DRAFT MEMORANDUM

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Subject:	Financial Analysis of Peery Park Development Prototypes EPS #151055
Date:	July 21, 2015

The Economics of Land Use



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This memorandum presents preliminary findings from a pro forma financial analysis of four commercial real estate product prototypes that evaluate development potential within Peery Park in Sunnyvale. The purpose of the analysis is to assess the economic value of development in the Peery Park area and to consider the degree to which the City may be able to capture value from offering density bonuses at Peery Park sites for the purpose of funding a community benefits program.

This analysis is conducted in the context of the ongoing City effort to prepare a Specific Plan for Peery Park. With the recent surge in interest in redevelopment of sites in Peery Park, it is anticipated that the Specific Plan will enable a major revitalization and intensification of commercial uses there. This evolution offers a range of economic and fiscal benefits for the City and also potential opportunities for achieving additional City priorities, possibly including high-performance green buildings, open space, retail space, and transportation demand management programs.

Community Benefit Incentive Zoning Background

California cities have a long history of obtaining community benefits from real estate development through a variety of mechanisms, including fees, conditions of approval, and development agreements. Community Benefit Incentive Zoning (CBIZ) programs offer an alternative approach. CBIZ programs are structured around an exchange in which municipalities offer optional increases in development potential in return for dedicated public assets (or funding) desired by the community. For CBIZ to function, the municipality must offer a development incentive (e.g., a density bonus that allows for development of more space than is allowed by base zoning). If a project seeks to take advantage of the incentive, in return the project developer must provide public benefits beyond what otherwise would be required for project approval. Because these programs are optional, development outcomes vary based on the degree of participation in the CBIZ program. In order for community benefits to be achieved, the public sector must create value through provision of a development incentive. CBIZ requires a healthy real estate market with sufficient market value to support the incentive. In order for a CBIZ program to be successful, there must be market demand to support the higher-density, higher-cost real estate products that are made available through participation in the CBIZ program.

Further, the magnitude of the community benefit sought in return for the incentive must be equal to or less than the value of the incentive offered. CBIZ programs must be carefully tailored to be attractive to project proponents and simultaneously achieve quality of life goals of the community. Program design and development should evaluate the range of potential development outcomes, including the built form and magnitude of expected community benefits, to ensure that the exchange of development rights for community benefits is desirable.

CBIZ programs are founded on the concept of "value capture." Public entities commonly create value with investments in public facilities and services (e.g., transit and utilities upgrades) as well as through changes to zoning code that increase the value of land. Typically, when the public sector creates value in these ways, landowners enjoy a financial gain. Value capture occurs when the public sector reclaims some of the value created by its activities. The State of California's Affordable Housing Density Bonus Law is an example of a value capture program. Under this law, developers are granted additional density (i.e., the right to build additional market rate units) in return for their development of affordable housing units.

This financial analysis of Peery Park Development Prototypes seeks to determine the economic potential for increased density in the Specific Plan area. The analysis provides a framework for valuing Floor Area Ratio (i.e., density) incentives based on current assumptions regarding real estate market factors and development costs. The quantitative findings reflect outcomes from an analysis of development prototypes which are believed to be representative of potential future development in the area. While informative, it is important to recognize that the prototype projects studied and the findings of the analysis are illustrative and that actual project circumstances will vary dramatically.

Peery Park Prototypes

This financial analysis considers development potential for office uses in Peery Park, consistent with the emerging specific plan. The City is considering an incentive program that defines three tiers of development:

- Tier 1 Project: Up to 35% FAR¹ (Base development requirements)
- Tier 2 Project: 35% to 55% FAR
- Tier 3 Project: Over 55% FAR

EPS anticipates that developers will seek to deliver modern, high-performance office spaces in Peery Park. At all tiers, this analysis assumes that office will be developed as Class A, steel frame structures with precast concrete panels. Of critical importance to the analysis is the parking strategy employed at each density tier. EPS review of recently-approved and current project proposals for Peery Park reveals that Tier 1 and Tier 2 projects are sufficiently low

¹ Floor Area Ratio (FAR) is total square feet of building space divided by total square feet of the lot area, presented in percentage terms.

density that surface parking typically will be physically feasible.² However, beyond 55 percent FAR structured parking will be needed.

