

## **MEMORANDUM**

To: Catarina Kidd, City of Cupertino

From: Economic & Planning Systems, Inc.

Subject: Financial Feasibility Assessment of the Vallco Specific Plan;  
EPS #1711128

Date: September 11, 2018

*The Economics of Land Use*



The City of Cupertino (City) retained Economic & Planning Systems (EPS), along with an urban planning team led by Opticos Design, Inc., to assist with the preparation of a Specific Plan for the 58-acre Vallco Special Area. This memorandum, building on prior work, assesses the financial viability of two potential tiers of development on the 51-acre portion of the Specific Plan Area currently controlled by Sand Hill Property Company (SHPC). A Tier 1 program could be developed “as of right” while the denser Tier 2 program would be negotiated and possibly entitled through a Development Agreement with the City. SHPC is actively pursuing development of a Tier 2 project within the Specific Plan area.

Previous EPS work efforts include the Vallco Special Area Real Estate Market Assessment, as well as coordination with Opticos and the City on land use program alternatives. The EPS Market Assessment presented an initial study of market conditions and reuse opportunities for the site. This past work effort established a robust market understanding which has informed the project team’s land use program and this assessment of financial viability.

### **Summary of Findings**

**The analysis finds that Tier 1 is in the realm of financial feasibility assuming that the majority of the 1,779 units of housing is developed as for-sale product.** With just over 50% of Tier 1 housing developed as condominiums, Tier 1 appears financially viable. The need for for-sale housing in the program derives primarily from the relatively high value of market rate condominium units and the fact that the City’s below-market-rate (BMR) policy for ownership units targets median- and moderate-income households, as compared to the deeper affordability required for below-market-rate rental housing.

**Park Land In-Lieu Fees could have a notable effect on Tier 1 feasibility.** The Tier 1 program analysis assumes that six acres of park land is made available for public access but that additional park land

*Economic & Planning Systems, Inc.  
One Kaiser Plaza, Suite 1410  
Oakland, CA 94612-3604  
510.841.9190 tel  
510.740.2080 fax*

*Oakland  
Sacramento  
Denver  
Los Angeles*

**[www.epsys.com](http://www.epsys.com)**

requirements are satisfied through in-lieu fees totaling over \$20 million, a significant cost burden for the project. If additional park land is provided on rooftops, the feasibility of a Tier 1 project and/or the ability of the Tier 1 program to provide a greater quantity of rental housing could be improved.

**The analysis finds that Tier 2 is feasible and can generate significant community benefits for the City.** Relying on a 2,668-unit housing program and a City-defined below-market-rate housing mix (15% for very low- and low-income households; 5% for moderate-income households), this analysis finds that the project likely can provide 20% of the housing program at below-market rates, deliver free of charge roughly 25,000 square feet of “warm shell” office space and 60,000 square feet of warm shell space suitable for a performing arts center, and provide additional community benefits.<sup>1</sup>

**Tier 2 feasibility benefits from federal Low Income Housing Tax Credits.** LIHTCs have the potential to significantly lower development costs for SHPC. In Tier 2, the analysis assumes that affordable housing for very low- and low-income households will be provided in separate affordable housing projects, rather than included within market rate housing. Development of stand-alone affordable housing significantly improves the likelihood of obtaining tax credits.

**The Tier 2 analysis assumes that additional park land requirements are met through rooftop or other on-site open space opportunities.** This on-site open space results in lowered site costs due to the avoidance of in-lieu fees. This benefit is somewhat offset by higher park land improvement costs. The analysis assumes that at least six acres of park land is made available to the public in ground-level plazas and that SHPC improves all park land to a very high standard.

**The Tier 2 scenario analysis reflects over \$12 million in off-site mitigation costs identified by the City, which are not anticipated in the Tier 1 analysis.** These costs include fair share payments for traffic improvement projects in adjacent jurisdictions and the region, as well as the cost of local mitigations (identified in the project’s Environmental Impact Report) that are not covered by the City’s Transportation Impact Fee.<sup>2</sup>

**The Tier 2 analysis finds that project value will be available to support additional community benefits (beyond the below-market-rate housing and the civic spaces delivered on site), and that the Tier 2 project may be able to fully fund a new city hall and desired payments for transportation improvements and local schools.** The estimated project residual, after the provision of 85,000 square feet of civic space included in the Tier 2 analysis, is roughly \$40 million to \$60 million, while additional community benefits are

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<sup>1</sup> The Tier 2 analysis specifies below-market-rate housing for 196 very low-income, 205 low-income, and 133 moderate-income households. Supplementary EPS analysis of a below-market-rate housing program that includes 40 units designated for extremely low-income households (replacing units designated for very low-income households) identifies that an additional cost of \$13.5 million would be borne by the project, including \$10,000 per year in additional supportive services required for these units. This potential additional cost is not reflected in the findings discussed here.

<sup>2</sup> See **Appendix A-2**, page A-2-13.

preliminarily estimated to cost SHPC about \$56 million.<sup>3</sup> Accordingly, the analysis suggests a possible shortfall in community benefits funding. However, the potential deficit is less than 0.5% of the project's estimated market value and analysis of slightly more optimistic office rents reveals that the community benefits package could be fully funded.

## Analytical Caveats

**Financial feasibility and value estimates could be significantly greater or less than projected.** For example, if the project underperforms its market potential, or if construction costs are higher than anticipated, or if macroeconomic conditions erode in the future, then the projected feasibility of development will weaken accordingly.

While there certainly is great economic potential for Vallco redevelopment, the size and complexity of the site, environmental mitigations, and community benefits requirements serve as potential barriers to development. While this analysis seeks to acknowledge all of the costs associated with development, and cost contingencies have been included in the analysis, any higher cost and/or unforeseen costs will have a negative effect on development feasibility.

Furthermore, the analysis reflects professional opinions concerning market potential. While the value assumptions relied on by the financial analysis are rooted in current market realities, the Vallco project is expected to outperform typical local market conditions. If the market value potential that appears achievable based on real estate opportunities generated by the Specific Plan fails to fully materialize, it will have a negative effect on the development feasibility relative to the findings of this analysis.

In addition, this analysis provides a planning-level assessment of overall feasibility at buildout, which is ideal for the initial consideration of alternatives, but insensitive to phase-level economics (i.e., the timing of revenues and costs). Moreover, unique and challenging redevelopment projects such as those contemplated for Vallco demand strategic execution. A successful project will require expert market positioning, branding, promotion, and operations to achieve financial feasibility.

## Study Approach and Value Summary

This memorandum builds on previous work and presents the results of the financial feasibility analysis of two distinct development schemes. In this analysis, findings from the prior EPS real estate market research are coupled with horizontal and vertical development cost data to build a financial model that assesses economic value. Community benefits are explicitly considered in the financial model (e.g., below-market-rate housing and civic spaces). In addition, the model identifies an estimated "project residual" which represents additional funding that may be available to fund public improvements or other community priorities.

### Summary of Residual Value Estimates

**Figure 1** presents estimates of residual value that result from the pro forma financial analysis of the alternative site programs. At top, **Figure 1** presents residual development values before site

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<sup>3</sup> Community Benefits are detailed in the draft Development Agreement between the City of Cupertino and Vallco Property Owner, LLC. Estimates of cost are referenced in the draft Development Agreement and/or were provided to EPS by City staff.

costs (i.e., finished development value less vertical development cost). As shown, market rate housing and office uses generate positive residual value for the project, while below-market-rate apartments, retail, hotel, and civic uses must be subsidized. Site costs for the entire project area then are subtracted to estimate residual land value. **Figure 1** also shows the project residual, calculated by subtracting the SHPC site cost basis of \$358 from the estimate of market-supported residual land value.<sup>4</sup>

The project residual reflects value creation above the total cost of development. The City has been negotiating to share in the project residual, estimated at approximately \$40 to \$60 million, as part of the Tier 2 Development Agreement process. As EPS understands it, the City has negotiated a draft Development Agreement that includes roughly \$56 million in additional community benefits.<sup>5</sup>

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<sup>4</sup> The cost basis includes \$320 million in site acquisition and a 12% return on that investment.

<sup>5</sup> Additional community benefits valued at \$56 million are detailed in **Figure 7**.

**Figure 1 Residual Value Estimates**

<b>Land Use</b>	<b>Tier 1</b>	<b>Tier 2</b>
<b>Apartment</b>		
Market Rate	\$156,156,000	\$263,199,000
BMR Apartment	-\$45,183,000	-\$92,590,000
<b>Condominium</b>		
Market Rate	\$256,920,000	\$142,818,000
BMR Condominium	\$14,984,000	\$3,430,000
<b>Office</b>		
Traditional Office	\$121,597,000	\$317,514,000 - \$336,605,000
Civic Space	\$0	-\$22,092,000
<b>Retail</b>		
Traditional	\$10,629,000	\$7,176,000
Entertainment	-\$43,805,000	-\$43,387,000
<b>Hotel</b>		
	-\$5,199,000	-\$5,199,000
<b>Performing Arts Center</b>		
	\$0	-\$75,129,000
<b>Residual Value Before Site Costs<sup>1</sup></b>	<b>\$498,568,000</b>	<b>\$544,127,000 - \$563,218,000</b>
<b>Site Costs</b>		
	<b>-\$140,168,000</b>	<b>-\$146,190,000</b>
<b>Estimated Residual Land Value</b>	<b>\$358,400,000</b>	<b>\$397,938,000 - \$417,028,000</b>
<b>Estimated Project Residual<sup>2</sup></b>	<b>\$0</b>	<b>\$39,538,000 - \$58,628,000</b>

<sup>1</sup> Includes adjustment for City fee credits.

<sup>2</sup> Project residual calculated as residual land value estimate less land cost basis. Cost basis includes \$320MM land acquisition and required 12% return on investment.

## Development Alternatives

The Tier 1 program could be developed “as of right” and is considered the base land use program for the Vallco site. The Tier 2 program would be negotiated and possibly entitled through a Development Agreement with the City. SHPC is actively pursuing development of a Tier 2 project within the Vallco Special Area. **Figure 2** provides a summary of the unit counts and square footage in each development tier program alternative that SHPC might pursue under the Specific Plan.

**Figure 2 Tier 1 Development Program Overview**

Land Use	Tier 1		Tier 2	
<b>Apartment Units<sup>1</sup></b>				
Market Rate	792	45%	1,675	63%
BMR Apartment	140	8%	468	18%
<b>Condominium Units</b>				
Market Rate	720	40%	459	17%
BMR Condominium	127	7%	67	3%
<b>Total Residential Units</b>	<b>1,779</b>	<b>100%</b>	<b>2,668</b>	<b>100%</b>
<b>Office Square Feet</b>				
Traditional Office	750,000	50%	1,750,000	74%
Civic Space	0	0%	25,000	1%
<b>Retail Square Feet</b>				
Traditional	480,000	32%	280,000	12%
Entertainment	120,000	8%	120,000	5%
<b>Hotel Square Feet</b>				
	139,000	9%	139,000	6%
<b>PAC Square Feet</b>				
	0	0%	0	3%
<b>Total Commercial Square Feet</b>	<b>1,489,000</b>	<b>100%</b>	<b>2,374,000</b>	<b>100%</b>

<sup>1</sup> Scenario analysis reflects feasible 52%/48% rental/ownership split in Tier 1 and 80%/20% rental/ownership split in Tier 2. Tier 2 rental/ownership split reflects the current market preference for multifamily rental housing.

## Analytical Approach

This analysis relies on the well-accepted static (stabilized-year) pro forma financial feasibility framework to estimate the land value supported by each of the development alternatives. The approach compares real estate development value at project stabilization (i.e., after project lease-up and sales are complete) with the cost of project development, in constant 2018 dollars. The analysis estimates finished real estate value based on assumptions concerning market-supportable sale values, lease rates, operating costs, and capitalization rates.<sup>6</sup> The analysis seeks to provide an initial indication of feasibility, but does not contemplate phasing or temporal cash flow considerations.

Development cost assumptions reflect standard (location-adjusted) construction costs, typical project soft costs (e.g., architecture and engineering), local fees and permits, and a required developer return on investment. The assumptions reflect EPS research, third-party data (e.g., CoStar Group market data and Saylor Current Construction Costs 2018), and correspondence with Opticos, City staff, and industry sources.

