy | 25.0% | <u>(\$22.86)</u> | <u>(\$16,060)</u> | <u>(\$1,991,440)</u> |
| Gross Revenue | | \$68.58 | \$48,180 | \$5,974,320 |
| (less) Operating Expenses | 60.0% | <u>(\$41.15)</u> | <u>(\$28,908)</u> | <u>(\$3,584,592)</u> |
| Subtotal, Annual Net Operating Income | | \$27.43 | \$19,272 | \$2,389,728 |
| LAND VALUE | | \$91.83 | \$64,516 | \$8,000,000 |
| DEVELOPMENT COSTS | | | | |
| Direct Costs | | | | |
| Building Construction Cost | \$160.00 /GLA sq. ft. | \$10.00 | \$112,413 | \$13,939,200 |
| Site Work/Surface Parking | \$15.00 /GLA sq. ft. | <u>\$15.00</u> | <u>\$10,539</u> | <u>\$1,306,800</u> |
| Total Direct Costs | | \$175.00 | \$122,952 | \$15,246,000 |
| Indirect Costs | | | | |
| Affordable Housing Fee | | \$0.00 | \$0 | \$0 |
| Construction Tax | 0.5% of direct costs | \$0.88 | \$615 | \$76,230 |
| Other Permits & Fees | 4.0% of direct costs | \$7.00 | \$4,918 | \$609,840 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.25 | \$3,689 | \$457,380 |
| Architecture and Engineering | 8.0% of direct costs | \$14.00 | \$9,836 | \$1,219,680 |
| Developer Fee | 7.0% of direct costs | \$12.25 | \$8,607 | \$1,067,220 |
| G&A | 2.5% of direct costs | \$4.38 | \$3,074 | \$381,150 |
| FF&E | 10.0% of direct costs | \$17.50 | \$12,295 | \$1,524,600 |
| Financing | <u>6.0%</u> of direct costs | <u>\$10.50</u> | <u>\$7,377</u> | <u>\$914,760</u> |
| Total Indirect Costs | 41.0% of direct costs | \$71.75 | \$50,410 | \$6,250,860 |
| Total Development Cost | | \$246.75 | \$173,362 | \$21,496,860 |
| Contingency | 5.0% of direct and indirect costs | \$12.34 | \$8,668 | \$1,074,843 |
| Total Cost | | \$351 | \$246,546 | \$30,571,703 |
| Return on Cost | | | | 7.82% |

(1) Reflects rental and other income, telecommunications, food and beverage, movie rentals, and other departments.

APPENDIX B:
Scenario A



Table B-1

Office/R&D Pro Forma (Midrise/Podium)

