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DRAFT

FEASIBILITY ANALYSIS OF PROPOSED COMMERCIAL LINKAGE FEES

And Context for Setting Fees:
Fees as Percent of Development Cost
Fees in Other Jurisdictions

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City of San José

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1.0 SUMMARY

This Feasibility Analysis of Proposed Commercial Linkage Fees ("Feasibility Analysis") has been prepared by Keyser Marston Associates, Inc. ("KMA") for the City of San José ("City") in support of a proposed new commercial linkage fee program. Commercial linkage fees are a type of impact fee imposed on new non-residential development to mitigate affordable housing impacts.

Commercial linkage fees are one-time charges typically applied on a per square foot basis at the time of initial development of new buildings. The concept behind commercial linkage fees is that new non-residential buildings add jobs and a share of the workers who hold these new jobs will require affordable housing. A companion report entitled "Commercial Linkage Fee Nexus Analysis" ("Nexus Analysis") determines nexus support for a potential new commercial linkage fee in San José. Because maximum commercial linkage fees that can be supported by nexus studies are generally very high, jurisdictions typically set fees below the maximums based on a variety of policy considerations. This Feasibility Analysis was prepared to inform selection of fees within a range that is sustainable for new commercial development projects in San José.

This Feasibility Analysis assesses the economic effects of potential commercial linkage fees and provides context materials to support selection of fee levels for a new commercial linkage fee program for San José. The study uses a real estate pro forma analysis to evaluate the economics of a range of prototype non-residential projects and their ability to sustain a new commercial linkage fee while still attracting the debt and equity investment necessary to move forward. Separate findings are provided for six geographic subareas of San José to address differences in market conditions, such as commercial rents and land costs, and physical characteristics, such as floor area ratio and parking type, by geographic area.

The geographic subareas include:

- Downtown and nearby
- North San José and nearby
- West San José Urban Villages
- Monterey Corridor
- Edenvale
- South and East San José Growth Areas

A map showing how the boundaries of the subareas are defined and a discussion of how subareas were selected is included in Section 2.3.

1.1 Report Organization

The report is organized into five sections and eight appendices, as follows:

- Section 1.0 is the Summary;
- Section 2.0 is the Introduction;
- Section 3.0 provides market context that informs the feasibility analysis;
- Section 4.0 presents the pro forma analysis for the nine building types under study, concluding with the supportable fee level per square foot of building area or per room;
- Section 5.0 provides information on commercial linkage fee programs in other jurisdictions;
- Appendix A provides the pro forma tables used to evaluate the impact of a range of fee levels on the economics of commercial projects;
- Appendices B through E provide market data for industrial, office, retail, and hotel uses;
- Appendix F is a memo relating to the selection of building types and geographic subareas for inclusion in the analysis, prepared by KMA in November 2019, which includes data on historical development activity and the pipeline of planned and proposed non-residential projects.
- Appendix G provides information on other commercial linkage fee programs, primarily in California.
- Appendix H provides a schedule that may be used to establish credits toward fee payment when a project provides affordable units directly.

1.2 Coronavirus Pandemic and Potential Implications for Project Feasibility

The pro forma analysis presented in this report is based on market conditions as of late 2019, early 2020. Since the pro forma analysis was prepared, the coronavirus pandemic has had widespread effects on business and society and caused a sharp recession which, within the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA)[1], resulted in the loss of approximately 133,000 jobs from February to May 2020[2]. The unemployment rate within the MSA peaked at 12% in April and improved slightly during the month of May. Based on a national economic forecast prepared by Deloitte in June 2020, economic conditions are expected to improve in the second half of the year, but a full recovery might not occur for an

[1] The MSA consists of Santa Clara and San Benito counties.
[2] Employment Development Department, Labor Market Information Division. Industry Employment & Labor Force - by MONTH, San Jose, Sunnyvale, Santa Clara MSA (San Benito and Santa Clara Counties). June 19, 2020.

additional 2 to 3 years, conditioned on controlling the virus and the timely development of an effective vaccine.

KMA conducted a qualitative assessment of the economic effects of the coronavirus pandemic on non-residential real estate in San José. The assessment is based on KMA's review of secondary sources and follow-up interviews with developers who previously provided feedback in early 2020 regarding development conditions prior to the pandemic.

Findings of the assessment are summarized as follows:

- *Office* – Developers interviewed by KMA note that the coronavirus pandemic has caused prospective office tenants in San José to pause or reassess their leasing plans. Office landlords and developers in San José have so far resisted repricing direct lease rates, but this could change if availability increases. Developers say that lenders have tightened underwriting criteria, making new speculative office development unlikely in the near term. On the other hand, office entitlement activity in San José remains robust, showing that developers continue to see San José as a viable location for office development once economic conditions normalize. Several developers cited plans for construction in 2021 or 2022, with the caveat that there is a great deal of uncertainty regarding how market conditions will change in the aftermath of the pandemic. Some real estate professionals speculated that the pandemic could have long-lasting effects on the office market if adaptive measures, such as work-from-home arrangements, become standard practice that endure beyond the pandemic.
- *Retail* – KMA's pro forma analysis, based on pre-pandemic market conditions, found relatively weak feasibility of retail development in San José (see Section 1.3). Under post-pandemic market conditions, challenges for retail development are likely to increase, as the pandemic has caused consumers to curtail retail spending and accelerated trends toward online shopping.
- *Hotel* – The hotel market has been severely impacted by the coronavirus pandemic. CBRE Hotels estimates that in the United States, average hotel revenues per available room will not return to 2019 levels until 2023. Developers interviewed by KMA expect financing for hotel development and operator interest to be very limited in the near- to mid-term.
- *Industrial and Warehouse* – Industrial and warehouse real estate has been less adversely impacted by the coronavirus pandemic compared to other non-residential real estate sectors. To date, industrial rents and leasing activity in San José have been largely unaffected. The pandemic might increase demand for logistics and warehouse space due to e-commerce growth and greater emphasis on supply chain resiliency. However, the industrial real estate sector would be vulnerable to a prolonged economic recession.

Developers who participated in follow-up interviews with KMA were far less optimistic about non-residential development conditions in San José than in interviews conducted prior to the pandemic (see Section 3.2). While most developers had previously acknowledged that a commercial linkage fee at some level could be supported, several developers now maintain that a fee of any amount has the potential to deter non-residential development activity during the economic recovery. Developers reiterated support for measures to gradually phase in the commercial linkage fee over several years and allow fees to be deferred until certificate of occupancy, or later.

1.3 Feasible Fee Levels

KMA prepared a real estate pro forma analysis evaluating the development economics of non-residential projects first without the proposed commercial linkage fee and then testing a range of potential fee levels. The analysis focuses on development prototypes representative of the types of non-residential development that have occurred or are expected to occur in the future. Rents, land costs, and governmental fees reflect development conditions specific to each geographic area analyzed. The non-residential project types evaluated include:

- Warehouse / Distribution
- Light Industrial / R&D
- Office / R&D: Low-Rise, Mid-Rise, Downtown Mid-Rise, and Downtown High-Rise
- Neighborhood Retail Center
- Hotel: Surface Parked and with Structured Parking

The pro forma analysis tests whether the development economics of projects support the cost of acquiring a site. Table 1-1 provides a summary of the feasibility analysis findings regarding the supportable fee levels based on the development economics of prototype buildings in each geographic area. The ability of specific individual projects to afford the fee levels tested will also vary based on location, site conditions and/or other project-specific factors. Feasibility of the non-residential project types is analyzed within geographic subareas where development of that project type has occurred or is expected to occur in the future based on the analysis of recent and pipeline development activity included in Appendix F. The fee level supported by office campuses developed by or in partnership with a major high-tech end user is evaluated through an alternative approach summarized in Section 1.6.

The pro forma analysis reflects pre-pandemic conditions and provides a general indication of development economics for representative commercial projects as of early 2020, at the end of a decade-long economic expansion that was subsequently halted by the coronavirus pandemic. The pro forma analysis was not revised to reflect economic fallout of the coronavirus pandemic, which is rapidly evolving and unpredictable as to its longer-term effects, because doing so would be speculative at this time. As of June 2020, there is not enough post-pandemic transaction data to support specific changes to pro forma assumptions. Even if conclusive data

emerges, the changes might not be representative of future conditions post-pandemic when commercial projects are more likely to move forward.

While market conditions will undoubtedly shift during and after the pandemic, the pro forma analysis presented herein still provides relevant policy context because it captures the baseline market conditions that have driven San José's commercial development pipeline and that are likely to continue to inform underwriting assumptions of commercial projects targeted for construction in the near term until data is available to assess post-pandemic market conditions.

Table 1-1. Supportable Fee Levels Per Square Foot of Gross Floor Area, Excluding Parking Based on Development Economics of Prototype Projects and Pre-Pandemic Market Conditions

	Downtown & Nearby	North SJ & Nearby	West SJ	Edenvale	Monterey Corridor	South & East SJ
Office / R&D (1)	$25/SF mid-rise $30/SF high-rise *Reflects unproven market expectations for achievable rents downtown that are 40%-50% over averages for existing space*	$10/SF	$20/SF	$10/SF		None
High-Tech End User	Evaluated using an alternative approach described in Section 1.6					
Neighborhood Retail		None	None	None		None
Hotel (1)	$10/SF $6,000/rm	$15/SF $9,000/rm	$10/SF $6,000/rm	$5/SF $3,000/rm		
Warehouse		$10/SF		$7.50/SF	$5/SF	
Light Industrial / R&D		$7.50/SF		None	None	

(1) For ease of presentation, findings for multiple building types, such as low-rise and mid-rise are collapsed to a single category. Findings correspond to the building type most likely to be developed within each subarea.

Grey indicates that the building type was not analyzed in the indicated subarea. "None" indicates no fee was found to be supported.

All findings in this section reflect pre-pandemic conditions, as previously noted. Findings regarding supported fee levels are expressed per square foot of new non-residential gross floor area, excluding parking. Key findings of the pro forma analysis are summarized below.

<u>Office/R&D</u>

The fee level estimated to be supportable for the office prototypes varies based on geographic subareas from no supportable fee in South and East San José to $10 per square foot in Edenvale and North San José, $20 in West San José, to $25 to $30 per square foot in downtown for mid-rise and high-rise development, respectively.

Additional discussion of pro forma findings by geographic subarea for office/R&D is provided below:

Downtown - While the feasibility analysis shows support for a fee up to $25 per square foot for mid-rise and $30 per square foot for high-rise office, these findings have a higher degree of uncertainty and sensitivity in that they reflect unproven market expectations that new Class A office space in the downtown will achieve rents 40-50% above current averages for primarily older multi-tenant Class A office space downtown. The pro forma rents that support fees in the $25 to $30 per square foot range in downtown San José are significantly above current average rents in West San José and Cupertino and are comparable to existing averages in Sunnyvale. Market expectations that higher rents are achievable for large blocks of Class A space in a transit-accessible downtown setting has been motivating projects to proceed. However, conditions could shift depending on how initial projects perform and any changes in office demand that follow the coronavirus pandemic. See also Section 1.5 for a discussion of sensitivity testing performed for the downtown office prototypes.

The pro forma analysis used to determine supportable fees in the downtown is representative of projects in the development pipeline, which are concentrated in the downtown core and Diridon station area. Very little office development is planned for Urban Villages located on the periphery of the downtown sub-area (such as North First Street and West San Carlos), suggesting that development economics may be less favorable in these locations. Moreover, the pro forma analysis is reflective of large office developments (greater than 400,000 square feet) that comprise most of the planned and proposed projects in downtown San José. Large office projects are the most likely to achieve premium rents because they can attract the highest-paying tenants who require large blocks of space. Smaller, multi-tenant office projects will likely find it more difficult to achieve rents above the current market in downtown.

North San José – The feasibility analysis for mid-rise office development indicates support for a fee up to approximately $10 per square foot. Rents in North San José are not as strong as in West San José and are well below levels being targeted in the downtown. Additionally, existing City fees are approximately $7 per square foot higher in the North San José sub-area than in downtown and approximately $11 per square foot higher than in West San José, which also contributes to a lower feasible fee finding in North San Jose.

West San José – The feasibility analysis indicates support for a fee of up to $20 per square foot based on a representative mid-rise office development in this area. Rents for newly built space in West San José are estimated to be approximately 10% below the rents targeted for the mid-rise office prototype in the downtown; however, land costs are also lower. The net result is support for a linkage fee approximately $5 less than the fee finding for the mid-rise prototype in downtown.

Edenvale – The feasibility analysis for Edenvale indicates support for a fee up to $10 per square foot. However, this result is tempered by the following qualitative factors:

- The low-rise office structures developed in this area are generally lower-cost buildings that may be more sensitive to increases in cost than a mid-rise or high-rise office building (see Section 1.4).

- Lower land values and relatively few development projects in Edenvale are an indication of generally weaker market strength and more sensitivity to costs.

South and East San José – No fee was found to be supported for office projects in South and East San Jose based on marginal project feasibility in this location even without a fee. Estimated office rents in South and East San Jose are not materially different from Edenvale. The difference in the feasibility finding for South and East San Jose relative to Edenvale is driven by higher estimated land costs. However, as land costs are estimated based on limited land sales data in South and East, despite a difference in pro forma results, evidence of a distinction in office feasibility conditions between Edenvale and South and East is limited. Qualitative factors described above with respect to Edenvale are also applicable to South and East.

Retail

As is widely known, retail has been undergoing a major transition with the rise of online shopping, now accelerated by the coronavirus pandemic. Feasibility results indicate no fee is supportable for the prototype neighborhood retail center analyzed in any of the subareas. In mixed use projects, retail often serves as an amenity to other project components and is not a self-supporting project component (revenues do not justify development costs). While some retail projects are likely to move forward, especially sectors more insulated from the rise of online shopping such as food, the overall indication is that there is a limited ability to absorb additional costs in the retail sector.

Hotel

The supportable fee level for hotel prototypes is in the range of $15 per square foot in North San José (approximately $9,000 per room), $10 per square foot in West San José and downtown (approximately 6,000 per room) and $5 per square foot in Edenvale (approximately $3,000 per room). Favorable performance of hotels in North San José is driven by strong business and Airport-related room demand coupled with lower land costs than downtown or West San José. However, the primary driver of hotel values, the room rates, are actually somewhat lower in North San José than in downtown or West San José. As previously noted, the hotel market has been severely impacted by the coronavirus pandemic. Based on forecasts by industry professionals, room rates are not expected to return to levels reflected in the pro forma analysis until 2023.

Warehouse

The supportable feel level for the warehouse prototype ranges from $5 to $10 per square foot depending on the subarea, with North San José being the strongest and Monterey Corridor representing the lower end of the range. Notwithstanding this feasibility result, as indicated by the analysis in Section 1.4, warehouse buildings are lower-rent lower-cost structures and each dollar of fee will tend to have a greater influence on costs, and thus development decisions, than it will for higher-rent and higher-cost building such as office.

Light Industrial

The light industrial prototype shows limited capacity to support a linkage fee based on conventional real estate return metrics used by developers. North San José was the only geographic subarea found to support a fee at a level up to approximately $7.50 per square foot. While a speculative light industrial project was analyzed, most of the recently built light industrial projects in San José have been driven by end users that base their real estate decisions on a broader set of criteria. Projects driven by end users may move forward despite more challenging conditions for speculative projects. As with warehouses, light industrial buildings are lower-rent lower-cost structures for which each dollar of fee will tend to have a larger influence on costs and development decisions compared to higher rent and more costly buildings such as office.

1.4 Fees as Percentage of Development Costs

Another approach to understanding the likelihood that a new fee will impact development decisions is to consider how fees relate to the total development cost of projects. Fees representing a smaller share of development costs will be less likely to affect development decisions and vice versa. Table 1-2 summarizes a range of potential fees expressed as a percentage of total development costs. Warehouse and industrial buildings represent the low end of the development cost range, and as a result, each dollar of fees represents a larger burden relative to the total investment being made. As one illustration, a fee of $5 per square foot would represent approximately the same percentage of costs for a warehouse building as a $15 per square foot fee represents for a mid-rise office building.

Table 1-2. Potential Linkage Fee Levels as Percentage of Total Development Costs							
Prototype	Total Development Cost(1)	Linkage Fee as % of Development Costs					
		$5/SF $3K/rm	$10/SF $6K/rm	$15/SF $9K/rm	$20/SF $12K/rm	$25/SF $15K/rm	$30/SF $18K/rm
Warehouse/ Distribution	$245/SF	2.0%	4.1%	6.1%	8.2%	10.2%	12.2%
Light Industrial / R&D	$285/SF	1.8%	3.5%	5.3%	7.0%	8.8%	10.5%
Office/ R&D - Low-Rise	$445/SF	1.1%	2.2%	3.4%	4.5%	5.6%	6.7%
Office/ R&D - Mid-Rise	$680/SF	0.7%	1.5%	2.2%	2.9%	3.7%	4.4%
Office/ R&D - DT Mid-Rise	$745/SF	0.7%	1.3%	2.0%	2.7%	3.4%	4.0%
Office/ R&D - High-Rise	$815/SF	0.6%	1.2%	1.8%	2.5%	3.1%	3.7%
Neighborhood Retail	$645/SF	0.8%	1.6%	2.3%	3.1%	3.9%	4.7%
Hotel - Surface Parking	$328,000/rm	0.9%	1.8%	2.7%	3.7%	4.6%	5.5%
Hotel - Structured Parking	$374,000/rm	0.8%	1.6%	2.4%	3.2%	4.0%	4.8%

Legend: less than 3% of costs 3% to 5% of costs Over 5% of costs

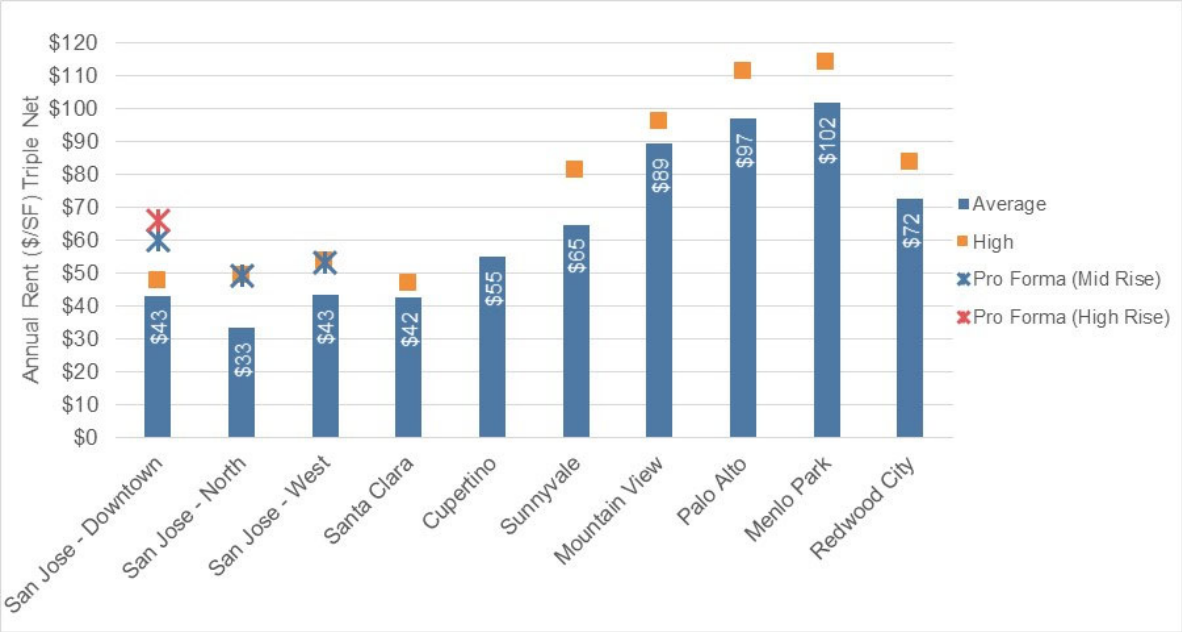
(1) Representative total development cost per square foot of GBA including land. Reflects average for multiple subareas.

1.5 Sensitivity Testing of Downtown Office Prototypes

The capacity of office prototypes to support a commercial linkage fee in downtown San José is highly sensitive to the expected rental rates of new office construction. There are no recently built projects in downtown San José that provide a benchmark for the rents likely to be achieved by new speculative projects being built in downtown today. Based on interviews with development professionals and asking rents for projects under construction, the pro forma analysis, which reflects pre-pandemic conditions, assumes an annual triple net rent of $60 per square foot for the mid-rise prototype and $66 per square foot for the high-rise prototype ($5.00 to $5.50 per square foot monthly). Construction costs for individual projects in the downtown can be expected to vary due to site conditions and other factors and some downtown pipeline projects are reported to target even higher rents to support project-specific costs and a risk adjusted return to investors.

The estimated rent range of the downtown office prototypes is within the range of rents being achieved elsewhere in the region but represents a premium of roughly 40% to 50% over current Class A asking rents in the downtown, which consists primarily of older multi-tenant space. As shown in Chart 1-1, estimated rents exceed average Class A asking rents in Cupertino, are comparable to averages for Sunnyvale, but remain well below averages for Mountain View, Menlo Park and Redwood City. Averages reflect a mix of older and newer space.

Chart 1-1. Class A Office Rent Comparison



Source: Average annual rents per CBRE 2019. Reported full service gross rents adjusted by KMA to estimated triple net equivalent rents. High rents reflect data on recent leases from Costar. Note: Fremont and Milpitas and other geographic subareas of San Jose that are not pictured in the chart have a limited supply of Class A space and so are not shown.

KMA performed a sensitivity analysis to test how the development economics of downtown office prototypes as well as the supportable fee levels would respond to changes in rent expectations. The sensitivity analysis was performed on the pro forma analyses that, as previously described, reflect pre-pandemic conditions. For purposes of illustrative sensitivity testing, costs and all other pro forma assumptions are assumed to remain constant. The rent sensitivity test for the downtown office prototypes indicates:

- If annual office rents fall short of pro forma estimates by $2 to $2.50 per square foot ($0.17 to $0.21 per month, or 3% to 4% less than estimated), projects would have limited capacity to support a linkage fee and pay prevailing land prices, even though rents would still exceed existing averages in the downtown by 35% - 48%.

- If annual rents outperform pro forma estimates by $2 per square foot ($0.17 per month, or 3% more than estimated), the sensitivity analysis indicates roughly a doubling of the supportable fee.

- If mid-rise office rents were to reach averages in Sunnyvale and high-rise rents were to reach averages in Redwood City (8% to 9% more than estimated), the sensitivity analysis indicates a tripling in the estimated linkage fee that could be supported.

An additional sensitivity test was conducted with respect to the parking ratio which found that increasing the 1.9 spaces per 1,000 square feet parking ratio estimated for downtown projects

by 0.1 spaces per 1,000 square feet reduces the linkage fee estimated to be supportable by $7-$9 per square foot and vice versa, assuming all other pro forma assumptions, including land prices, remain constant.

The finding that there is a high degree of sensitivity to rents and parking costs is fairly typical for a pro forma analysis of this type and not at all unique to the San José market. However, greater consideration of this sensitivity is appropriate in the case of the Downtown San José market as market rents are unproven at this time and there is also more uncertainty as to how parking needs might evolve in the future.

1.6 Large High-Tech End Users

In addition to conventional, investor-driven office projects, future development in San José is anticipated to include some large office campuses developed by or in partnership with a major high-tech corporation specifically for their long-term end use[3]. The Apple "spaceship," Facebook's Building 22, and Uber's Mission Bay campus are prominent examples of end-user projects, all headquarters, recently completed elsewhere in the Bay Area. Conventional real estate return metrics that underlie the office pro forma analysis are less applicable to projects built by large high-tech end users, which base their real estate decisions on a broader set of criteria. KMA compared the development costs of headquarters projects recently developed by three high-tech end users to conventional office projects. This analysis is summarized below and detailed in Section 4.9.

Based on publicly available cost data for three prominent high-tech end-user projects and interviews with local developers, KMA found that high-tech end users tend to invest more in their campuses than conventional, investor-driven office projects, suggesting a lesser degree of cost sensitivity and a potentially greater ability to support a commercial linkage fee. Based on publicly available cost data, the three projects' development costs ranged from 15-65% more than a conventional speculative office development on a cost per square foot basis. End-user project characteristics (e.g., headquarters vs. non-headquarters, private and public amenities) and financial considerations can vary widely. Table 4-22 provides an illustration of linkage fee levels that are adjusted proportionate to the cost premium observed for these three recent high-tech end user headquarters projects.

Establishing a separate fee for high-tech end users could be challenging for several reasons, including identifying objective criteria to determine which projects the separate rate would apply to. Ambiguity could arise as to whether a company is "high tech," whether it is large enough or the intended type of company for application of the higher fee, and whether the company is a true "end user." High-tech end users that choose to invest more conservatively in their facilities

[3] The discussion of high-tech end users in this section does not apply to speculative office developments leased to high-tech tenants or build-to-suit developments leased to high-tech tenants for a limited term such as five years.

would potentially be more cost-sensitive to a higher linkage fee. No other cities in California have adopted commercial linkage fees unique to an end-user office category.

1.7 Fee Comparison

Around 50 jurisdictions in California and most major cities on the West Coast have commercial linkage fee programs. Silicon Valley and Peninsula cities tend to have the most substantial linkage fees, supported by the strength of their real estate markets. Cities in the East Bay and Milpitas have adopted far more moderate fee levels as a reflection of more moderate market strength. Table 1-3 identifies fee level examples believed to be most relevant to San José. A more comprehensive listing is included in Section 5.0 and Appendix G.

Table 1-3. Commercial Linkage Fee Levels in Other Cities ($PSF) Selected Examples

	Office ($PSF)	**Retail** ($PSF)	**Hotel** ($PSF)	**Industrial** ($PSF)
West Santa Clara County				
Palo Alto	$36.53	$21.26	$21.26	$21.26
Mountain View	$28.25	$3.02	$3.02	$28.25
Santa Clara	$20.00	$5.00	$5.00	$10.00
Cupertino	$24.60	$12.30	$12.30	$24.60
Sunnyvale	$16.50	$8.25	$8.25	$16.50
East Bay and Milpitas				
Fremont	$8.00	$8.00	$8.00	$4.00
Milpitas (1)	$8.00	$8.00	$8.00	$4.00
Dublin	$1.45	$1.18	$0.49	$0.56
Pleasanton	$7.61	$4.56	$4.56	$12.64
Large Cities				
Oakland (2)	$5.89	N/A	N/A	N/A(2)
San Francisco (1) (3)	$69.60	$28.13	$22.57	N/A

(1) Identifies full phase-in level.

(2) Oakland has a fee for warehouse but not industrial.

(3) Office rate is $62.64 psf for buildings under 50,000 SF.

N/A = No fee or no applicable category

1.8 Nexus Analysis Maximum Supported Fees

The companion Nexus Analysis determines nexus support for a potential new linkage fee in San José. The Nexus Analysis quantifies the linkages between new non-residential buildings, the employees who work in them, and their demand for affordable housing, and calculates maximum supported fee levels based on the cost of mitigating the increased demand for affordable housing. Nexus Analysis maximum fee conclusions are summarized in Table 1-4. Appendix C, Table 18 to the Nexus Analysis includes a matrix relating building types listed in Table 1-4 to use categories utilized by the City. Nexus findings are maximums only and provide flexibility to select a fee at a level that is financially feasible. As is typically the case, the commercial linkage fees supported by the Nexus Analysis are well above the feasible fee levels

identified in Section 1.3, which consider the effect that fees would have on the development economics of non-residential projects.

The Nexus Analysis evaluated two office building types: Office and Office, High Tech. Office encompasses the full range of office uses in San José, while Office, High-Tech represents a subcategory of office space occupied by technology or "tech" sector businesses, including both multi-tenant and single-tenant buildings. The Nexus Analysis finds a higher nexus cost for the Office, High Tech building type primarily because employment density was determined to be greater than other tenant types, resulting in higher affordable housing impacts. Commercial linkage fee nexus analyses prepared for other jurisdictions in Silicon Valley have also studied high-tech office as a separate building category to ensure nexus findings adequately address this tenant type but did not establish a separate fee category for high-tech office versus general office.

Table 1-4. Nexus Analysis Maximum Fee Conclusions

Building Type (1)	Maximum Fee Per Square Foot (2)
Office	$137.70
Office, High-Tech	$151.30
Retail	$176.70
Hotel	$61.60
Industrial	$131.90
Research and Development	$108.80
Warehouse	$45.90
Residential Care	$44.60

(1) See Appendix C, Table 18 of the Nexus Analysis for a matrix relating building types addressed to use categories utilized by the City.
(2) Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.

For projects that provide affordable units as part of their project, it may be necessary to provide credit toward payment of the commercial linkage fee to the extent the affordable housing impacts documented in the Nexus Analysis are being fully mitigated. Some communities specify a formula to govern credits for provided affordable units while others include more general ordinance language to address this situation. Specifying a formula and establishing credits at a level that is in balance with fees is an approach to encouraging some projects to provide affordable units directly, which adds flexibility to the program and may accelerate delivery of affordable units in some instances. Appendix H includes a table that can be used to establish credits for delivery of affordable units in the event the City would like to specify a formula.

The financial feasibility analysis, sensitivity testing, analysis of the impact of fees on development costs, fee comparison, and nexus analysis maximums summarized above, are available to inform selection of fee levels and other program features for a potential new commercial linkage fee program for the City of San Jose.

2.0 INTRODUCTION TO THE FEASIBILITY ANALYSIS

This Feasibility Analysis of Proposed Commercial Linkage Fees ("Feasibility Analysis") has been prepared by Keyser Marston Associates, Inc. ("KMA") for the City of San José ("City") in support of a proposed new commercial linkage fee program. Commercial linkage fees are a type of impact fee imposed on new non-residential development to mitigate affordable housing impacts.

The feasibility study analyzes the economic effects of potential commercial linkage fees and provides context materials to support selection of fee levels for a new commercial linkage fee program. The study uses a real estate pro forma analysis to evaluate the economics of a range of prototype non-residential projects and their ability to sustain a new commercial linkage fee.

The pro forma analysis presented in this report draws from commercial real estate market data as of early 2020, before the onset of the coronavirus pandemic. Pro forma assumptions such as rents and construction costs were not revised to account for the effects of coronavirus pandemic because doing so would involve a high degree of speculation. As of early June 2020, there is not enough post-pandemic transaction data to support specific changes to pro forma assumptions. Even if conclusive data emerges, the changes might not be representative of future conditions post-pandemic when commercial projects are more likely to move forward. Therefore, a qualitative assessment is provided in Section 3, informed by interviews with local developers, rather than attempt to make any specific modifications to the pro forma analyses prepared pre-pandemic. While market conditions will undoubtedly shift during and after the pandemic, the pro forma analysis presented herein still provides relevant policy context because it captures the baseline market conditions that have driven San José's commercial development pipeline and that continue to inform the underwriting assumptions of commercial projects targeted for construction in the next one to two years with the expectation that market conditions will gradually normalize as the pandemic subsides.

2.1 Context and Limitations of Analysis

Before describing the pro forma analysis, it can be helpful to put the analysis into perspective by summarizing how it can be useful but also where limitations exist in its ability to inform longer-term policy decisions:

a) *Prototypical Nature of Analysis* – This pro forma analysis by its nature can only provide an overview-level assessment of development economics because it is based on prototypical projects rather than specific projects. Every project has unique characteristics that will dictate rents or room rates supported by the market as well as development costs and developer return requirements. Each developer will assess the project's risk and return and assemble project financing differently. This pro forma analysis is intended to reflect prototypical projects in San José, but it is recognized that

the economics of some projects may look better and some may look worse than those of the prototypes analyzed.

Near Term Time Horizon – This pro forma analysis is a snapshot of real estate market conditions as of late 2019, early 2020. Real estate development economics are fluid and are impacted by constantly changing conditions with regard to rent potential and sale prices, construction costs, land costs, and costs of financing. Since the analysis was prepared, the rapid economic change caused by the coronavirus pandemic has altered conditions such that the findings no longer hold. However, findings are still informative regarding pre-pandemic conditions and useful for informing the design of the proposed commercial linkage fee program because it captures the baseline market conditions that have driven San José's commercial development pipeline and that are likely to continue to inform underwriting assumptions of commercial projects targeted for construction in the near term until data is available to assess post-pandemic market conditions.

b) *Adjustments to Land Costs over Time* – Developers purchase development sites at values that will allow for profitable projects. When a development impact fee is in place, developers "price in" the requirement when evaluating a project's economics and negotiating the purchase price for development sites. When fees are increased, it is possible that downward pressure on land costs could result as developers adjust what they can afford to pay for land. This downward pressure on land prices can to some degree bring costs back into better balance with the overall economics supported by projects. While adjustments to land costs are possible, several factors limit the extent to which adjustments can occur. Existing uses on a site that generate income or alternative land uses that compete for a site will tend to dampen the potential for downward adjustments to land price. Landowners also have expectations regarding the value of their property and may hold the property off the market rather than accept a less attractive price, especially if the property is generating income.

2.2 Commercial Prototypes

To help support decision making regarding fee levels by building type, KMA analyzed the following development prototypes:

- Warehouse / Distribution
- Light Industrial / R&D
- Office/ R&D: Low-Rise
- Office/ R&D: Mid-Rise (programmatic assumptions differ within and outside downtown)
- Office/ R&D: High-Rise
- Neighborhood Retail Center
- Mid-Rise Hotel with Surface Parking
- Mid-Rise Hotel with Structured Parking

Development prototypes were identified based on a review of recent and pipeline development activity in the City and are intended as representative of the types of non-residential development currently occurring or expected to occur in San José over the next several years. Table 2-1 provides a summary of programmatic assumptions for each prototype.