Figure 1 provides an overview of the prototypes considered for each of the development tiers. The analysis tests the potential for each of the prototypes on a 5-acre site and a 10-acre site. While the 100 percent FAR prototype on a 5-acre site likely would be parked using a garage, a 10-acre site could allow for a mix of structured parking and surface parking.

Development Characteristics	Tier 1 (Base)		Tier 2	Tier 3		
Building Type	Class A Office Steel/Concrete		Class A Office Steel/Concrete	Class A Office Steel/Concrete		
Floor Area Ratio	35%		55%	100%		
Stories 1-2 Stories		3-4 Stories	5-6 Stories			
Gross Building Area (Square Feet)						
5-Acre Site	76,000		120,000	218,000		
10-Acre Site	152,000		240,000	436,000		
Parking Format ¹						
5-Acre Site	100%	Surface	100% Surface	100% Structure		
10-Acre Site	100%	Surface	100% Surface	75% Structure/ 25% Surface		

Figure 1 Base and Incentive Development Prototypes

¹ Note that projects that exceed 750,000 square feet of building area (not considered here) are required to provide a higher percentage of open space and thus likely would need to provide a greater share of total parking in structures.

² Note that structured parking likely would be necessary for large-scale (750,000+ square feet of building space) Tier 2 projects, since the City requires a greater share of the site be provided as open space. Though not analyzed here, it is important to note that the higher open space requirement for large projects has a negative effect on land value.

Analytical Approach

This analysis utilizes the well-accepted static pro forma financial feasibility framework to estimate the land value supported by each of the development prototypes. This approach compares real estate development value at project stabilization (i.e., after project lease up is complete) with the cost of project development, in constant 2015 dollars. The analysis determines finished real estate value based on assumptions including market-supportable lease rates, operating costs, and capitalization rates. Development cost assumptions reflect standard (location adjusted) construction costs, typical project soft costs (e.g., architecture and engineering), and developer return on investment. The assumptions reflect EPS research, third-party data (e.g., CoStar Group market data and RS Means construction cost estimates), and correspondence with industry sources, including interviews with local development professionals.

The analysis estimates land value for each of the prototypes. When real estate market values exceed development costs, the difference represents what a developer is able to pay for land. This calculation, commonly referred to as "residual land value," is the primary output of the financial analysis. As described above, the land value created by incentive zoning represents a fair valuation of community benefits that the City might seek from projects that take advantage of the incentive. However, if developers have speculatively paid more for land than what base zoning supports, the City may be unable to capture the full value of the incentive from the current owner. Similarly, if a project must bear extraordinary costs not considered by this analysis (e.g., cleanup of contamination, off-site infrastructure improvements, transportation demand management requirements, or lease buyouts) the project developer may be unable to fully compensate the City for a density bonus.

Sensitivity Analysis

A sensitivity analysis of the pro forma financial model confirms that the residual land values supported by Peery Park projects are highly dependent on market conditions. When markets are strong there likely will be project-derived value that may be used to fund community benefits. However, when the market softens, projects may fail to generate value and may even cease to be financially viable, as was generally true for major projects nationwide during the last recession. Ideally, a community benefit incentive zoning program will be designed to anticipate that market cycles will have a significant effect on project values.

The sensitivity analysis performed here exhibits the degree to which a weak real estate market diminishes the potential for project developers to fund community benefits. If lease rates fall by 5 percent and capitalization rates climb by 25 basis points (0.25 percentage points), the value of potential zoning incentives is decreased by at least 30 percent and in some cases is eliminated.³ By comparison, if lease rates increase by 5 percent and capitalization rates decrease by 25 basis points, the potential for value creation from greater development density is increased dramatically. **Figure 2** presents a summary of residual land value outputs by prototype, reported on a per-square-foot basis. Under current market conditions ("base" assumptions), estimates of residual land value per square foot of gross building area range from about \$50 to \$130.

³ The capitalization rate is equal to annual net property income divided by total property value. This market-based factor indicates the multiple of net property income that a buyer will pay for a property.





Key Findings

- 1. This analysis finds that prototypes tested generate positive residual land value in the current real estate market and that increased density (above base density) is likely to create value for community benefits in most cases.
- 2. Increasing density from Tier 1 to Tier 2 creates a significant increase in land value. This finding is primarily attributable to the fact that low-cost surface parking can be used in the denser 55 percent FAR scenario (i.e., significant density is added without a dramatic increase in cost).