This analysis estimates residual land value for each of the alternatives. When real estate market value exceeds total development cost, the difference represents what a developer is able to pay for land. The calculation yields a value measure commonly referred to as "residual land value," which is a primary output of this financial analysis. A landowner would not reasonably be expected to accept zero or negative land value, thus a positive land value is needed for a proposed project to be considered "feasible." In the case of Vallco, the project is considered feasible when the residual land value estimate is in excess of the SHPC land cost basis of \$358 million. If residual land value exceeds the site cost basis, there is a project residual. If a project

### Summary of Key Terms

**Market Value** – The estimated sale price of a real estate asset, assuming current market conditions.

**Vertical Construction** – The development of buildings and structures.

**Horizontal Construction** – The development of the project site, including backbone infrastructure (e.g., streets, sewer, water) and landscaping.

**Hard Costs** – Direct construction costs including labor, materials, and associated overhead.

**Soft Costs** – Indirect development costs such as architecture, engineering, permits, and fees.

**Contingency** – A development cost provision for unforeseen events or circumstances.

**Return on Investment (ROI)** – The expected financial benefit necessary to motivate a project developer, given financial risks associated with the project.

**Land Value** – The estimated financial contribution that a project developer can make for land, given the site program and financial assumptions considered.

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<sup>6</sup> The capitalization rate is equal to annual net property income divided by total property value. This market-based factor indicates the multiple of net property income that a buyer will pay for a property.

residual exists, there may be an opportunity for the City to negotiate for additional community benefits.

## Key Assumptions

### Market Value

This analysis builds on the market conditions established in the Vallco Special Area Real Estate Market Assessment, and assumes achievable lease rates based on market research conducted using sources including CoStar Group, Redfin, Smith Travel Research, and EPS knowledge of the local and regional commercial real estate landscape. The financial analysis relies on assumptions that are representative of the local and regional markets, the Vallco site, and specific program parameters. **Figure 3** summarizes key market value factors for each land use. The analysis assumes that Tier 2 housing and office achieve pricing premiums for high-rise views and the large-scale campus office format. Below-market-rate housing values vary based on the mix of affordability levels included in the development programs.

**Figure 3 Revenue Assumptions Summary**

Land Use	Tier 1	Tier 2
<b>Apartment Value (Per Unit)</b>		
Market Rate	\$814,000	\$831,000
BMR Apartment	\$273,000	\$318,000
<b>Condominium Value (Per Unit)</b>		
Market Rate	\$1,084,000	\$1,106,000
BMR Condominium	\$823,000	\$823,000
<b>Office Value (Per Square Foot)</b>		
Traditional Office	\$1,010	\$1,160 - \$1,180
Civic Space	N/A	N/A
<b>Retail Value (Per Square Foot)</b>		
Traditional	\$890	\$890
Entertainment	\$440	\$440
<b>Hotel Value (Per Square Foot)</b>		
	\$730	\$730
<b>Performing Arts Center (Per Square Foot)<sup>1</sup></b>		
	N/A	N/A

<sup>1</sup> The Performing Arts Center would be provided free of charge for City use and will not generate real estate revenue. PAC activities and events may generate revenue for the City.

**Rental Housing** – The multifamily rental market rate housing is expected to have a monthly lease rate of \$4.00 per square foot in Tier 1 (about \$4,000 per month for an average unit) and \$4.08 per square foot in Tier 2 (about \$4,100 per month for an average unit). The housing format is anticipated to be a mix of low- and mid-rise products, with some high-rise in Tier 2.



The below-market-rate rental housing will be priced for low- to moderate-income households.<sup>7</sup> In Tier 1, the analysis assumes that development of this below-market-rate housing is subsidized by market-rate uses in the project and that Low Income Housing Tax Credits are not used.<sup>8</sup> The Tier 2 analysis assumes that below-market-rate housing for very low- and low-income households may be developed in separate structures and that these projects take advantage of tax credits that offset eligible development costs. Monthly rent for a below-market-rate unit is \$1.94 per square foot in Tier 1 (about \$1,900 per month for an average unit) and \$2.27 per square foot in Tier 2 (about \$2,300 per month for an average unit).

**Condominiums** – Tier 1 for-sale housing is expected to sell for about \$1,100 per square foot (about \$1.10 million for an average unit). Similar to the rentals, the Tier 1 housing format is anticipated to be a mix of low- and mid-rise products. Tier 2, which includes some high-rise development with premium views, is assumed to sell for about \$1,123 per square foot (about \$1.12 million for an average unit). The below-market-rate condominium housing, built to a similar specification as the market-rate housing, will be priced for moderate-income households.<sup>9</sup> These below-market-rate condominiums are for households earning up to about \$150,000 per year and are priced at about \$835,000, commensurate with the targeted household income level.

**Office** – Office uses are anticipated to be an essential value generator for the project. The monthly average lease rate is assumed to be \$6.00 per square foot (full service) in Tier 1 and between \$6.98 and \$7.05 per square foot in Tier 2. The range of office rents in the Tier 2 analysis reflects uncertainty around office value potential and allows for Tier 2 analysis to result in a range of plausible residual value findings. In all office rent scenarios, the lease rates analyzed are above current asking rates for office space in Cupertino, but are comparable to lease rates observed in other nearby areas of the South Bay. Furthermore, the location and size of the Vallco site are likely to result in the production of premium Class A office product that is able to garner higher rent than typical product in the city today. Also, the Tier 2 office program of 1.75 million square feet allows for creation of a premium, large-scale office campus which is anticipated to achieve a meaningful pricing premium.

**Civic** – In Tier 2, it is anticipated that SHPC will deliver a flexible office space free of charge for use by Fremont Unified School District.

**Retail** – Retail uses, including traditional retail and restaurant spaces as well as entertainment uses are assumed to achieve rents of \$2.50 to \$5.00 (NNN) per square foot, with entertainment uses at the low end of that spectrum. In both Tier 1 and Tier 2, the analysis assumes that about 120,000 square feet of retail will be entertainment tenants.

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<sup>7</sup> Tier 1 includes below-market-rate rental housing for very low- and low-income households, consistent with City policy. Tier 2 includes below-market-rate housing for 196 very low-income, 205 low-income, and, 133 moderate-income households.

<sup>8</sup> Low Income Housing Tax Credits (LIHTC) are available from a competitive federal assistance program. To be most competitive for funding, below-market-rate housing are provided in stand-alone, fully affordable buildings.

<sup>9</sup> Tier 1 and Tier 2 assume below-market-rate condominiums for moderate-income households, consistent with current City policy.

**Hospitality** –The hotel in Tier 1 and Tier 2 is anticipated to be a 191-room, upscale hotel with an average daily room rate of \$275. The hotel is anticipated to satisfy current and future demand in the market, including new demand generated by other uses within the Vallco project.

**Performing Arts Center (PAC)** – Included in the Tier 2 program, the PAC is envisioned to be a community-serving 60,000-square-foot venue with a 600-seat main theater and 200-seat second stage. The theater would include a pre-event meeting lobby and be served by 150 structured parking spaces. EPS analysis of the PAC should be viewed as preliminary due to uncertainty around the design and cost of this facility.

## Project Costs

Project costs are reflect a comprehensive vertical development budget and comprise construction costs, soft costs, and other project costs, including a development contingency allowance and the required developer rate of return.

**Construction costs** – Project construction costs cover the vertical development of building spaces, including all labor and materials, fit out, and general contractor charges. For hotel uses and housing, the costs include the necessary furniture, fixtures, and equipment (FF&E). Other uses are assumed to have a tenant improvement budget for fit-out, as is standard in the marketplace.<sup>10</sup> Construction costs estimates are based on data from Saylor Current Construction Costs 2018.<sup>11</sup> The analysis reflects the type of construction anticipated for the Vallco site, using unique cost estimates for each building type (e.g., residential, office, hotel) as well as the building format (i.e., low-, mid-, or high-rise construction).

**Soft costs** – Soft costs include professional services associated with planning, design, and project approval; permits and fees; assumptions regarding taxes and insurance and financing costs; and general and administrative costs borne by the project developer. Building, planning, and impact fees have been estimated at a planning level in consultation with City staff. The City also provided EPS estimates of the anticipated development impact fee credits. The City's development impact fees include Affordable Housing fees, a Transportation Impact Fee, and a Park Land Fee. In both Tier 1 and Tier 2, the analysis assumes that six acres of park land is provided in ground-level plazas on site. In Tier 1, the remainder of the park land requirement is satisfied through payment of an in-lieu fee.<sup>12</sup> Tier 2 satisfies additional open space requirements on rooftops and in other on-site locations. Both Tier 1 and Tier 2 satisfy below-market-rate housing requirements though on-site housing, rather than paying the in-lieu fee.

**Contingency and Return on Investment (ROI)** – Other project costs include a development contingency of 10 percent and the developer's required return on investment, which is assumed to be 12% to 15% of all project costs. The analysis assumes that the 15% return is necessary to

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<sup>10</sup> Fit out costs are negotiated and could be greater or less than assumed in this analysis. For civic space, this analysis assumes fit out is paid for by the tenants.

<sup>11</sup> Saylor data do not include performance venues. The Performing Art Center construction cost estimate ("hard cost") of \$700 per square foot was provided to the City by SHPC.

<sup>12</sup> While some park land requirement might be satisfied on rooftops in Tier 1, the assumption that park land requirements (beyond public plazas) are met through the in-lieu fee is a conservative assumption for the purpose of financial feasibility assessment.

motivate investment in development of for-sale housing. The rate of return required to build and hold income-generating assets is lower, assumed to be 12%, due to the relatively reliable cash flow generated after project stabilization.

**Figure 4** summarizes the per-square-foot vertical development costs used in the analysis. For each land use category shown, the cost estimate presented below includes the full development budget (hard, soft, and other costs) along with the cost of structured parking necessary for each land use.

**Figure 4 Vertical Development Cost Summary<sup>1</sup>**

Land Use	Tier 1	Tier 2
<b>Apartment Cost (Per Unit)</b>		
Market Rate	\$617,000	\$673,000
BMR Apartment	\$596,000	\$516,000
<b>Condominium Cost (Per Unit)</b>		
Market Rate	\$727,000	\$795,000
BMR Condominium	\$705,000	\$771,000
<b>Office Cost (Per Square Foot)</b>		
Traditional Office	\$850	\$980
Civic Space	N/A	\$880
<b>Retail Cost (Per Square Foot)</b>		
Traditional	\$870	\$860
Entertainment	\$810	\$810
<b>Hotel Cost (Per Square Foot)</b>		
	\$770	\$770
<b>Performing Arts Center (Per Square Foot)</b>		
	N/A	\$1,250

<sup>1</sup> Cost estimates reflect the total development budget by land use type, including construction of buildings, associated parking, architecture, engineering, City permits and fees, financing, marketing/leasing, developer overhead, contingency, and return on investment.

**Horizontal Site Development Costs** – Site costs include demolition costs, basic site work, open space and park land costs, infrastructure costs (i.e., streets and utilities), and off-site mitigation costs.

- **Demolition** - The analysis assumes that demolition of existing structures will cost approximately \$18 million, approximately \$15 per square foot of the existing retail mall structures.
- **Basic Site Work** - It is anticipated that the basic site work required on the 51-acre site will total about \$25 million, a preliminary estimate given uncertainty around unique site requirements.
- **Park Land Improvements** – Park land improvements in Tier 1 are assumed to be \$500,000 per acre. In Tier 2, the analysis assumes park land improvements will be higher quality and

will cost about \$1.5 million per acre (including on rooftops), a substantial budget that likely will yield dramatic public spaces.

- **Park Land Fees** - In Tier 1, open space requirements that cannot be met on site are subject to a City fee of \$10 million per acre. The analysis assumes all park land requirements are achieved on site in Tier 2.
- **Backbone Infrastructure** - BKF Civil Engineers estimate that roadways and backbone infrastructure for the site will cost roughly \$50 million (See **Appendix B**).
- **Mitigation Requirements** - The analysis assumes Tier 2 mitigation requirements will cost approximately \$12.4 million (after offsetting credits), based on City cost estimates. <sup>13</sup>

In total, including contingency and investment return requirements, site costs are estimated at \$140.2 million in Tier 1 and \$146.2 million in Tier 2.

## Pro Forma Financial Analysis

The following summarizes the financial feasibility findings from analysis of the Tier 1 and Tier 2 alternatives.

### Key Findings from Tier 1 Analysis

The analysis finds that Tier 1 is in the realm of financial feasibility assuming that the majority of the 1,779 units of housing is developed as for-sale product (more than 50% condominium). This result derives primarily from the relatively high value of market rate condominium housing and the fact that the City's below-market-rate policy for ownership units targets median- and moderate-income households, as compared to the deeper affordability required for below-market-rate rental housing.

