COUNCIL AGENDA: 12/06/16
ITEM: 4.2

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: November 14, 2016

Approved D.DSyC Date 11/22/16

SUBJECT: FOLLOW-UP TO CITY COUNCIL QUESTIONS FROM THE NOVEMBER 10, 2015, CONSIDERATION OF THE AFFORDABLE HOUSING IMPACT FEE PROGRAM

RECOMMENDATION

1. Accept the status report on the Affordable Housing Impact Fee (AHIF) program.

2. Adopt a resolution that amends Resolution No. 77218 ("Housing Impact Fee Resolution") to:
   a. Add an exemption to change the threshold size of rental projects to which the AHIF applies from three (3) units to 20 units; and
   b. Amend the provisions exempting for-sale projects from the AHIF to make the standard consistent with the staff report and the adopted AHIF regulations and the adopted Inclusionary Housing guidelines.

OUTCOME

The City Council will receive a status report regarding issues that were originally raised at the November 18, 2014 City Council meeting. City Council will also have the opportunity to provide additional direction to make other changes to assist with implementation of the AHIF program. Additionally, this memorandum provides a status report on AHIF implementation.

BACKGROUND

The City adopted the housing impact fee to address the increased need for affordable housing connected with the development of new market rate residential rental units. A Nexus Study prepared by Keyser Marston Associates (KMA) established a reasonable relationship between the need for affordable housing and new, market-rate rental residential development. This occurs because new market-rate residential rental development leads to a net increase in new and the increase in goods and services required by these new residents leads to an increase in job creation in the City. These include service and retail sector jobs (e.g., teachers, restaurant workers, pet care workers, maintenance workers, etc.) with wages that are too low to afford market-rate rental apartments. This creates a demand for new housing that is affordable to extremely low-, very low-, low-, and moderate-income households, which an affordable housing impact fee would be used to help provide.

On November 18, 2014, the City Council adopted the Housing Impact Fee Resolution establishing the AHIF program. Under the AHIF program, new market-rate rental housing developments will be charged $17.00 per square foot of net rentable space (the "Fee") to address the impact of that type of development on the need for affordable housing. The resolution provided a grandfathering provision (Pipeline Exemption) open to projects with approvals completed before June 30, 2016, and a limited-time exemption for Downtown High-Rise rental projects. At the time when the Housing Impact Fee Resolution was approved, Councilmembers raised various issues and questions for staff to address.

On November 10, 2015, staff reported back on the issues raised by Councilmembers. At that time, the City Council requested further study and analysis of the economic feasibility of imposing the AHIF on market rate rental units in three different kinds of developments:

- Developments of fewer than 20 units.
- Mixed-use residential/commercial projects.
- Assisted living/memory care facilities for seniors.

Staff retained the firm of Keyser Marston Associates (KMA) to conduct a supplemental evaluation of the impact of the fee on these types of developments and in the locations studied in the case of the mixed-use residential/commercial projects. KMA's report is attached to this memorandum.

AHIF Program Implementation

Housing Department staff provided information about the Pipeline Exemption process and the requirements of the program to the development community and other stakeholders at 29 meetings between January 2015 and November 2016. In addition, the Director of Housing adopted an interim version of the AHIF Regulations on July 20, 2016, and the Housing Department developed a program website with detailed information for developers and stakeholders. Finally, the Housing Department created the Affordable Housing Compliance Plan process to provide for evaluation of any exemption claims, to determine if the project is subject to the AHIF or Inclusionary Housing programs, and to calculate the project's affordable housing obligation. The Affordable Housing Compliance Plan process requires developers to execute and record an Affordable Housing Agreement to ensure compliance with the applicable program.

Existing Exemption Provisions

Under the AHIF, the Pipeline Exemption allowed a residential rental development to be exempted from paying the Fee if the following criteria were met:

1. A Pipeline Exemption Application was timely completed and approved;
2. The residential development received an eligible entitlement by June 30, 2016;
3. Monitoring fees were paid; and
4. Prior to January 31, 2020, the residential development receives its Certificates of Occupancy for buildings containing at least 50% of the declared units.

A total of 31 Pipeline Exemption Applications were received, and 29 were deemed eligible for the exemption and approved.

The Downtown High-Rise Exemption allows a development to be exempted from paying the Fee, if the following criteria are met:

1. The development is located in the specific Downtown Core Area, meets the Minimum Height requirement, and is not a for-sale development;
2. An Affordable Housing Compliance Plan is completed and approved
3. An Affordable Housing Agreement is recorded, which provides that the Fee shall apply in the event the Developer fails to satisfy all exemption requirements; and
4. The project receives its Certificates of Occupancy on or before June 30, 2021.

To date, four (4) developments have been identified as qualifying for the Downtown High-Rise Exemption. At Building Permit issuance, the Department will preliminarily confirm that the Minimum Height and other requirements are met and require the developer to record the Affordable Housing Agreement.

The chart below provides a summary of the number of projects that applied for and received either a Pipeline or a Downtown High-Rise Exemption and the total value of the exemptions:

Exemption Provisions	**Applications Received**	**Eligible/ Qualifying Projects**	**Exempted Apartments**	**Value of Exempted Fee Revenue**
Pipeline Exemption	31	29	6,486	$95,300,584
Downtown High-Rise Exemption	NA[1]	4	1,200[2]	$15,000,000[3]
TOTAL	**31**	**33**	**7,686**	**$112,300,584**

[1] Developments submitting for the Downtown High-Rise Exemption may do so before June 30, 2021.
[2] Number estimated by Housing Department Staff, as of September 2016.
[3] Dollar value estimated by Housing Department Staff, as of September 2016.

Revenue Forecast

Staff has received inquiries on when the first revenues from the AHIF are expected to be realized. It is anticipated that the first post-pipeline exemption development projects that are subject to the AHIF will start construction no sooner than fall 2017. Although the Fee is due at time of Building Permit issuance, the AHIF Resolution provides the developer the right to appeal and receive a deferral of fee payment until the issuance of a Certificate of Occupancy if no fees have yet been collected. To the extent that those projects obtaining Building Permits in late-2017 file such appeals, this would delay the collection of the Fee for a minimum of 18 months, or spring 2019. While developers may be motivated to request the deferral, there may be some construction lenders who will require that the Fee be paid at time of Building Permit to avoid the risk of non-payment at construction completion. Thus, it is anticipated that the Fee will be realized sometime between late-2017 and spring 2019. Housing Department staff will monitor the appeal process.

Nexus Update

Finally, staff will update the Nexus Analysis every five years. The first update of the Nexus Analysis will be completed within five years of the AHIF effective date, or January 18, 2020, to ensure that this goal is met.

ANALYSIS

Recommended Changes to AHIF Program

The purpose of the Pipeline Exemption was to allow adequate time for the real estate market (both developers as land buyers and landowners as land sellers) to adjust to the fact that the AHIF will increase development costs and that land prices will have to be adjusted accordingly.

Each of the three types of rental housing development for which the City Council requested further study regarding feasibility is addressed separately below.

Developments of Fewer Than 20 Units

The AHIF program applies to rental projects of three or more units. KMA's feasibility analysis of small rental projects with 3 to 19 units concludes that, if the City wished to equalize the costs between these small rental projects and larger rental projects, a reduction of the Fee might be appropriate. The Inclusionary Housing Ordinance contains an exemption for projects with fewer than twenty (20) units. The discrepancy between the two programs makes administering these programs less efficient and more time consuming for staff and developers. This amendment of the Resolution is supported because exempting small rental projects of 3 to 19 units will allow the program to spend less of its revenues on administration.

As a practical matter, new rental developments of fewer than 20 units are extremely rare. In the past four years, out of an estimated 80 residential development applications, Planning, Building and Code Enforcement (PBCE) staff has received only one rental housing development application with 20 units or fewer. There are several reasons why a developer may choose to build a larger rental housing development. One reason is that land costs are high and it may be uneconomical to develop a smaller building. It is generally more expensive to operate and maintain smaller rental buildings. Lastly, in the urban villages where the City is planning for residential growth, these areas are zoned for higher density developments to create more walkable, sustainable neighborhoods.

The Housing Department also conducted an analysis of projects of 20 to 30 units in an effort to understand the volume of projects that may be proximate to the new recommended threshold. Similar to projects of 3 to 19 units, there are very few rental communities of between 20 to 30 units in San José; an overwhelming majority of new rental developments in San José have at least 35-40 apartments.

Developments of fewer than 20 units are much more likely to be for-sale developments. The Inclusionary Housing Ordinance exempts for-sale projects of this size. Nonetheless, developers of smaller for-sale projects would still be required to submit an Affordable Housing Compliance Plan and be confirmed as for-sale developments, unless the smaller projects are exempted from the AHIF. This existing requirement means that Housing staff must process and monitor projects that will likely be exempted from permit issuance through Certificate of Occupancy.

The time required for the Housing Department to complete its review of Affordable Housing Compliance Plan applications and the time required for the City Attorney's Office to draft and record the Affordable Housing Agreement exceeds the current amount of the application fee. Raising the fee to cover the total staff costs would impose a relatively high fee on these smaller projects. Thus, the additional review process currently required is not cost-effective.

For these reasons, staff recommends that that rental projects of three (3) to 19 units be exempted from the AHIF. Staff estimates that implementing this recommended change to the AHIF program could result in approximately $200,000 in lost revenue through calendar year 2019.

The Housing Department will reevaluate the small project exemption in conjunction with the update of the Nexus Analysis that will occur prior to January 2020.

<u>Mixed-Use Residential/Commercial Projects</u>

Mixed-use developments are an important element in the creation of urban villages, and thus one of the Envision 2040 General Plan's major strategies. To ensure that mixed-use developments are not unduly disadvantaged by the AHIF, City Council requested that the Housing Department work with a consultant to complete a feasibility analysis.

KMA's analysis was based on comparing a prototype mixed-use project (a largely residential development with some amount of the ground floor devoted to commercial use such as retail, restaurant, personal services, or office space) and operating income potential of a prototype all-residential project in the same size of building. KMA's analysis was limited to current mixed-use projects located in the Downtown, five Urban Village areas without adopted urban village plans (Valley Fair/Santana Row, West San Carlos, The Alameda, East Santa Clara Street, and Roosevelt Park), as well as the Downtown and Diridon Stations areas. Accordingly, any reduction is recommended to be limited to those seven geographic areas. These areas were selected because PBCE staff expects to see most mixed-use development occurring here in the near term.

For the five urban villages plus the Diridon Station and Downtown areas studied, the analysis found, on average, that the commercial space generated less rent per square foot than residential during the period of the study. KMA's analysis comparing the two prototypes concluded that a Fee of $13.00/sf could be absorbed by a development in which eight percent (8%) of the building is non-residential. This is slightly higher than the 7% average of current mixed-use developments.

The Housing Department recommends no change to the current approved Fee for mixed-use development. The KMA report indicated that "many mixed-use developments are feasible" and, additionally, the zoning in many of the urban villages requires mixed-use development. As a result, building an all-residential development would not be allowed, so property owners would not be able to achieve the same price for land with mixed-use development requirements. In addition, the AHIF program's generous Pipeline Exemption provided the development community with time to obtain approval for projects that did not incorporate the AHIF in the total development cost when the acquisition price for the land was determined. Thus, the Pipeline Exemption provided projects that were farther along in the predevelopment phase with an exemption because they may have had less ability to adjust to the new Fee due to two potential factors: they may not have been able to obtain concessions on land costs; or they could not reduce their development costs to offset the new Fee. The Pipeline Exemption offered an 18-month period that should have provided developers of mixed-use developments with ample time to factor in the AHIF when evaluating future projects and negotiating the purchase price for development sites.

In addition, during the outreach process, the Housing Department received significant feedback from the community regarding this item. On October 13, 2016, the Housing and Community Development Commission (HCDC) did not support the Housing Department staff's initial recommendation to reduce the existing Fee by $4.00/sf for mixed use projects in which the commercial square footage of each building exceeds 8% of the project's total square footage.

Assisted Living/Memory Care Facilities for Seniors

In order to understand this section, it is important to understand how the AHIF, as presently constituted, would apply to these types of facilities. The AHIF is imposed on the net, rentable square footage of dwelling units in market-rate, rental housing developments. A "dwelling unit" is defined as "a building, or portion of a building, planned or designed as a residence for one family only… and having its own bathroom and housekeeping facilities included in said unit…." For this purpose, "housekeeping facilities" includes a kitchen. Some, but not all, of the units in assisted living/memory care facilities would meet the AHIF program definition of a dwelling unit since they include a second sink outside the bathroom. Inasmuch as a small "dorm" refrigerator and microwave oven or hotplate (all of which are operable using standard 120V electrical outlets) make a complete kitchen if combined with a sink/faucets other than those in the bathroom, the presence of that second sink in a living space makes that room or suite a dwelling unit for purposes of the AHIF.

There is a myriad of senior living arrangements available in the marketplace today. At one end of the scale are convalescent hospitals (sometimes referred to as "skilled nursing facilities") where, "for a minimum of forty hours per week, inpatient nursing care including bed care is provided, and where other medical care may be provided for persons who are ill, injured or infirm (physically or mentally), but excluding persons with communicable diseases, and where no outpatient care [is] provided" (Section 20.200.250 of the Zoning Code). In these facilities, rooms generally have a separate bathroom, but as they are shared by two unrelated individuals and there is no sink outside the bathroom, they are not subject to the AHIF.

At the other end of the scale are senior apartments where individuals or couples live independently in a dwelling unit, with the availability of additional services that are sometimes provided. These apartments will be subject to the AHIF.

It is in between these two extremes that there is a variety of facility and housing types that are broadly labeled and marketed as "assisted living." Some include individual dwelling units, while others do not. Some projects are licensed by the State of California as Residential Care Facilities for the Elderly (RCFEs) to provide services that are non-medical in nature. Most RCFEs include "memory care" units for persons suffering from Alzheimer's or some other form of dementia.

Other projects that are not licensed by the State can provide any of the same services with the exception of memory care units. Anecdotally, staff has heard of senior apartment projects that describe themselves as "assisted living" but are essentially independent living with garbage/trash removal from the units being the only service provided. Additionally, some assisted living facilities are licensed for the memory care portion of the building and unlicensed for the non-memory care units.

KMA's feasibility analysis concluded that the current economic impact from the AHIF at $17/square foot would be relatively nominal and would not likely present a significant hurdle for otherwise feasible assisted living projects, including those that incorporate memory care units. In addition, these developments typically offer a number of lower wage jobs that support the residents that live in these developments. The Housing Impact Fee was created to mitigate the need for additional affordable housing that these types of developments clearly generate. **For that reason, staff recommends no change to the AHIF program for assisted living/memory care facilities for seniors.**

Recommended Change to the AHIF Resolution for For-Sale Projects

The AHIF incorporates a definition of for-sale that requires the sale of the first unit in an ownership project prior to the issuance of the certificate of occupancy to conclusively demonstrate that the project is not rental and therefore not subject to the AHIF. It is not clear that such a sale could be completed prior to the issuance of the certificate of occupancy. Therefore, the definition in the regulations (and the guidelines for the Inclusionary Housing Ordinance) has been restated to require confirmation before issuance of the certificate of occupancy based on issuance of a final report by the Bureau of Real Estate, formation of a homeowner's association, and marketing as a for-sale project. Amending the resolution will provide a more readily achievable standard and provide consistency between the resolution and its regulations. Thus, staff recommends that this administratively adopted procedure be reflected in the AHIF Resolution.

EVALUATION AND FOLLOW-UP

Consistent with the requirements of the Mitigation Fee Act, the City will provide an annual report on actual AHIF revenues, future revenue projections, and expenditures of those revenues once revenues have been received. In this annual report, the Housing Department will report on any revenues that would otherwise have been generated by mixed-use projects and the rental projects under 20 units that have been exempted from the AHIF.

POLICY ALTERNATIVES

Alternative #1: For mixed-use developments - Temporarily reduce the existing housing impact fee by $4.00 per square foot for mixed residential/commercial market-rate rental projects receiving all Planning Permits by the earlier of January 31, 2020 or adoption of a new Urban Village plan, in which the commercial square footage of each building exceeds eight percent (8%) of the project's square footage for the projects in the Downtown and Diridon Station areas and the following urban villages: Valley Fair/Santana Row, West San Carlos, The Alameda, East Santa Clara Street, Roosevelt Park.

The reduction in Fee level for projects in the Downtown Area would apply only to those that do not otherwise qualify for the Downtown High-Rise exemption. This Fee reduction would be limited to mixed-use projects that receive approval of all Planning Permits by January 31, 2020 (by which time staff will have completed an updated Nexus Analysis) or, in the case of the Urban Village areas, the adoption of an Urban Village Plan, if one is currently outstanding, whichever comes first.

Pros: Consistent with KMA's analysis and conclusion that, should the City wish to equalize the project value between the mixed residential/commercial market-rate rental project prototype (assuming 8% commercial space) and the all-residential project prototype, one option would be for the City to reduce the Fee from $17 per square foot to roughly $13 per square foot.

Cons: Staff estimates that implementing this alternative to the AHIF program could result in up to $1,000,000 in lost revenue through calendar year 2019.

Reasons for not Recommending: The Pipeline Exemption provided the development community with time to obtain approvals for projects that had not taken the Fee into consideration when the acquisition price for the land was determined. Feedback from community stakeholders, including the Housing and Community Development Commission (HCDC), strongly supported the current approved Fee structure for mixed-use development.

PUBLIC OUTREACH

On October 6, 2016, the Housing Department hosted a public meeting for members of development community and other stakeholders. At this meeting, the Housing Department provided background on the AHIF; KMA described their analysis; and the Housing Department reviewed the draft recommendations.