Table 2-1. Commercial Development Prototypes

Prototype	Stories	FAR	Parking Ratio	Parking Type
Warehouse/ Distribution	1	0.4	0.9/1,000gsf	Surface
Light Industrial / R&D	1-2	0.4	2.0/1,000gsf	Surface
Office/ R&D - Low-Rise	2	0.6	3.2/1,000gsf	Surface
Office/ R&D – Mid-Rise	6	1.8	3.0/1,000gsf	Garage
Office/ R&D - Downtown Mid-Rise	7	4.0	1.9/1,000gsf	Podium/ Below Grade
Office/ R&D – High-Rise	19	10.5	1.9/1,000gsf	Podium/ Below Grade
Neighborhood Retail Center	1	0.2	4.4/1,000gsf	Surface
Mid-Rise Hotel - Surface Parking	5	1.0	0.9/room	Surface
Mid-Rise Hotel - Structured Parking	5	3.6	0.7/room	Below Grade

All prototypes are analyzed as income-generating buildings in the pro forma analysis. High-tech office campuses built and owned by a single large end user are addressed separately.

2.3 Geographic Subareas

The analysis addresses feasibility conditions within the following six different geographic subareas. Map 1 illustrates the location of the six subareas.

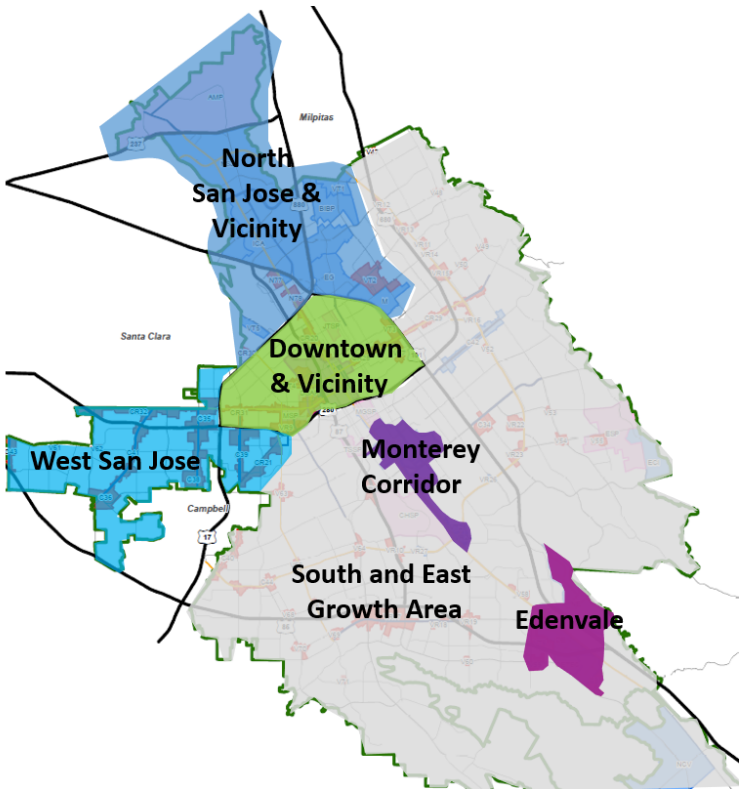
- Downtown and nearby (“Downtown”)
- North San José and nearby (“North San José” or “North SJ”)
- West San José Urban Villages (“West San José” or “West SJ”)
- Monterey Corridor
- Edenvale
- South and East San José Growth Areas (“South and East”).

The purpose of separately analyzing feasibility conditions by geographic area is to provide information regarding variation in feasibility conditions by location and to inform policy options for establishment of fee levels that may be distinguished by geographic area. Prototype and geographic area selections were described in a prior KMA memo dated November 2019, attached as Appendix F, and were reviewed as part of two stakeholder outreach meetings, a public meeting and a City Community and Economic Development Committee meeting in late 2019. Subareas were drawn from a list of subareas proposed for study in the City’s original request for proposal for this Nexus Analysis and Feasibility Analysis.

Conducting the analysis by subarea enables differences in findings between major existing and emerging business districts and urban villages within the City to be distinguished; allows

distinctions in the physical attributes of development projects by geographic area to be captured, such as typical floor area ratio, height, construction type, and parking configuration; and, allows differences in market conditions by location, including market rents and land costs, which drive differences in analysis findings by geographic area, to be taken into account in the analysis.

Map 1: Geographic Subareas



The subareas are identified on Map 1. The North San Jose subarea encompasses the City's North San Jose and Alviso Planning Areas[4] and adjacent employment areas and urban villages in the Berryessa Planning Area[5] where existing and planned development is similar in character. The Downtown subarea generally corresponds to the City's Central Planning Area. Within this subarea, the feasibility analysis focuses on the Downtown Core and Diridon Station Area, a three square mile area bounded by Taylor Street to the north for areas west of SR 87 and Julian for areas east of SR87, San José State University and City Hall to the east, Interstate 280 to the south, and the Diridon Station Area to the west. This portion of the Downtown subarea is where development activity is concentrated and is the only location where high-rise commercial development is anticipated. Commercial development activity on the periphery of the Downtown subarea is limited and development feasibility is likely to be more comparable to adjoining subareas. The West San Jose subarea corresponds to the West Valley Planning Area and

[4] City of San Jose Planning Area map accessed on July 29, 2020 at https://www.sanjoseca.gov/home/showdocument?id=23683
[5] Urban villages and employment areas are identified in the City's Envision San Jose 2040 General Plan.

urban villages within adjacent portions of the Willow Glen Planning Area where proposed mid-rise commercial development is similar in character to recent and proposed development projects in West Valley. Edenvale and Monterey Corridor each encompass distinct existing employment areas. South and East encompasses future growth areas of the City within the Evergreen, Alum Rock, Edenvale, Almaden, San Filipe, Coyote, Calero, South, Cambrian/Pioneer, Willow Glen, and Berryessa Planning Areas, except portions of these planning areas included within another subarea. Recent and proposed commercial development activity in South and East has been more limited based on the analysis in Appendix F and projects have tended to be low-rise structures with surface parking.

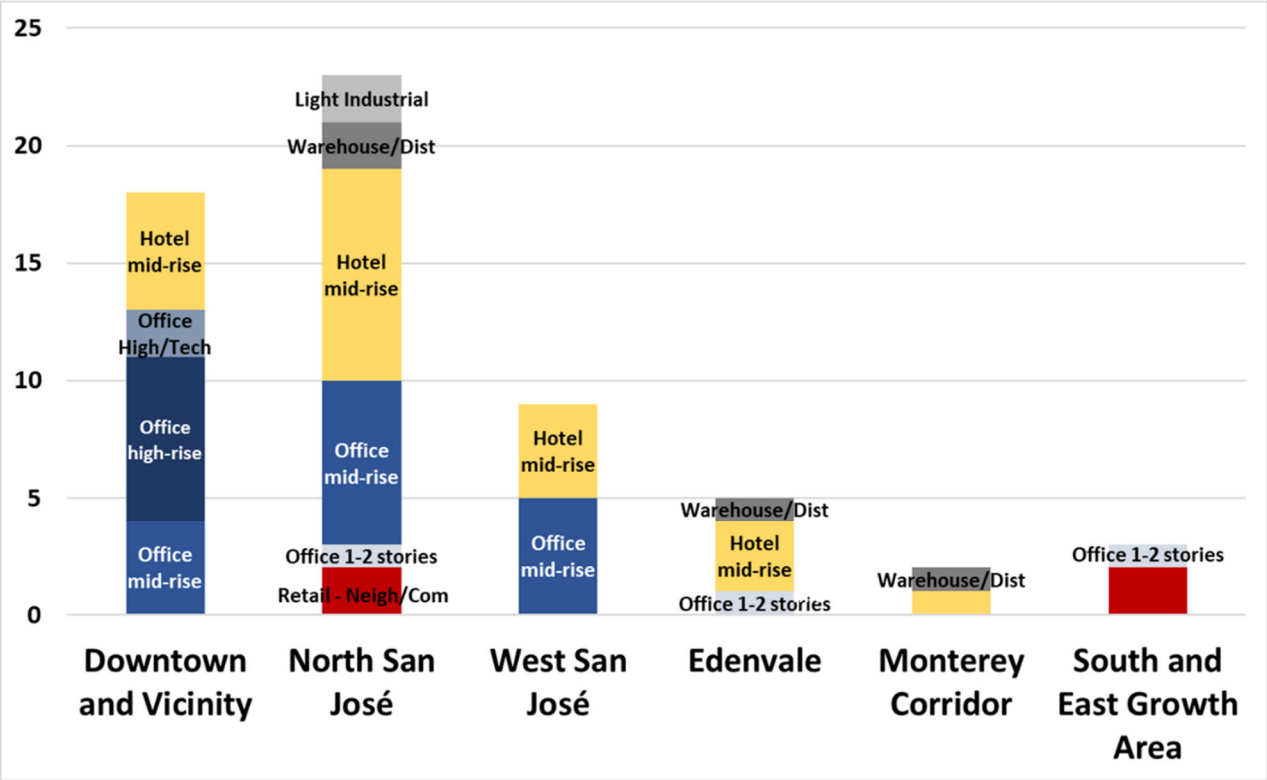
Table 2-2 pairs each of the building prototypes with applicable geographic subareas within which the building type is analyzed. Feasibility of non-residential project types is analyzed within geographic subareas where development of that project type has occurred or is expected to occur in the future based on the analysis of recent and pipeline development activity included within the KMA memo attached as Appendix F and summarized, in part, in the chart on the following page.

Table 2-2. Geographic Subareas

Prototype	Downtown & Nearby	North SJ & Nearby	West SJ	Monterey	Edenvale	South & East
Warehouse/ Distribution		X		X	X	
Light Industrial / R&D		X		X	X	
Office/ R&D - Low-Rise		X			X	X
Office/ R&D - Mid-Rise	X	X	X			
Office/ R&D – DT Mid-Rise	X					
Office/ R&D – High-Rise	X					
Neighborhood Retail Cntr.		X	X		X	X
Mid-Rise Hotel - Surface		X			X	
Mid-Rise Hotel- Structured	X		X			

The chart below illustrates the number of pipeline projects by type within each geographic subarea summarized from data included in Appendix F. This information informed the relationships between building types addressed in the study and the geographic subareas within which those building types are analyzed, as shown in Table 2-2.

Number of Pipeline Projects by Subarea
Building Types Addressed in Study, Projects >25,000 SF



The subareas encompass most of the nonresidential development activity occurring in San José and represent a broad range of market conditions. As shown in Table 2-3, among the subareas, average asking rents for office range from $21 to $53 per square foot per year ($1.75 to $4.40 per month); triple net asking rents for retail range from $37 to $51 per square foot per year ($3.10 to $4.25 per month); and triple net asking rents for industrial range from $11 to $15 per square foot per year ($0.90 to $1.25 per month). Part of the variation between subareas is explained by differences in the quality and type of space currently available for lease. Newly built commercial space is anticipated to achieve higher rents than the market average. Additional data on market conditions by subarea is provided in the appendix tables.

Table 2-3. Annual Direct Asking Rents by Subarea (Q4 2019)			
Subarea	**Office Avg. Direct Asking Rent/SF[1] Built 2000-**	**Retail Avg. Direct Asking Rent/SF (NNN) Built 2000-**	**Industrial[2] Avg. Direct Asking Rent/SF (NNN) Built All Years**
Downtown & nearby	$43/SF		
North San José & nearby	$36/SF	$40/SF	$15/SF
West San José Urban Village	$53/SF	$51/SF	
Monterey Corridor			$11/SF
Edenvale	$21/SF	$37/SF	$15/SF
South & East SJ Growth Area	$31/SF	$37/SF	
Citywide Average	*$37/SF*	*$37/SF*	*$14/SF*

Source: Costar, using pre-defined submarkets that approximate subareas.
[1] Reflects the average asking rent reported by Costar. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.
[2] Includes warehouse, distribution, light industrial, and manufacturing uses.

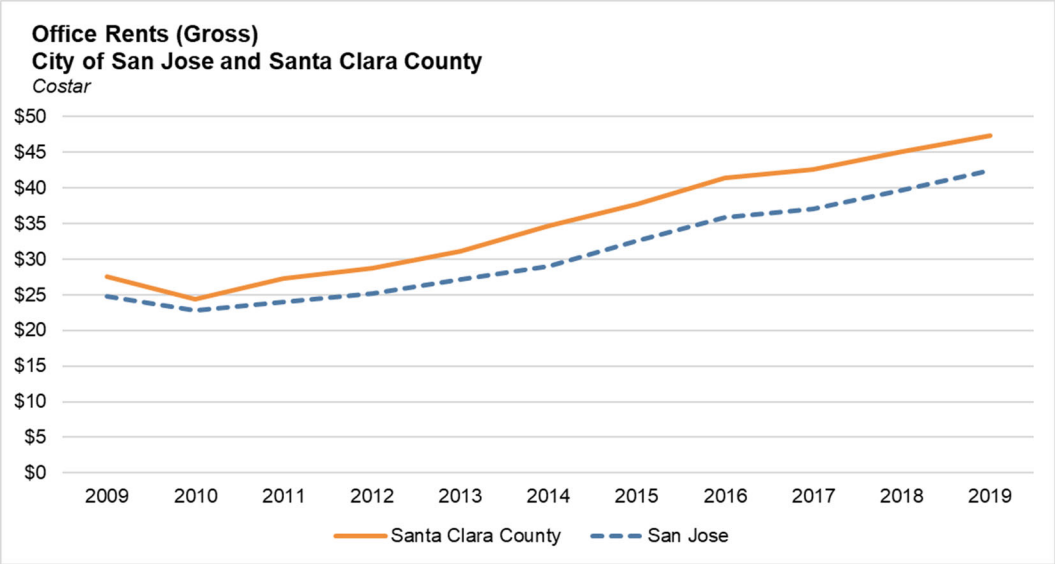
3.0 MARKET CONTEXT

The pro forma analysis presented in this report is based on market conditions as of late 2019, early 2020, as summarized in Section 3.1. Since the pro forma analysis was prepared, the coronavirus pandemic has had widespread effects on business and society and caused a sharp recession. An assessment of the potential effects of the coronavirus pandemic on non-residential market conditions is provided in Section 1.2. To gain a better understanding of local market conditions, both prior to and during the coronavirus pandemic, KMA conducted interviews with developers of commercial projects in San José, which are summarized in Section 3.2.

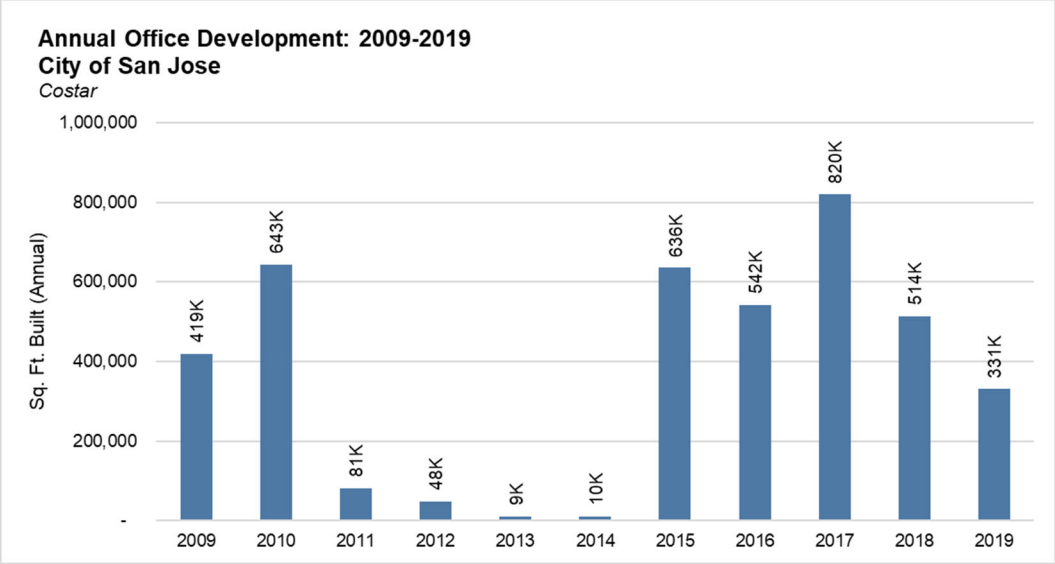
3.1 Non-Residential Market Trends Through Early 2020[6]

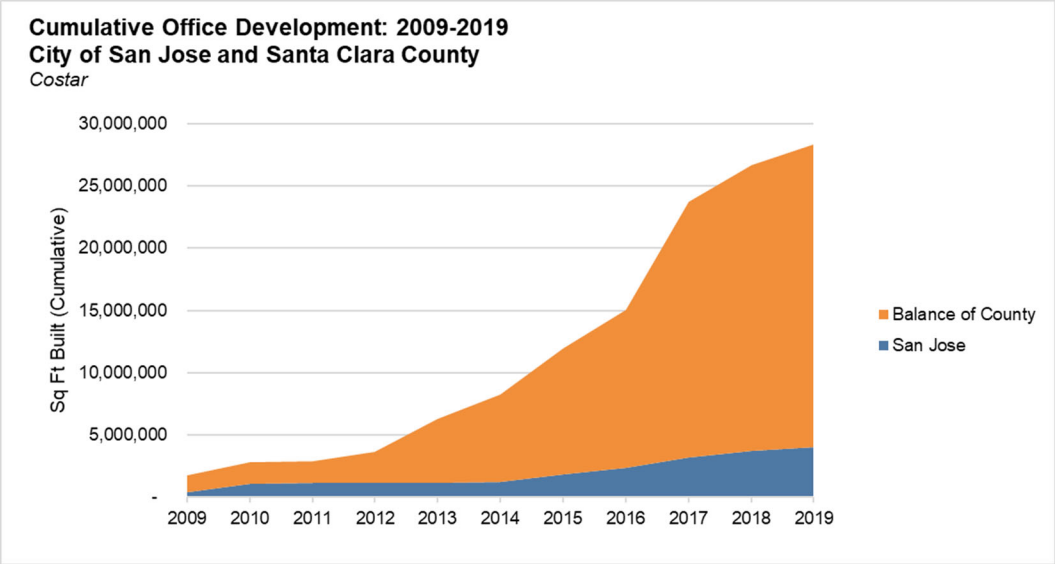
a) Office Market Trends

From 2015 to 2019, office rent growth averaged nearly 6% per year in Santa Clara County and nearly 7% per year in the City of San José. Office rents in San José are roughly 10% less than the average of all cities in the county, based on the weighted average of all available space. The county's office inventory has grown by more than 20 million square feet since 2015, with San José capturing 14% of total deliveries, or about 570,000 square feet per year. Major office projects now under construction in San José, such as 200 Park Avenue (885,000 square feet) and Adobe North Tower (700,000 square feet), are likely to cause a sharp increase in the city's office deliveries over the next several years. In early 2020, the office market appeared to be nearing the peak of a long economic expansion. In a peaking office market, it is typical for rent growth to slow and vacancies to increase as supply catches up with demand.



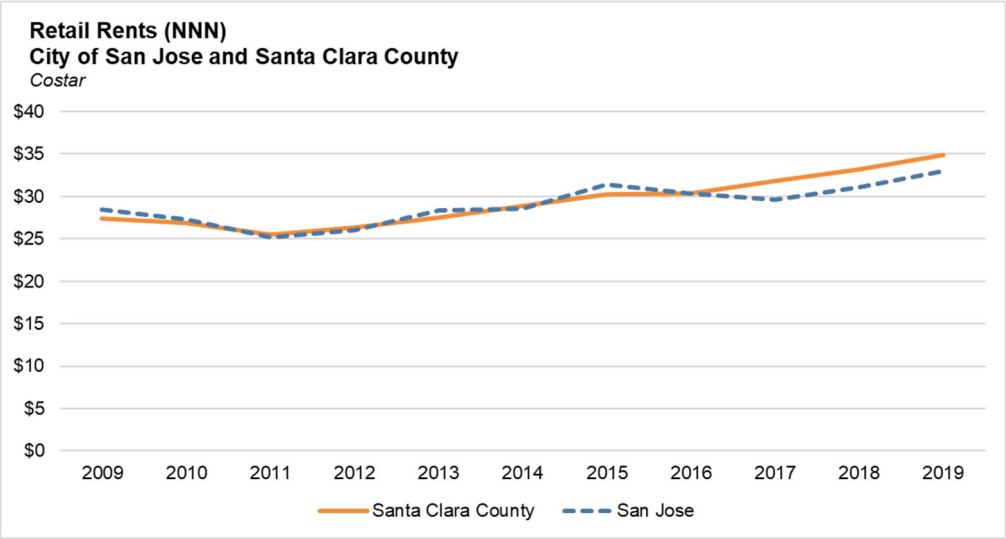
[6] Unless otherwise noted, statistics cited in this section are drawn from market data published by CoStar Group, www.costar.com [accessed November/ December 2019].

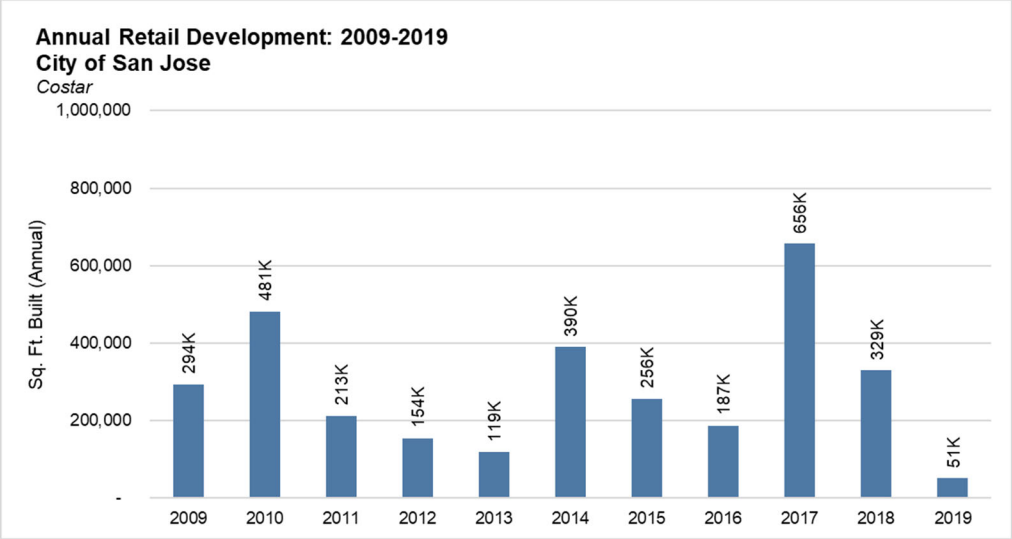


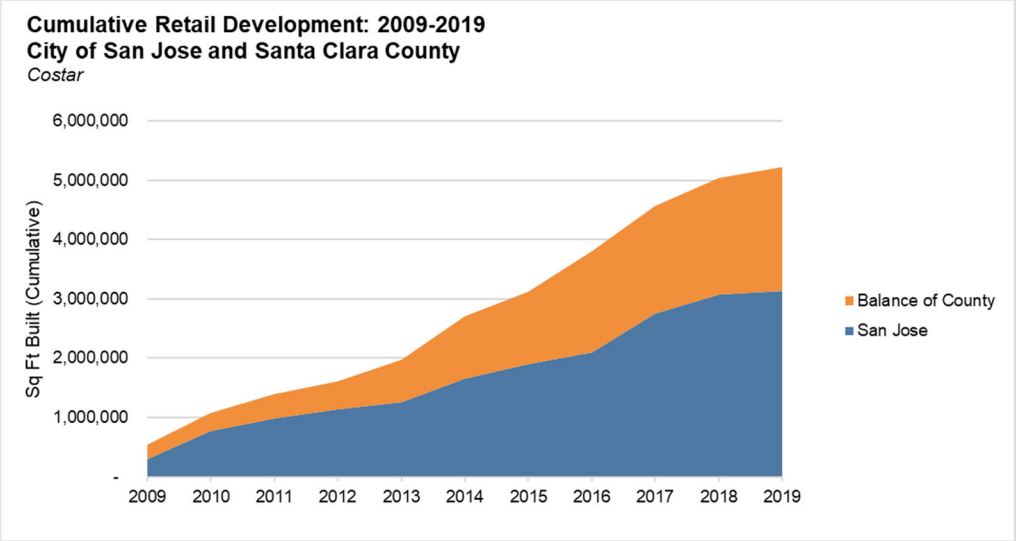


b) Retail Market Trends

Retail rents have oscillated in San José over the past decade, while long-term growth has not kept pace with inflation. Flat retail rents are indicative of the challenges that the retail industry faces due to the rise of online shopping. Despite these challenges, San José has added approximately 300,000 square feet of new retail space per year since 2015, representing over half of total deliveries countywide. The city's share of retail deliveries is roughly proportional to its share of the county population. There are a relatively few mid-sized shopping centers currently planned or under construction in San José. Pipeline projects include the Market Park Shopping Center in Berryessa and Shops@Terra in Alviso.

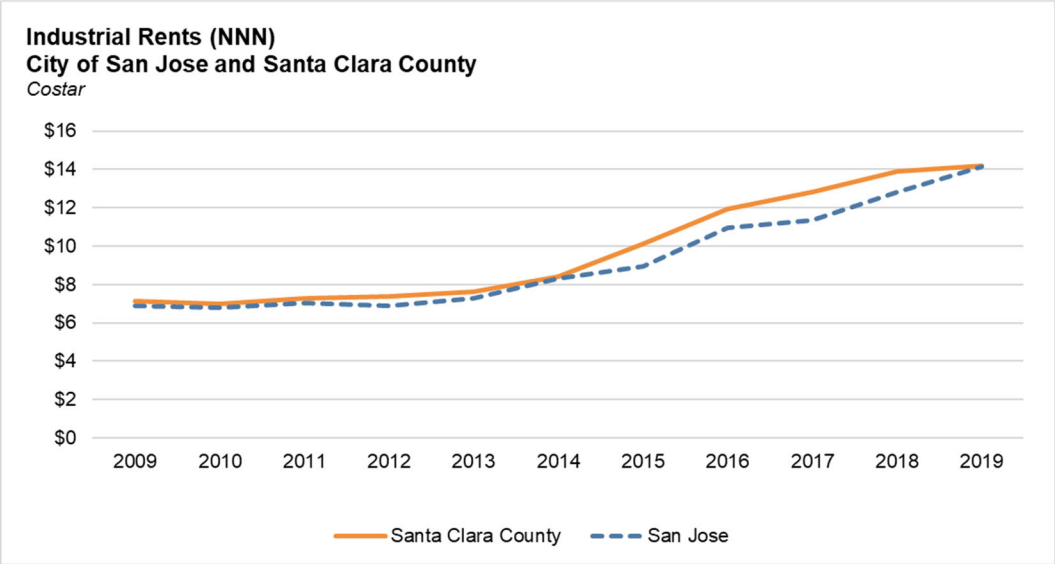

Retail Rents (NNN)
City of San Jose and Santa Clara County
Costar
$40
$35
$30
$25
$20
$15
$10
$5
$0
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Santa Clara County
San Jose

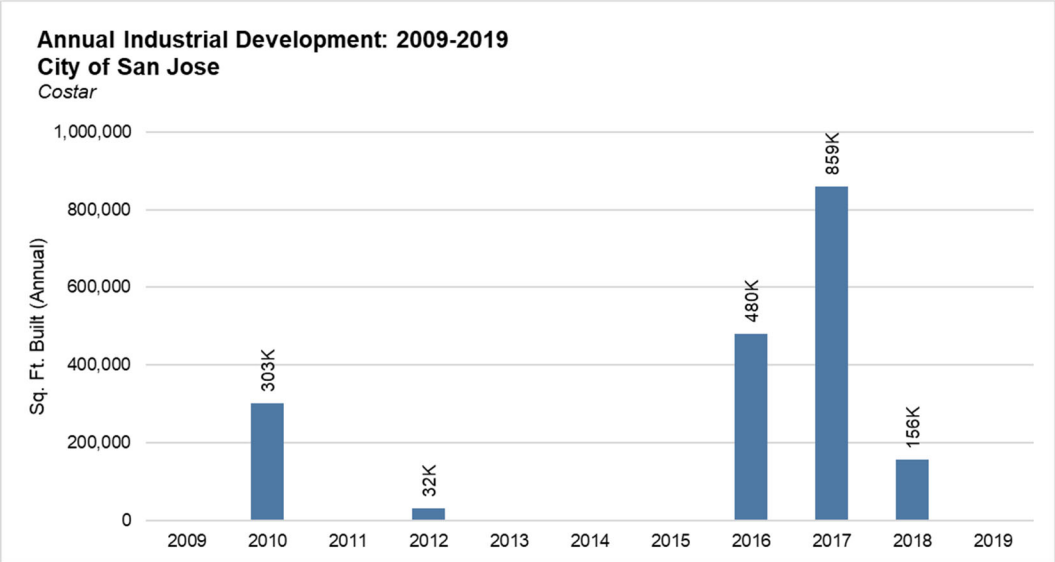

Annual Retail Development: 2009-2019
City of San Jose
Costar
Sq. Ft. Built (Annual)
1,000,000
800,000
600,000
400,000
200,000
-
294K
481K
213K
154K
119K
390K
256K
187K
656K
329K
51K
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019

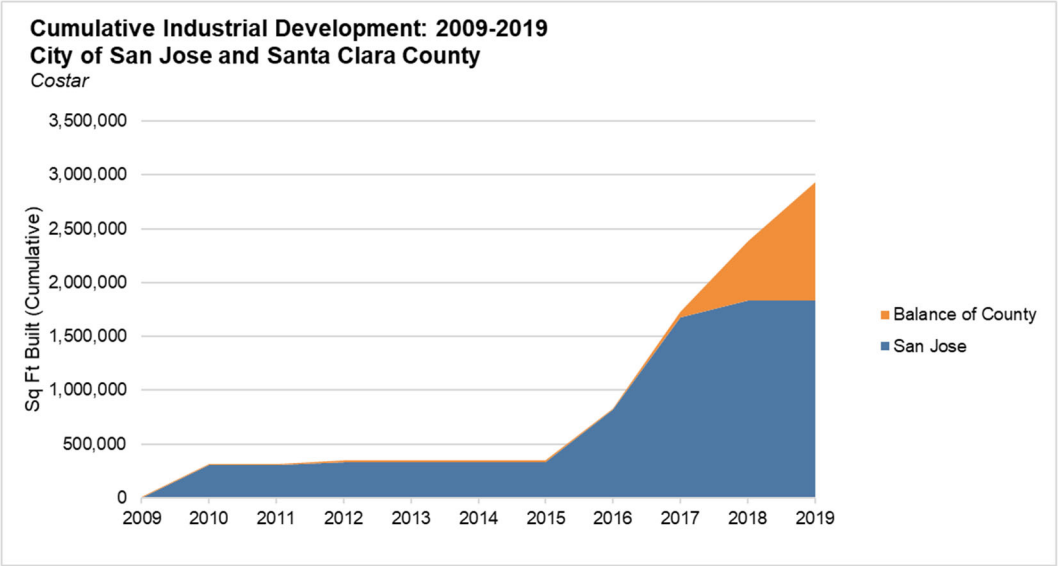

Cumulative Retail Development: 2009-2019
City of San Jose and Santa Clara County
Costar
Sq Ft Built (Cumulative)
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Balance of County
San Jose

c) Industrial Market Trends

From 2015 to 2019, average industrial rents (including warehouse, distribution, and manufacturing) increased by nearly 9% per year in Santa Clara County and over 12% per year in the City of San José. San José is the primary location for new industrial construction within the county, averaging 300,000 square feet per year since 2015. Warehouse and distribution space comprise most of the new construction, driven by growing demand for "last-touch" distribution centers near consumers. Light industrial development in San José is typically driven by end users with specialized requirements.