The value creation associated with increasing density from Tier 2 to Tier 3 creates relatively less value. In fact, for the 5-acre site, on which this analysis assumes 100 percent structured parking, land value decreases compared to the surface-parked Tier 2 prototype. For the larger 10-acre site, this analysis assumes that 75 percent of parking will be supplied by garages and the remaining 25 percent of parking will be in surface lots, due the design flexibility offered by the larger site. The cost savings associated with having some surface parking results in a higher per-acre land value for the 10-acre Tier 3 scenario.

Figure 3 presents estimates of residual land value that result from the pro forma financial analysis of Peery Park office prototypes. These findings inform the valuation of FAR bonuses that may be made available in Peery Park.

	Tier 1	Tier 2	Tier 3
5-Acre Site			
Site Value	\$6.9 Million	\$15.2 Million	\$11.4 Million
Per-Acre Value	\$1.4 Million	\$3.1 Million	\$2.3 Million
Gross Building Area	76,000 SF	120,000 SF	218,000 SF
Value Per Square Foot	\$90/SF (GBA)	\$127/SF (GBA)	\$52/SF (GBA)
<u>10-Acre Site</u>			
Site Value	\$13.7 Million	\$30.5 Million	\$33.9 Million
Per-Acre Value	\$1.4 Million	\$3.1 Million	\$3.4 Million
Gross Building Area	152,000 SF	240,000 SF	436,000 SF
Value Per Square Foot	\$90/SF (GBA)	\$127/SF (GBA)	\$78/SF (GBA)

Figure 3 Residual Land Value Estimates

Figure 4 presents the value created by development allowances above the base FAR of 35 percent, per square foot of bonus space. As shown, Tier 2 generates approximately \$190 per-square foot of gross building area above the base FAR. For example, on a 10-acre site this analysis estimates that allowance of a Tier 2 project increases land value by about \$16.7 million (\$1.7 million per acre) by supporting an additional 87,000 square feet of office space. Similarly, a Tier 3 project increases land value by about \$20.2 million (\$2.0 million per acre) over the base 35 percent FAR by supporting an additional 283,000 square feet of office space.

	Tier 2	Tier 3
5-Acre Site		
Base Land Value	\$6.9 Million	\$6.9 Million
Incentive	44,000 Square Feet	142,000 Square Feet
Land Value with Incentive	\$15.3 Million	\$11.5 Million
Incentive Value	\$8.4 Million	\$4.5 Million
Incentive Value Per Square Foot	\$192	\$32
10-Acre Site		
Base Land Value	\$13.7 Million	\$13.7 Million
Incentive	87,000 Square Feet	283,000 Square Feet
Land Value with Incentive	\$30.5 Million	\$33.9 Million
Incentive Value	\$16.7 Million	\$20.2 Million
Incentive Value Per Square Foot	\$192	\$71

Figure 4 Value Creation from Incentive Zoning

Key Assumptions

Development Program Assumptions

The analysis derives development prototype parameters from recently-approved and current applications for development projects in the Peery Park area. FAR levels correspond with the City's preliminary definitions of incentive tiers for Peery Park. Parking ratios (3.3 spaces per 1,000 gross square feet) and formats (surface versus structure) reflect those observed locally. Though not analyzed by the sensitivity analysis presented above, parking is a key factor affecting development feasibility.

Building Value

The analysis assumes achievable lease rates based on market research conducted using CoStar Group as well as EPS knowledge of the local and regional commercial real estate landscape. The analysis assumes that commercial office rents (for new product) are about \$4.75 per square foot per month (full service). This lease rate reflects the potential for new, high-quality, well-positioned projects in Peery Park in today's market. The analysis assumes a market capitalization rate of 6.5 percent which reflects data from IRR Monitor, a third-party market data provider, as well as available data concerning recent market transactions.

