City of East Palo Alto

Development Impact Fee Program

FINANCIAL FEASIBILITY STUDY

Amended February 28, 2019

See Appendix J for list of amendments since original release in December 2018

Cover Photo: East Palo Alto, Palo Alto Airport of Santa Clara County, Moffett Federal Airfield

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City of East Palo Alto
Development Impact Fee Program

Financial Feasibility Technical Memorandum

Amended February 28, 2019

Prepared for
City of East Palo Alto
Prepared by
AECOM Sustainable Economics Group

MISSION STATEMENT

The City of East Palo Alto provides responsive, respectful, and efficient services to enhance the quality of life and safety of its multi-cultural community.

Lisa Gauthier, Mayor
Regina Wallace Jones, Vice-Mayor
Ruben Abrica, Councilmember
Larry Moody, Councilmember
Carlos Romero, Councilmember

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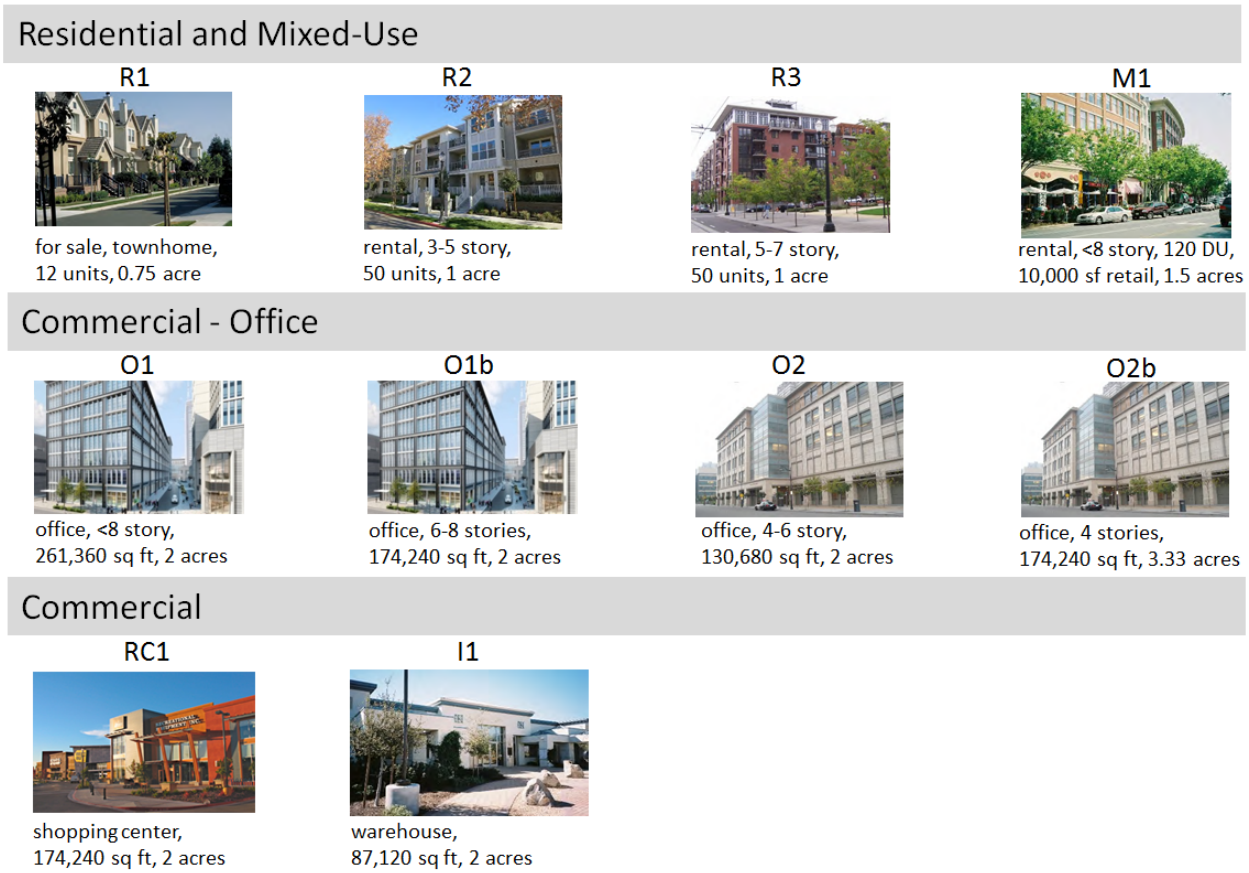
List of Acronyms

CIP	Capital Improvement Program
DU	Dwelling Unit
DUA	Dwelling Unit per Acre
FAR	Floor-Area Ratio
FY	Fiscal Year
GPD	Gallons per Day
I1	Commercial Prototype: Industrial (warehouse)
M1	Mixed-Use Prototype: Residential with Ground Floor Retail (up to 8 stories or 2.5 FAR)
O1	Commercial Prototype: Office/R&D (up to 8 stories or 3.0 FAR)
O2	Commercial Prototype: Office/R&D (up to 4-6 stories or 1.5 FAR)
PSF	Per Square Foot
R1	Residential Prototype: For-Sale Townhomes/Single-Family Attached
R2	Residential Prototype: High Density Residential/3-5 story Building
R3	Residential Prototype: Urban Residential/Mid- or High-rise Building up to 7 stories
R&D	Research and Development
RBD	Ravenswood Business District (Ravenswood/4 Corners Specific Plan Area)
RC1	Commercial Prototype: Retail/General Commercial
RSP	Ravenswood/4 Corners TOD Specific Plan
SF	Square Foot
TOD	Transit-Oriented Development
YTD	Year-to-Date

Executive Summary

The primary purpose of this technical memorandum is to show the financial feasibility of four (4) maximum supportable proposed development impact fees and five (5) existing development impact fees for the City of East Palo Alto on the ten (10) residential and commercial development prototypes that are shown in Summary Figure 1.

Summary Figure 1: Overview of Development Prototypes



Source: AECOM, 2019

East Palo Alto's proposed Citywide maximum supportable impact fees are based on Capital Improvement Program (CIP) investment requirements from four infrastructure categories: Parks and Trails, Public Facilities, Storm Drainage, and Transportation Infrastructure.[1] The existing and proposed impact fees, by unit, for developments the Ravenswood Business District (RBD) and non-RBD zones are

[1] The Water Capacity fee was adopted by City Council in July 2018 and is effective as of August 1, 2018.

shown in the tables below. The tables reflect that the proposed Storm Drainage development impact fee for the RBD is different than the proposed Storm Drainage fee for the rest of the City for reasons explained in the separate Allocation Methods Nexus Study prepared by AECOM.

Summary Table 1: Impact Fees by Development Prototype, per unit (outside RBD)

	Per dwelling unit				Per square foot unit						
	R1	R2	R3	*M1 Residential*	*M1 Retail*	RC1	O1	O1b	O2	O2b	I1
Existing Impact Fees	$120,551	$27,195	$27,195	$22,181	$65.2	$5.0	$14.2	$14.2	$14.2	$14.2	$3.4
Proposed Impact Fees	$12,887	$10,876	$10,403	$10,095	$19.1	$16.1	$11.0	$8.7	$11.5	$9.1	$7.3
Total Impact Fees	**$133,438**	**$38,071**	**$37,598**	**$32,276**	**$84.3**	**$21.1**	**$25.1**	**$22.8**	**$25.6**	**$23.3**	**$10.8**

Source: AECOM, 2019

Summary Table 2: Impact Fees by Development Prototype, per unit (within RBD)

	Per dwelling unit				Per square foot unit						
	R1	R2	R3	*M1 Residential*	*M1 Retail*	RC1	O1	O1b	O2	O2b	I1
Existing Impact Fees	$120,551	$27,195	$27,195	$22,181	$65.2	$5.0	$14.2	$9.4	$14.2	$18.9	$3.4
Proposed Impact Fees	$15,278	$11,794	$10,977	$10,444	$21.8	$16.7	$11.3	$6.1	$12.2	$13.4	$8.3
Total Impact Fees	**$135,829**	**$38,989**	**$38,172**	**$32,625**	**$87.0**	**$21.7**	**$25.5**	**$15.6**	**$26.3**	**$32.2**	**$11.7**

Source: AECOM, 2019

This financial feasibility analysis uses a pro forma approach to calculate the projected financial return that the ten development prototypes are likely to generate. Each prototype's pro forma appraises the land residual value, a method of estimating the value of land that relies on the net operating income and value of improvements. The analysis assumes all development prototypes are outside the RBD. Furthermore, the analysis assumes all development prototypes are rentals or leases, with the exception of residential town house prototype R1 which assumes for-sale transactions only.

This financial feasibility analysis compares four values for each of the ten development prototypes:

- without any fees,
- with maximum supportable proposed impact fees only,
- with existing development impact fees only, and
- with all (proposed impact and existing development impact) fees.

The analysis assumes that if a residual land value is negative, the project is not feasible. However, low land values indicate a low feasibility for a project. Staff estimate that land values below $25 per square foot (psf) indicate a low feasibility and low probability of completion for the prototype developments.

As shown in the table below, this analysis finds that the combination of the existing and proposed maximum supportable impact fees do not negatively burden any of the prototypes.

Summary Table 3: Citywide Residual Land Values by Prototype, with Impact Fees

Land Value per Square Foot	R1	R2	R3	*M1*	RC1	O1	O1b	O2	O2b	I1
Without any fees	$120	$133	$117	$112	$65	$304	$190	$143	$107	$36
With existing impact fees only	$68	$98	$62	$55	$57	$259	$159	$120	$88	$32
With proposed max. impact fees only	$115	$121	$98	$90	$33	$271	$173	$125	$96	$28
With all fees	$64	$85	$40	$31	$19	$222	$140	$101	$76	$24
With all fees + Measure HH						$102	$60	$41	$28	
% Change with Max. Proposed Impact Fees	4%	9%	16%	19%	50%	11%	9%	12%	10%	21%
% Change with All Fees	47%	37%	66%	72%	70%	27%	26%	29%	29%	32%

Source: AECOM, 2019

Notes: See Appendix H for more information on Measure HH.

The residual land values are affected by each of the inputs and assumptions contained in the pro formas and are particularly sensitive to existing development impact fees, capitalization rates, parking ratios and construction costs, other construction costs, and lease rates. This analysis process identified reasonable ranges for these factors, given current market conditions, and tested the sensitivity of the factors to financial feasibility for each of the ten development prototypes. The analysis concludes that, given current market conditions, the combination of existing and proposed impact fees do not negatively burden the financial feasibility of the ten representative development projects.

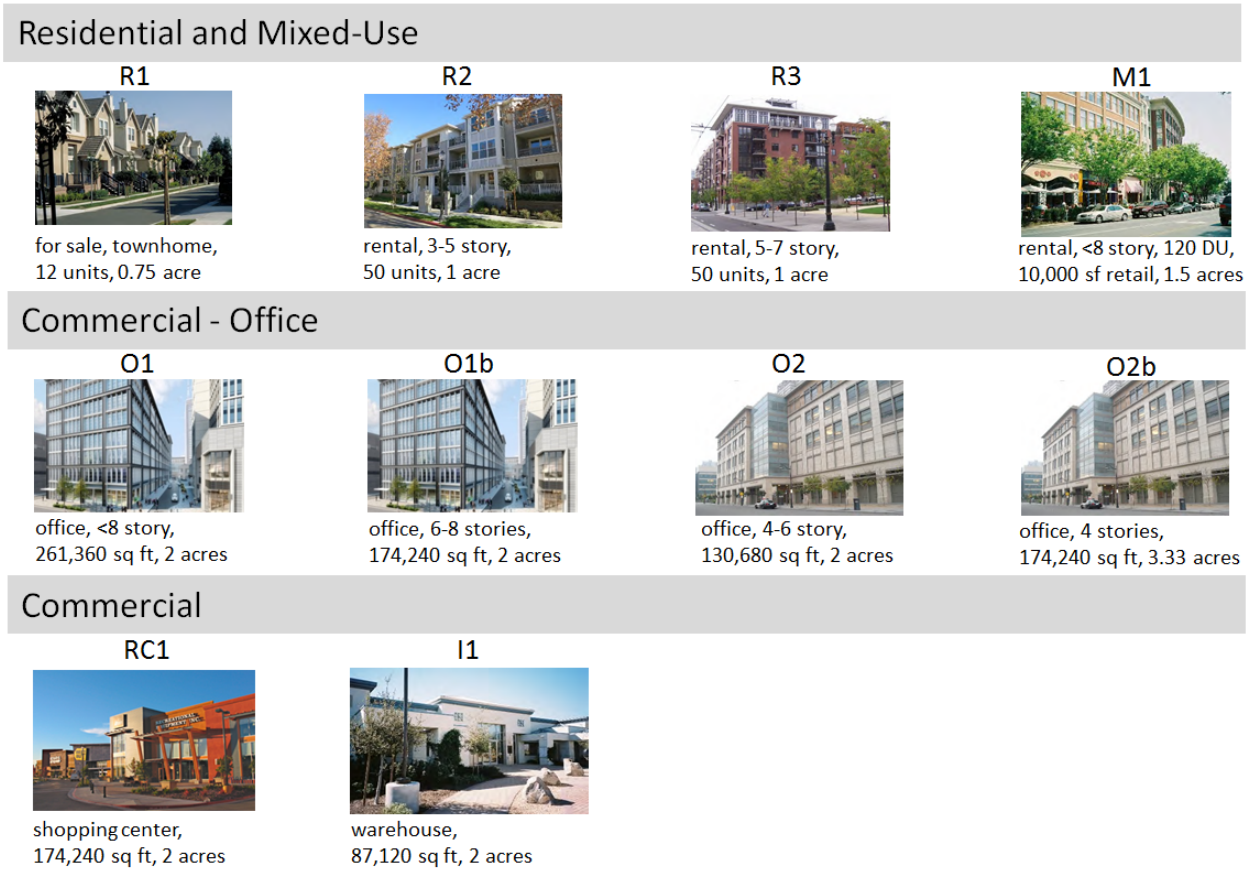
1. Introduction

PURPOSE

The primary purpose of this technical memorandum is to show the financial feasibility of four (4) Citywide development impact fees and five (5) existing development impact fees on these ten (10) residential and commercial development prototypes:

- R1: For-Sale Townhomes/Single-Family Attached
- R2: High Density Residential/3-5 story Building
- R3: Urban Residential/Mid- or High-rise Building up to 7 stories
- M1: Mixed-Use Residential with Ground Floor Retail (up to 8 stories or 2.5 Floor-Area Ratio FAR)
- RC1: Retail/General Commercial
- O1: Office/Research & Development (R&D) (up to 8 stories or 3.0 FAR)
- O1b: Office/Research & Development (R&D) with freeway proximity (6-8 stories or 2.0 FAR)
- O2: Office/R&D (up to 4-6 stories or 1.5 FAR)
- O2b: Office/R&D (up to 4 stories or 1.2 FAR)
- I1: Industrial (warehouse)

Figure 1-1: Overview of Development Prototypes



See Table A-1 for more information on assumed characteristics of each prototype.