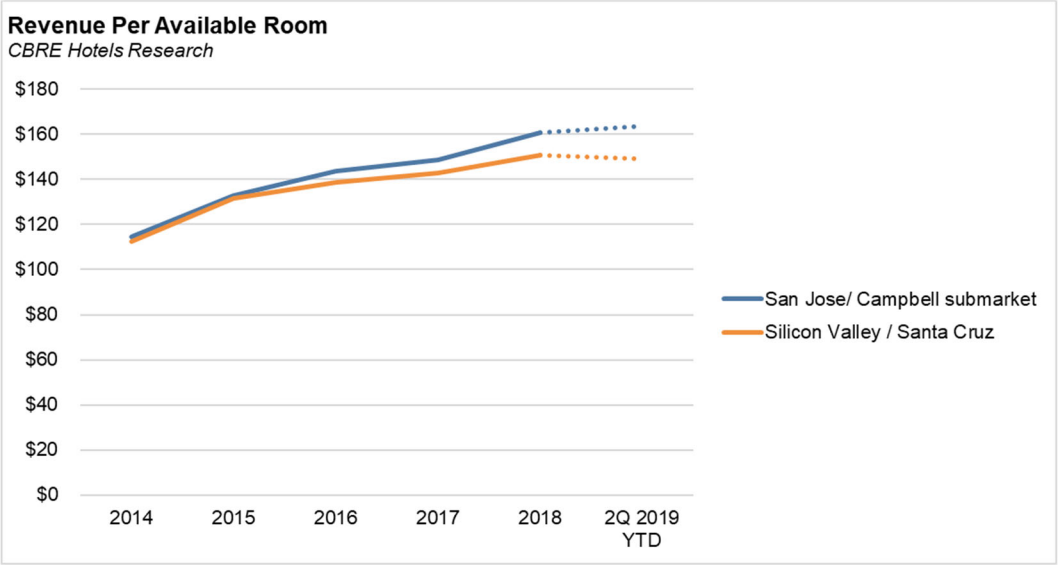




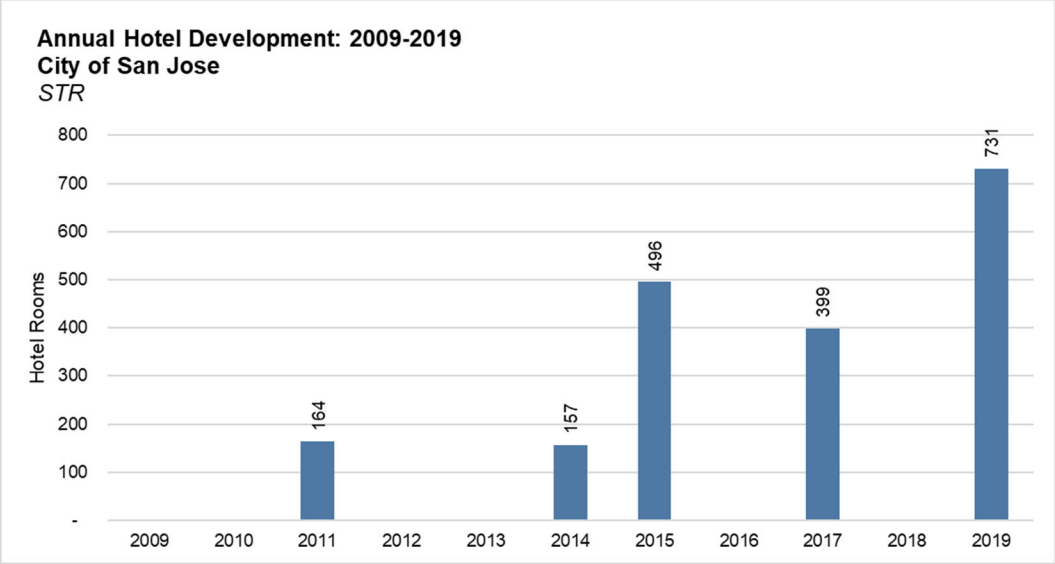


d) Hotel Market Trends

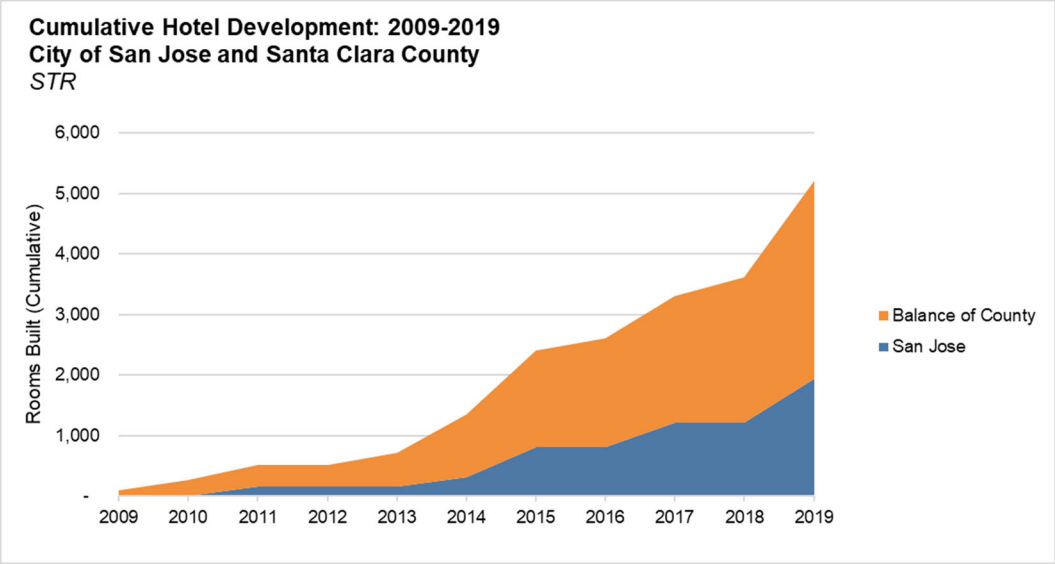
Hotel room rates and occupancy steadily increased in San José for most of the recent economic expansion. According to CBRE Hotels, from 2014 to 2018, revenue per available room (RevPAR) grew by 9% per year in the submarket that includes San José, Campbell, and Cupertino. Growth in room rates and RevPAR decelerated in 2019, however, as nearly 1,600 new rooms were added to the county's supply. Despite signs of a peaking market, in early 2020, there remained a sizable pipeline of hotel projects that are proposed, approved, or under construction in San José.



Source: CBRE Hotels. San Jose-Santa Cruz Hotel Horizons, September - November 2019 Edition.



Source: STR Participation List, San Jose/Santa Cruz [accessed November 2019]



Source: STR Participation List, San Jose/Santa Cruz [accessed November 2019]

3.2 Development Community Contacts

KMA conducted interviews with developers of commercial projects in San José to gain a better understanding of any unique considerations for commercial development projects as well as differences by geographic sub-area and product type. Developer interviews encompassed the following developers who have active development projects in San José and/or significant investments in commercial property:

- Borelli Investment Company
- Hudson Pacific Properties

- Hunter Storm
- Jay Paul Company
- Prologis
- Trammell Crow
- Urban Catalyst
- Boston Properties

KMA also reached out to several additional developers who did not participate in an interview.

Initial discussions with developers occurred in early 2020, prior to the coronavirus pandemic. In June 2020, KMA contacted these same developers again to inquire about how their overall outlook and plans for their specific projects may have shifted over the past few months due to the economic impacts of the coronavirus pandemic. KMA was able to speak with six of the eight commercial developers interviewed previously.

a) Development Community Contacts Prior to Pandemic (Early 2020)

The following key themes emerged in discussions with non-residential developers prior to the coronavirus pandemic:

- *Cautious optimism* – While rising construction costs were cited as an ongoing concern, non-residential developers that we spoke with were actively pursuing new projects in San José, and many had projects that were either under construction or expected to break ground in the coming year. Office developers were particularly active and saw an opportunity to capitalize on the arrival of BART, high-speed rail in the more distant future, and development of the proposed Downtown West Project. The exception to this sentiment was in the retail sector, which multiple developers cited as challenged.

- *Comprehensive view of governmental fees* – Developers stressed the importance of understanding the total fee burden in different areas of the city and how the proposed linkage fee would interact with other requirements, both current and proposed. Note that the pro forma analyses provided in this report consider all existing fees applicable to the geographies analyzed but do not address other new fees, taxes and assessments that may be adopted in the future.

- *Phase-in period* – Developers suggested a phase-in period to allow time for project economics to adjust to new fees and to avoid delays in projects that have already been financed. Designing a clear and transparent implementation process for new fees will help avoid uncertainty in the interim.

- *Timing of payment* – Two developers encouraged options to defer payment of new fees, either by allowing fees to be paid upon certificate of occupancy or establishing an annual special assessment (such as a Community Facilities District, or CFD) in-lieu of an up-

front fee. Deferring fee payment to certificate of occupancy would provide savings to commercial projects, since fees are typically financed with equity or upfront construction financing, which requires a return once funded.

- *Small projects* – Multiple developers noted that small projects faced unique challenges that should be considered in setting fee levels. Small office projects are unable to offer large blocks of space demanded by the highest-paying tenants, and as a result, rent potential may be weaker than for larger developments. In the case of warehouse and distribution projects, smaller warehouses are typically costlier to build on a per square foot basis than larger shell buildings.

- *Fee at Some Level Supported* – Several developers acknowledged that a commercial linkage fee at some level could be supported while cautioning against overreaching. Several developers also specifically mentioned conditions of approval that apply to their projects requiring payment of a new commercial linkage fee. The overall sentiment was that the fee is inevitable with one developer expressing a desire for swift resolution of the fee level to reduce uncertainty and risk as to how the program would impact their project.

- *High-tech end users* – Developers generally concurred with the notion that large, high-tech end users base their investment decisions on unique criteria and that certain single-user high-tech campuses would be better positioned to absorb a new fee than a typical speculative office development. However, responses were mixed regarding the policy merits of creating a separate fee category for high-tech end users.

b) Development Community Contacts During Pandemic (June 2020)

Developers who participated in follow-up interviews with KMA during the coronavirus pandemic were far less optimistic about non-residential development conditions in San José than in interviews conducted prior to the pandemic. The following themes emerged in follow-up discussions with non-residential developers:

- *Near-Term Speculative Development Unlikely* – Developers agreed that very few commercial projects in San José are likely to move forward with construction in the near term (6 to 9 months), regardless of whether a commercial linkage fee is adopted. Lenders have tightened their standards and are generally not providing construction financing to speculative office projects at this time. Tenant demand has also dropped sharply as tenants are reluctant to make long-term real estate commitments during the pandemic.

- *Entitlement Activity Continues* – Developers continue to seek entitlements, financing and tenants for commercial projects targeted for construction in the mid-term (2021 to 2022). However, developers expressed a high degree of uncertainty regarding how development conditions will change over the next several years. There is a lack of

transaction data to accurately assess how rents, market demand, development costs, and investor return thresholds will shift in the aftermath of the pandemic.

- *Greater Skepticism Toward Linkage Fee* – In prior conversations, most developers had acknowledged that a commercial linkage fee at some level could be supported. Due to heightened economic uncertainty, however, several developers now maintain that a fee of any amount has the potential to deter commercial development activity during the economic recovery. One of these developers mentioned the potential compounding effect of the linkage fee and other pending policies, such as the statewide "split roll" ballot initiative to tax commercial and industrial properties based on their market value (i.e. remove the Prop 13 limit on assessed value), scheduled for the November election.

- *Reiteration of Prior Policy Suggestions* – Developers reiterated their support for measures that would mitigate the impact of the linkage fee on the economics of non-residential projects including:
    - phasing in the fee over multiple years;
    - deferring fee payment until certificate of occupancy, or later, to reduce upfront financing costs; and
    - providing alternative compliance options such as fee credit for land donation to affordable housing developers.

4.0 PRO FORMA ANALYSIS

The pro forma analysis estimates the costs to develop a new non-residential project and the rental income or room revenue that would be generated by the project upon completion. If the rental income is sufficient to support the development costs and generate a sufficient profit margin, the prototype is determined to be generally feasible and has the potential to be built and financed in the near term. This approach is standard practice in the real estate industry and is utilized in one form or another by all developers when analyzing new construction projects.

This analysis organizes the pro forma as a “residual land value analysis,” meaning the pro forma solves for what the project can afford to pay for a development site based on the income projections and the non-land acquisition costs of the project. It then compares the residual land values with land costs in the market in order to test whether developers can afford to buy land and develop projects.

A base case pro forma was prepared without the potential commercial linkage fee. KMA then modeled scenarios with a new commercial linkage fee at a range of fee levels.

Throughout this section, the charts, tables and narrative focus on the building type and geographic subarea combinations that are evaluated in this Feasibility Analysis, as identified in Table 2-2.

4.1 Non-Land Development Cost Estimates

Development costs excluding land represent all costs to design, finance, and construct the project other than the cost of acquiring a site. Key cost components include on-site improvements, vertical construction costs, parking costs, architectural and engineering fees, impact and planning fees, financing costs, overhead costs, and all other “indirect” costs of construction. Development cost estimates are drawn from KMA’s database of cost data from similar commercial projects, third party data sources, as well as contacts with members of the development community. City fees are based on the City’s FY 2020 impact and permit fee requirements and planning and building permit processing fees paid by recently built non-residential projects. Area-specific fees, such as traffic impact fees, are adjusted to be proportional to the share of each sub-area subject to the fee; i.e., if roughly three quarters of the sub-area is subject to the fee, then the fee is modeled at 75% of the standard amount (see Appendix Table A-12 for apportionment of fees by sub-area).

4.2 Commercial Rents and Hotel Room Rates

a) Commercial Rents

Commercial rents are estimated based on pre-pandemic market data from published and purchased data sources from firms such as CoStar, as well as market listings for available commercial space, as of late 2019, early 2020. Table 4-1 summarizes the rental rate assumptions by building prototype and geographic subarea. Annual triple net commercial rents are estimated to range from $13 to $16 per square foot for warehouse and distribution ($1.04 to $1.29 per month), $16 to $19 per square foot for light industrial ($1.25 to $1.54 per month), $37 to $45 per square foot for retail ($3.08 to $3.75 per month), $33 to $36 per square foot for low-rise office ($2.75 to $3.00 per month), $49 to $53 per square foot for mid-rise office outside downtown ($4.08 to $4.42 per month) and $60 to $66 per square foot for downtown office prototypes ($5.00 to $5.50 per month).

Table 4-1. Pro Forma Commercial Rents Per Square Foot

Prototype	Downtown & Nearby	North SJ & Nearby	West SJ Urban Village	Monterey Corridor	Edenvale	South & East SJ Growth
Annual Rents (NNN)						
Warehouse/ Distribution		$15.50		$14.00	$12.50	
Light Industrial / R&D		$18.50		$17.00	$15.00	
Office/ R&D - Low-Rise		$36.00			$33.00	$33.00
Office/ R&D - Mid-Rise	$60.00	$49.00	$53.00			
Office/ R&D – High-Rise	$66.00					
Neighborhood Retail Cntr.*		$40.00	$51.00		$37.00	$37.00
Monthly Rents (NNN)						
Warehouse/ Distribution		$1.29		$1.17	$1.04	
Light Industrial / R&D		$1.54		$1.42	$1.25	
Office/ R&D - Low-Rise		$3.00			$2.75	$2.75
Office/ R&D - Mid-Rise	$5.00	$4.08	$4.42			
Office/ R&D – High-Rise	$5.50					
Neighborhood Retail Cntr.*		$3.33	$4.25		$3.08	$3.08

* Weighted average of anchor tenant and smaller shop space.

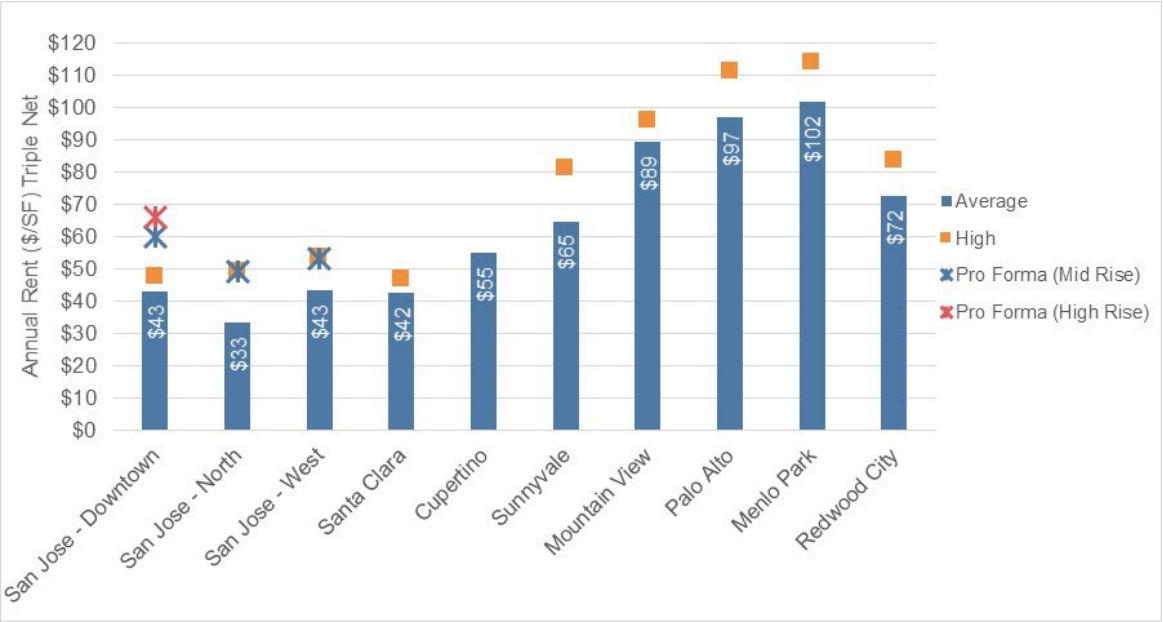
Commercial rent assumptions reflect rents for newly built space as opposed to a broad market average. For mid-rise and high-rise office prototypes, new construction commands a significant premium over older space. The triple net office rent assumed for the mid-rise office prototype in West San José Urban Villages and North San José exceeds the overall average in each submarket by 25% and 50%, respectively, consistent with the rental rates of newly built projects. There are no newly built projects in downtown San José that provide a benchmark for the rents likely to be achieved by new projects in the downtown. Downtown rent assumptions are representative of the range being targeted by developers of pipeline projects based on

interviews with development professionals and initial asking rents for projects now under construction. Since construction costs in the downtown can vary significantly based on site conditions, some downtown pipeline projects are reported to target even higher rents in order to support site-specific costs and a risk adjusted return to investors.

The following chart compares the pro forma rent assumptions for mid-rise and high-rise building prototypes to annual asking rents in San José and nearby communities. As shown, current average office rents in San José are well below the averages in nearby communities. In North San José and West San José Urban Villages, pro forma assumptions align with the upper end of rents in each geography and approach the current average in Cupertino.

Pro forma office rents for the downtown mid-rise and high-rise prototypes exceed comparable rents for existing built space in San José. This is generally consistent with rents being targeted by developers active in the downtown and is designed to mirror the way developers are evaluating project feasibility. Estimates reflect expectations of downtown and Diridon's emergence as a market area that commands rents on par with averages for Sunnyvale for Class A space. Expectations of stronger rents are driven by a scarcity in the market of large blocks of Class A space available for near term occupancy, which enables such space to command a premium in the market. Rent estimates remain approximately 50% below average Class A rents in Palo Alto and Menlo Park, approximately 35% below Mountain View, and around 10% below averages for Redwood City. Since rents at the levels reflected in the pro forma are unproven within the downtown San José submarket, a higher risk-adjusted return is reflected as described in Section 4.3.

Chart 4-1. Class A Office Rent Comparison



Source: Average annual rents per CBRE 2019. Reported full service gross rents adjusted by KMA to estimated triple net equivalent rents. High rents reflect data on recent leases from Costar. Note: Fremont and Milpitas and other geographic subareas of San Jose that are not pictured in the chart have a limited supply of Class A space and so are not shown in the Class A rent comparison.

b) Pro Forma Hotel Room Rates

Hotel room rates are estimated based on market data from published and purchased data sources from firms such as STR, as well as a point-in-time survey of room rates, accessed in late 2019. The average daily rate for the mid-rise hotel with surface parking is estimated to be $225 per night in Edenvale and $250 per night in North San José. The mid-rise hotel with structured parking is estimated to be $265 per night in West San José Urban Villages and $270 per night in downtown. Stabilized occupancy is projected at 80%, in line with recent performance levels. Revenues from food and beverage operations and other non-room revenues are estimated to represent a combined 8% of gross revenue.

Table 4-2. Pro Forma Room Rates

Prototype	Downtown & Nearby	Edenvale	North SJ & Nearby	West SJ Urban Village
Mid-Rise Hotel - Surface		$225	$250	
Mid-Rise Hotel- Structured	$270			$265

4.3 Supported Investment

To determine the developer investment supported by the commercial prototypes, KMA first estimated each prototype's Net Operating Income (NOI), which is equal to rental income minus operating expenses and vacancy. The NOI is then divided by a return on cost (ROC)[7] threshold to estimate the developer investment supported. The return on cost assumes a development spread over market cap rates[8] drawn from a variety of sources including review of recent sales and publications such as Real Estate Research Corporation (RERC) and the PwC Real Estate Investor Survey. The development spread over the market cap rate ranges from 100 to 175 basis points according to the risk profile of each building prototype. The highest spread of 175 basis points is assumed for the downtown office prototypes, in recognition of the greater risk that rents could fall below expectations.

[7] Return on Cost (ROC) is a development return metric that relates the estimated NOI of the property once built to the total development cost (ROC = NOI / development cost).
[8] Capitalization rate or "cap rate" is a percentage relating the market value of a property to the annual NOI it generates (cap rate = NOI / value).

Table 4-3. Return on Cost Assumptions			
Prototype	**Market Cap Rate**	**Return on Cost**	**Development Spread**
Warehouse/ Distribution	4.30%	5.30%	100 bps
Light Industrial / R&D	4.60%	5.60%	100 bps
Office/ R&D - Low-Rise	5.50%	6.70%	120 bps
Office/ R&D - Mid-Rise	5.25%	6.50%	125 bps
Office/ R&D - Downtown Mid-Rise	5.25%	7.00%	175 bps
Office/ R&D - High-Rise	5.25%	7.00%	175 bps
Neighborhood Retail Center	5.40%	6.50%	110 bps
Mid-Rise Hotel: Surface Pkg.			
a) Edenvale	8.00%	9.20%	120 bps
b) North San José	7.60%	8.80%	120 bps
Mid-Rise Hotel: Structured Pkg.	7.60%	8.80%	120 bps

4.4 Commercial Land Values

The pro forma analysis is organized as a residual land value analysis that identifies land values supported by development economics based on market conditions in early 2020. Residual land values are then compared against market land prices to determine whether projects support the cost of acquiring a site, a threshold for a finding that a prototype project is generally feasible and likely to be financed and built in the near term.

Market land prices for each of the prototypes and geographic areas were estimated based on a review of recent land sales published by Costar, a third-party vendor of market data. Based on the sales data, a set of “target” land value estimates were identified which represent the estimated cost of acquiring a development site for each prototype. Target land values are used as the main point of comparison for evaluating feasibility. If residual land values are within range of target land values, then projects are generally feasible because they are able to support the cost of acquiring a development site. Targeted land values are generally based on the average of comparable land sales, weighted by land area. In a few instances, the target was adjusted to account for outlier sales or differences between building prototypes and the development parameters of comparable sales.

Table 4-4 presents the land sales data for each of the prototypes and geographic areas along with the target land values used to evaluate feasibility. Charts 4-2 to 4-6 present the land sales and targeted land values in graphic format. The following land value targets are used in evaluating the feasibility of the prototypes:

- *Warehouse and Light Industrial Building Prototypes* – The land value target for warehouse and light industrial building prototypes is $16 per square foot of land in Edenvale, $30 per square foot in North San José, and $29 per square foot in Monterey Corridor.

- *Low-Rise Office Building Prototype* – The land value target for the low-rise office prototype is $20 per square foot of land in Edenvale, $38 per square foot in North San José, and $30 land square foot in South and East San José. The land value target in Edenvale is based on a single office land sale. The land value target in North San José is based on the lower end of this area's office land sales, which have a proposed floor area ratio that is comparable to the low-rise prototype. Because no recent office land sales were identified in South and East San José Growth Areas, the land value target represents the average of other industrial and commercial land sales in this geographic area.

- *Mid-Rise Prototype* – The land value target for the mid-rise office prototype is $46 per square foot of land in North San José, $142 per square foot in West San José Urban Villages, and $400 per square foot in downtown. The targets reflect the weighted average of recent office land sales in each geographic area.

- *High-Rise Office Prototype* – The land value target for the high-rise office prototype is $855 per square foot of land based on the weighted average of recent downtown land sales targeted for high-rise office development.

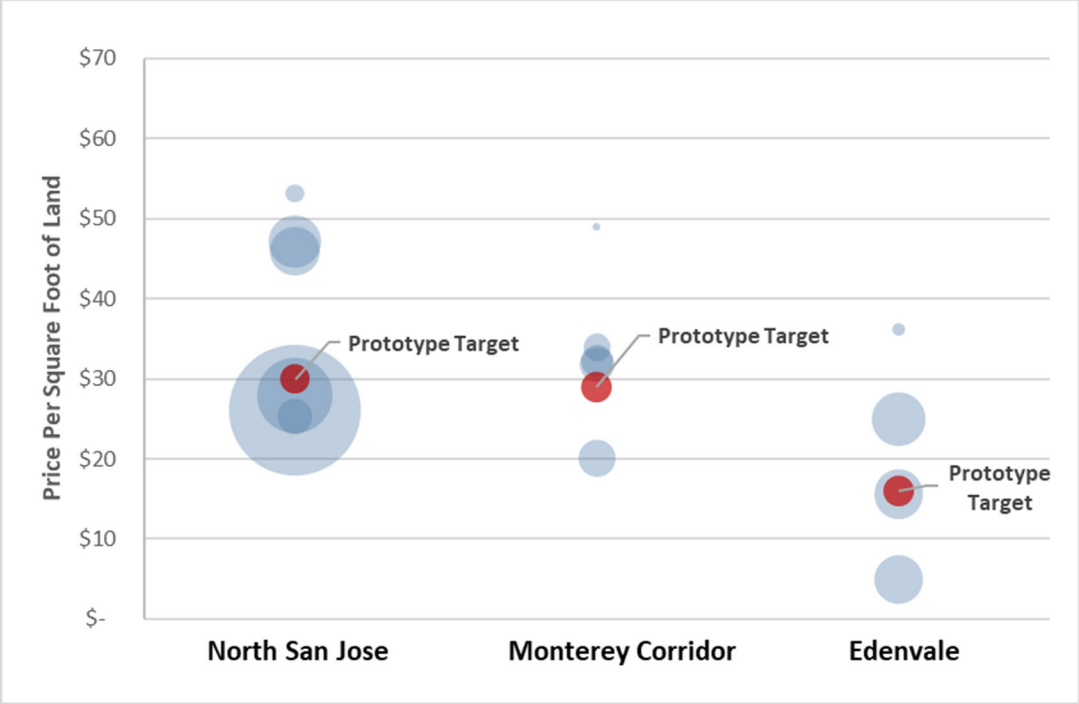
- *Neighborhood Retail Center* – The land value target for the neighborhood retail center is $20 per square foot of land in Edenvale, $30 per square foot in North San José, $109 per square foot in West San José Urban Villages, and $39 per square foot in South and East San José Growth Areas. In North San José, the target is based on industrial land sales, because only one retail land sale could be identified, and retail will likely need to support a land price as high as industrial in order to compete for development sites in this area.

- *Hotel Prototypes* – The land value target for the hotel prototypes is $46 per square foot of land in Edenvale, $110 per square foot in North San José, $173 per square foot in downtown, and $130 per square foot in West San José Urban Villages. Targets reflect the weighted average of recent hotel land sales in each geography.

Table 4-4. Commercial Land Transactions Since 2016 and Residual Land Value Targets						
		Sale Price ($/SF of Land)			Residual	
Geography	**No. of Sales**	**Min**	**Max**	**Weighted Average**	**Value Target** ($/SF of Land)	**Note**
Industrial and Warehouse						
Edenvale	4	$5	$36	$16	$16	
North San José & Nearby	7	$25	$53	$30	$30	
Monterey Corridor	5	$20	$49	$29	$29	
Office						
Downtown & Nearby *(High-Rise)*	5	$501	$1,500	$855	$855	High-rise
Downtown & Nearby *(All Sales)*	11	$196	$1,500	$400	$400	Mid-rise
Edenvale	1			$20	$20	Low-rise
North San José & Nearby	5	$39	$64	$46	Low-rise $39 Mid-rise $46	Low and Mid-Rise
West San José Urban Village	3	$132	$322	$142	$142	Mid-rise
S&E Growth Area	0				$30	Low-rise
Retail						
Edenvale	3	$14	$45	$20	$20	
North San José & Nearby	1			$20	$30	
West San José Urban Village	1			$109	$109	
S&E Growth Area	3	$30	$79	$39	$39	
Hotel						
Downtown & Vicinity	5	$108	$288	$173	$173	
Edenvale	2	$28	$57	$46	$46	
North San José	3	$53	$148	$110	$110	
West San José Urban Village	1			$130	$130	

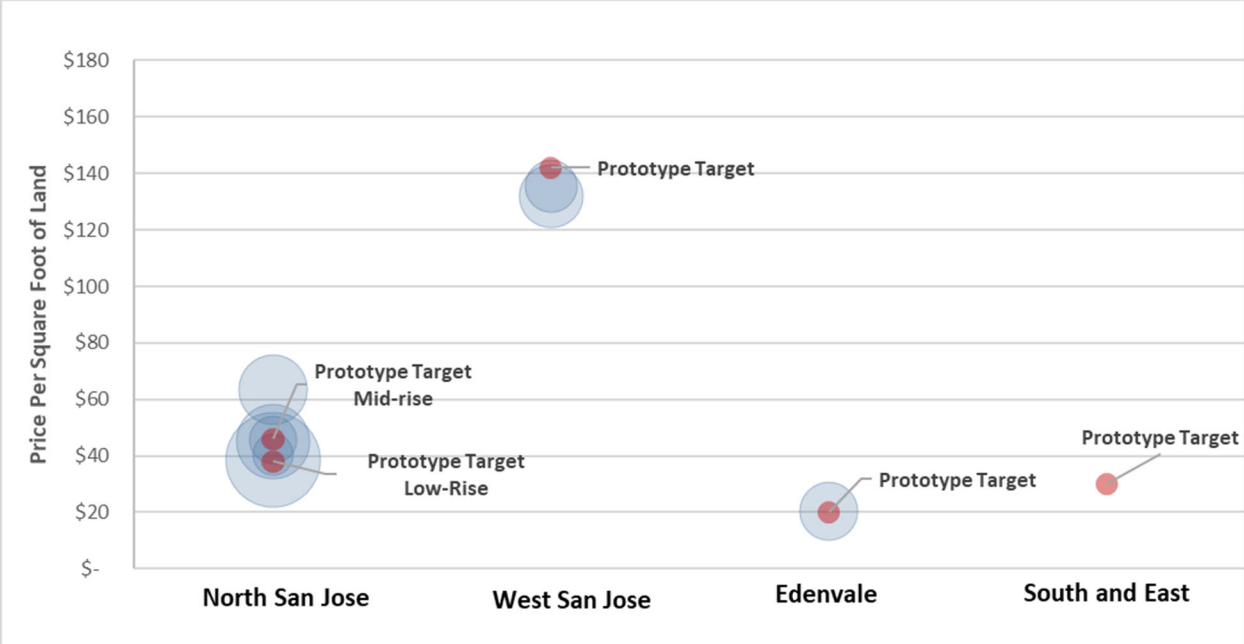
Source: Costar

Chart 4-2. Industrial and Warehouse Land Sales



Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

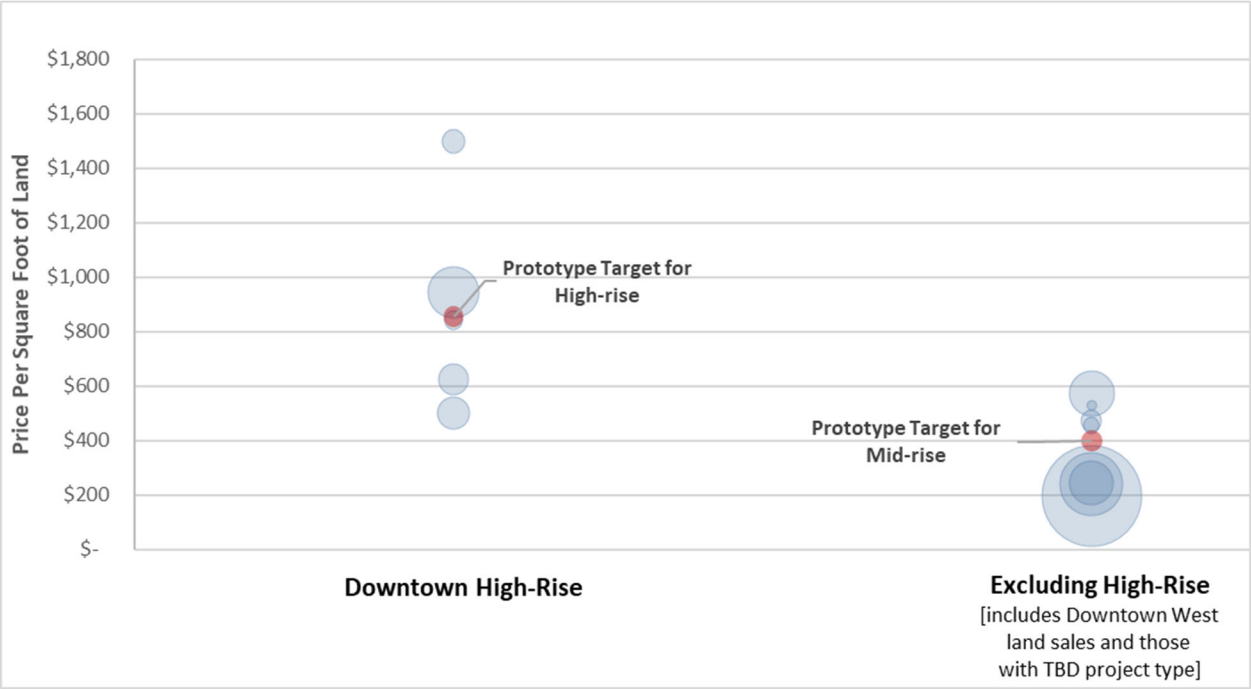
Chart 4-3. Office Land Sales



Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

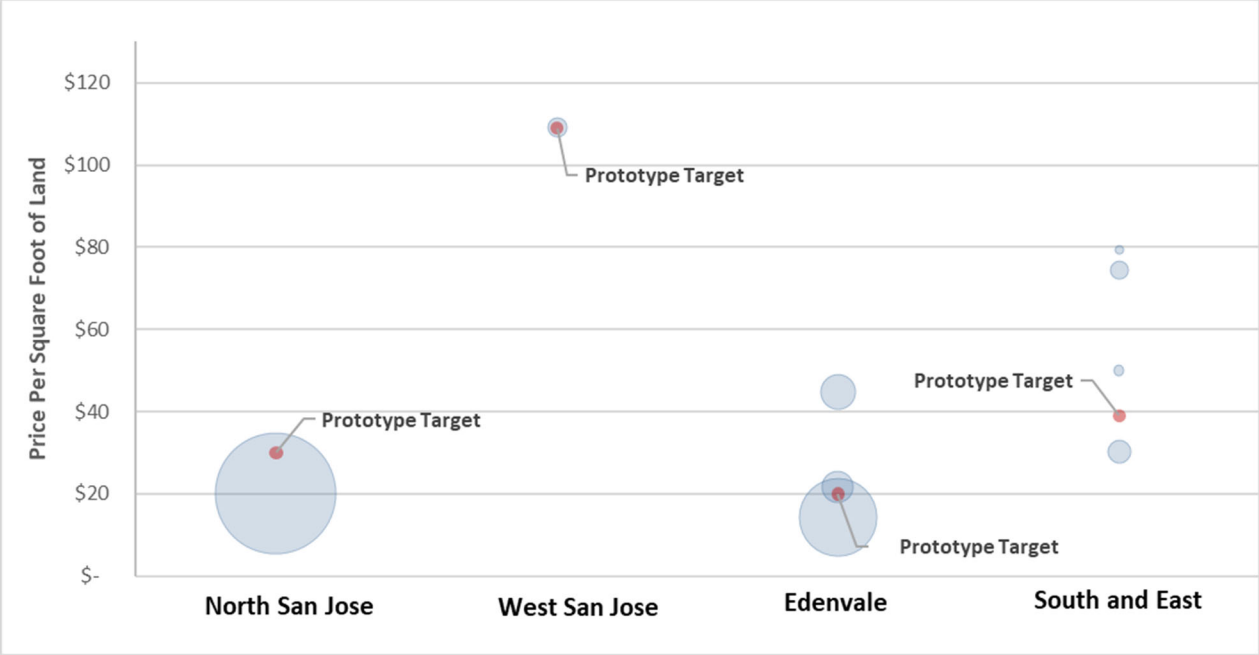
Note: One land sale in West San José at $322 psf not shown on chart. There were no office land sales in South and East subarea, the target land value is estimated based on industrial land sales in the Monterey Corridor. The absence of land sales is also an indicator of weaker feasibility or limited developer interest.