Project Costs

Project costs include construction, soft costs, and other project costs. Construction costs include basic site work (which covers demolition and the cost of surface parking) and vertical development of parking and building spaces. Building costs are based on cost estimates from RS Means and include construction-related overhead costs. The analysis assumes structured parking direct construction costs at \$22,500 per space, which is typical for efficient above-ground parking structures. Additional soft costs include professional services associated with planning, design, and project approval; permits and fees; assumptions regarding taxes and insurance and financing costs; as well as general and administrative (overhead) costs borne by the project developer. Finally, other project costs include a development contingency of 10 percent and the developer's required return on investment (ROI), which is assumed to be 10 percent of all project costs.

The analysis assumes a project site is suitably improved with the backbone infrastructure (e.g., sewer, water, streets) required for the project (i.e., there are no extraordinary offsite improvements required). Further, the analysis assumes a clean site from an environmental perspective. No remediation costs of any kind are assumed, though contamination may exist in the project area. Also, the analysis does not include potential costs associated with any lease buyouts. Lastly, while a Transportation Demand Management program may be required of future projects in Peery Park, there are no such costs included in the pro forma. The inclusion of any of these extraordinary costs would have negative effect on residual land value estimates.

Figure 5 through **Figure 10** present the detailed pro forma assumptions and calculations relied upon by this analysis.

Additional Considerations

There are a number of considerations related to real estate development feasibility that are not reflected in this pro forma analysis:

 Cost Basis – This analysis does not assess development projects' ability to pay the City for increased density. In some cases, developer/investors likely have already paid land prices which reflect the value of high-density projects, particularly at sites where zoning had previously exceeded the proposed 35 percent FAR base zoning. In cases in which additional density was incorporated into the land price paid, prior land owners have gained the value of the increased development density that the City would seek to capture through an incentive zoning program. For projects that are burdened by a high cost basis associated with the development site, it may be financially infeasible for these projects to support contributions to the City for community benefits.

- **Open space** Open space requirements have a significant effect on development economics. In particular, open space requirements reduce buildable land and force developers to convert surface parking into structured parking. The prototype development programs studied reflect typical open space requirements for projects on 5- and 10-acre sites. The maximum building size considered is less than 500,000 square feet. Accordingly, the analysis does not reflect the increased requirements for open space that would apply to larger projects. For projects with a greater share of land dedicated to open space, the additional costs associated with structured parking will have a significant effect on residual land value and the ability to fund community benefits.
- Other project costs As noted previously, transportation-related mitigation costs, offsite project mitigation or necessary infrastructure upgrades borne by the project, environmental costs related to site remediation, and/or extraordinary costs associated with redevelopment of existing uses (e.g., tenant relocations or lease buyouts) are not reflected in this analysis. Any of these additional costs reduce the developer/investor's ability to pay for land. To the degree that these costs are required of projects in Peery Park, the residual land values estimated should be reduced accordingly.
- **Developer Projects** This analysis takes the financial perspective of a real estate developer/investor seeking to earn a return on a real estate project. This view is distinctly different from the view of an end-user (e.g., a non-real estate corporation) seeking to construct real estate to house employees that support their primary business objectives. End-users may be able to justify specific investments in real estate that support their core objectives but cannot be rationalized in the context of real estate market conditions.

Potential Next Steps

EPS recommends two key additional analytical efforts follow this Financial Analysis of Peery Park Development Prototypes

- Evaluate financial feasibility considerations As discussed above, this analysis does not assess the financial feasibility of capturing the value of the proposed incentive zoning bonuses. A subsequent analysis could examine land transactions to determine the degree to which developer/investors have a cost basis which inhibits their ability to contribute community benefits.
- Determine cost of community benefits The City has established a preliminary list of potential community benefits that might be funded through an incentive zoning program. In order to right size community benefits requirements with the value created by incentive zoning, a subsequent analysis could evaluate the range of costs associated with potential community benefits. The analysis would provide a better understanding of what community benefits might be funded through CBIZ.