East Palo Alto's proposed Citywide impact fees are based on four infrastructure categories: Parks and Trails, Public Facilities, Storm Drainage, and Transportation Infrastructure. Of the four infrastructure categories, only Storm Drainage has fees for two zones: within the Ravenswood Business District (RBD), and not within the RBD. The five existing development impact fees assessed in this study are the Quimby Act, the Commercial Linkage Fee (Resolution 379), the Housing Impact Fee (Resolution/Ordinance 4539), the existing Storm Drainage Fee, and the Water Capacity Fee.[2]

A separate nexus study summarizes the impact fee program applicable to new development in the City of East Palo Alto. The nexus study provides the allocation methodology to apportion the capital costs of new infrastructure to defensible impact fees. East Palo Alto anticipates significant population and employment growth between now and 2040, necessitating significant new infrastructure and public facilities to support new development. Codifying development impact fees in a nexus study provides clarity regarding project development costs and will streamline fee allocation and fee collection, which will be particularly helpful for the City in light of extensive projected development.

[2] The Water Capacity fee was adopted by City Council and is effective as of August 1, 2018. For the purpose of this financial feasibility analysis, it is grouped with the other four proposed development impact fees.

ASSUMPTIONS

Though separate development impact fees exist for the RBD, this financial feasibility analysis assumes all development prototypes are outside the RBD and therefore qualify for only Citywide and non-RBD impact fees only. Furthermore, the analysis assumes all development prototypes are rentals or leases, with the exception of prototype R1 which assumes for-sale transactions only. The analysis makes other assumptions about the development prototypes which are documented in Table 2-2 and Appendices A, B, C, D, E, and H.

NEXUS FEE BACKGROUND

Impact fees aim to ensure that new development contributes a fair share of funding to municipal capital infrastructure improvements. To enact a fee program, a city must demonstrate a reasonable and proportional relationship between the fee rate and the impact of anticipated development.

City governments can charge development impact fees to developers, as a condition of development approval, to finance (or contribute to the financing of) infrastructure that the development requires. A development impact fee is not a tax or special assessment, but rather a fee directly related to the cost of providing the public infrastructure needed to support that development. The fee amount must be reasonably related to the cost of the public infrastructure provided by the government collecting the fee; otherwise, the fee may be considered a special tax and subjected to two-thirds voter approval. Thus, development impact fees may not be levied to pay for existing infrastructure deficiencies, unrelated to the impacts of new development.

A jurisdiction must legislatively adopt findings of a reasonable relationship between the purpose of the fee and the impact created by the new development, as well as a proportional relationship between the amount of the fee and the amount of the impact, before enacting a development impact fee program.

2. Feasibility Analysis

This financial feasibility analysis of East Palo Alto's proposed development impact fees uses a pro forma approach to calculate the projected financial return that the ten development prototypes are likely to generate for developers. The analysis assumes a standard set of assumptions and then estimates potential revenues, costs, and a net financial return for the real estate developer.

FEASIBILITY ANALYSIS METHODS

In classical real estate economics, development value is created when existing land or buildings can be improved by the investment of financial capital. Two main types of financial calculations are used by developers and policy makers to understand the financial feasibility of a particular development concept or project. The first and simplest type of financial feasibility analysis can be expressed by this basic equation:

Development Value – (Development Costs + Land) = Profit

In this case, profit can be expressed as total dollars or, more typically, as a percent return on money invested or on costs. Assuming a positive return, this percent return is then compared to typical returns in the marketplace to assess the viability of a particular development versus other potential investment and development opportunities.

The second type of financial feasibility analysis is called a "land residual method" and can be expressed by the following simple equation:

Development Value – (Development Costs + Profit) = Land Residual

This type of analysis is often preferred by urban economists as a means of clarifying the value generated by a proposed project under different planning and development scenarios and with validated cost and revenue assumptions. Assuming that the land residual is positive, the land value created by a development is compared to recent land sales for comparable parcels of land in order to further evaluate the relative feasibility of the development concept compared to other opportunities in the marketplace.

This analysis uses the land residual method for determining financial feasibility.

LAND RESIDUAL ANALYSIS

As a policy tool for helping to understand the potential for value capture related to new zoning and/or planning permissions in a given area, a land residual methodology is often a preferable approach for

illustrating the potential increase in underlying land values associated with different policy interventions. This report uses a land residual analysis to estimate the value of land for each of the ten development prototypes that relies on the net operating income and value of improvements. This financial feasibility analysis compares four values for each of the ten development prototypes:

- Without any fees
- With proposed maximum supportable development impact fees only
- With existing development impact fees only
- With all (proposed and existing) development impact fees

STRUCTURE

Table 2-1 contains the structure of the pro forma used to analyze the financial feasibility of development fees. It indicates the locations within this technical memorandum of key inputs, assumptions, and summaries.

Table 2-1: Structure of Pro Forma

	Description	Location
Results		
Comparison View	Development costs, impact fees, and residual land value for each prototype, with and without development impact fees	Table 2-5 Table 3-1
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Master View	Overview of key inputs and assumptions	Table 2-2
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Prototype R2	Assumptions and calculations for residual land value analysis	Table C-3 Table C-4
Prototype R3	Assumptions and calculations for residual land value analysis	Table C-5 Table C-6
Prototype M1	Assumptions and calculations for residual land value analysis	Table C-7 Table C-8
Prototype RC1	Assumptions and calculations for residual land value analysis	Table C-9 Table C-10
Prototype O1	Assumptions and calculations for residual land value analysis	Table C-11 Table C-12
Prototype O1b	Assumptions and calculations for residual land value analysis	Table C-13 Table C-14
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Prototype O2b	Assumptions and calculations for residual land value analysis	Table C-17 Table C-18
Prototype I1	Assumptions and calculations for residual land value analysis	Table C-19 Table C-20

SOURCES

For more information on sources, see Appendix A – Prototypes and Fees Used in Pro Forma and Appendix B – Cost, Revenue, and Vacancy Assumptions Used in Pro Forma.

INPUTS

Table 2-2 provides a master view of inputs, assumptions, and residual land values for each of the development prototypes.

Table 2-2: Master View of Inputs, Assumptions, and Residual Land Values by Prototype

	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1	SOURCE
Development/Construction Costs											
Residential Construction Costs (PSF)	$218	$260	$318	$318							RS Means (2018)
Commercial Construction Costs (PSF)				$137	$137	$320	$320	$290	$290	$154	RS Means (2018), Industry sources
Commercial Tenant Improvements (PSF) - Landlord Allowance				$75	$50	$75	$75	$75	$75	$15	Industry sources
Residential Parking Standard (Per Unit)	2	1.7	1.7	1.7							City of EPA
Commercial Parking Standard (per 1,000 SF)				4.0	4.0	3.3	3.3	3.3	3.3	0.5	City of EPA
Surface Parking Space	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	VTPI (2018)
Podium/Structured Parking Space	$31,000	$31,000	$31,000	$31,000	$31,000	$40,000	$40,000	$31,000	$31,000	$31,000	City of EPA, Industry sources
On-Site Improvements (PSF)	$35	$35	$35	$35	$35	$35	$35	$35	$35	$25	Industry sources
Fees											
Proposed Impact Fee - not in RBD	$154,644	$543,778	$832,245	$1,402,473	$2,811,124	$2,869,229	$1,508,820	$1,497,614	$1,592,820	$638,152	Development Nexus Fee
Proposed Impact Fee - within RBD	$183,332	$589,678	$878,145	$1,471,323	$2,902,924	$2,961,029	$1,600,620	$1,589,414	$1,745,820	$719,752	Development Nexus Fee
Existing Impact Fee - not in RBD	$1,487,465	$1,412,812	$2,228,669	$3,384,794	$950,810	$3,790,767	$2,556,599	$1,932,985	$2,575,976	$384,152	City of EPA
Existing Impact Fee - within RBD	$1,487,465	$1,412,812	$2,228,669	$3,384,794	$950,810	$3,790,767	$2,556,599	$1,932,985	$2,575,976	$384,152	City of EPA
Soft Costs											
Soft Costs (% of Hard Costs)	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	Industry sources
Developer Profit	12.0%	12.0%	12.0%	12.0%	15.0%	12.0%	12.0%	12.0%	12.0%	12.0%	Various
Vacancy Rate											
Residential Vacancy		5.0%	5.0%	5.0%							CoStar (2018)
Commercial Vacancy				10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	CoStar (2018) / Industry sources
Operating Expenses											
Residential Operating Expenses	25.0%	25.0%	25.0%	25.0%							2013 Pro Forma
Commercial Operating Expenses				20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	Industry sources
Other Expenses						$2.50	$2.50	$2.50	$2.50		City of EPA, Measure HH
Financing											
Interest Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	2018 assumption
Period of Initial Loan (months)	12	12	12	12	12	12	12	12	12	12	2013 Pro Forma
Construction Loan Fee Points	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2013 Pro Forma
Average Outstanding Balance	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	2013 Pro Forma
Loan to Cost Ratio	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	2013 Pro Forma
Revenue											
Residential Lease Rate (1 brdm)		$2,912	$2,912	$2,912							CoStar (2018)
Commercial Lease Rate (PSF)				$3.25	$3.25	$6.75	$6.75	$6.00	$6.00	$1.80	CoStar (2018)
For Sale Market Rate Residential Price Per Unit	$900,000										2018 assumption
Commercial Cap Rate				6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	4.60%	2018 assumption, Industry sources
Residential Cap Rate	4.25%	4.25%	4.25%	4.25%							JLL (2018)
Results: Residual Land Values											
Residual Land Value without Fees - not in RBD	$120	$133	$117	$112	$65	$304	$190	$143	$107	$36	
Residual Land Value with Proposed Fees only - not in RBD	$115	$121	$98	$90	$33	$271	$173	$125	$96	$28	
Residual Land Value with All Fees - not in RBD	**$64**	**$85**	**$40**	**$31**	**$19**	**$222**	**$140**	**$101**	**$76**	**$24**	

Source: AECOM, 2019

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DEVELOPMENT PROTOTYPE MAXIMUM SUPPORTABLE IMPACT FEES

Table 2-3 contains the maximum supportable impact fees calculated by applying the maximum development impact fees to the development prototypes. Of the four infrastructure categories, only Storm Drainage has fees for two zones: not in the RBD and within the RBD.

Table 2-3: Maximum Supportable Impact Fee Calculations for Development Prototypes

Proposed Development Impact Fee	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1
Parks & Trails										
Citywide fee	$0	$142,366	$227,786	$349,333	$133,365	$300,071	$200,047	$150,035	$200,047	$40,009
Public Facilities										
Citywide fee	$86,978	$249,659	$399,455	$612,605	$233,874	$526,217	$350,811	$263,109	$350,811	$70,162
Storm Drainage										
Non-RBD fee	$39,375	$63,000	$63,000	$94,500	$126,000	$126,000	$126,000	$126,000	$210,000	$112,000
RBD-specific fee	$68,063	$108,900	$108,900	$163,350	$217,800	$217,800	$217,800	$217,800	$363,000	$193,600
Transportation Infrastructure										
Citywide fee	$28,291	$88,753	$142,005	$346,035	$2,317,885	$1,916,941	$831,961	$958,470	$831,961	$415,980
Total Proposed Impact Fees										
Fee charged to development not in RBD	**$154,644**	**$543,778**	**$832,245**	**$1,402,473**	**$2,811,124**	**$2,869,229**	**$1,508,820**	**$1,497,614**	**$1,592,820**	**$638,152**
Fee charged to development within RBD	**$183,332**	**$589,678**	**$878,145**	**$1,471,323**	**$2,902,924**	**$2,961,029**	**$1,600,620**	**$1,589,414**	**$1,745,820**	**$719,752**

Source: AECOM, 2019

Table 2-4 contains the existing development impact fees calculated by applying the existing City fees to the development prototypes. The two summary lines show total existing impact fees for the five fees as well as for four of the fees, without the existing Storm Drainage fee. (The existing Storm Drainage fee will be replaced by the proposed Storm Drainage fee.) Though the Housing Impact Fee is different for condominiums within and outside of the RBD, this analysis assumes that all development prototypes are outside of the RBD. Furthermore, this analysis assumes R2, R3, and M1 residential prototypes are rental (not for-sale) units.

Table 2-4: Existing Development Impact Fee Calculations for Development Prototypes

Existing Impact Fees	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1
Quimby Act										
Citywide fee	$931,487	$0	$0	$0	$0	$0	$0	$0	$0	$0
Commercial Linkage Fee (Resolution 379)										
Citywide fee	$0	$0	$0	$0	$0	$2,801,779	$1,867,853	$1,400,890	$1,867,853	$0
Housing Impact Fee (Resolution/Ordinance 4539)										
Citywide fee - Single Family Infill (psf)					$0	$0	$0	$0	$0	$0
Citywide fee - Townhomes (psf)	$417,360				$0	$0	$0	$0	$0	$0
Citywide fee - Rental Units (psf)		$1,109,063	$1,774,500	$2,661,750	$0	$0	$0	$0	$0	$0
RBD fee - Condos in RBD (psf)					$0	$0	$0	$0	$0	$0
Citywide fee - Condos NOT in RBD (psf)					$0	$0	$0	$0	$0	$0
Fee charged to development not in RBD (psf)	**$417,360**	**$1,109,063**	**$1,774,500**	**$2,661,750**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Fee charged to development within RBD (psf)	**$417,360**	**$1,109,063**	**$1,774,500**	**$2,661,750**						
Water Capacity										
Citywide fee	$97,764	$250,700	$401,120	$651,808	$873,430	$900,725	$600,483	$450,362	$600,483	$300,242
Storm Drainage (Existing)										
Citywide fee	**$40,854**	**$53,049**	**$53,049**	**$71,236**	**$77,380**	**$88,263**	**$88,263**	**$81,733**	**$107,640**	**$83,910**
Total Existing Impact Fees										
Citywide Fee (development not in RBD)	**$1,487,465**	**$1,412,812**	**$2,228,669**	**$3,384,794**	**$950,810**	**$3,790,767**	**$2,556,599**	**$1,932,985**	**$2,575,976**	**$384,152**
Fee charged to development within RBD	**$1,487,465**	**$1,412,812**	**$2,228,669**	**$3,384,794**	**$950,810**	**$3,790,767**	**$2,556,599**	**$1,932,985**	**$2,575,976**	**$384,152**

Total Existing Impact Fees - without Storm Drainage										
Citywide Fee (development not in RBD)	**$1,446,611**	**$1,359,763**	**$2,175,620**	**$3,313,558**	**$873,430**	**$3,702,504**	**$2,468,336**	**$1,851,252**	**$2,468,336**	**$300,242**
Fee charged to development within RBD	**$1,446,611**	**$1,359,763**	**$2,175,620**	**$3,313,558**	**$873,430**	**$3,702,504**	**$2,468,336**	**$1,851,252**	**$2,468,336**	**$300,242**

Source: AECOM, 2019

Notes:

Assumes all development prototypes are outside the RBD.