Chart 4-4. Downtown Office Land Sales



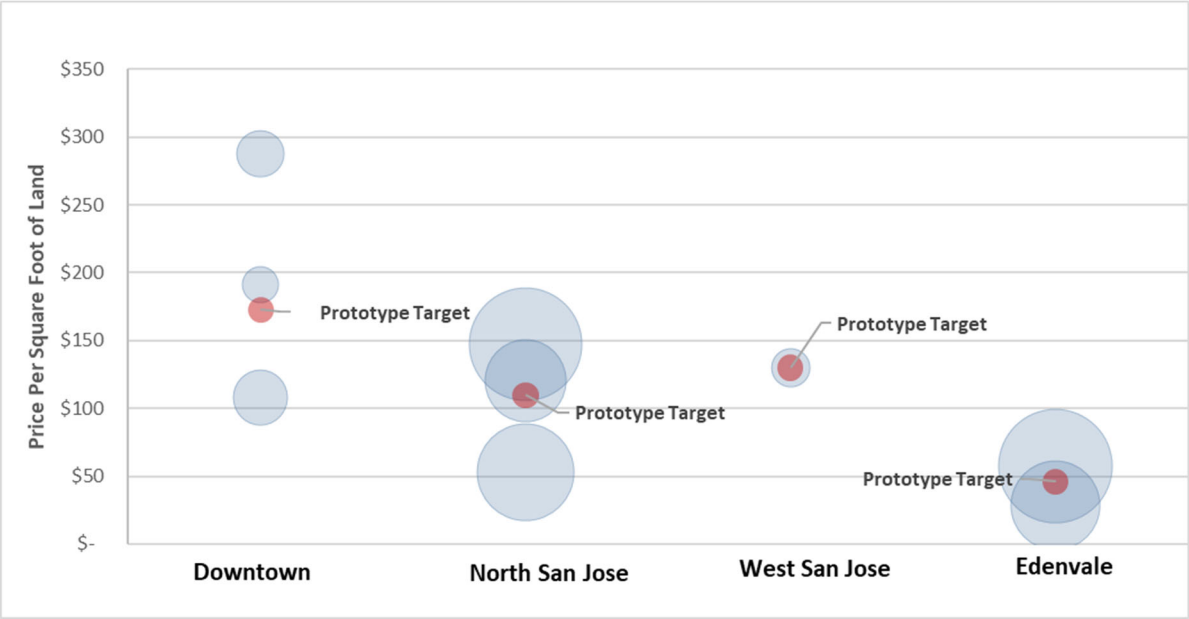
Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

Chart 4-5. Retail Land Sales



Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

Chart 4-6. Hotel Land Sales



Note: bubble size corresponds to size of land parcels sold.
Source: Costar.

4.5 Base Pro Forma Analysis Without Commercial Linkage Fee

The pro forma analysis is based on the relationship between the project's revenue potential, the estimated development costs, and a reasonable developer profit commensurate with the cost of funds and development risk.

The residual land value approach described earlier identifies a residual land value that each prototype can afford to pay to acquire a site. The residual land value is derived by subtracting the development costs before land acquisition from the supported investment. Residual land values are then compared to land value targets representative of market land prices by prototype and geography to evaluate project feasibility. Results are classified using the criteria summarized below and in Table 4-5.

- Scenarios able to support the cost of acquiring a site at market prices, within 10% of target land values, are identified as **generally feasible**. Scenarios in which fees have an outsized negative impact on supported land values of more than 30% are excluded from the generally feasible category even if supported land values fall within the targeted range.

- Scenarios that support the cost of acquiring a site at land values at the lower end of the range of prevailing land costs, or between 10% and 20% below target land values, are identified as having **marginal or weaker feasibility**.

- Scenarios that are not able to afford the cost of acquiring a site at market land values are estimated to be the most challenging to develop in the near term but may still move

forward in some circumstances. Such scenarios are identified as having **more challenging feasibility or infeasible**. Projects with supported land values falling more than 20% below target land values are included in this category.

Table 4-5. Feasibility Indicators	
Classification	**Criteria**
Generally Feasible	Project can afford a site at prevailing land costs. Supported land value is both within 10% of target and does not decrease by more than 30% with new fees.
Marginal or Weaker Feasibility	Project can afford a site at the lower end of prevailing land costs, within 20% of target land value.
More Challenging Feasibility to Infeasible	Project cannot afford a site at prevailing land costs. Supported land value is more than 20% below target land value.

Tables 4-6 to 4-9 summarize the supported investment, development costs, and resulting residual land value of the building prototypes, before accounting for the potential linkage fee. Additional detail is provided in the appendix tables. As mentioned previously, it would be the case that some projects would have economics that are somewhat better as well as some that are somewhat worse than the "typical" prototypes analyzed.

a) Office

The residual land value of the low-rise office prototype ranges from $26 to $45 per square foot of land. The residual value of mid-rise prototypes ranges from $70 to $465 per square foot of land, and the residual value of the high-rise prototype is estimated to be $1,095 per square foot of land. In all but one of the geographic areas, the residual land values supported are consistent with prevailing land values indicating that low-rise, mid-rise, and high-rise office prototypes are generally feasible under early 2020 market conditions and prior to a new commercial linkage fee.

The only scenario to fall short of the corresponding land value target is the low-density prototype in South and East San José Growth Areas, which falls into the marginal feasibility category based on supported land value more than 10% but within 20% of the land value target. The residual land value of the low-density prototype is slightly higher in Edenvale and is sufficient to meet the land value target for this geography. However, weaker land values and limited recent development activity are suggestive of generally more challenging feasibility conditions and less developer interest in office projects in both Edenvale and South and East San José Growth Areas compared to other areas of San José.

The strongest land values are supported by the mid-rise and high-rise prototypes in downtown, driven by pro forma rental rates that anticipate a significant premium relative to the existing office supply for newly built Class A office space. Section 4.8 illustrates the impact that alternative rent assumptions would have on the residual land value of downtown office prototypes.

Table 4-6. Office Pro Forma Findings, Without a Commercial Linkage Fee						
Prototype and Subarea	Supported Investment /RSF	Dev. Cost Excl. Land /RSF	Supported Land Value /RSF	Supported Land Value /Land SF	Target Land Value /Land SF	Feasibility Finding
Low-Rise						
North SJ	$502	$423	$79	$45	$39	Feasible
Edenvale	$460	$409	$51	$29	$20	Feasible
S&E Growth	$460	$414	$46	$26	$30	Marginal
Mid-Rise						
North SJ	$704	$663	$41	$70	$46	Feasible
West SJ UV	$762	$661	$101	$171	$142	Feasible
Downtown	$801	$678	$122	$465	$400	Feasible
High-rise						
Downtown	$881	$771	$110	$1,095	$855	Feasible

b) Warehouse and Industrial

The residual land value of the warehouse prototype ranges from $18 to $33 per square foot of land, while the residual value supported by the industrial prototype is $13 to $30 per square foot of land, slightly below the range of the warehouse prototype.

The residual land values for the warehouse prototype are in line with the target land prices, indicating that warehouse development is generally feasible in the Edenvale, North San José and Monterey Corridor subareas.

The light industrial prototype was found to be generally feasible in the North San José and Monterey Corridor subareas as projects are able to support the cost of acquiring a site. In Edenvale, projects were found to be more marginal with supported land values below the estimated cost of acquiring a site in that area.

Table 4-7. Warehouse and Industrial Pro Forma Findings, Without a Commercial Linkage Fee						
Prototype and Subarea	Supported Investment /RSF	Dev. Cost Excl. Land /RSF	Supported Land Value /RSF	Supported Land Value /Land SF	Target Land Value /Land SF	Feasibility Finding
Warehouse/ Distribution						
Edenvale	$222	$177	$45	$18	$16	Feasible
North SJ	$275	$193	$82	$33	$30	Feasible
Monterey	$248	$178	$70	$28	$29	Feasible
Light Industrial / R&D						
Edenvale	$252	$219	$33	$13	$16	Marginal
North SJ	$311	$235	$75	$30	$30	Feasible
Monterey	$285	$220	$65	$26	$29	Feasible

c) Retail

The residual land value of the neighborhood retail center prototype ranges from $15 to $61 per square foot of land. The prototype does not meet the land value target in any of the geographies. The residual land value is within 20% of the target in Edenvale and North San José, and well below the target in West San José Urban Villages and South and East San José Growth Areas. Findings are indicative of a marginal level of feasibility for retail in North San José and Edenvale and challenging to infeasible conditions in the West and South and East subareas.

Table 4-8. Retail Pro Forma Findings, Without a Commercial Linkage Fee

Subarea	Supported Investment /RSF	Dev. Cost Excl. Land /RSF	Supported Land Value /RSF	Supported Land Value /Land SF	Target Land Value /Land SF	Feasibility Finding
North SJ	$577	$467	$110	$26	$30	Marginal
West UV	$736	$476	$260	$61	$109	Challenged / Infeasible
Edenvale	$534	$462	$72	$17	$20	Marginal
S&E Growth	$534	$471	$63	$15	$39	Challenged / Infeasible

While retail projects face challenges, some retail projects are still expected to move forward. There is a wide array of tenant types with some more affected than others by the rise of online shopping. Retail often serves as an amenity for other uses, a feature that may make it an attractive component of a mixed-use project even if the economics of the retail component itself do not fully support the development cost.

d) Hotel

Hotel projects were found to be generally feasible across all of the market subareas under early 2020 market conditions. The residual land value of the mid-rise hotel prototype with surface parking ranges from $48 to $117 per square foot of land, while the residual land value of the mid-rise hotel with structured parking ranges from $174 to $205 per square foot of land. These residual land value findings support the cost of acquiring a site in each of the corresponding geographic areas.

Table 4-9. Hotel Pro Forma Findings, Without a Commercial Linkage Fee

Prototype and Subarea	Supported Investment /room	Dev. Cost Excl. Land /room	Supported Land Value /room	Supported Land Value /Land SF	Target Land Value /Land SF	Feasibility Finding
Mid-Rise Hotel (Surface Pkg.)						
Edenvale	$305,900	$275,700	$30,200	$48	$46	Feasible
North SJ	$355,300	$282,300	$73,000	$117	$110	Feasible
Mid-Rise Hotel (Structured)						
Downtown	$383,700	$350,700	$33,000	$205	$173	Feasible
West SJ UV	$376,600	$348,600	$28,000	$174	$130	Feasible

4.6 Analysis of Fee Alternatives

The pro forma analyses are used to test the impact that potential fee requirements at a range of levels would have on the development economics of the building prototypes. Feasibility is evaluated using the same metrics as in Section 4.5 and summarized in Table 4-5. Tables 4-10 to 4-13 summarize the residual land value of the building protypes assuming a range of fee requirements.

a) Office

Table 4-10 summarizes the office residual land value findings with the base analysis with no commercial linkage fee and for scenarios with commercial linkage fees up to $30 per square foot of gross building area.

Table 4-10. Residual Land Value of Office Prototypes Under Fee Alternatives (Per SF Land)

Prototype	Geography	Base No Fee	Alt A $5/SF	Alt B $10/SF	Alt C $15/SF	Alt D $20/SF	Alt E $25/SF	Alt F $30/SF	Target Land Value
Low-Rise	Edenvale	$29	$26	$23	$20	$17	$14	$11	$20
	North SJ	$45	$42	$39	$36	$33	$30	$27	$38
	S&E Growth	$26	$23	$20	$17	$14	$11	$8	$30
Mid-Rise	North SJ	$70	$61	$53	$44	$35	$26	$17	$46
	West SJ UV	$171	$162	$153	$144	$135	$126	$117	$142
	Downtown	$465	$445	$425	$405	$385	$365	$345	$400
High-Rise	Downtown	$1,095	$1,042	$989	$937	$884	$832	$779	$855

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

Low-Rise Office – The prototype low-rise office project in Edenvale was found to be feasible with a fee up to $10 per square foot based on supported land values consistent with the cost of acquiring a site in this location. However, it is important to keep in mind that lower land values in Edenvale are also an indication of weaker economics for projects more generally. In North San José, the prototype low-rise project was found to be generally feasible with a fee of up to $15 per square foot. In the South and East subarea, projects have marginal feasibility without a fee and become more challenged with implementation of a fee.

Mid-Rise Office – The mid-rise prototype results indicate potential to support a fee of up to $10 per gross square foot in North San José, $20 per gross square foot in West San José and $25 per square foot in the downtown.

High-Rise Office – The high-rise prototype demonstrates the greatest capacity to absorb a new linkage fee provided that pro forma rents, which are unproven in the downtown San José market, can be achieved. The scenarios testing linkage fee levels of up to $30 per square foot were found to be feasible. See Section 4.8 for a sensitivity analysis of the fees that can be supported in downtown if rents differ from base assumptions.

b) Warehouse and Industrial

The warehouse prototype was found to sustain a fee of up to $7.50/SF in Edenvale, $5/SF in Monterey Corridor and $10/SF in North San José while maintaining feasibility based on a supported land value within range of prevailing land costs in the respective locations.

The light industrial prototype shows limited capacity to support fees, with North San José being the only subarea where support for a fee is indicated at a level up to $7.50/SF. Most recent light industrial projects in San José have been built by end users whose real estate decisions are driven by their specific needs, allowing some projects to move forward even if a speculative project would face greater challenges.

Table 4-11. Residual Land Value of Industrial Prototypes Under Fee Alternatives (Per SF Land)

Prototype	Geography	Base No Fee	Alt A $5/SF	Alt B $7.50/SF	Alt C $10/SF	Alt D $15/SF	Target Land Value
Warehouse/ Distribution	Edenvale	$18	$16	$15	$14	$12	$16
	North SJ	$33	$31	$30	$29	$27	$30
	Monterey	$28	$26	$25	$24	$22	$29
Light Industrial/ R&D	Edenvale	$13	$11	$10	$9	$7	$16
	North SJ	$30	$28	$27	$26	$24	$30
	Monterey	$26	$24	$23	$22	$20	$29

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

c) Retail

The neighborhood retail prototype demonstrates limited capacity to support a fee. As discussed in Section 4.5, these projects are marginally feasible to infeasible even without a fee and so there is limited ability to support an increase in costs.

Table 4-12. Residual Land Value of Retail Prototypes Under Fee Alternatives (Per SF Land)							
Prototype	**Geography**	**Base No Fee**	**Alt A $5/SF**	**Alt B $10/SF**	**Alt C $15/SF**	**Alt D $20/SF**	**Target Land Value**
Neighborhood Retail Center	North San José	$26	$25	$23	$22	$21	$30
	West SJ UV	$61	$60	$59	$58	$56	$109
	Edenvale	$17	$16	$15	$13	$12	$20
	S&E Growth	$15	$14	$12	$11	$10	$39

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

d) Hotel

Hotel prototypes in downtown and West San José Urban Villages demonstrate support for a fee of approximately $10 per gross square foot ($6,000 per room). In North San José, support for a somewhat higher fee up to approximately $15 per gross square foot is indicated ($9,000 per room). In Edenvale, the capacity to support a fee is weaker. The hotel prototype in this area is estimated to support a fee of up to approximately $5 per gross square foot ($3,000 per room).

Table 4-13. Residual Land Value of Hotel Prototypes Under Fee Alternatives (Per SF Land)							
Prototype	**Geography**	**Base No Fee**	**Alt A $5/SF** $3,000 /room	**Alt B $10/SF** $6,000 /room	**Alt C $15/SF** $9,000 /room	**Alt D $20/SF** $12,000 /room	**Target Land Value**
Mid-Rise (Surface Pkg.)	Edenvale	$48	$44	$40	$36	$32	$46
	North SJ	$117	$113	$109	$105	$101	$110
Mid-Rise (Structured)	Downtown	$205	$189	$174	$158	$143	$173
	West SJ UV	$174	$158	$143	$127	$112	$130

Generally Feasible
Marginal or Weaker Feasibility
More Challenging Feasibility to Infeasible

4.7 Summary of Supportable Fee Levels

Table 4-14 summarizes the supportable fee levels by prototype and geography based on the pro forma analysis.

Table 4-14. Supportable Fee Levels Based on the Development Economics of Prototype Projects						
	Downtown & Nearby	**North SJ & Nearby**	**West SJ**	**Edenvale**	**Monterey Corridor**	**South & East SJ**
Office / R&D (1)	$25/SF mid-rise $30/SF high-rise *Reflects unproven market expectations for achievable rents downtown 40%-50% over averages for existing space*	$10/SF	$20/SF	$10/SF		None
Neighborhood Retail		None	None	None		None
Hotel (1)	$10/SF $6,000/rm	$15/SF $9,000/rm	$10/SF $6,000/rm	$5/SF $3,000/rm		
Warehouse		$10/SF		$7.50/SF	$5/SF	
Light Industrial / R&D		$7.50/SF		None	None	

(1) For ease of presentation, findings for multiple building types, such as low-rise and mid-rise are collapsed to a single category. Findings correspond to the building type most likely to be developed within each subarea.
Grey indicates that the building type was not analyzed in the indicated subarea.

In summary, the upper end of the range of supportable fees for office identified in the analysis is $0 in South and East, $10 in North San José and Edenvale, $20 per square foot in West San José and $25 to $30 per square foot in the downtown. Supportable fee levels are based on conventional real estate return metrics and are not necessarily representative of the fees that can be supported by other market participants such as large high-tech end users. See Section 4.9 for a discussion regarding high-tech end users.

For retail, the analysis did not support commercial linkage fees anywhere in the city due to more challenging conditions for retail under early 2020 market conditions.

For hotel, support for a fee ranged from $5 per square foot ($3,000 per room) in Edenvale to $15 per square foot ($9,000 per room) in North San José where a combination of strong demand and lower land costs than downtown and West San José drove the highest supportable fee level.

For warehouse development, support for a fee ranged from $5 to $10 per square foot depending on the location. While support for a fee of up to $10 per square foot was identified in the pro forma analysis for North San José, caution is suggested given warehouse buildings are generally lower cost structures that will tend to be more sensitive to increased costs.

For industrial, no supportable fee was identified in either Edenvale or the Monterey corridor, while support for a fee up to $7.50 was found in North San José.

4.8 Sensitivity Analysis of Downtown Office Prototypes

KMA performed a sensitivity analysis to test how the economics of downtown office prototypes as well as supportable commercial fee levels would respond to changes in rent assumptions.

Sensitivity of Supportable Fee Findings to Rents

Tables 4-15 and 4-16 identify how the supportable linkage fee level for downtown mid-rise and high-rise office projects would change at different estimated rent levels. As shown:

- If annual office rents fall short of pro forma estimates by $2 to $2.50 per square foot ($0.17 to $0.21 per month, or 3% to 4% less than estimated), projects would have limited capacity to support a linkage fee, even though rents would still exceed existing averages in the downtown by 35% - 48%.

- If annual rents outperform pro forma estimates by $2 per square foot ($0.17 per month), the sensitivity analysis indicates roughly a doubling in the supportable fee.

- If mid-rise office rents were to reach averages in Sunnyvale and high-rise rents were to reach averages in Redwood City, the sensitivity analysis indicates more than triple the estimated linkage fee could be supported.

For purposes of illustrative sensitivity testing, costs and all other pro forma assumptions, including the targeted land price, are assumed to remain constant.

Table 4-15. Sensitivity Test: Adjustments to Supportable Downtown Mid-Rise Fee with Change in Office Rents

	Annual Office Rents $/RSF/Yr NNN	**Monthly Office Rents $/RSF/Mo NNN**	**Supportable Fee ($/GSF)** [rounded to nearest $5]
Current SJ Downtown (average)	$43.00	$3.58	Infeasible or Marginal Feasibility with no fee if rents more than $2/SF/Yr below pro forma
Current SJ Downtown (high)	$47.00	$3.92	
Cupertino Average (1)	$55.00	$4.58	
	$57.50	$4.79	
	$58.00	$4.83	$0
	$58.50	$4.88	$5
	$59.00	$4.92	$10
	$59.50	$4.96	$20
Mid Rise Pro Forma	**$60.00**	$5.00	**$25**
	$60.50	$5.04	$30
	$61.00	$5.08	$35
	$61.50	$5.13	$40
	$62.00	$5.17	$50
Sunnyvale Average (1)	$65.00	$5.42	$85

(1) Reflects averages for available space, both existing and new.

Table 4-16. Sensitivity Test: Adjustments to Supportable Downtown High-Rise Fee with Change in Office Rents			
	Annual Office Rents $/RSF/Yr NNN	**Monthly Office Rents $/RSF/Mo NNN**	**Supportable Fee ($/GSF)** [rounded to nearest $5]
Current Downtown (average)	$43.00	$3.58	Infeasible or Marginal Feasibility with no fee if rents more than $2.50/SF/Yr below pro forma
Current Downtown (high)	$47.00	$3.92	
Cupertino Average (1)	$55.00	$4.58	
	$63.00	$5.25	
	$63.50	$5.29	$0
	$64.00	$5.33	$5
	$64.50	$5.38	$10
Sunnyvale Average (1)	$65.00	$5.42	$15
	$65.50	$5.46	$20
High Rise Pro Forma	**$66.00**	$5.50	**$30**
	$66.50	$5.54	$35
	$67.00	$5.58	$40
	$67.50	$5.63	$45
	$68.00	$5.67	$50
Redwood City Average (1)	$72.00	$6.00	$100

(1) Reflects averages for available space both existing and new.

Sensitivity of Residual Land Values to Rents

The charts depict the residual land value findings with annual office rents ranging from $52 to $66 per square foot for the mid-rise and $56 to $70 per square foot for the high-rise. As shown, every $1-dollar shift in annual office rents ($0.08 per month) increases the residual land value by roughly $50 per land square foot for the midrise and by $125 per square foot of land for the high-rise.

Chart 4-7. Residual Land Value Sensitivity to Rents, Downtown High-Rise Office

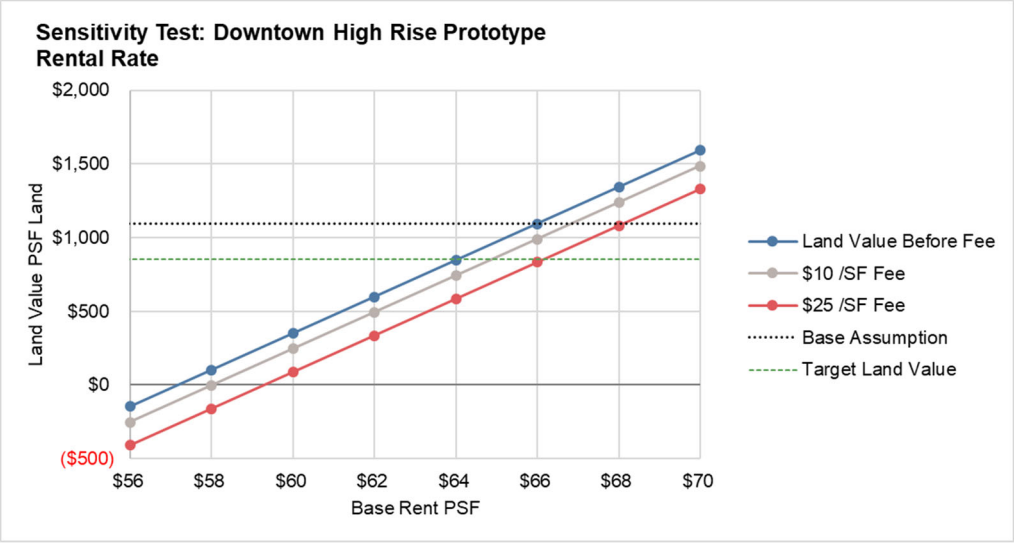
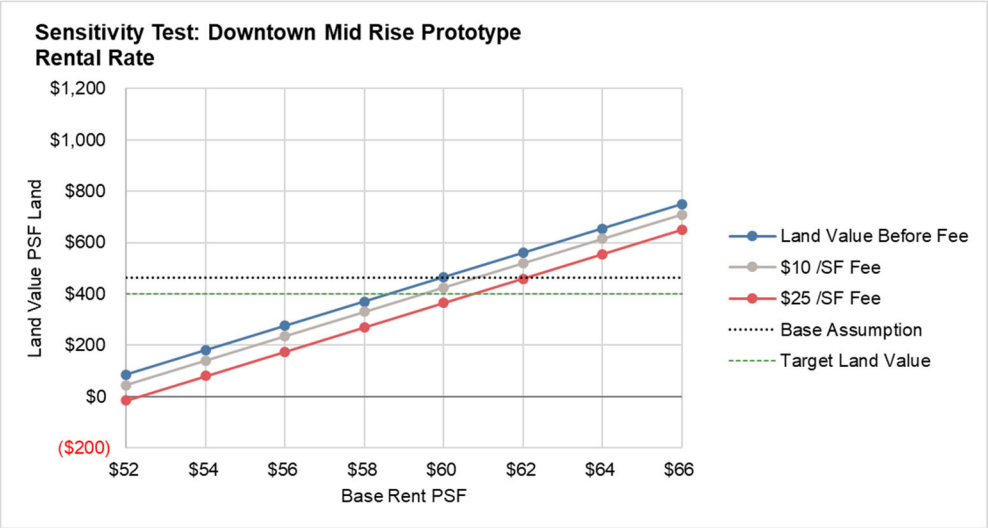


Chart 4-8. Residual Land Value Sensitivity to Rents, Downtown Mid-Rise Office



Sensitivity of Project Value Premium Over Development Costs to Rents

Speculative office developers and their capital partners require the anticipated finished value of a project to exceed development costs by a significant margin to provide a return to investors commensurate with the significant risks inherent in development. This is especially the case in a location such as downtown San José where targeted rents are not yet demonstrated by recently completed projects, a fact that introduces a greater level of risk.

Table 4-17 compares the market value supported by the high-rise office prototype at different rent levels to development costs to determine the value premium, or percentage by which value exceeds costs. A value premium of at least 33% is estimated to be necessary to incentivize speculative office development in the downtown. The table shows that if annual triple net rents of the high-rise office prototype fail to exceed the current range of $43 to $47 per square foot per year, then the prototype would generate a value that is insufficient to cover development costs. If rents are comparable to West San José and Cupertino, the project value would exceed development costs, but would likely be insufficient to incentivize speculative office development. Only by achieving rents similar to averages for Sunnyvale does the high-rise prototype realize an adequate value relative to development costs.

The ability to support a commercial linkage fee downtown is highly sensitive to the expected rental rates of new construction. At the baseline pro forma rent of $66 per square foot per year, near the existing average for Sunnyvale, a fee of up to $30 per gross square foot would preserve an adequate premium over costs. With a higher rent expectation of $72 per square foot, commensurate with average rents in Redwood City, a higher fee would be supported and still allow for an adequate premium over costs.

Table 4-17. Value Premium as % of Development Costs – Downtown High-Rise Prototype									
				Value Premium % of Costs Assuming Linkage Fee of:					
Benchmark	**Type**	**NNN Rent Per SF Per Yr**	**% Increase vs. Downtown Rents Today**	**No Fee**	**$10/ SF**	**$15/ SF**	**$20/ SF**	**$25/ SF**	**$30/ SF**
San José – Downtown	Average	$43	n/a	-7%	-8%	-9%	-9%	-10%	-11%
San José – Downtown	Peak	$47	10%	1%	0%	0%	-1%	-2%	-2%
San José – West	Peak	$53	24%	14%	12%	12%	11%	10%	10%
Cupertino	Average	$55	28%	17%	15%	15%	14%	13%	13%
Sunnyvale	Average	$65	50%	36%	34%	34%	33%	32%	31%
San José – Downtown	*Pro Forma*	*$66*	*53%*	39%	37%	36%	35%	34%	34%
Redwood City	Average	$72	68%	52%	49%	48%	47%	47%	46%

Legend No Profit Below Threshold Above Threshold

Table 4-18 illustrates the estimated minimum rent needed for feasibility of downtown mid-rise and high-rise prototypes. Without any linkage fee, the minimum annual rent requirement is approximately $58 per square foot for the mid-rise prototype and $63 per square foot for the high-rise prototype ($4.83 to $5.25 per month). A linkage fee of $20 per gross square foot adds approximately $1.70 per square foot to the minimum annual rent estimated to be necessary for feasibility, approximately a 2.9% increase for the mid-rise prototype or 2.7% for the high-rise prototype. While land prices would potentially adjust over time to absorb the linkage fee, in the near term, projects already under contract for development sites would need to absorb the cost of the fee within the economics of their projects. Since the City's exploration of a new linkage fee has been public for some time, developers who believe their projects will be subject to the fee are likely carrying some assumption in their pro formas to account for the potential additional cost.

Table 4-18. Estimated Minimum Annual Rent Needed for Feasibility				
Linkage Fee	**Downtown Mid-Rise Rent/SF NNN**	**% Increase vs No Fee**	**Downtown High-Rise Rent/SF NNN**	**% Increase vs No Fee**
No Fee	$57.80		$63.40	
$5/SF Fee	$58.20	0.7%	$63.80	0.6%
$10/SF Fee	$58.60	1.4%	$64.20	1.3%
$15/SF Fee	$59.10	2.2%	$64.70	2.1%
$20/SF Fee	$59.50	2.9%	$65.10	2.7%
$25/SF Fee	$59.90	3.6%	$65.50	3.3%
$30/SF Fee	$60.30	4.3%	$65.90	3.9%

Large-scale office projects are the most likely to achieve premium rents because they can attract the highest-paying tenants who require large blocks of space. Smaller, multi-tenant office

projects will find it more difficult to achieve rents above the current market in downtown. Smaller office projects in the downtown might still generate an acceptable return through cost efficiencies such as reduced onsite parking. As an illustration, eliminating all parking would allow a smaller mid-rise project to reduce annual rent expectations by roughly $12 per square foot ($1 per month), bringing the rent requirement in line with market comparables.

Sensitivity of Estimated Supportable Linkage Fee to Parking Ratio

The cost of structured parking represents 29% and 24% of estimated direct construction costs for the downtown mid-rise and high-rise office prototypes, respectively. As parking is a significant component of development costs, if cost savings can be achieved through a reduction in on-site parking without negatively impacting rents or incurring additional operating expenses to fund transportation demand management measures, it would result in a greater ability to support a linkage fee. Conversely if more parking is assumed, it reduces the estimated linkage fee that can be supported.

The pro forma parking ratio of 1.9 spaces per 1,000 square feet is based on an average for six pipeline office projects in the downtown. Table 4-19 shows the result of a sensitivity test adjusting this pro forma parking ratio both upwards and downwards by 0.1 spaces per 1,000 square feet. As shown the 0.1 space per 1,000 adjustment results in an adjustment to the supportable fee findings in the range of $7-9 per square foot.

Table 4-19. Parking Ratio Sensitivity Test

	Supportable Fee ($/GSF)	
	Downtown Mid-rise Office	Downtown High-rise Office
1.9 spaces per 1,000 (pro forma assumption)	$25	$30
2 spaces per 1,000 SF (+0.1 spaces per 1,000)	$18 (-$7)	$23 (-$7)
1.8 spaces per 1,000 SF (- 0.1 spaces per 1,000)	$34 (+$9)	$38 (+$8)

4.9 Large High-Tech End Users

The pro forma analysis identifies supportable fees based on conventional real estate return metrics used by real estate investors. A portion of the demand for commercial space in San José is driven by large end users in the technology sector who intend to build and own their own space. High-tech end users do not behave the same way as typical real estate investors. High-tech end users appear to focus more on their longer-term vision and overall space needs than conventional profitability metrics. For high-tech end users, real estate is a cost center, not necessarily a profit center. As a consequence, conventional real estate pro forma analyses evaluating revenues relative to costs does not adequately capture the real estate decision-making process or the sensitivity of these real estate decisions to new fees.

To assist in understanding the potential impact of new fees on high-tech end users, publicly available development cost information was assembled for three recently built mid-rise office buildings that are owned and occupied by high-tech end users. The precedent projects are comprised of Uber's Mission Bay headquarters, Building 22 of Facebook's Menlo Park headquarters campus, and the Apple Park headquarters campus in Cupertino and are summarized in Table 4-20. The development cost per gross square foot of the precedent projects averages approximately $1,300 per square foot, excluding land, which is well above the development costs of the mid-rise prototypes evaluated in the pro forma analysis. Developer contacts confirmed that high-tech end users typically have higher development costs than speculative buildings based on their overall corporate objectives and space needs. Publicly available cost data could not be accessed for high-rise buildings developed by high-tech end users to provide a comparison to the high-rise prototype.