During the meeting, an attendee raised concerns about how the AHIF will be assessed on Assisted Living units that meet the AHIF program definition of a dwelling unit. The attendee felt that assessment of the Fee in this manner would incentivize developers to seek exemption by removing the sink from the living room/kitchen area, thereby circumventing the definition of a dwelling unit. The attendee felt that the Housing Department's recommendation to assess the Fee would lead to the development of substandard assisted living facilities for the elderly.

On October 13, 2016, the Housing Department attended the regular meeting of the HCDC. A number of community members provided input that further exemptions from the AHIF will "send mixed messages" during a time when the need for affordable housing is critical. See Commission Recommendation section below for more information.

On November 10, 2016, the Housing Department hosted a public meeting for members of the development community and other stakeholders. At this meeting, the staff reviewed the revised recommendations that are described in this memorandum. At the meeting, several attendees suggested that the Housing Department not recommend modifying the threshold size of rental projects to which the AHIF applies from three (3) units to 20 units. Further, several attendees cautioned the Housing Department on adjusting the Fee for mixed-use developments.
From early October 2016 to the date of this memorandum, the Housing Department received two written correspondences. Please see Attachment B for copies of those correspondences. Finally, this memorandum will be posted on the City's Council Agenda website for the December 6, 2016 Council Meeting.

COORDINATION

Preparation of this memorandum was coordinated with the Department of Planning, Building and Code Enforcement, the City Attorney's Office, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

On October 13, 2016, the HCDC considered Housing Department staff's recommended amendments to the AHIF program. Several Commissioners expressed concern about offering additional exemptions and suggested that the City explore providing developers with other incentives for mixed-use developments instead of reducing the AHIF. The HCDC made the following recommendations:

- Supported the staff recommendation to change the threshold for applying the AHIF to small projects from 3 to 20 units;
- Did not support staff's initial recommendation to reduce the existing housing impact fee by $4.00 for some mixed-use developments. The Commission did recommend that mix-use developments pay the $17 square foot fee; and
- Supported the staff recommendation to amend the provisions exempting for-sale projects from the AHIF to make the standard consistent with the adopted regulations.

The HCDC did not take a vote regarding assisted living facilities, as Housing Department staff did not recommend to modify the AHIF for assisted living facilities. However, several Commissioners did comment that based on KMA's report, assisted living facilities should not receive an exemption from the AHIF for units that meet the City's Dwelling Unit definition.

CEQA

Not a Project, File No. PP10-067 – Section 15378(b)(4) of the Guidelines for Implementation of the California Environmental Quality Act excludes the following from the definition of projects subject to environmental review requirements: "The creation of a government funding mechanism or other government fiscal activities which do not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment."

/s/
JACKY MORALES-FERRAND
Director, Housing Department

Attachment A: Supplemental Feasibility Analysis
Attachment B: Written Correspondence Received

For questions, please contact Patrick Heisinger, Senior Development Officer, at (408) 975-2647.

KEYSER MARSTON ASSOCIATES

SUPPLEMENTAL FEASIBILITY ANALYSIS RELATED TO RENTAL HOUSING IMPACT FEES

Prepared by:
Keyser Marston Associates, Inc.

Prepared for:
City of San Jose

September 2016

Table of Contents

I. Executive Summary 1
   a) Mixed Use Projects 1
   b) Senior Assisted Living Projects 1
   c) Small Apartment Projects 2
II. Background 3
III. Mixed Use Projects 5
   a) Geographic Subareas of Analysis 5
   b) Mixed Use Opportunities and Constraints 6
   c) Mixed Use Project Rents 8
   d) Mixed Use Feasibility Analysis 9
IV. Senior Assisted Living Projects 13
V. Small Apartment Projects 16

I. Executive Summary

In November 2014, the City Council of the City of San Jose adopted a $17/square foot affordable housing impact fee on new construction market rate rental apartment projects. The fee was effective as of January 2015[1]. Revenues from the housing fee will be used by the City to increase the supply of affordable housing for Extremely Low-, Very Low-, Low-, and Moderate-Income households.

In considering the new fee, the City Council expressed an interest in understanding the potential financial feasibility impacts the fee could have on the following three land use types:

- Mixed use projects with a combination of rental apartments and commercial uses;
- Senior assisted living projects; and
- Small apartment projects of less than 20 units.

The following is a summary of the findings of the analysis:

a) Mixed Use Projects

The City of San Jose has previously expressed a policy goal of promoting mixed use projects in high priority development areas such as the City's Urban Villages. However, mixed use projects are generally more economically challenging than all-residential projects due to lower rents, more difficulty leasing the non-residential spaces, and higher overall risk profile. Mixed use projects continue to be built in San Jose; however for the above reasons, financial feasibility can be difficult in some cases.

Based on an analysis of the operating income potential of a mixed use project compared to an all-residential project, a difference in overall project value has been quantified. If the City were interested in equalizing the value between the mixed use and all-residential projects (as a means of putting mixed use project on equal economic footing with all-residential projects), the $17/square foot affordable housing fee could be reduced accordingly. For example, if 8% of the building area of a mixed use project were non-residential and 92% were residential, the housing fee would need to be reduced from $17/square foot to $13/square foot.

b) Senior Assisted Living Projects

Senior assisted living projects are senior housing projects that also offer a range of services including meals, housekeeping, assistance with activities of daily living (bathing, dressing, ambulating, etc.), medication management, transportation services, and social activities. Many assisted living projects also include a memory care/Alzheimer's wing with a more intensive level of services.

[1] Certain projects in the development pipeline at the time of fee adoption as well as Downtown High Rise projects were eligible for a fee exemption.

There are currently four assisted living projects in the City's development pipeline, one of which is in construction, one is readying for construction, and two are in the planning stages. Based on a pro forma analysis estimating the development costs, operating income, and supported private investment of a prototype assisted living project, it has been determined that assisted living projects are generally feasible in San Jose today. If the $17/square foot fee is applied to assisted living projects, it would represent a relatively small percentage of overall development costs and would not likely present a significant hurdle to the viability of otherwise feasible projects.

c) Small Apartment Projects

Small apartment projects under 20 units in size are very rare in San Jose and elsewhere in the Bay Area. Projects of this size are too small for higher density building prototypes, such as multi-story residential units above a parking podium, and in addition, it can be difficult for lower density apartment projects to compete with the often superior economics of for-sale housing prototypes such as townhomes. Small projects can have economic disadvantages compared with larger projects, mostly due to cost inefficiencies attributable to their small size. Similar to mixed use projects, if the City were interested in equalizing the economics of a small apartment project with a more conventionally sized project, the analysis estimates the $17/square foot housing fee would need to be reduced from $17/square foot to $6/square foot.

II. Background

In November 2014, the City Council of the City of San Jose adopted a $17/square foot affordable housing impact fee on new construction market rate rental apartment projects. The fee was effective as of January 2015. Revenues from the housing fee will be used by the City to increase the supply of affordable housing for Extremely Low-, Very Low-, Low-, and Moderate-Income households.

In considering the new fee, the City Council expressed an interest in understanding the potential financial feasibility impacts the fee could have on the following three land use types:

- Mixed use projects with a combination of rental apartments and commercial uses;
- Senior assisted living projects; and
- Small apartment projects of less than 20 units.

This report has been prepared by Keyser Marston Associates, Inc. (KMA) in order to address the financial feasibility impacts the housing fee could have on these project types. In performing this assignment, KMA has completed the following work tasks:

- Researched and discussed with City staff the characteristics of prototype mixed use, assisted living, and smaller apartment projects in San Jose;
- Analyzed market conditions and trends for the three project types, both in San Jose and in other urban areas, and considered opportunities and constraints present in the current and near-term markets;
- Prepared a pro forma financial feasibility analysis of the three project types in order to analyze the magnitude of potential impacts from the housing fee; and
- Discussed with City staff options for how the potential impacts could be mitigated.

The feasibility analysis is an estimate of a project's development economics, which generally includes estimates of the costs of development, the operating income, and an analysis of the ability to attract the necessary investment capital. With this in mind, it is important that the following caveats be appropriately considered:

- Prototypical Nature of Analysis – By its nature, the feasibility analysis contained in this report can only provide an overview-level assessment of development economics because it is based on prototypical projects rather than specific projects. Every project has unique characteristics that will dictate rents supported by the market as well as development costs and developer return requirements. This feasibility analysis is intended to reflect prototypical projects in San Jose but it is recognized that the economics of some projects may look better and some may look worse than those of the prototypes analyzed.

- Near Term Time Horizon – This feasibility analysis is a snapshot of real estate market conditions as of mid-2016. The analysis is most informative regarding near term implications the housing impact fee could have for projects that have already purchased sites and are currently in the pre-development stages. Real estate development economics are fluid and are impacted by constantly changing conditions regarding rent potential, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different to some degree.

- Adjustments to Land Costs over Time – Developers purchase development sites at values that will allow for financially feasible projects. Developers will “price in” the cost of the housing fee when evaluating a project’s economics and negotiating the purchase price for development sites. Given that the fee will apply to all or most projects, downward pressure on land costs could result as developers adjust what they can afford to pay for land. This downward pressure on land prices can, to some degree, bring costs back into better balance with the overall economics supported by projects.

III. Mixed Use Projects

For purposes of this analysis, mixed use projects are those that have a combination of rental apartments on upper floors and commercial uses such retail, restaurant, personal services (such as beauty salons, dry cleaners, financial services, etc.) or small office spaces on the ground floor. Mixed use projects of this nature are already present in many of the urban infill areas of San Jose. The following is a sampling of mixed use projects currently in the City's development pipeline which are believed to be representative of the sizes, densities, and mix of uses the City could continue to expect going forward. As shown, these projects have a range of 86 to 315 units (averaging 162 units) and a range of roughly 2,700 to 23,000 square feet of non-residential space (averaging 12,600 square feet), representing 3% to 11% of the total building area of the project (averaging 7%).

Pipeline Mixed Use Projects

				Building Square Feet						Density	
	Project	Acres	Units	Unit SF	Total NSF	Resid GSF	Non-Res	Non-Res %	Total GSF	DU/Acre	FAR
1	Fairfield West San Carlos	4.72	315	915	288,111	366,810	22,665	6%	389,475	66.7	1.89
2	740 West San Carlos	1.06	95	850	80,750	100,938	2,735	3%	103,673	89.6	2.25
3	785-807 The Alameda	1.04	168	870	146,236	182,795	22,696	11%	205,491	161.5	4.54
4	South First and Reed	0.56	105	698	73,246	91,558	4,200	4%	95,758	188.6	3.95
5	Modera at San Pedro	0.98	201	750	150,661	181,982	11,854	6%	193,836	205.0	4.54
6	525 East Santa Clara	0.60	86	850	73,100	91,375	11,440	11%	102,815	143.3	3.93
Average		1.49	162	837	135,351	169,243	12,598	7%	181,841	108.3	2.80

NSF = net building square feet DU/Acre = dwelling units per acre
GSF = gross building square feet FAR = floor area ratio

Source: Project plans; City of San Jose; KMA

Mixed use projects help the City achieve several policy goals including:

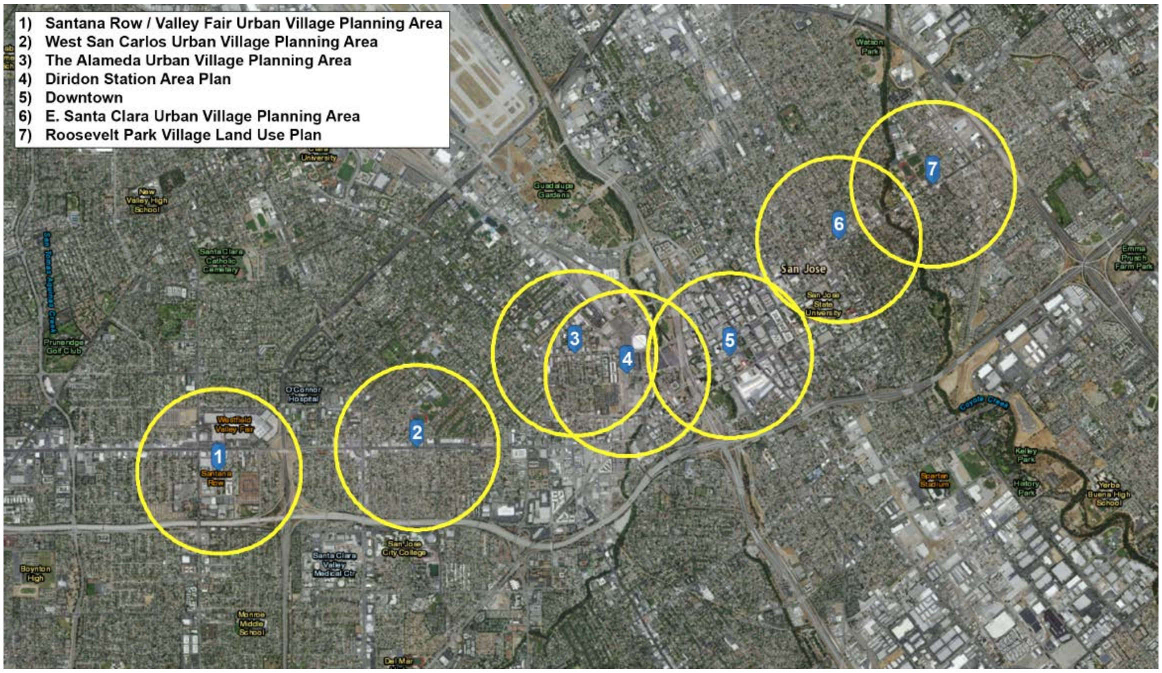
- Redeveloping underutilized properties and revitalizing older neighborhoods;
- Addressing some of the housing needs of the greater Silicon Valley region;
- Adding to the property tax base and generating new sales taxes;
- Providing neighborhood services;
- Activating ground floor spaces;
- Generating new jobs; and
- Producing impact fee revenue to increase the supply of affordable housing in the City.

a) Geographic Subareas of Analysis

Vertically integrated mixed use projects (i.e. residential in upper floors with non-residential in the ground floor or lower floors of the same building) are generally located in the urban infill areas of the City of San Jose where rents are high enough to support the costs of building at higher densities and the costs of land assembly and site preparation. For this reason, this analysis is focused on the development economics of mixed use projects in certain subareas of the City. These subareas, which are areas in which the City anticipates significant mixed use development in the future, are shown in the map below. They include Downtown San Jose, the

Diridon Station Specific Plan area, and certain “urban villages” targeted for their potential to accommodate growth. As shown, these seven subareas cover a roughly 5-mile span from the Santana Row/Valley Fair Urban Village on the west to the Roosevelt Park Village Plan Area on the east.

Subareas for Mixed Use Projects Analysis



Note: Rings denote ½-mile radius

Several of the seven subareas, including Downtown and the Alameda and Diridon plan areas, are already undergoing development on a relatively wide scale with numerous new projects either currently under construction or approved and nearing construction. The Santana Row and West San Carlos areas have a few new planned or recently completed projects while the East Santa Clara and Roosevelt Park Village areas have had limited new development activity to date.

The seven subareas vary with respect to demographic characteristics (household income, residential and employee densities, etc.) as well as supported rental rates and property values[2]. These are among the many factors that have implications on project feasibility.

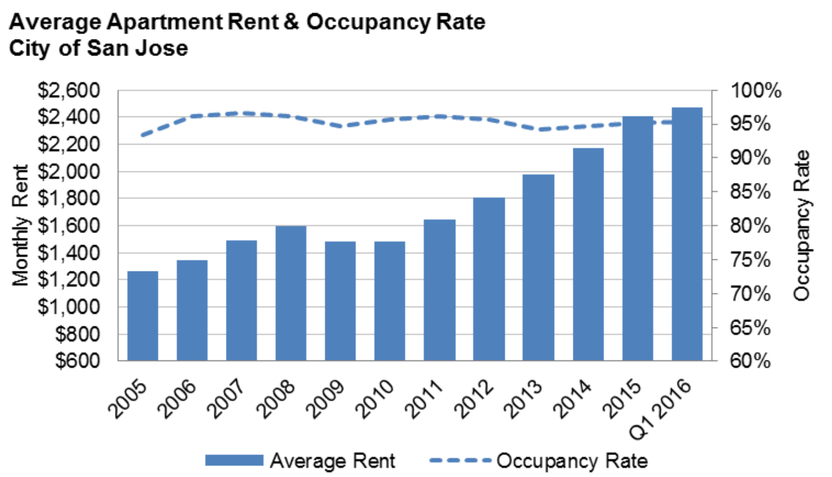
b) Mixed Use Opportunities and Constraints

In general, the seven subareas included in this analysis are poised to capture future opportunities for mixed use development. The continuing strength of the regional economy, in particular the growth in high tech jobs, is continuing to put pressures on new housing production throughout Silicon Valley. For the foreseeable future, housing demand will remain high in areas

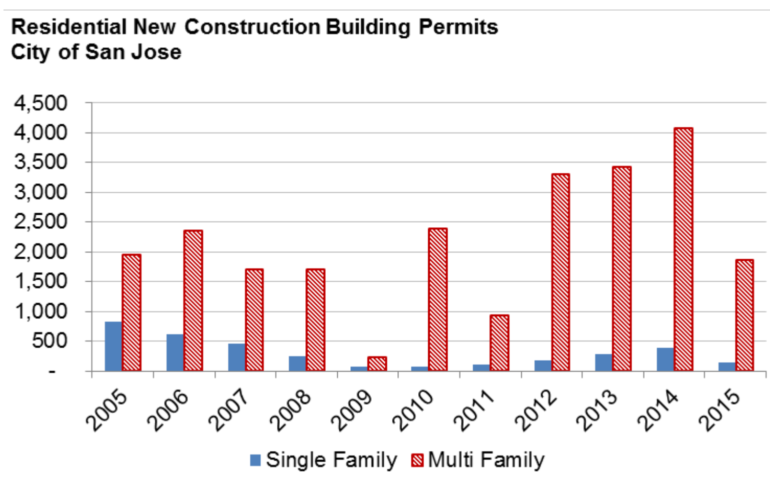
[2] See Appendix 1 for demographic data. Rental rates among the subareas are discussed further in Section II.c.

close to job centers, which all seven subareas benefit from, and in addition, millennial-generation households have demonstrated a preference for living in higher density, walkable neighborhoods with convenient proximity to restaurants, shops, entertainment and cultural venues, and other big city amenities.