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 2.00 F.A.R. | | 174,240 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 156,816 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | |
| Podium Parking | 80% of parking spaces | | 278 |
| Surface Parking | 20% of parking spaces | | <u>70</u> |
| Total Parking Spaces | | | 348 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (FS) (1) | \$50.00 /net sq. ft./yr. | \$45.00 | \$7,840,800 |
| (less) Operating Expenses | 30.0% | (\$13.50) | (\$2,352,240) |
| (less) Commissions | 3.0% | (\$1.35) | (\$235,224.00) |
| (less) Vacancy Rate | 5.0% | <u>(\$2.25)</u> | <u>(\$392,040)</u> |
| Subtotal, Annual Net Operating Income | | \$27.90 | \$4,861,296 |
| LAND VALUE | | | |
| | | \$45.91 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$150.00 /GLA sq. ft. | \$150.00 | \$26,136,000 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$1,742,400 |
| Parking Cost | \$20,000 /podium space | <u>\$31.96</u> | <u>\$5,568,000</u> |
| Total Direct Costs | | \$191.96 | \$33,446,400 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$9.28 | \$1,617,400 |
| Tenant Improvements | \$40.00 /net sq. ft. | \$36.00 | \$6,272,640 |
| Construction Tax | 0.5% of direct costs | \$0.96 | \$167,232 |
| Other Permits & Fees | 4.0% of direct costs | \$7.68 | \$1,337,856 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.76 | \$1,003,392 |
| Architecture & Engineering | 8.0% of direct costs | \$15.36 | \$2,675,712 |
| Developer Fee | 7.0% of direct costs | \$13.44 | \$2,341,248 |
| General & Administrative | 2.5% of direct costs | \$4.80 | \$836,160 |
| Financing Costs | <u>6.0%</u> of direct costs | <u>\$11.52</u> | <u>\$2,006,784</u> |
| Total Indirect Costs | 54.6% of direct costs | \$104.79 | \$18,258,424 |
| Total Development Cost | | \$296.74 | \$51,704,824 |
| Contingency | 5.0% of direct and indirect costs | \$14.84 | \$2,585,241 |
| Total Cost | | \$357 | \$62,290,065 |
| Return on Cost | | | |
| | | | 7.80% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table B-2
Light Industrial/Flex Commercial Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Gross Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.55 F.A.R. | | 47,916 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 43,124 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | 96 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$28.00 /net sq. ft./yr. | \$25.20 | \$1,207,483 |
| (less) Operating Expenses | 2.0% | (\$0.50) | (\$24,149.66) |
| (less) Vacancy Rate | 5.0% | (\$1.26) | (\$60,374) |
| (less) Commissions | 3.0% | (\$0.76) | (\$36,224) |
| Subtotal, Annual Net Operating Income | | \$22.68 | \$1,086,735 |
| LAND VALUE | | \$104.35 | \$5,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$115.00 /GLA sq. ft. | \$115.00 | \$5,510,340 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$479,160 |
| Total Direct Costs | | \$125.00 | \$5,989,500 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$7.39 | \$354,160 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$22.50 | \$1,078,110 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$29,948 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$239,580 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$179,685 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$479,160 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$419,265 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$149,738 |
| Financing Costs | 4.0% of direct costs | \$5.00 | \$239,580 |
| Total Indirect Costs | 52.9% of direct costs | \$66.14 | \$3,169,225 |
| Total Development Cost | | \$191.14 | \$9,158,725 |
| Contingency | 5.0% of direct and indirect costs | \$9.56 | \$457,936 |
| Total Cost | | \$305 | \$14,616,661 |
| Return on Cost | | | 7.43% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table B-3