Table 4-20. Reported Non-Land Development Costs of High-Tech End User Office Buildings

Project	Built	Gross Building Area (GBA)	Non-Land Development Cost	Cost / SF GBA	Cost/ SF GBA Current $
Uber Mission Bay HQ [1] San Francisco	2020	450,000	$480 million	$1,067	$1,067
Facebook Bldg. 22 HQ[2] Menlo Park	2019	457,000	$600 million	$1,313	$1,313
Apple Park HQ[3] Cupertino	2017	3,420,000	$5 billion	$1,462	$1,581
Average					*$1,320*

[1] San Francisco Business Times, "Largest Bay Area Construction Projects," November 1, 2019.
[2] Truebeck Construction, "Facebook MPK 22" (project qualification), July 15, 2019.
[3] Bay Area News Group, "How much did it actually cost to build Apple Park?" December 11, 2017.

One offsetting factor to higher levels of investment in facilities by major high-tech end users is a tendency toward a higher density of employment. For example, a density of 150 square feet per employee was anticipated in the EIR addressing Facebook's Building 22 project,[9] around double the number of employees as a typical office employment density of 300 square feet per employee. This higher density of employment means occupancy costs are lower when considered on a per employee or per "seat" basis.

Table 4-21 provides an estimate of the potential total investment by a high-tech end user to deliver a mid-rise office building based on the non-land development costs of precedent tech campuses and market land prices in downtown San José. The potential total end user investment in San José is estimated to exceed the total market value of the mid-rise office prototype in downtown by 40%. The 40% premium is based on the average non-land development costs of the three projects shown in Table 4-20. The investment premium would

[9] ICF International. Facebook Campus Expansion Project Draft EIR. State Clearinghouse No. 2015062056. May 2016.

range from 15% to 65% for the specific project examples identified, suggesting that end-user projects and investment levels can vary widely.

Table 4-21. Estimated Over-Investment by High-Tech End Users Relative to Market Values

	High-Tech Office Mid-Rise
Non-Land Development Cost / SF GBA (Table 4-20)	$1,320/SF
San José Land Cost / SF GBA (Downtown)	$100/SF
Potential Total Investment / SF GBA	$1,420/SF
Capitalized Value of Downtown Mid-Rise Office Prototype	$1,015/SF
High-Tech Over-Investment Relative to Market Values	*40%*

It is possible that the cost premium observed in recent projects developed by large high-tech end users for their own long-term use may be impacted by the coronavirus pandemic. As an example, the pandemic has resulted in a need for businesses to implement measures to protect the health and safety of workers. Among the changes being implemented or contemplated are modifications to office layouts that increase the distance and physical separation between employees, leading to reduced density of employment within office buildings. Reduced density of employment results in higher real estate costs on a per employee basis. If changes brought on by the pandemic are adopted on a longer-term basis, high-tech end users might cut back on real estate spending in response to the reduced level of employment that new facilities physically accommodate and the corresponding increase in costs per employee. This possible outcome of the pandemic could result in a decrease in the investment premium for high-tech end users described above.

The tendency of high-tech end users to over-invest in their facilities relative to speculative developers is indicative of a lower degree of cost sensitivity compared to a speculative office project whose capacity to support a new fee is ultimately limited by the value generated by the building's rental income. The higher level of investment also means that every commercial linkage fee dollar has a smaller impact on project costs when considered in percentage terms.

Table 4-22 illustrates how linkage fees at a range of levels would translate to a high-tech campus, assuming fees are set at a level representing a similar percentage burden relative to overall project costs. Applying an illustrative 40% cost premium beyond what conventional real estate metrics would support, as calculated in Table 4-21, to the illustrative base fee range of $10 to $30 per gross square foot yields an equivalent fee range of $14 to $42 per gross square foot for high-tech campuses sponsored by a single large end user.

Table 4-22. Potential Adjustments to Linkage Fee, High-Tech End User Office Buildings		
Illustrative Linkage Fee Applied to Speculative Office Development	**Assumed High-Tech Investment Premium Over Market Value**	**Equivalent Fee for High-Tech Campuses Adjusted for Investment Premium**
$10/SF	40%	$14/SF
$15/SF	40%	$21/SF
$20/SF	40%	$28/SF
$25/SF	40%	$35/SF
$30/SF	40%	$42/SF

5.0 COMMERCIAL LINKAGE FEE PROGRAMS IN OTHER JURISDICTIONS

Information on other commercial linkage fee programs in nearby or comparable cities is often helpful context in considering new or updated fees. The following section provides information assembled regarding other programs in the Bay Area as well as other large city examples.

At least 48 cities and counties in California have commercial linkage fees. A majority of programs are in the Bay Area and greater Sacramento. Most major cities on the West Coast have commercial linkage fees or similar programs. This includes San Diego, Los Angeles, Oakland, Sacramento, San Francisco, Portland and Seattle.

Silicon Valley and the Peninsula, which have some of the strongest real estate market conditions in the Bay Area, is where many of the jurisdictions with the highest fee levels are found. For office, fee levels range from $8 psf (Milpitas) to $36 psf (Palo Alto). For retail, fee ranges are much broader as some jurisdictions have adopted similar fee levels across all building types while others have lower fee levels for retail and hotels.

In the East Bay, fees have been adopted at a more moderate range. Fremont currently represents the upper end of the range of fees for office space at $8 per square foot.

Table 5-1 summarizes adopted commercial linkage fee levels for selected Bay Area jurisdictions as well as other large city examples on the West Coast. Research on fee levels summarized in Table 5-1 was completed in late 2019 and early 2020 and does not reflect adjustments due to application of annual indexes or updates to fee schedules subsequent to KMA's review. For use other than general comparison, please consult the code and staff of the jurisdiction. A more complete overview of these programs is presented in Appendix G.

Table 5-1. Commercial Linkage Fee Levels in Other Cities ($PSF) Selected Examples				
	Office ($PSF)	**Retail** ($PSF)	**Hotel** ($PSF)	**Industrial** ($PSF)
Santa Clara County				
Palo Alto	$36.53	$21.26	$21.26	$21.26
Milpitas (1)	$8.00	$8.00	$8.00	$4.00
Mountain View	$28.25	$3.02	$3.02	$28.25
Santa Clara	$20.00	$5.00	$5.00	$10.00
Cupertino	$24.60	$12.30	$12.30	$24.60
Sunnyvale	$16.50	$8.25	$8.25	$16.50
Peninsula				
Menlo Park	$18.69	$10.14	$10.14	$10.14
Redwood City	$20.00	$5.00	$5.00	N/A
San Mateo	$26.10	$5.22	$10.44	N/A
San Bruno	$13.10	$6.55	$13.10	N/A
East Palo Alto	$10.72	$10.72	$10.72	$10.72
Foster City	$27.50	$6.25	$10.44	N/A
South San Francisco	$15.00	$2.50	$5.00	N/A
East Bay				
Fremont	$8.00	$8.00	$8.00	$4.00
Dublin	$1.45	$1.18	$0.49	$0.56
Pleasanton	$7.61	$4.56	$4.56	$12.64
Newark	$3.80	$3.80	$3.80	$0.72
Large Cities				
Oakland (2)	$5.89	N/A	N/A	N/A(2)
San Francisco (1) (3)	$69.60	$28.13	$22.57	N/A
Sacramento	$2.60	$2.09	$2.48	$1.62
San Diego	$2.12	$1.28	$1.28	N/A
Los Angeles	$3 to $5 depending on location			
Portland	1% of building permit value (4)			
Seattle	$0 to $17.50 depending on location			

(1) Identifies full phase-in level.

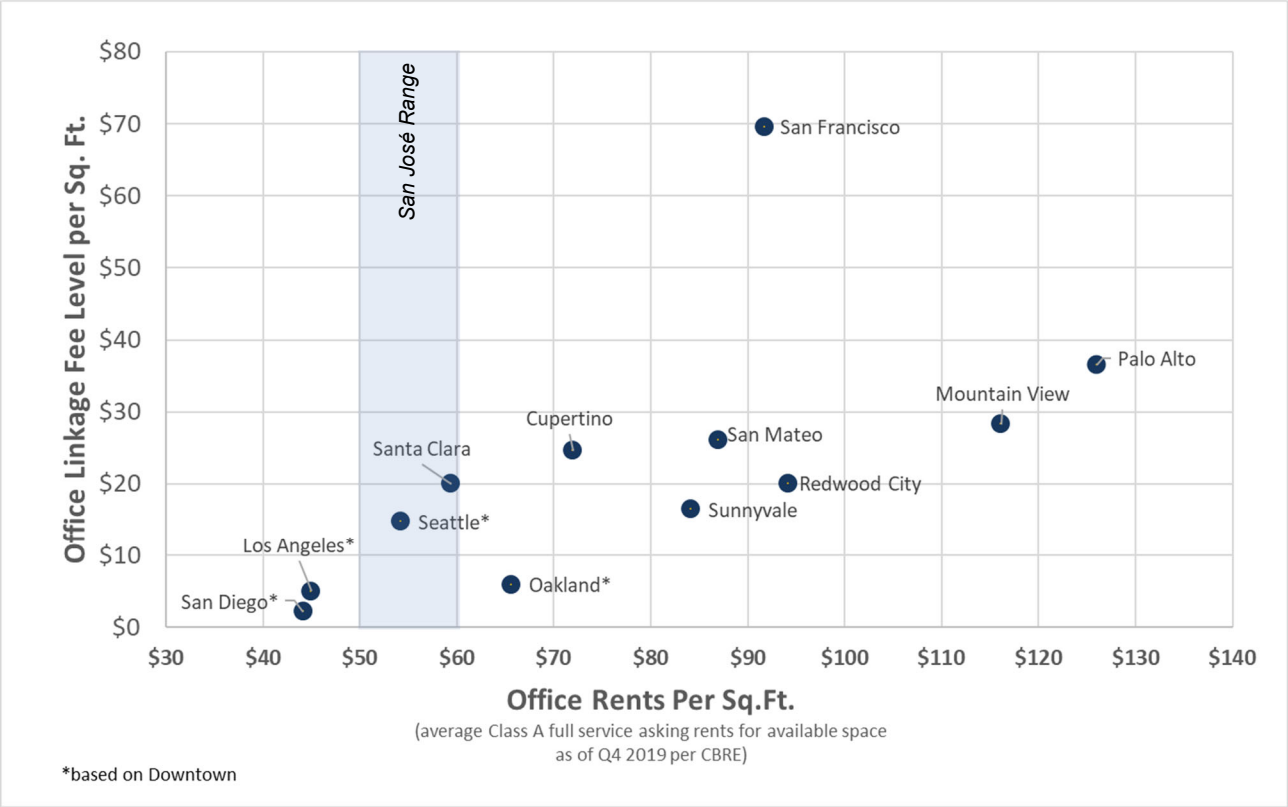
(2) Oakland has a fee for warehouse but not industrial.

(3) Office rate is $62.64 psf for buildings under 50,000 SF.

(4) Program is established as an excise tax rather than as a commercial linkage fee.
N/A = No fee or no applicable category

As a way to provide context regarding the market conditions in each of the communities, the chart on the following page shows office linkage fees (the building type that usually has the highest fees) in relation to office rents by city. Office rents are an indicator of market strength and major driver of real estate values. The focus is on Silicon Valley and the Peninsula as well as larger cities.

Chart 5-1. Linkage Fees vs. Average Annual Office Rents, Selected Examples



By way of comparison, annual full-service asking rents for Class A office space in downtown and West San José are currently in the range of $60 per square foot and around $50 per square foot in North San José per CBRE as of 4th quarter 2019. Rents are reported full service asking rents consistent with Chart 5-1 as opposed to triple net rents as referenced elsewhere in this report. Full-service rents include maintenance, utilities, taxes and insurance while triple net rents are lower because these expenses are not included in the rent.

Ordinance or Program Features

Linkage fee programs often include features to address a jurisdiction's policy objectives or specific concerns. The most common are:

- *Minimum Threshold Size* – A minimum threshold sets a building size over which fees are in effect. Programs with low fees often have no thresholds and all construction is subject to the fee. Some jurisdictions establish a building size over which the fee applies. Sometimes the fee applies to the whole building, and sometimes the fee applies only to the square foot area over the threshold. Thresholds are often employed to minimize costs for small infill projects in older commercial areas, when such infill is a policy objective. Thresholds, which reduce fees for smaller projects, are more common for programs with more significant fees. Santa Clara, Sunnyvale and Mountain View all

have reduced fees for square footage below a threshold size of 20,000 to 25,000 square feet.

- *Geographic Area Variations and Exemptions* – Geographic variation in fees is generally more common among large cities that have a diverse range of conditions. Los Angeles and Seattle are examples of larger cities that have fees that vary based on geography in consideration of broad differences in economic health from one subarea of the city to the next.

- *Specific Use Exemptions* – Some cities charge all building types while others choose to exempt specific uses. A common exemption is for buildings owned by non-profits which typically encompass religious, educational/institutional, and hospital building types. Some programs identify specific uses as exempt such as schools and child-care centers.

Information about ordinance features such as exemptions and thresholds for the surveyed programs is provided in Appendix G.

Appendix A: Pro Forma Analysis

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table A-1
Prototype Development Programs
Commercial Linkage Feasibility Study
San Jose, CA

	1	2	3	4	5	6	7	8	9
	Warehouse / Distribution	*Light Industrial / R&D [1]*	*Office/R&D Low Rise*	*Office/R&D Mid Rise*	*Office/R&D DT Mid Rise*	*Office - High Rise*	*Neighborhood Retail*	*Mid-Rise Hotel Surface Pkg*	*Mid-Rise Hotel Structured Pkg*
Sub-Areas	*Edenvale North San Jose Monterey*	*Edenvale North San Jose Monterey*	*Edenvale North San Jose S&E Growth*	*North San Jose West UV*	*Downtown*	*Downtown*	*Edenvale North San Jose West UV S&E Growth*	*Edenvale North San Jose*	*Downtown West UV*
Site Size (acres)	6.0	6.0	2.5	2.5	2.5	2.5	6.0	2.5	0.5
Building Stories	1	1-2	2	6	7	19	1	5	5
Construction Type	Type IIIB	Type IIIB	Type IIB	Type IB	Type IB	Type IA	Type VB	Type IIIA or VB + podium	Type IIIA or VB + podium
Gross Bldg Area (GSF)	105,000	105,000	65,000	195,000	435,000	1,145,000	65,000	108,500	78,300
Rentable Bldg Area (RSF)	105,000	105,000	61,750	185,250	413,250	1,087,750	61,750		
Hotel Rooms								175	135
FAR (excl parking)	0.4	0.4	0.6	1.8	4.0	10.5	0.2	1.0	3.6
Hotel Room Density								70	270
Parking Ratio	0.9/1,000gsf	2.0/1,000gsf	3.2/1,000gsf	3.0/1,000gsf	1.9/1,000gsf	1.9/1,000gsf	4.4/1,000gsf	0.9/key	0.7/key
Parking Spaces	95	210	208	585	827	2,176	286	98	55
Surface %	100%	100%	100%	0%	0%	0%	100%	100%	0%
Garage %	0%	0%	0%	86%	0%	0%	0%	0%	0%
Podium %	0%	0%	0%	0%	30%	50%	0%	0%	0%
Below Grade %	0%	0%	0%	14%	70%	50%	0%	0%	100%

[1] This prototype has historically been developed by owner-users but is modeled as a for-lease property for purposes of this analysis.

Appendix Table A-2
Conceptual Pro Forma: Warehouse/ Distribution
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 1A			Prototype 1B			Prototype 1C		
	Warehouse/ Distribution Edenvale			Warehouse/ Distribution North San Jose & Nearby			Warehouse/ Distribution Monterey Business Corridor		
Site Area	6.0 acres			6.0 acres			6.0 acres		
Floor Area Ratio (excl. Pkg)	0.4 FAR			0.4 FAR			0.4 FAR		
Gross Building Area (GSF)	105,000 sf			105,000 sf			105,000 sf		
Rentable Building Area (RSF)	105,000 sf		*100%*	105,000 sf		*100%*	105,000 sf		*100%*
Parking Ratio	0.90 /1,000 sf			0.90 /1,000 sf			0.90 /1,000 sf		
Parking Type	Surface Parking			Surface Parking			Surface Parking		
Base Rent	$12.50 /sf NNN			$15.50 /sf NNN			$14.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$1,312,500	$13	100%	$1,627,500	$16	100%	$1,470,000	$14	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($65,600)	($1)	-5%	($81,400)	($1)	-5%	($73,500)	($1)	-5%
Effective Gross Income	$1,246,900	$12	95%	$1,546,100	$15	95%	$1,396,500	$13	95%
(Less) OPEX	($13,100)	($0)	-1%	($16,300)	($0)	-1%	($14,700)	($0)	-1%
Net Operating Income	$1,233,800	$12	94%	$1,529,800	$15	94%	$1,381,800	$13	94%
Return on Cost		*5.3%*			*5.3%*			*5.3%*	
Supported Investment	$23,280,000	$222		$28,860,000	$275		$26,070,000	$248	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$13,125,000	$125	100%	$13,125,000	$125	100%	$13,125,000	$125	100%
Tenant Improvements	$1,575,000	$15	12%	$1,575,000	$15	12%	$1,575,000	$15	12%
A&E	$656,300	$6	5%	$656,300	$6	5%	$656,300	$6	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$446,800	$4	3%	$1,830,400	$17	14%	$446,800	$4	3%
Taxes/Ins./Legal/Accounting	$262,500	$3	2%	$262,500	$3	2%	$262,500	$3	2%
Leasing Commissions	$459,400	$4	4%	$569,600	$5	4%	$514,500	$5	4%
Overhead/Admin/Other	$525,000	$5	4%	$525,000	$5	4%	$525,000	$5	4%
Contingency	$656,300	$6	5%	$656,300	$6	5%	$656,300	$6	5%
Financing	$851,200	$8	6%	$1,055,200	$10	8%	$953,200	$9	7%
Total Costs excl. Land	$18,560,000	$177	141%	$20,260,000	$193	154%	$18,710,000	$178	143%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$4,720,000	$18	$45	$8,600,000	$33	$82	$7,360,000	$28	$70
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$4,195,000	$16	$40	$8,075,000	$31	$77	$6,835,000	$26	$65
Illustrative Fee at $8/GSF	$3,932,500	$15	$37	$7,812,500	$30	$74	$6,572,500	$25	$63
Illustrative Fee at $10/GSF	$3,670,000	$14	$35	$7,550,000	$29	$72	$6,310,000	$24	$60
Illustrative Fee at $15/GSF	$3,145,000	$12	$30	$7,025,000	$27	$67	$5,785,000	$22	$55

Appendix Table A-3
Conceptual Pro Forma: Light Industrial / R&D
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 2A			Prototype 2B			Prototype 2C		
	Light Industrial/ R&D Edenvale			Light Industrial/ R&D North San Jose & Nearby			Light Industrial/ R&D Monterey Business Corridor		
Site Area	6.0 acres			6.0 acres			6.0 acres		
Floor Area Ratio (excl. Pkg)	0.4 FAR			0.4 FAR			0.4 FAR		
Gross Building Area (GSF)	105,000 sf			105,000 sf			105,000 sf		
Rentable Building Area (RSF)	105,000 sf		*100%*	105,000 sf		*100%*	105,000 sf		*100%*
Parking Ratio	2.0 /1,000 sf			2.0 /1,000 sf			2.0 /1,000 sf		
Parking Type	Surface Parking			Surface Parking			Surface Parking		
Base Rent	$15.00 /sf NNN			$18.50 /sf NNN			$17.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$1,575,000	$15	100%	$1,942,500	$19	100%	$1,785,000	$17	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($78,800)	($1)	-5%	($97,100)	($1)	-5%	($89,300)	($1)	-5%
Effective Gross Income	$1,496,200	$14	95%	$1,845,400	$18	95%	$1,695,700	$16	95%
(Less) OPEX	($15,800)	($0)	-1%	($19,400)	($0)	-1%	($17,900)	($0)	-1%
Net Operating Income	$1,480,400	$14	94%	$1,826,000	$17	94%	$1,677,800	$16	94%
Return on Cost		*5.6%*			*5.6%*			*5.6%*	
Supported Investment	$26,440,000	$252		$32,610,000	$311		$29,960,000	$285	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$16,275,000	$155	100%	$16,275,000	$155	100%	$16,275,000	$155	100%
Tenant Improvements	$2,100,000	$20	13%	$2,100,000	$20	13%	$2,100,000	$20	13%
A&E	$813,800	$8	5%	$813,800	$8	5%	$813,800	$8	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$455,000	$4	3%	$1,838,600	$18	11%	$455,000	$4	3%
Taxes/Ins./Legal/Accounting	$325,500	$3	2%	$325,500	$3	2%	$325,500	$3	2%
Leasing Commissions	$551,300	$5	3%	$679,900	$6	4%	$624,800	$6	4%
Overhead/Admin/Other	$651,000	$6	4%	$651,000	$6	4%	$651,000	$6	4%
Contingency	$813,800	$8	5%	$813,800	$8	5%	$813,800	$8	5%
Financing	$966,700	$9	6%	$1,192,300	$11	7%	$1,095,400	$10	7%
Total Costs excl. Land	$22,950,000	$219	141%	$24,690,000	$235	152%	$23,150,000	$220	142%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$3,490,000	$13	$33	$7,920,000	$30	$75	$6,810,000	$26	$65
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$2,965,000	$11	$28	$7,395,000	$28	$70	$6,285,000	$24	$60
Illustrative Fee at $8/GSF	$2,702,500	$10	$26	$7,132,500	$27	$68	$6,022,500	$23	$57
Illustrative Fee at $10/GSF	$2,440,000	$9	$23	$6,870,000	$26	$65	$5,760,000	$22	$55
Illustrative Fee at $15/GSF	$1,915,000	$7	$18	$6,345,000	$24	$60	$5,235,000	$20	$50

Appendix Table A-4
Conceptual Pro Forma: Low-Rise Office/ R&D
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 3A			Prototype 3B			Prototype 3C		
	Low-Rise Office/ R&D Edenvale			Low-Rise Office/ R&D North San Jose & Nearby			Low-Rise Office/ R&D South & East Growth		
Site Area	2.5 acres			2.5 acres			2.5 acres		
Floor Area Ratio (excl. Pkg)	0.6 FAR			0.6 FAR			0.6 FAR		
Gross Building Area (GSF)	65,000 sf			65,000 sf			65,000 sf		
Rentable Building Area (RSF)	61,750 sf		*95%*	61,750 sf		*95%*	61,750 sf		*95%*
Parking Ratio	3.2 /1,000 sf			3.2 /1,000 sf			3.2 /1,000 sf		
Parking Type	Surface Parking			Surface Parking			Surface Parking		
Base Rent	$33.00 /sf NNN			$36.00 /sf NNN			$33.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$2,037,800	$33	100%	$2,223,000	$36	100%	$2,037,800	$33	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($101,900)	($2)	-5%	($111,200)	($2)	-5%	($101,900)	($2)	-5%
Effective Gross Income	$1,935,900	$31	95%	$2,111,800	$34	95%	$1,935,900	$31	95%
(Less) OPEX	($32,600)	($1)	-2%	($35,600)	($1)	-2%	($32,600)	($1)	-2%
Net Operating Income	$1,903,300	$31	93%	$2,076,200	$34	93%	$1,903,300	$31	93%
Return on Cost		*6.7%*			*6.7%*			*6.7%*	
Supported Investment	$28,410,000	$460		$30,990,000	$502		$28,410,000	$460	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$16,900,000	$274	100%	$16,900,000	$274	100%	$16,900,000	$274	100%
Tenant Improvements	$3,396,300	$55	20%	$3,396,300	$55	20%	$3,396,300	$55	20%
A&E	$845,000	$14	5%	$845,000	$14	5%	$845,000	$14	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$603,600	$10	4%	$1,316,800	$21	8%	$904,000	$15	5%
Taxes/Ins./Legal/Accounting	$338,000	$5	2%	$338,000	$5	2%	$338,000	$5	2%
Leasing Commissions	$713,200	$12	4%	$778,100	$13	5%	$713,200	$12	4%
Overhead/Admin/Other	$676,000	$11	4%	$676,000	$11	4%	$676,000	$11	4%
Contingency	$845,000	$14	5%	$845,000	$14	5%	$845,000	$14	5%
Financing	$946,400	$15	6%	$1,032,400	$17	6%	$946,400	$15	6%
Total Costs excl. Land	$25,260,000	$409	149%	$26,130,000	$423	155%	$25,560,000	$414	151%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$3,150,000	$29	$51	$4,860,000	$45	$79	$2,850,000	$26	$46
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$2,825,000	$26	$46	$4,535,000	$42	$73	$2,525,000	$23	$41
Illustrative Fee at $10/GSF	$2,500,000	$23	$40	$4,210,000	$39	$68	$2,200,000	$20	$36
Illustrative Fee at $15/GSF	$2,175,000	$20	$35	$3,885,000	$36	$63	$1,875,000	$17	$30
Illustrative Fee at $20/GSF	$1,850,000	$17	$30	$3,560,000	$33	$58	$1,550,000	$14	$25
Illustrative Fee at $25/GSF	$1,525,000	$14	$25	$3,235,000	$30	$52	$1,225,000	$11	$20
Illustrative Fee at $30/GSF	$1,200,000	$11	$19	$2,910,000	$27	$47	$900,000	$8	$15

Appendix Table A-5
Conceptual Pro Forma: Mid-Rise Office/ R&D
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 4A			Prototype 4B			Prototype 5A		
	Mid-Rise Office/ R&D North San Jose & Nearby			Mid-Rise Office/ R&D West San Jose Urban Village			Mid-Rise Office/ R&D Downtown & Nearby		
Site Area	2.5 acres			2.5 acres			2.5 acres		
Floor Area Ratio (excl. Pkg)	1.8 FAR			1.8 FAR			4.0 FAR		
Gross Building Area (GSF)	195,000 sf			195,000 sf			435,000 sf		
Rentable Building Area (RSF)	185,250 sf		*95%*	185,250 sf		*95%*	413,250 sf		*95%*
Parking Ratio	3.00 /1,000 sf			3.00 /1,000 sf			1.90 /1,000 sf		
Parking Type	Parking Garage			Parking Garage			Podium w/ 1 Level Below Grade		
Base Rent	$49.00 /sf NNN			$53.00 /sf NNN			$60.00 /sf NNN		
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$9,077,300	$49	100%	$9,818,300	$53	100%	$24,795,000	$60	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($453,900)	($2)	-5%	($490,900)	($3)	-5%	($1,239,800)	($3)	-5%
Effective Gross Income	$8,623,400	$47	95%	$9,327,400	$50	95%	$23,555,200	$57	95%
(Less) OPEX	($145,200)	($1)	-2%	($157,100)	($1)	-2%	($396,700)	($1)	-2%
Net Operating Income	$8,478,200	$46	93%	$9,170,300	$50	93%	$23,158,500	$56	93%
Return on Cost		*6.5%*			*6.5%*			*7.0%*	
Supported Investment	$130,430,000	$704		$141,080,000	$762		$330,840,000	$801	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$85,382,100	$461	100%	$86,357,100	$466	100%	$190,672,500	$461	100%
Tenant Improvements	$11,115,000	$60	13%	$11,115,000	$60	13%	$30,993,800	$75	16%
A&E	$4,269,100	$23	5%	$4,317,900	$23	5%	$9,533,600	$23	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$4,694,700	$25	5%	$2,612,800	$14	3%	$7,358,800	$18	4%
Taxes/Ins./Legal/Accounting	$1,707,600	$9	2%	$1,727,100	$9	2%	$3,813,500	$9	2%
Leasing Commissions	$3,177,100	$17	4%	$3,436,400	$19	4%	$8,678,300	$21	5%
Overhead/Admin/Other	$3,415,300	$18	4%	$3,454,300	$19	4%	$7,626,900	$18	4%
Contingency	$4,269,100	$23	5%	$4,317,900	$23	5%	$9,533,600	$23	5%
Financing	$4,733,500	$26	6%	$5,120,000	$28	6%	$12,006,700	$29	6%
Total Costs excl. Land	$122,760,000	$663	144%	$122,460,000	$661	142%	$280,220,000	$678	147%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$7,670,000	$70	$41	$18,620,000	$171	$101	$50,620,000	$465	$122
Illustrative Fee Levels									
Illustrative Fee at $5/GSF	$6,695,000	$61	$36	$17,645,000	$162	$95	$48,445,000	$445	$117
Illustrative Fee at $10/GSF	$5,720,000	$53	$31	$16,670,000	$153	$90	$46,270,000	$425	$112
Illustrative Fee at $15/GSF	$4,745,000	$44	$26	$15,695,000	$144	$85	$44,095,000	$405	$107
Illustrative Fee at $20/GSF	$3,770,000	$35	$20	$14,720,000	$135	$79	$41,920,000	$385	$101
Illustrative Fee at $25/GSF	$2,795,000	$26	$15	$13,745,000	$126	$74	$39,745,000	$365	$96
Illustrative Fee at $30/GSF	$1,820,000	$17	$10	$12,770,000	$117	$69	$37,570,000	$345	$91

Appendix Table A-6
Conceptual Pro Forma: High-Rise Office
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 6A High-Rise Office Downtown & Nearby		
Site Area	2.5	acres	
Floor Area Ratio (excl. Pkg)	10.5	FAR	
Gross Building Area (GSF)	1,145,000	sf	
Rentable Building Area (RSF)	1,087,750	sf	*95%*
Parking Ratio	1.9	/1,000 sf	
Parking Type	Podium & Below Grade		
Base Rent	$66.00	/sf NNN	
Operating Income	Total	$/RSF	%Gross
Base Rent	$71,791,500	$66	100%
Parking Income	$0	$0	0%
(Less) Vacancy/Bad Debt	($3,589,600)	($3)	-5%
Effective Gross Income	$68,201,900	$63	95%
(Less) OPEX	($1,148,700)	($1)	-2%
Net Operating Income	$67,053,200	$62	93%
Return on Cost		*7.0%*	
Supported Investment	$957,900,000	$881	
Development Costs excl. Land	Total	$/RSF	%Direct
Directs, incl. Parking	$565,375,000	$520	100%
Tenant Improvements	$97,897,500	$90	17%
A&E	$28,268,800	$26	5%
Commercial Linkage Fee	$0	$0	0%
Other Fees & Permits	$19,369,800	$18	3%
Taxes/Ins./Legal/Accounting	$11,307,500	$10	2%
Leasing Commissions	$25,127,000	$23	4%
Overhead/Admin/Other	$22,615,000	$21	4%
Contingency	$28,268,800	$26	5%
Financing	$40,471,300	$37	7%
Total Costs excl. Land	$838,700,000	$771	148%
Residual Land Value	Total	$/Land SF	$/RSF
Base, Without Fee	$119,200,000	$1,095	$110
Illustrative Fee Levels			
Illustrative Fee at $5/GSF	$113,475,000	$1,042	$104
Illustrative Fee at $10/GSF	$107,750,000	$989	$99
Illustrative Fee at $15/GSF	$102,025,000	$937	$94
Illustrative Fee at $20/GSF	$96,300,000	$884	$89
Illustrative Fee at $25/GSF	$90,575,000	$832	$83
Illustrative Fee at $30/GSF	$84,850,000	$779	$78

Appendix Table A-7
Adjusted Fee Levels for High Tech Office Prototype
Commercial Linkage Feasibility Study
San Jose, CA

		Mid Rise Downtown	High Rise Downtown
High Tech Office Development Costs (Mid Rise)			
Cost / SF GBA, Excluding Land[1]		$1,320	$1,320
Tower Cost Premium[2]	14%	n/a	$185
Land Value / SF GBA		$100	$80
Total Cost / SF GBA		*$1,420*	*$1,585*
Building Value of Mid Rise Office Prototype[2]			
Net Operating Income / SF GBA		$53	$59
Capitalization Rate		5.25%	5.25%
Total Value / SF GBA		*$1,015*	*$1,115*
High Tech Office Premium vs Typical Building Value		**40%**	**42%**

Equivalent Linkage Fee Assuming Value Premium	Base Fee PSF	Equivalent Fee w/ Premium	Equivalent Fee w/ Premium
Illustrative Fee @	$10/SF	$14	$14
Illustrative Fee @	$15/SF	$21	$21
Illustrative Fee @	$20/SF	$28	$28
Illustrative Fee @	$25/SF	$35	$36
Illustrative Fee @	$30/SF	$42	$43

1 Appendix Table C-11
2 Based on cost differential between high rise and mid rise office prototypes.
3 Appendix Table A-5