Figure 5 5-Acre Site/35 Percent Floor Area Ratio

DEVELOPMENT PROGRAM ASSUMPTIONS			
Site (Square Feet) FAR Gross Building Area (Square Feet) Rentable Building Area (Square Feet) Structured Parking Spaces Suface Parking Spaces	90%	of GBA	217,800 0.35 76,230 68,607 0 254
BUILDING VALUE			
Gross Potential Rent (FS) Losses to Vacancy Gross Revenue Operating Expenses	\$4.75 5.0% \$1.00	per SF (RBA)/Month of GPR per SF (RBA)/Month	\$3,910,599 -\$195,530 \$3,715,069 -\$823,284
Net Operating Income Building Value Disposition Cost Net Building Value	6.50% 3.0%	Capitalization Rate of Building Value	\$2,891,785 \$44,489,001 -\$1,334,670 \$43,154,331
PROJECT COSTS			
Construction Costs Site Work Building Direct Cost Structured Parking Direct Cost Total Construction Cost	\$30 \$200 \$22,500	Cost/SF (site area) Cost/SF (GBA) per Space	\$6,534,000 \$15,246,000 \$0 <i>\$21,780,000</i>
Soft Costs Architecture and Engineering Other Professional Services Permits and Fees Taxes and Insurance Financing Marketing/Leasing Tenant Improvements Developer Fee Total Soft Costs	5.0% 3.0% \$10 2.0% 4.0% 3.5% \$50 5.0%	of Building Direct Cost of Building Direct Cost per Square Foot (GBA) of Construction Cost of Construction Cost of 10-Year Lease Value per Square Foot (RBA) of Construction Cost	\$1,089,000 \$653,400 \$762,300 \$435,600 \$871,200 \$1,300,274 \$3,430,350 \$1,089,000 <i>\$9,631,124</i>
Other Project Costs Development Contingency Developer ROI <i>Total Other Costs</i>	5.0% 10.0%	of Hard and Soft Costs of All Project Costs	\$1,570,556 \$3,298,168 <i>\$4,868,724</i>
Total Project Cost			\$36,279,848
LAND VALUE Residual Land Value Per Square Foot (GBA)			\$6,874,482 \$90

Figure 6 5-Acre Site/55 Percent Floor Area Ratio

DEVELOPMENT PROGRAM ASSUMPTIONS			
Site (Square Feet) FAR Gross Building Area (Square Feet) Rentable Building Area (Square Feet) Structured Parking Spaces Suface Parking Spaces	90%	of GBA	217,800 0.55 119,790 107,811 0 399
BUILDING VALUE			
Gross Potential Rent (FS) Losses to Vacancy Gross Revenue Operating Expenses Net Operating Income Building Value Disposition Cost Net Building Value	\$4.75 5.0% \$1.00 6.50% 3.0%	per SF (RBA)/Month of GPR per SF (RBA)/Month Capitalization Rate of Building Value	\$6,145,227 -\$307,261 \$5,837,966 -\$1,293,732 \$4,544,234 \$69,911,287 -\$2,097,339 \$67,813,948
PROJECT COSTS			
Construction Costs Site Work Building Direct Cost Structured Parking Direct Cost <i>Total Construction Cost</i> Soft Costs Architecture and Engineering	\$30 \$200 \$22,500	Cost/SF (site area) Cost/SF (GBA) per Space of Building Direct Cost	\$6,534,000 \$23,958,000 \$0 <i>\$30,492,000</i> \$1,524,600
Other Professional Services Permits and Fees Taxes and Insurance Financing Marketing/Leasing Tenant Improvements Developer Fee <i>Total Soft Costs</i>	3.0% \$15 2.0% 4.0% 3.5% \$50 5.0%	of Building Direct Cost per Square Foot (GBA) of Construction Cost of Construction Cost of 10-Year Lease Value per Square Foot (RBA) of Construction Cost	\$914,760 \$1,796,850 \$609,840 \$1,219,680 \$2,043,288 \$5,390,550 \$1,524,600 <i>\$15,024,168</i>
Other Project Costs Development Contingency Developer ROI <i>Total Other Costs</i> Total Project Cost	5.0% 10.0%	of Hard and Soft Costs of All Project Costs	\$2,275,808 \$4,779,198 <i>\$7,055,006</i> \$52,571,174
LAND VALUE			
Residual Land Value Per Square Foot (GBA)			\$15,242,774 \$127