The strength of the rental housing market in San Jose is exhibited by rising apartment rents, stable occupancy rates, and robust construction activity.



Source: RealAnswers



Source: City of San Jose, Construction Industry Research Board

In terms of retail space potential, a preliminary assessment of retail expenditure trends indicates that the subareas are currently importers of retail sales overall (i.e. there is a surplus of sales relative to consumer demand), although there does appear to be sales leakage in some retail categories such as grocery stores, specialty food stores, general merchandise stores, and for the subareas further from Valley Fair, clothing and shoe stores (see Appendix 2 for further detail). It would be expected that retail space demand within the subareas will increase over time as the trade areas experience growth and accommodate new residents and employees.

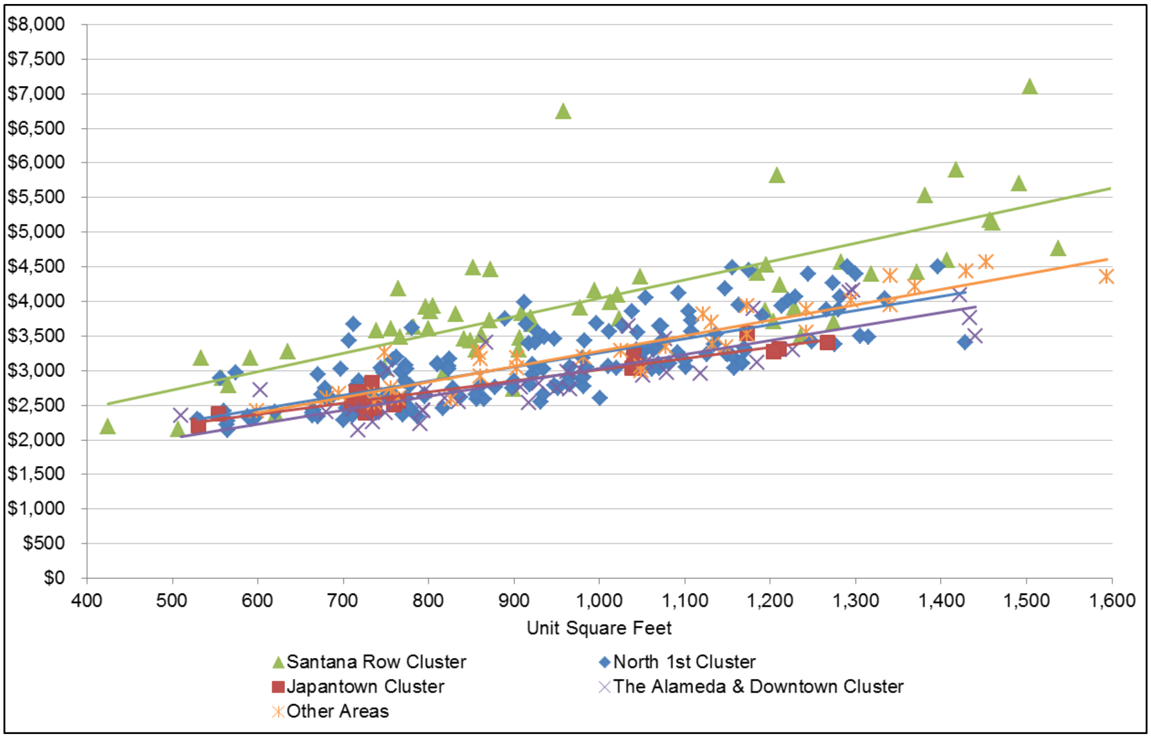
Mixed use projects will need to overcome certain challenges if they are to represent a significant development trend in future years. In general, mixed use projects tend to have development economics that are less financially feasible than all-residential projects. The commercial spaces in mixed use projects are generally more difficult to lease than the residential units, commercial rental rates are generally lower, and there tend to be more financing challenges. In addition, mixed use projects sometimes face design challenges related to integrating the residential and non-residential spaces as well as cost impacts that may be associated with higher parking ratios for retail and restaurant uses.

There are also development challenges that apply to all project types within the seven subareas. For example, many new development projects will need to assemble existing small parcels in order to create an adequately sized development site. This will require negotiating purchase agreements with sometimes multiple private owners and sometimes could involve buying out existing tenant leases. Many development projects will also require upgrading or replacing existing area-wide infrastructure, representing an added cost of development in these areas. Of course, the magnitude of these challenges will vary from one site to another.

c) Mixed Use Project Rents

Consistent with the rapidly strengthening apartment market in recent years, apartment rents have reached unprecedented highs in many areas. In order to inform this analysis, KMA performed a survey of apartment rents in 31 properties in San Jose. The following chart shows asking apartment rents in four geographic clusters of the City – the Santana Row cluster, the North 1st cluster, the Japantown cluster, and the Alameda/Downtown cluster. As shown, rents are the highest in the Santana Row cluster while rents are within a similar range for the remaining clusters. Overall, the apartment rent comps average roughly $3.50/square foot/month.

San Jose Apartment Rent Comps



Source: Project websites, online listings (May 2016). See Appendix 3 for details.

Similarly, KMA performed a survey of asking rents for retail and commercial spaces located in or near the seven subareas. On average, the asking rents for these spaces were about $2.35/square foot/month although it is recognized that some of these spaces are in older buildings where space layouts and quality are inferior to that which would be expected in new development projects (see Appendix 4 for further detail).

d) Mixed Use Feasibility Analysis

A financial feasibility analysis typically includes modeling the full development costs of a project as well as the projected operating income and supported private investment. If the operating income and supported investment are in balance with the development costs, the prototype would generally be considered feasible. However, in the case of the seven subareas analyzed, the analysis is difficult because of the unusually wide range of potential project values and development costs from one subarea to another and from one project to another. These variations could come in several forms including variations in property values and land assemblage costs, variations in infrastructure needs and costs, and variations in project density and design.

In order to fully understand the development costs of mixed use projects in the different subareas, a comprehensive analysis would be needed of the infrastructure and site preparation costs (including the existing capacity and physical condition of area-wide utility infrastructure, roadway infrastructure, soils conditions, demolition costs, etc.) associated with each subarea and how those costs would be funded, as well as further detail on individual property ownerships and existing leasehold encumbrances. The analysis is further complicated by the fact that the City is still in the process of planning for future development in many of the subareas including consideration of issues related to upzoning, value capture, and community benefit obligations[3].

Given this wide range of potential development costs and the many unknowns associated with those costs, it has been determined that an alternative approach to assessing feasibility was needed for this analysis. In order to gauge the feasibility of mixed use projects, this analysis compares the operating income potential of a prototype mixed use project with that of an all-residential project. All-residential projects are widely feasible in the City of San Jose as evidenced by the large number of projects recently completed and currently under construction. The operating income comparison between a mixed use project and an all-residential project is considered a proxy for financial feasibility to the extent that developers of mixed use projects are put at a competitive disadvantage by having to compete with all-residential projects in purchasing development sites.

In taking this approach, it is acknowledged that: (1) many mixed use projects in San Jose are feasible in their own right notwithstanding their challenges, and (2) many portions of the seven subareas are already being planned for mixed use development rather than all-residential development, meaning existing property owners in these areas would not necessarily be able to achieve a higher land purchase price associated with an all-residential project. Nonetheless, the operating income comparison approach is a way of understanding, in general terms, how mixed use projects could face feasibility challenges relative to an all-residential alternative.

The operating income comparison is summarized in the following Table 1. The analysis compares a 169-unit prototypical all-residential project with a 158-unit mixed used project with 11,700 square feet of non-residential building space (representing 8% of total net rentable building area). Both projects are based on an overall building envelope assuming a 2.75 floor area ratio (FAR). The analysis assumes a monthly apartment rent of $3.50/square foot (almost $3,000/unit for an average 850 square foot unit) and a monthly non-residential space rent of $2.50/square foot, based on the market survey described previously. As shown in Table 1, the total project value for the mixed use project is approximately $556,000 less than the value of the all-residential project.

[3] It is noted that many portions of the subareas are currently zoned for relatively low density commercial uses rather than mixed use residential. Therefore, the costs of community benefits (including costs associated with mixed use projects) can be partially or wholly offset by the value created by upzoning.

Table 1.
Mixed Use Project Analysis

		All Residential Project			Mixed Use Project			Differential
Development Program								
Site Size		1.50	acres		1.50	acres		0.00
FAR		2.75	FAR		2.75	FAR		0.00
Residential Density		113	du/acre		105	du/acre		(8)
Residential Units		169	units		158	units		(12)
Average Unit Size		850	sf		850	sf		0
Net Rentable Square Feet (NSF)								
Residential		143,760		100%	133,920		92%	(9,840)
Non-Residential		0		0%	11,700		8%	11,700
Total NSF		143,760		100%	145,620		100%	1,860
Gross Square Feet (GSF)								
Residential		179,700			167,400			(12,300)
Non-Residential		0			12,300			12,300
Total GSF		179,700			179,700			0
Project Value								
Residential Income								
Gross Rents	$3.50	$6,037,920			$5,624,640			($413,280)
Other Income		$202,955			$189,064			($13,892)
(Less) Vacancy	5.0%	($301,896)			($281,232)			$20,664
(Less) Operating Expenses		($845,647)			($787,765)			$57,882
(Less) Property Taxes		($954,500)			($889,167)			$65,333
NOI - Residential		$4,138,832			$3,855,540			($283,292)
Capitalized Value - Residential	5.0%	$82,776,645			$77,110,798			($5,665,847)
$/Unit		$489,428			$489,428			$0
Non-Residential Income								
Gross Rents (NNN)	$2.50	NA			$369,000			$369,000
(Less) Vacancy	10.0%	NA			($36,900)			($36,900)
(Less) Operating Expenses		NA			pass-through			
(Less) Property Taxes		NA			pass-through			
Effective Gross Income/NOI		NA			$332,100			$332,100
Capitalized Value - Retail	6.5%	NA			$5,109,231			$5,109,231
Total Project Value		$82,776,645			$82,220,028			($556,616)

Prepared by: Keyser Marston Associates
Filename: San Jose Feasibility 5.6.16.xlsx; Mixed Use

If the City wished to equalize the project value between the mixed use project and the all-residential project, one option is for the City to reduce the affordable housing fee from $17/square foot to roughly $13/square foot. As shown in the following table, reducing the fee from $17 to $13/square foot would reduce the total development costs of the project by $556,000.

Example of Mixed Use Project Fee Adjustment

	Net Sq.Ft. (NSF)*	Fee/NSF	Total Fees
Unadjusted Affordable Housing Fees	133,920	$17.00	$2,276,640
(Less) Adjustment for 8% Non-Residential (Table 1)	133,920	($4.16)	($556,616)
Adjusted Affordable Housing Fees (8% Non-Residential)	133,920	$12.84	$1,720,024
Rounded Fee		$13.00	

* See Table 1

The fee adjustment shown above is based on a hypothetical mixed use project with 8% of the project's rentable area as non-residential space. If the percentage of non-residential space were less than 8%, theoretically the amount of the fee adjustment would be reduced. If the percentage were more than 8%, the amount would be increased.

It is noted that this analysis did not differentiate either apartment rents or retail rents ***among*** the seven subareas. Since the key to the analysis is the apartment/retail rent differential ***within*** each of the subareas, the differences among the seven subareas is only relevant to the extent the apartment/retail rent differentials vary within each subarea. For example, while a $4.00/square foot apartment rent is $1.00 more than a $3.00/square foot retail rent in a higher value area, a $3.00 apartment rent is also $1.00 more than a $2.00 retail rent in a lower value area. At this stage, there does not appear to be sufficient evidence to suggest that the apartment/retail rent differentials vary in any significant way among the seven areas.

IV. Senior Assisted Living Projects

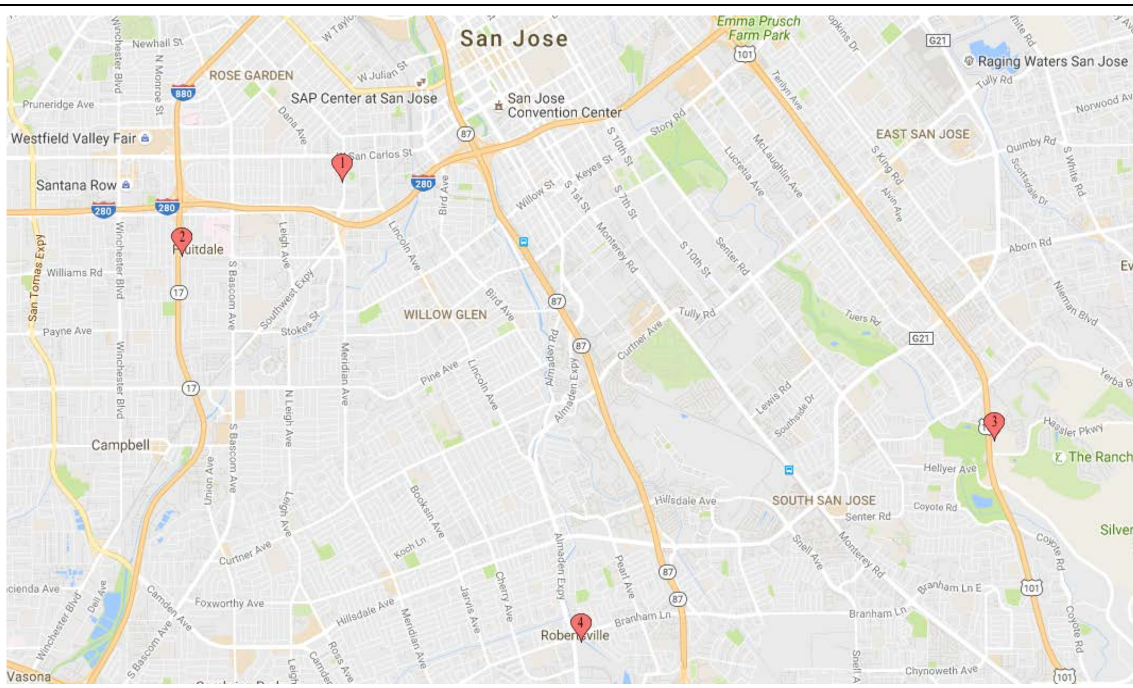
A second project type that has been analyzed is senior assisted living. Senior assisted living projects are projects that provide housing as well as specified senior services. Typical services offered at assisted living facilities include meals, housekeeping, assistance with activities of daily living (bathing, dressing, ambulating, etc.), medication management, transportation services, and social activities. Many assisted living facilities also offer Alzheimer's or memory care wings, which provide a more intense level of care for this population.

Given the aging population overall, there is a growing need for assisted living facilities throughout the Bay Area and current market conditions are favorable for new project construction. Numerous assisted living projects are either in construction or in the development pipeline in many jurisdictions of the Bay Area including four projects in San Jose.

Pipeline Assisted Living Projects, San Jose

	Program				Gross Bldg SF		Density		Parking		
Project	Acres	Stories	Units	Beds	Total	/Unit	DU/Acre	FAR	Type	Spaces	/Unit
The Meridian Assisted Living	0.73	3.0	52	78	38,861	747	71.2	1.22	Surface	23	0.44
Thornton Way Assisted Living	0.89	3.0	76	N/Av	59,939	789	85.4	1.55	Undergrnd	48	0.63
Dove Hill Assisted Living	3.00	N/Av	270	N/Av	223,000	826	90.0	N/Av	N/Av	N/Av	N/Av
Almaden Assisted Living	3.55	N/Av	200	N/Av	N/Av	N/Av	56.3	N/Av	N/Av	N/Av	N/Av

Sources:
Meridian, Thornway Way, and Almaden: Development applications and project plans on file with City of San Jose.
Dove Hill: Data on file with City of San Jose; CBRE.



(1) Meridian, (2) Thornton Way, (3) Dove Hill, (4) Almaden

Of the four pipeline projects in San Jose, the Thornton Way project is currently nearing completion, the Meridian project is preparing for construction start, and the Dove Hill and Almaden projects are in predevelopment.

In order to assess the financial feasibility of assisted living projects, KMA prepared a development pro forma modeling the economics of a prototypical project. The pro forma includes estimates of development costs (without land acquisition costs and housing fees), operating income, and supported private investment based on threshold development returns. From the analysis, a residual land value can be calculated by deducting the development costs without land from the supported private investment. The residual land value is the amount the project can afford to pay for land. If the residual land value is in line with prevailing land values in the City, the determination would be that the project is feasible. The pro forma is summarized in Table 2 on the following page.

As shown in Table 2, the prototype project is assumed to contain 100 units on 1.25 acres for a density of 80 units per acre. It is assumed that 80 of the 100 units are assisted living units and 20 are memory care units. The project costs are estimated at $31.6 million and the net operating income is estimated at $2.4 million. In total, it is estimated that $37.5 million private investment is supported by current market conditions. From this analysis the residual land value is estimated at $5.9 million, or $4.7 million/acre. Based on a review of land sale comparables in San Jose, it has been determined that the $4.7 million/acre supported land value is well within the range of market land transactions when looking at sites throughout the City and that financial feasibility can be achieved for the prototypical assisted living project even with the new housing fee.