Park Land In-Lieu Fees could have a notable effect on Tier 1 feasibility. The Tier 1 program analysis assumes that six acres of park land is made available for public access but that additional park land requirements are satisfied through in-lieu fees totaling over \$20 million, a significant cost burden for the project. If significant additional park land can be provided on rooftops, the feasibility of the Tier 1 project and/or ability of the Tier 1 program to provide a greater quantity rental housing could be improved.

**Figure 5** summarizes the results of the planning-level financial feasibility analysis of a SHPC Tier 1 project. As shown, **Figure 5** presents a Tier 1 housing mix that results in a residual land value equivalent to the SPCO cost basis (i.e., the project residual is zero). If the housing program mix can be shifted toward even more for-sale housing, the financial analysis suggests that additional value creation may be possible.

### Key Findings from Tier 2 Analysis

The analysis finds that Tier 2 is feasible and can generate significant community benefits for the City. Relying on a 2,668-unit housing program and a City-defined below-market-rate housing mix (15% for very low- and low-income households; 5% for moderate-income households), this analysis find that the project likely can provide 20% of the housing program at below-market rates, deliver free of charge roughly 25,000 square feet of "warm shell" office space and 60,000

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<sup>13</sup> See **Appendix A-2**, page A-2-13.

square feet of warm shell space suitable for a performing arts center, and provide additional community benefits.

Tier 2 feasibility benefits from federal Low Income Housing Tax Credits. LIHTCs have the potential to significantly lower development costs for SHPC. In Tier 2, the analysis assumes that affordable housing for very low- and low-income households will be provided in separate affordable housing projects, rather than included within market rate housing. Stand-alone affordable housing significantly improves the likelihood of obtaining tax credits.

The Tier 2 analysis assumes that additional park land requirements are met through rooftop or other on-site open space opportunities. This on-site open space results in notably lower site costs due to the avoidance of in-lieu fees. This benefit is somewhat offset by higher park land improvement costs. The analysis assumes that six acres of park land is made available to the public in ground-level plazas and that SHPC improves this park land to a very high standard.

The Tier 2 scenario analysis also reflects over \$12 million in off-site mitigation costs identified by the City, which are not anticipated in the Tier 1 analysis. These costs include fair share payments for traffic improvement projects in adjacent jurisdictions and the region, as well as the cost of local EIR mitigations not included in City's Transportation Impact Fee.

While the Tier 2 analysis finds that value will be available to support additional community benefits (beyond the below-market-rate housing and the civic spaces delivered on site), the Tier 2 project may struggle to fully fund a new city hall and payments for transportation improvements and local schools. The estimated project residual, after the provision of 85,000 square feet of civic space included in the Tier 2 analysis, is approximately \$40 to \$60 million. Additional community benefits are preliminarily estimated to cost about \$56 million.<sup>14</sup> Accordingly, the analysis suggests a possible shortfall in community benefits funding. However, the potential deficit is less than 0.5% of the project's estimated market value and analysis of slightly more optimistic office rents reveals that the community benefits package could be fully funded.

**Figure 6** and **Figure 7** summarizes the results of the planning-level financial feasibility analysis of a SHPC Tier 2 project. **Figure 6** presents findings from a "lower office rent" scenario while **Figure 7** presents findings from a "higher office rent" scenario.

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<sup>14</sup> Additional community benefits valued at \$56 million are detailed in **Figure 6** and **Figure 7**. Supplementary EPS analysis of a below-market-rate housing program that includes 40 units designated for extremely-low-income households (replacing units designated for very-low-income households) identifies an additional cost of \$13.5 million borne by the project, including \$10,000 per year in additional supportive services required for these units. This potential additional cost is not reflected in **Figure 6** and **Figure 7**.

**Figure 5 Summary of Tier 1 Feasibility**

Project Factors	Residential Uses				Non-Residential Uses						Total	Percent of Market Value
	Apartment		Condominium		Office		Retail		Hotel	PAC		
	Market Rate	BMR	Market Rate	BMR	Traditional	Civic	Traditional	Entertainment				
<b>Dwelling Units</b>	<b>792</b>	<b>140</b>	<b>720</b>	<b>127</b>	N/A	N/A	N/A	N/A	N/A	N/A	<b>1,779</b>	
Gross Square Feet	990,300	174,759	899,887	158,804	750,000	0	480,000	120,000	139,000	0	3,712,750	
Structured Parking Stalls	1,584	280	1,440	254	2,632	0	1,920	480	191	0	8,781	
<b>Market Value</b>	<b>\$644,964,614</b>	<b>\$38,109,167</b>	<b>\$780,022,419</b>	<b>\$104,498,382</b>	<b>\$757,957,500</b>	<b>\$0</b>	<b>\$426,702,000</b>	<b>\$53,337,750</b>	<b>\$102,153,721</b>	<b>\$0</b>	<b>\$2,907,745,553</b>	100%
Value / Gross SF	\$651	\$218	\$867	\$658	\$1,011	N/A	\$889	\$444	\$735	\$0	\$783	
Value Per Unit	\$814,103	\$272,584	\$1,083,500	\$822,544	N/A	N/A	N/A	N/A	N/A	N/A	\$881,166	
<b>Development Budget</b>												
Soft Cost	\$86,252,898	\$12,811,490	\$99,712,436	\$15,384,730	\$129,484,577	\$0	\$75,578,828	\$15,839,997	\$19,503,318	\$0	\$454,568,274	16%
Hard Cost	\$310,507,254	\$54,795,398	\$313,806,942	\$55,377,696	\$387,042,000	\$0	\$262,142,677	\$63,009,353	\$67,633,402	\$0	\$1,514,314,721	52%
Other Costs and ROI	\$92,048,355	\$15,684,798	\$109,582,635	\$18,752,043	\$119,834,166	\$0	\$78,351,389	\$18,293,049	\$20,215,719	\$0	\$472,762,154	16%
<b>Total Cost</b>	<b>\$488,808,507</b>	<b>\$83,291,686</b>	<b>\$523,102,013</b>	<b>\$89,514,468</b>	<b>\$636,360,743</b>	<b>\$0</b>	<b>\$416,072,894</b>	<b>\$97,142,399</b>	<b>\$107,352,439</b>	<b>\$0</b>	<b>\$2,441,645,150</b>	84%
Total Cost / Gross SF	\$494	\$477	\$581	\$564	\$848	N/A	\$867	\$810	\$772	N/A	\$658	
Total Cost Per Unit	\$616,995	\$595,762	\$726,621	\$704,600	N/A	N/A	N/A	N/A	N/A	N/A	\$665,945	
<b>Residual Value</b>												
(Before Site Costs)	<b>\$156,156,107</b>	<b>-\$45,182,519</b>	<b>\$256,920,406</b>	<b>\$14,983,914</b>	<b>\$121,596,757</b>	<b>\$0</b>	<b>\$10,629,106</b>	<b>-\$43,804,649</b>	<b>-\$5,198,717</b>	<b>\$0</b>	<b>\$466,100,403</b>	16%
Land Value / Gross SF	\$158	-\$259	\$286	\$94	\$162	N/A	\$22	-\$365	-\$37	N/A	\$126	
Land Value Per Unit	\$197,107	-\$323,178	\$356,879	\$117,944	N/A	N/A	N/A	N/A	N/A	N/A	\$215,220.86	
<b>Land Value Per Acre</b>											<b>\$9,171,594</b>	
<b>Impact Fee Credits (Including Avoided Contingency and ROI)</b>											<b>\$32,467,671</b>	
<b>Site Costs</b>												
Demolition	1,200,000 Sq.Ft.						\$15.00 /Sq.Ft.				\$18,000,000	0.6%
Basic Site Work	51 Acres						\$500,000 /Acre				\$25,410,000	0.9%
Open Space Improvements	6.0 Acres (Public Access)						\$500,000 /Acre				\$3,000,000	0.1%
Parkland In-Lieu Fee	2.2 Acres (Fee Basis)						\$10,000,000 /Acre				\$21,656,100	0.7%
Right-of-Way and Backbone Infrastructure											\$50,000,000	1.7%
Additional Off-site Improvements/Mitigation											\$0	0.0%
<b>Subtotal</b>											<b>\$118,066,100</b>	4.1%
Site Development Financing Cost							6% Financing Cost				\$7,083,966	0.2%
Developer Return on Site Costs							12% ROI				\$15,018,008	0.5%
<b>Total Site Costs including ROI</b>											<b>\$140,168,074</b>	4.8%
<b>Estimated Residual Land Value</b>											<b>\$358,400,000</b>	12.3%
Land Value / Gross SF											\$97	
Land Value Per Acre											\$7,052,342	
<b>Approximate Land Cost Basis (includes 12% ROI)</b>											<b>\$358,400,000</b>	12.3%
Land Value / Gross SF											\$97	
Land Value Per Acre											\$7,052,342	
<b>Estimated Project Residual</b>											<b>\$0</b>	0.0%
Land Value / Gross SF											\$0	
Land Value Per Acre											\$0	
<b>Additional Community Benefits (Draft Development Agreement)</b>												
Off-Site Development of New City Hall (City staff cost estimate)											\$0	0.0%
Cash Payment for Wolfe Rd/280 and Bike/Pedestrian Trail											\$0	0.0%
Cash Payment for Cupertino Unified School District											\$0	0.0%
Developer Return on Additional Community Benefits							12% ROI				\$0	0.0%
<b>Total Additional Community Benefits</b>											<b>\$0</b>	0.0%
<b>Estimated Project Residual After Additional Community Benefits</b>											<b>\$0</b>	0.0%