Figure 7 5-Acre Site/100 Percent Floor Area Ratio

DEVELOPMENT PROGRAM ASSUMPTIONS			
Site (Square Feet) FAR Gross Building Area (Square Feet) Rentable Building Area (Square Feet) Structured Parking Spaces Suface Parking Spaces	90%	of GBA	217,800 1.00 217,800 196,020 726 0
BUILDING VALUE			
Gross Potential Rent (FS) Losses to Vacancy Gross Revenue Operating Expenses Net Operating Income Building Value	\$4.75 5.0% \$1.00 6.50%	per SF (RBA)/Month of GPR per SF (RBA)/Month Capitalization Rate	\$11,173,140 -\$558,657 \$10,614,483 -\$2,352,240 \$8,262,243 \$127,111,431
Disposition Cost	3.0%	of Building Value	-\$3,813,343
PROJECT COSTS Construction Costs			
Site Work	\$30	Cost/SF (site area)	\$6,534,000
Building Direct Cost	\$200	Cost/SF (GBA)	\$43,560,000
Structured Parking Direct Cost	\$22,500	per Space	\$16,335,000
Total Construction Cost			\$66,429,000
Soft Costs			
Architecture and Engineering	5.0%	of Building Direct Cost	\$3,321,450
Other Professional Services	3.0%	of Building Direct Cost	\$1,992,870
Taxes and Insurance	320 2.0%	of Construction Cost	\$4,530,000
Financing	4.0%	of Construction Cost	\$2,657,160
Marketing/Leasing	3.5%	of 10-Year Lease Value	\$3,715,069
Tenant Improvements	\$50	per Square Foot (RBA)	\$9,801,000
Developer Fee	5.0%	of Construction Cost	\$3,321,450
Total Soft Costs			\$30,493,579
Other Project Costs			
Development Contingency	5.0%	of Hard and Soft Costs	\$4,846,129
Developer ROI	10.0%	of All Project Costs	\$10,176,871
Total Other Costs			\$15,023,000
Total Project Cost			\$111,945,579
LAND VALUE			
Residual Land Value Per Square Foot (GBA)			\$11,352,509 \$52

Figure 8 10-Acre Site/35 Percent Floor Area Ratio

DEVELOPMENT PROGRAM ASSUMPTIONS			
Site (Square Feet) FAR Gross Building Area (Square Feet) Rentable Building Area (Square Feet) Structured Parking Spaces Suface Parking Spaces	90%	of GBA	435,600 0.35 152,460 137,214 0 508
BUILDING VALUE			
Gross Potential Rent (FS) Losses to Vacancy Gross Revenue Operating Expenses Net Operating Income Building Value Disposition Cost	\$4.75 5.0% \$1.00 6.50% 3.0%	per SF (RBA)/Month of GPR per SF (RBA)/Month Capitalization Rate of Building Value	\$7,821,198 -\$391,060 \$7,430,138 -\$1,646,568 \$5,783,570 \$88,978,002 -\$2,669,340
Net Building Value	5.670		\$86.308.661
PROJECT COSTS			
Site Work	\$30	Cost/SE (site area)	\$13.068.000
Building Direct Cost	\$30	Cost/SF (GBA)	\$13,008,000
Structured Parking Direct Cost	\$22 500	ner Space	\$0,52,52,000
Total Construction Cost	<i>722,300</i>		\$43,560,000
Soft Costs			
Architecture and Engineering	5.0%	of Building Direct Cost	\$2,178,000
Other Professional Services	3.0%	of Building Direct Cost	\$1,306,800
Permits and Fees	\$10	per Square Foot (GBA)	\$1,524,600
Taxes and Insurance	2.0%	of Construction Cost	\$871,200
Financing	4.0%	of Construction Cost	\$1,742,400
Marketing/Leasing	3.5%	of 10-Year Lease Value	\$2,600,548
Tenant Improvements	\$50	per Square Foot (RBA)	\$6,860,700
Developer Fee	5.0%	of Construction Cost	\$2,178,000
Total Soft Costs			\$19,262,248
Other Project Costs			
Development Contingency	5.0%	of Hard and Soft Costs	\$3,141,112
Developer ROI	10.0%	of All Project Costs	\$6,596,336
Total Other Costs			\$9,737,448
Total Project Cost			\$72,559,697
Residual Land Value Per Square Foot (GBA)			\$13,748,965 \$90