Table 2.
Assisted Living Feasibility Analysis

Development Program						
Land						
Land Area				1.25	acres	
Units				100	units	
Gross Residential Density				80.0	du/acre	
Building						
Total Building (GSF)				75,000	sf	
Stories				3	stories	
Parking				TBD	spaces/unit	

Income/Expenses				$/Unit	Total
Income					
Assisted Living Units	80	80%	$5,500	$66,000	$5,280,000
Memory Support Units	20	20%	$7,300	$87,600	$1,752,000
Total	100	100%	$5,860	$70,320	$7,032,000
Other Income				$3,900	$390,000
(Less) Vacancy	7.0%			($4,922)	($492,240)
Effective Gross Income				$69,298	$6,929,760
Operating Expenses					
Labor Related				$27,720	$2,772,000
Non-Labor					
Taxes				$4,180	$418,000
Utilities				$2,400	$240,000
Marketing				$1,100	$110,000
Raw Food / Other Dietary				$2,600	$260,000
Repairs & Maintenance				$1,300	$130,000
Management Fee				$2,080	$208,000
All Other Expenses				$3,500	$350,000
Total Expenses				$44,880	$4,488,000
NOI				$24,418	$2,441,760

Development Costs	$/GSF	$/Unit	Total
Direct Costs			
Total Directs	$299	$224,440	$22,444,000
Total Direct Cost	$299	$224,440	$22,444,000
Indirect & Financing Costs			
Indirect Costs	$105	$78,550	$7,855,000
Financing	$18	$13,680	$1,368,000
Total Indirect Cost	$123	$92,230	$9,223,000
Total Development Costs (excl. Land)	$422	$316,670	$31,667,000

Residual Land Value			$/GSF	$/Unit	$/Unit
NOI			$33	$24,418	$2,441,760
Supported Private Investment	6.50%	ROC	$501	$375,660	$37,566,000
(Less) Costs excl. Land			($422)	($316,670)	($31,667,000)
Residual Land Value			$79	$58,990	$5,899,000
$/Acre					$4,719,200
$/Land SF					$108

Prepared by: Keyser Marston Associates
Filename: San Jose Feasibility 5.6.16.xlsx; Asst Living

V. Small Apartment Projects

The third project type analyzed is a small apartment project under 20 units in size. As a practical matter, new apartments of this size are very rarely built today. City staff is not aware of any rental apartments of this size built in San Jose in recent years nor do there appear to be any in the current development pipeline based on available information[4]. Small apartment projects under 20 units in size are generally not suitable from a physical standpoint for higher density building prototypes, such as those with housing above a parking podium. Furthermore, in areas of the City where a lower density small apartment project would be appropriate, the economics of other building types, such as for-sale townhomes, are often economically superior.

From an economic standpoint, there could be both advantages and disadvantages of a small apartment project as compared with a more conventionally sized project. Potential advantages include:

- Locational Advantages – Theoretically, small projects might have an advantage in being able to locate in more desirable neighborhoods due to the flexibility inherent with smaller land requirements. Larger projects that require larger development sites may get pushed to less desirable locations or be forced to pay a land acquisition premium.
- Reduced Amenity Costs – Small projects generally do not have some of the tenant amenities common in larger projects, such as a swimming pool, clubhouse, or fitness center. Smaller projects are relieved of the costs of those amenities and instead tend to rely more heavily upon convenient proximity to neighborhood retail, restaurants, and services.
- No On-site Property Manager – By law, projects over 16 units in size are required to have an on-site property manager. Small projects under that threshold are relieved of the cost of an on-site property manager and the cost of a property manager's unit and/or an on-site leasing office.

The primary economic disadvantage of small projects is cost inefficiencies. Small projects would not likely be able to achieve the same cost efficiencies as large projects both in respect to direct construction costs (contractor labor and materials costs) and some categories of indirect (soft) costs of development such as predevelopment studies, architecture and design work, legal and administrative/overhead costs, etc.

Taking into account both the advantages and disadvantages of developing a small apartment project vs. a more conventionally sized apartment project, KMA estimates there is an overall cost premium associated with a small project as compared to a larger project. In order to derive the cost estimates, KMA consulted third party construction data sources such as RS Means and Marshall Valuation Service, as well as developer and general contractor cost data for residential projects currently in development or in planning.

[4] It is noted that the tenure of multi-family projects (rental or for-sale) is not always known for projects in the pipeline.

As shown in the summary table below, the small apartment project is estimated to cost $411,200/unit to build whereas the larger apartment project is estimated to cost $401,100/unit. The $10,100/unit difference represents the cost premium of the small project. On a per square foot basis, the small project cost premium equates to approximately $11/square foot.

Small Apartment Project Analysis

	Small Apartment Project (A)		Larger Apartment Project (B)		Small Project Premium (A-B)	
Development Program						
Residential Units	15 units		100 units			
Density	30 du/acre		30 du/acre			
Site Size	0.50 acres		3.33 acres			
Average Unit Size	900 sf		900 sf			
Residential Building Area	13,500 sf		90,000 sf			
Development Costs						
	$/Unit	Total	$/Unit	Total	($/Unit)	($/SF)
Land Acquisition	$108,900	$1,633,500	$108,900	$10,890,000	$0	$0.00
Direct Construction	$219,733	$3,296,000	$211,500	$21,150,000	$8,233	$9.15
Indirects	$62,600	$939,000	$61,340	$6,134,000	$1,260	$1.40
Financing	$20,000	$300,000	$19,400	$1,940,000	$600	$0.67
Total Costs	$411,233	$6,168,500	$401,140	$40,114,000	$10,093	$11.21

This cost premium represents a relatively small percentage of overall development costs and shouldn't present a major hurdle to most otherwise feasible projects. However, similar to the discussion of mixed use projects in Section II, if it is the City's goal to adjust the $17/square foot housing fee in order to equalize the costs between the small apartment project and the larger apartment project, an approximately $6/square foot fee would result ($17 fee minus the $11).

Small Apartments Project Fee Adjustment

	Fee/SF
Unadjusted Affordable Housing Fees	$17.00
(Less) Small Projects Adjustment (see above)	($11.21)
Adjusted Affordable Housing Fee	$5.79
Rounded	$6.00

APPENDICES

Appendix 1 Select Demographic Data by Subarea

Appendix 2 Preliminary Retail Sales Leakage Data

- 2-mile Radius from Santana Row
- 2-mile Radius from SAP Center
- 2-mile Radius from E. Santa Clara & 101

Appendix 3 Apartment Rent Survey

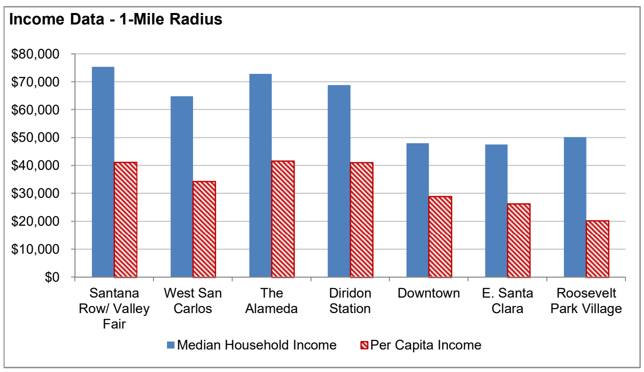
- Santana Row Cluster
- North 1st Cluster
- The Alameda & Downtown Cluster
- Other Areas

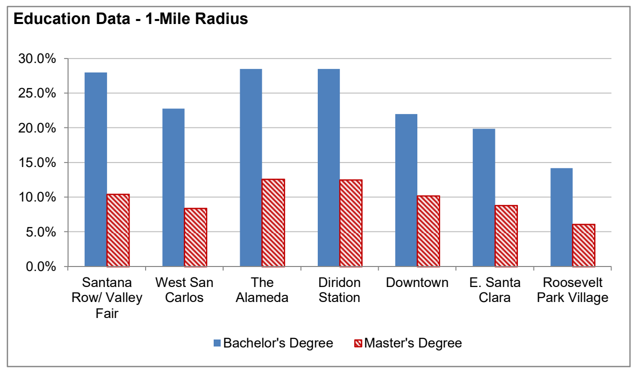
Appendix 4 Non-Residential Space Rent Survey

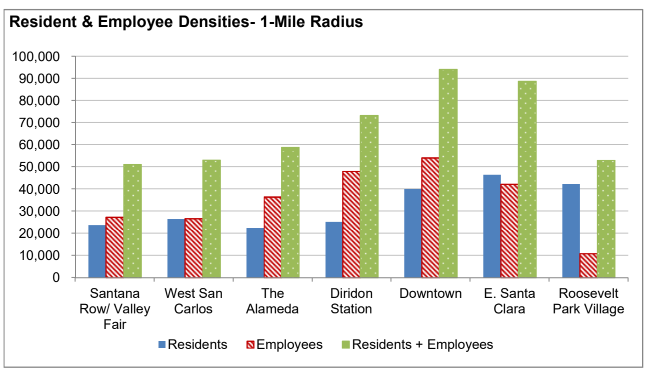
Appendix 1. Select Demographic Data by Subarea

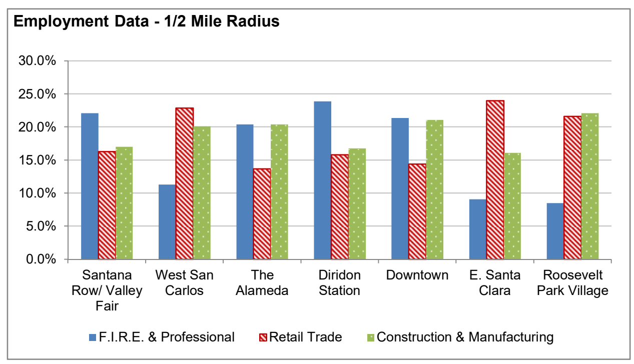
1-Mile Radius	Santana Row/ Valley Fair	West San Carlos	The Alameda	Diridon Station	Downtown	E. Santa Clara	Roosevelt Park Village
<u>Population/Employees</u>							
Residents	23,739	26,520	22,485	25,285	39,995	46,535	42,152
Employees	27,301	26,520	36,455	48,009	54,160	42,169	10,731
Residents + Employees	51,040	53,040	58,940	73,294	94,155	88,704	52,883
<u>Income</u>							
Median Household Income	$75,420	$64,821	$72,875	$68,902	$48,002	$47,548	$50,197
Per Capita Income	$41,172	$34,280	$41,625	$41,087	$28,952	$26,216	$20,150
<u>Education</u>							
Bachelor's Degree	28.0%	22.8%	28.5%	28.5%	22.0%	19.9%	14.2%
Master's Degree	10.4%	8.4%	12.6%	12.5%	10.2%	8.8%	6.1%
<u>Employment</u> (1/2 Mile Radius)*							
F.I.R.E. & Professional	22.1%	11.3%	20.4%	23.9%	21.4%	9.1%	8.5%
Retail Trade	16.3%	22.9%	13.7%	15.8%	14.4%	24.0%	21.6%
Construction & Manufacturing	17.0%	20.1%	20.4%	16.8%	21.1%	16.1%	22.1%

*select categories only









Source: Census 2010, ESRI (estimated for 2015)

1, 2, 3 Mile Radii from Santana Row

APPENDIX 2

July 18, 2016

Retail MarketPlace Profile

377 Santana Row, San Jose, California, 95128
Ring: 2 mile radius

Prepared by Esri
Latitude: 37.31978
Longitude: -121.94801

Summary Demographics						
2016 Population						129,612
2016 Households						49,501
2016 Median Disposable Income						$57,497
2016 Per Capita Income						$38,412

Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	$2,445,015,710	$3,807,193,305	-$1,362,177,595	-21.8	1,265
Total Retail Trade	44-45	$2,196,330,345	$3,572,460,432	-$1,376,130,087	-23.9	953
Total Food & Drink	722	$248,685,364	$234,732,873	$13,952,491	2.9	312

Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	$464,404,588	$1,204,503,375	-$740,098,787	-44.3	96
Automobile Dealers	4411	$383,550,962	$1,137,213,088	-$753,662,126	-49.6	67
Other Motor Vehicle Dealers	4412	$50,421,029	$48,479,417	$1,941,612	2.0	9
Auto Parts, Accessories & Tire Stores	4413	$30,432,596	$18,810,870	$11,621,726	23.6	19
Furniture & Home Furnishings Stores	442	$73,255,494	$113,181,152	-$39,925,658	-21.4	49
Furniture Stores	4421	$40,735,936	$62,345,022	-$21,609,086	-21.0	26
Home Furnishings Stores	4422	$32,519,558	$50,836,130	-$18,316,572	-22.0	23
Electronics & Appliance Stores	443	$119,758,478	$271,717,200	-$151,958,722	-38.8	119
Bldg Materials, Garden Equip. & Supply Stores	444	$96,765,725	$42,192,400	$54,573,325	39.3	49
Bldg Material & Supplies Dealers	4441	$87,509,880	$40,010,229	$47,499,651	37.2	46
Lawn & Garden Equip & Supply Stores	4442	$9,255,846	$2,182,171	$7,073,675	61.8	3
Food & Beverage Stores	445	$436,016,399	$278,227,444	$157,788,955	22.1	113
Grocery Stores	4451	$373,734,426	$225,594,433	$148,139,993	24.7	57
Specialty Food Stores	4452	$40,261,978	$32,179,281	$8,082,697	11.2	32
Beer, Wine & Liquor Stores	4453	$22,019,995	$20,453,730	$1,566,265	3.7	24
Health & Personal Care Stores	446,4461	$140,624,103	$210,642,523	-$70,018,420	-19.9	72
Gasoline Stations	447,4471	$128,592,785	$76,523,296	$52,069,489	25.4	30
Clothing & Clothing Accessories Stores	448	$158,509,057	$447,058,832	-$288,549,775	-47.6	235
Clothing Stores	4481	$115,180,853	$363,524,400	-$248,343,547	-51.9	169
Shoe Stores	4482	$17,207,794	$37,109,633	-$19,901,839	-36.6	29
Jewelry, Luggage & Leather Goods Stores	4483	$26,120,411	$46,424,799	-$20,304,388	-28.0	37
Sporting Goods, Hobby, Book & Music Stores	451	$64,953,040	$96,597,912	-$31,644,872	-19.6	57
Sporting Goods/Hobby/Musical Instr Stores	4511	$55,600,549	$65,787,466	-$10,186,917	-8.4	43
Book, Periodical & Music Stores	4512	$9,352,491	$30,810,446	-$21,457,955	-53.4	14
General Merchandise Stores	452	$347,668,650	$600,816,820	-$253,148,170	-26.7	21
Department Stores Excluding Leased Depts.	4521	$232,303,725	$585,037,205	-$352,733,480	-43.2	10
Other General Merchandise Stores	4529	$115,364,925	$15,779,615	$99,585,310	75.9	11
Miscellaneous Store Retailers	453	$109,273,488	$65,886,936	$43,386,552	24.8	99
Florists	4531	$4,084,421	$5,219,544	-$1,135,123	-12.2	9
Office Supplies, Stationery & Gift Stores	4532	$16,654,136	$11,377,695	$5,276,441	18.8	20
Used Merchandise Stores	4533	$8,130,884	$11,796,076	-$3,665,192	-18.4	29
Other Miscellaneous Store Retailers	4539	$80,404,047	$37,493,621	$42,910,426	36.4	41
Nonstore Retailers	454	$56,508,539	$165,112,541	-$108,604,002	-49.0	12
Electronic Shopping & Mail-Order Houses	4541	$44,654,414	$163,267,150	-$118,612,736	-57.0	7
Vending Machine Operators	4542	$1,295,600	$459,944	$835,656	47.6	2
Direct Selling Establishments	4543	$10,558,525	$1,385,448	$9,173,077	76.8	4
Food Services & Drinking Places	722	$248,685,364	$234,732,873	$13,952,491	2.9	312
Full-Service Restaurants	7221	$139,725,928	$130,847,448	$8,878,480	3.3	192
Limited-Service Eating Places	7222	$98,898,849	$88,967,229	$9,931,620	5.3	104
Special Food Services	7223	$5,323,040	$9,096,928	-$3,773,888	-26.2	6
Drinking Places - Alcoholic Beverages	7224	$4,737,548	$5,821,268	-$1,083,720	-10.3	11

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. Esri uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector. For more information on the Retail MarketPlace data, please click the link below to view the Methodology Statement.
http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf

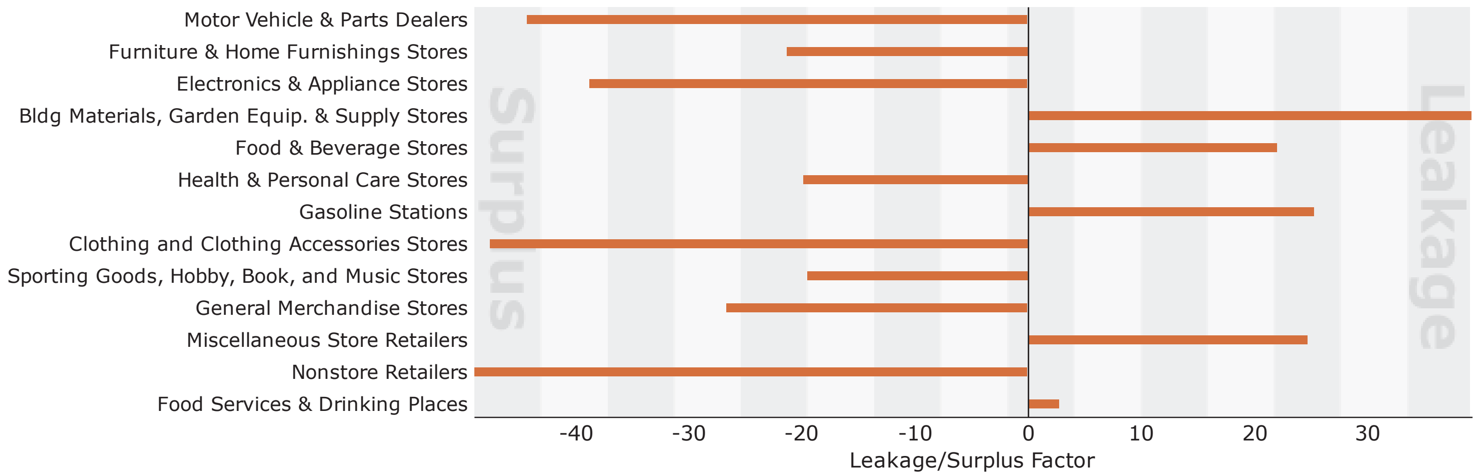
Source: Esri and Infogroup. Retail MarketPlace 2016 Release 1 (2015 data in 2016 geography)