Appendix Table A-8
Conceptual Pro Forma: Neighborhood Retail Center
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 7A			Prototype 7B			Prototype 7C			Prototype 7D		
	Neighborhood Retail Center Edenvale			Neighborhood Retail Center North San Jose & Nearby			Neighborhood Retail Center West San Jose Urban Village			Neighborhood Retail Center South & East Growth Area		
Site Area	6.0	acres		6.0	acres		6.0	acres		6.0	acres	
Floor Area Ratio (excl. Pkg)	0.25	FAR		0.25	FAR		0.25	FAR		0.25	FAR	
Gross Building Area (GSF)	65,000	sf		65,000	sf		65,000	sf		65,000	sf	
Rentable Building Area (RSF)	61,750	sf	*95%*	61,750	sf	*95%*	61,750	sf	*95%*	61,750	sf	*95%*
Parking Ratio	4.4	/1,000 sf		4.4	/1,000 sf		4.4	/1,000 sf		4.4	/1,000 sf	
Parking Type	Surface Parking			Surface Parking			Surface Parking			Surface Parking		
Base Rent												
Anchor	$25	/sf NNN	65%	$26	/sf NNN	65%	$30	/sf NNN	50%	$25	/sf NNN	65%
In Line	$60	/sf NNN	35%	$65	/sf NNN	35%	$72	/sf NNN	50%	$60	/sf NNN	35%
Wtd. Average	$37	/sf NNN	100%	$40	/sf NNN	100%	$51	/sf NNN	100%	$37	/sf NNN	100%
Operating Income	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross	Total	$/RSF	%Gross
Base Rent	$2,284,800	$37	100%	$2,470,000	$40	100%	$3,149,300	$51	100%	$2,284,800	$37	100%
Parking Income	$0	$0	0%	$0	$0	0%	$0	$0	0%	$0	$0	0%
(Less) Vacancy/Bad Debt	($114,200)	($2)	-5%	($123,500)	($2)	-5%	($157,500)	($3)	-5%	($114,200)	($2)	-5%
Effective Gross Income	$2,170,600	$35	95%	$2,346,500	$38	95%	$2,991,800	$48	95%	$2,170,600	$35	95%
(Less) OPEX	($27,800)	($0)	-1%	($30,000)	($0)	-1%	($38,300)	($1)	-1%	($27,800)	($0)	-1%
Net Operating Income	$2,142,800	$35	94%	$2,316,500	$38	94%	$2,953,500	$48	94%	$2,142,800	$35	94%
Return on Cost		*6.5%*			*6.5%*			*6.5%*			*6.5%*	
Supported Investment	$32,970,000	$534		$35,640,000	$577		$45,440,000	$736		$32,970,000	$534	
Development Costs excl. Land	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct	Total	$/RSF	%Direct
Directs, incl. Parking	$19,175,000	$311	100%	$19,175,000	$311	100%	$19,175,000	$311	100%	$19,175,000	$311	100%
Tenant Improvements	$3,705,000	$60	19%	$3,705,000	$60	19%	$3,705,000	$60	19%	$3,705,000	$60	19%
A&E	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%
Commercial Linkage Fee	$0	$0	0%	$0	$0	0%	$0	$0	0%	$0	$0	0%
Other Fees & Permits	$670,100	$11	3%	$863,500	$14	5%	$815,400	$13	4%	$1,210,200	$20	6%
Taxes/Ins./Legal/Accounting	$383,500	$6	2%	$383,500	$6	2%	$383,500	$6	2%	$383,500	$6	2%
Leasing Commissions	$799,700	$13	4%	$864,500	$14	5%	$1,102,300	$18	6%	$799,700	$13	4%
Overhead/Admin/Other	$767,000	$12	4%	$767,000	$12	4%	$767,000	$12	4%	$767,000	$12	4%
Contingency	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%	$958,800	$16	5%
Financing	$1,098,300	$18	6%	$1,187,300	$19	6%	$1,513,700	$25	8%	$1,098,300	$18	6%
Total Costs excl. Land	$28,520,000	$462	149%	$28,860,000	$467	151%	$29,380,000	$476	153%	$29,060,000	$471	152%
Residual Land Value	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF	Total	$/Land SF	$/RSF
Base, Without Fee	$4,450,000	$17	$72	$6,780,000	$26	$110	$16,060,000	$61	$260	$3,910,000	$15	$63
Illustrative Fee Levels												
Illustrative Fee at $5/GSF	$4,125,000	$16	$67	$6,455,000	$25	$105	$15,735,000	$60	$255	$3,585,000	$14	$58
Illustrative Fee at $10/GSF	$3,800,000	$15	$62	$6,130,000	$23	$99	$15,410,000	$59	$250	$3,260,000	$12	$53
Illustrative Fee at $15/GSF	$3,475,000	$13	$56	$5,805,000	$22	$94	$15,085,000	$58	$244	$2,935,000	$11	$48
Illustrative Fee at $20/GSF	$3,150,000	$12	$51	$5,480,000	$21	$89	$14,760,000	$56	$239	$2,610,000	$10	$42

Appendix Table A-9
Conceptual Pro Forma: Mid-Rise Hotel (Surface Parking)
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 8A			Prototype 8B		
	Mid-Rise Hotel (Surface Pkg.) Edenvale			Mid-Rise Hotel (Surface Pkg.) North San Jose & Nearby		
Site Area	2.5 acres			2.5 acres		
Floor Area Ratio (excl. Pkg)	1.0 FAR		*70 rm/ac*	1.0 FAR		*70 rm/ac*
Gross Building Area (GSF)	108,500 sf			108,500 sf		
Hotel Rooms	175 rooms		*620 sf/rm*	175 rooms		*620 sf/rm*
Parking Ratio	0.90 /room			0.90 /room		
Parking Type	Surface Parking			Surface Parking		
Average Room Rate	$225 /room			$250 /room		
Stabilized Occupancy	80%			80%		
Operating Income	Total	$/Room	%Gross	Total	$/Room	%Gross
Room Revenue	$11,497,500	$65,700	92%	$12,775,000	$73,000	92%
Food & Beverage	$663,700	$3,790	5%	$737,500	$4,210	5%
Other Revenues	$382,200	$2,180	3%	$424,700	$2,430	3%
(Less) OPEX	($7,619,000)	($43,540)	-61%	($8,465,600)	($48,370)	-61%
Net Operating Income	$4,924,400	$28,100	39%	$5,471,600	$31,300	39%
Return on Cost		*9.2%*			*8.8%*	
Supported Investment	$53,530,000	$305,900	$493	$62,180,000	$355,300	$573
Development Costs excl. Land	Total	$/Room	$/GSF	Total	$/Room	$/GSF
Directs, incl. Parking and FF&E	$38,342,500	$219,100	$353	$38,342,500	$219,100	$353
A&E	$1,917,100	$11,000	$18	$1,917,100	$11,000	$18
Commercial Linkage Fee	$0	$0	$0	$0	$0	$0
Other Fees & Permits	$1,277,500	$7,300	$12	$2,117,500	$12,100	$20
Taxes/Ins./Legal/Accounting	$575,100	$3,300	$5	$575,100	$3,300	$5
Working Capital	$728,500	$4,200	$7	$728,500	$4,200	$7
Overhead/Admin/Other	$1,533,700	$8,800	$14	$1,533,700	$8,800	$14
Contingency	$1,917,100	$11,000	$18	$1,917,100	$11,000	$18
Financing	$1,957,200	$11,200	$18	$2,273,500	$13,000	$21
Total Costs excl. Land	$48,250,000	$275,700	$445	$49,410,000	$282,300	$455
Residual Land Value	Total	$/Room	$/Land SF	Total	$/Room	$/Land SF
Base, Without Fee	$5,280,000	$30,200	$48	$12,770,000	$73,000	$117
Illustrative Fee Levels						
Illustrative Fee at $3,000/rm	$4,755,000	$27,200	$44	$12,245,000	$70,000	$112
Illustrative Fee at $6,000/rm	$4,230,000	$24,200	$39	$11,720,000	$67,000	$108
Illustrative Fee at $9,000/rm	$3,705,000	$21,200	$34	$11,195,000	$64,000	$103
Illustrative Fee at $12,000/rm	$3,180,000	$18,200	$29	$10,670,000	$61,000	$98

Appendix Table A-10
Conceptual Pro Forma: Mid-Rise Hotel (Structured Parking)
Commercial Linkage Feasibility Study
San Jose, CA

	Prototype 9A			Prototype 9B		
	Mid-Rise Hotel (Structured Pkg.) Downtown & Nearby			Mid-Rise Hotel (Structured Pkg.) West San Jose Urban Village		
Site Area	0.5	acres		0.5	acres	
Floor Area Ratio (excl. Pkg)	3.6	FAR	*270 rm/ac*	3.6	FAR	*270 rm/ac*
Gross Building Area (GSF)	78,300	sf		78,300	sf	
Hotel Rooms	135	rooms	*580 sf/rm*	135	rooms	*580 sf/rm*
Parking Ratio	0.7	/room		0.7	/room	
Parking Type	Below Grade			Below Grade		
Average Room Rate	$270	/room		$265	/room	
Stabilized Occupancy	80%			80%		
Operating Income	Total	$/Room	%Gross	Total	$/Room	%Gross
Room Revenue	$10,643,400	$78,840	92%	$10,446,300	$77,380	92%
Food & Beverage	$614,400	$4,550	5%	$603,000	$4,470	5%
Other Revenues	$353,800	$2,620	3%	$347,300	$2,570	3%
(Less) OPEX	($7,053,000)	($52,240)	-61%	($6,922,400)	($51,280)	-61%
Net Operating Income	$4,558,600	$33,800	39%	$4,474,200	$33,100	39%
Return on Cost		*8.8%*			*8.8%*	
Supported Investment	$51,800,000	$383,700	$662	$50,840,000	$376,600	$649
Development Costs excl. Land	Total	$/Room	$/GSF	Total	$/Room	$/GSF
Directs, incl. Parking and FF&E	$37,546,000	$278,100	$480	$37,546,000	$278,100	$480
A&E	$1,877,300	$13,900	$24	$1,877,300	$13,900	$24
Commercial Linkage Fee	$0	$0	$0	$0	$0	$0
Other Fees & Permits	$1,363,500	$10,100	$17	$1,120,500	$8,300	$14
Taxes/Ins./Legal/Accounting	$563,200	$4,200	$7	$563,200	$4,200	$7
Working Capital	$713,400	$5,300	$9	$713,400	$5,300	$9
Overhead/Admin/Other	$1,501,800	$11,100	$19	$1,501,800	$11,100	$19
Contingency	$1,877,300	$13,900	$24	$1,877,300	$13,900	$24
Financing	$1,893,900	$14,000	$24	$1,858,800	$13,800	$24
Total Costs excl. Land	$47,340,000	$350,700	$605	$47,060,000	$348,600	$601
Residual Land Value	Total	$/Room	$/Land SF	Total	$/Room	$/Land SF
Base, Without Fee	$4,460,000	$33,000	$205	$3,780,000	$28,000	$174
Illustrative Fee Levels						
Illustrative Fee at $3,000/rm	$4,055,000	$30,000	$186	$3,375,000	$25,000	$155
Illustrative Fee at $6,000/rm	$3,650,000	$27,000	$168	$2,970,000	$22,000	$136
Illustrative Fee at $9,000/rm	$3,245,000	$24,000	$149	$2,565,000	$19,000	$118
Illustrative Fee at $12,000/rm	$2,840,000	$21,000	$130	$2,160,000	$16,000	$99

Appendix Table A-11
Fee Assumptions
Commercial Linkage Feasibility Study
San Jose, CA

	WH/ Industrial	Office/ R&D	Retail	Hotel
1. Citywide Fees and Taxes				
a) Construction Tax				
Building & Structure (B&S)	1.000% BPV	1.500% BPV	1.500% BPV	1.500% BPV
Commercial, Residential, Mobile Home (CRMP)	0.00% BPV	0.50% BPV	3.00% BPV	3.00% BPV
Construction Tax	$0.08 /gsf	$0.08 /gsf	$0.08 /gsf	$0.08 /gsf
Strong Motion Instrumentation (SMIPA)	0.028% BPV	0.028% BPV	0.028% BPV	0.028% BPV
Building Standards Administration (BSARSF)	0.004% BPV	0.004% BPV	0.004% BPV	0.004% BPV
b) Utility Fees				
Sanitary Sewer				
Base, Up to 10 Acres	$1,991 /acre	$1,991 /acre	$1,991 /acre	$1,991 /acre
> 7 Living Units Equivalent Per Acre	$194 /LUE	$194 /LUE	$194 /LUE	$194 /LUE
Living Units Equivalent Factor	2,500 /gsf	2,000 /gsf	2,000 /gsf	0.8 /room
Storm Drainage Fees	$1,815 /acre	$1,815 /acre	$1,815 /acre	$1,815 /acre
Sewage Treatment Plant Connection (STP)	$0.59 /gsf	$0.55 /gsf	$0.75 /gsf	$630 /room
Municipal Water (SJWC)				
Area & Frontage Fee	$0.13 /gsf	$0.13 /gsf	$0.13 /gsf	$80 /room
Engineering & Inspection	$0.01 /gsf	$0.01 /gsf	$0.01 /gsf	$5 /room
Water Meter Fee	$0.02 /gsf	$0.02 /gsf	$0.02 /gsf	$10 /room
c) Planning and Building Service Fees	$2.25 /gsf	$1.54 /gsf	$4.00 /gsf	$1,600 /room
2. Area-Specific Impact Fees				
a) Diridon Station Area Impact Fee	$0.00 /gsf	$5.95 /gsf	$3.98 /gsf	$5.44 /gsf
b) Traffic Impact Fees				
North San Jose Traffic Impact Fee	$16.45 /gsf	$16.45 /gsf	$0.00 /gsf	$4,838 /room
Evergreen-East Hills Traffic Impact Fee	$0.00 /gsf	$14.22 /gsf	$14.22 /gsf	$0.00 /gsf
Interstate 280/ Winchester				
Fee Per PM Peak Hour Trip	$26,877 /trip	$26,877 /trip	$26,877 /trip	$26,877 /trip
PM Trip Generation (net of pass-by credits)	0.80 /1,000sf	1.54 /1,000sf	2.77 /1,000sf	0.81 /room
% of PM Trips Using Off-Ramp (assumed)	10% of trips	10% of trips	10% of trips	10% of trips
Effective Fee	$2.15 /gsf	$4.14 /gsf	$7.45 /gsf	$2,177 /room
US-101/Oakland/Mabury				
Fee Per PM Peak Hour Trip	$38,623 /trip	$38,623 /trip	$38,623 /trip	$38,623 /trip
PM Trip Generation (net of pass-by credits)	0.80 /1,000sf	1.54 /1,000sf	2.77 /1,000sf	0.81 /room
% of PM Trips Using Interchange (assumed)	10% of trips	10% of trips	10% of trips	10% of trips
Industrial Trip Credit %	-30% credit	0% credit	0% credit	0% credit
Effective Fee	$2.16 /gsf	$5.95 /gsf	$10.71 /gsf	$3,128 /room
Areas without Impact Fee				
Street-related in-lieu fees	$0.00 /gsf	$3.15 /gsf	$0.00 /gsf	$40 /room
c) Municipal Water				
Major Facility (No San Jose)	$0.30 /gsf	$0.30 /gsf	$0.30 /gsf	$370 /room
3. School District Fees				
Maximum Level 1 Commercial Fee	$0.61 /gsf	$0.61 /gsf	$0.61 /gsf	$0.61 /gsf

Source: City of San Jose Municipal Code, KMA review of permit applications
Note: Fee assumptions do not include off-site improvements or CEQA mitigations.

Appendix Table A-12
Apportionment of Area-Specific Impact Fees by Sub-Area
Commercial Linkage Feasibility Study
San Jose, CA

Sub-Area	Major Water Facility	Diridon Fee	Traffic Impact Fees				
	North San Jose		North San Jose	Evergreen	280/ Winchester	101 / Mabury	Other Areas[1]
Downtown and Nearby	0%	50%	0%	0%	0%	30%	70%
Edenvale	0%	0%	0%	0%	0%	0%	100%
North San Jose and Nearby	100%	0%	75%	0%	0%	25%	0%
West San Jose Urban Village	0%	0%	0%	0%	30%	0%	70%
Monterey Corridor	0%	0%	0%	0%	0%	0%	100%
South & East SJ Growth Area	0%	0%	0%	33%	0%	33%	33%

[1] For certain land uses KMA includes an allowance for in-lieu fees to address intersection impacts in areas without a traffic impact fee.

Appendix B: Industrial Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table B-1
Industrial Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Est. FAR	$/FAR	Notes
Edenvale							
455 Piercy Rd	390,733	2019	$2.0M	$5			Industrial Park
448 Piercy Rd	405,500	2016	$6.3M	$16	0.41	$38	WH/ Distrib.
4230 1/2 Monterey Hwy	23,496	2019	$0.9M	$36			Auto Repair
5941 Monterey Rd	485,258	2016	$12.1M	$25	0.80	$31	Data Center
Average [1]				*$16*	*0.62*	*$33*	
Monterey Corridor							
2829 Monterey Hwy (Industrial)	199,505	2019	$6.3M	$32	0.40	$79	Heavy Industrial
Senter Rd & Alma Ave	225,205	2017	$4.5M	$20			Heavy Industrial
2829 Monterey Hwy (Storage)	122,839	2018	$4.2M	$34	1.06	$32	Self-Storage
639 Quinn Ave	162,914	2017	$5.3M	$32			Light Industrial
291 San Jose Ave	11,234	2016	$0.6M	$49	0.62	$79	Contractor Yard
Average [1]				*$29*	0.65	*$51*	
North San Jose & Nearby							
1080-1090 Oakland Rd	54,711	2018	$2.9M	$53			Heavy Industrial
1055 Commercial Ct	391,789	2019	$18.0M	$46			WH/ Distrib.
1336-1420 Old Bayshore Hwy	138,781	2019	$4.2M	$30	0.49	$61	WH/ Distrib.
1605 Industrial Ave	445,619	2018	$21.0M	$47	0.41	$116	WH/ Distrib.
2059-2063 Oakland Rd	208,652	2017	$5.3M	$25	0.41	$62	WH/ Distrib.
Midpoint @ 237 Office	937,847	2016	$26.2M	$28	0.44	$63	Adv. Mfg.
Microsoft Data Center	2,809,620	2017	$73.2M	$26	0.43	$61	Data Center
Average [1]				*$30*	0.43	$67	
S&E Growth							
3761 Yerba Buena Rd	70,132	2017	$1.4M	$20			Industrial Park
Coyote Valley							
Santa Teresa/ Blanchard	1,310,284	2016	$4.3M	$3	0.39	$8	WH/ Distrib.
All Other							
970 McLaughlin Ave (Central)	466,092	2019	$15.2M	$33	0.48	$68	WH/ Distrib.
2905 S King Rd (Evergreen)	209,523	2017	$6.6M	$32			Light Industrial

Source: Costar
[1] Averages for FAR and land price per square foot of floor area exclude transactions with missing data.

Appendix Table B-2
Industrial Asking Rents (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Total RBA	Available SF	Asking Rent/Type	Notes
North San Jose					
Venture Commerce Center	2005	22,464	3,120	$19/sf /nnn	Industrial/Flex
1605 Industrial Ave	2020	179,600	179,600	$16/sf /nnn	WH/Distrib.
2528 Qume Drive	2006	72,958	5,481	$20/sf /ig	Industrial/R&D

Source: Costar, Loopnet

Appendix Table B-3
Industrial Lease Comparables (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
Edenvale					
Silicon Valley Industrial Center	2018	2019	90,229	$10 /nnn(est)	Warehouse
Hellyer Commons	2006	2019	6,093	$18 /nnn(est)	Flex

Source: Costar

Appendix Table B-4
Industrial Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose							
Google (5079-93 Disk Dr)	2016	563,211	2018	$117.3M	$208		
929 Berryessa Rd	2002	5,578	2016	$1.3M	$230		
1020 Rock Ave	1999	22,062	2018	$5.2M	$236		
1020 Rock Ave	1999	22,062	2017	$2.8M	$127		
2090 Fortune Dr	1996	71,750	2019	$14.0M	$195		
2371-2373 Paragon Dr	1986	29,014	2016	$3.4M	$116		
1710 Ringwood Ave	1984	20,130	2016	$3.2M	$156		
2222 Trade Zone Blvd	1983	29,000	2019	$7.8M	$268		
3010-3040 N 1st St	1983	54,180	2017	$8.4M	$155		
1039-1043 Commercial St	1982	25,992	2017	$3.9M	$149		
1849 Fortune Dr	1982	55,189	2017	$4.5M	$82		
1462 Seareel Ln	1982	10,633	2016	$2.2M	$210		
1454 Seareel Pl	1982	7,470	2016	$1.0M	$131		
1371 Oakland Rd	1980	15,124	2017	$3.5M	$231		
1310-1330 N 4th St	1980	14,000	2017	$3.3M	$232		
1466 Seareel Ln	1980	12,140	2016	$2.7M	$222		
Ringwood Ave/ Fortune Drive	1980	100,638	2016	$16.6M	$165	5.0%	
2373 Oakland Rd	1980	13,588	2016	$3.7M	$269		
910-912 Rincon Cir	1980	9,744	2016	$2.0M	$206		
Fortune Dr and Qume Dr	1980	71,600	2016	$8.2M	$115		
Edenvale							
500 Piercy Rd	2017	162,066	2019	$39.2M	$242		Portfolio
6212 Hellyer Ave	2017	111,043	2019	$26.7M	$240		
6212 Hellyer Ave	2017	111,043	2017	$16.8M	$151		
5900 Optical Ct	2002	191,276	2017	$61.0M	$319		
Monterey Business Corridor							
1268-1286 Alma Ct	1981	5,886	2016	$1.3M	$212		
260 Phelan Ave	1980	27,000	2018	$3.4M	$126		
South & East Growth							
662 Giguere Ct	1991	17,027	2019	$3.5M	$206		
Lion Business Park	1990	146,598	2017	$16.2M	$110		
Other - Central & West							
900-912 Olinder Ct	1980	58,516	2018	$11.3M	$193	6.8%	
900-912 Olinder Ct	1980	58,516	2017	$9.3M	$159		
254-258 Kinney Dr	1980	7,200	2017	$2.0M	$278	4.9%	
1130-1170 Olinder Ct	1980	64,595	2016	$18.7M	$290	5.8%	
1202 Campbell Ave	1980	34,164	2016	$7.7M	$224		
Other- South & East							
1290 Tully Rd	1986	23,758	2016	$7.5M	$316	5.4%	
1290 Tully Rd	1986	23,758	2016	$3.0M	$128	6.5%	
165 Lewis Rd	1983	7,800	2019	$1.5M	$192		

Source: Costar

Appendix Table B-5
Flex Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose							*1/2*
1756-68 Automation Pky	2000	260,228	2016	$38.0M	$146	7.5%	
1720-1722 Ringwood Ave	2000	28,176	2016	$5.5M	$195		
2100 Gold St	1999	70,755	2018	$21.2M	$299		
Novellus campus bldgs	1980-99	531,499	2016	$82.0M	$154		
2660 -2700 Zanker Rd	1998	222,064	2018	$53.4M	$241	5.9%	
110 Baytech Dr	1997	57,976	2019	$14.0M	$241		
3200 N 1st St	1997	85,017	2018	$30.2M	$355	6.0%	
Cisco (Tasman)	1997	317,612	2018	$50.0M	$157		
1704 Automation Pky	1997	84,208	2017	$21.5M	$255	6.8%	
Alviso Tech Park	1997	189,755	2017	$35.5M	$187	7.0%	
2300 Orchard Pky	1997	116,381	2017	$47.5M	$408		
Baytech Bus. Park	1997	474,004	2017	$175.2M	$370		
110-180 W Tasman Dr	1994	426,170	2018	$174.0M	$408		
190-230 W Tasman Dr	1994	287,371	2016	$122.0M	$425		
3860 N 1st St	1991	101,582	2017	$21.2M	$208		
160 E Tasman Dr	1990	112,232	2018	$41.5M	$370		
2825 N 1st St	1989	51,758	2019	$16.3M	$315		
1110-20 Ringwood	1987	78,592	2018	$11.7M	$149		
Ridder Tech Park	1986	238,342	2019	$54.0M	$227		
2355-65 Paragon Dr	1986	64,719	2016	$11.1M	$171		
145 Baytech Dr	1986	54,851	2016	$7.5M	$137		
Rose Orchard	1985	314,455	2019	$128.2M	$408		
2125 O'Nel Dr	1985	110,669	2018	$24.2M	$218		
3775 N 1st St	1985	67,733	2018	$19.0M	$281		
1510-1530 Old Oakland Rd	1985	55,901	2018	$12.0M	$215		
1130 Ringwood Ct	1985	58,760	2018	$9.8M	$167	6.1%	
91 E Tasman Dr	1985	84,049	2016	$23.4M	$279		
401-431 Charcot Ave	1985	56,610	2016	$10.0M	$177		
175 Nortech Pky	1984	47,860	2019	$8.2M	$171		
1996 Lundy Ave	1984	19,201	2018	$5.2M	$271		
2610-30 Orchard Pky	1984	121,520	2018	$41.7M	$343	6.1%	
1525-1531 Atteberry Ln	1984	48,970	2018	$9.2M	$188		
2188 Del Franco St	1984	26,398	2018	$5.9M	$224		
2240 Ringwood Ave	1984	82,500	2017	$10.5M	$127		
Rio Robles Tech Park	1984	289,310	2016	$72.5M	$251		
2216-2220 O'Toole Ave	1984	52,825	2016	$8.7M	$165		
350 E Plumeria Dr	1984	142,700	2016	$44.0M	$308	6.5%	
1953-1965 Concourse Dr	1984	110,132	2016	$14.7M	$133	7.0%	
2302 Zanker Rd	1983	54,444	2018	$10.1M	$186		
2304-2306 Zanker Rd	1983	38,898	2018	$8.1M	$208		
2581 Junction Ave	1983	92,864	2018	$32.0M	$345	5.9%	
408 E Plumeria Dr	1983	58,289	2018	$26.5M	$455	5.2%	
N 1st/ Daggett	1983	190,576	2017	$51.6M	$271		
2127-2135 Ringwood Ave	1983	72,224	2017	$11.0M	$153		
2195 Fortune Dr	1983	34,621	2016	$7.5M	$215		
2581 Junction Ave	1983	92,864	2016	$16.0M	$172		
2730-2760 Junction Ave	1982	90,467	2018	$26.3M	$290		

Appendix Table B-5
Flex Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose, cont.							*2/2*
2904 Orchard Pky	1982	78,979	2018	$27.0M	$342	8.5%	
611-697 River Oaks Parkway	1982	264,825	2017	$90.0M	$340		
1980-1998 Concourse Dr	1982	85,572	2016	$10.7M	$125		
Orchard Park	1981	121,520	2017	$41.7M	$343		
NSJ Business Park	1980	230,521	2018	$55.3M	$240		
215-217 Devcon Dr	1980	51,392	2016	$9.1M	$178		
1353 Oakland Rd	1980	15,728	2016	$3.3M	$207		
Edenvale							
6070 Hellyer Ave	2006	6,093	2018	$1.8M	$287		
5750-5784 Hellyer Ave	2001	73,300	2019	$17.5M	$239	5.4%	
19 Great Oaks Blvd	2001	27,473	2019	$7.5M	$273		
5901 Optical Ct	2001	67,701	2019	$10.7M	$158		
San Ignacio/ Villa del Oro	2001	349,397	2018	$53.2M	$152		
845-855 Embedded Way	2001	67,912	2018	$12.5M	$184		
5750-5784 Hellyer Ave	2001	73,300	2018	$9.4M	$128	9.0%	
Optical Tech Park	2001	513,273	2017	$81.0M	$158	7.0%	
5921 Optical Ct	2001	67,703	2017	$9.2M	$136		
Silver Creek Business Park	2000	295,105	2018	$31.3M	$106		County
5350 Hellyer Ave	2000	100,000	2019	$26.3M	$263	7.0%	
5500-5550 Hellyer Ave	2000	196,534	2018	$35.3M	$180	8.0%	
5390-5400 Hellyer Ave	2000	77,184	2017	$12.0M	$155		
5830-5870 Hellyer Ave	1998	109,718	2019	$19.9M	$181	7.6%	
5830-5870 Hellyer Ave	1998	109,718	2018	$15.7M	$143		
6680 Via Del Oro	1998	18,000	2017	$4.2M	$233		
5853 & 5863 Rue Ferrari	1992	287,890	2019	$30.8M	$107		
5883 Rue Ferrari	1985	95,860	2017	$17.1M	$178	6.3%	
6580 Via Del Oro	1984	80,158	2017	$14.0M	$175		
Hellyer Oaks Technology Pk	1984	353,815	2017	$36.2M	$102		
5521 Hellyer Ave	1984	203,807	2016	$23.4M	$115		
30-32 Great Oaks Blvd	1983	181,736	2018	$28.5M	$157	6.9%	
6320-6340 San Ignacio Ave	1982	162,554	2018	$12.2M	$75		
6835 Via Del Oro	1980	99,576	2016	$10.2M	$103		
Monterey Corridor							
198 Stauffer Blvd	2001	20,049	2017	$4.7M	$232		
2149-61 O'Toole Ave	1984	124,624	2016	$36.7M	$294	5.0%	
South & East Growth							
3403 Yerba Buena Rd	1992	416,008	2017	$20.0M	$48		
2230 Quimby Rd	1984	14,000	2017	$2.8M	$202		
Downtown							
70-80 N 27th St	1998	21,244	2018	$6.6M	$311		
Other - South and East							
Tully Business Center	1986	143,913	2016	$27.1M	$188	6.5%	

Source: Costar

Appendix Table B-6
Industrial Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Edenvale							
85 Great Oaks Blvd	1984	18,620	2016	$2.9M	$156		Condo
North San Jose							
527 Charcot Ave	2012	4,730	2017	$1.2M	$262		Condo
527 Charcot Ave	2012	2,512	2016	$0.6M	$225		Condo
527 Charcot Ave	2012	2,268	2016	$0.6M	$245		Condo
2526 Qume Dr	2006	5,472	2019	$2.0M	$365		Condo
2526 Qume Dr	2006	5,472	2016	$1.0M	$183		Condo
921 Berryessa Rd	2002	5,578	2018	$1.6M	$278		Condo
2272-2292 Trade Zone Blvd	1983	3,718	2016	$0.8M	$204		Condo
South & East Growth							
1901 Las Plumas Ave	1984	7,871	2019	$2.8M	$349		Condo
1901 Las Plumas Ave	1984	15,565	2019	$3.9M	$249		Condo
1901 Las Plumas Ave	1984	7,865	2018	$1.2M	$156		Condo
1901 Las Plumas Ave	1984	15,565	2018	$2.5M	$161		Condo
Other- South & East							
1845-1851 Little Orchard St	1987	3,344	2017	$1.0M	$287		Condo
1853-1859 Little Orchard St	1987	2,604	2016	$0.5M	$196		Condo
2814 Aiello Dr	1985	2,365	2018	$0.7M	$297		Condo
2828 Aiello Dr	1985	2,621	2016	$0.5M	$196		Condo
414 Umbarger Rd	1984	4,485	2019	$1.1M	$243		Condo
414 Umbarger Rd	1984	4,126	2019	$0.9M	$218		Condo
1691 Villa Stone Rd	1984	10,152	2018	$2.5M	$241		Condo
404 Umbarger Rd	1984	7,256	2016	$1.4M	$196		Condo
414 Umbarger Rd	1984	4,500	2016	$0.9M	$192		Condo
1830-1836 Stone Ave	1980	3,830	2019	$1.2M	$325		Condo
1830-1836 Stone Ave	1980	3,592	2018	$1.2M	$328		Condo
1830-1836 Stone Ave	1980	3,592	2017	$1.0M	$281		Condo
1838-1848 Stone Ave	1980	2,888	2016	$0.7M	$234		Condo

Source: Costar

Appendix Table B-7
Flex Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Edenvale							
320-322 Piercy Rd	2006	7,704	2018	$2.0M	$265		Condo
310-312 Piercy Rd	2006	6,134	2017	$1.9M	$310		Condo
351-363 Piercy Rd	2005	2,811	2016	$0.9M	$306		Condo
North San Jose							
527 Charcot Ave	2012	2,337	2017	$0.6M	$245		Condo
527 Charcot Ave	2012	2,319	2017	$0.6M	$257		Condo
527 Charcot Ave	2012	2,489	2016	$0.6M	$225		Condo
521 Charcot Ave	2008	1,587	2018	$0.6M	$347		Condo
521 Charcot Ave	2008	1,397	2017	$0.4M	$314		Condo
521 Charcot Ave	2008	2,511	2017	$0.6M	$245		Condo
521 Charcot Ave	2008	1,572	2017	$0.6M	$350		Condo
521 Charcot Ave	2008	832	2016	$0.2M	$279		Condo
521 Charcot Ave	2008	823	2016	$0.2M	$283		Condo
521 Charcot Ave	2008	822	2016	$0.2M	$275		Condo
521 Charcot Ave	2008	1,397	2016	$0.4M	$314		Condo
521 Charcot Ave	2008	7,203	2016	$1.8M	$250		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
521 Charcot Ave	2008	2,455	1900	$0.9M	$361		Condo
2528 Qume Dr	2006	4,905	2018	$1.6M	$317		Condo
2200-2228 Ringwood Ave	2005	3,120	2016	$0.9M	$288		Condo
2200-2228 Ringwood Ave	2005	3,156	2016	$0.9M	$280		Condo
1161 Ringwood Ct	2004	1,699	2019	$0.6M	$350		Condo
2130-2162 Ringwood Ave	2004	3,468	2019	$1.0M	$288		Condo
1141 Ringwood Ct	2004	1,702	2018	$0.6M	$347		Condo
1141 Ringwood Ct	2004	1,702	2018	$0.6M	$347		Condo
1925-1949 Concourse Dr	2004	1,446	2017	$0.5M	$346		Condo
1161 Ringwood Ct	2004	1,578	2017	$0.5M	$304		Condo
1151 Ringwood Ct	2004	3,269	2017	$1.0M	$302		Condo
1151 Ringwood Ct	2004	3,503	2016	$0.9M	$246		Condo
1863-1885 Concourse Dr	2004	3,470	2016	$1.0M	$274		Condo
1141 Ringwood Ct	2004	1,580	2016	$0.4M	$244		Condo
238-256 E Gish Rd	1998	2,600	2018	$0.8M	$308		Condo
1912-1950 Otoole Way	1984	2,880	2019	$0.9M	$309		Condo
1901-1933 O'Toole Way	1984	2,928	2019	$0.9M	$302		Condo
1912-1950 Otoole Way	1984	2,880	2018	$0.8M	$281		Condo
1912-1950 Otoole Way	1984	2,880	2017	$0.7M	$233		Condo
1901-1933 O'Toole Way	1984	2,448	2016	$0.6M	$225		Condo
2050 Concourse Dr	1983	1,939	2017	$0.6M	$297		Condo
2050 Concourse Dr	1983	1,057	2017	$0.4M	$355		Condo
2260-2268 Trade Zone Blvd	1982	3,843	2019	$1.1M	$281		Condo
2260-2268 Trade Zone Blvd	1982	3,843	2019	$1.1M	$281		Condo
2235-2243 Ringwood Ave	1981	4,613	2016	$0.8M	$179		Condo
Other - South & East							
175 Lewis Rd	1987	6,868	2016	$1.2M	$169		Condo

Source: Costar

Appendix Table B-8
Industrial Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share of Deliveries
	Inventory		Deliveries		Inventory		Deliveries		
	Bldgs	SF	Bldgs	SF	Bldgs	SF	Bldgs	SF	
YTD	1,730	42.34M	1	2,477	3,644	88.36M	5	550,592	0%
2018	1,729	42.33M	1	155,909	3,649	87.96M	5	653,112	24%
2017	1,728	42.18M	5	859,294	3,655	87.58M	7	896,091	96%
2016	1,723	41.32M	3	480,251	3,662	88.09M	3	480,251	100%
2015	1,720	40.84M	0	0	3,679	88.39M	0	0	
2014	1,720	40.84M	0	0	3,700	88.95M	0	0	
2013	1,720	40.84M	0	0	3,739	89.88M	1	3,000	0%
2012	1,720	40.84M	1	32,330	3,779	90.87M	1	32,330	100%
2011	1,719	40.81M	0	0	3,830	93.09M	0	0	
2010	1,719	40.81M	3	302,866	3,881	94.85M	3	302,866	100%
2009	1,716	40.50M	0	0	3,903	95.25M	2	11,908	0%
2008	1,716	40.50M	0	0	3,924	96.58M	7	101,915	0%
2007	1,716	40.50M	0	0	3,929	97.01M	1	6,310	0%
2006	1,716	40.50M	1	80,000	3,937	97.55M	7	162,178	49%

Source: Costar

Appendix Table B-9
Average Industrial/ Warehouse Market Conditions by Subarea
Commercial Linkage Feasibility Study
San Jose, CA

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
	Inventory SF	Direct Vacancy %	Direct Rent (NNN)	Inventory SF	Direct Vacancy %	Direct Rent (NNN)
Downtown and Vicinity	5,384,635	1%	$17	19,866	0%	-
Edenvale	2,629,033	3%	$15	1,131,185	6%	$10
North San Jose	23,558,465	5%	$15	2,286,526	28%	$10
West San Jose Urban Village	23,638	0%	-	0	0%	-
Monterey Corridor	9,084,852	3%	$11	552,645	0%	-
South & East SJ Growth Area	15,305,263	2%	$12	260,906	2%	-
Citywide	42,336,571	3%	$14	2,877,787	22%	$10

Source: Costar

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

Appendix C: Office Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table C-1
Office Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Est. FAR	$/FAR	Notes
Downtown & Nearby							
200 Park Ave	66,647	2019	$100.0M	$1,500	13.1	$114	High-Rise
Valley Title (300 S 1st St)	122,839	2018	$61.5M	$501	9.8	$51	High-Rise
CityView Plaza	300,564	2018	$283.5M	$943	11.3	$83	High-Rise
333 W San Fernando St	108,900	2018	$68.0M	$624	6.4	$97	High-Rise (HT)
95 S. Almaden Ave	43,560	2019	$36.7M	$841			High-Rise
Platform 16 (2020 Option)	235,224	2019/20	$134.8M	$573	4.2	$137	Mid-Rise
26-30 S 1st St	13,068	2019	$6.9M	$528	6.7	$79	Mid-Rise
Google (City Props.)	462,769	2018	$111.5M	$241			High-Tech
Google (Private Props.)	1,138,658	2019	$223.4M	$196			High-Tech
Google (Pacific Bell Bldg.)	226,512	2016	$55.0M	$243			High-Tech
Fntn Alley Pkg. (35 S 2nd St)	54,450	2018	$25.7M	$472			TBD
409-425 S 2nd St	33,000	2019	$15.0M	$455			TBD
Average of All Sales [1]				*$400*	*8.6*	*$90*	
Only High Rise [1]				$855	*10.3*	*$83*	
North San Jose & Nearby							
@First Ph2 (140 Holger Way)	175,547	2017	$7.1M	$40	2.4	$17	Mid-Rise
Coleman Highline (2nd Ph)	880,500	2018	$34.0M	$39	0.8	$51	Mid-Rise
Coleman Highline (Expansion)	553,212	2018	$24.8M	$45	0.8	$60	Mid-Rise
Cloud 10	230,432	2015	$10.5M	$46	1.5	$30	Mid-Rise
Hynix (Montague Expy)	487,436	2018	$31.0M	$64			TBD
Average [1]				*$46*	*1.1*	*$41*	
Edenvale							
Santa Clara Cty (Hellyer)	345,126	2018	$7.0M	$20			Public
West San Jose UV							
4300-4400 Stevens Creek	402,059	2016	$53.0M	$132	1.2	$114	Mid-Rise/ MU
Former Dick's Supermarket	274,864	2018	$37.3M	$136	2.7	$50	Mid-Rise/ MU
335 S Winchester Blvd	31,012	2016	$10.0M	$322	3.1	$105	Mid-Rise
Average [1]				*$142*	*1.8*	*$77*	

Source: Costar
[1] Averages for FAR and land price per square foot of floor area exclude transactions with missing data.