Figure 9 10-Acre Site/55 Percent Floor Area Ratio

DEVELOPMENT PROGRAM ASSUMPTIONS			
Site (Square Feet) FAR Gross Building Area (Square Feet) Rentable Building Area (Square Feet) Structured Parking Spaces Suface Parking Spaces	90%	of GBA	435,600 0.55 239,580 215,622 0 799
BUILDING VALUE			
Gross Potential Rent (FS) Losses to Vacancy Gross Revenue Operating Expenses Net Operating Income Building Value Disposition Cost	\$4.75 5.0% \$1.00 6.50% 3.0%	per SF (RBA)/Month of GPR per SF (RBA)/Month Capitalization Rate of Building Value	\$12,290,454 -\$614,523 \$11,675,931 -\$2,587,464 \$9,088,467 \$139,822,574 -\$4,194,677 \$135,627,897
			\$155,027,657
PROJECT COSTS			
Construction Costs Site Work Building Direct Cost Structured Parking Direct Cost <i>Total Construction Cost</i> Soft Costs Architecture and Engineering Other Professional Services Permits and Fees Taxes and Insurance Financing Marketing/Leasing Tenant Improvements Developer Fee <i>Total Soft Costs</i>	\$30 \$200 \$22,500 5.0% 3.0% \$15 2.0% 4.0% 3.5% \$50 5.0%	Cost/SF (site area) Cost/SF (GBA) per Space of Building Direct Cost of Building Direct Cost per Square Foot (GBA) of Construction Cost of Construction Cost of 10-Year Lease Value per Square Foot (RBA) of Construction Cost	\$13,068,000 \$47,916,000 \$0 \$60,984,000 \$1,829,520 \$3,593,700 \$1,219,680 \$2,439,360 \$4,086,576 \$10,781,100 \$3,049,200 \$30,048,336
Other Project Costs Development Contingency Developer ROI <i>Total Other Costs</i> Total Project Cost	5.0% 10.0%	of Hard and Soft Costs of All Project Costs	\$4,551,617 \$9,558,395 <i>\$14,110,012</i> \$105,142,348
LAND VALUE Residual Land Value Per Square Foot (GBA)			\$30,485,549 \$127

Figure 10 10-Acre Site/100 Percent Floor Area Ratio

DEVELOPMENT PROGRAM ASSUMPTIONS			
Site (Square Feet) FAR Gross Building Area (Square Feet) Rentable Building Area (Square Feet) Structured Parking Spaces Suface Parking Spaces	90%	of GBA	435,600 1.00 435,600 392,040 1,089 363
BUILDING VALUE			
Gross Potential Rent (FS) Losses to Vacancy Gross Revenue Operating Expenses Net Operating Income	\$4.75 5.0% \$1.00	per SF (RBA)/Month of GPR per SF (RBA)/Month	\$22,346,280 -\$1,117,314 \$21,228,966 -\$4,704,480 \$16,524,486
Building Value Disposition Cost Net Building Value	6.50% 3.0%	Capitalization Rate of Building Value	\$254,222,862 -\$7,626,686 \$246,596,176
PROJECT COSTS			
Construction Costs Site Work Building Direct Cost Structured Parking Direct Cost Total Construction Cost	\$30 \$200 \$22,500	Cost/SF (site area) Cost/SF (GBA) per Space	\$13,068,000 \$87,120,000 \$24,502,500 \$124,690,500
Soft Costs Architecture and Engineering Other Professional Services Permits and Fees Taxes and Insurance Financing Marketing/Leasing Tenant Improvements Developer Fee <i>Total Soft Costs</i>	5.0% 3.0% \$20 2.0% 4.0% 3.5% \$50 5.0%	of Building Direct Cost of Building Direct Cost per Square Foot (GBA) of Construction Cost of Construction Cost of 10-Year Lease Value per Square Foot (RBA) of Construction Cost	\$6,234,525 \$3,740,715 \$8,712,000 \$2,493,810 \$4,987,620 \$7,430,138 \$19,602,000 \$6,234,525 <i>\$59,435,333</i>
Other Project Costs Development Contingency Developer ROI Total Other Costs	5.0% 10.0%	of Hard and Soft Costs of All Project Costs	\$9,206,292 \$19,333,212 <i>\$28,539,504</i>
Total Project Cost			\$212,665,337
LAND VALUE Residual Land Value			\$33,930,838
Per Square Foot (GBA)			\$78