July 18, 2016

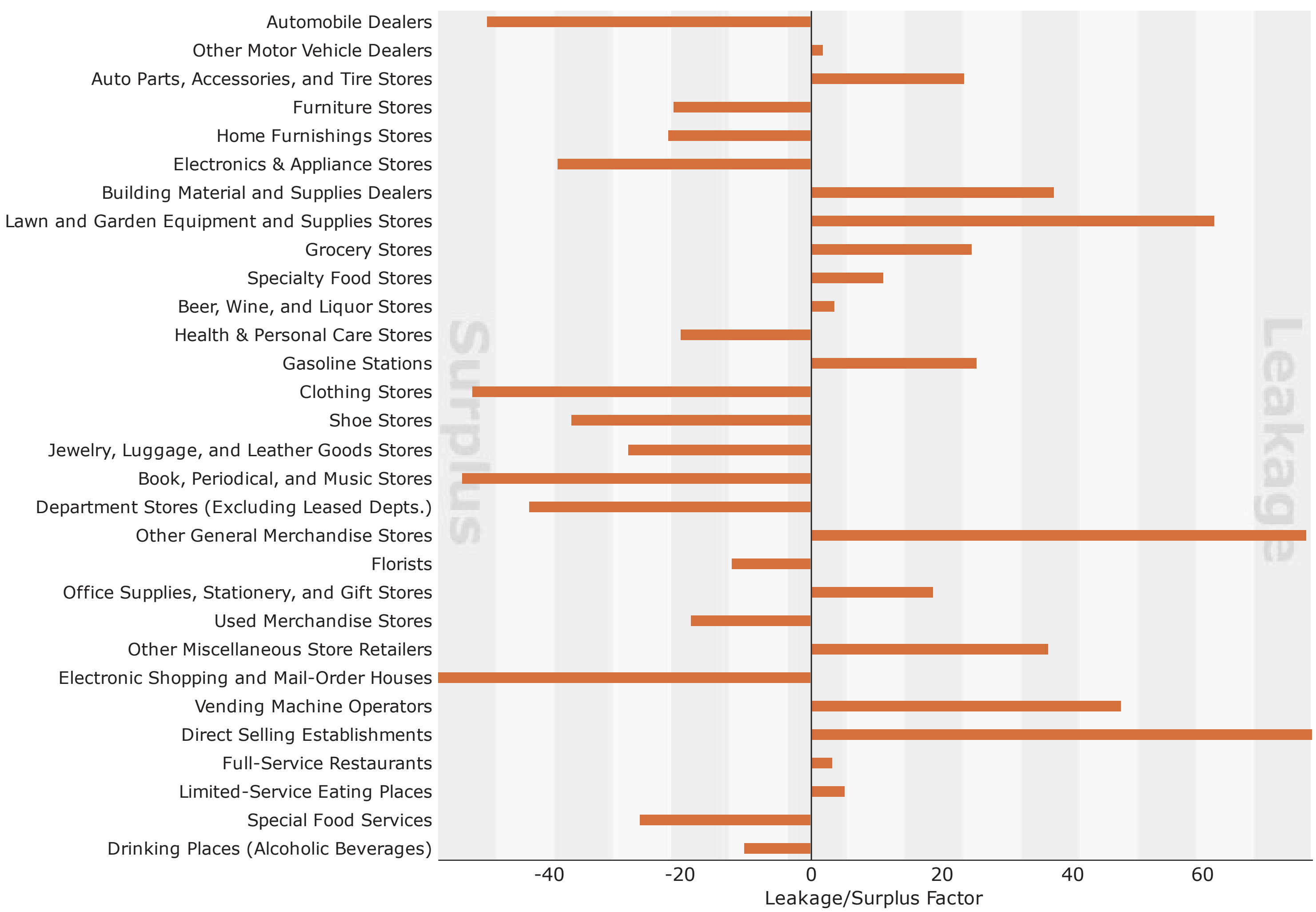
377 Santana Row, San Jose, California, 95128
Ring: 2 mile radius

Prepared by Esri
Latitude: 37.31978
Longitude: -121.94801

Leakage/Surplus Factor by Industry Subsector



Leakage/Surplus Factor by Industry Group

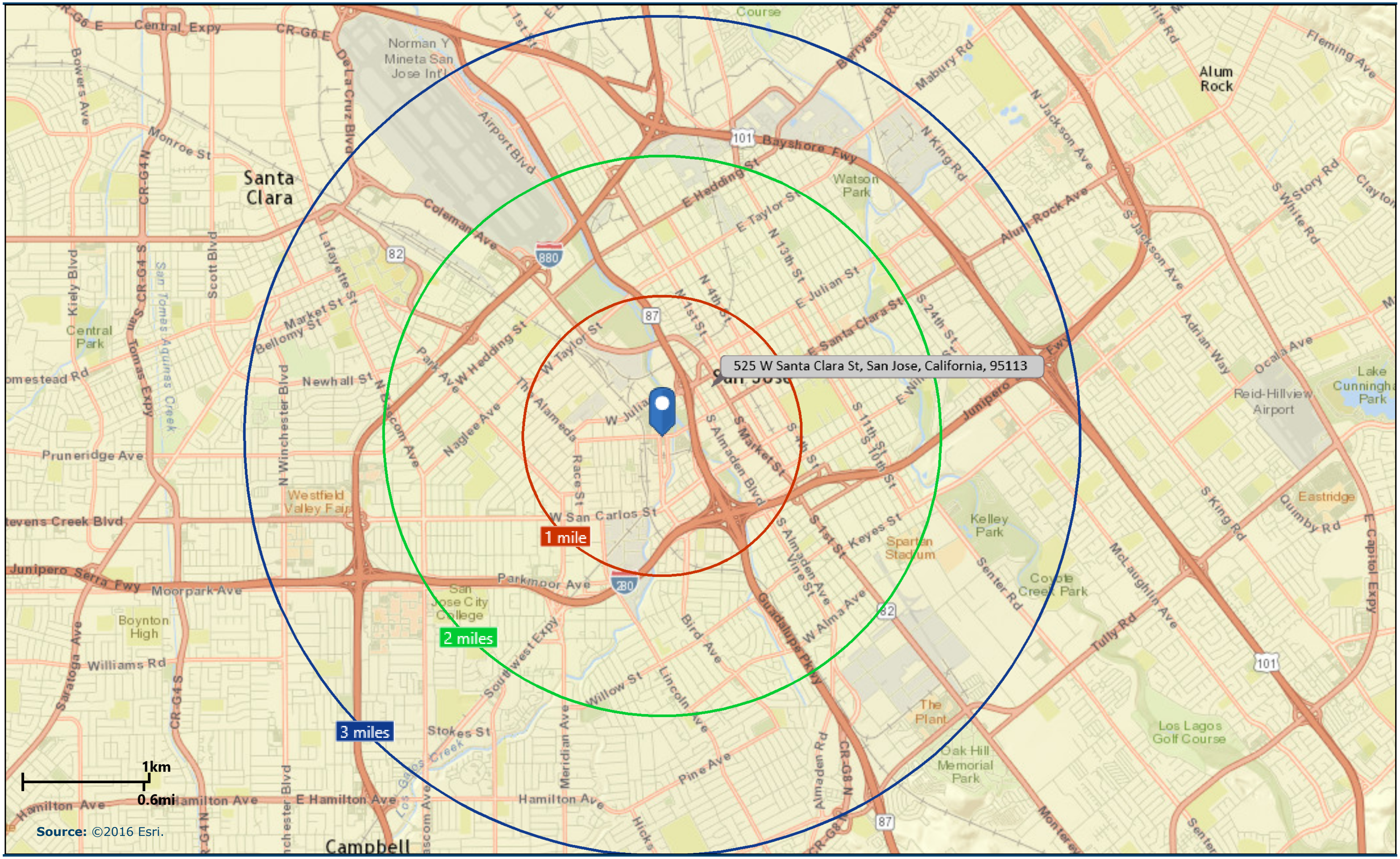


Source: Esri and Infogroup. Retail MarketPlace 2016 Release 1 (2015 data in 2016 geography)

July 18, 2016

esri

1, 2, 3 Mile Radii from SAP Arena



July 18, 2016

Retail MarketPlace Profile

525 W Santa Clara St, San Jose, California, 95113
Ring: 2 mile radius

Prepared by Esri
Latitude: 37.33200
Longitude: -121.90083

Summary Demographics						
2016 Population						126,743
2016 Households						45,970
2016 Median Disposable Income						$50,927
2016 Per Capita Income						$34,119

Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	$2,037,539,316	$1,882,828,443	$154,710,873	3.9	1,396
Total Retail Trade	44-45	$1,827,226,096	$1,560,982,662	$266,243,434	7.9	884
Total Food & Drink	722	$210,313,219	$321,845,782	-$111,532,563	-21.0	512

Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	$380,052,855	$246,860,263	$133,192,592	21.2	116
Automobile Dealers	4411	$314,876,594	$137,321,553	$177,555,041	39.3	51
Other Motor Vehicle Dealers	4412	$39,904,138	$65,534,443	-$25,630,305	-24.3	12
Auto Parts, Accessories & Tire Stores	4413	$25,272,124	$44,004,266	-$18,732,142	-27.0	53
Furniture & Home Furnishings Stores	442	$60,494,073	$34,747,336	$25,746,737	27.0	31
Furniture Stores	4421	$33,854,979	$18,243,853	$15,611,126	30.0	16
Home Furnishings Stores	4422	$26,639,094	$16,503,483	$10,135,611	23.5	16
Electronics & Appliance Stores	443	$99,240,558	$210,797,038	-$111,556,480	-36.0	98
Bldg Materials, Garden Equip. & Supply Stores	444	$76,999,897	$79,712,860	-$2,712,963	-1.7	80
Bldg Material & Supplies Dealers	4441	$69,829,723	$77,659,571	-$7,829,848	-5.3	76
Lawn & Garden Equip & Supply Stores	4442	$7,170,174	$2,053,289	$5,116,885	55.5	4
Food & Beverage Stores	445	$368,976,460	$327,178,399	$41,798,061	6.0	135
Grocery Stores	4451	$316,303,284	$284,950,111	$31,353,173	5.2	80
Specialty Food Stores	4452	$34,118,095	$21,375,578	$12,742,517	23.0	32
Beer, Wine & Liquor Stores	4453	$18,555,081	$20,852,710	-$2,297,629	-5.8	23
Health & Personal Care Stores	446,4461	$116,343,509	$187,734,635	-$71,391,126	-23.5	50
Gasoline Stations	447,4471	$107,019,037	$93,011,690	$14,007,347	7.0	31
Clothing & Clothing Accessories Stores	448	$134,349,110	$46,061,250	$88,287,860	48.9	83
Clothing Stores	4481	$97,897,925	$32,959,508	$64,938,417	49.6	60
Shoe Stores	4482	$14,825,592	$1,737,238	$13,088,354	79.0	4
Jewelry, Luggage & Leather Goods Stores	4483	$21,625,593	$11,364,503	$10,261,090	31.1	20
Sporting Goods, Hobby, Book & Music Stores	451	$54,086,678	$63,824,755	-$9,738,077	-8.3	60
Sporting Goods/Hobby/Musical Instr Stores	4511	$46,053,255	$39,443,702	$6,609,553	7.7	44
Book, Periodical & Music Stores	4512	$8,033,423	$24,381,053	-$16,347,630	-50.4	16
General Merchandise Stores	452	$292,508,115	$89,580,589	$202,927,526	53.1	19
Department Stores Excluding Leased Depts.	4521	$195,082,180	$69,483,912	$125,598,268	47.5	8
Other General Merchandise Stores	4529	$97,425,934	$20,096,676	$77,329,258	65.8	10
Miscellaneous Store Retailers	453	$90,572,412	$127,544,011	-$36,971,599	-17.0	163
Florists	4531	$3,164,159	$7,482,376	-$4,318,217	-40.6	32
Office Supplies, Stationery & Gift Stores	4532	$13,850,394	$11,398,227	$2,452,167	9.7	27
Used Merchandise Stores	4533	$6,870,777	$29,349,283	-$22,478,506	-62.1	38
Other Miscellaneous Store Retailers	4539	$66,687,081	$79,314,125	-$12,627,044	-8.6	66
Nonstore Retailers	454	$46,583,392	$53,929,837	-$7,346,445	-7.3	18
Electronic Shopping & Mail-Order Houses	4541	$37,276,060	$50,298,416	-$13,022,356	-14.9	9
Vending Machine Operators	4542	$1,097,881	$914,027	$183,854	9.1	2
Direct Selling Establishments	4543	$8,209,452	$2,717,394	$5,492,058	50.3	6
Food Services & Drinking Places	722	$210,313,219	$321,845,782	-$111,532,563	-21.0	512
Full-Service Restaurants	7221	$118,187,635	$208,040,169	-$89,852,534	-27.5	333
Limited-Service Eating Places	7222	$83,579,052	$84,368,314	-$789,262	-0.5	128
Special Food Services	7223	$4,418,907	$5,440,635	-$1,021,728	-10.4	14
Drinking Places - Alcoholic Beverages	7224	$4,127,625	$23,996,665	-$19,869,040	-70.6	36

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. Esri uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector. For more information on the Retail MarketPlace data, please click the link below to view the Methodology Statement.
http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf

Source: Esri and Infogroup. Retail MarketPlace 2016 Release 1 (2015 data in 2016 geography)

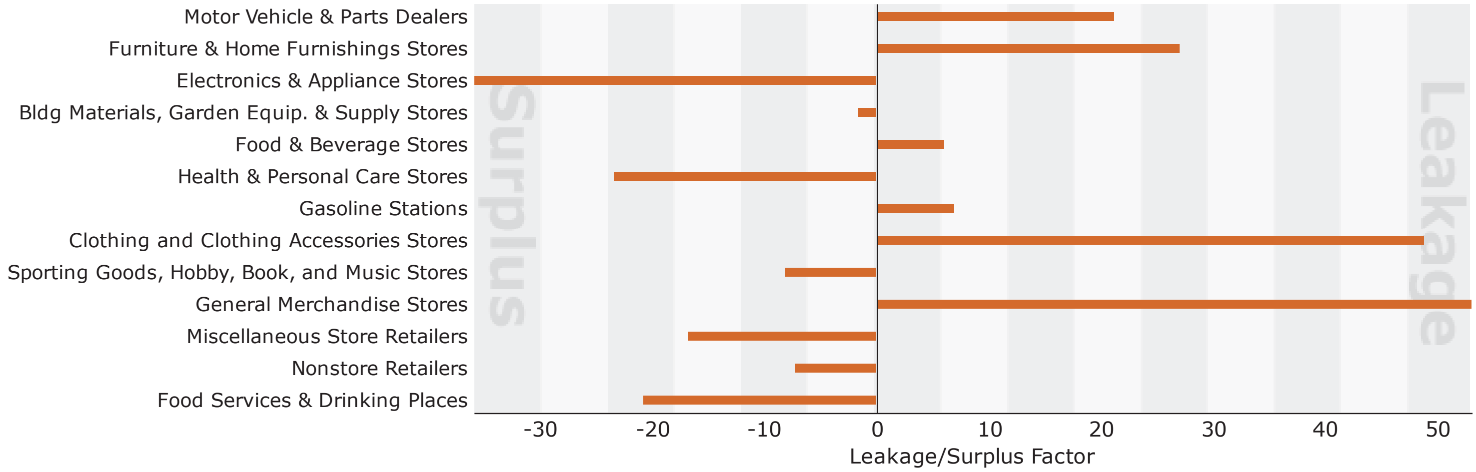
July 18, 2016

Retail MarketPlace Profile

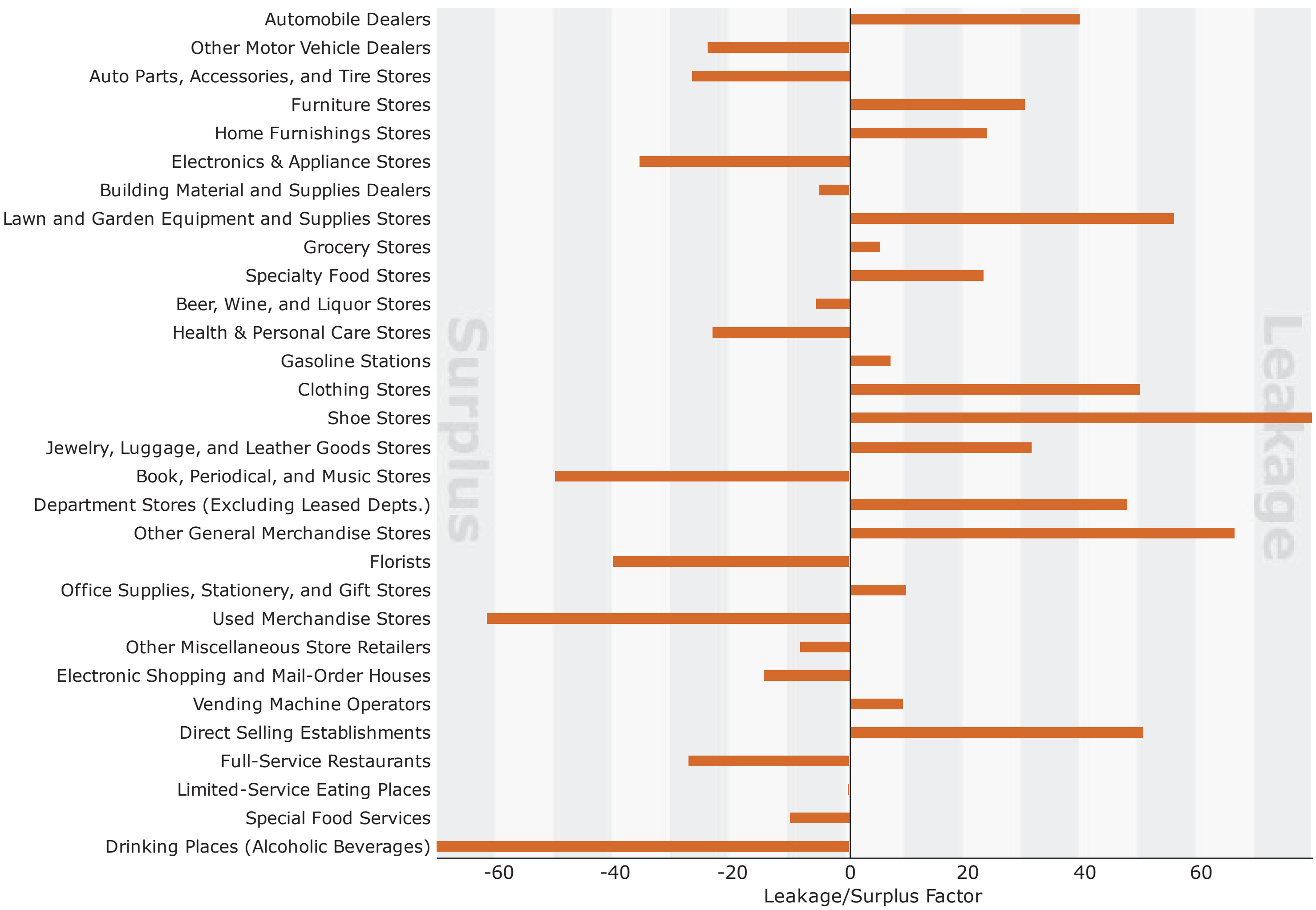
525 W Santa Clara St, San Jose, California, 95113
Ring: 2 mile radius