Appendix Table C-2
Office Asking Rents of Properties Built 2005-
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Total RBA	Available SF	Asking Rent/Type	Notes
Edenvale					
Hellyer Commons	2006	5,104	5,104	$13/sf /nnn	Medical
Downtown & Nearby					
1140 S 2nd St	2019	8,988	1,028	$24/sf /nnn	Medical
North & Nearby					
2755 Orchard Pky	2018	36,383	36,383	$33/sf /nnn	Low-Rise
Other - South & East					
4205 San Felipe Rd	2010	20,140	640	$39/sf /nnn	LR Medical
The Plant	2008	9,540	8,020	$33/sf /nnn	Low-Rise
Tegra San Jose Medical Office	2007	122,125	1,700	$39/sf /nnn	Medical
West Tully Center	2006	20,000	1,250	$32/sf /nnn	Medical
Other- West & Central					
Town Square at Willow Glen	2012	41,000	236	$61/sf /fsg	Mid-Rise

Source: Costar

Appendix Table C-3
Office Asking Rents of Planned, Proposed, and Under Construction Projects
Commercial Linkage Feasibility Study
San Jose, CA

Site	Status	Total RBA	Available SF	Estimated Rent/Type	Type
North San Jose & Nearby					
America Center Phase II & III	UC	660,123	415,877	$44 /sf nnn	Mid-Rise
237 @ First	UC	430,458	430,458	$40 /sf nnn	Mid-Rise
I3@North First (Fmr Midpoint@237)	UC	415,000	415,000	$35 /sf nnn	Low-/Mid-Rise
Station On North First	Entitled	1,560,000	1,560,000	$47 /sf nnn	Mid-Rise
Coleman Highline	Entitled	1,373,000	1,221,970	$47 /sf nnn	Mid-Rise
@ First Phase II	Entitled	249,814	249,814	$41 /sf nnn	Mid-Rise
Bay 101 Technology Place	Entitled	245,000	245,000	$51 /sf nnn	Mid-Rise
Downtown & Nearby					
Museum Place	Planned	850,000	850,000	$51 /sf nnn	High-Rise
200 Park Ave	UC	875,000	875,000	$71 /sf nnn	High-Rise
West San Jose UV					
Santana West One & Two	UC	700,000	700,000	$56-$59 /sf nnn	Mid-Rise
Gateway Station [WG]	Planned	200,056	200,056	$47 /sf nnn	Mid-Rise

Source: Colliers February 2019 Pipeline Report, Loopnet, Commercial Café

Appendix Table C-5
Office Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Downtown & Nearby							*1/2*
300 Park Ave	2009	321,618	2017	$146.8M	$456		
151 S Almaden Blvd	2003	266,985	2017	$103.6M	$388		High-Tech
450 W Santa Clara St	2000	22,000	2017	$11.0M	$500		
303 Almaden Blvd	1994	162,800	2017	$80.2M	$492		
50 W San Fernando St	1988	356,247	2019	$238.0M	$668		
160 W Santa Clara St	1988	212,181	2018	$101.5M	$478	5.2%	
333 W San Carlos St	1987	304,597	2017	$136.7M	$449		
60 S Market St	1986	234,439	2016	$87.6M	$374	5.8%	
CityView Plaza	1974-85	580,871	2018	$274.8M	$473		
425 E Santa Clara St	1985	9,031	2018	$2.7M	$301		
152 N 3rd St	1985	127,346	2018	$40.0M	$314		
Edenvale							
5855 Silver Creek Valley Pl	2018	90,085	2018	$70.0M	$777		VA Clinic
6377 San Ignacio Ave	2002	84,574	2018	$27.9M	$330		
5300 Hellyer Ave	2001	60,000	2019	$29.2M	$487	7.0%	
80 Great Oaks Blvd	1996	71,830	2019	$25.1M	$350		
393 Blossom Hill Rd	1995	44,649	2017	$13.2M	$295	5.4%	
6203 San Ignacio Ave	1992	116,779	2017	$28.3M	$242		
570-590 Blossom Hill Rd	1985	8,000	2018	$3.1M	$388		
554 Blossom Hill Rd	1983	5,850	2018	$2.3M	$393	7.2%	
North San Jose & Nearby							
i3 @ North First	2018	332,000	2019	$137.5M	$414		High-Tech
2755-77 Orchard Pky	2017	101,374	2019	$47.8M	$471	6.80%	
110-130 Holger Way	2010	603,366	2019	$429.0M	$711		Mid-Rise
110-130 Holger Way	2010	603,366	2017	$186.6M	$309		
1889-1921 Concourse Dr	2004	1,756	2019	$0.6M	$360		
4300-4400 N 1st St	2004	376,664	2018	$154.5M	$410		High-Tech
1889-1921 Concourse Dr	2004	1,416	2018	$0.5M	$318		
1889-1921 Concourse Dr	2004	2,060	2017	$0.7M	$316		
178 E Tasman Dr	2002	112,043	2019	$36.0M	$321		
2851 Junction Ave	2002	155,613	2017	$82.0M	$527	5.6%	
2851 Junction Ave	2002	155,613	2016	$76.0M	$488		
eBay Orchard campus	2001	249,832	2018	$132.5M	$530	5.4%	
Valley Technology Center	2000	247,858	2018	$91.1M	$367	5.9%	
400 Holger Way	1999	76,410	2018	$49.2M	$643		
475 Holger Way	1999	19,550	2018	$7.5M	$381		
450 Holger Way	1999	98,423	2018	$40.8M	$415		
3060-80 N 1st St	1999	265,054	2017	$58.5M	$221		
2300 Orchard Pky	1997	116,381	2019	$61.0M	$524	5.2%	Low-Rise
2300 Orchard Pky	1997	116,381	2017	$48.5M	$417		Low-Rise
250 W Tasman Dr	1995	95,550	2016	$37.7M	$394		
2107 N 1st St	1985	103,197	2019	$35.5M	$344	6.0%	
2150 N 1st St	1985	123,699	2019	$42.0M	$340		
2665 N 1st St	1985	130,723	2019	$41.0M	$314		
2460-80 N 1st St	1985	147,774	2019	$54.1M	$366	6.0%	
Central Park Plaza	1985	302,472	2018	$83.8M	$277	7.1%	

Appendix Table C-5
Office Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose cont.							*2/2*
2055 Junction Ave	1985	1,889	2018	$0.7M	$344		
100 Century Center Ct	1985	112,200	2016	$22.9M	$204	7.0%	
2460-80 N 1st St	1985	147,774	2016	$34.2M	$231		
Central Park Plaza	1985	302,472	2016	$68.7M	$227		
1941-1975 O'Toole Way	1984	2,448	2017	$0.7M	$278		
3553 N 1st St	1984	86,145	2017	$36.2M	$420		
110 Rio Robles	1984	87,608	2016	$22.5M	$257		
3025 Orchard Pky	1983	61,926	2018	$24.3M	$392		
2611-35 N 1st St	1982	72,832	2019	$29.7M	$408		
3055 Orchard Dr	1982	111,285	2016	$36.5M	$328	6.5%	
2811 Orchard Pky	1981	84,696	2018	$35.0M	$413	7.5%	
Orchard Commons	1981	76,030	2017	$35.1M	$462		
South & East Growth							
3501 E Capitol Expy	2017	10,328	2017	$11.2M	$1,087	5.0%	Medical
2180 Story Rd	1986	8,195	2016	$3.0M	$360		
3315 Almaden Expy	1980	47,124	2019	$16.5M	$350		
West San Jose UV							
888 S Bascom Ave	2014	10,300	2017	$9.8M	$951	5.4%	Medical
2880 Stevens Creek Blvd	2001	60,000	2017	$31.1M	$519	6.2%	
1484 Saratoga Ave	2000	1,650	2017	$1.6M	$986		
1190-1198 Saratoga Ave	1987	43,444	2019	$15.3M	$351	6.8%	
550 S Winchester Blvd	1987	103,622	2019	$63.6M	$614	4.2%	
1479 Saratoga Ave	1987	7,200	2016	$1.7M	$237		
606 Saratoga Ave	1986	12,944	2019	$8.4M	$645		
950 S Bascom Ave	1985	71,303	2019	$19.1M	$267	5.0%	
2405 Forest Ave	1981	3,850	2016	$1.8M	$468	5.3%	
999 Saratoga Ave	1980	5,150	2016	$2.8M	$536		
Other Area - Central & West							
792 Meridian Way	2005	7,800	2017	$2.0M	$255		
1905 The Alameda	1986	4,860	2017	$2.2M	$457		
2110 Forest Ave	1984	20,241	2019	$13.5M	$667		
1217 Park Ave	1983	1,534	2018	$1.0M	$671		
1602 The Alameda	1980	14,548	2016	$3.4M	$234	5.5%	
Other Area - C&W cont.							
760 Meridian Way	1982	4,017	2018	$1.4M	$353		
2099 Lincoln Ave	1980	3,100	2019	$1.4M	$444		
824 N Winchester Blvd	1980	5,500	2016	$1.4M	$255		
Other Area- South & East							
3162 S White Rd	2009	12,188	2016	$8.0M	$657		
2175-2207 Tully Rd	1999	12,918	2018	$3.4M	$262	5.0%	
4340 Almaden Expy	1984	13,740	2016	$3.0M	$218		
2324 Montpelier Dr	1980	6,790	2017	$2.7M	$398		

Source: Costar

Appendix Table C-4
Office Lease Comparables (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
Downtown & Vicinity					
30 E Santa Clara St	2007	2019	2,971	$47/sf /nnn(est)	Storefront
River Corporate Center	2019	2019	204,000	$41/sf /nnn	County bldg.
West San Jose Urban Village					
500 Santana Row (sublease)	2017	2019	39,500	$53/sf /nnn(est)	Mid-Rise
500 Santana Row (Splunk)	2017	2017	235,000	$46/sf /nnn	Mid-Rise
700 Santana Row (Splunk)	2019	2019	301,000	$47/sf /nnn	Mid-Rise
North San Jose					
i3@NorthFirst	2018	2019	41,500	$35/sf /nnn(est)	Low-Rise
2777 Orchard Parkway	2018	2018	64,991	$32/sf /nnn(est)	Low-Rise
3030 Orchard Parkway	2001	2018	77,822	$33/sf /nnn(est)	Low-Rise
2300 Orchard Parkway	1997	2018	116,381	$31/sf /nnn(est)	Low-Rise
Coleman Highline	2017	2019	640,000	$49/sf /nnn(est)	Mid-Rise
Coleman Highline	2017	2019	162,557	$46/sf /nnn(est)	Mid-Rise
Coleman Highline	2017	2018	162,557	$40/sf /nnn(est)	Mid-Rise
America Center Phase II	2019	2018	84,273	$44/sf /nnn(est)	Mid-Rise
America Center Phase I	2009	2017	14,483	$35/sf /nnn(est)	Mid-Rise
HQ@First	2010	2019	172,405	$42/sf /nnn(est)	Mid-Rise
Hudson Pacific buildings (various)	1984-2001	2019	57,437	$44/sf /nnn(est)	Mid-Rise
Other Areas					
The Plant San Jose (South)	2007	2019	500	$20/sf /nnn(est)	Low-Rise
Town Square at Willow Glen	2012	2019	236	$61/sf /fs(est)	Mid-Rise
Town Square at Willow Glen	2012	2019	350	$53/sf /fs(est)	Mid-Rise

Source: Costar

Appendix Table C-6
Office Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Downtown & Nearby							*1/2*
97 E Saint James St	1986	2,452	2019	$1.0M	$393	4.9%	Condo
Edenvale							
6120 Hellyer Ave	2006	3,090	2019	$1.2M	$375		Condo
6120 Hellyer Ave	2006	1,461	2018	$0.8M	$565		Condo
315-327 Piercy Rd	2005	3,160	2019	$1.2M	$380		Condo
329-341 Piercy Rd	2005	3,137	2017	$1.0M	$303		Condo
329-341 Piercy Rd	2005	3,136	2016	$0.8M	$249		Condo
North San Jose & Nearby							
1879 Lundy Ave	1984	1,761	2019	$0.7M	$387		Condo
1879 Lundy Ave	1984	875	2019	$0.3M	$289		Condo
1879 Lundy Ave	1984	1,156	2018	$0.4M	$380		Condo
1879 Lundy Ave	1984	2,301	2018	$0.7M	$325		Condo
1879 Lundy Ave	1984	1,828	2018	$0.7M	$363		Condo
1879 Lundy Ave	1984	1,031	2018	$0.4M	$355		Condo
1879 Lundy Ave	1984	1,156	2018	$0.4M	$350		Condo
1879 Lundy Ave	1984	1,316	2018	$0.4M	$304		Condo
1879 Lundy Ave	1984	1,305	2017	$0.4M	$333		Condo
1879 Lundy Ave	1984	1,498	2017	$0.5M	$317		Condo
1879 Lundy Ave	1984	1,285	2016	$0.3M	$257		Condo
1879 Lundy Ave	1984	1,161	2016	$0.3M	$280		Condo
1879 Lundy Ave	1984	1,761	2016	$0.5M	$270		Condo
1941-1975 O'Toole Way	1984	3,216	2016	$0.9M	$275		Condo
1754 Technology Dr	1980	2,154	2019	$0.9M	$440		Condo
1754 Technology Dr	1980	1,022	2017	$0.4M	$372		Condo
1754 Technology Dr	1980	2,276	2017	$0.8M	$364		Condo
1754 Technology Dr	1980	1,022	2016	$0.4M	$381		Condo
1754 Technology Dr	1980	4,685	2016	$1.2M	$260		Condo
South & East Growth							
1569 Lexann Ave	2007	1,027	2016	$0.8M	$755		Condo
1569 Lexann Ave	2007	996	2016	$0.6M	$599		Condo
West San Jose UV							
2021 The Alameda	1984	1,138	2018	$0.6M	$529		Condo
2021 The Alameda	1984	1,183	2016	$0.5M	$440		Condo
2211 Moorpark Ave	1983	1,735	2019	$0.9M	$519		Condo
2211 Moorpark Ave	1983	2,100	2018	$1.1M	$527		Condo
2211 Moorpark Ave	1983	26,216	2018	$0.6M	$22		Condo
2211 Moorpark Ave	1983	1,132	2017	$0.6M	$540		Condo
2211 Moorpark Ave	1983	26,216	2016	$8.6M	$328		Condo

Appendix Table C-6
Office Condo Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Other Area - Central & West							
105 N Bascom Ave	1991	2,233	2019	$1.0M	$448		Condo
105 N Bascom Ave	1991	2,356	2019	$1.0M	$424		Condo
105 N Bascom Ave	1991	2,233	2019	$1.0M	$448		Condo
105 N Bascom Ave	1991	2,233	2017	$0.7M	$313		Condo
2039 Forest Ave	1988	2,707	2018	$0.9M	$323		Condo
Other Area - C&W cont.							*2/2*
2039 Forest Ave	1988	1,749	2017	$0.6M	$317		Condo
2039 Forest Ave	1988	1,472	2017	$0.5M	$319		Condo
Other Area- South & East							
200 Jose Figueres Ave	2007	1,708	2019	$0.6M	$351		Condo
155 N Jackson Ave	1982	1,475	2019	$0.4M	$244		Condo
125 N Jackson Ave	1982	1,530	2018	$0.3M	$203		Condo
125 N Jackson Ave	1982	1,001	2018	$0.2M	$220		Condo
125 N Jackson Ave	1982	1,300	2016	$0.3M	$231		Condo
115 N Jackson Ave	1982	877	2017	$0.3M	$315		Condo

Source: Costar

Appendix Table C-7
Parking Ratios of Selected Built and Proposed Projects
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Status/ Yr. Built	GFA	Stories	Parking /1,000 gsf	Comments
High-Rise Office					
Cityview Plaza	Approved	3,400,000	19	1.5	
200 Park Avenue	UC	875,000	19	2.0	
Riverpark Towers	2009	321,618	16	2.3	
Adobe North Tower	UC	690,328	18	1.7	High-Tech
Diridon TOD (Office)	Approved	994,108	13	1.9	High-Tech
Mid-Rise Office					
Downtown & Nearby					
Akatiff/Platform 16	Approved	1,023,000	6	1.7	
North & Nearby					
101 Technology Place Ph1	Approved	234,192	9	3.8	
237 @ First	2016	181,133	6	3.3	
Cloud 10 Skyport Plaza	Pending	350,000	9	3.4	
Coleman Highline	2017	357,106	5-6	3.2	
HQ@First	2010	603,366	4-8	3.3	
Legacy on 101	2016	201,000	6	3.3	
North First & Brokaw Campus	2017	116,800	5	3.4	
Samsung HQ (3655 N 1st St)	2015	636,000	10	2.3	
West San Jose UV					
300 Santana Row	2009	79,183	5	3.0	
500 Santana Row	2017	234,622	6	3.0	
700 Santana Row	2019	321,531	8	3.0	

Source: Costar and planning applications

Appendix Table C-8
Office Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share of Deliveries
	Inventory		Deliveries		Inventory		Deliveries		
	Bldgs	SF	Bldgs	SF	Bldgs	SF	Bldgs	SF	
YTD	1,751	41.66M	2	330,519	4,510	130.26M	11	1,634,074	20%
2018	1,747	41.21M	6	514,085	4,502	128.74M	15	2,975,659	17%
2017	1,741	40.70M	7	820,230	4,495	125.94M	38	8,638,400	9%
2016	1,734	39.87M	4	542,033	4,469	117.51M	24	3,129,372	17%
2015	1,730	39.33M	1	636,000	4,458	114.60M	25	3,651,678	17%
2014	1,729	38.70M	1	10,300	4,471	111.88M	20	1,937,617	1%
2013	1,728	38.69M	1	9,075	4,490	110.92M	22	2,682,628	0%
2012	1,727	38.68M	3	48,256	4,501	108.63M	15	751,525	6%
2011	1,724	38.63M	2	81,300	4,516	108.21M	3	87,829	93%
2010	1,722	38.55M	6	643,440	4,546	109.73M	13	1,024,853	63%
2009	1,716	37.90M	4	419,459	4,545	108.88M	21	1,788,717	23%
2008	1,712	37.48M	5	239,719	4,557	107.69M	25	2,375,069	10%
2007	1,707	37.25M	3	160,172	4,551	106.31M	20	638,641	25%
2006	1,704	37.09M	19	159,154	4,543	106.07M	29	340,414	47%

Source: Costar

Appendix Table C-9
Average Office Market Conditions by Subarea
Commercial Linkage Feasibility Study
San Jose, CA

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
	Inventory SF	Direct Vacancy %	Direct Rent[1]	Inventory SF	Direct Vacancy %	Direct Rent[1]
Downtown and Vicinity	14,560,018	8%	$46	2,561,965	6%	$43
Edenvale	4,173,007	5%	$32	1,162,354	11%	$21
North San Jose	21,659,551	12%	$36	7,406,808	15%	$36
West San Jose Urban Village	3,237,665	14%	$45	939,013	31%	$53
Monterey Corridor	249,430	2%	$29	42,770	11%	$34
South & East SJ Growth Area	2,421,175	7%	$28	451,564	2%	$31
Citywide	41,655,821	10%	$39	10,286,447	14%	$37

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

Source: Costar

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

Appendix Table C-10
Office Lease Comparables In Nearby Jurisdictions
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
SANTA CLARA COUNTY					p1/2
Campbell					
675 Creekside Way	2017	2019	177,815	$44 /nnn	Midrise
Santa Clara					
Santa Clara Sq. (2445 Augustine Dr)	2017	2018	220,156	$47 nnn	Midrise
Sunnyvale					
520 Almanor Avenue	2020	2019	231,000	$58 /nnn	Midrise
925 W Maude Ave. & 625 N Mary Ave.	2020	2019	242,000	$57 /nnn	Midrise
455 N Mary Ave	2019	2019	360,100	$60 /nnn	Midrise
221 N Mathilda Ave	2019	2018	154,987	$70 /nnn	Midrise
Moffett Towers II Phase 3	2019	2018	1,051,989	$52 /nnn	Midrise
Moffett Towers II Phase 2	2017	2017	350,663	$49 /nnn	Midrise
200 S Mathilda Ave	2010	2019	156,960	$81 /nnn(est)	Midrise
1160 Enterprise Way (Moffett Towers)	2009	2018	171,188	$47 /nnn	Midrise
150 Mathilda	2002	2019	22,663	$63 /nnn	Midrise
599 North Mathilda Avenue	2000	2019	76,031	$50 /nnn	Midrise
Mountain View					
1001 North Shoreline Boulevard	2017	2018	132,960	$67 /nnn	Midrise
600 & 620 National Avenue	2017	2019	151,064	$59 /nnn	Midrise
899 W Evelyn Avenue	2013	2019	75,475	$96 /nnn	Midrise
2240 El Camino Real	1986	2018	39,800	$70 /nnn	Midrise
600 Clyde Avenue	2020	2019	189,974	$56 /nnn	Midrise
750 Moffett Boulevard	2020	2019	216,700	$78 /nnn	Midrise
Los Altos					
467 1st St	2017	2019	3,127	$96 /nnn(est)	Lowrise
SAN MATEO COUNTY					
Palo Alto					
301 High St	2015	2019	4,978	$111 /nnn(est)	Low rise
2555 Park Blvd	2018	2019	29,989	$102 /nnn(est)	Low rise
Menlo Park					
1125 Merrill St	2020	2019	5,239	$114 /nnn(est)	Midrise
100 Independence Drive	2018	2017	205,222	$72 nnn	Midrise
Redwood City					
2075 Broadway	2019	2017	102,079	$78 /nnn	Midrise
550 Allerton	2018	2017	46,875	$75 /nnn	Midrise
601 Marshall	2018	2016	99,100	$83 /nnn	Midrise
889 Winslow St	2018	2017	37,814	$81 /nnn	Midrise
900 Middlefield	2015	2018	54,006	$83 /nnn	Midrise

Appendix Table C-10
Office Lease Comparables In Nearby Jurisdictions
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
San Carlos					p2/2
835 Industrial Rd	2020	2019	99,557	$67 /nnn	Midrise
835 Industrial Rd	2020	2019	96,463	$67 /nnn	Midrise
661 El Camino Real	2019	2019	8,247	$65 /nnn(est)	Low rise
San Mateo					
2850 S Delaware St	2018	2018	189,000	$61 /nnn	Midrise
2950 S Delaware St	2017	2016	108,015	$60 /nnn	Midrise
450 Concar Dr	2017	2019	102,000	$58 /nnn(est)	Midrise
South San Francisco					
279 E Grand Ave	2019	2019	8,606	$66 /nnn(est)	Midrise
279 E Grand Ave	2019	2019	9,092	$54 /nnn(est)	Midrise
ALAMEDA COUNTY					
Oakland					
1955 Broadway	2019 (Reno.	2018	356,000	$58 /nnn	Midrise
601 City Center	2019	2019	13,460	$69 /ig(est)	High rise
601 City Center	2019	2019	27,831	$64 /ig	High rise
Emeryville					
5959 Horton St	2018	2019	35,000	$58 /nnn	Midrise

Source: Costar

Appendix Table C-11
Reported Construction Costs of High-Tech Office Campuses
Commercial Linkage Feasibility Study
San Jose, CA

Project	Year Built	Gross Sq. Ft.	Construction Cost ($M)[1]	Cost / Sq Ft	Adjusted to $2020 4.0%/yr
San Francisco Bay Area					
Uber Mission Bay[2] San Francisco, CA	2020	450,000	$480	$1,067	$1,067
Facebook Bldg. 22[2] Menlo Park, CA	2019	457,000	$600	$1,313	$1,313
Apple Park[3] Cupertino, CA	2017	3,420,000	$5,000	$1,462	$1,581
Average					*$1,320*
Excluding Apple Park					*$1,190*
Outside Bay Area					
Apple Austin Campus[4] Austin, TX	2022	3,000,000	$1,000	$333	$333
Google Hudson Square[4] New York, NY	2020	1,700,000	$1,000	$588	$588
Google Pearl Place[5] Boulder, CO	2017	210,000	$131	$624	$675
Amazon HQ1[4] Seattle, WA	2010-16	8,100,000	$3,700	$457	$578
Amazon HQ2[4] Arlington, VA/ TBD	TBD	8,000,000	$5,000	$625	$625

1 Cost excludes land, unless noted. Most sources did not specify which soft costs are included.
2 San Francisco Business Times
3 Santa Clara County Assessor estimate.
4 Corporate press release.
5 Costar. Reflects purchase price upon completion, including land.

Appendix D: Retail Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table D-1
Commercial/ Retail Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Est. FAR	$/FAR	Notes
Edenvale							
5855 Silver Creek Valley Pl	133,900	2016	$6.0M	$45	0.12	$385	Retail
In-N-Out (5590 Cottle Rd)	110,415	2017	$2.4M	$22	0.04	$618	Retail
Costco (Great Oaks Blvd)	662,112	2016	$9.4M	$14	0.23	$63	Large Format
Average				*$20*	*0.19*	*$105*	
North San Jose & Nearby							
Shops @ Terra (N First St)	1,575,565	2017	$31.5M	$20	0.12	$173	Incl. Topgolf
West San Jose UV							
125 Richfield Ave	43,560	2017	$4.8M	$109			Auto-Related
S&E Growth							
2123 Quimby Rd	10,459	2019	$0.8M	$79			Retail
Including Monterey Corridor, below				*$39*			
Monterey Corridor							
Montecito Vista (Monterey Rd)	59,677	2016	$1.8M	$30	0.29	$103	Retail
1499 Monterey Rd	12,998	2017	$0.7M	$50			Auto-Related
Average [1]				*$34*	*0.29*	*$103*	
Downtown & Vicinity							
320 Race Street	68,143	2016	$8.7M	$128	0.33	$389	Smart & Final
Other- South & East							
2905 Senter Rd	38,333	2016	$2.9M	$74	0.31	$241	

Source: Costar

[1] Averages for FAR and land price per square foot of floor area exclude transactions with missing data.