Retail Pro Forma

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.40 F.A.R. | | 34,848 sq.ft. |
| Efficiency Ratio | 95% | | |
| Net Area | | | 33,106 sq.ft. |
| Parking Spaces | 4.0 parking space per 1,000 sq.ft. | | 139 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$32.00 /net sq. ft./yr. | \$30.40 | \$1,059,379 |
| (less) Operating Expenses | 2.0% | (\$0.61) | (\$21,188) |
| (less) Commissions | 3.0% | (\$0.91) | (\$31,781) |
| (less) Vacancy Rate | 4.0% | (\$1.22) | (\$42,375) |
| Subtotal, Annual Net Operating Income | | \$27.66 | \$964,035 |
| LAND VALUE | | \$229.57 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$110.00 /GLA sq. ft. | \$110.00 | \$3,833,280 |
| Site Work / Surface Parking | \$15.00 /GLA sq. ft. | \$15.00 | \$522,720 |
| Total Direct Costs | | \$125.00 | \$4,356,000 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$6.41 | \$223,480 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$23.75 | \$827,640 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$21,780 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$174,240 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$130,680 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$348,480 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$304,920 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$108,900 |
| Financing Costs | 4.0% of direct costs | \$5.00 | \$174,240 |
| Total Indirect Costs | 53.1% of direct costs | \$66.41 | \$2,314,360 |
| Total Development Cost | | \$191.41 | \$6,670,360 |
| Contingency | 5.0% of direct and indirect costs | \$9.57 | \$333,518 |
| Total Cost | | \$430.55 | \$15,003,878 |
| Return on Cost | | | 6.43% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table B-4
Lodging Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Per Room | Total |
|---------------------------------------|--|------------------|-------------------|----------------------|
| DEVELOPMENT PROGRAM | | | | |
| Land Area (acres) | | | | 2.0 |
| Gross Leasable Area | 1.00 F.A.R. | | | 87,120 sq.ft. |
| Rooms | 700 sq.ft./ room (including common area) | | | 124 |
| Parking Spaces | 1.0 parking space per room | | | 124 |
| REVENUE ASSUMPTIONS | | | | |
| Room Revenue | \$160 /room per night | \$83.12 | \$58,400 | \$7,241,600 |
| Other Operating Revenue (1) | 10% | \$8.31 | \$5,840 | \$724,160 |
| (less) Vacancy | 25.0% | <u>(\$22.86)</u> | <u>(\$16,060)</u> | <u>(\$1,991,440)</u> |
| Gross Revenue | | \$68.58 | \$48,180 | \$5,974,320 |
| (less) Operating Expenses | 60.0% | <u>(\$41.15)</u> | <u>(\$28,908)</u> | <u>(\$3,584,592)</u> |
| Subtotal, Annual Net Operating Income | | \$27.43 | \$19,272 | \$2,389,728 |
| LAND VALUE | | \$91.83 | \$64,516 | \$8,000,000 |
| DEVELOPMENT COSTS | | | | |
| Direct Costs | | | | |
| Building Construction Cost | \$160.00 /GLA sq. ft. | \$10.00 | \$112,413 | \$13,939,200 |
| Site Work/Surface Parking | \$15.00 /GLA sq. ft. | <u>\$15.00</u> | <u>\$10,539</u> | <u>\$1,306,800</u> |
| Total Direct Costs | | \$175.00 | \$122,952 | \$15,246,000 |
| Indirect Costs | | | | |
| Affordable Housing Fee | | \$5.14 | \$3,597 | \$447,720 |
| Construction Tax | 0.5% of direct costs | \$0.88 | \$615 | \$76,230 |
| Other Permits & Fees | 4.0% of direct costs | \$7.00 | \$4,918 | \$609,840 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.25 | \$3,689 | \$457,380 |
| Architecture and Engineering | 8.0% of direct costs | \$14.00 | \$9,836 | \$1,219,680 |
| Developer Fee | 7.0% of direct costs | \$12.25 | \$8,607 | \$1,067,220 |
| G&A | 2.5% of direct costs | \$4.38 | \$3,074 | \$381,150 |
| FF&E | 10.0% of direct costs | \$17.50 | \$12,295 | \$1,524,600 |
| Financing | <u>6.0%</u> of direct costs | <u>\$10.50</u> | <u>\$7,377</u> | <u>\$914,760</u> |
| Total Indirect Costs | 43.9% of direct costs | \$76.89 | \$54,021 | \$6,698,580 |
| Total Development Cost | | \$251.89 | \$176,972 | \$21,944,580 |
| Contingency | 5.0% of direct and indirect costs | \$12.59 | \$8,849 | \$1,097,229 |
| Total Cost | | \$356 | \$250,337 | \$31,041,809 |
| Return on Cost | | | | 7.70% |

(1) Reflects rental and other income, telecommunications, food and beverage, movie rentals, and other departments.



APPENDIX C:

Scenario B

Table C-1

Office/R&D Pro Forma (Midrise/Podium)