**Figure 6 Summary of Tier 2 Feasibility (Lower Office Rent Scenario)**

Project Factors	Residential Uses				Office		Non-Residential Uses			Hotel	PAC	Total	Percent of Market Value
	Apartment		Condominium		Traditional	Civic	Retail						
	Market Rate	BMR	Market Rate	BMR			Traditional	Entertainment					
<b>Dwelling Units</b>	<b>1,675</b>	<b>468</b>	<b>459</b>	<b>67</b>	N/A	N/A	N/A	N/A	N/A	N/A	<b>2,668</b>		
Gross Square Feet	2,093,988	584,375	573,513	83,125	1,750,000	25,000	280,000	120,000	139,000	60,000	5,649,000		
Structured Parking Stalls	3,350	935	918	133	5,263	88	1,120	480	191	150	12,478		
<b>Market Value</b>	<b>\$1,391,428,108</b>	<b>\$148,741,703</b>	<b>\$507,560,168</b>	<b>\$54,699,166</b>	<b>\$2,036,917,552</b>	<b>\$0</b>	<b>\$248,909,500</b>	<b>\$53,337,750</b>	<b>\$102,153,721</b>	<b>\$0</b>	<b>\$4,543,747,670</b>	100%	
Value / Gross SF	\$664	\$255	\$885	\$658	\$1,164	\$0	\$889	\$444	\$735	\$0	\$804		
Value Per Unit	\$830,609	\$318,164	\$1,106,254	\$822,544	N/A	N/A	N/A	N/A	N/A	N/A	\$788,017		
<b>Development Budget</b>													
Soft Cost	\$195,354,942	\$39,395,580	\$68,279,531	\$8,634,569	\$340,494,580	\$3,813,462	\$43,978,438	\$15,793,192	\$19,503,318	\$9,302,266	\$735,247,612	16%	
Hard Cost	\$720,415,268	\$168,969,792	\$220,054,412	\$31,894,724	\$1,055,124,904	\$14,118,219	\$152,233,991	\$62,716,823	\$67,633,402	\$51,679,255	\$2,493,161,534	55%	
Other Costs and ROI	\$212,458,689	\$32,965,853	\$76,408,495	\$10,740,263	\$323,783,720	\$4,160,150	\$45,521,284	\$18,214,323	\$20,215,719	\$14,147,713	\$744,468,496	16%	
<b>Total Cost</b>	<b>\$1,128,228,899</b>	<b>\$241,331,225</b>	<b>\$364,742,438</b>	<b>\$51,269,556</b>	<b>\$1,719,403,203</b>	<b>\$22,091,831</b>	<b>\$241,733,713</b>	<b>\$96,724,338</b>	<b>\$107,352,439</b>	<b>\$75,129,233</b>	<b>\$4,048,006,875</b>	89%	
Total Cost / Gross SF	\$539	\$413	\$636	\$617	\$983	\$884	\$863	\$806	\$772	\$1,252	\$717		
Total Cost Per Unit	\$673,493	\$516,217	\$794,975	\$770,971	N/A	N/A	N/A	N/A	N/A	N/A	\$669,255		
<b>Residual Value</b> <i>(Before Site Costs)</i>	<b>\$263,199,210</b>	<b>-\$92,589,523</b>	<b>\$142,817,731</b>	<b>\$3,429,610</b>	<b>\$317,514,349</b>	<b>-\$22,091,831</b>	<b>\$7,175,787</b>	<b>-\$43,386,588</b>	<b>-\$5,198,717</b>	<b>-\$75,129,233</b>	<b>\$495,740,794</b>	11%	
Land Value / Gross SF	\$126	-\$158	\$249	\$41	\$181	-\$884	\$26	-\$362	-\$37	-\$1,252	\$88		
Land Value Per Unit	\$157,116	-\$198,052	\$311,279	\$51,573	N/A	N/A	N/A	N/A	N/A	N/A	\$118,762.00		
<b>Land Value Per Acre</b>											<b>\$9,754,837</b>		
<b>Impact Fee Credits (Including Avoided Contingency and ROI)</b>											<b>\$48,386,681</b>		
<b>Site Costs</b>													
Demolition	1,200,000 Sq.Ft.						\$15.00 /Sq.Ft.				\$18,000,000	0.4%	
Basic Site Work	51 Acres						\$500,000 /Acre				\$25,410,000	0.6%	
Open Space Improvements	11.5 Acres (Public Access)						\$1,500,000 /Acre				\$17,285,400	0.4%	
Parkland In-Lieu Fee	0.0 Acres (Fee Basis)						\$10,000,000 /Acre				\$0	0.0%	
Right-of-Way and Backbone Infrastructure							<i>BKF Planning-Level Concept Estimate - Rounded (See Appendix C)</i>				\$50,000,000	1.1%	
Additional Off-site Improvements/Mitigation							<i>City Estimate (See Appendix B)</i>				\$12,443,000	0.3%	
<b>Subtotal</b>											<b>\$123,138,400</b>	2.7%	
Site Development Financing Cost							6% Financing Cost				\$7,388,304	0.2%	
Developer Return on Site Costs							12% ROI				\$15,663,204	0.3%	
<b>Total Site Costs including ROI</b>											<b>\$146,189,908</b>	3.2%	
<b>Estimated Residual Land Value</b>											<b>\$397,937,567</b>	8.8%	
Land Value / Gross SF											\$70		
Land Value Per Acre											\$7,830,334		
<b>Approximate Land Cost Basis (includes 12% ROI)</b>											<b>\$358,400,000</b>	7.9%	
Land Value / Gross SF											\$63		
Land Value Per Acre											\$7,052,342		
<b>Estimated Project Residual</b>											<b>\$39,537,567</b>	0.9%	
Land Value / Gross SF											\$7		
Land Value Per Acre											\$777,992		
<b>Additional Community Benefits (Draft Development Agreement)</b>													
Off-Site Development of New City Hall (City staff cost estimate)											\$35,000,000	0.8%	
Cash Payment for Wolfe Rd/280 and Bike/Pedestrian Trail											\$11,000,000	0.2%	
Cash Payment for Cupertino Unified School District											\$9,500,000	0.2%	
Developer Return on Additional Community Benefits							12% ROI				\$6,660,000	0.1%	
<b>Total Additional Community Benefits</b>											<b>\$55,500,000</b>	1.2%	
<b>Estimated Project Residual After Additional Community Benefits</b>											<b>-\$15,962,433</b>	-0.4%	

**Figure 7 Summary of Tier 2 Feasibility (Higher Office Rent Scenario)**

Project Factors	Residential Uses				Non-Residential Uses						Total	Percent of Market Value
	Apartment		Condominium		Office		Retail		Hotel	PAC		
	Market Rate	BMR	Market Rate	BMR	Traditional	Civic	Traditional	Entertainment				
<b>Dwelling Units</b>	<b>1,675</b>	<b>468</b>	<b>459</b>	<b>67</b>	N/A	N/A	N/A	N/A	N/A	N/A	<b>2,668</b>	
Gross Square Feet	2,093,988	584,375	573,513	83,125	1,750,000	25,000	280,000	120,000	139,000	60,000	5,649,000	
Structured Parking Stalls	3,350	935	918	133	5,263	88	1,120	480	191	150	12,478	
<b>Market Value</b>	<b>\$1,391,428,108</b>	<b>\$148,741,703</b>	<b>\$507,560,168</b>	<b>\$54,699,166</b>	<b>\$2,057,286,728</b>	<b>\$0</b>	<b>\$248,909,500</b>	<b>\$53,337,750</b>	<b>\$102,153,721</b>	<b>\$0</b>	<b>\$4,564,116,845</b>	100%
Value / Gross SF	\$664	\$255	\$885	\$658	\$1,176	\$0	\$889	\$444	\$735	\$0	\$808	
Value Per Unit	\$830,609	\$318,164	\$1,106,254	\$822,544	N/A	N/A	N/A	N/A	N/A	N/A	\$788,017	
<b>Development Budget</b>												
Soft Cost	\$195,354,942	\$39,395,580	\$68,279,531	\$8,634,569	\$341,532,726	\$3,813,462	\$43,978,438	\$15,793,192	\$19,503,318	\$9,302,266	\$736,285,758	16%
Hard Cost	\$720,415,268	\$168,969,792	\$220,054,412	\$31,894,724	\$1,055,124,904	\$14,118,219	\$152,233,991	\$62,716,823	\$67,633,402	\$51,679,255	\$2,493,161,534	55%
Other Costs and ROI	\$212,458,689	\$32,965,853	\$76,408,495	\$10,740,263	\$324,024,570	\$4,160,150	\$45,521,284	\$18,214,323	\$20,215,719	\$14,147,713	\$744,709,346	16%
<b>Total Cost</b>	<b>\$1,128,228,899</b>	<b>\$241,331,225</b>	<b>\$364,742,438</b>	<b>\$51,269,556</b>	<b>\$1,720,682,199</b>	<b>\$22,091,831</b>	<b>\$241,733,713</b>	<b>\$96,724,338</b>	<b>\$107,352,439</b>	<b>\$75,129,233</b>	<b>\$4,049,285,871</b>	89%
Total Cost / Gross SF	\$539	\$413	\$636	\$617	\$983	\$884	\$863	\$806	\$772	\$1,252	\$717	
Total Cost Per Unit	\$673,493	\$516,217	\$794,975	\$770,971	N/A	N/A	N/A	N/A	N/A	N/A	\$669,255	
<b>Residual Value</b>												
(Before Site Costs)	<b>\$263,199,210</b>	<b>-\$92,589,523</b>	<b>\$142,817,731</b>	<b>\$3,429,610</b>	<b>\$336,604,529</b>	<b>-\$22,091,831</b>	<b>\$7,175,787</b>	<b>-\$43,386,588</b>	<b>-\$5,198,717</b>	<b>-\$75,129,233</b>	<b>\$514,830,974</b>	11%
Land Value / Gross SF	\$126	-\$158	\$249	\$41	\$192	-\$884	\$26	-\$362	-\$37	-\$1,252	\$91	
Land Value Per Unit	\$157,116	-\$198,052	\$311,279	\$51,573	N/A	N/A	N/A	N/A	N/A	N/A	\$118,762.00	
<b>Land Value Per Acre</b>											<b>\$10,130,480</b>	
<b>Impact Fee Credits (Including Avoided Contingency and ROI)</b>											<b>\$48,386,681</b>	
<b>Site Costs</b>												
Demolition	1,200,000 Sq.Ft.						\$15.00 /Sq.Ft.				\$18,000,000	0.4%
Basic Site Work	51 Acres						\$500,000 /Acre				\$25,410,000	0.6%
Open Space Improvements	11.5 Acres (Public Access)						\$1,500,000 /Acre				\$17,285,400	0.4%
Parkland In-Lieu Fee	0.0 Acres (Fee Basis)						\$10,000,000 /Acre				\$0	0.0%
Right-of-Way and Backbone Infrastructure											\$50,000,000	1.1%
Additional Off-site Improvements/Mitigation											\$12,443,000	0.3%
<b>Subtotal</b>											<b>\$123,138,400</b>	2.7%
Site Development Financing Cost							6% Financing Cost				\$7,388,304	0.2%
Developer Return on Site Costs							12% ROI				\$15,663,204	0.3%
<b>Total Site Costs including ROI</b>											<b>\$146,189,908</b>	3.2%
<b>Estimated Residual Land Value</b>											<b>\$417,027,747</b>	9.1%
Land Value / Gross SF											\$74	
Land Value Per Acre											\$8,205,977	
<b>Approximate Land Cost Basis (includes 12% ROI)</b>											<b>\$358,400,000</b>	7.9%
Land Value / Gross SF											\$63	
Land Value Per Acre											\$7,052,342	
<b>Estimated Project Residual</b>											<b>\$58,627,747</b>	1.3%
Land Value / Gross SF											\$10	
Land Value Per Acre											\$1,153,635	
<b>Additional Community Benefits (Draft Development Agreement)</b>												
Off-Site Development of New City Hall (City staff cost estimate)											\$35,000,000	0.8%
Cash Payment for Wolfe Rd/280 and Bike/Pedestrian Trail											\$11,000,000	0.2%
Cash Payment for Cupertino Unified School District											\$9,500,000	0.2%
Developer Return on Additional Community Benefits							12% ROI				\$6,660,000	0.1%
<b>Total Additional Community Benefits</b>											<b>\$55,500,000</b>	1.2%
<b>Estimated Project Residual After Additional Community Benefits</b>											<b>\$3,127,747</b>	0.1%



## APPENDIX A-1

### Tier 1 Vertical Pro Forma Financial Analysis by Land Use



# Market Rate Residential Rental Apartment

Tier 1

## DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			792
Gross Building Area (Square Feet)	1,250	per Unit	990,300
Rentable Area (Square Feet)	80%	of GBA	792,240
Structured Parking Spaces			1,584
Surface Parking Spaces			0

## BUILDING VALUE

Gross Potential Rent	\$4.00	per SF/Month	\$38,027,523
Losses to Vacancy	5.0%	of GPR	-\$1,901,376
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Residential Revenue			\$36,126,147
Operating Expenses	30%	of Gross Revenue	-\$10,837,844
Net Operating Income - Residential			\$25,288,303
Net Operating Income - Parking	\$50	per Space/Month	\$903,154
Net Operating Income			\$26,191,456
Building Value	4.0%	Capitalization Rate	\$654,786,410
Disposition Cost	1.5%	of Building Value	-\$9,821,796
<b>Net Value</b>			<b>\$644,964,614</b>

## PROJECT COSTS

### Construction Costs

Building Direct Cost	\$223	Cost/SF (GBA)	\$220,578,647
Structured Parking Direct Cost	\$46,958	per Space	\$74,403,244
PLA Cost Premium	5%	of Total Const. Cost	\$15,525,363
<i>Total Construction Cost</i>			<i>\$310,507,254</i>

### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$12,420,290
Other Professional Services	2.0%	of Construction Cost	\$6,210,145
Permits and Fees	\$34,404	per Dwelling Unit	\$27,256,520
Taxes and Insurance	2.0%	of Construction Cost	\$6,210,145
Financing	6.0%	of Construction Cost	\$18,630,435
Marketing/Leasing	1.0%	of Construction Cost	\$3,105,073
Developer Fee	4.0%	of Construction Cost	<u>\$12,420,290</u>
<i>Total Soft Cost</i>			<i>\$86,252,898</i>

### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$39,676,015
Developer ROI	12.0%	of Development Costs	<u>\$52,372,340</u>
<i>Total Other Costs</i>			<i>\$92,048,355</i>

### Total Project Cost

**\$488,808,507**

## RESIDUAL LAND VALUE

Residual Land Value		<b>\$156,156,107</b>
Per Dwelling Unit		<b>\$197,107</b>
Per Square Foot (GBA)		<b>\$158</b>