Assumes all development prototypes are rental only, except for R1, which is for-sale only.

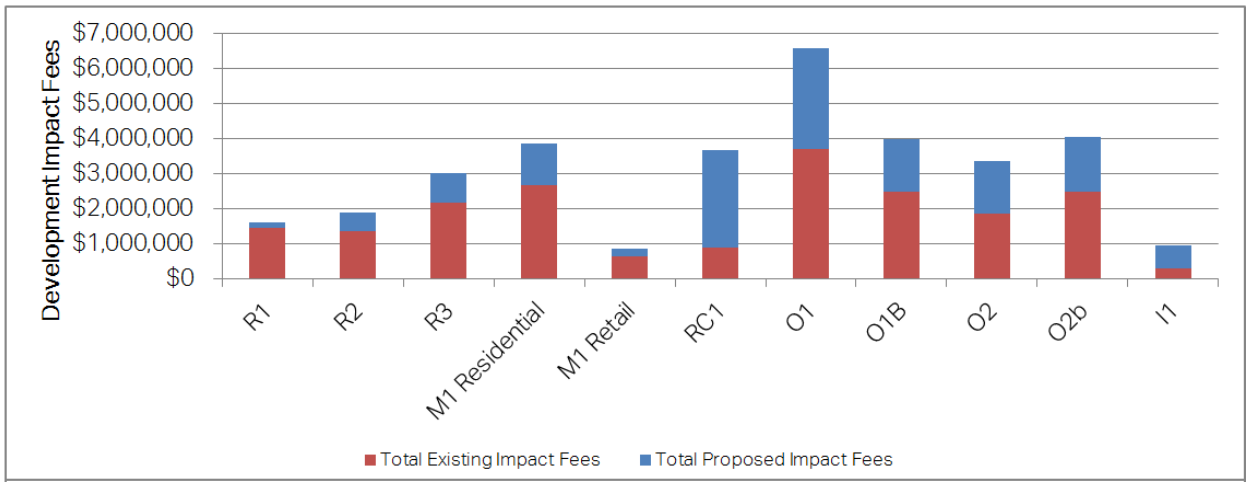
Table 2-5 contains a summary of the total proposed and existing development impact fees by development prototype that are built outside of the RBD. The table reflects the proposed new storm drainage fee instead of the existing storm drainage fee, applying a total of one storm drainage fee. The unit fees compare the R1, R2, R3, and M1 residential (per dwelling unit) with the M1 retail, RC1, O1, O2, and I1 non-residential (per square foot). As shown in the table and figure below, existing (rather than proposed) impact fees represent the majority of fees for the prototypes, with two exceptions: RC1 (proposed fees represent 76 percent of fees), and I1 (proposed fees represent 68 percent of total fees). This is due to fewer existing fees applying to retail and industrial product types.

Table 2-5: All Development Impact Fees for Development Prototypes (outside RBD)

Prototype Developments (not in RBD): All Fees, *without Existing Storm Drainage*	**R1**	**R2**	**R3**	***M1 Residential***	***M1 Retail***	**RC1**	**O1**	**O1B**	**O2**	**O2b**	**I1**
Total Proposed Impact Fees not in RBD, per unit	$12,887	$10,876	$10,403	$10,095	$19.11	$16.13	$10.98	$8.66	$11.46	$9.14	$7.32
Total Existing Impact Fees not in RBD, per unit	$120,551	$27,195	$27,195	$22,181	$65.18	$5.01	$14.17	$14.17	$14.17	$14.17	$3.45
% Proposed Impact Fees of Total Fees, per unit	**10%**	**29%**	**28%**	**31%**	**23%**	**76%**	**44%**	**38%**	**45%**	**39%**	**68%**

Source: AECOM, 2019

Figure 2-1: Proportion of Existing and Proposed Development Impact Fees for Development Prototypes (outside RBD)



Source: AECOM, 2019

3. Impact on Land Value

The residual land values are affected by each of the inputs and assumptions contained in the pro formas, and are particularly sensitive to existing development impact fees, capitalization rates, parking ratios and construction costs, other construction costs, and lease rates.

FACTORS AFFECTING FEASIBILITY

If a residual land value is negative, the project is not feasible. Alternatively, low land values indicate a low feasibility for a project. Staff estimate that land values below $25 psf indicate a low feasibility and low probability of completion for the prototype developments.

In consideration of the potential consequences of the various fees on local development, the City may consider lowering certain fees below their proposed or maximum level. This will increase the City's share of infrastructure funding requirements, as explained in the Allocation Methods Nexus Study.

A developer's selection of real estate product type and location depends on various factors. The past, current, and projected future demands for a certain prototype in the area are weighed against the existing and projected future supply of those prototypes in the local and surrounding area. East Palo Alto is current in an unusual position of experiencing high regional demand for real estate but offering few local, recently developed market comparisons to appraise assessed values of the land.

Potential factors affecting financial feasibility include the following:

- Capitalization rate – lower capitalization rates increase financial feasibility. Based on current market conditions and assessments of relative market risk associated with East Palo Alto, this analysis assumes capitalization rates of 6.25 percent for office and retail developments, 4.6 percent for industrial developments, and 4.25 percent for residential developments.
- Construction costs – lower construction costs based on selected materials, product type, and market conditions increase financial feasibility. Based on current market conditions, this analysis assumes base construction costs of between $290 and $320 psf for office developments, $140 for retail, $150 for industrial, and $215 to $320 psf for residential developments (rounded to nearest $5 psf).
- Operating expenses - operating costs include utilities, common area maintenance, security, and property taxes. The updated Financial Feasibility study uses 25% for all residential prototypes and 20% for all commercial prototypes.
- Parking construction – surface parking requires more land but costs nearly a third less than podium parking, increasing financial feasibility. Due to the nearly 750 parking spaces required for the O1 8-story office prototype, and the nearly 450 required for the 6-8 story O1b prototype,

the analysis assumes construction of a partially below-ground parking structure, thereby increasing the per-space construction cost by an additional $10,000. A significant factor affecting the financial feasibility is the amount of parking required and the significant difference—three times—of surface parking versus podium parking construction costs.

- Lease rate – higher lease rates are dependent on building features and market conditions but increase financial feasibility. Based on current market conditions, this analysis assumes a lease rate of $6.00 psf for O2 and O2b office prototypes, less than $7.00 for O1 and O1b office prototypes, less than $3,000 for one-bedroom rentals, just above $3.00 psf for retail developments, and $1.80 psf for industrial. The study uses "full service" lease rate for office and "triple net" for retail in its pro formas. Full service rental rates include normal building standard services provided and paid by the landlord. Alternatively, triple net leases cover the base rent but exclude the building's operating expenses (such as property taxes, property insurance and property maintenance). Full service rents are significantly higher than triple net, though there is no consistent conversion rate.
- Tenant improvement costs – passing improvement costs to tenants or amortizing costs increase financial feasibility. This analysis assumes a commercial tenant improvement landlord allowance of $75 psf for office, $50 psf for retail, and $15 psf for industrial developments.
- Profit margin – lower profit margins return less to developers, but increase financial feasibility of a project. This analysis assumes a developer profit of 12 percent on each development project.
- Density – the floor area ratio (FAR) of a development project affects financial feasibility; higher FAR is generally more financially feasible. To address concerns about physical feasibility, the analysis provides four office prototypes of varying FARs.

Refer to Table 2-2 for a master list of pro forma inputs and assumptions and Appendix C for a comprehensive set of inputs and assumptions by development prototype.

FEASIBILITY RESULTS

Based on the inputs and assumptions in Table 2-2, initial results indicate that development costs can bear the maximum impact fees for all of the development prototypes. The development cost proportions and residual land values for the existing inputs and assumptions are shown below. Most costs are proportional with the exception of the R1 residential for-sale town house prototype. For R1, fees represent 29 percent of all costs. This comparative difference is due to the Quimby Act fee, which applies to for-sale residential properties only.

Table 3-1: Citywide Development Costs by Prototype

Development Costs - not in RBD

Development Prototypes	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1
Max. Proposed Impact Fees as % of Development Costs	2%	2%	2%	2%	4%	1%	1%	2%	1%	3%
All Fees as % of Development Costs	25%	8%	7%	7%	5%	3%	3%	4%	4%	4%

Source: AECOM, 2019

Table 3-2: Citywide Residual Land Values by Prototype

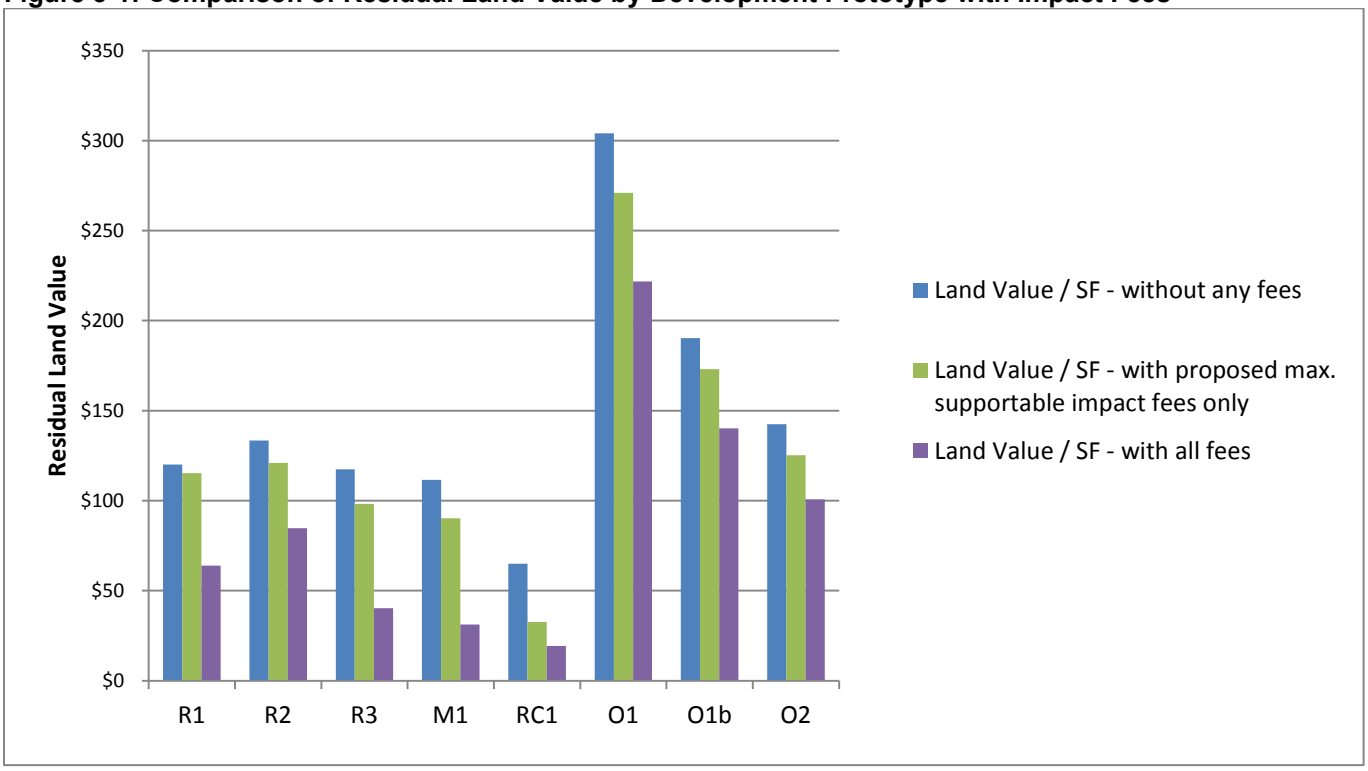
Residual Land Value - not in RBD

Development Prototypes	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1
Land Value / SF - without any fees	$120	$133	$117	$112	$65	$304	$190	$143	$107	$36
Land Value / SF - with existing impact fees only	$68	$98	$62	$55	$57	$259	$159	$120	$88	$32
Land Value / SF - with proposed max. supportable impact fees	$115	$121	$98	$90	$33	$271	$173	$125	$96	$28
Land Value / SF - with all fees	$64	$85	$40	$31	$19	$222	$140	$101	$76	$24
% Change with Max. Proposed Impact Fees	**4%**	**9%**	**16%**	**19%**	**50%**	**11%**	**9%**	**12%**	**10%**	**21%**
% Change with All Fees	**47%**	**37%**	**66%**	**72%**	**70%**	**27%**	**26%**	**29%**	**29%**	**32%**

Source: AECOM, 2019

Figure 3-1 illustrates the residual land values by development prototype. The residual values across real estate product types are fairly consistent and are within range of market comparisons (see Appendix I – Land Sale Market Comparisons). At this point in the market, the office prototypes offer the highest residual land values. The industrial warehouse and retail prototypes offer the lowest residual land values.

Figure 3-1: Comparison of Residual Land Value by Development Prototype with Impact Fees



Source: AECOM, 2019

Note: "All fees" does not include the Measure HH parcel on office developments.

The residual land values are affected by each of the inputs and assumptions contained in the pro formas and are particularly sensitive to existing development impact fees, capitalization rates, parking ratios and construction costs, other construction costs, and lease rates. This analysis process identified reasonable ranges for these factors, given current market conditions, and tested the sensitivity of the factors to financial feasibility for each of the ten development prototypes. The analysis

concludes that, given current market conditions, the combination of existing and proposed impact fees do not negatively burden the financial feasibility of the ten representative development projects.

Appendix H – Parcel Tax on Office Prototypes compares the consequence of an additional annual operating expense to the office prototypes. Appendix F – Proportion of Fees by Development Prototype compares the relative proportion of the existing and proposed individual fees on each development prototype.

The impact of Measure O, a business license tax, is not included in the Financial Feasibility analysis as the Measure O increases would not go into effect during the time frame of the analysis, and thus would not impact short to mid-term land residual values. (Measure O was approved by voters in the November 2016 ballot. It assesses a 1.5% gross receipts tax on all rental projects with five or more units after 10 years from receiving a certificate of occupancy. It is a rental housing business license tax and the Council has allocated some of these funds for programs to address affordable housing and alleviate displacement and homelessness.)