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 2.00 F.A.R. | | 174,240 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 156,816 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | |
| Podium Parking | 80% of parking spaces | | 278 |
| Surface Parking | 20% of parking spaces | | <u>70</u> |
| Total Parking Spaces | | | 348 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (FS) (1) | \$50.00 /net sq. ft./yr. | \$45.00 | \$7,840,800 |
| (less) Operating Expenses | 30.0% | (\$13.50) | (\$2,352,240) |
| (less) Commissions | 3.0% | (\$1.35) | (\$235,224.00) |
| (less) Vacancy Rate | 5.0% | <u>(\$2.25)</u> | <u>(\$392,040)</u> |
| Subtotal, Annual Net Operating Income | | \$27.90 | \$4,861,296 |
| LAND VALUE | | \$45.91 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$150.00 /GLA sq. ft. | \$150.00 | \$26,136,000 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$1,742,400 |
| Parking Cost | \$20,000 /podium space | <u>\$31.96</u> | <u>\$5,568,000</u> |
| Total Direct Costs | | \$191.96 | \$33,446,400 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$20.00 | \$3,484,800 |
| Tenant Improvements | \$40.00 /net sq. ft. | \$36.00 | \$6,272,640 |
| Construction Tax | 0.5% of direct costs | \$0.96 | \$167,232 |
| Other Permits & Fees | 4.0% of direct costs | \$7.68 | \$1,337,856 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.76 | \$1,003,392 |
| Architecture & Engineering | 8.0% of direct costs | \$15.36 | \$2,675,712 |
| Developer Fee | 7.0% of direct costs | \$13.44 | \$2,341,248 |
| General & Administrative | 2.5% of direct costs | \$4.80 | \$836,160 |
| Financing Costs | <u>6.0%</u> of direct costs | <u>\$11.52</u> | <u>\$2,006,784</u> |
| Total Indirect Costs | 60.2% of direct costs | \$115.51 | \$20,125,824 |
| Total Development Cost | | \$307.46 | \$53,572,224 |
| Contingency | 5.0% of direct and indirect costs | \$15.37 | \$2,678,611 |
| Total Cost | | \$369 | \$64,250,835 |
| Return on Cost | | | 7.57% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table C-2
Light Industrial/Flex Commercial Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Gross Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.55 F.A.R. | | 47,916 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 43,124 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | 96 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$28.00 /net sq. ft./yr. | \$25.20 | \$1,207,483 |
| (less) Operating Expenses | 2.0% | (\$0.50) | (\$24,149.66) |
| (less) Vacancy Rate | 5.0% | (\$1.26) | (\$60,374) |
| (less) Commissions | 3.0% | (\$0.76) | (\$36,224) |
| Subtotal, Annual Net Operating Income | | \$22.68 | \$1,086,735 |
| LAND VALUE | | | |
| | | \$104.35 | \$5,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$115.00 /GLA sq. ft. | \$115.00 | \$5,510,340 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$479,160 |
| Total Direct Costs | | \$125.00 | \$5,989,500 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$20.00 | \$958,320 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$22.50 | \$1,078,110 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$29,948 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$239,580 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$179,685 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$479,160 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$419,265 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$149,738 |
| Financing Costs | 4.0% of direct costs | \$5.00 | \$239,580 |
| Total Indirect Costs | 63.0% of direct costs | \$78.75 | \$3,773,385 |
| Total Development Cost | | \$203.75 | \$9,762,885 |
| Contingency | 5.0% of direct and indirect costs | \$10.19 | \$488,144 |
| Total Cost | | \$318 | \$15,251,029 |
| Return on Cost | | | |
| | | | 7.13% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table C-3