Prepared by Esri
Latitude: 37.33200
Longitude: -121.90083

Leakage/Surplus Factor by Industry Subsector



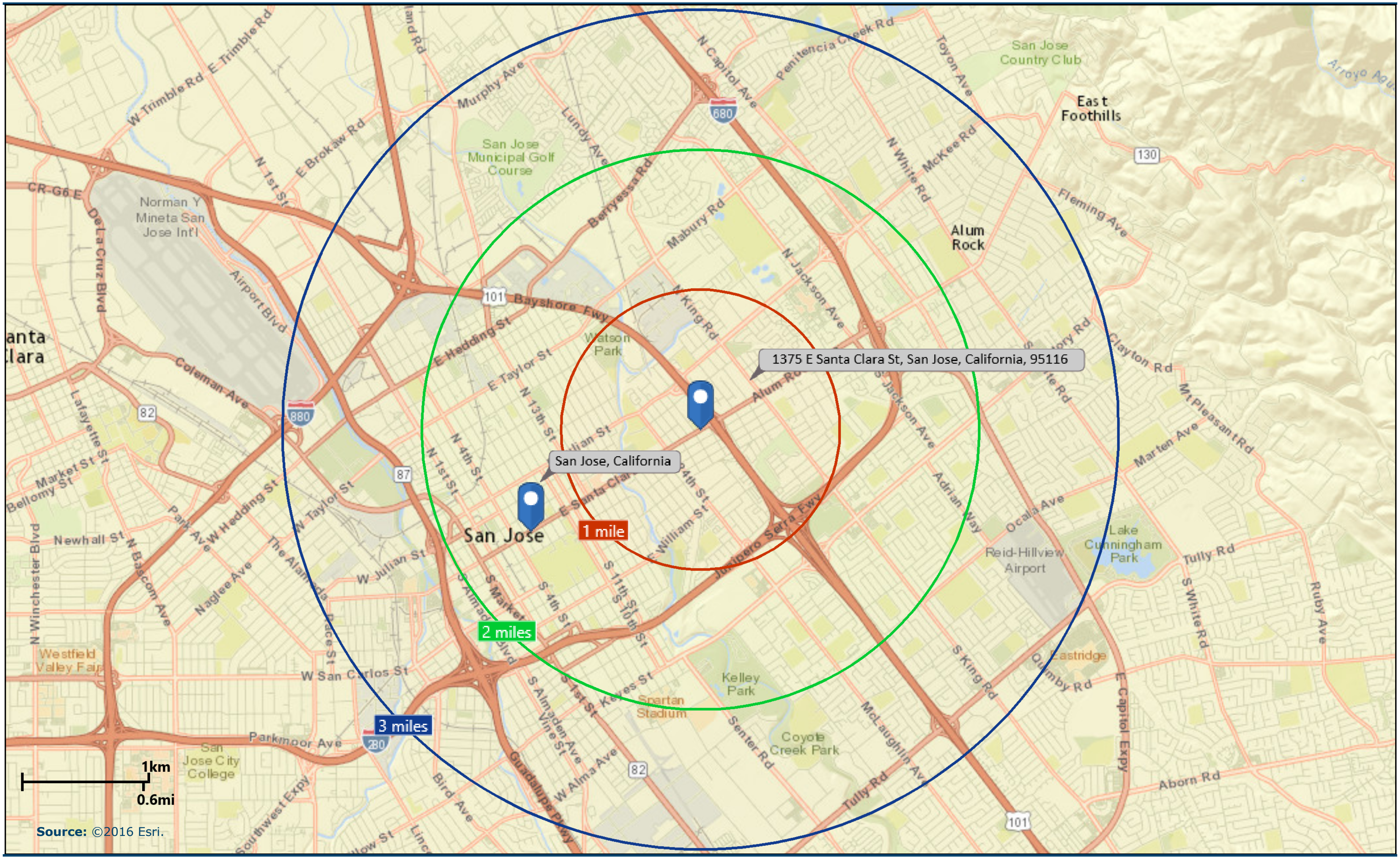
Leakage/Surplus Factor by Industry Group



Source: Esri and Infogroup. Retail MarketPlace 2016 Release 1 (2015 data in 2016 geography)

July 18, 2016

1, 2, 3 Mile Radii from E. Santa Clara & 101



July 18, 2016

Retail MarketPlace Profile

1375 E Santa Clara St, San Jose, California, 95116
Ring: 2 mile radius

Prepared by Esri
Latitude: 37.34910
Longitude: -121.86344

Summary Demographics	
2016 Population	160,718
2016 Households	45,705
2016 Median Disposable Income	$43,890
2016 Per Capita Income	$21,848

Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	$1,726,274,841	$1,652,289,513	$73,985,328	2.2	1,293
Total Retail Trade	44-45	$1,551,114,960	$1,374,716,902	$176,398,058	6.0	791
Total Food & Drink	722	$175,159,880	$277,572,611	-$102,412,731	-22.6	502

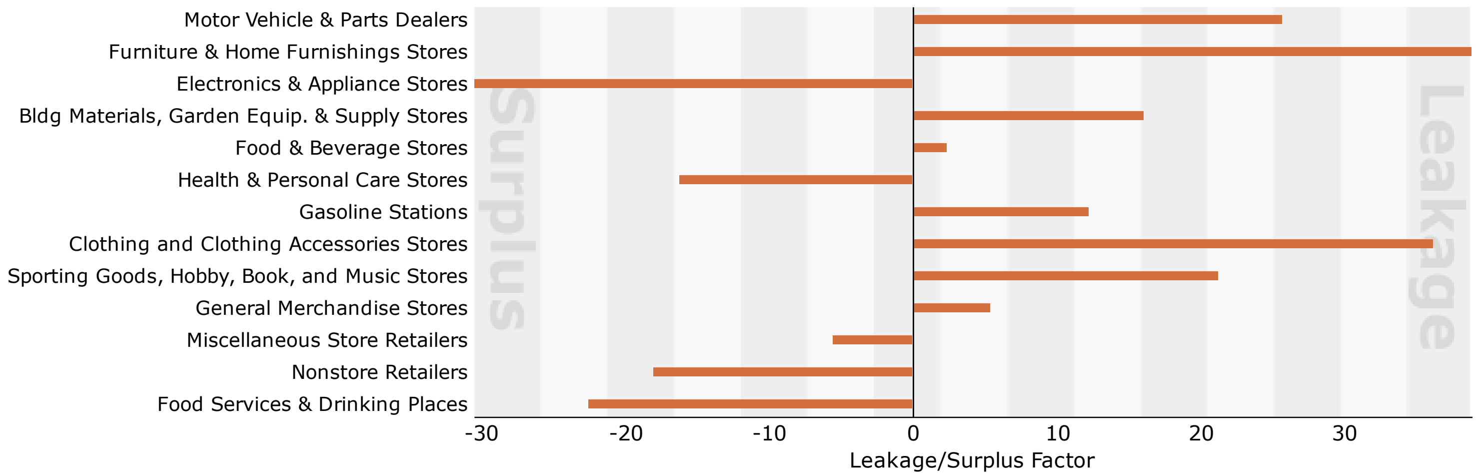
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	$322,847,520	$190,691,214	$132,156,306	25.7	70
Automobile Dealers	4411	$266,502,451	$143,441,419	$123,061,032	30.0	20
Other Motor Vehicle Dealers	4412	$34,846,711	$4,394,666	$30,452,045	77.6	3
Auto Parts, Accessories & Tire Stores	4413	$21,498,357	$42,855,129	-$21,356,772	-33.2	47
Furniture & Home Furnishings Stores	442	$50,600,279	$22,264,046	$28,336,233	38.9	29
Furniture Stores	4421	$28,194,140	$13,923,790	$14,270,350	33.9	17
Home Furnishings Stores	4422	$22,406,139	$8,340,256	$14,065,883	45.7	11
Electronics & Appliance Stores	443	$84,194,593	$158,279,405	-$74,084,812	-30.6	73
Bldg Materials, Garden Equip. & Supply Stores	444	$66,570,034	$48,114,686	$18,455,348	16.1	59
Bldg Material & Supplies Dealers	4441	$60,527,186	$46,698,069	$13,829,117	12.9	57
Lawn & Garden Equip & Supply Stores	4442	$6,042,848	$1,416,617	$4,626,231	62.0	3
Food & Beverage Stores	445	$313,688,898	$299,283,310	$14,405,588	2.4	153
Grocery Stores	4451	$269,174,771	$259,094,091	$10,080,680	1.9	87
Specialty Food Stores	4452	$29,073,828	$23,061,640	$6,012,188	11.5	44
Beer, Wine & Liquor Stores	4453	$15,440,299	$17,127,579	-$1,687,280	-5.2	22
Health & Personal Care Stores	446,4461	$98,685,921	$137,151,465	-$38,465,544	-16.3	53
Gasoline Stations	447,4471	$92,068,698	$71,902,237	$20,166,461	12.3	26
Clothing & Clothing Accessories Stores	448	$113,240,772	$53,038,026	$60,202,746	36.2	116
Clothing Stores	4481	$82,525,285	$18,048,940	$64,476,345	64.1	56
Shoe Stores	4482	$12,718,853	$7,781,348	$4,937,505	24.1	13
Jewelry, Luggage & Leather Goods Stores	4483	$17,996,633	$27,207,739	-$9,211,106	-20.4	47
Sporting Goods, Hobby, Book & Music Stores	451	$45,992,946	$29,853,558	$16,139,388	21.3	37
Sporting Goods/Hobby/Musical Instr Stores	4511	$39,240,657	$20,060,827	$19,179,830	32.3	29
Book, Periodical & Music Stores	4512	$6,752,288	$9,792,731	-$3,040,443	-18.4	9
General Merchandise Stores	452	$247,860,383	$222,518,299	$25,342,084	5.4	36
Department Stores Excluding Leased Depts.	4521	$165,071,075	$201,610,883	-$36,539,808	-10.0	22
Other General Merchandise Stores	4529	$82,789,308	$20,907,416	$61,881,892	59.7	14
Miscellaneous Store Retailers	453	$76,413,606	$85,449,958	-$9,036,352	-5.6	120
Florists	4531	$2,648,489	$3,966,829	-$1,318,340	-19.9	21
Office Supplies, Stationery & Gift Stores	4532	$11,737,724	$4,970,042	$6,767,682	40.5	29
Used Merchandise Stores	4533	$5,782,275	$24,319,126	-$18,536,851	-61.6	13
Other Miscellaneous Store Retailers	4539	$56,245,119	$52,193,961	$4,051,158	3.7	57
Nonstore Retailers	454	$38,951,311	$56,170,698	-$17,219,387	-18.1	19
Electronic Shopping & Mail-Order Houses	4541	$31,486,544	$53,077,823	-$21,591,279	-25.5	12
Vending Machine Operators	4542	$934,751	$816,837	$117,914	6.7	2
Direct Selling Establishments	4543	$6,530,016	$2,276,038	$4,253,978	48.3	5
Food Services & Drinking Places	722	$175,159,880	$277,572,611	-$102,412,731	-22.6	502
Full-Service Restaurants	7221	$98,181,741	$169,772,146	-$71,590,405	-26.7	331
Limited-Service Eating Places	7222	$70,015,196	$86,730,125	-$16,714,929	-10.7	132
Special Food Services	7223	$3,654,581	$3,522,242	$132,339	1.8	10
Drinking Places - Alcoholic Beverages	7224	$3,308,362	$17,548,098	-$14,239,736	-68.3	28

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. Esri uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector. For more information on the Retail MarketPlace data, please click the link below to view the Methodology Statement.
http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf

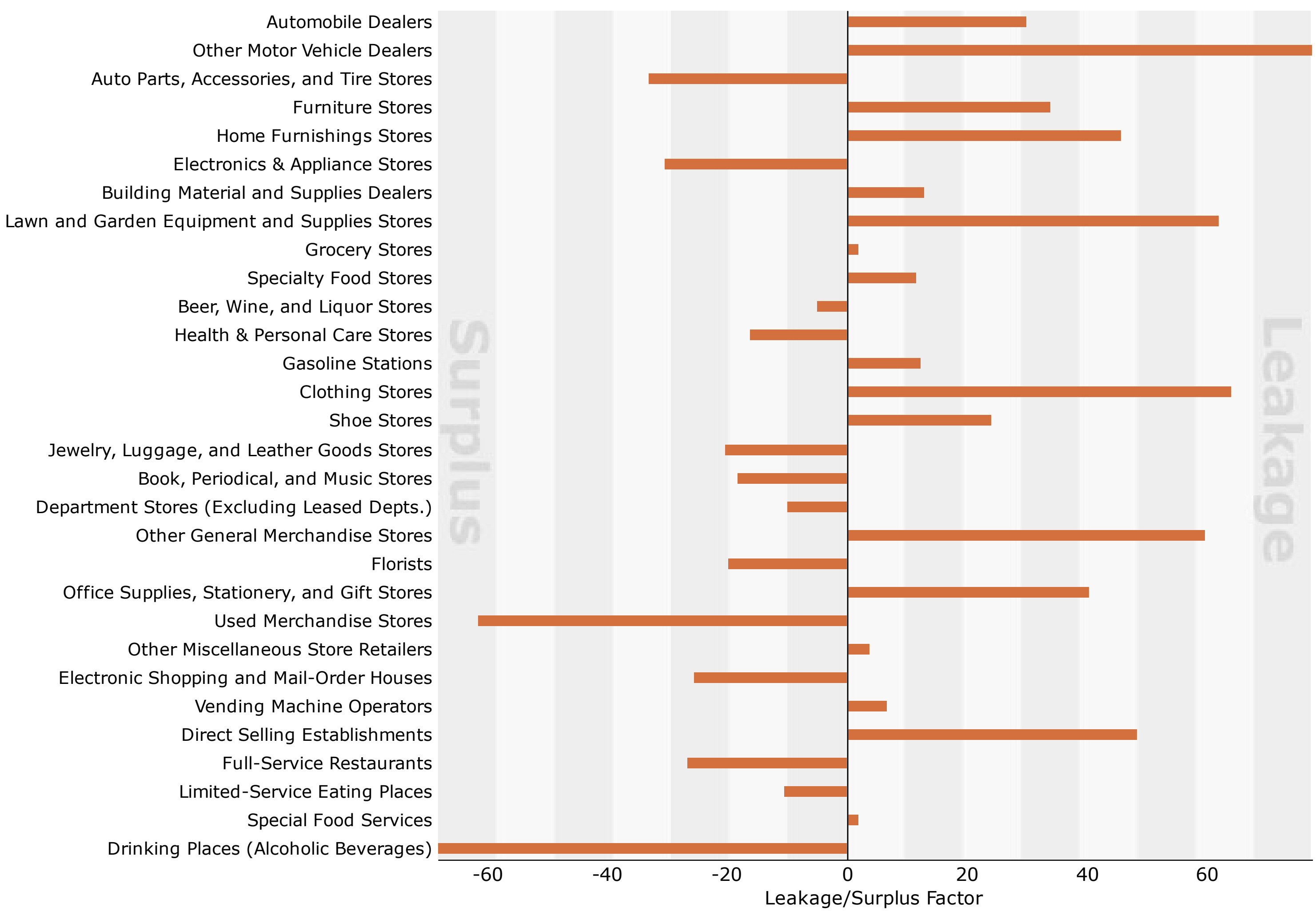
Source: Esri and Infogroup. Retail MarketPlace 2016 Release 1 (2015 data in 2016 geography)

July 18, 2016

Leakage/Surplus Factor by Industry Subsector



Leakage/Surplus Factor by Industry Group



Source: Esri and Infogroup. Retail MarketPlace 2016 Release 1 (2015 data in 2016 geography) Copyright 2016 Infogroup, Inc. All rights reserved.