## Below Market Rate Residential Apartment

Tier 1

### DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			140
Gross Building Area (Square Feet)	1,250	per Unit	174,759
Rentable Area (Square Feet)	80%	of GBA	139,807
Structured Parking Spaces			280
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$1.94	per SF/Month	\$3,258,064
Losses to Vacancy	5.0%	of GPR	-\$162,903
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Residential Revenue			\$3,095,161
Operating Expenses	50%	of Gross Revenue	-\$1,547,580
Net Operating Income - Residential			\$1,547,580
Net Operating Income - Parking	\$0	per Space/Month	\$0
Net Operating Income			\$1,547,580
Building Value	4.0%	Capitalization Rate	\$38,689,509
Disposition Cost	1.5%	of Building Value	<u>-\$580,343</u>
<b>Net Value</b>			<b>\$38,109,167</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$223	Cost/SF (GBA)	\$38,925,644
Structured Parking Direct Cost	\$46,958	per Space	\$13,129,984
PLA Cost Premium	5%	of Total Const. Cost	<u>\$2,739,770</u>
<i>Total Construction Cost</i>			<i>\$54,795,398</i>

#### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$2,191,816
Other Professional Services	2.0%	of Construction Cost	\$1,095,908
Permits and Fees	\$17,169	per Dwelling Unit	\$2,400,364
Taxes and Insurance	2.0%	of Construction Cost	\$1,095,908
Financing	6.0%	of Construction Cost	\$3,287,724
Marketing/Leasing	1.0%	of Construction Cost	\$547,954
Developer Fee	4.0%	of Construction Cost	<u>\$2,191,816</u>
<i>Total Soft Cost</i>			<i>\$12,811,490</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$6,760,689
Developer ROI	12.0%	of Development Costs	<u>\$8,924,109</u>
<i>Total Other Costs</i>			<i>\$15,684,798</i>

**Total Project Cost** **\$83,291,686**

**Low Income Housing Tax Credit<sup>1</sup>** 0.0% of Eligible Costs **\$0**  
(assumed for 56% of Tier 2 BMR)

**Total Project Cost** **\$83,291,686**

<b>Residual Land Value</b>	<b>-\$45,182,519</b>
<b>Per Dwelling Unit</b>	<b>-\$323,178</b>
<b>Per Square Foot (GBA)</b>	<b>-\$258.54</b>

<sup>1</sup> Low income housing tax credits are applied in Tier 2 analysis. Tier 2 allows for BMR in stand-alone BMR projects which increase the probability of tax credit awards.

# Market Rate Residential Condominium

Tier 1

## DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			720
Gross Building Area (Square Feet)	1,250	per Unit	899,887
Rentable Area (Square Feet)	80%	of GBA	719,910
Structured Parking Spaces			1,440
Surface Parking Spaces			0

## BUILDING VALUE

Condominium Sale Value	\$1,100	Market Value /SF	\$791,900,933
Other Value Additions	\$0	Market Value /Unit	\$0
Building Value			\$791,900,933
Disposition Cost	1.5%	of Building Value	-\$11,878,514
<b>Net Value</b>			<b>\$780,022,419</b>

## PROJECT COSTS

### Construction Costs

Building Direct Cost	\$256	Cost/SF (GBA)	\$230,506,236
Structured Parking Direct Cost	\$46,958	per Space	\$67,610,359
PLA Cost Premium	5%	of Total Const. Cost	<u>\$15,690,347</u>
<i>Total Construction Cost</i>			<i>\$313,806,942</i>

### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$12,552,278
Other Professional Services	2.0%	of Construction Cost	\$6,276,139
Permits and Fees	\$42,609	per Dwelling Unit	\$30,674,909
Taxes and Insurance	3.0%	of Construction Cost	\$9,414,208
Financing	6.0%	of Construction Cost	\$18,828,417
Marketing/Leasing	3.0%	of Construction Cost	\$9,414,208
Developer Fee	4.0%	of Construction Cost	<u>\$12,552,278</u>
<i>Total Soft Cost</i>			<i>\$99,712,436</i>

### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$41,351,938
Developer ROI	15.0%	of Development Costs	<u>\$68,230,697</u>
<i>Total Other Costs</i>			<i>\$109,582,635</i>

### Total Project Cost

**\$523,102,013**

### Residual Land Value

**\$256,920,406**

### Per Dwelling Unit

**\$356,879**

### Per Square Foot (GBA)

**\$286**

# Below Market Residential Condominium

Tier 1

## DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			127
Gross Building Area (Square Feet)	1,250	per Unit	158,804
Rentable Area (Square Feet)	80%	of GBA	127,043
Structured Parking Spaces			254
Surface Parking Spaces			0

## BUILDING VALUE

Condominium Sale Value	\$835	Market Value /SF	\$106,089,727
Other Value Additions	\$0	Market Value /Unit	\$0
Building Value			\$106,089,727
Disposition Cost	1.5%	of Building Value	-\$1,591,346
<b>Net Value</b>			<b>\$104,498,382</b>

## PROJECT COSTS

### Construction Costs

Building Direct Cost	\$256	Cost/SF (GBA)	\$40,677,571
Structured Parking Direct Cost	\$46,958	per Space	\$11,931,240
PLA Cost Premium	5%	of Total Const. Cost	\$2,768,885
<i>Total Construction Cost</i>			<i>\$55,377,696</i>

### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$2,215,108
Other Professional Services	2.0%	of Construction Cost	\$1,107,554
Permits and Fees	\$33,919	per Dwelling Unit	\$4,309,190
Taxes and Insurance	3.0%	of Construction Cost	\$1,661,331
Financing	6.0%	of Construction Cost	\$3,322,662
Marketing/Leasing	1.0%	of Construction Cost	\$553,777
Developer Fee	4.0%	of Construction Cost	\$2,215,108
<i>Total Soft Cost</i>			<i>\$15,384,730</i>

### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$7,076,243
Developer ROI	15.0%	of Development Costs	\$11,675,800
<i>Total Other Costs</i>			<i>\$18,752,043</i>

### Total Project Cost

**\$89,514,468**

### Residual Land Value

**\$14,983,914**

### Per Dwelling Unit

**\$117,944**

### Per Square Foot (GBA)

**\$94**

## Office

Tier 1

### DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			750,000
Rentable Area (Square Feet)	100%	of GBA	750,000
Structured Parking Spaces			2,632
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$6.00	per SF/Month (FS)	\$54,000,000
Losses to Vacancy	5.0%	of GPR	-\$2,700,000
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Office Revenue			\$51,300,000
Operating Expenses	25.00%	of Gross Revenue	-\$12,825,000
Net Operating Income - Office			\$38,475,000
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$38,475,000
Building Value	5.0%	Capitalization Rate	\$769,500,000
Disposition Cost	1.5%	of Building Value	<u>-\$11,542,500</u>
<b>Net Value</b>			<b>\$757,957,500</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$265	Cost/SF (GBA)	\$199,117,500
Tenant Improvement	\$60	Cost/SF (GBA)	\$45,000,000
Structured Parking Direct Cost	\$46,958	per Space	\$123,572,400
PLA Cost Premium	5%	of Total Const. Cost	<u>\$19,352,100</u>
<i>Total Construction Cost</i>			<i>\$387,042,000</i>

#### Soft Costs

Architecture and Engineering	3.0%	of Construction Cost	\$11,611,260
Other Professional Services	1.0%	of Building Direct Cost	\$3,870,420
Permits and Fees	\$70	per Square Foot (GBA)	\$52,167,857
Taxes and Insurance	2.0%	of Building Direct Cost	\$7,740,840
Financing	6.0%	of Building Direct Cost	\$23,222,520
Marketing/Leasing	3.0%	of 10-Year Lease Value	\$15,390,000
Developer Fee	4.0%	of Building Direct Cost	<u>\$15,481,680</u>
<i>Total Soft Cost</i>			<i>\$129,484,577</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$51,652,658
Developer ROI	12.0%	of Development Costs	<u>\$68,181,508</u>
<i>Total Other Costs</i>			<i>\$119,834,166</i>

**Total Project Cost** **\$636,360,743**

**Residual Land Value** **\$121,596,757**  
**Per Square Foot (GBA)** **\$162.13**

# Retail

Tier 1

## DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			480,000
Rentable Area (Square Feet)	100%	of GBA	480,000
Structured Parking Spaces			1,920
Surface Parking Spaces			0

## BUILDING VALUE

Gross Potential Rent	\$5.00	per SF/Month (NNN)	\$28,800,000
Losses to Vacancy	5.0%	of GPR	-\$1,440,000
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Retail Revenue			\$27,360,000
Operating Expenses	5%	of Gross Revenue	-\$1,368,000
Net Operating Income - Retail			\$25,992,000
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$25,992,000
Building Value	6.0%	Capitalization Rate	\$433,200,000
Disposition Cost	1.5%	of Building Value	-\$6,498,000
<b>Net Value</b>			<b>\$426,702,000</b>

## PROJECT COSTS

### Construction Costs

Building Direct Cost	\$311	Cost/SF (GBA)	\$149,277,120
Tenant Improvement	\$20	Cost/SF (GBA)	\$9,600,000
Structured Parking Direct Cost	\$46,958	per Space	\$90,158,423
PLA Cost Premium	5%	of Total Const. Cost	<u>\$13,107,134</u>
<i>Total Construction Cost</i>			<i>\$262,142,677</i>

### Soft Costs

Architecture and Engineering	3.0%	of Construction Cost	\$7,864,280
Other Professional Services	1.0%	of Building Direct Cost	\$2,621,427
Permits and Fees	\$53	per Square Foot (GBA)	\$25,428,000
Taxes and Insurance	2.0%	of Building Direct Cost	\$5,242,854
Financing	6.0%	of Building Direct Cost	\$15,728,561
Marketing/Leasing	3.0%	of 10-Year Lease Value	\$8,208,000
Developer Fee	4.0%	of Building Direct Cost	<u>\$10,485,707</u>
<i>Total Soft Cost</i>			<i>\$75,578,828</i>

### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$33,772,151
Developer ROI	12.0%	of Development Costs	<u>\$44,579,239</u>
<i>Total Other Costs</i>			<i>\$78,351,389</i>

**Total Project Cost** **\$416,072,894**

**Residual Land Value** **\$10,629,106**  
**Per Square Foot (GBA)** **\$22.14**

## Entertainment Retail

Tier 1

### DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			120,000
Rentable Area (Square Feet)	100%	of GBA	120,000
Structured Parking Spaces			480
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$2.50	per SF/Month (NNN)	\$3,600,000
Losses to Vacancy	5.0%	of GPR	-\$180,000
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Retail Revenue			\$3,420,000
Operating Expenses	5%	of Gross Revenue	-\$171,000
Net Operating Income - Retail			\$3,249,000
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$3,249,000
Building Value	6.0%	Capitalization Rate	\$54,150,000
Disposition Cost	1.5%	of Building Value	<u>-\$812,250</u>
<b>Net Value</b>			<b>\$53,337,750</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$311	Cost/SF (GBA)	\$37,319,280
Tenant Improvment	\$0	Cost/SF (GBA)	\$0
Structured Parking Direct Cost	\$46,958	per Space	\$22,539,606
PLA Cost Premium	5%	of Total Const. Cost	<u>\$3,150,468</u>
<i>Total Construction Cost</i>			<i>\$63,009,353</i>

#### Soft Costs

Architecture and Engineering	3.0%	of Construction Cost	\$1,890,281
Other Professional Services	1.0%	of Building Direct Cost	\$630,094
Permits and Fees	\$39	per Square Foot (GBA)	\$4,732,500
Taxes and Insurance	2.0%	of Building Direct Cost	\$1,260,187
Financing	6.0%	of Building Direct Cost	\$3,780,561
Marketing/Leasing	3.0%	of 10-Year Lease Value	\$1,026,000
Developer Fee	4.0%	of Building Direct Cost	<u>\$2,520,374</u>
<i>Total Soft Cost</i>			<i>\$15,839,997</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$7,884,935
Developer ROI	12.0%	of Net Value	<u>\$10,408,114</u>
<i>Total Other Costs</i>			<i>\$18,293,049</i>

**Total Project Cost** **\$97,142,399**

**Residual Land Value** **-\$43,804,649**  
**Per Square Foot (GBA)** **-\$365.04**



# Hotel

Tier 1

## DEVELOPMENT PROGRAM ASSUMPTIONS

Hotel Rooms			191
Gross Building Area (Square Feet)	728	per Room	139,000
Structured Parking Spaces			191
Surface Parking Spaces			0

## STABILIZED-YEAR HOTEL INCOME STATEMENT

Average Daily Room Rate			\$275
Stabilized Annual Occupancy Rate			80%
Revenue Per Available Room			\$220.00

### Departmental Revenues

Rooms	75%	of Total Revenue	\$15,337,300
Food & Beverage	20%	of Total Revenue	\$4,089,947
Other Income	5%	of Total Revenue	<u>\$1,022,487</u>
<b>Total Operating Revenues</b>			<b>\$20,449,733</b>