Retail Pro Forma

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.40 F.A.R. | | 34,848 sq.ft. |
| Efficiency Ratio | 95% | | |
| Net Area | | | 33,106 sq.ft. |
| Parking Spaces | 4.0 parking space per 1,000 sq.ft. | | 139 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$32.00 /net sq. ft./yr. | \$30.40 | \$1,059,379 |
| (less) Operating Expenses | 2.0% | (\$0.61) | (\$21,188) |
| (less) Commissions | 3.0% | (\$0.91) | (\$31,781) |
| (less) Vacancy Rate | 4.0% | (\$1.22) | (\$42,375) |
| Subtotal, Annual Net Operating Income | | \$27.66 | \$964,035 |
| LAND VALUE | | \$229.57 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$110.00 /GLA sq. ft. | \$110.00 | \$3,833,280 |
| Site Work / Surface Parking | \$15.00 /GLA sq. ft. | \$15.00 | \$522,720 |
| Total Direct Costs | | \$125.00 | \$4,356,000 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$20.00 | \$696,960 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$23.75 | \$827,640 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$21,780 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$174,240 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$130,680 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$348,480 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$304,920 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$108,900 |
| Financing Costs | 4.0% of direct costs | \$5.00 | \$174,240 |
| Total Indirect Costs | 64.0% of direct costs | \$80.00 | \$2,787,840 |
| Total Development Cost | | \$205.00 | \$7,143,840 |
| Contingency | 5.0% of direct and indirect costs | \$10.25 | \$357,192 |
| Total Cost | | \$444.82 | \$15,501,032 |
| Return on Cost | | | 6.22% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table C-4
Lodging Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Per Room | Total |
|---------------------------------------|--|------------------|-------------------|----------------------|
| DEVELOPMENT PROGRAM | | | | |
| Land Area (acres) | | | | 2.0 |
| Gross Leasable Area | 1.00 F.A.R. | | | 87,120 sq.ft. |
| Rooms | 700 sq.ft./ room (including common area) | | | 124 |
| Parking Spaces | 1.0 parking space per room | | | 124 |
| REVENUE ASSUMPTIONS | | | | |
| Room Revenue | \$160 /room per night | \$83.12 | \$58,400 | \$7,241,600 |
| Other Operating Revenue (1) | 10% | \$8.31 | \$5,840 | \$724,160 |
| (less) Vacancy | 25.0% | <u>(\$22.86)</u> | <u>(\$16,060)</u> | <u>(\$1,991,440)</u> |
| Gross Revenue | | \$68.58 | \$48,180 | \$5,974,320 |
| (less) Operating Expenses | 60.0% | <u>(\$41.15)</u> | <u>(\$28,908)</u> | <u>(\$3,584,592)</u> |
| Subtotal, Annual Net Operating Income | | \$27.43 | \$19,272 | \$2,389,728 |
| LAND VALUE | | \$91.83 | \$64,516 | \$8,000,000 |
| DEVELOPMENT COSTS | | | | |
| Direct Costs | | | | |
| Building Construction Cost | \$160.00 /GLA sq. ft. | \$10.00 | \$112,413 | \$13,939,200 |
| Site Work/Surface Parking | \$15.00 /GLA sq. ft. | <u>\$15.00</u> | <u>\$10,539</u> | <u>\$1,306,800</u> |
| Total Direct Costs | | \$175.00 | \$122,952 | \$15,246,000 |
| Indirect Costs | | | | |
| Affordable Housing Fee | | \$20.00 | \$14,000 | \$1,742,400 |
| Construction Tax | 0.5% of direct costs | \$0.88 | \$615 | \$76,230 |
| Other Permits & Fees | 4.0% of direct costs | \$7.00 | \$4,918 | \$609,840 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.25 | \$3,689 | \$457,380 |
| Architecture and Engineering | 8.0% of direct costs | \$14.00 | \$9,836 | \$1,219,680 |
| Developer Fee | 7.0% of direct costs | \$12.25 | \$8,607 | \$1,067,220 |
| G&A | 2.5% of direct costs | \$4.38 | \$3,074 | \$381,150 |
| FF&E | 10.0% of direct costs | \$17.50 | \$12,295 | \$1,524,600 |
| Financing | <u>6.0%</u> of direct costs | <u>\$10.50</u> | <u>\$7,377</u> | <u>\$914,760</u> |
| Total Indirect Costs | 52.4% of direct costs | \$91.75 | \$64,462 | \$7,993,260 |
| Total Development Cost | | \$266.75 | \$187,413 | \$23,239,260 |
| Contingency | 5.0% of direct and indirect costs | \$13.34 | \$9,371 | \$1,161,963 |
| Total Cost | | \$372 | \$261,300 | \$32,401,223 |
| Return on Cost | | | | 7.38% |

(1) Reflects rental and other income, telecommunications, food and beverage, movie rentals, and other departments.



APPENDIX D:

Maximum Housing Fee

Table D-1

Office/R&D Pro Forma (Midrise/Podium)