July 18, 2016

Appendix 3.
Asking Apartment Rents (Newer Developments)
City of San Jose

	Sq. Ft.	Average Rent	$/SF	
Santana Row Cluster				
Levare				
1 BD / 1 BA	748	$3,037	$4.06	3003 Olin Avenue
1 BD / 1 BA	907	$3,467	$3.82	Year Built: 2003
1 BD / 1 BA	906	$3,306	$3.65	108 Units
1 BD / 1 BA	1,021	$4,097	$4.01	
2 BD / 2 BA	1,274	$3,700	$2.90	
2 BD / 2 BA	1,194	$3,864	$3.24	
2 BD / 2 BA	1,460	$5,139	$3.52	
2 BD / 2 BA	1,236	$3,495	$2.83	
3 BD / 3 BA	1,682	$5,384	$3.20	
3 BD / 3 BA	1,719	$5,424	$3.16	
Townhome				
3 BD / 2.5 BA	2,291	$6,665	$2.91	
3 BD / 2.5 BA	2,399	$7,339	$3.06	
Misora At Santana Row				
Studio	507	$2,159	$4.26	388 Santana Row
Studio	425	$2,197	$5.17	Year Built: 2013
Studio	566	$2,790	$4.93	212 Units
Studio	621	$2,371	$3.82	
Studio	558	$2,888	$5.17	
Studio	713	$2,591	$3.63	
Studio	591	$3,188	$5.39	
Studio	797	$3,927	$4.93	
1 BD / 1 BA	534	$3,178	$5.95	
1 BD / 1 BA	849	$3,437	$4.05	
1 BD / 1 BA	635	$3,278	$5.16	
1 BD / 1 BA	767	$3,488	$4.55	
1 BD / 1 BA	739	$3,578	$4.84	
1 BD / 1 BA	800	$3,598	$4.50	
1 BD / 1 BA	756	$3,611	$4.78	
1 BD / 1 BA	783	$3,633	$4.64	
1 BD / 1 BA	921	$3,668	$3.98	
1 BD / 1 BA	765	$4,183	$5.47	
1 BD / 1 BA	871	$3,724	$4.28	
1 BD / 1 BA	802	$3,851	$4.80	
1 BD / 1 BA	977	$3,911	$4.00	
1 BD / 1.5 BA	1,023	$3,753	$3.67	
1 BD / 1 BA	920	$3,764	$4.09	
1 BD / 1 BA	919	$3,764	$4.10	
1 BD / 1 BA	832	$3,822	$4.59	
1 BD / 1 BA	909	$3,829	$4.21	
1 BD / 1 BA	1,013	$3,992	$3.94	
1 BD / 1 BA	994	$4,159	$4.18	
2 BD / 2 BA	1,204	$3,715	$3.09	
2 BD / 2 BA	1,211	$4,241	$3.50	
2 BD / 2 BA	1,048	$4,356	$4.16	
2 BD / 2 BA	1,318	$4,401	$3.34	
2 BD / 2 BA	1,185	$4,408	$3.72	
2 BD / 2 BA	1,381	$5,529	$4.00	
2 BD / 2 BA	1,208	$5,817	$4.82	
2 BD / 2 BA	1,407	$4,588	$3.26	
2 BD / 2.5 BA	1,806	$5,048	$2.80	
2 BD / 2.5 BA	1,699	$5,299	$3.12	
2 BD / 2.5 BA	2,007	$5,318	$2.65	
2 BD / 2.5 BA	1,999	$5,323	$2.66	
2 BD / 2.5 BA	1,936	$5,528	$2.86	
2 BD / 2.5 BA	1,822	$6,976	$3.83	
2 BD / 2 BA	1,680	$5,718	$3.40	
2 BD / 2.5 BA	2,696	$8,364	$3.10	
2 BD / 2.5 BA	2,582	$8,824	$3.42	
2 BD / 2.5 BA	2,461	$8,849	$3.60	
2 BD / 2.5 BA	1,929	$10,370	$5.38	

Prepared by: Keyser Marston Associates
Filename: San Jose Apartment Comps 5.12.16.xlsx; Santana

	Sq. Ft.	Average Rent	$/SF	
2 BD / 2.5 BA	2,750	$9,169	$3.33	
3 BD / 2 BA	1,805	$5,405	$2.99	
3 BD / 2 BA	1,504	$7,103	$4.72	
3 BD / 2 BA	1,492	$5,703	$3.82	
3 BD / 3 BA	1,693	$7,307	$4.32	
Santana Heights				
1 BD / 1 BA	899	$2,738	$3.05	377 Santana Row
1 BD / 1 BA	818	$2,965	$3.62	Year Built: 2002
1 BD / 1 BA	855	$3,294	$3.85	295 Units
1 BD / 1 BA	873	$4,458	$5.11	
1 BD / 1 BA	852	$4,483	$5.26	
1 BD / 1 BA	842	$3,458	$4.11	
2 BD / 2 BA	1,195	$4,527	$3.79	
1 BD / 1 BA	862	$3,511	$4.07	
2 BD / 2 BA	1,228	$3,904	$3.18	
1 BD / 1 BA	805	$3,939	$4.89	
2 BD / 2 BA	1,372	$4,427	$3.23	
1 BD / 1 BA	958	$6,747	$7.04	
3 BD / 2 BA	1,650	$4,550	$2.76	
2 BD / 2 BA	1,283	$4,567	$3.56	
3 BD / 2 BA	1,418	$5,895	$4.16	
2 BD / 2 BA	1,537	$4,765	$3.10	
2 BD / 2.5 BA	1,457	$5,172	$3.55	
2 BD / 2 BA	2,900	$9,127	$3.15	
2 BD / 2 BA	1,278	$9,022	$7.06	

Source: Apartment websites between 5/9/16 - 5/11/16

Appendix 3.
Asking Apartment Rents (Newer Developments)
City of San Jose

	Sq. Ft.	Average Rent	$/SF	
North 1st Cluster				
121 Tasman				
Studio	560	$2,413	$4.31	121 East Tasman Drive
1 BD / 1 BA	856	$2,594	$3.03	Year Built: 2013
1 BD / 1 BA	732	$2,762	$3.77	174 Units
1 BD / 1 BA	778	$2,782	$3.58	
1 BD / 1 BA	715	$2,788	$3.90	
1 BD / 1 BA	829	$2,748	$3.31	
1 BD / 1 BA	796	$2,658	$3.34	
2 BD / 2 BA	980	$3,180	$3.24	
2 BD / 2 BA	985	$3,050	$3.10	
2 BD / 2 BA	1,101	$3,050	$2.77	
2 BD / 2 BA	1,082	$3,099	$2.86	
2 BD / 2 BA	1,168	$3,096	$2.65	
2 BD / 2 BA	1,053	$3,290	$3.12	
2 BD / 2 BA	1,249	$3,420	$2.74	
2 BD / 2 BA	1,276	$3,375	$2.64	
2 BD / 2 BA	1,134	$3,384	$2.98	
Aire Apartments				
Studio	564	$2,213	$3.92	3401 Iron Point
1 BD / 1 BA	787	$2,336	$2.97	Year Built: 2013
1 BD / 1 BA	817	$2,462	$3.01	293 Units
1 BD / 1 BA	865	$2,592	$3.00	
1 BD / 1 BA	898	$2,750	$3.06	
1 BD / 1 BA	952	$2,742	$2.88	
1 BD / 1 BA	979	$2,872	$2.93	
1 BD / 1 BA	1,069	$3,099	$2.90	
1 BD / 1 BA	700	$2,290	$3.27	
2 BD / 2 BA	1,191	$3,787	$3.18	
2 BD / 2 BA	1,266	$3,887	$3.07	
2 BD / 2 BA	1,075	$3,452	$3.21	
2 BD / 2 BA	1,108	$3,567	$3.22	
Crescent Village				
Studio	556	$2,890	$5.20	310 Crescent Village Circle
Studio	574	$2,975	$5.18	Year Built: 2012
Studio	664	$2,355	$3.55	1407 Units
Studio	670	$2,950	$4.40	
Studio	679	$2,745	$4.04	
Studio	719	$2,858	$3.97	
Studio	723	$2,420	$3.35	
Studio	746	$3,015	$4.04	
Studio	772	$2,858	$3.70	
Studio	824	$3,165	$3.84	
Studio	936	$3,485	$3.72	
Studio	947	$2,790	$2.95	
Studio	962	$2,828	$2.94	
Studio	1,126	$3,240	$2.88	
Studio	1,158	$3,040	$2.63	
1 BD / 1 BA	697	$3,020	$4.33	
1 BD / 1 BA	704	$2,460	$3.49	
1 BD / 1 BA	712	$3,665	$5.15	
1 BD / 1 BA	744	$3,043	$4.09	
1 BD / 1 BA	750	$2,625	$3.50	
1 BD / 1 BA	758	$3,153	$4.16	
1 BD / 1 BA	762	$3,200	$4.20	
1 BD / 1 BA	768	$2,980	$3.88	
1 BD / 1 BA	773	$3,075	$3.98	
1 BD / 1 BA	774	$3,023	$3.91	
1 BD / 1 BA	810	$3,105	$3.83	
1 BD / 1 BA	811	$3,093	$3.81	
1 BD / 1 BA	823	$3,065	$3.72	
1 BD / 1 BA	855	$2,655	$3.11	
1 BD / 1 BA	878	$2,755	$3.14	

	Sq. Ft.	Average Rent	$/SF	
1 BD / 1 BA	900	$2,850	$3.17	
1 BD / 1 BA	917	$3,398	$3.71	
1 BD / 1 BA	922	$2,948	$3.20	
1 BD / 1 BA	925	$3,408	$3.68	
1 BD / 1 BA	928	$3,553	$3.83	
1 BD / 1 BA	934	$3,025	$3.24	
1 BD / 1 BA	947	$3,463	$3.66	
1 BD / 1 BA	966	$3,050	$3.16	
1 BD / 1 BA	983	$3,433	$3.49	
1 BD / 1 BA	996	$3,685	$3.70	
1 BD / 1 BA	1,045	$3,553	$3.40	
1 BD / 1 BA	1,070	$3,638	$3.40	
1 BD / 1 BA	1,072	$3,648	$3.40	
2 BD / 2 BA	1,011	$3,563	$3.52	
2 BD / 2 BA	1,020	$3,040	$2.98	
2 BD / 2 BA	1,027	$3,650	$3.55	
2 BD / 2 BA	1,038	$3,850	$3.71	
2 BD / 2 BA	1,054	$4,053	$3.84	
2 BD / 2 BA	1,092	$3,260	$2.99	
2 BD / 2 BA	1,093	$4,125	$3.77	
2 BD / 2 BA	1,105	$3,850	$3.48	
2 BD / 2 BA	1,108	$3,728	$3.36	
2 BD / 2 BA	1,137	$3,520	$3.10	
2 BD / 2 BA	1,147	$4,185	$3.65	
2 BD / 2 BA	1,156	$4,483	$3.88	
2 BD / 2 BA	1,163	$3,953	$3.40	
2 BD / 2 BA	1,221	$4,018	$3.29	
2 BD / 2 BA	1,230	$4,070	$3.31	
2 BD / 2 BA	1,245	$4,398	$3.53	
2 BD / 2 BA	1,273	$4,263	$3.35	
2 BD / 2 BA	1,282	$4,070	$3.17	
2 BD / 2 BA	1,290	$4,508	$3.49	
2 BD / 2 BA	1,300	$4,393	$3.38	
2 BD / 2 BA	1,396	$4,495	$3.22	
3 BD / 2 BA	1,334	$4,040	$3.03	
Cypress At North Park (The)				
1 BD / 1 BA	670	$2,335	$3.49	75 Rio Robles East
2 BD / 2 BA	981	$2,770	$2.82	Year Built: 2002
3 BD / 2 BA	1,305	$3,500	$2.68	477 Units
Domain				
1 BD / 1 BA	931	$2,545	$2.73	1 Vista Montana
1 BD / 1 BA	935	$2,654	$2.84	Year Built: 2013
1 BD / 1 BA	1,001	$2,601	$2.60	444 Units
2 BD / 2 BA	918	$2,797	$3.05	
2 BD / 2 BA	1,428	$3,412	$2.39	
Epic				
Studio	565	$2,137	$3.78	600 Epic Way
1 BD / 1 BA	733	$2,435	$3.32	Year Built: 2013
1 BD / 1 BA	734	$2,638	$3.59	569 Units
1 BD / 1 BA	739	$2,391	$3.23	
1 BD / 1 BA	778	$2,460	$3.16	
2 BD / 2 BA	1,044	$3,307	$3.17	
2 BD / 2 BA	1,050	$3,130	$2.98	
2 BD / 2 BA	1,064	$3,299	$3.10	
2 BD / 2 BA	1,100	$3,143	$2.86	
3 Bd / 2 BA	1,213	$3,935	$3.24	
Laurels At North Park (The)				
1 BD / 1 BA	665	$2,425	$3.65	155 Estancia Drive
2 BD / 2 BA	966	$2,900	$3.00	Year Built: 2005
				535 Units
Oaks At North Park				
Studio	533	$2,275	$4.27	39 Rio Robles East
1 BD / 1 BA	711	$2,345	$3.30	Year Built: 2002
2 BD / 2 BA	1,070	$3,030	$2.83	388 Units
3 BD / 2 BA	1,280	$3,880	$3.03	
Pines At North Park				

	Sq. Ft.	Average Rent	$/SF	
Studio	529	$2,295	$4.34	70 Descanso Drive
1 BD / 1 BA	620	$2,400	$3.87	Year Built: 2002
2 BD / 2 BA	981	$2,900	$2.96	478 Units
3 BD / 2 BA	1,315	$3,490	$2.65	
Redwoods At North Park				
1 BD / 1 BA	664	$2,390	$3.60	150 Alicante Drive
2 BD / 2 BA	966	$2,800	$2.90	Year Built: 2006
				439 Units
River View				
Studio	592	$2,298	$3.88	250 Brandon Street
Studio	565	$2,275	$4.03	Year Built: 2015
Studio	598	$2,330	$3.90	389 Units
Studio	588	$2,335	$3.97	
1 BD / 1 BA	757	$2,580	$3.41	
1 BD / 1 BA	774	$2,600	$3.36	
1 BD / 1 BA	685	$2,600	$3.80	
1 BD / 1 BA	680	$2,605	$3.83	
1 BD / 1 BA	837	$2,615	$3.12	
1 BD / 1 BA	707	$3,430	$4.85	
1 BD / 1 BA	796	$2,630	$3.30	
1 BD / 1 BA	675	$2,648	$3.92	
1 BD / 1 BA	759	$2,655	$3.50	
1 BD / 1 BA	862	$2,780	$3.23	
1 BD / 1 BA	781	$3,613	$4.63	
1 BD / 1 BA	914	$3,668	$4.01	
1 BD / 1 BA	747	$2,965	$3.97	
1 BD / 1 BA	890	$3,753	$4.22	
1 BD / 1 BA	823	$3,023	$3.67	
1 BD / 1 BA	1,062	$3,023	$2.85	
1 BD / 1 BA	912	$3,993	$4.38	
1 BD / 1 BA	922	$3,090	$3.35	
2 BD / 2 BA	1,167	$3,120	$2.67	
2 BD / 2 BA	1,050	$3,150	$3.00	
2 BD / 2 BA	1,048	$3,233	$3.08	
2 BD / 2 BA	1,040	$3,253	$3.13	
2 BD / 2 BA	1,150	$3,238	$2.82	
2 BD / 2 BA	1,156	$3,205	$2.77	
2 BD / 2 BA	1,148	$3,245	$2.83	
2 BD / 2 BA	1,171	$3,290	$2.81	
2 BD / 2 BA	1,067	$3,335	$3.13	
2 BD / 2 BA	1,170	$3,325	$2.84	
2 BD / 2 BA	1,175	$4,443	$3.78	
Sycamores At North Park (The)				
1 BD / 1 BA	770	$2,370	$3.08	3500 Palmilla
2 BD / 2 BA	1,010	$3,065	$3.03	Year Built: 2007

Source: Apartment websites between 5/9/16 - 5/11/16

Appendix 3.
Asking Apartment Rents (Newer Developments)
City of San Jose

	Sq. Ft.	Average Rent	$/SF	
Japantown Cluster				
Esplanade (The)				
Studio	765	$2,562	$3.35	350 East Taylor Street
1 BD / 1 BA	737	$2,458	$3.34	Year Built: 2001
2 BD / 2 BA	1,204	$3,269	$2.72	278 Units
2 BD / 2 BA	1,210	$3,310	$2.74	
2 BD / 2 BA	1,204	$3,269	$2.72	
2 BD / 2 BA	1,267	$3,407	$2.69	
Marquis				
Studio	530	$2,205	$4.16	817 North 10th Street
Studio	554	$2,380	$4.30	Year Built: 2015
1 BD / 1 BA	710	$2,525	$3.56	166 Units
1 BD / 1 BA	715	$2,693	$3.77	
1 BD / 1 BA	719	$2,605	$3.62	
1 BD / 1 BA	733	$2,825	$3.85	
2 BD / 2 BA	1,038	$3,030	$2.92	
2 BD / 2 BA	1,042	$3,093	$2.97	
2 BD / 2 BA	1,173	$3,543	$3.02	
Mio Japantown				
1 BD / 1 BA	726	$2,396	$3.30	688 North 7th Street
1 BD / 1 BA	759	$2,503	$3.30	Year Built: 2015
2 BD / 2 BA	1,040	$3,215	$3.09	103 Units