4. Appendix

APPENDIX A – PROTOTYPES AND FEES USED IN PRO FORMA

Table A-1: Development Prototypes

ID	Development Prototype	Units	Unit (ft2)	Residential Square Feet	Commercial Square Feet	Land Area (acres)	Density (du/a or FAR)	Examples	Impervious surface area	Impervious Factor
R1	R1: For-Sale Townhomes/Single-Family Attached (for-sale)	12	1,000	12,000	-	0.75	16 du/a		0.56	0.75
R2	R2: High Density Residential/3-5 story Building (for-sale and rental)	50	875	43,750	-	1.0	50 du/a		0.90	0.9
R3	R3: Urban Residential/Mid- or High-rise Building up to 7 stories (for-sale and rental)	80	875	70,000	-	1.0	80 du/a		0.90	0.9
M1	M1: Mixed-Use Residential with Ground Floor Retail (up to 8 stories or 2.5 FAR) (for-sale and rental)	120	875	105,000	10,000	1.5	80 du/a		1.35 Assume: 91% of building dedicated to residential units	0.9
RC1	RC1: Retail/General Commercial (shopping center)	-	-	-	174,240	2.0	2.0 FAR		1.80	0.9
O1	O1: Office/R&D (up to 8 stories)	-	-	-	261,360	2.00	3.0 FAR		1.80	0.9
O1b	O1b: Office/R&D (6-8 stories; site has freeway proximity)	-	-	-	174,240	2.00	2.0 FAR		1.80	0.9
O2	O2: Office/R&D (up to 4-6 stories)	-	-	-	130,680	2.00	1.5 FAR		1.80	0.9
O2b	O2b: Office/R&D (approx 4 stories)	-	-	-	174,240	3.33	1.2 FAR		3.00	0.9
I1	I1: Industrial (warehouse)	-	-	-	87,120	2.00	1.0 FAR		1.60	0.8

The following tables contain the maximum development impact fees, as calculated by the nexus analysis, and a summary of other existing fees on development.

Table A-2: Summary of Maximum Supportable Development Impact Fees in East Palo Alto

Development Impact Fee	Single-Family	Multi-Family	Office and R&D	Industrial	Retail
	(per DU)		(psf)		
Parks & Trails					
Fee charged to development in City	$4,133	$2,847	$1.15	$0.46	$0.77
Public Facilities					
Fee charged to development in City	$7,248	$4,993	$2.01	$0.81	$1.34
Transportation Infrastructure					
Fee charged to development in City	$2,358	$1,775	$7.33	$4.77	$13.30
	(per DU)	(per impervious acre)			
Storm Drainage[1]					
Fee charged to development outside RBD	$2,800	$70,000	$70,000	$70,000	$70,000
Fee charged to development within RBD	$4,840	$121,000	$121,000	$121,000	$121,000
Total Fees					
Total fee charged to development outside RBD	$16,539[1]	Varies[2]	Varies[2]	Varies[2]	Varies[2]
Total fee charged to development within RBD	$18,579[1]	Varies[2]	Varies[2]	Varies[2]	Varies[2]

Source: AECOM, 2019

Notes:

DU = dwelling unit

Psf = per square foot

[1] Storm Drainage fees are based on a unit cost of impervious surface acre: $70,000 per impervious acre for development outside the RBD and $121,000 per impervious acre for development within the RBD. Storm Drainage fees for single-family residential development are estimated based on potential impervious surface area calculations (0.04 acres of impervious surface per Town House, a single-family dwelling unit). Actual fees for residential and non-residential development will be based on the project's impervious surface area. See Allocation Methods Nexus Study, for the methodology and calculations.

[2] Total fees for non-residential development vary based on both per square foot of development and the acres of impervious area created by the development. See note 1 for more information.

Table A-3: Existing City Fees

Other City Fee Estimates (Non-Impact Fees)	Single-Family (per DU)	Multi-Family (per DU)	Office and R&D (psf)	Industrial (psf)	Retail (psf)
Affordable Housing Commercial Linkage Fee					
Citywide fee	$0	$0	$10.72	$0	$0
Housing Impact In-Lieu Fee					
Citywide fee - Single Family Infill (psf)	$36.22	0	n/a	n/a	n/a
Citywide fee - Town Houses (psf)	$34.78	0	n/a	n/a	n/a
Citywide fee - Rental Units (psf)	n/a	$25.35	n/a	n/a	n/a
RBD fee - Condos in RBD (psf)	n/a	$50.58	n/a	n/a	n/a
Citywide fee - Condos NOT in RBD (psf)	n/a	$67.62	n/a	n/a	n/a
Fee charged to development outside RBD	see above	see above	$0.00	$0.00	$0.00
Fee charged to development within RBD	see above	see above	$0.00	$0.00	$0.00
Quimby Act Fee					
Citywide fee	Varies[2]	Varies[2]	n/a	n/a	n/a
Storm Drainage Fee					
Citywide fee	Varies[3]	Varies[3]	Varies[3]	Varies[3]	Varies[3]
Water Capacity[4]					
Citywide fee	$8,147	$5,014	$3.45[4]	$3.45[4]	$5.01[4]

Source: City of East Palo Alto, AECOM, 2019
DU = dwelling unit
Psf = per square foot
Notes:

[1] Non-residential fees are a minimum of $575 per year.

[2] Quimby fees can include park land dedication acreage or park-in-lieu fees. Quimby park dedication requirements and park-in-lieu fees do not pertain to rental apartments where no subdivision of land or air space is involved. Quimby fees only apply to single-family/town house subdivisions and multi-family condo projects.

[3] East Palo Alto currently levies storm drainage fees on all qualifying developments within the City. These existing storm drainage fees are different from the proposed fees. The proposed new storm drainage fees would replace and supersede the existing storm drainage fees.

[4] Water Capacity fees for non-residential development are estimated based on potential water demand by project. Actual fees for non-residential development will be based on the project's unique water demand as measured by meter size.

APPENDIX B – COST, REVENUE, AND VACANCY ASSUMPTIONS USED IN PRO FORMA

Sources for inputs and assumptions include City of East Palo Alto staff, AECOM professional judgment, other industry sources (e.g., interviews with local developers, consultation with Bay Area Economics, appraisals and estimates for relevant EPA studies), RS Means (2018), CoStar (2018), JLL (2018), Victoria Transport Policy Institute (2018), and assumptions from the 2013 AECOM pro forma for development impact fees.

APPENDIX C – DEVELOPMENT PROTOTYPE PRO FORMAS

Prototype R1 Pro Forma

For-Sale Townhomes/Single-Family Attached

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees	$2,087,176	**$64**
With Existing Fees Only	$2,219,350	**$68**
With Maximum Supportable Impact Fees Only	$3,767,490	**$115**
Without Fees	$3,922,135	**$120**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-1: Prototype R1 Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	0.75
Residential Assumptions	
Structure Assumptions	Wood Frame
Density (DUA)	16
Total Number of Units	12
Market Rate	12
Below-Market Rate	0
Avg. Unit Size (Sq. Ft.)	1000
Total Residential Sq. Ft.	12,000
Parking Ratio	2
Number of Parking Spaces	
Surface	24
Podium	0
Sale Price	$900,000

COST ASSUMPTIONS	
Residential Costs	
Base Construction Cost (PSF)	$184
Less Architect Fees	($12)
Plus Contractor Overhead (@ 25%)	$46
Residential Construction Costs (psf)	**$218**
Additional Bathroom	$10,224
Fireplace	$9,742
Single Car Garage Attached	$17,772
Upgrade Kitchen Finishes	
Cabinets	$353
Counters & Appliances	$10,300
Additional cost per Unit	**$48,391**
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2.0%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-2: Prototype R1 Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS - with MAX PROPOSED FEES		
Hard and Soft Costs		
On Site Improvements		$1,143,450
Residential Construction Costs		$3,193,134.72
Proposed Max. Impact Fees - not in RBD		$154,644
Parking Costs		
Surface		$240,000
Podium		$0
Other Soft Costs		$858,284
Financing Costs		
Interest on Construction Loan		$129,118
Points on Construction Loan		$78,253
Developer Profit		$695,626.03
Total Development Cost - not in RBD		**$6,492,510**
Residential Cost		$6,492,510
Residential Cost / Unit		$541,042
Commercial Cost		$0

DEVELOPMENT REVENUE		
Gross Revenue from Sales		$10,800,000
Less Marketing/Commissions	5%	($540,000)
Net Revenue from Sales		**$10,260,000**

DEVELOPMENT COSTS - with ALL FEES		
Hard and Soft Costs		
On Site Improvements		$1,143,450
Residential Construction Costs		$3,193,135
Proposed Max. Impact Fees - not in RBD		$154,644
Existing Impact Fees - 4 - not in RBD		$1,446,611
Parking Costs		
Surface		$240,000
Podium		$0
Other Soft Costs		$858,284
Financing Costs		
Interest on Construction Loan		$162,534
Points on Construction Loan		$98,506
Developer Profit		$875,659.67
Total Development Cost - not in RBD		**$8,172,824**
Residential Cost		$8,172,824
Residential Cost / Unit		$681,069
Commercial Cost		$0

DEVELOPMENT REVENUE		
Gross Revenue from Sales		$10,800,000
Less Marketing/Commissions	5%	($540,000)
Net Revenue from Sales		**$10,260,000**

Prototype R2 Pro Forma

High-Density Residential
(3-5 stories)

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees	$3,687,417	**$85**
With Existing Fees Only	$4,257,424	**$98**
With Maximum Supportable Impact Fees Only	$5,266,851	**$121**
Without Fees	$5,810,630	**$133**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-3: Prototype R2 Pro Forma – Inputs

PROJECT DETAILS		
Site Size (Acres)		1.0
Residential Assumptions		
Structure Assumptions	Curtain Wall	
Density (DUA)		50
Total Number of Units		50
Market Rate		50
Below-Market Rate		0
Avg. Unit Size (Sq. Ft.)		875
Total Residential Sq. Ft.		43,750
Parking Ratio		1.7
Number of Parking Spaces		
Surface		0
Podium		85
Market Rent		$2,912
Affordable Rent (50% AMI)		
Cap Rate		4.25%

COST ASSUMPTIONS	
Residential Costs	
Base Construction Cost (PSF)	$217
Less Architect Fees	($12)
Plus Contractor Overhead (@ 25%)	$54
Residential Construction Costs (psf)	$260
Washer/Dryer (per unit)	$2,350
Kitchen Appliances (per unit)	$8,000
Misc. Equip (Smoke Detectors, Alarms)	$250
Total Equip (per unit)	$10,600
Total Equip (PSF)	$12
Residential Const + Equip Costs (psf)	**$272**
Commercial Costs	
Base Construction Cost (psf)	
Less Architect Fees	
Retail Construction Costs (psf)	$0
Retail Tenant Improvements (psf)	
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2.0%
Average Outstanding Balance	60%
Loan to Cost Ratio	0.7

Table C-4: Prototype R2 Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$1,524,600
Residential Construction Costs	$11,902,813
Proposed Max. Impact Fees - not in RBD	$543,778
Parking Costs	
Surface	$0
Podium	$2,635,000
Other Soft Costs	$3,634,453
Financing Costs	
Interest on Construction Loan	$467,559
Points on Construction Loan	$283,369
Developer Profit	$2,518,988.60
Total Development Cost - not in RBD	**$23,510,560**
Residential Cost	$23,510,560
Residential Cost / Unit	$470,211
Commercial Cost	$0

DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$1,524,600
Residential Construction Costs	$11,902,813
Proposed Max. Impact Fees - not in RBD	$543,778
Existing Impact Fees - 4 - not in RBD	$1,359,763
Parking Costs	
Surface	$0
Podium	$2,635,000
Other Soft Costs	$3,634,453
Financing Costs	
Interest on Construction Loan	$498,969
Points on Construction Loan	$302,406
Developer Profit	$2,688,213.77
Total Development Cost - not in RBD	**$25,089,995**
Residential Cost	$25,089,995
Residential Cost / Unit	$501,800
Commercial Cost	$0

DEVELOPMENT REVENUE		
Residential Net Operating Income		
Rental Revenue		$1,747,200
Less Vacancy	5%	($87,360)
Less Operating Expenses	25%	($436,800)
Net Operating Income		$1,223,040
Capitalized Value		$28,777,412

DEVELOPMENT REVENUE		
Residential Net Operating Income		
Rental Revenue		$1,747,200
Less Vacancy	5%	($87,360)
Less Operating Expenses	25%	($436,800)
Net Operating Income		$1,223,040
Capitalized Value		$28,777,412

Prototype R3 Pro Forma

Urban Residential / Mid- or High-Rise Building (up to 7 stories)

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees	$1,754,285	**$40**
With Existing Fees Only	$2,720,981	**$62**
With Maximum Supportable Impact Fees	$4,281,380	**$98**
Without Fees	$5,113,625	**$117**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-5: Prototype R3 Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	1.0
Residential Assumptions	
Structure Assumptions	Curtain Wall
Density (DUA)	80
Total Number of Units	80
Market Rate	80
Below-Market Rate	0
Avg. Unit Size (Sq. Ft.)	875
Total Residential Sq. Ft.	70,000
Parking Ratio	1.7
Number of Parking Spaces	136
Surface	20
Podium	116
Market Rent	$2,912
Affordable Rent (50% AMI)	
Cap Rate	4.25%

COST ASSUMPTIONS	
Residential Costs	
Base Construction Cost (PSF)	$264
Less Architect Fees	($12)
Plus Contractor Overhead (@ 25%)	$66
Residential Construction Costs (psf)	$318
Washer/Dryer (per unit)	$2,350
Kitchen Appliances (per unit)	$8,000
Misc. Equip (Smoke Detectors, Alarms)	$250
Total Equip (per unit)	$10,600
Total Equip (PSF)	$12
Residential Const + Equip Costs (psf)	$330
Commercial Costs	
Base Construction Cost (psf)	
Less Architect Fees	
Retail Construction Costs (psf)	$0
Retail Tenant Improvements (psf)	
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2.0%
Average Outstanding Balance	60%
Loan to Cost Ratio	0.7

Table C-6: Prototype R3 Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$1,524,600
Residential Construction Costs	$23,081,750
Proposed Max. Impact Fees - not in RBD	$832,245
Parking Costs	
Surface	$200,000
Podium	$3,596,000
Other Soft Costs	$6,719,438
Financing Costs	
Interest on Construction Loan	$830,538
Points on Construction Loan	$503,356
Developer Profit	$4,474,551.26
Total Development Cost - not in RBD	**$41,762,478**
Residential Cost	$41,762,478
Residential Cost / Unit	$522,031
Commercial Cost	$0

DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$1,524,600
Residential Construction Costs	$23,081,750
Proposed Max. Impact Fees - not in RBD	$832,245
Existing Impact Fees - 4 - not in RBD	$2,175,620
Parking Costs	
Surface	$200,000
Podium	$3,596,000
Other Soft Costs	$6,719,438
Financing Costs	
Interest on Construction Loan	$880,795
Points on Construction Loan	$533,815
Developer Profit	$4,745,312
Total Development Cost - not in RBD	**$44,289,574**
Residential Cost	$44,289,574
Residential Cost / Unit	$553,620
Commercial Cost	$0

DEVELOPMENT REVENUE		
Residential Net Operating Income		
Rental Revenue		$2,795,520
Less Vacancy	5%	($139,776)
Less Operating Expenses	25%	($698,880)
Net Operating Income		$1,956,864
Capitalized Value		$46,043,859

DEVELOPMENT REVENUE		
Residential Net Operating Income		
Rental Revenue		$2,795,520
Less Vacancy	5%	($139,776)
Less Operating Expenses	25%	($698,880)
Net Operating Income		$1,956,864
Capitalized Value		$46,043,859

Prototype M1 Pro Forma

Mixed-Use Residential with Ground Floor Retail
(up to 8 stories or 2.5 FAR)

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees	$2,043,629	**$31**
With Existing Fees Only	$3,589,929	**$55**
With Maximum Supportable Impact Fees Only	$5,892,499	**$90**
Without Fees	$7,294,971	**$112**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-7: Prototype M1 Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	1.5
Residential Assumptions	
Structure Assumptions	Curtain Wall
Density (DUA)	80
Total Number of Units	120
Market Rate	120
Below-Market Rate	0
Avg. Unit Size (Sq. Ft.)	875
Total Residential Sq. Ft.	105,000
Parking Ratio	1.7
Number of Parking Spaces	204
Surface	40
Podium	164
Market Rent	$2,912
Affordable Rent (50% AMI)	
Cap Rate	4.25%
Commercial Assumptions	
Structure Assumptions	Vinyl Clapboard, Wood Frame
Density (FAR)	
Commercial Sq. Ft.	10,000
Leasable %	90%
Leaseable Area	9,000
Parking Ratio (spaces/1,000 sq. ft.)	4.0
Number of Parking Spaces	36
Surface	0
Podium	36
Lease Rate (Monthly/Sq. Ft. NNN)	$3.25
Cap Rate	6.25%
Commercial Sq. Ft. as % of Total Sq. Ft.	8.7%

COST ASSUMPTIONS	
Residential Costs	
Base Construction Cost (PSF)	$264
Less Architect Fees	($12)
Plus Contractor Overhead (@ 25%)	$66
Residential Construction Costs (psf)	$318
Washer/Dryer (per unit)	$2,350
Kitchen Appliances (per unit)	$8,000
Misc. Equip (Smoke Detectors, Alarms)	$250
Total Equip (per unit)	$10,600
Total Equip (PSF)	$12
Residential Const + Equip Costs (psf)	**$330**
Commercial Costs	
Base Construction Cost (psf)	$146
Less Architect Fees	($9.00)
Retail Construction Costs (psf)	**$137**
Retail Tenant Improvements (psf)	$75
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2.0%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-8: Prototype M1 Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS	
Hard and Soft Costs	
On Site Improvements	$2,286,900
Residential Construction Costs	$34,622,625
Residential Impact Fees - not in RBD	$1,211,389
Commercial Construction Costs	$1,368,000
Tenant Improvement Allowances	$675,000
Proposed Max. Impact Fees - not in RBD	$191,083
Parking Costs	
Surface	$400,000
Podium	$6,200,000
Other Soft Costs	$10,816,406
Financing Costs	
Interest on Construction Loan	$1,334,519
Points on Construction Loan	$808,800
Developer Profit	$7,189,767
Total Development Cost - not in RBD	**$67,104,490**
Residential Cost	$62,345,503
Residential Cost / Unit	$519,546
Commercial Cost	$4,758,987

DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$2,286,900
Residential Construction Costs	$34,622,625
Residential Impact Fees - not in RBD	$1,211,389
Existing Impact Fees - 4 - not in RBD	$3,313,558
Commercial Construction Costs	$1,368,000
Tenant Improvement Allowances	$675,000
Proposed Max. Impact Fees - not in RBD	$191,083
Parking Costs	
Surface	$400,000
Podium	$6,200,000
Other Soft Costs	$10,816,406
Financing Costs	
Interest on Construction Loan	$1,411,063
Points on Construction Loan	$855,189
Developer Profit	$7,602,145.67
Total Development Cost - not in RBD	**$70,953,360**
Residential Cost	$66,147,824
Residential Cost / Unit	$551,232
Commercial Cost	$4,805,536

DEVELOPMENT REVENUE		
Residential Net Operating Income		
Rental Revenue		$4,193,280
Less Vacancy	5%	($209,664)
Less Operating Expenses	25%	($1,048,320)
Net Operating Income		$2,935,296
Capitalized Value		$69,065,788
Commercial Net Operating Income		
Lease Revenue		$351,000
Less Vacancy	10%	($35,100)
Less Operating Expenses	20%	($70,200)
Net Operating Income		$245,700
Capitalized Value		$3,931,200

DEVELOPMENT REVENUE		
Residential Net Operating Income		
Rental Revenue		$4,193,280
Less Vacancy	5%	($209,664)
Less Operating Expenses	25%	($1,048,320)
Net Operating Income		$2,935,296
Capitalized Value		$69,065,788
Commercial Net Operating Income		
Lease Revenue		$351,000
Less Vacancy	10%	($35,100)
Less Operating Expenses	20%	($70,200)
Net Operating Income		$245,700
Capitalized Value		$3,931,200

Prototype RC1 Pro Forma

Retail/General Commercial (shopping center)

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees	$1,679,659	**$19**
With Existing Fees Only	$4,940,100	**$57**
With Maximum Supportable Impact Fees Only	$2,851,463	**$33**
Without Fees	$5,662,587	**$65**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-9: Prototype RC1 Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	2.0
Commercial Assumptions	
Structure Assumptions	Vinyl Clapboard,
Density (FAR)	2
Commercial Sq. Ft.	174,240
Leasable %	90%
Leaseable Area	156,816
Parking Ratio (spaces/1,000 sq. ft.)	4.0
Number of Parking Spaces	627
Surface	400
Podium	227
Lease Rate (Monthly/Sq. Ft. NNN)	$3.25
Cap Rate	6.25%
Commercial Sq. Ft. as % of Total Sq. Ft.	100.0%

COST ASSUMPTIONS	
Commercial Costs	
Base Construction Cost (psf)	$146
Less Architect Fees	($9)
Retail Construction Costs (psf)	$137
Retail Tenant Improvements (psf)	$50
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	15%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-10: Prototype RC1 Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Commercial Construction Costs	$23,836,032
Tenant Improvement Allowances	$7,840,800
Proposed Max. Impact Fees - not in RBD	$2,811,124
Parking Costs	
Surface	$4,000,000
Podium	$7,037,000
Other Soft Costs	$10,678,458
Financing Costs	
Interest on Construction Loan	$1,298,299
Points on Construction Loan	$786,848
Developer Profit	$9,200,664.16
Total Development Cost - not in RBD	**$70,538,425**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$70,538,425

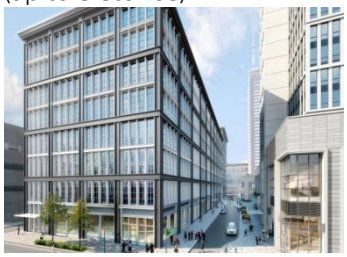
DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Existing Impact Fees - 4 - not in RBD	$873,430
Commercial Construction Costs	$23,836,032
Tenant Improvement Allowances	$7,840,800
Proposed Max. Impact Fees - not in RBD	$2,811,124
Parking Costs	
Surface	$4,000,000
Podium	$7,037,000
Other Soft Costs	$10,678,458
Financing Costs	
Interest on Construction Loan	$1,388,912
Points on Construction Loan	$841,764.63
Developer Profit	$9,353,508.14
Total Development Cost - not in RBD	**$71,710,229**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$71,710,229

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$6,115,824
Less Vacancy	5.0%	($305,791)
Less Operating Expenses	20%	($1,223,165)
Net Operating Income/year		$4,586,868
Capitalized Value		$73,389,888

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$6,115,824
Less Vacancy	5.0%	($305,791)
Less Operating Expenses	20%	($1,223,165)
Net Operating Income/year		$4,586,868
Capitalized Value		$73,389,888

Prototype O1 Pro Forma

Office/R&D
(up to 8 stories)



LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$8,860,646	**$102**
With All Fees (no Parcel Tax)	$19,315,046	**$222**
With Existing Fees Only	$22,545,282	**$259**
With Maximum Supportable Impact Fees Only	$23,615,697	**$271**
Without Fees	$26,484,926	**$304**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-11: Prototype O1 Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	2.0
Commercial Assumptions	
Structure Assumptions	Type 1 - Steel
Density (FAR)	3
Commercial Sq. Ft.	261,360
Leasable %	85%
Leaseable Area	222,156
Parking Ratio (spaces/1,000 sq. ft.)	3.3
Number of Parking Spaces	741
Surface	75
Podium	666
Lease Rate (Monthly/Sq. Ft.)	$6.75
Cap Rate	6.25%
Commercial Sq. Ft. as % of Total Sq. Ft.	100.0%

COST ASSUMPTIONS	
Commercial Costs	
Base Construction Cost (psf)	$330
Less Architect Fees	($10)
Construction Costs (psf)	$320
Tenant Improvements (psf)	$75
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium - requires underground construction	$40,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-12: Prototype O1 Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Commercial Construction Costs	$83,758,039
Tenant Improvement Allowances	$16,661,700
Proposed Max. Impact Fees - not in RBD	$2,869,229
Parking Costs	
Surface	$750,000
Podium	$26,640,000
Other Soft Costs	$31,952,435
Financing Costs	
Interest on Construction Loan	$3,756,785
Points on Construction Loan	$2,276,840
Developer Profit	$20,605,707.34
Total Development Cost - not in RBD	**$192,319,935**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$192,319,935

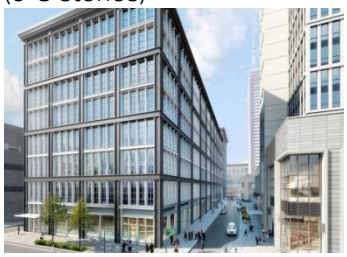
DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Existing Impact Fees - 4 - not in RBD	$3,702,504
Commercial Construction Costs	$83,758,039
Tenant Improvement Allowances	$16,661,700
Proposed Max. Impact Fees - not in RBD	$2,869,229
Parking Costs	
Surface	$750,000
Podium	$26,640,000
Other Soft Costs	$31,952,435
Financing Costs	
Interest on Construction Loan	$3,842,313
Points on Construction Loan	$2,328,675
Developer Profit	$21,066,491
Total Development Cost - not in RBD	**$196,620,586**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$196,620,586

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$17,994,636
Less Vacancy	5%	($899,732)
Less Operating Expenses	20%	($3,598,927)
Net Operating Income/year		$13,495,977
Capitalized Value		$215,935,632

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$17,994,636
Less Vacancy	5%	($899,732)
Less Operating Expenses	20%	($3,598,927)
Net Operating Income/year		$13,495,977
Capitalized Value		$215,935,632

Prototype O1b Pro Forma

Office/R&D
(6-8 stories)



LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$5,237,996	**$60**
With All Fees (no Parcel Tax)	$12,207,596	**$140**
With Existing Fees Only	$13,857,646	**$159**
With Maximum Supportable Impact Fees Only	$15,074,696	**$173**
Without Fees	$16,583,516	**$190**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-13: Prototype O1b Pro Forma – Inputs

PROJECT DETAILS		
Site Size (Acres)		2.0
Commercial Assumptions		
Structure Assumptions	Type 1 - Steel	
Density (FAR)		2
Commercial Sq. Ft.		174,240
Leasable %		85%
Leaseable Area		148,104
Parking Ratio (spaces/1,000 sq. ft.)		3.3
Number of Parking Spaces		494
Surface		50
Podium		444
Lease Rate (Monthly/Sq. Ft.)		$6.75
Cap Rate		6.25%
Commercial Sq. Ft. as % of Total Sq. Ft.		100.0%

COST ASSUMPTIONS	
Commercial Costs	
Base Construction Cost (psf)	$330
Less Architect Fees	($10)
Construction Costs (psf)	$320
Tenant Improvements (psf)	$75
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium - requires underground construction	$40,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-14: Prototype O1b Pro Forma – Development Costs with Maximum Supportable Impact Fees

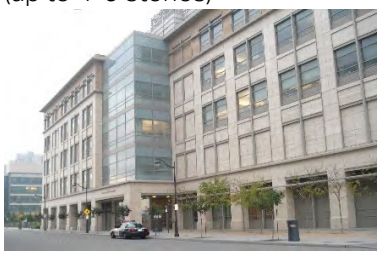
DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Commercial Construction Costs	$55,838,693
Tenant Improvement Allowances	$11,107,800
Proposed Max. Impact Fees - not in RBD	$1,508,820
Parking Costs	
Surface	$500,000
Podium	$17,760,000
Other Soft Costs	$21,301,623
Financing Costs	
Interest on Construction Loan	$2,495,191
Points on Construction Loan	$1,512,237
Developer Profit	$13,808,827.66
Total Development Cost - not in RBD	**$128,882,392**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$128,882,392

DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Existing Impact Fees - 4 - not in RBD	$2,468,336
Commercial Construction Costs	$55,838,693
Tenant Improvement Allowances	$11,107,800
Proposed Max. Impact Fees - not in RBD	$1,508,820
Parking Costs	
Surface	$500,000
Podium	$17,760,000
Other Soft Costs	$21,301,623
Financing Costs	
Interest on Construction Loan	$2,552,210
Points on Construction Loan	$1,546,794
Developer Profit	$14,116,017
Total Development Cost - not in RBD	**$131,749,492**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$131,749,492

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$11,996,424
Less Vacancy	5%	($599,821)
Less Operating Expenses	20%	($2,399,285)
Net Operating Income/year		$8,997,318
Capitalized Value		$143,957,088

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$11,996,424
Less Vacancy	5%	($599,821)
Less Operating Expenses	20%	($2,399,285)
Net Operating Income/year		$8,997,318
Capitalized Value		$143,957,088