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 2.00 F.A.R. | | 174,240 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 156,816 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | |
| Podium Parking | 80% of parking spaces | | 278 |
| Surface Parking | 20% of parking spaces | | <u>70</u> |
| Total Parking Spaces | | | 348 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (FS) (1) | \$50.00 /net sq. ft./yr. | \$45.00 | \$7,840,800 |
| (less) Operating Expenses | 30.0% | (\$13.50) | (\$2,352,240) |
| (less) Commissions | 3.0% | (\$1.35) | (\$235,224.00) |
| (less) Vacancy Rate | 5.0% | <u>(\$2.25)</u> | <u>(\$392,040)</u> |
| Subtotal, Annual Net Operating Income | | \$27.90 | \$4,861,296 |
| LAND VALUE | | \$45.91 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$150.00 /GLA sq. ft. | \$150.00 | \$26,136,000 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$1,742,400 |
| Parking Cost | \$20,000 /podium space | <u>\$31.96</u> | <u>\$5,568,000</u> |
| Total Direct Costs | | \$191.96 | \$33,446,400 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$113.99 | \$19,861,153 |
| Tenant Improvements | \$40.00 /net sq. ft. | \$36.00 | \$6,272,640 |
| Construction Tax | 0.5% of direct costs | \$0.96 | \$167,232 |
| Other Permits & Fees | 4.0% of direct costs | \$7.68 | \$1,337,856 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.76 | \$1,003,392 |
| Architecture & Engineering | 8.0% of direct costs | \$15.36 | \$2,675,712 |
| Developer Fee | 7.0% of direct costs | \$13.44 | \$2,341,248 |
| General & Administrative | 2.5% of direct costs | \$4.80 | \$836,160 |
| Financing Costs | <u>6.0%</u> of direct costs | <u>\$11.52</u> | <u>\$2,006,784</u> |
| Total Indirect Costs | 109.1% of direct costs | \$209.49 | \$36,502,177 |
| Total Development Cost | | \$401.45 | \$69,948,577 |
| Contingency | 5.0% of direct and indirect costs | \$20.07 | \$3,497,429 |
| Total Cost | | \$467 | \$81,446,005 |
| Return on Cost | | | 5.97% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table D-2
Light Industrial/Flex Commercial Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Gross Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.55 F.A.R. | | 47,916 sq.ft. |
| Efficiency Ratio | 90% | | |
| Net Area | | | 43,124 sq.ft. |
| Parking Spaces | 2.0 parking space per 1,000 sq.ft. | | 96 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$28.00 /net sq. ft./yr. | \$25.20 | \$1,207,483 |
| (less) Operating Expenses | 2.0% | (\$0.50) | (\$24,149.66) |
| (less) Vacancy Rate | 5.0% | (\$1.26) | (\$60,374) |
| (less) Commissions | 3.0% | <u>(\$0.76)</u> | <u>(\$36,224)</u> |
| Subtotal, Annual Net Operating Income | | \$22.68 | \$1,086,735 |
| LAND VALUE | | | |
| | | \$104.35 | \$5,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$115.00 /GLA sq. ft. | \$115.00 | \$5,510,340 |
| Site Work/Surface Parking Cost | \$10.00 /GLA sq. ft. | \$10.00 | \$479,160 |
| Total Direct Costs | | \$125.00 | \$5,989,500 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$113.99 | \$5,461,817 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$22.50 | \$1,078,110 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$29,948 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$239,580 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$179,685 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$479,160 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$419,265 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$149,738 |
| Financing Costs | 4.0% of direct costs | <u>\$5.00</u> | <u>\$239,580</u> |
| Total Indirect Costs | 138.2% of direct costs | \$172.74 | \$8,276,882 |
| Total Development Cost | | \$297.74 | \$14,266,382 |
| Contingency | 5.0% of direct and indirect costs | \$14.89 | \$713,319 |
| Total Cost | | \$417 | \$19,979,701 |
| Return on Cost | | | |
| | | | 5.44% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table D-3

Retail Pro Forma

Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Total |
|---------------------------------------|------------------------------------|------------------|---------------------|
| DEVELOPMENT PROGRAM | | | |
| Land Area (acres) | | | 2.0 |
| Gross Leasable Area | 0.40 F.A.R. | | 34,848 sq.ft. |
| Efficiency Ratio | 95% | | |
| Net Area | | | 33,106 sq.ft. |
| Parking Spaces | 4.0 parking space per 1,000 sq.ft. | | 139 |
| REVENUE ASSUMPTIONS | | | |
| Gross Revenue (NNN) (1) | \$32.00 /net sq. ft./yr. | \$30.40 | \$1,059,379 |
| (less) Operating Expenses | 2.0% | (\$0.61) | (\$21,188) |
| (less) Commissions | 3.0% | (\$0.91) | (\$31,781) |
| (less) Vacancy Rate | 4.0% | (\$1.22) | (\$42,375) |
| Subtotal, Annual Net Operating Income | | \$27.66 | \$964,035 |
| LAND VALUE | | \$229.57 | \$8,000,000 |
| DEVELOPMENT COSTS | | | |
| Direct Costs | | | |
| Building Construction Cost | \$110.00 /GLA sq. ft. | \$110.00 | \$3,833,280 |
| Site Work / Surface Parking | \$15.00 /GLA sq. ft. | \$15.00 | \$522,720 |
| Total Direct Costs | | \$125.00 | \$4,356,000 |
| Indirect Costs | | | |
| Affordable Housing Fee | | \$295.23 | \$10,288,087 |
| Tenant Improvements | \$25.00 /net sq. ft. | \$23.75 | \$827,640 |
| Construction Tax | 0.5% of direct costs | \$0.63 | \$21,780 |
| Other Permits & Fees | 4.0% of direct costs | \$5.00 | \$174,240 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$3.75 | \$130,680 |
| Architecture & Engineering | 8.0% of direct costs | \$10.00 | \$348,480 |
| Developer Fee | 7.0% of direct costs | \$8.75 | \$304,920 |
| General & Administrative | 2.5% of direct costs | \$3.13 | \$108,900 |
| Financing Costs | 4.0% of direct costs | \$5.00 | \$174,240 |
| Total Indirect Costs | 284.2% of direct costs | \$355.23 | \$12,378,967 |
| Total Development Cost | | \$480.23 | \$16,734,967 |
| Contingency | 5.0% of direct and indirect costs | \$24.01 | \$836,748 |
| Total Cost | | \$733.81 | \$25,571,715 |
| Return on Cost | | | 3.77% |