### Departmental Expenses

Rooms	25%	of Department Revenue	-\$3,834,325
Food & Beverage	65%	of Department Revenue	-\$2,658,465
Minor Operated Departments	25%	of Department Revenue	<u>-\$255,622</u>
<b>Departmental Operating Expenses</b>			<b>-\$6,748,412</b>

### Other Operating Expenses

Administrative & General	7.0%	of Total Revenue	-\$1,431,481
Management Fee	3.0%	of Total Revenue	-\$613,492
Marketing	5.0%	of Total Revenue	-\$1,022,487
Operation & Maintenance	3.0%	of Total Revenue	-\$613,492
Utility Costs	3.0%	of Total Revenue	-\$613,492
Insurance	1.5%	of Total Revenue	-\$306,746
Taxes	5.0%	of Total Revenue	-\$1,022,487
Reserve for Replacement	4.0%	of Total Revenue	<u>-\$817,989</u>
<b>Other Expenses</b>			<b>-\$6,441,666</b>

Net Operating Income - Hotel			\$7,259,655
Net Operating Income - Parking	\$0	per Space per Month	\$0
Net Operating Income			\$7,259,655
Building Value	7.0%	Capitalization Rate	\$103,709,362
Disposition Cost	1.5%	of Building Value	-\$1,555,640
<b>Net Value</b>			<b>\$102,153,721</b>

## DEVELOPMENT COSTS

### Construction Costs

Building Direct Cost	\$329	Cost/SF (GBA)	\$45,667,060
FF&E	\$50,000	Cost/Room	\$9,550,000
Structured Parking Direct Cost	\$47,302	per Space	\$9,034,672
PLA Cost Premium	5%	of Total Const. Cost	<u>\$3,381,670</u>
<b>Total Construction Cost</b>			<b>\$67,633,402</b>

### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$2,705,336
Other Professional Services	2.0%	of Construction Cost	\$1,352,668
Permits and Fees	\$43	per Square Foot (GBA)	\$5,976,638
Taxes and Insurance	2.0%	of Construction Cost	\$1,352,668
Financing	6.0%	of Construction Cost	\$4,058,004
Developer Fee & POB	6.0%	of Construction Cost	\$4,058,004
<b>Total Soft Cost</b>			<b>\$19,503,318</b>

### Other Development Costs

Development Contingency	10%	of Hard and Soft Costs	\$8,713,672
Developer ROI	12%	of Development Costs	\$11,502,047.03
<b>Total Other Costs</b>			<b>\$20,215,719</b>

<b>Total Project Cost</b>			<b>\$107,352,439</b>
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<b>Residual Land Value</b>			<b>-\$5,198,717</b>
<b>Per Square Foot (GBA)</b>			<b>-\$37.40</b>

## APPENDIX A-2

### Tier 2 Vertical Pro Forma Financial Analysis by Land Use



## Market Rate Residential Rental Apartment

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			1,675
Gross Building Area (Square Feet)	1,250	per Unit	2,093,988
Rentable Area (Square Feet)	80%	of GBA	1,675,190
Structured Parking Spaces			3,350
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$4.08	per SF/Month	\$82,097,712
Losses to Vacancy	5.0%	of GPR	-\$4,104,886
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Residential Revenue			\$77,992,826
Operating Expenses	30%	of Gross Revenue	-\$23,397,848
Net Operating Income - Residential			\$54,594,978
Net Operating Income - Parking	\$50	per Space/Month	\$1,909,717
Net Operating Income			\$56,504,695
Building Value	4.0%	Capitalization Rate	\$1,412,617,369
Disposition Cost	1.5%	of Building Value	-\$21,189,261
<b>Net Value</b>			<b>\$1,391,428,108</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$251	Cost/SF (GBA)	\$525,915,012
Structured Parking Direct Cost	\$47,302	per Space	\$158,479,492
PLA Cost Premium	5%	of Total Const. Cost	\$36,020,763
<i>Total Construction Cost</i>			<i>\$720,415,268</i>

#### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$28,816,611
Other Professional Services	2.0%	of Construction Cost	\$14,408,305
Permits and Fees	\$34,907	per Dwelling Unit	\$58,476,042
Taxes and Insurance	2.0%	of Construction Cost	\$14,408,305
Financing	6.0%	of Construction Cost	\$43,224,916
Marketing/Leasing	1.0%	of Construction Cost	\$7,204,153
Developer Fee	4.0%	of Construction Cost	<u>\$28,816,611</u>
<i>Total Soft Cost</i>			<i>\$195,354,942</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$91,577,021
Developer ROI	12.0%	of Development Costs	<u>\$120,881,668</u>
<i>Total Other Costs</i>			<i>\$212,458,689</i>

#### Total Project Cost

**\$1,128,228,899**

### RESIDUAL LAND VALUE

Residual Land Value		\$263,199,210
Per Dwelling Unit		\$157,116
Per Square Foot (GBA)		\$126

## Below Market Rate Residential Apartment

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			468
Gross Building Area (Square Feet)	1,250	per Unit	584,375
Rentable Area (Square Feet)	80%	of GBA	467,500
Structured Parking Spaces			935
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$2.27	per SF/Month	\$12,716,363
Losses to Vacancy	5.0%	of GPR	-\$635,818
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Residential Revenue			\$12,080,544
Operating Expenses	50%	of Gross Revenue	-\$6,040,272
Net Operating Income - Residential			\$6,040,272
Net Operating Income - Parking	\$0	per Space/Month	\$0
Net Operating Income			\$6,040,272
Building Value	4.0%	Capitalization Rate	\$151,006,805
Disposition Cost	1.5%	of Building Value	<u>-\$2,265,102</u>
<b>Net Value</b>			<b>\$148,741,703</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$251	Cost/SF (GBA)	\$146,768,586
Structured Parking Direct Cost	\$47,302	per Space	\$44,227,319
PLA Cost Premium	5%	of Total Const. Cost	<u>\$10,052,416</u>
<i>Total Construction Cost</i>			<i>\$201,048,321</i>

#### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$8,041,933
Other Professional Services	2.0%	of Construction Cost	\$4,020,966
Permits and Fees	\$18,557	per Dwelling Unit	\$8,675,559
Taxes and Insurance	2.0%	of Construction Cost	\$4,020,966
Financing	6.0%	of Construction Cost	\$12,062,899
Marketing/Leasing	1.0%	of Construction Cost	\$2,010,483
Developer Fee	4.0%	of Construction Cost	<u>\$8,041,933</u>
<i>Total Soft Cost</i>			<i>\$46,874,740</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$24,792,306
Developer ROI	5.3%	of Development Costs	<u>\$14,432,039</u>
<i>Total Other Costs</i>			<i>\$39,224,345</i>

**Total Project Cost** **\$287,147,407**

**Low Income Housing Tax Credit<sup>1</sup>** **30.0%** of Eligible Costs **-\$45,816,182**  
(assumed for 56% of Tier 2 BMR)

**Total Project Cost** **\$241,331,225**

<b>Residual Land Value</b>	<b>-\$92,589,523</b>
<b>Per Dwelling Unit</b>	<b>-\$198,052</b>
<b>Per Square Foot (GBA)</b>	<b>-\$158.44</b>

<sup>1</sup> Low income housing tax credits are applied in Tier 2 analysis. Tier 2 allows for BMR in stand-alone BMR projects which increase the probability of tax credit awards.

# Market Rate Residential Condominium

Tier 2

## DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			459
Gross Building Area (Square Feet)	1,250	per Unit	573,513
Rentable Area (Square Feet)	80%	of GBA	458,810
Structured Parking Spaces			918
Surface Parking Spaces			0

## BUILDING VALUE

Condominium Sale Value	\$1,123	Market Value /SF	\$515,289,511
Other Value Additions	\$0	Market Value /Unit	\$0
Building Value			\$515,289,511
Disposition Cost	1.5%	of Building Value	-\$7,729,343
<b>Net Value</b>			<b>\$507,560,168</b>

## PROJECT COSTS

### Construction Costs

Building Direct Cost	\$289	Cost/SF (GBA)	\$165,646,480
Structured Parking Direct Cost	\$47,302	per Space	\$43,405,211
PLA Cost Premium	5%	of Total Const. Cost	<u>\$11,002,721</u>
<i>Total Construction Cost</i>			<i>\$220,054,412</i>

### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$8,802,176
Other Professional Services	2.0%	of Construction Cost	\$4,401,088
Permits and Fees	\$43,302	per Dwelling Unit	\$19,867,560
Taxes and Insurance	3.0%	of Construction Cost	\$6,601,632
Financing	6.0%	of Construction Cost	\$13,203,265
Marketing/Leasing	3.0%	of Construction Cost	\$6,601,632
Developer Fee	4.0%	of Construction Cost	<u>\$8,802,176</u>
<i>Total Soft Cost</i>			<i>\$68,279,531</i>

### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$28,833,394
Developer ROI	15.0%	of Development Costs	<u>\$47,575,101</u>
<i>Total Other Costs</i>			<i>\$76,408,495</i>

**Total Project Cost** **\$364,742,438**

<b>Residual Land Value</b>	<b>\$142,817,731</b>
<b>Per Dwelling Unit</b>	<b>\$311,279</b>
<b>Per Square Foot (GBA)</b>	<b>\$249</b>

## Below Market Residential Condominium

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Dwelling Units			67
Gross Building Area (Square Feet)	1,250	per Unit	83,125
Rentable Area (Square Feet)	80%	of GBA	66,500
Structured Parking Spaces			133
Surface Parking Spaces			0

### BUILDING VALUE

Condominium Sale Value	\$835	Market Value /SF	\$55,532,148
Other Value Additions	\$0	Market Value /Unit	\$0
Building Value			\$55,532,148
Disposition Cost	1.5%	of Building Value	-\$832,982
<b>Net Value</b>			<b>\$54,699,166</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$289	Cost/SF (GBA)	\$24,008,829
Structured Parking Direct Cost	\$47,302	per Space	\$6,291,159
PLA Cost Premium	5%	of Total Const. Cost	<u>\$1,594,736</u>
<i>Total Construction Cost</i>			<i>\$31,894,724</i>

#### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$1,275,789
Other Professional Services	2.0%	of Construction Cost	\$637,894
Permits and Fees	\$33,919	per Dwelling Unit	\$2,255,625
Taxes and Insurance	3.0%	of Construction Cost	\$956,842
Financing	6.0%	of Construction Cost	\$1,913,683
Marketing/Leasing	1.0%	of Construction Cost	\$318,947
Developer Fee	4.0%	of Construction Cost	<u>\$1,275,789</u>
<i>Total Soft Cost</i>			<i>\$8,634,569</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$4,052,929
Developer ROI	15.0%	of Development Costs	<u>\$6,687,333</u>
<i>Total Other Costs</i>			<i>\$10,740,263</i>

**Total Project Cost** **\$51,269,556**

<b>Residual Land Value</b>	<b>\$3,429,610</b>
<b>Per Dwelling Unit</b>	<b>\$51,573</b>
<b>Per Square Foot (GBA)</b>	<b>\$41</b>

## Office (Lower Rent Scenario)

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			1,750,000
Rentable Area (Square Feet)	100%	of GBA	1,750,000
Structured Parking Spaces			5,263
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$6.98	per SF/Month (FS)	\$146,584,200
Losses to Vacancy	5.0%	of GPR	-\$7,329,210
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Office Revenue			\$139,254,990
Operating Expenses	25.75%	of Gross Revenue	-\$35,858,160
Net Operating Income - Office			\$103,396,830
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$103,396,830
Building Value	5.0%	Capitalization Rate	\$2,067,936,602
Disposition Cost	1.5%	of Building Value	<u>-\$31,019,049</u>
<b>Net Value</b>			<b>\$2,036,917,552</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$371	Cost/SF (GBA)	\$648,411,050
Tenant Improvement	\$60	Cost/SF (GBA)	\$105,000,000
Structured Parking Direct Cost	\$47,302	per Space	\$248,957,608
PLA Cost Premium	5%	of Total Const. Cost	<u>\$52,756,245</u>
<i>Total Construction Cost</i>			<i>\$1,055,124,904</i>