Source: Apartment websites between 5/9/16 - 5/11/16

Appendix 3.
Asking Apartment Rents (Newer Developments)
City of San Jose

	Sq. Ft.	Average Rent	$/SF	
The Alameda & Downtown Cluster				
Avalon At Cahill Park				
1 BD / 1 BA	712	$2,445	$3.43	754 The Alameda
1 BD / 1 BA	793	$2,410	$3.04	Year Built: 2001
2 BD / 2 BA	1,185	$3,115	$2.63	218 Units
3 BD / 3 BA	1,297	$4,160	$3.21	
Avalon Morrison Park				
1 BD / 1.5 BA	908	$2,755	$3.03	899 Morrison Park Drive
1 BD / 1.5 BA	965	$2,733	$2.83	Year Built: 2013
1 BD / 1.5 BA	950	$2,740	$2.88	250 Units
2 BD / 2.5 BA	962	$2,985	$3.10	
2 BD / 2.5 BA	977	$3,018	$3.09	
3 BD / 2.5 BA	1,434	$3,760	$2.62	
Avalon on the Alameda				
1 BD / 1 BA	735	$2,260	$3.07	1300 The Alameda
2 BD / 2 BA	1,051	$2,925	$2.78	
2 BD / 2 BA	1,055	$3,130	$2.97	
2 BD / 2 BA	1,079	$2,965	$2.75	
2 BD / 2 BA	1,118	$2,963	$2.65	
3 BD / 3 BA	1,293	$4,130	$3.19	
3 BD / 3 BA	1,422	$4,090	$2.88	
101 San Fernando				
1 BD / 1 BA	680	$2,405	$3.54	101 East San Fernando Street
1 BD / 1 BA	793	$2,423	$3.06	Year Built: 2001
2 BD / 2 BA	1,077	$3,464	$3.22	323 Units
33 South 3rd Street				
1 BD / 1 BA	750	$2,395	$3.19	33 South 3rd Street
1 BD / 1 BA	835	$2,550	$3.05	Year Built: 2004
2 BD / 2 BA	1,226	$3,295	$2.69	89 Units
2 BD / 2 BA	1,440	$3,495	$2.43	
Market Gateway				
1 BD / 1 BA	717	$2,138	$2.98	535 South Market Street
1 BD / 1 BA	819	$2,595	$3.17	Year Built: 2000
1 BD / 1 BA	790	$2,234	$2.83	54 Units
2 BD / 2 BA	917	$2,533	$2.76	
Museum Park Apartment Homes				
1 BD / 1 BA	796	$2,713	$3.41	465 West San Carlos
1 BD / 1.5 BA	929	$2,811	$3.03	Year Built: 2002
				117 Units
One South Market				
1 BD / 1 BA	867	$3,404	$3.93	15 Market Street
1 BD / 1 BA	752	$3,011	$4.00	Year Built: 2015
1 BD / 1 BA	603	$2,720	$4.51	312 Units
1 BD / 1 BA	510	$2,347	$4.60	
2 BD / 1 BA	1,034	$3,638	$3.52	
2 BD / 1 BA	1,180	$3,900	$3.30	

Source: Apartment websites between 5/9/16 - 5/11/16

Prepared by: Keyser Marston Associates
Filename: San Jose Apartment Comps 5.12.16.xlsx; Alameda-DT

Appendix 3.
Asking Apartment Rents (Newer Developments)
City of San Jose

	Sq. Ft.	Average Rent	$/SF	
Other Areas				
Elements				
1 BD / 1 BA	861	$2,915	$3.39	1201 Parkmoor Avenue
1 BD / 1 BA	904	$3,030	$3.35	Year Built: 2009
2 BD / 2 BA	1,173	$3,525	$3.01	243 Units
2 BD / 2 BA	1,341	$3,953	$2.95	
2 BD / 2 BA	1,242	$3,545	$2.85	
2 BD / 2 BA	1,594	$4,350	$2.73	
3 BD / 2 BA	1,453	$4,565	$3.14	
Legacy Fountain Plaza				
1 BD / 1 BA	748	$3,258	$4.35	190 Ryland Street
1 BD / 1 BA	859	$3,263	$3.80	Year Built: 2004
2 BD / 2 BA	1,131	$3,693	$3.26	367 Units
2 BD / 2 BA	1,122	$3,821	$3.41	
3 BD / 2 BA	1,430	$4,438	$3.10	
Meridian At Midtown				
Studio	599	$2,410	$4.02	1432 W San Carlos Street
1 BD / 1 BA	737	$2,535	$3.44	Year Built: 2014
1 BD / 1 BA	737	$2,653	$3.60	218 Units
2 BD / 2 BA	1,148	$3,340	$2.91	
2 BD / 2 BA	1,078	$3,340	$3.10	
Mosaic Apartments				
1 BD / 1 BA	861	$3,163	$3.67	500 Race Street
1 BD / 1 BA	904	$3,188	$3.53	Year Built: 2012
2 BD / 2 BA	1,173	$3,933	$3.35	386 Units
2 BD / 2 BA	1,341	$4,373	$3.26	
2 BD / 2 BA	1,242	$3,878	$3.12	
Verdant (The)				
1 BD / 1 BA	681	$2,605	$3.83	3700 Casa Verde
1 BD / 1 BA	756	$2,745	$3.63	Year Built: 2013
1 BD / 1 BA	827	$2,593	$3.13	498 Units
1 BD / 1 BA	695	$2,670	$3.84	
1 BD / 1 BA	764	$2,603	$3.41	
2 BD / 2 BA	981	$3,195	$3.26	
2 BD / 2 BA	1,025	$3,293	$3.21	
2 BD / 2 BA	1,049	$3,065	$2.92	
2 BD / 2 BA	1,049	$2,995	$2.86	
2 BD / 2 BA	1,132	$3,375	$2.98	
3 BD / 2 BA	1,295	$4,010	$3.10	
3 BD / 2 BA	1,370	$4,210	$3.07	

Source: Apartment websites between 5/9/16 - 5/11/16

Appendix 4.
Non-Residential Space Rent Comps
City of San Jose

Address	Type	Space Avail	Rental Rate	Space Notes
2910 Stevens Creek Blvd	Free Standing Bldg	3,929	$84.00	Retail 1st Floor
74 South First Street	Street Retail	4,400	$18.00	Ground floor retail
60 Pierce Ave	Street Retail	4,125	$3.00	Ground floor retail
1509 Parkmoor Avenue	Neighborhood Center	5,000	$30.00	Free standing building
196 Race St.	Strip Center	1,092	$30.60	
1201 E Julian Street	Strip Center	3,000	Negotiable	
31 Post Street	Street Retail	4,217	$33.00	1st and 2nd floor
2230 Alum Rock Ave	Free Standing Bldg	1,473	$33.00	
2323 McKee Rd	Neighborhood Center	144,446	Negotiable	Subdivide min 20,000 sf
402 S. Bascom Ave	Retail (Other)	850	$26.82	Office/Retail Space
402 S. Bascom Ave	Retail (Other)	1,000	$26.40	Office/Retail Space
57 N. Alamden Ave	Neighborhood Center	1,450	Negotiable	Ground Floor
57 N. Alamden Ave	Neighborhood Center	1,296	Negotiable	Ground Floor
57 N. Alamden Ave	Neighborhood Center	2,470	Negotiable	Ground Floor
57 N. Alamden Ave	Neighborhood Center	1,200	Negotiable	Ground Floor
57 N. Alamden Ave	Neighborhood Center	900	Negotiable	Ground Floor
1775 Story Road	Retail (Other)	1,572	$39.00	
1 Market Street (N)	Retail (Other)	7,514	$33.00	1st floor
1 Market Street (N)	Retail (Other)	6,830	$33.00	2nd floor
1 Market Street (N)	Retail (Other)	5,414	$33.00	Basement
1 Market Street (N)	Retail (Other)	224	$33.00	Mezzanine
630 First Street (S)	Retail (Other)	7,625	$24.00	
28 N. First St @ Santa Clara	Retail (Other)	1,917	$21.00	Office/Retail Space
999 Story Road	Street Retail	1,472	Negotiable	
999 Story Road	Street Retail	1,000	Negotiable	
999 Story Road	Street Retail	1,000	Negotiable	
999 Story Road	Street Retail	1,060	Negotiable	
955 S 1st Street	Strip Center	967	$39.00	
955 S 1st Street	Strip Center	1,230	$2.75	
955 S 1st Street	Strip Center	1,357	$2.47	
955 S 1st Street	Strip Center	710	$2.50	
955 S 1st Street	Strip Center	872	$30.00	
969 Story Road	Neighborhood Center	757	$22.80	
969 Story Road	Neighborhood Center	957	$22.80	
969 Story Road	Neighborhood Center	1,000	$22.80	
200 S 1st St	Retail (Other)	2,200	$36.00	Restaurant Space
2475 Forest Ave	Strip Center	2,400	$28.20	
319 S. Monroe Street	Strip Center	1,500	$33.00	
1445 The Alameda	Street Retail	2,240	$30.00	Retail/Professional Use
1120 Bird Ave	Neighborhood Center	1,390	$31.80	
158 S. King Rd	Strip Center	1,545	$33.60	Retail/Professional Use
158 S. King Rd	Strip Center	2,215	$33.00	
906 Vine Street	Strip Center	1,300	$35.40	Corner Retail
1535 San Carlos (W)	Retail (Other)	3,613	$23.40	Ground Floor
1180 S King Road	Community Center	1,094	$40.20	
2230 Story Road	Retail (Other)	1,387	$30.00	Street Frontage
17 E. Santa Clara St	Street Retail	2,668	$20.16	Retail Storefront
1939 Alum Rock Avenue	Retail (Other)	1,250	$30.60	
1120 Bird Ave	Neighborhood Center	1,390	$31.80	Professional Use
695 N. First Street	Free Standing Bldg	4,300	$26.40	
2301 Stevens Creek Blvd	Free Standing Bldg	3,860	$24.00	
1040 Park Ave	Community Center	2,650	$19.50	Ground Floor
1700 Park Avenue	Retail (Other)	1,039	Negotiable	Ground Floor
1700 Park Avenue	Retail (Other)	5,039	Negotiable	Ground Floor
743 S Winchester Blvd	Office Building	1,050	$33.00	
25 N 14th Street	Medical Office	2,724	Negotiable	Ground Floor Retail
25 N 14th Street	Medical Office	2,554	$19.80	Ground Floor Retail
25 N 14th Street	Medical Office	2,639	$19.80	Ground Floor Retail
25 N 14th Street	Medical Office	977	$19.80	Ground Floor Retail
100 W San Fernando St	Office Building	2,476	$34.80	Office/Retail Space
2202 Stevens Creek Blvd	Retail (Other)	2,000	$48.00	Retail/Restaurant
65 S. First Street	Neighborhood Center	1,023	$30.00	
451 S 1st St	Office Building	4,930	$27.60	Ground Floor
350 Bird Avenue (S)	Retail (Other)	1,179	$27.00	
702 E Julian Street	Street Retail	1,100	$21.00	
2 N 1st St	Office Building	2,869	$24.00	Ground Floor retail
2311 Stevens Creek Blvd	Retail (Other)	3,884	$35.40	
88 San Fernando, E.	Retail (Other)	2,558	$36.00	
55 Market Street, South	Retail (Other)	2,418	$33.00	
360 Market Street (S)	Retail (Other)	1,611	$30.00	Ground Floor retail
360 Market Street (S)	Retail (Other)	2,676	$30.00	Ground Floor retail
488 Almaden Blvd	Office Building	4,255	$30.00	Ground Floor retail
377 Royal Ave	Neighborhood Center	7,500	Negotiable	Restaurant/Retail
15 First St	Retail (Other)	3,100	$2.65	Restaurant
2202 Stevens Creek Blvd	Retail (Other)	2,000	$48.00	Retail/Restaurant
950 S 1st Street	Free Standing Bldg	1,750	$22.00	
730 Story Rd	Strip Center	750	$33.00	Retail/Office
2301 Stevens Creek Blvd	Free Standing Bldg	3,860	$24.00	
2102 McKee Rd	Restaurant	2,620	Negotiable	

Source: LoopNet (May 2016)

ATTACHMENT B: Written Correspondence Received

From: Dennis Martin
!mailto:dmartin@biabayarea.org] Sent:
Thursday, October 06, 2016 3:05 PM
To: Heisinger, Patrick
<patrick.heisinger@sanjoseca.gov> Subject:
SUPPLEMENTAL FEASIBILITY ANALYSIS

Hi Patrick,
Thanks for the presentation today. We're providing a few comments to the analysis:

KMA Analysis - *Adjustments* to *Lond Costs over Time - Developers purchase development sites ot values that will a/low for financially feasible projects. Developers will "price in° the cost of the housing fee when evaluating a project's economics and negotiating the purchase price.far development sites. Given that the fee will apply ta oil or most projects, downward pressure on /and costs could result as developers adjust what they con afford to pay for land. This downward pressure on fond prices con, to some* degree, *bring costs back into betterha/once with* the *overall economics supported by projects.*

What may just as probable to occur is that landowners would choose not to sell until such a time *as* values rise, especially if they are already receiving income on the use of the property. If this scenario would be realized then the development of the village plan could be stalled for an indeterminate time. Remember, several other impact type fees are likely to be assessed in the village plans further exerting downward pressure on values. Better to set fees conservatively lower say at 50% of the full AHIF ($8.50 per sq. ft.) in order to incentivize the development of mixed use projects.

KMA Analysis - *Bmed on a review af land sale comporobles in San Jose, it has been determined that the $4.7 ml/lion/acre supported land value is we/I within the range of market fond transactions whenlooking ot sites throughout the City and that financial feasibility can be achieved for the prototypical assisted living project* even *with the new housing fee.*

Based on a July 2016 appraisal report of the valuation of the Average per Acre Land Value of High-Density Residential, Medium-Density Residential, low and Very Low-Density Residential, Commercial/Retail, and Industrial Properties Located in the Three Existing Zip Codes (95050, 95051, and 95054) City of Santa Clara, California Santa Clara County prepared for the City of Santa Clara by Frank E. Schmidt, MAT, SRA The Schmidt-Prescott Group, Inc. EFFECTIVE DATE OF VALUE OPINION December 31, 2015,_the value of land expressed by KMA is roughly $1.0/acre too high. If you would like to see this report I can send it to you in a separate message. We believe that the KMA analysis should be adjusted to reflect a valuation of rough!y$3.7 million/acre.

Assisted Living-We concur with Mr. Schoennauer' s comments today that the effect of the AHif regulations regarding definition of an assisted living unit will result in an incentive for developers to choose to eliminate kitchenettes from assisted living units in order to avoid fees thereby resulting in a downgraded facility lacking kitchen facilities or with assisting living facilities choosing to implement shared kitchens. Neither of these options are attractive for seniors who wish to live in San Jose. We encourage the City to find another solution in answer to this question.

Thanks,

Dennis

Martin
BIA Government Affairs
408-294-5687

Sent: Thursday, October 13,2016 4:04 PM
To: Alex Shoor <alexshoor@gmail.com>; Lopez, Robert (HSG) <Robert.Lopez@sanjoseca.gov>
Cc: Heisinger, Patrick <patrick.heisinger@sanjoseca.gov>
Subject: Re: (g) Potential Modifications to the Affordable Housing impact Fee (AHIF) Program
Dear Chair Graves and Vice Chair Medina, and members of the Housing and Community Development Commission,
Oil behalf of our members, Silicon Valley at Home (SV@Homc) thanks you for your thoughtful consideration of the proposed modifications to the Affordable
Housing impact fee (AHIF) for residential rental projects. We write to share our concerns regarding staffs recommended modifications to the existing fee.
We strongly recommend that no modifications be made to the existing S17 per square foot AHIF, which was found to be feasible and justified for all types of
market-rate rental residential development by the Nexus Study prepared by Keyser Marston Associates in 2015. Thus, while we support the staff recommendation
to maintain the applicability of the AHIF to market-rate assisted living projects, we disagree with staff's recommendations to (1) increase the small project
exemption threshold to 20 units and (2) temporarily reduce the existing fee by S4 per square foot for mixed-use projects in the Downtown and Diridon Station areas and specific urban villages.
Specifically, we recommend that:
• The small project exemption threshold remain at three (3) units. The existing three-unit exemption allows the City to maximize revenues from the AHIF at a time when we need as much funding as possible for the creation of affordable housing. While we understand
staff's motivation to streamline the determination of projects' subjectivity to the AHIF or Inclusionary Housing Ordinance (iHO) by aligning the
threshold with the IHO, we encourage staff to find alternative ways to determine whether to the inclusionary ordinance or AHIF applies.
• Mixed-Use developments remain subject to the existing $17 per square foot fee level. Again, given the importance of the AHIF revenue to addressing the current housing affordabillty crisis, we oppose a temporary fee reduction for mixed-use developments. Instead, to
encourage mixed-use development in the Diridon and Downtown Station Areas and selected urban villages, we recommend that staff revisit
the Genera! Plan Task Force recommendations to ailow mixed-use development to proceed whether or not an urban village plan has been
adopted.
Thank you for the opportunity to provide feedback and look forward to continued oppoitunities to discuss the proposed changes. •
Sincerely,
Pilar Lorenzana-Campo
Policy Director
piiar@siliconvailevathome.ore
C. (408) 215-8925
SV@Home
95 South Market Street, Suite 300, San Jose, CA 95113
I