Prototype O2 Pro Forma
Office/R&D
(up to 4-6 stories)



LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$3,539,717	**$41**
With All Fees (no Parcel Tax)	$8,766,917	**$101**
With Existing Fees Only	$10,411,537	**$120**
With Maximum Supportable Impact Fees Only	$10,917,243	**$125**
Without Fees	$12,414,857	**$143**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-15: Prototype O2 Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	2.0
Commercial Assumptions	
Structure Assumptions	Type 1 - Concrete
Density (FAR)	1.5
Commercial Sq. Ft.	130,680
Leasable %	85%
Leaseable Area	111,078
Parking Ratio (spaces/1,000 sq. ft.)	3.3
Number of Parking Spaces	370
Surface	130
Podium	240
Lease Rate (Monthly/Sq. Ft.)	$6.00
Cap Rate	6.25%
Commercial Sq. Ft. as % of Total Sq. Ft.	100.0%

COST ASSUMPTIONS	
Commercial Costs	
Base Construction Cost (psf)	$300
Less Architect Fees	($10)
Construction Costs (psf)	$290
Tenant Improvements (psf)	$75
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-16: Prototype O2 Pro Forma – Development Costs with Maximum Supportable Impact Fees

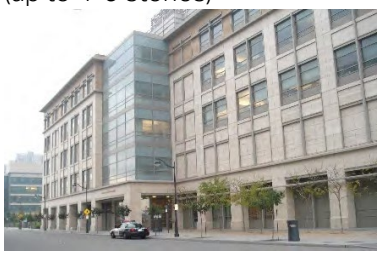
DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Commercial Construction Costs	$37,958,620
Tenant Improvement Allowances	$8,330,850
Proposed Max. Impact Fees - not in RBD	$1,497,614
Parking Costs	
Surface	$1,300,000
Podium	$7,440,000
Other Soft Costs	$13,757,367
Financing Costs	
Interest on Construction Loan	$1,623,571
Points on Construction Loan	$983,982
Developer Profit	$9,112,944.55
Total Development Cost - not in RBD	**$85,054,149**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$85,054,149

DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$3,049,200
Existing Impact Fees - 4 - not in RBD	$1,851,252
Commercial Construction Costs	$37,958,620
Tenant Improvement Allowances	$8,330,850
Proposed Max. Impact Fees - not in RBD	$1,497,614
Parking Costs	
Surface	$1,300,000
Podium	$7,440,000
Other Soft Costs	$13,757,367
Financing Costs	
Interest on Construction Loan	$1,666,335
Points on Construction Loan	$1,009,900
Developer Profit	$9,343,336.57
Total Development Cost - not in RBD	**$87,204,475**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$87,204,475

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$7,997,616
Less Vacancy	5%	($399,881)
Less Operating Expenses	20%	($1,599,523)
Net Operating Income/year		$5,998,212
Capitalized Value		$95,971,392

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$7,997,616
Less Vacancy	5%	($399,881)
Less Operating Expenses	20%	($1,599,523)
Net Operating Income/year		$5,998,212
Capitalized Value		$95,971,392

Prototype O2b Pro Forma
Office/R&D
(up to 4-6 stories)



LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$4,071,333	**$28**
With All Fees (no Parcel Tax)	$11,040,933	**$76**
With Existing Fees Only	$12,766,046	**$88**
With Maximum Supportable Impact Fees Only	$13,908,034	**$96**
Without Fees	$15,500,853	**$107**

** assumes development is not in RBD*

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-17: Prototype O2b Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	3.3
Commercial Assumptions	
Structure Assumptions	Type 1 - Concrete
Density (FAR)	1.2
Commercial Sq. Ft.	174,240
Leasable %	85%
Leaseable Area	148,104
Parking Ratio (spaces/1,000 sq. ft.)	3.3
Number of Parking Spaces	494
Surface	175
Podium	319
Lease Rate (Monthly/Sq. Ft.)	$6.00
Cap Rate	6.25%
Commercial Sq. Ft. as % of Total Sq. Ft.	100.0%

COST ASSUMPTIONS	
Commercial Costs	
Base Construction Cost (psf)	$300
Less Architect Fees	($10)
Construction Costs (psf)	$290
Tenant Improvements (psf)	$75
Misc. Costs	
On Site Improvements (psf)	$35
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-18: Prototype O2b Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$5,082,000
Commercial Construction Costs	$50,611,493
Tenant Improvement Allowances	$11,107,800
Proposed Max. Impact Fees - not in RBD	$1,592,820
Parking Costs	
Surface	$1,750,000
Podium	$9,889,000
Other Soft Costs	$18,339,573
Financing Costs	
Interest on Construction Loan	$2,155,015
Points on Construction Loan	$1,306,070
Developer Profit	$12,220,052.40
Total Development Cost - not in RBD	**$114,053,822**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$114,053,822

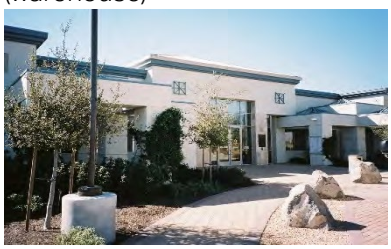
DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$5,082,000
Existing Impact Fees - 4 - not in RBD	$2,468,336
Commercial Construction Costs	$50,611,493
Tenant Improvement Allowances	$11,107,800
Proposed Max. Impact Fees - not in RBD	$1,592,820
Parking Costs	
Surface	$1,750,000
Podium	$9,889,000
Other Soft Costs	$18,339,573
Financing Costs	
Interest on Construction Loan	$2,212,033
Points on Construction Loan	$1,340,626
Developer Profit	$12,527,241.77
Total Development Cost - not in RBD	**$116,920,923**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$116,920,923

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$10,663,488
Less Vacancy	5%	($533,174)
Less Operating Expenses	20%	($2,132,698)
Net Operating Income/year		$7,997,616
Capitalized Value		$127,961,856

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$10,663,488
Less Vacancy	5%	($533,174)
Less Operating Expenses	20%	($2,132,698)
Net Operating Income/year		$7,997,616
Capitalized Value		$127,961,856

Prototype I1 Pro Forma

Industrial
(warehouse)



LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees	$2,119,332	**$24**
With Existing Fees Only	$2,765,503	**$32**
With Maximum Supportable Impact Fees Only	$2,469,373	**$28**
Without Fees	$3,107,525	**$36**

Additional Assumptions
Key Output
Proposed Impact Fees
Existing Fees

Table C-19: Prototype I1 Pro Forma – Inputs

PROJECT DETAILS	
Site Size (Acres)	2.0
Commercial Assumptions	
Structure Assumptions	Brick Veneer,
Density (FAR)	1
Commercial Sq. Ft.	87,120
Leasable %	90%
Leaseable Area (sq. ft.)	78,408
Parking Ratio (spaces/1,000 sq. ft.)	0.5
Number of Parking Spaces	39
Surface	39
Podium	0
Lease Rate (Monthly/Sq. Ft.)	$1.80
Cap Rate	4.60%
Commercial Sq. Ft. as % of Total Sq. Ft.	100.0%

COST ASSUMPTIONS	
Hard and Soft Costs	
Commercial Costs	
Base Construction Cost (psf)	$163
Less Architect Fees	($9)
Construction Costs (psf)	$154
Tenant Improvements (psf)	$15
Misc. Costs	
On Site Improvements (psf)	$25
Cost/Parking Space	
Surface	$10,000
Podium	$31,000
Other Soft Costs (as % of hard costs)	25%
Developer Profit (as % of Total Dev. Cost)	12%
Financing Costs	
Interest Rate	5.5%
Period of Initial Loan (Months)	12
Initial Construction Loan Fee (Points)	0.02
Average Outstanding Balance	60%
Loan to Cost Ratio	70%

Table C-20: Prototype I1 Pro Forma – Development Costs with Maximum Supportable Impact Fees

DEVELOPMENT COSTS - with MAX PROPOSED FEES	
Hard and Soft Costs	
On Site Improvements	$2,178,000
Commercial Construction Costs	$13,444,358
Tenant Improvement Allowances	$1,139,791
Proposed Max. Impact Fees - not in RBD	$638,152
Parking Costs	
Surface	$390,000
Podium	$0
Other Soft Costs	$3,743,537
Financing Costs	
Interest on Construction Loan	$580,337
Points on Construction Loan	$301,474
Developer Profit	$2,689,878
Total Development Cost - not in RBD	**$25,105,528**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$25,105,528

DEVELOPMENT COSTS - with ALL FEES	
Hard and Soft Costs	
On Site Improvements	$2,178,000
Existing Impact Fees - 4 - not in RBD	$300,242
Commercial Construction Costs	$13,444,358
Tenant Improvement Allowances	$1,139,791
Proposed Max. Impact Fees - not in RBD	$638,152
Parking Costs	
Surface	$390,000
Podium	$0
Other Soft Costs	$3,743,537
Financing Costs	
Interest on Construction Loan	$588,428
Points on Construction Loan	$305,677
Developer Profit	$2,727,382.33
Total Development Cost - not in RBD	**$25,455,568**
Residential Cost	$0
Residential Cost / Unit	$0
Commercial Cost	$25,455,568

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$1,691,261
Less Vacancy	5.0%	($84,563)
Less Operating Expenses	20%	($338,252)
Net Operating Income/year		$1,268,445
Capitalized Value		$27,574,900

DEVELOPMENT REVENUE		
Commercial Net Operating Income		
Lease Revenue/year		$1,691,261
Less Vacancy	5.0%	($84,563)
Less Operating Expenses	20%	($338,252)
Net Operating Income/year		$1,268,445
Capitalized Value		$27,574,900

APPENDIX D – WATER CAPACITY CALCULATIONS

Table D-1: Water Capacity Fees

		Water Demand (gpd)	Water Capacity Charge Components		
			Water System Average Buy-In	Water Supply for Growth	Total Water Capacity Charge
Unit Cost per GPD			$25.90	$5.43	$31.33
Residential Water Capacity Charges *Water Capacity Charge applied per residential dwelling unit*					
Single Family/Townhouse[1,2]		260	$6,734	$1,413	$8,147
Multi-Family/Apartment		160	4,144	870	5,014
Non-Residential Water Capacity Charges for Meters up to 2-Inches *Water Capacity Charge applied based on meter size*					
Meter Size	Capacity Ratio				
3/4-inch[3]	1.00	380	$9,842	$2,065	$11,907
1-inch	1.67	633	16,403	3,442	19,845
1.5-inches	3.33	1,267	32,807	6,884	39,691
2-inches	5.33	2,027	52,491	11,014	63,505
Non-Residential Water Capacity Charges for Connections with Larger Meters *Water Capacity Charge applied based on estimated water demand ($ per gpd)*					
Capacity Charge per GPD			$25.90	$5.43	$31.33

1 Source: Based on data provided by AECOM, Raimi + Associates, and the City.
2 Single Family/Townhouse demand is roughly equal to 2013 average residential demand (pre-drought) reduced by 10% to account for permanent conservation.
3 Based on 2013 use per non-residential 3/4-meter equivalent (pre-drought) reduced by 10% to account for permanent conservation.

Note: Standard Capacity Charges are shown. The City reserves the right to calculate alternative charges on a case-by-case basis to ensure charges reflect estimated water demand and/or recover the full costs of facilities benefiting new or expanded water service connections.

Source: Bartle Wells Associates, 2018

Table D-2 shows the calculations for determining water capacity impact fees for each of the prototypes. The calculations feed into the prototypes' impact fees in Table 2-5.

Table D-2: Impact Fee for Water Capacity Calculations

	Water Capacity Fee - Breakdown	R1	R2	R3	M1*	RC1	O1	O1B	O2	O2b	I1***	
	Water Demand											Source
A	Water Demand - Residential (per DU)	260	160	160	160							from Bartle Wells
B	Water Demand - Commercial (per 1000 sf)				160	160	110	110	110	110	110	from Bartle Wells
C	Water Demand - Commercial (gpd psf)				0.16	0.16	0.11	0.11	0.11	0.11	0.11	B/1000
D	Prototype Size - Residential (DU)	12	50	80	120							from prototype
E	Prototype Size - Commercial (SF)				10,000	174,240	261,360	174,240	130,680	174,240	87,120	from prototype
	Water Capacity Fee											
F	Water Capacity Fee - Residential (per DU)	$8,147	$5,014	$5,014	$5,014							from Bartle Wells
G	Water Capacity Fee - Commercial (gpd per SF)**				$31.33	$31.33	$31.33	$31.33	$31.33	$31.33	$31.33	from Bartle Wells
H	**Water Capacity Fee - Residential**	$97,764	$250,700	$401,120	$601,680							D*F
I	**Water Capacity Fee - Commercial**				$50,128	$873,430	$900,725	$600,483	$450,362	$600,483	$300,242	C*E*G
J	**Fee charged to development not in RBD**	$97,764	$250,700	$401,120	$651,808	$873,430	$900,725	$600,483	$450,362	$600,483	$300,242	H+I
K	**Fee charged to development within RBD**	$97,764	$250,700	$401,120	$651,808	$873,430	$900,725	$600,483	$450,362	$600,483	$300,242	J
L	Citywide Fee (psf)	$8,147	$5,014	$5,014	$5.01	$5.01	$3.45	$3.45	$3.45	$3.45	$3.45	F; and C*G

Source: AECOM with Bartle Wells, 2018

Notes:

- M1 fee includes residential per DU fee + commercial psf fee
- Line G assumes fee for meters above 2"
- Industrial prototype assumption is 375 gallons per day (gpd) psf, but the I1 warehouse prototype assumes Office water demand.

APPENDIX E – QUIMBY FEE CALCULATIONS

East Palo Alto currently levies park and open space fees on residential development. The fees are authorized by the 1975 Quimby Act, as per California Government Code Section 66477 and Ordinance 145, adopted July 29, 1992.

Quimby fees only apply to single-family/ townhome subdivisions and multi-family, for-sale condo projects. Quimby park dedication requirements and in-lieu fees do not pertain to rental apartments where no subdivision of land or air space is involved. Therefore, this financial feasibility analysis models the Quimby fee on prototype R1 only.

Quimby fees can include park land dedication acreage or park-in-lieu fees. The calculation used in this analysis relies on the project parking dedication requirement. The calculation assumes that the average household size is 3.96 persons/household and the land value for the R1 prototype is $150/sf (based on comparable property appraisal in East Palo Alto). The park dedication standard is 3 acres/1,000 population. The Project Parkland Dedication Requirement (a function of project population and the Parkland Dedication Standard) is multiplied by the site's land value to determine the Parkland fee.