Appendix Table D-2
Retail Asking Rents (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Total RBA	Available SF	Asking Rent/Type	Notes
Edenvale					
Silver Creek Landing	2007	24,065	6,439	$35/sf /nnn	
West San Jose Urban Village					
603 Saratoga Ave	2019	8,770	8,770	$70/sf /nnn	New pad
Town Square Willow Glen [WG]	2015	312,106	1,428	$60/sf /nnn	
403 Saratoga Ave	2014	6,675	1,432	$54/sf /nnn	
North San Jose					
Market Park	2020	101,040	21,690	$72/sf /nnn	In-line space
@First Retail Center	2010	227,946	2,742	$60/sf /nnn	
Bel Air Plaza	2007	11,217	1,500	$59/sf /nnn	
South & East Growth Area					
1075 S White Rd	2009	8,000	3,805	$28/sf /nnn	
1918 Alum Rock Ave	2005	6,751	3,600	$28/sf /nnn	
Monterey Business Corridor					
Montecito Vista	2019	15,513	15,500	$48/sf /nnn	
Pearl Senter	2008	11,598	1,073	$30/sf /nnn	
Downtown and Nearby					
Alma Plaza	2008	9,680	3,700	$12/sf /nnn	
2311 Stevens Creek Blvd	2017	3,884	900	$36/sf /nnn	
1570 W San Carlos St	2018	3,744	1,174	$45/sf /nnn	
Other Area (S&E)					
Ann Darling Shopping Center	2019	5,400	5,400	$44/sf /nnn	
Bellini Plaza	2013	6,976	2,645	$28/sf /nnn	
1601 Branham Ln	2017	6,987	3,741	$39/sf /nnn	
Senter Plaza (2611)	2010	10,662	2,739	$23/sf /nnn	
Senter Plaza (4280)	2017	4,100	3,100	$39/sf /nnn	
Capitol Senter Plaza (3151)	2012	9,466	1,535	$33/sf /nnn	
Other Area (C&W)					
Willow Plaza (201 Willow St)	2007	6,930	2,058	$35/sf /nnn	
Bldg 1 (565 W Alma Ave)	2010	11,264	2,928	$32/sf /nnn	

Source: Costar

Appendix Table D-3
2019 Retail Lease Comparables (Built 2005-)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Year Built	Lease Year	Leased SF	Lease Rate/ Type	Notes
North San Jose & Nearby					
Bel Air Plaza	2007	2019	1,419	$59/sf /nnn(est)	
Sprouts Brokaw	2016	2016-2017	136,733	$38/sf /nnn	Center avg.
West San Jose Urban Village					
V Center	2017	2019	1,560	$48/sf /nnn(est)	
Saratoga Plaza San Jose	2008	2019	1,290	$43/sf	
Winchester & Payne Center	1989	2019	5,244	$47/sf /nnn	Center avg.
Edenvale					
Silver Creek Landing	2007	2019	1,100	$35/sf /nnn(est)	
South & East Growth					
2230-2232 Alum Rock Ave	2013	2019	1,500	$36/sf /nnn(est)	
1918 Alum Rock Ave	2005	2019	1,100	$28/sf /nnn(est)	
Monterey Corridor					
Pearl Senter	2008	2019	1,488	$24/sf /nnn	
Pearl Senter	2008	2019	713	$30/sf /nnn(est)	
Pearl Senter	2008	2019	1,481	$24/sf /nnn(est)	
Downtown & Vicinity					
Alma Plaza	2008	2019	1,700	$12/sf /nnn(est)	1st year only
2202 Stevens Creek (7 Eleven)	2018	2018	2,500	$53/sf /nnn	
2202 Stevens Creek (Viet Noodles)	2018	2019	1,800	$56/sf /nnn	
Other Area					
Canyon Creek Plaza (Evergreen)	2018	2019	1,274	$48/sf /nnn	
Bellini Plaza (Alum Rock)	2013	2019	1,100	$30/sf /nnn	
565-583 W Alma Ave (Willow Glen)	2010	2019	1,056	$39/sf /nnn(est)	

Source: Costar, Loopnet

Appendix Table D-4
Retail Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Edenvale							
5138 Monterey Hwy	1991	6,906	2017	$3.7M	$531	6.1%	
955 Branham Ln	1984	6,891	2017	$0.8M	$121		
6970 Santa Teresa Blvd	1982	6,890	2017	$2.0M	$283		
North San Jose & Nearby							
@First Retail Center	2012	84,001	Asking	$50.0M	$595	5.5%	
1902 N Capitol Ave	1996	3,396	2016	$3.7M	$1,090	6.6%	Gas Station
1141-1143 N Capitol Ave	1991	1,600	2016	$2.3M	$1,434		
South & East Growth							
2549-69 S King Rd	1995	31,617	2018	$17.5M	$553	5.4%	
1820 Alum Rock Ave	1992	3,220	2016	$1.9M	$575		
2040 Aborn Rd	1986	7,876	2016	$7.4M	$936	5.6%	
2 N Jackson Ave	1984	3,430	2018	$2.2M	$627		
1936 Alum Rock Ave	1981	4,750	2017	$3.5M	$737		
West San Jose UV							
El Paseo de Saratoga	1997	273,389	2019	$146.6M	$536		
1298 S Winchester Blvd	1991	1,974	2017	$2.5M	$1,266	4.0%	
Downtown & Nearby							
2202 Stevens Creek Blvd	2018	5,800	2018	$5.6M	$966	5.2%	
2202 Stevens Creek Blvd	2018	2,500	2018	$3.4M	$1,354	3.9%	7 Eleven
30 E Santa Clara St	2007	24,436	2018	$6.2M	$254	7.7%	
30 E Santa Clara St	2007	24,436	2016	$6.4M	$262	6.3%	
1401-1421 W San Carlos St	2005	7,744	2017	$4.5M	$578	5.0%	
375 Bird Ave	1989	7,005	2019	$4.1M	$589		
1499 Monterey Rd	1989	13,000	2018	$1.1M	$81		Auto Repair
CityView Plaza (retail)	1970-85	22,920	2018	$8.7M	$379		
850 The Alameda	1983	10,560	2016	$3.5M	$327	4.0%	
Monterey Business Corridor							
Montecito Vista (Monterey Rd)	2019	7,750	Asking	$5.0M	$645	6.4%	Implied cap
Other - Central & West							
1030 Mclaughlin Ave	1989	2,543	2018	$2.2M	$853		
Other- South & East							
3151 Senter Rd	2012	9,466	2016	$4.0M	$423	4.0%	
2611 Senter Rd	2010	10,662	2016	$3.0M	$277		
2198 Tully Rd	2008	39,025	2017	$10.4M	$266		
Eastridge Mall	1971-08	895,429	2016	$225.0M	$251		
140-160 S Jackson Ave	1986	12,711	2016	$5.7M	$446		
2887-2907 The Villages Pky	1982	23,421	2018	$8.3M	$354	5.2%	

Source: Costar

Appendix Table D-5
Retail Condo Sales
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
North San Jose							*1/2*
2092 Concourse Dr	1983	2,076	2018	$0.6M	$287		Condo
2092 Concourse Dr	1983	2,076	2016	$0.5M	$255		Condo
2092 Concourse Dr	1983	2,076	2016	$0.8M	$361		Condo
South & East Growth							
3005 Silver Creek Rd	2006	1,109	2018	$0.8M	$694		Condo
3005 Silver Creek Rd	2006	1,204	2018	$0.8M	$664	5.0%	Condo
3005 Silver Creek Rd	2006	1,643	2018	$0.7M	$444		Condo
3005 Silver Creek Rd	2006	1,107	2017	$0.8M	$732		Condo
3005 Silver Creek Rd	2006	1,148	2017	$0.7M	$575		Condo
3005 Silver Creek Rd	2006	1,172	2016	$0.6M	$469		Condo
1692 Tully Rd	1990	901	2019	$0.3M	$305		Condo
1692 Tully Rd	1990	1,919	2018	$0.6M	$332		Condo
1692 Tully Rd	1990	960	2016	$0.4M	$375		Condo
1692 Tully Rd	1990	1,919	2016	$0.6M	$300		Condo
Monterey Business Corridor							
2268 Senter Rd	2008	3,578	2017	$1.3M	$360		Condo
2266-2268 Senter Rd	2008	1,411	2017	$0.6M	$410		Condo
2268 Senter Rd	2008	2,043	2017	$0.9M	$426		Condo
2268 Senter Rd	2008	1,467	2016	$0.6M	$400		Condo
2268 Senter Rd	2008	1,273	2016	$0.5M	$400		Condo
2268 Senter Rd	2008	1,368	2016	$0.5M	$400		Condo
2266-2268 Senter Rd	2008	1,538	2016	$0.6M	$410		Condo
2266-2268 Senter Rd	2008	1,497	2016	$0.7M	$450		Condo
2268 Senter Rd	2008	1,376	2016	$0.6M	$405		Condo
2302-2328 Senter Rd	1999	1,855	2019	$0.9M	$469		Condo
Other- Central & West							
919 Story Rd	2017	1,000	2019	$0.7M	$666		Condo
919 Story Rd	2017	1,000	2019	$0.7M	$666		Condo
919 Story Rd	2017	1,000	2019	$0.7M	$666		Condo
919 Story Rd	2017	589	2019	$0.4M	$610		Condo
919 Story Rd	2017	1,000	2018	$0.6M	$630		Condo
919 Story Rd	2017	840	2018	$0.5M	$583		Condo
909 Story Rd	2017	1,000		$0.7M	$650		Condo
919 Story Rd	2017	600		$0.4M	$700		Condo
979 Story Rd	2011	1,000	2018	$0.6M	$640		Condo
979 Story Rd	2011	1,000	2017	$0.6M	$560		Condo
999 Story Rd	2011	1,000	2017	$0.7M	$660		Condo
979 Story Rd	2011	1,000	2017	$0.7M	$650		Condo
969 Story Rd	2011	1,000	2017	$0.6M	$560		Condo
989 Story Rd	2011	1,472	2017	$0.8M	$560		Condo
969 Story Rd	2011	1,000	2017	$0.6M	$555		Condo
999 Story Rd	2011	1,000	2017	$0.5M	$500		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,060	2016	$0.6M	$550		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$560		Condo

Appendix Table D-5
Retail Condo Sales
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total RBA	Sale Year	Sale Price ($M)	$/sf	Cap Rate	Notes
Other CW Continued							*2/2*
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
999 Story Rd	2011	1,472	2016	$0.8M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$565		Condo
979 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$565		Condo
999 Story Rd	2011	1,060	2016	$0.6M	$560		Condo
979 Story Rd	2011	1,000	2016	$0.5M	$485		Condo
979 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
979 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
999 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
999 Story Rd	2011	1,060	2016	$0.6M	$555		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
969 Story Rd	2011	1,000	2016	$0.6M	$550		Condo
979 Story Rd	2011	1,040	2016	$0.6M	$561		Condo
989 Story Rd	2011	1,000	2016	$0.6M	$560		Condo
979 Story Rd	2011	1,040	2016	$0.6M	$561		Condo
992 Story Rd	2001	885	2017	$0.3M	$282		Condo
992 Story Rd	2001	885	2016	$0.5M	$565		Condo
992 Story Rd	2001	960	2016	$0.6M	$573		Condo

Source: Costar

Appendix Table D-6
Retail Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share of Deliveries
	Inventory		Deliveries		Inventory		Deliveries		
	Bldgs	SF	Bldgs	SF	Bldgs	SF	Bldgs	SF	
YTD	3,087	36.81M	8	51,250	6,549	77.73M	15	180,210	28%
2018	3,079	36.76M	15	329,181	6,544	77.61M	26	468,848	70%
2017	3,064	36.43M	19	656,292	6,531	78.40M	29	762,555	86%
2016	3,043	35.77M	12	187,412	6,511	77.70M	38	685,368	27%
2015	3,031	35.58M	9	256,257	6,501	77.31M	19	410,735	62%
2014	3,022	35.32M	15	389,771	6,518	77.36M	26	735,755	53%
2013	3,007	34.93M	8	118,503	6,518	76.74M	26	363,466	33%
2012	2,999	34.82M	12	154,189	6,538	76.89M	17	209,968	73%
2011	2,987	34.66M	13	213,048	6,579	77.39M	20	316,286	67%
2010	2,974	34.45M	11	481,107	6,613	77.38M	17	541,923	89%
2009	2,963	33.97M	14	294,168	6,615	77.11M	23	542,335	54%
2008	2,949	33.67M	39	795,972	6,626	77.05M	70	1,280,436	62%
2007	2,910	32.88M	25	501,944	6,564	75.81M	44	1,218,555	41%
2006	2,885	32.37M	17	376,402	6,543	74.86M	54	1,138,129	33%

Source: Costar

Appendix Table D-7
Average Retail Market Conditions by Subarea
Commercial Linkage Feasibility Study
San Jose, CA

	All Properties (2019 YTD)			Properties Built Since 2000 (2019 YTD)		
	Inventory SF	Direct Vacancy %	Direct Rent (NNN)	Inventory SF	Direct Vacancy %	Direct Rent (NNN)
Downtown and Vicinity	5,346,250	3%	$25	674,358	1%	$37
Edenvale	10,543,719	5%	$35	1,995,152	2%	$37
North San Jose	14,993,334	4%	$35	3,429,098	2%	$40
West San Jose Urban Village	6,162,496	3%	$37	873,477	1%	$58
Monterey Corridor	1,941,188	4%	$24	1,079,648	3%	$18
South & East SJ Growth Area	10,664,742	4%	$33	2,092,625	9%	$37
Citywide	36,810,219	4%	$33	7,318,267	4%	$39

Source: Costar

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

Appendix E: Hotel Market Data

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table E-1
Hotel Land Sales (2016-2019)
Commercial Linkage Feasibility Study
San Jose, CA

Site	Land SF	Sale Year	Price $M	Price Per Land SF	Keys Per Acre	$/Key	Notes
Downtown & Vicinity							
615 Stockton Ave	15,682	2019	$3.0M	$191	203	$41,000	Mid-Rise
292 Stockton Ave	37,026	2018	$4.0M	$108	356	$13,000	9 Stories
1470 W San Carlos St	16,988	2018	$2.1M	$124			Mid-Rise
540 S 1st St	7,841	2016	$1.2M	$148			TBD
491 W San Carlos St	27,095	2019	$7.8M	$288	273	$46,000	8 Stories
Average [1]				*$173*	324	*$25,000*	
North San Jose							
Shilla Stay (4701 N 1st St)	152,460	2019	$22.5M	$148	57	$113,000	Mid-Rise
-May include offsite parking							
Element Hotel	81,457	2019	$9.8M	$120	94	$56,000	Mid-Rise
995 Oakland Rd. (Central/ North)	113,256	2019	$6.0M	$53	45	$52,000	Mid-Rise
Average [1]				*$110*	*62*	*$78,000*	
Edenvale							
5952 Silver Creek Valley Rd	94,960	2017	$2.7M	$28	58	$21,000	Mid-Rise
469 Piercy Road	156,816	*Asking*	$9.0M	$57	49	$51,000	Mid-Rise
Average [1]				*$46*	*52*	*$39,000*	
West San Jose Urban Village							
AC by Marriott Stevens Creek	18,113	2016	$2.4M	$130	405	$14,000	Mid-Rise
All Other							
750 Story Rd	169,000	2019	$10.6M	$63			TBD
1510 S De Anza Blvd	37,314	Asking	$7.6M	$202	299	$61,000	Mid-Rise

Source: Costar

[1] Averages for hotel room density and land price per key exclude transactions with missing data.

Appendix Table E-2
Hotel Building Sales (Built Since 1980)
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Year Built	Total Rooms	Sale Year	Sale Price ($M)	$/key	Cap Rate	Notes
Downtown & Nearby							
350 W Santa Clara St	2016	210	2019	$98.5M	$469,000	6.8%-7.5%	AC Hotel
301 S Market St	2003	510	2016	$154.0M	$302,000		Tower
300 S Almaden Blvd	1991	353	2020	$117.6M	$333,000		Leasehold
300 S Almaden Blvd	1991	353	2017	$92.5M	$262,000	8.1%	Leasehold
170 S Market St	1990	805	2018	$250.0M	$311,000		Tower

Source: Costar

Appendix Table E-3
Hotel Market Trends
Commercial Linkage Feasibility Study
San Jose, CA

Competitive Set/ Year	Census Hotels	Census Rooms	Avg Daily Rate	Occ. %	RevPAR
Recently Built - North San Jose[1]					
2019YTD	6	962	$232	81%	$188
2018	6	962	$224	82%	$184
AC by Marriott San Jose[2]					
January 2019 (Trailing 12 Months)	1	210	$255	81%	$205
2018	1	210	$252	80%	$202
Select Downtown & Nearby Hotels[3]					
January 2019 (Trailing 12 Months)	6	1,095	$243	81%	$195
2018	6	1,095	$227	80%	$181

Source: STR, CCRE Commercial Mortgage Securities, L.P.

[1] Six upscale hotels built since 2012: aloft Hotel Santa Clara, SpringHill Suites San Jose Airport, Residence Inn San Jose Airport, Homewood Suites by Hilton San Jose North, Courtyard San Jose North Silicon Valley, Hyatt House San Jose Silicon Valley

[2] AC by Marriott is an upscale hotel in Downtown San Jose that opened in 2017.

[3] Three upper midscale/upscale hotels (Hampton Inn San Jose, Courtyard San Jose Airport, and Hyatt Place San Jose Downtown) and three upper upscale/ luxury class hotels (Westin San Jose, Hilton San Jose, Hotel De Anza). Hotels were built 1931 to 2002. Hampton Inn is located in Monterey corridor; Courtyard is located in North San Jose; all others located in downtown.

Appendix Table E-4
Spot Test of San Jose Room Rates
Commercial Linkage Feasibility Study
San Jose, CA

Name	Sub-Area	Opened	2020 Rate (Thurs.) Jan. 16	Feb. 6
Luxury				*1/2*
Fairmont San Jose	Downtown & Nearby	1987	$242	$225
Destination Hotels Hotel De Anza	Downtown & Nearby	1931	$305	$305
Valencia Group Hotel Valencia Santana Row	West San Jose UV	2003	$314	$314
Upper Upscale				
Marriott San Jose	Downtown & Nearby	2003	$479	$544
Westin San Jose	Downtown & Nearby	1926	$390	$359
Upscale				
AC Hotels by Marriott San Jose Downtown	Downtown & Nearby	2017	$308	$305
Hyatt Place San Jose Downtown	Downtown & Nearby	1974	$384	$251
Four Points by Sheraton San Jose Downtown	Downtown & Nearby	1911	$349	$324
Residence Inn San Jose North/Silicon Valley	North & Nearby	2019	$297	$316
Hyatt Place San Jose Airport	North & Nearby	2019	$193	$193
Homewood Suites by Hilton San Jose North	North & Nearby	2017	$179	$179
aloft Hotel Santa Clara	North & Nearby	2015	$278	$386
SpringHill Suites San Jose Airport	North & Nearby	2015	$323	$289
Residence Inn San Jose Airport	North & Nearby	2015	$314	$334
Courtyard San Jose North Silicon Valley	North & Nearby	2014	$249	$394
Hyatt House San Jose Silicon Valley	North & Nearby	2011	$219	$219
Courtyard San Jose Airport	North & Nearby	1991	$279	$279
Homewood Suites by Hilton SJ Airport	North & Nearby	1991	$356	$356
Staybridge Suites San Jose	North & Nearby	1990	$203	$199
Four Points by Sheraton San Jose Airport	North & Nearby	1986	$173	$178
DoubleTree by Hilton Hotel San Jose	North & Nearby	1982	$279	$377
aloft San Jose Cupertino	West San Jose UV	2001	$299	$329
Residence Inn San Jose South	Edenvale	1998	$279	$259
Hayes Mansion	Edenvale	1905	$305	$305
Upper Midscale				
Hilton San Jose	Downtown & Nearby	1992	n/a	$261
The Row Hotel	Downtown & Nearby	1986	$224	$234
Fairfield Inn & Suites SJ North/SV	North & Nearby	2019	$238	$246
Comfort Suites San Jose Airport	North & Nearby	2002	$118	$139
Country Inn & Suites SJ Int. Airport	North & Nearby	1995	$154	$135
Best Western Plus Airport Plaza	North & Nearby	1987	$265	$265
La Quinta Inns & Suites San Jose Airport	North & Nearby	1974	$189	$189
Holiday Inn San Jose Silicon Valley	North & Nearby	1972	$159	$167
Wyndham Garden Hotel San Jose Airport	North & Nearby	1969	$134	$134
Fairfield Inn & Suites San Jose	North & Nearby	1968	$233	$206
TownePlace Suites San Jose Cupertino	West San Jose UV	2000	$255	$263
Wyndham Garden Hotel SJ SV	Edenvale	1990	$111	$111
Upper Midscale cont				*2/2*
Hampton Inn San Jose	Monterey Corridor	2002	$191	$191
Holiday Inn Express San Jose Central City	Monterey Corridor	1997	$169	$156
Clarion Inn Silicon Valley	Monterey Corridor	1989	$122	$135

Source: Google hotel search, 11/26/2016

Appendix Table E-5
Parking Ratios of Selected Built and Proposed Projects
Commercial Linkage Feasibility Study
San Jose, CA

Building Name	Status/ Yr. Built	Stories	Rooms	Parking /Room	Comments
Downtown & Nearby					
AC Hotel by Marriott (350 W Santa Clara St)	2016	6	210	0.4	offsite pkg
West San Jose UV					
AC Hotel Stevens Creek Blvd	Approved	7	168	0.6	
Bark Lane Hotel	Pending	5	126	0.7	
Cambria Hotel at Valley Fair	Approved	10	175	0.7	
Hampton Inn (De Anza Blvd)	Approved	4	90	0.6	
North & Nearby					
@ First Hyatt House	2011	7	164	0.7	
Coleman Hotel	Pending	5	175	0.4	
Fairfield Inn & Suites	UC	4	261	0.9	
Hampton Inn (2088 N 1st St)	2019	5	144	0.6	
Holiday Inn (2088 N 1st)	UC	5	146	0.6	
Hilton Garden Inn	Approved	5	150	1.1	
Hyatt House	UC	5	165	1.0	
Hyatt Place	UC	7	190	0.9	
Residence Inn /Springhill (10 Skyport Dr)	2015	7	321	0.8	
Edenvale					
Piercy Hotel	Pending	6	175	1.6	
Piercy Hotel	Pending	5	112	1.1	
Silver Creek Valley Rd Hotel	Pending	4	127	1.1	
All Other					
North Hotel	Approved	4	59	0.9	
Wingate by Wyndham (5190 Cherry Ave)	2019	4	115	1.0	

Appendix Table E-6
Hotel Building Activity in San Jose and Santa Clara County
Commercial Linkage Feasibility Study
San Jose, CA

	San Jose				Santa Clara County				San Jose Share of Deliveries
	Inventory		Deliveries		Inventory		Deliveries		
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	
YTD	91	10,017	5	731	413	37,388	11	1,595	46%
2018	86	9,286	0	0	402	35,793	2	310	0%
2017	86	9,286	3	399	400	35,483	5	685	58%
2016	83	8,887	0	0	395	34,798	3	209	0%
2015	83	8,887	3	496	392	34,589	8	1,056	47%
2014	80	8,391	1	157	384	33,533	5	627	25%
2013	79	8,234	0	0	379	32,906	2	213	0%
2012	79	8,234	0	0	377	32,693	0	0	
2011	79	8,234	1	164	377	32,693	2	248	66%
2010	78	8,070	0	0	375	32,445	1	162	0%
2009	78	8,070	0	0	374	32,283	1	100	0%
2008	78	8,070	0	0	373	32,183	0	0	
2007	78	8,070	0	0	373	32,183	1	10	0%
2006	78	8,070	0	0	372	32,173	0	0	

Source: STR

Appendix F: November 2019 KMA Memo Regarding Proposed Building Types and Market Subareas

Commercial Linkage Feasibility Study
San Jose, CA

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

MEMORANDUM

ADVISORS IN:
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AFFORDABLE HOUSING
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TIM BRETZ

SAN DIEGO
PAUL C. MARRA

To: Peter Hamilton
City of San Jose

From: Keyser Marston Associates, Inc.

Date: November 7, 2019

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

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

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

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

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

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

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

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

B. Nexus Study – Building Types Recommended for Study

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

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

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

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

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

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

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

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

C. Feasibility Study - Building Types Recommended for Study

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

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

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

'

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

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

Table 3. Building Types Not Recommended for Inclusion in Feasibility Analysis

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

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

D. Geographic Subareas

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

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

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

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

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

Table 4. Identification of Building Types Applicable to Each Subarea

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

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

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

Table 5. Direct Asking Rents by Subarea (2019 YTD)

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

Source: Costar, using pre-defined submarkets that approximate subareas.
[1] Rent as reported by Co-star. Reflects the average asking rent. Utilities, building services and property expenses are included for full-service leases but excluded from base rent for triple-net leases.
[2] Includes warehouse, distribution, light industrial, and manufacturing uses.

APPENDIX TABLES

Appendix Table 1
Overview of Proposed Building Types and Subareas
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 1
Overview of Proposed Building Types and Subareas
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

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

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

[2] Includes non-growth areas throughout the City.

[2] Based on broad categories of industrial, retail, and office. See Appendix Table 6.

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

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

p1/2

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

Prototype	Downtown & Vicinity[1]	Edenvale	North San José	WSJ UV	Monterey Corridor	S&E Growth	All Other Areas	Total
E. Other Non-Residential Uses								*p1/2*
Cultural/ Institutional	2	1	0	0	0	1	1	5
Residential Care	2	0	0	0	0	0	2	4
Storage Facility	0	2	1	1	3	0	4	11

Source: KMA analysis of City of San Jose permit data

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

[2] Ground floor retail square footage was not estimated.

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 3
Under Construction, Approved, and Proposed Non-Residential Projects (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

WG = Willow Glen

Source: KMA analysis of City of San Jose permit data

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

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

p1/2

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

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

Source: Costar

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

[2] Ground floor retail square footage was not estimated.

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

Appendix Table 5
Non-Residential Projects Built Since 2005 (>25,000 sq ft)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

WG = Willow Glen

[1] Corp. = corporate owner/user. Condos = sold as condo units. Lease = traditional commercial lease.
Operator = operator generates income. TBD = ownership type/ business model could not be verified.

Source: Costar

Appendix Table 6
Market Conditions by Subarea (2019 YTD)
Commercial Linkage Fee Study
San Jose, CA **11/7/2019**

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

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

Source: Costar

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

Appendix G: Summary of Commercial Linkage Fee Programs

Commercial Linkage Feasibility Study
San Jose, CA

APPENDIX G
SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Comments
SAN FRANCISCO, PENINSULA, SANTA CLARA COUNTY						
San Francisco Population: 864,000	1981 Updated 2002, 2007 2019	Retail / Entertainment Hotel Office (50,000 gsf and above) Office (<50,000 gsf) Laboratory Small Enterprise Workspace	$28.13 $22.57 $69.60 $62.64 $38.37 $23.70	25,000 gsf threshold Exempt: freestanding pharmacy < 50,000 SF; grocery < 75,000	Yes, may contribute land for housing.	Office and Laboratory fees reflect fully phased in January 1, 2021 fee levels. Fee is adjusted annually based on the construction cost increases.
County of Santa Clara	2018	Academic Space (Stanford University)	$68.50		Yes	Fee in effect July 1, 2020.
City of Palo Alto Population: 67,000	1984 Updated 2002 and 2017.	Office & R&D Other Commercial	$36.53 $21.26	Churches; universities; recreation; hospitals; private educational facilities; day care and nursery school; public facilities; retail, restaurants, services < 1,500 sf are exempt	Yes	Fee is adjusted annually based on CPI.
City of Menlo Park Population: 34,000	1998	Office & R&D Other com./industrial	$18.69 $10.14	10,000 gross SF threshold Churches, private clubs, lodges, fraternal orgs, public facilities and projects with few or no employees are exempt.	Yes, preferred. May provide housing on- or off-site.	Fee is adjusted annually based on CPI.
City of Sunnyvale Population: 152,000	1984 Updated 2003 and 2015.	Industrial, Office, R&D: Retail, Hotel	$16.50 $8.25	Office fee is 50% on the first 25,000 SF of building area. Exemptions for Child care, education, hospital, non-profits, public uses.	N/A	Fee is adjusted annually based on CPI.
City of Santa Clara Population: 125,000	2017	Office 20,000 SF + Office, under 20,000 SF Industrial 20,000 SF + Industrial under 20,000 SF Retail, Hotel, Other 5,000 SF+ Low intensity uses	$20.00 $10.00 $10.00 $5.00 $5.00 $2.00	Assembly, day care, nursery, schools and hospitals and commercial space in a mixed use project under 20,000 square feet are exempt.	Yes.	Fee is adjusted annually based on ENR.
City of San Mateo Population: 104,000	2016	Office Hotel Retail	$26.10 $10.44 $5.22	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, religious, child care centers, public and non-profit uses exempt.		Fee is adjusted annually based on ENR.
City of Foster City Population: 34,000	2016	Office , Medical Office and R&D Hotel Retail, Restaurant and Services	$27.50 $12.50 $6.25	5,000 SF threshold Schools, places of public assembly, recreational facilities, hospitals, cultural institutions, childcare facilities, nursing homes, rest homes, residential care facilities, and skilled		
South San Francisco Population: 67,000	2018	Office , Medical Office and R&D Hotel Retail, Restaurant and Services	$15.00 $5.00 $2.50	25% fee reduction for projections paying prevailing wage. Schools, churches, child care centers, public uses exempt.		
East Palo Alto Population: 30,000	2016	non-residential	$10.72	10,000 SF threshold		
San Bruno Population: 43,000	2015	Office and R&D Hotel Retail, Restaurant, Services	$13.10 $13.10 $6.55	No minimum threshold	Yes. Program specifies number of units per 100,000 SF.	Fee is adjusted annually based on ENR.

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APPENDIX G
SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Comments
Redwood City Population: 84,000	2015	Office (Medical, R&D, Admin) Hotel Retail & Restaurant	$20.00 $5.00 $5.00	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, child care centers, public uses exempt.	Yes. Program specifies number of units per 100,000 SF.	Fee is adjusted annually based on ENR.
City of Mountain View Population: 80,000	Updated 2002 / 2012 /2014 /2016	Office/High Tech/Indust. Hotel/Retail/Entertainment.	$28.25 $3.02	Fee is 50% on building area under thresholds: Office <10,000 SF Hotel <25,000 SF Retail <25,000 SF	Yes	Fee is adjusted annually based on CPI.
City of Cupertino Population: 61,000	1993, 2015	Office/Industrial/R&D Hotel/Commercial/Retail	$24.60 $12.30	No minimum threshold.	N/A	Fee is adjusted annually based on CPI.
City of Los Altos Population: 31,000	2018	Office (recommended fee level) All Other Non-Residential (rec. fee)	*$25.00* *$15.00*	500 SF threshold	Yes	Fee is adjusted annually based on CPI.
City of Milpitas Population: 75,000	2019	Office/ Retail Industrial	$8.00 $4.00	5,000 SF threshold Assembly, day care, schools, hospitals exempt.	N/A	Fee is adjusted annually based on ENR.
County of San Mateo Population: 763,000	2016	Office/Medical/R&D Hotel Retail / Restaurant /Services	$25.00 $10.00 $5.00	3,500 SF threshold; 25% fee reduction for prevailing wage. public, institutional, childcare, recreational, assisted living exempt.	Yes. Program specifies number of units.	Fee is adjusted annually based on ENR.

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.

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APPENDIX G
SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Comments
EAST BAY						
City of Walnut Creek Population: 69,000	2005	Office, retail, hotel and medical	$5.00	First 1,000 SF no fee applied.	Yes	Reviewed every five years.
City of Oakland Population: 417,000	2002	Office/ Warehouse	$5.89	25,000 SF exemption	Yes - Can build units equal to total eligible SF times .00004	Fee due in 3 installments. Fee adjusted with an annual escalator tied to residential construction cost increases.
City of Berkeley Population: 120,000	1993 2014	Office Retail/Restaurant Industrial/Manufacturing Hotel/Lodging Warehouse/Storage Self-Storage R&D	$4.50 $4.50 $2.25 $4.50 $2.25 $4.37 $4.50	7,500 SF threshold.	Yes	Annual CPI increase. May negotiate fee downward based on hardship or reduced impact.
City of Fremont Population: 231,000	2017	Office, R&D, Hotel, Retail Industrial, Mfg, Warehouse	$8.00 $4.00	Public uses, additions less than 1,000 SF, manufacturing over 100,000 SF / building exempt.	Yes by formula	Fees are as of 2020 full phase in.
City of Emeryville	2014	All Commercial	$4.43	Schools, daycare centers, storage.	Yes	Fee adjusted annually.
City of Alameda Population: 78,000	1989	Retail Office Warehouse Manufacturing Hotel/Motel	$2.54 $4.99 $0.87 $0.87 $1,223	No minimum threshold	Yes. Program specifies # of units per 100,000 SF	Fee may be adjusted by CPI.
City of Pleasanton Population: 79,000	1990, 2018	Retail Hotel/Motel Office Indust. / R&D / Manuf / Warehouse	$4.56 $4.56 $7.61 12.64	No minimum threshold Churches exempt.	Yes	Fee adjusted annually.
City of Dublin Population: 57,000	2005	Industrial Office R&D Retail Services & Accommodation	$0.56 $1.45 $0.95 $1.18 $0.49	20,000 SF threshold	N/A	
City of Newark Population: 46,000		Commercial Industrial	$3.80 $0.72	No min threshold Schools, recreational facilities, religious institutions exempt.	Yes	Revised annually
City of Livermore Population: 88,000	1999	Retail Service Retail Office Hotel Manufacturing Warehouse Business / Commercial High Intensity Industrial Low Intensity Industrial	$1.38 $1.04 $0.89 $679/ rm $0.43 $0.12 $0.88 $0.44 $0.28	No minimum threshold Church, private or public schools exempt.	Yes; negotiated on a case-by-case basis.	

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.

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APPENDIX G
SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Comments
OTHER LARGE WEST COAST CITIES					
City of Sacramento Population: 490,000	1989 Most recent update, 2017	Office $2.60 Hotel $2.48 Commercial $2.09 Manufacturing $1.62 Warehouse/Office $0.71	No minimum threshold State or federal property, mixed use w/50%+ residential, certain non-profits, temporary buildings.	Yes. Specifies No. of units per SF	Fee is adjusted annually based on construction cost index
City of Los Angeles Population: 3,950,000	2017	Non-Residential - fee varies by zone Low $3.00 Medium $4.00 High $5.00	15,000 SF threshold Governmental and public institutional uses developed for governmental or community use, private elementary or high school, hospitals, grocery stores not located within 1/3 mile of existing grocer stores, Central City West Specific Plan Area, South LA Transit Empowerment Zone.	N/A	Fees adjusted annually based on CPI.
City of San Diego Population: 1,391,000	1990 Updated 2014	Office $2.12 Hotel $1.28 R&D $0.80 Retail $1.28	No minimum threshold Industrial/ warehouse, non-profit hospitals exempt.	Can dedicate land or air rights in lieu of fee	
Seattle, WA Population: 638,000	Citywide Expansion Adopted 2015	Fees vary by geographic area / zone: Downtown and S. Lake Union $0 - $17.50 (fees vary by specific zoning district) Outside Downtown: Low Fee Areas $5 Medium Fee Areas $7 High Fee Areas $8 IC 85-160 zone $10	4,000 SF threshold; Exemptions include (1) a number of specific zoning districts; (2) for structures with at least 50 percent residential use: up to 4,000 SF street-level retail, restaurant, arts, entertainment; (3) commercial uses within affordable projects.	Yes	Fee is indexed based on CPI.
Portland, OR Population: 653,000	2016	Affordable Housing Construction Excise Tax at 1% of building permit value	Improvements <$100,000, private schools, hospitals, religious, agriculture, certain non-profit care facilities, public improvements.		

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.

Appendix H: Credits for Delivery of Affordable Units

Commercial Linkage Feasibility Study
San Jose, CA

Appendix Table H-1
Schedule of Fee Credits for Delivery of Affordable Units.
Commercial Linkage Feasibility Study
San Jose, CA

Credit for Provision of Affordable Units --- Credits Based on Nexus Maximums								
	Square Feet of Development Credited for Fee Payment							
Type of Unit Provided	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low Income	2,781	2,531	2,168	6,218	2,904	3,520	8,344	8,587
Very Low Income	2,026	1,844	1,579	4,529	2,115	2,564	6,078	6,256
Low Income	1,656	1,507	1,290	3,701	1,729	2,096	4,967	5,112
Moderate Income	1,317	1,198	1,026	2,943	1,375	1,666	3,950	4,065

Note: the above credits reflect nexus maximums. To determine a schedule of credits more reflective of adopted fees and which would provide an incentive for delivery of the affordable units, the following procedure may be used:

a) determine the percentage of nexus maximum fee levels that are mitigated by the adopted fee.
b) divide the above square footage figures by this amount.

For example, if adopted office fees mitigate 10% of nexus maximums, the credit provided for delivery of one extremely low income unit could be determined as 2,781 / 0.1 = 27,810 square feet of fee payment credited for delivery of the unit.