(1) Based on the Costar average rents in Sunnyvale; increased by 10% to reflect a rent premium relative to the existing space.

Table D-4
Lodging Pro Forma
Sunnyvale Housing Mitigation Nexus and Fee Study; EPS #131119

| Item | Assumption | Per Bldg. Sq.Ft. | Per Room | Total |
|---------------------------------------|--|------------------|-------------------|----------------------|
| DEVELOPMENT PROGRAM | | | | |
| Land Area (acres) | | | | 2.0 |
| Gross Leasable Area | 1.00 F.A.R. | | | 87,120 sq.ft. |
| Rooms | 700 sq.ft./ room (including common area) | | | 124 |
| Parking Spaces | 1.0 parking space per room | | | 124 |
| REVENUE ASSUMPTIONS | | | | |
| Room Revenue | \$160 /room per night | \$83.12 | \$58,400 | \$7,241,600 |
| Other Operating Revenue (1) | 10% | \$8.31 | \$5,840 | \$724,160 |
| (less) Vacancy | 25.0% | <u>(\$22.86)</u> | <u>(\$16,060)</u> | <u>(\$1,991,440)</u> |
| Gross Revenue | | \$68.58 | \$48,180 | \$5,974,320 |
| (less) Operating Expenses | 60.0% | <u>(\$41.15)</u> | <u>(\$28,908)</u> | <u>(\$3,584,592)</u> |
| Subtotal, Annual Net Operating Income | | \$27.43 | \$19,272 | \$2,389,728 |
| LAND VALUE | | \$91.83 | \$64,516 | \$8,000,000 |
| DEVELOPMENT COSTS | | | | |
| Direct Costs | | | | |
| Building Construction Cost | \$160.00 /GLA sq. ft. | \$10.00 | \$112,413 | \$13,939,200 |
| Site Work/Surface Parking | \$15.00 /GLA sq. ft. | <u>\$15.00</u> | <u>\$10,539</u> | <u>\$1,306,800</u> |
| Total Direct Costs | | \$175.00 | \$122,952 | \$15,246,000 |
| Indirect Costs | | | | |
| Affordable Housing Fee | | \$76.22 | \$53,357 | \$6,640,606 |
| Construction Tax | 0.5% of direct costs | \$0.88 | \$615 | \$76,230 |
| Other Permits & Fees | 4.0% of direct costs | \$7.00 | \$4,918 | \$609,840 |
| Legal, Insurance & Warranty | 3.0% of direct costs | \$5.25 | \$3,689 | \$457,380 |
| Architecture and Engineering | 8.0% of direct costs | \$14.00 | \$9,836 | \$1,219,680 |
| Developer Fee | 7.0% of direct costs | \$12.25 | \$8,607 | \$1,067,220 |
| G&A | 2.5% of direct costs | \$4.38 | \$3,074 | \$381,150 |
| FF&E | 10.0% of direct costs | \$17.50 | \$12,295 | \$1,524,600 |
| Financing | <u>6.0%</u> of direct costs | <u>\$10.50</u> | <u>\$7,377</u> | <u>\$914,760</u> |
| Total Indirect Costs | 84.6% of direct costs | \$147.97 | \$103,963 | \$12,891,466 |
| Total Development Cost | | \$322.97 | \$226,915 | \$28,137,466 |
| Contingency | 5.0% of direct and indirect costs | \$16.15 | \$11,346 | \$1,406,873 |
| Total Cost | | \$431 | \$302,777 | \$37,544,339 |
| Return on Cost | | | | 6.37% |

(1) Reflects rental and other income, telecommunications, food and beverage, movie rentals, and other departments.