Table E-1: Quimby Fee Calculations

For R1 Prototype:		**References:**	
Project Population (R1)		Parkland Dedication Standard	
47.52	people	3	acres per 1,000 population
Project Parkland Dedication Requirement (R1)		130,680	sf per 1,000 people
6,210	sf	130.68	sf per person
Project Park In-Lieu Fee (R1)		Avg. Household Size	
$931,487		3.96	people per household
In-Lieu Fee per Dwelling Unit (R1)		Land Value (Weeks Appraisal Report)	
$77,624		$150	per sf

Source: City of East Palo Alto, AECOM, 2019

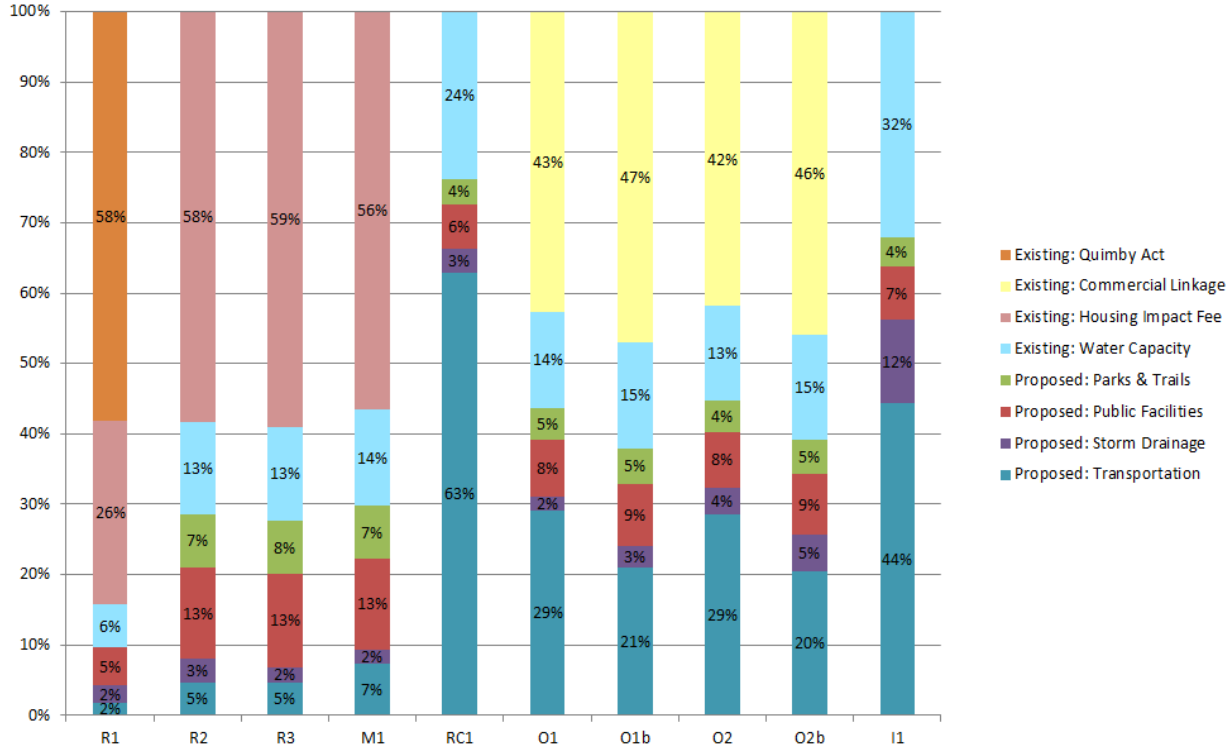
APPENDIX F – PROPORTION OF FEES BY DEVELOPMENT PROTOTYPE

Table F-1: Non-RBD: Proportion of Existing and Proposed Fees by Prototype (without Existing Storm Drainage)

	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1
Proposed: Parks & Trails	0%	7%	8%	7%	4%	5%	5%	4%	5%	4%
Proposed: Public Facilities	5%	13%	13%	13%	6%	8%	9%	8%	9%	7%
Proposed: Storm Drainage	2%	3%	2%	2%	3%	2%	3%	4%	5%	12%
Proposed: Transportation	2%	5%	5%	7%	63%	29%	21%	29%	20%	44%
Existing: Quimby Act	58%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Existing: Commercial Linkage	0%	0%	0%	0%	0%	43%	47%	42%	46%	0%
Existing: Housing Impact Fee	26%	58%	59%	56%	0%	0%	0%	0%	0%	0%
Existing: Water Capacity	6%	13%	13%	14%	24%	14%	15%	13%	15%	32%

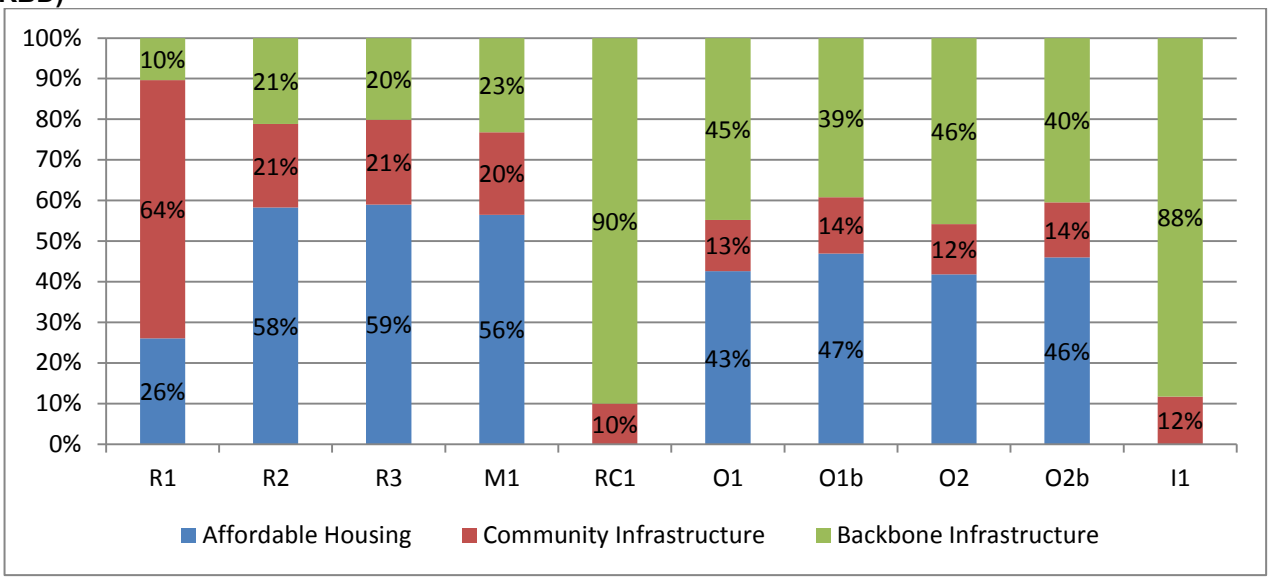
Source: AECOM, 2019

Figure F-1: Proportion of Existing and Proposed Fees, by Development Prototype (outside RBD)



Source: AECOM, 2019

Figure F-2: Proportion of Existing and Proposed Fees by Category and Development Prototype (outside RBD)



Source: AECOM, 2019

APPENDIX G – FEES WITHIN THE RBD

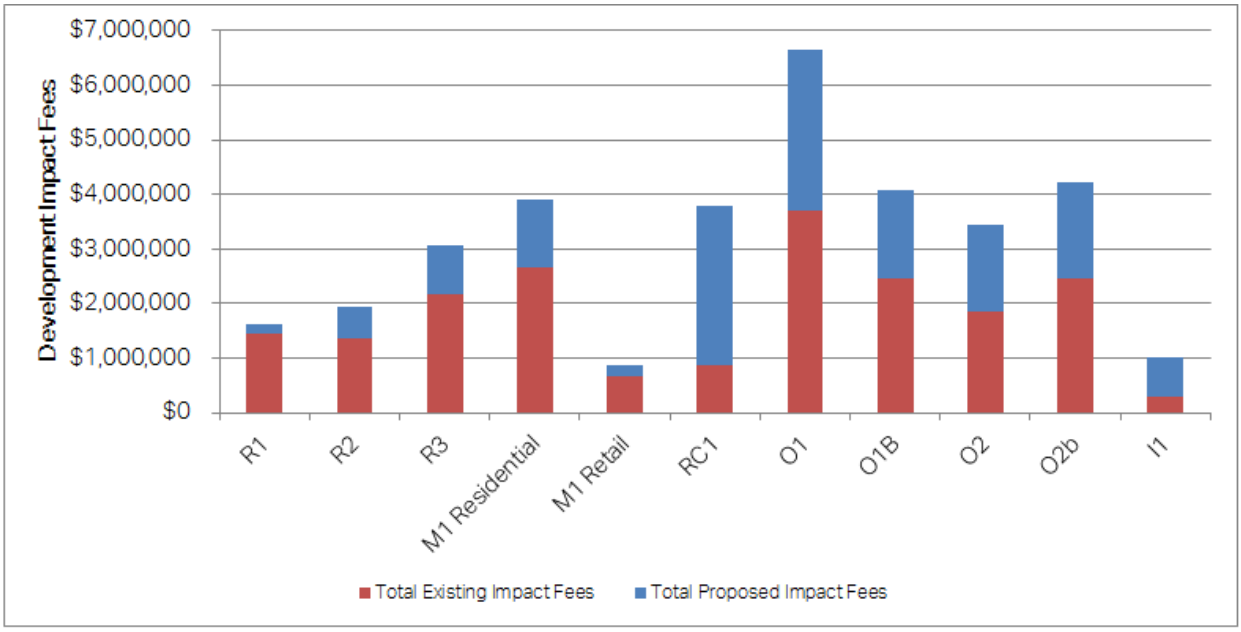
The table below contains a summary of the total proposed and existing development impact fees by development prototype that are built within in RBD. The unit fees compare the R1, R2, R3, and M1 residential (per dwelling unit) with the M1 retail, RC1, O1, O2, and I1 non-residential (per square foot).

Table G-1: All Development Impact Fees for Development Prototypes within RBD

Prototype Developments (within RBD): All Fees, *without Existing Storm Drainage*	**R1**	**R2**	**R3**	***M1 Residential Only***	***M1 Retail Only***	**RC1**	**O1**	**O1B**	**O2**	**O2b**	**I1**
Total Proposed Impact Fees within RBD, per unit	$15,278	$11,794	$10,977	$10,444	$21.80	$16.66	$11.33	$6.12	$12.16	$13.36	$8.26
Total Existing Impact Fees within RBD, per unit	$120,551	$27,195	$27,195	$22,181	$65.18	$5.01	$14.17	$9.44	$14.17	$18.89	$3.45
% Proposed Impact Fees of Total Fees, p	**11%**	**30%**	**29%**	**32%**	**25%**	**77%**	**44%**	**39%**	**46%**	**41%**	**71%**

Source: AECOM, 2019

Figure G-1: Proportion of Existing and Proposed Development Impact Fees for Development Prototypes within RBD



Source: AECOM, 2019

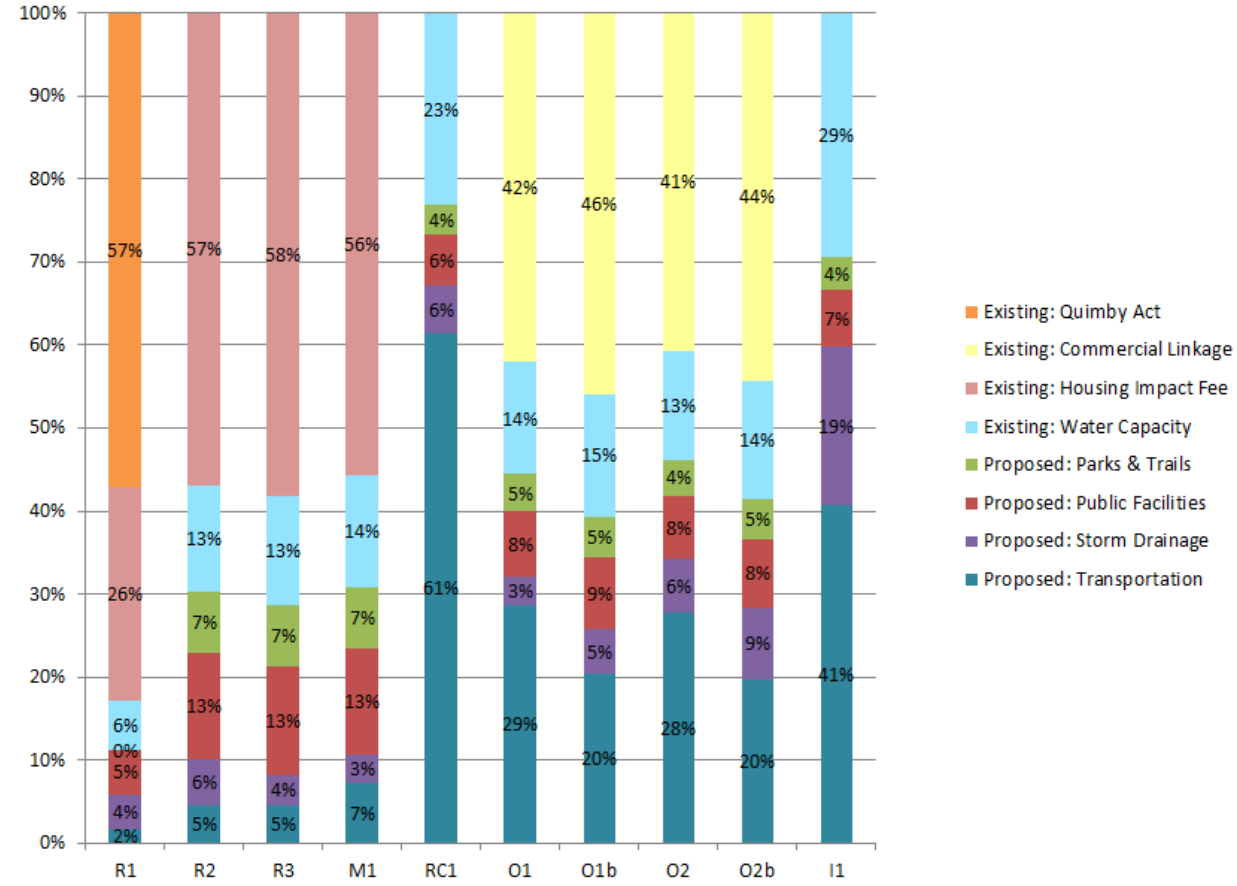
Table G-2: Proportion of Existing and Proposed Fees by Prototype within RBD (without Existing Storm Drainage)