#### Soft Costs

Architecture and Engineering	3.0%	of Construction Cost	\$31,653,747
Other Professional Services	1.0%	of Building Direct Cost	\$10,551,249
Permits and Fees	\$74	per Square Foot (GBA)	\$129,898,098
Taxes and Insurance	2.0%	of Building Direct Cost	\$21,102,498
Financing	6.0%	of Building Direct Cost	\$63,307,494
Marketing/Leasing	3.0%	of 10-Year Lease Value	\$41,776,497
Developer Fee	4.0%	of Building Direct Cost	<u>\$42,204,996</u>
<i>Total Soft Cost</i>			<i>\$340,494,580</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$139,561,948
Developer ROI	12.0%	of Development Costs	<u>\$184,221,772</u>
<i>Total Other Costs</i>			<i>\$323,783,720</i>

**Total Project Cost** **\$1,719,403,203**

**Residual Land Value** **\$317,514,349**  
**Per Square Foot (GBA)** **\$181.44**

## Office (Higher Rent Scenario)

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			1,750,000
Rentable Area (Square Feet)	100%	of GBA	1,750,000
Structured Parking Spaces			5,263
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$7.05	per SF/Month (FS)	\$148,050,042
Losses to Vacancy	5.0%	of GPR	-\$7,402,502
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Office Revenue			\$140,647,540
Operating Expenses	25.75%	of Gross Revenue	-\$36,216,742
Net Operating Income - Office			\$104,430,798
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$104,430,798
Building Value	5.0%	Capitalization Rate	\$2,088,615,968
Disposition Cost	1.5%	of Building Value	<u>-\$31,329,240</u>
<b>Net Value</b>			<b>\$2,057,286,728</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$371	Cost/SF (GBA)	\$648,411,050
Tenant Improvement	\$60	Cost/SF (GBA)	\$105,000,000
Structured Parking Direct Cost	\$47,302	per Space	\$248,957,608
PLA Cost Premium	5%	of Total Const. Cost	<u>\$52,756,245</u>
<i>Total Construction Cost</i>			<i>\$1,055,124,904</i>

#### Soft Costs

Architecture and Engineering	3.0%	of Construction Cost	\$31,653,747
Other Professional Services	1.0%	of Building Direct Cost	\$10,551,249
Permits and Fees	\$75	per Square Foot (GBA)	\$130,518,479
Taxes and Insurance	2.0%	of Building Direct Cost	\$21,102,498
Financing	6.0%	of Building Direct Cost	\$63,307,494
Marketing/Leasing	3.0%	of 10-Year Lease Value	\$42,194,262
Developer Fee	4.0%	of Building Direct Cost	<u>\$42,204,996</u>
<i>Total Soft Cost</i>			<i>\$341,532,726</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$139,665,763
Developer ROI	12.0%	of Development Costs	<u>\$184,358,807</u>
<i>Total Other Costs</i>			<i>\$324,024,570</i>

**Total Project Cost** **\$1,720,682,199**

**Residual Land Value** **\$336,604,529**  
**Per Square Foot (GBA)** **\$192.35**



## Civic Office

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			25,000
Rentable Area (Square Feet)	100%	of GBA	25,000
Structured Parking Spaces			88
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$0.00	per SF/Month (NNN)	\$0
Losses to Vacancy	5.0%	of GPR	\$0
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Revenue			\$0
Operating Expenses	25%	of Gross Revenue	\$0
Net Operating Income - Retail			\$0
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$0
Building Value	5.0%	Capitalization Rate	\$0
Disposition Cost	1.5%	of Building Value	<u>\$0</u>
<b>Net Value</b>			<b>\$0</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$371	Cost/SF (GBA)	\$9,263,015
Tenant Improvement	\$0	Cost/SF (GBA)	\$0
Structured Parking Direct Cost	\$47,302	per Space	\$4,149,293
PLA Cost Premium	5%	of Total Const. Cost	<u>\$705,911</u>
<i>Total Construction Cost</i>			<i>\$14,118,219</i>

#### Soft Costs

Architecture and Engineering	3.0%	of Construction Cost	\$423,547
Other Professional Services	1.0%	of Building Direct Cost	\$141,182
Permits and Fees	\$62	per Square Foot (GBA)	\$1,554,547
Taxes and Insurance	2.0%	of Building Direct Cost	\$282,364
Financing	6.0%	of Building Direct Cost	\$847,093
Marketing/Leasing	0.0%	of 10-Year Lease Value	\$0
Developer Fee	4.0%	of Building Direct Cost	<u>\$564,729</u>
<i>Total Soft Cost</i>			<i>\$3,813,462</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$1,793,168
Developer ROI	12.0%	of Development Costs	<u>\$2,366,982</u>
<i>Total Other Costs</i>			<i>\$4,160,150</i>

**Total Project Cost** **\$22,091,831**

**Residual Land Value** **-\$22,091,831**  
**Per Square Foot (GBA)** **-\$883.67**

## Retail

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			280,000
Rentable Area (Square Feet)	100%	of GBA	280,000
Structured Parking Spaces			1,120
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$5.00	per SF/Month (NNN)	\$16,800,000
Losses to Vacancy	5.0%	of GPR	-\$840,000
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Retail Revenue			\$15,960,000
Operating Expenses	5%	of Gross Revenue	-\$798,000
Net Operating Income - Retail			\$15,162,000
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$15,162,000
Building Value	6.0%	Capitalization Rate	\$252,700,000
Disposition Cost	1.5%	of Building Value	-\$3,790,500
<b>Net Value</b>			<b>\$248,909,500</b>

### PROJECT COSTS

#### Construction Costs

Building Direct Cost	\$307	Cost/SF (GBA)	\$86,044,112
Tenant Improvement	\$20	Cost/SF (GBA)	\$5,600,000
Structured Parking Direct Cost	\$47,302	per Space	\$52,978,179
PLA Cost Premium	5%	of Total Const. Cost	<u>\$7,611,700</u>
<i>Total Construction Cost</i>			<i>\$152,233,991</i>

#### Soft Costs

Architecture and Engineering	3.0%	of Construction Cost	\$4,567,020
Other Professional Services	1.0%	of Building Direct Cost	\$1,522,340
Permits and Fees	\$53	per Square Foot (GBA)	\$14,833,000
Taxes and Insurance	2.0%	of Building Direct Cost	\$3,044,680
Financing	6.0%	of Building Direct Cost	\$9,134,039
Marketing/Leasing	3.0%	of 10-Year Lease Value	\$4,788,000
Developer Fee	4.0%	of Building Direct Cost	<u>\$6,089,360</u>
<i>Total Soft Cost</i>			<i>\$43,978,438</i>

#### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$19,621,243
Developer ROI	12.0%	of Development Costs	<u>\$25,900,041</u>
<i>Total Other Costs</i>			<i>\$45,521,284</i>

**Total Project Cost** **\$241,733,713**

**Residual Land Value** **\$7,175,787**  
**Per Square Foot (GBA)** **\$25.63**

## Entertainment Retail

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			120,000
Rentable Area (Square Feet)	100%	of GBA	120,000
Structured Parking Spaces			480
Surface Parking Spaces			0

### BUILDING VALUE

Gross Potential Rent	\$2.50	per SF/Month (NNN)	\$3,600,000
Losses to Vacancy	5.0%	of GPR	-\$180,000
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Retail Revenue			\$3,420,000
Operating Expenses	5%	of Gross Revenue	-\$171,000
Net Operating Income - Retail			\$3,249,000
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$3,249,000
Building Value	6.0%	Capitalization Rate	\$54,150,000
Disposition Cost	1.5%	of Building Value	<u>-\$812,250</u>
<b>Net Value</b>			<b>\$53,337,750</b>

### PROJECT COSTS

<b>Construction Costs</b>			
Building Direct Cost	\$307	Cost/SF (GBA)	\$36,876,048
Tenant Improvement	\$0	Cost/SF (GBA)	\$0
Structured Parking Direct Cost	\$47,302	per Space	\$22,704,934
PLA Cost Premium	5%	of Total Const. Cost	<u>\$3,135,841</u>
<i>Total Construction Cost</i>			<i>\$62,716,823</i>
<b>Soft Costs</b>			
Architecture and Engineering	3.0%	of Construction Cost	\$1,881,505
Other Professional Services	1.0%	of Building Direct Cost	\$627,168
Permits and Fees	\$39	per Square Foot (GBA)	\$4,732,500
Taxes and Insurance	2.0%	of Building Direct Cost	\$1,254,336
Financing	6.0%	of Building Direct Cost	\$3,763,009
Marketing/Leasing	3.0%	of 10-Year Lease Value	\$1,026,000
Developer Fee	4.0%	of Building Direct Cost	<u>\$2,508,673</u>
<i>Total Soft Cost</i>			<i>\$15,793,192</i>
<b>Other Project Costs</b>			
Development Contingency	10.0%	of Hard and Soft Costs	\$7,851,001
Developer ROI	12.0%	of Net Value	<u>\$10,363,322</u>
<i>Total Other Costs</i>			<i>\$18,214,323</i>
<b>Total Project Cost</b>			<b>\$96,724,338</b>

<b>Residual Land Value</b>			<b>-\$43,386,588</b>
<b>Per Square Foot (GBA)</b>			<b>-\$361.55</b>

## Hotel

Tier 2

### DEVELOPMENT PROGRAM ASSUMPTIONS

Hotel Rooms			191
Gross Building Area (Square Feet)	728	per Room	139,000
Structured Parking Spaces			191
Surface Parking Spaces			0

### STABILIZED-YEAR HOTEL INCOME STATEMENT

Average Daily Room Rate			\$275
Stabilized Annual Occupancy Rate			80%
Revenue Per Available Room			\$220.00

#### Departmental Revenues

Rooms	75%	of Total Revenue	\$15,337,300
Food & Beverage	20%	of Total Revenue	\$4,089,947
Other Income	5%	of Total Revenue	<u>\$1,022,487</u>
<b>Total Operating Revenues</b>			<b>\$20,449,733</b>

#### Departmental Expenses

Rooms	25%	of Department Revenue	-\$3,834,325
Food & Beverage	65%	of Department Revenue	-\$2,658,465
Minor Operated Departments	25%	of Department Revenue	<u>-\$255,622</u>
<b>Departmental Operating Expenses</b>			<b>-\$6,748,412</b>

#### Other Operating Expenses

Administrative & General	7.0%	of Total Revenue	-\$1,431,481
Management Fee	3.0%	of Total Revenue	-\$613,492
Marketing	5.0%	of Total Revenue	-\$1,022,487
Operation & Maintenance	3.0%	of Total Revenue	-\$613,492
Utility Costs	3.0%	of Total Revenue	-\$613,492
Insurance	1.5%	of Total Revenue	-\$306,746
Taxes	5.0%	of Total Revenue	-\$1,022,487
Reserve for Replacement	4.0%	of Total Revenue	<u>-\$817,989</u>
<b>Other Expenses</b>			<b>-\$6,441,666</b>

Net Operating Income - Hotel			\$7,259,655
Net Operating Income - Parking	\$0	per Space per Month	\$0
Net Operating Income			\$7,259,655
Building Value	7.0%	Capitalization Rate	\$103,709,362
Disposition Cost	1.5%	of Building Value	-\$1,555,640
<b>Net Value</b>			<b>\$102,153,721</b>

### DEVELOPMENT COSTS

#### Construction Costs

Building Direct Cost	\$329	Cost/SF (GBA)	\$45,667,060
FF&E	\$50,000	Cost/Room	\$9,550,000
Structured Parking Direct Cost	\$47,302	per Space	\$9,034,672
PLA Cost Premium	5%	of Total Const. Cost	<u>\$3,381,670</u>
<b>Total Construction Cost</b>			<b>\$67,633,402</b>

#### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$2,705,336
Other Professional Services	2.0%	of Construction Cost	\$1,352,668
Permits and Fees	\$43	per Square Foot (GBA)	\$5,976,638
Taxes and Insurance	2.0%	of Construction Cost	\$1,352,668
Financing	6.0%	of Construction Cost	\$4,058,004
Developer Fee & POB	6.0%	of Construction Cost	\$4,058,004
<b>Total Soft Cost</b>			<b>\$19,503,318</b>

#### Other Development Costs

Development Contingency	10%	of Hard and Soft Costs	\$8,713,672
Developer ROI	12%	of Development Costs	\$11,502,047.03
<b>Total Other Costs</b>			<b>\$20,215,719</b>

<b>Total Project Cost</b>			<b>\$107,352,439</b>
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<b>Residual Land Value</b>			<b>-\$5,198,717</b>
<b>Per Square Foot (GBA)</b>			<b>-\$37.40</b>

# Performing Arts Center

Tier 2

## DEVELOPMENT PROGRAM ASSUMPTIONS

Gross Building Area (Square Feet)			60,000
Rentable Area (Square Feet)	100%	of GBA	60,000
Structured Parking Spaces			150
Surface Parking Spaces			0

## BUILDING VALUE

Gross Potential Rent	\$0.00	per SF/Month (FS)	\$0
Losses to Vacancy	0.0%	of GPR	\$0
Collection Losses	0.0%	of GPR	\$0
Losses to Concessions	0.0%	of GPR	\$0
Gross Retail Revenue			\$0
Operating Expenses	0%	of Gross Revenue	\$0
Net Operating Income - Office			\$0
Net Operating Income - Parking	\$0	per Space/Month	\$0.00
Net Operating Income			\$0
Building Value		Capitalization Rate	
Disposition Cost		of Building Value	
<b>Net Value</b>			

## PROJECT COSTS

### Construction Costs

Building Direct Cost	\$700	Cost/SF (GBA)	\$42,000,000
Tenant Improvement	\$0	Cost/SF (GBA)	\$0
Structured Parking Direct Cost	\$47,302	per Space	\$7,095,292
PLA Cost Premium	5%	of Total Const. Cost	<u>\$2,583,963</u>
<i>Total Construction Cost</i>			<i>\$51,679,255</i>

### Soft Costs

Architecture and Engineering	4.0%	of Construction Cost	\$2,067,170
Other Professional Services	2.0%	of Building Direct Cost	\$1,033,585
Permits and Fees	\$0	per Square Foot (GBA)	\$0
Taxes and Insurance	2.0%	of Building Direct Cost	\$1,033,585
Financing	6.0%	of Building Direct Cost	\$3,100,755
Marketing/Leasing	0.0%	of 10-Year Lease Value	\$0
Developer Fee	4.0%	of Building Direct Cost	<u>\$2,067,170</u>
<i>Total Soft Cost</i>			<i>\$9,302,266</i>

### Other Project Costs

Development Contingency	10.0%	of Hard and Soft Costs	\$6,098,152
Developer ROI	12.0%	of Development Costs	<u>\$8,049,561</u>
<i>Total Other Costs</i>			<i>\$14,147,713</i>

**Total Project Cost** **\$75,129,233**

**Residual Land Value** **-\$75,129,233**  
**Per Square Foot (GBA)** **-\$1,252.15**

# Impact Fee Credits

Tier 2

Fee Category	Market-rate Residential (units)	BMR (units)	Office (sq.ft.)	Retail (sq.ft.)	Hotel (sq.ft.)	Total
<b>Development Impact Fee schedule</b>						
Housing Mitigation	\$ -	\$ -	\$ 23.76	\$ 11.88	\$ 11.88	
TIF	\$ 3,830.00	\$ 3,830.00	\$ 17.40	\$ 9.94	\$ 3,387.00	
<b>DIF subtotal</b>	<b>\$ 3,830.00</b>	<b>\$ 3,830.00</b>	<b>\$ 41.16</b>	<b>\$ 21.82</b>	<b>\$ 3,398.88</b>	
<b>Development Program</b>						
Existing (sq.ft.)				1,207,774		
Program (Units / Sq.Ft./hotel rms)	2,134	534	1,500,000	400,000	191	
Hotel sq.ft.					139,000	
<b>Impact Fees Before Credits</b>						
Housing Fees <sup>1</sup>	\$ -	\$ -	\$ 35,640,000	\$ 4,752,000	\$ 1,651,320	\$ 42,043,320
TIF	\$ 8,173,220	\$ -	\$ 26,100,000	\$ 3,976,000	\$ 646,917	\$ 38,896,137
<b>Impact Fee subtotal</b>	<b>\$ 8,173,220</b>	<b>\$ -</b>	<b>\$ 61,740,000</b>	<b>\$ 8,728,000</b>	<b>\$ 2,298,237</b>	<b>\$ 80,939,457</b>
<b>New Impact Fees (After Credits)</b>						
Housing Fees <sup>1</sup>	\$ -	\$ -	\$ 19,773,690	\$ -	\$ -	\$ 19,773,690
TIF	\$ 8,173,220	\$ -	\$ 26,100,000	\$ (8,029,274)	\$ 646,917	\$ 26,890,863
<b>New Impact Fee subtotal</b>	<b>\$ 8,173,220</b>	<b>\$ -</b>	<b>\$ 45,873,690</b>	<b>\$ (8,029,274)</b>	<b>\$ 646,917</b>	<b>\$ 46,664,553</b>
<b>Impact Fee Credits and Avoided Costs</b>						
Total Impact Fees Less New Impact Fees						<b>\$34,274,904</b>
Housing Fees (credit for 5% Moderate BMR)						\$ 5,000,000
Avoided Contingency						\$ 3,927,490
Avoided ROI						\$ 5,184,287
<b>Total</b>						<b>\$48,386,681</b>

<sup>1</sup> Paid on balance of proposed non-residential minus existing non-residential = 832,226 sq.ft.

Notes -

1. No BMR or TIF fees associated with BMR units
2. No BMR or TIF fees are assigned for public (civic, cultural or educational) uses. Developer will pay permit fees for building, grading, etc.
3. No BMR or TIF fees associated with 250,000 sq.ft. of office amenity space
4. BMR fees for non-residential are calculated on balance of proposed non-residential minus existing non-residential = 832,226 sq.ft. and paid at office rate
5. No parkland fees included in the fee credit analysis

Source: City of Cupertino

## Off-site Mitigations and Improvements

Tier 2

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Fairshare cost for mitigation projects in adjacent jurisdictions and regional projects	\$ 11,580,542
Cost of local EIR mitigations not included in TIF	\$ 2,235,000
<b><i>Off-site Mitigations and Improvements subtotal</i></b>	<b>\$ 13,815,542</b>
Credit for local improvements over fair share payment	\$ (1,372,976)
<b>Total After Credits</b>	<b>\$ 12,442,566</b>

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Source: City of Cupertino

## APPENDIX B

### BKF Backbone Infrastructure Analysis





Vallco Town Center  
Infrastructure Costs Analysis Notes  
June 21, 2018

### **Developer Project**

The Developer project is based on the SB35 Development Application dated 3/27/18. The Developer Project locates all buildings and internal streets on a common podium therefore utilities within the internal streets are part of the structure. The Civil Cost Analysis includes them as if they were placed in the ground however roadway and utility preparation costs such as demolition and grading are assumed to be included in the building cost, by others.

### **Specific Plan Project**

The Specific Plan project is based on the ongoing process to develop a vision for the site. It is anticipated that the Specific Plan project will include internal streets constructed on land therefore site preparation costs for utilities and roadways are included. Roadway lengths are assumed to be the same as the Developer Project.

### **Wastewater**

Both the Developer and Specific Plan projects will require significant upgrades to the downstream wastewater conveyance system. Based on the April 23, 2018 letter from the Cupertino Sanitary District it is estimated that approximately 9,300 LF of 12", 15" and 27" sewer line will need to be upsized or paralleled. The Analysis includes 9,300 LF of 18" parallel line. In addition, the peak flow through Santa Clara could exceed the maximum allowed. To account for potential upsizing and/or in lieu fees for this impact \$5,000,000 is included in the estimate. The Analysis includes in-project conveyance of wastewater to the offsite improvements described above. Cost for the greywater cistern and conveyance thereto is not included.

### **Stormwater**

Both the Developer and Specific Plan projects will decrease impervious surface area through replacement of paving with landscape and construction of green roofs. As a result no off-site stormwater improvements would be required. The Analysis includes in-project conveyance of stormwater to the proposed stormwater cistern. Cost for the stormwater cistern is not included.

### **Potable Water**

Both the Developer and Specific Plan projects can be served by available potable water supplies. It is assumed that adequate conveyance exists to the project perimeter and that no off-site water improvements are required. The Analysis includes conveyance of water to buildings and fire hydrants from the project perimeter.

### **Recycled Water**

Both the Developer and Specific Plan project landscaping will be irrigated with recycled water via an extension from Homestead Rd. The Analysis includes this extension along with in-project conveyance of recycled water.

### **In-Projects Roadways**

Internal, or in-project, roadways will be constructed on the podium for the Developer Project or on land for the Specific Plan project. The Analysis reflects this difference as described above. For the Developer Project paving, curb-gutter-sidewalk, utilities and street lighting are included. The Specific Plan project includes those items and site preparation. Internal project roadway landscaping is not included in either option.

### **Frontage Roadways**

Three frontage roadways are included the Civil Cost Analysis; N. Wolfe Rd., Vallco Parkway and Stevens Creek Blvd. The analysis assumes 25% of the paving of N. Wolfe Rd. will be reconstructed along with 10% of Vallco Parkway and Stevens Creek Blvd. In all cases utilities and landscape is included.

### **Off-Site Roadways**

No off-site roadway or signal improvements are included.

**VALLCO TOWN CENTER  
INFRASTRUCTURE COSTS ANALYSIS**

				DEVELOPER PROJECT					SPECIFIC PLAN PROJECT				
ID	DESCRIPTION			Lineal Foot Cost	Hard Costs	Soft Costs	Contingency Costs	Total	Lineal Foot Cost	Hard Costs	Soft Costs	Contingency Costs	Total
I.	<b>ON-SITE ROADWAY BACKBONE INFRASTRUCTURE</b>												
		TOTAL LENGTH	CONTINGENCY										
A	Type 1 - Alley	1,410	20%	\$ 500	\$ 705,000	\$ 130,000	\$ 170,000	\$ 1,010,000	\$ 1,300	\$ 1,833,000	\$ 330,000	\$ 430,000	\$ 2,600,000
B	Type 2 - Interior Street	4,260	20%	\$ 1,000	\$ 4,260,000	\$ 770,000	\$ 1,010,000	\$ 6,040,000	\$ 1,300	\$ 5,538,000	\$ 1,000,000	\$ 1,310,000	\$ 7,850,000
C	Type 3 - Entry 1	430	20%	\$ 600	\$ 258,000	\$ 50,000	\$ 60,000	\$ 370,000	\$ 1,400	\$ 602,000	\$ 110,000	\$ 140,000	\$ 860,000
D	Type 4 - Entry 2	215	20%	\$ 700	\$ 150,500	\$ 30,000	\$ 40,000	\$ 230,000	\$ 1,500	\$ 322,500	\$ 60,000	\$ 80,000	\$ 470,000
E	Type 5 - Perimeter	3,900	20%	\$ 1,500	\$ 5,850,000	\$ 1,050,000	\$ 1,380,000	\$ 8,280,000	\$ 1,800	\$ 7,020,000	\$ 1,260,000	\$ 1,660,000	\$ 9,940,000
F	Type 5A - Perimeter Hybrid	760	20%	\$ 1,500	\$ 1,140,000	\$ 210,000	\$ 270,000	\$ 1,620,000	\$ 1,700	\$ 1,292,000	\$ 230,000	\$ 300,000	\$ 1,830,000
II.	<b>MAJOR INFRASTRUCTURE AND OFF-SITES</b>												
A	N. Wolfe Rd.		20%		\$ 4,510,000	\$ 810,000	\$ 1,060,000	\$ 6,380,000		\$ 4,510,000	\$ 810,000	\$ 1,060,000	\$ 6,380,000
B	Vallco Parkway		20%		\$ 940,000	\$ 170,000	\$ 220,000	\$ 1,330,000		\$ 940,000	\$ 170,000	\$ 220,000	\$ 1,330,000
C	Stevens Creek Blvd.		20%		\$ 1,160,000	\$ 210,000	\$ 270,000	\$ 1,640,000		\$ 1,160,000	\$ 210,000	\$ 270,000	\$ 1,640,000
D	Off-Site Wastewater		50%		\$ 7,790,000	\$ 1,400,000	\$ 4,600,000	\$ 13,790,000		\$ 7,790,000	\$ 1,400,000	\$ 4,600,000	\$ 13,790,000
E	Off-Site Reclaimed Water		20%		\$ 396,000	\$ 70,000	\$ 90,000	\$ 560,000		\$ 396,000	\$ 70,000	\$ 90,000	\$ 560,000
F	Traffic Signal Modifications		20%		\$ 1,380,000	\$ 250,000	\$ 330,000	\$ 1,960,000		\$ 1,380,000	\$ 250,000	\$ 330,000	\$ 1,960,000
<b>TOTAL ENGINEER'S ESTIMATE FORECAST W/CONTINGENCY</b>					\$ 28,539,500	\$ 5,150,000	9,500,000	\$ 43,210,000		\$ 32,783,500	\$ 5,900,000	10,490,000	\$ 49,210,000

June 21, 2018