	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1
Proposed: Parks & Trails	0%	7%	7%	7%	4%	5%	5%	4%	5%	4%
Proposed: Public Facilities	5%	13%	13%	13%	6%	8%	9%	8%	8%	7%
Proposed: Storm Drainage	4%	6%	4%	3%	6%	3%	5%	6%	9%	19%
Proposed: Transportation	2%	5%	5%	7%	61%	29%	20%	28%	20%	41%
Existing: Quimby Act	57%	0%	0%	0%	0%	0%	0%	0%	0%	0%

	R1	R2	R3	M1	RC1	O1	O1b	O2	O2b	I1
Existing: Commercial Linkage	0%	0%	0%	0%	0%	42%	46%	41%	44%	0%
Existing: Housing Impact Fee	26%	57%	58%	56%	0%	0%	0%	0%	0%	0%
Existing: Water Capacity	6%	13%	13%	14%	23%	14%	15%	13%	14%	29%

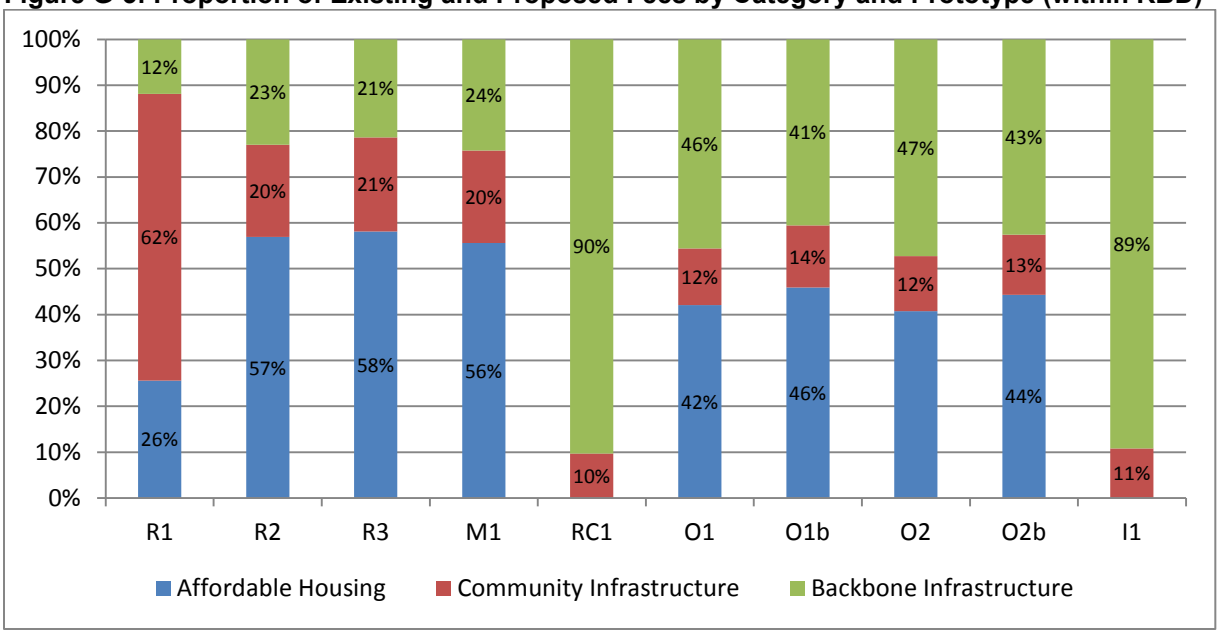
Source: AECOM, 2019

Figure G-2: Proportion of Existing and Proposed Fees, by Development Prototype (within RBD)



Source: AECOM, 2019

Figure G-3: Proportion of Existing and Proposed Fees by Category and Prototype (within RBD)



Source: AECOM, 2019

APPENDIX H – PARCEL TAX ON OFFICE PROTOTYPES

On November 6, 2018, East Palo Alto voters approved Measure HH, enacting a parcel tax on commercial office space of 25,000 square feet or more at the rate of $2.50 psf, with funds designated for housing and career programs.

The tables in this appendix show the impact of an annual $2.50/sf operating expense on the office prototypes. Assessing the impact using a static pro forma, the O1 prototype residual land value decreases by 54 percent, from $222 to $102 psf. The O1b prototype residual land value decreases by 57%, from $140 to $60 psf. The O2 prototype land value decreases by 60 percent, from $101 to $41 psf. The O2b prototype land value decreases by 63 percent, from $76 to $28.

Table H-1: Residual Land Value on O1 Prototype, with $2.50 psf annual fee

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$8,860,646	**$102**
With All Fees (no Parcel Tax)	$19,315,046	**$222**
With Existing Fees Only	$22,545,282	**$259**
With Maximum Supportable Impact Fees Only	$23,615,697	**$271**
Without Fees	$26,484,926	**$304**

** assumes development is not in RBD*

Source: AECOM, 2019

Table H-2: Residual Land Value on O1b Prototype, with $2.50 psf annual fee

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$5,237,996	**$60**
With All Fees (no Parcel Tax)	$12,207,596	**$140**
With Existing Fees Only	$13,857,646	**$159**
With Maximum Supportable Impact Fees Only	$15,074,696	**$173**
Without Fees	$16,583,516	**$190**

** assumes development is not in RBD*

Source: AECOM, 2019

Table H-3: Residual Land Value on O2 Prototype, with $2.50 psf annual fee

LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$3,539,717	**$41**
With All Fees (no Parcel Tax)	$8,766,917	**$101**
With Existing Fees Only	$10,411,537	**$120**
With Maximum Supportable Impact Fees Only	$10,917,243	**$125**
Without Fees	$12,414,857	**$143**

** assumes development is not in RBD*

Source: AECOM, 2019

Table H-4: Residual Land Value on O2b Prototype, with $2.50 psf annual fee

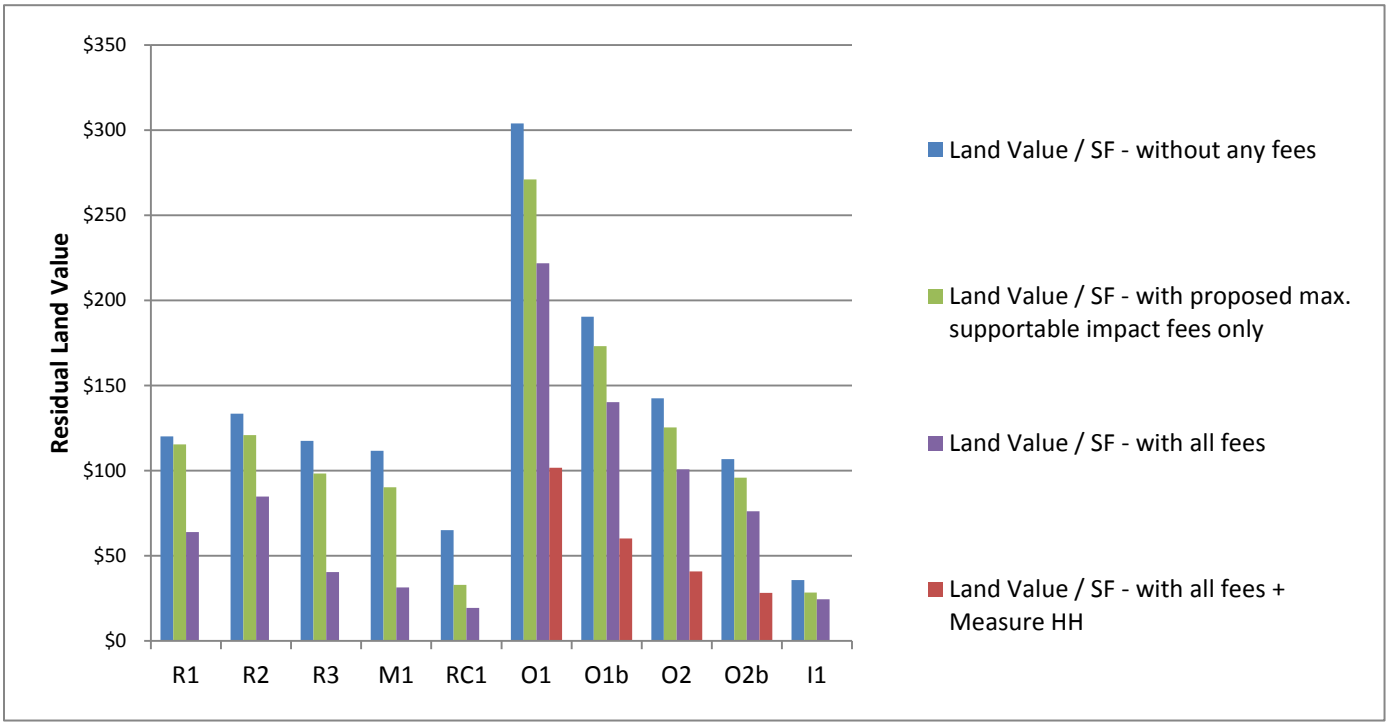
LAND VALUE ANALYSIS - COMPARATIVE VALUES	Residual Land Value	Land Value/ Sq. Ft.
With All Fees (including Parcel Tax)	$4,071,333	**$28**
With All Fees (no Parcel Tax)	$11,040,933	**$76**
With Existing Fees Only	$12,766,046	**$88**
With Maximum Supportable Impact Fees Only	$13,908,034	**$96**
Without Fees	$15,500,853	**$107**

** assumes development is not in RBD*

Source: AECOM, 2019

The figure below shows a comparison of residual land value by development prototype, with Measure HH represented as part of the "all fees" for the O1, O1b, O2, and O2b office prototypes. See Figure 3-1 for comparison of residual land value by development prototype without Measure HH included in "all fees."

Figure H-1: Comparison of Residual Land Value by Development Prototype



Source: AECOM, 2019

APPENDIX I – LAND SALE MARKET COMPARISONS

AECOM identified nearly 100 land and building market comparisons for the purpose of refining the pro forma model for development prototypes.

Data sources included: LoopNet, CoStar, Zillow, and a May 2018 Valbridge Appraisal report.

Table I-1: Land Sale Comparisons in East Palo Alto

Zoning	Address	Data Source	Year	Average of Price/SF Land
Commercial	E Bayshore Rd	CoStar	2018	$178
Industrial	1155-1175 Weeks St	CoStar	2017	$23
	264 Tara Rd	CoStar	2016	$29
	391 Demeter St	LoopNet	N/A (asking price)	$22
Residential	1062 Runnymede St	CoStar	N/A	$65
	1103 Weeks St	CoStar	2016	$34
	1201 Runnymede Street	Valbridge Appraisal	2018	$160
	1300 W Bayshore Rd	CoStar	2016	$81
	717 Donohoe St	CoStar	2018	$87
	851 Weeks St	Valbridge Appraisal	2018	$150
	948-956 Beech St	CoStar	2018	$54
	990 Garden St	LoopNet	N/A (asking price)	$60

Source: LoopNet, CoStar, Zillow, and a May 2018 Valbridge Appraisal. Compiled by AECOM, 2019

Table I-2: Summary of Land Sale Comps in East Palo Alto and Surrounding Areas

Zoning	Properties	Average of Price/SF Land	Min of Price/SF Land	Max of Price/SF Land
Commercial	9	$161	$88	$235
Industrial	5	$28	$22	$40
Residential	10	$96	$34	$160

Source: LoopNet, CoStar, Zillow, and a May 2018 Valbridge Appraisal. Compiled by AECOM, 2019

Table I-3: Land Sale Comps in East Palo Alto and Surrounding Area

Zoning	City	Address	SF	Average of Price/ SF Land	Data Source
Commercial	East Palo Alto	E Bayshore Rd	8,712	$178	CoStar
	Fremont	41100 Roberts Ave	15,682	$128	LoopNet
	Redwood City	120 El Camino Real	19,166	$235	LoopNet
		2233 Middlefield Rd	13,068	$175	LoopNet
		3080 Middlefield Rd (Multi-Property Sale)	6,664	$88	CoStar
		31 Center St	9,601	$159	CoStar
		3101 Middlefield Rd	12,181	$90	CoStar
		955 Woodside Rd	18,530	$183	CoStar
	San Mateo	120 S Amphlett Blvd	6,534	$213	LoopNet
Industrial	Alviso	1442 State St	23,958	$40	LoopNet
	East Palo Alto	1155-1175 Weeks St	382,457	$23	CoStar
		264 Tara Rd	51,000	$29	CoStar
		391 Demeter St	555,390	$22	LoopNet
Residential	East Palo Alto	1062 Runnymede St	40,075	$65	CoStar
		1103 Weeks St	81,893	$34	CoStar
		1201 Runnymede Street	40,637	$160	Valbridge Appraisal
		1300 W Bayshore Rd	5,227	$81	CoStar
		717 Donohoe St	28,575	$87	CoStar
		851 Weeks St	31,363	$150	Valbridge Appraisal
		948-956 Beech St	75,868	$54	CoStar
		990 Garden St	57,935	$60	LoopNet
	Redwood City	0 Hurlingame	2,500	$140	Zillow
		2821 El Camino Real	26,972	$130	Valbridge Appraisal

Source: LoopNet, CoStar, Zillow, and a May 2018 Valbridge Appraisal. Compiled by AECOM, 2019

APPENDIX J – AMENDMENTS SINCE PREVIOUS RELEASE

The following amendments to this study have been made since the previous release of the Public Draft on January 24, 2019:

- In the Executive Summary, amended Summary Figure 1 and Tables 1-3 to include two new office prototypes (O1b and O2b) and adjustments from updated Storm Drainage impact fee within the RBD.
- In chapter 1, introduced two new office prototypes: O1b and O2b. Added these prototypes and adjusted Storm Drainage impact fee throughout the tables and figures, including Figures 1-1, 2-1, and 3-1; and Tables 2-2 to 2-5, 3-1 and 3-2, A-1, and B-1 to B-3.
- In chapter 2, updated Tables 2-1 through 2-5 with updated Storm Drainage fees and two new office prototypes. Figure 2-1 was updated as well to reflect updated storm drainage fees and two new office prototypes.
- In chapter 3, adjusted factors affecting feasibility; added note that the financial feasibility analysis does not evaluate Measure O.
- In Appendix A, updated storm drainage fees.
- In Appendix B, updated pro forma assumptions.
- In Appendix C, updated all screenshots to account for updated assumptions and the new office prototypes.
- In Appendix F, added Figure F-2, proportion of existing and proposed fees by category and development prototype (outside RBD). Updated all tables and figures for updated assumptions and prototypes.
- In Appendix G, updated all tables and figures for updated assumptions and prototypes.
- In Appendix H, added Figure H-1, a comparison of residual land value by development prototype. Updated all tables and figures for updated assumptions and prototypes.