

March 8, 2022

By Email: Nell.Selander@ssf.net

Nell Selander
Director of Economic and Community Development
City of South San Francisco
400 Grand Ave.
South San Francisco, CA 94080

Re: Proposed Community Benefits for South City Station (580 Dubuque Ave.) - Final

Dear Ms. Selander:

On behalf of South City Ventures, LLC (“Applicant”), an affiliate of IQHQ, LP, I am writing to memorialize certain community benefit commitments regarding the proposed development of the South City Station project (“Project”) at 580 Dubuque Avenue. The Project – an infill, transit-oriented office/R&D development on an underutilized site adjacent to the South San Francisco Caltrain Station – proposes substantial benefits, including direct funding to support City capital improvement priorities. As described in Part I below, the value of these quantified measures is estimated at **\$10,950,000**. The Applicant further agrees to support formation of a proposed Community Facilities District for the East of 101 area, subject to certain terms described in Part II.

In addition to these direct benefits, and approximately \$16,800,000 in estimated impact fees, the Project proposes numerous features to qualify for a Floor Area Ratio of up to 3.5 under South San Francisco Municipal Code section 20.280.005. These commitments are described in Part III.

I. Proposed Direct Community Benefits

- A. Funding Contributions. The Applicant proposes to make a direct contributions to the City in the amount of **\$2,500,000**, prior to issuance of building permits for vertical construction, as follows:
 - 1. \$1,000,000 toward construction of a new City Annex building
 - 2. \$1,000,000 toward acquisition, improvement, and/or maintenance of public park and recreation facilities
 - 3. \$500,000 toward enhancement and/or ongoing maintenance of the existing mural on the retaining wall for the Grand Avenue overpass, at the south end of the existing Caltrain Station parking lot
- B. Caltrain Station Plaza. The applicant is in exclusive negotiations with the Peninsula Corridor Joint Powers Board (“JPB”) which operates Caltrain, to create a comprehensive plan for improvement and usage of the JPB property between the Project site and the new Caltrain station. The Project’s proposed contribution toward this effort is **\$3,500,000**.
- C. Undergrounding Power Lines. The applicant is in negotiations with PG&E to cause

overhead power lines connecting to the new Caltrain Traction Power Station to be undergrounded, at an estimated cost of \$5,000,000 including demolition, jack and bore, and undergrounding replacement (inclusive of hard costs as well as design, engineering, and permitting fees). Because the City does not have land use jurisdiction over JPB or PG&E, this work is not independently required and it will be made possible through the Project's contributions. Based on our discussions, we understand that the City will consider half of this estimated cost – **\$2,500,000** – as a community benefit. This will further City policies calling for undergrounding of new utility lines, and facilitate use of the Caltrain Station plaza as described above.

D. Green Building/Electrification. The applicant has committed to measures to improve the Project's environmental sustainability, beyond code requirements, with an estimated cost of **\$2,450,000**, as follows.

1. The Project will achieve LEED Gold Certification, exceeding the baseline requirements established under CALGreen, as well as Fitwel building health certification. The cost of these measures, exceeding CALGreen standards, comes at a premium of approximately 1% of building hard costs, or \$1,700,000.
2. The Project will also commit to 100% electrification, furthering the City's Climate Action Plan goals by avoiding use of natural gas, at an added upfront cost of approximately \$1,500,000; we understand that the City will consider half of this cost – \$750,000 – as a community benefit.

E. Community Benefits Summary.

Funding Contributions	\$2,500,000
Caltrain Station Plaza	\$3,500,000
Undergrounding Power Lines	\$2,500,000
Green Building/Electrification	\$2,450,000
TOTAL	\$10,950,000

II. Community Facilities District

The Applicant agrees to support City's formation of a Community Facilities District (CFD) serving land within the East of 101 area, and generally as established within the parameters described in the City Manager's presentation of October 2, 2019 on this topic ("2019 Presentation"), provided that (i) the Project's maximum CFD assessment rate does not exceed one dollar (\$1.00) per square foot of assessable real property, and (ii) the Project's maximum CFD assessment rate does not exceed the rate assessed against other office/R&D properties in the East of 101 area. Subject to this commitment, Applicant shall not be prohibited from participation in public hearings, negotiations, or other communications regarding the formation of the CFD or the facilities and/or services proposed to be funded by CFD proceeds.

III. Summary of Additional Benefits for Purposes of Increased FAR

The Project seeks City approval of a Floor Area Ratio (FAR) of up to 3.4, which exceeds the maximum 2.5 FAR typically allowed within the Downtown Station Area Specific Plan District, Transit Office/R&D Core (TO/RD) subdistrict.¹ However, Municipal Code section 20.280.005(A) provides that the City may approve increased FAR up to 3.5 in this subdistrict, subject to satisfaction of certain eligible “public benefits” requirements.

For purposes of analyzing eligibility for this increased FAR, the table below summarizes the Project’s contributions toward the public benefits described in the Municipal Code; some of these commitments overlap, in whole or in part, with the community benefits outlined in Part I, but are included here for completeness. Text in *italics* is quoted from the Municipal Code.

20.280.005 Additional Development Standards

A. Increased Density and FAR Incentive Program. *An increase to the maximum FAR or maximum density as referenced in Table 20.280.004-1 may be permitted for buildings with the approval of a Conditional Use Permit by the City Council through the satisfaction of a combination of the following public benefits:*

1. *To be eligible for an increase to the maximum FAR or density incentives under this subsection, the public benefits that are included as part of a development project must demonstrate a positive contribution that is above and beyond the minimum required impact fees and other requirements of the particular project. The following preferences for public benefits to the Downtown community and the City may be considered as eligible to allow increased density and FAR standards for a project pursuant to this subsection:*

Eligible Public Benefit	South City Station Project Contribution
a. <i>Local Hire Program;</i>	The Applicant commits to making good faith efforts to hire local labor and local subcontractors for the construction of the Project. Truebeck (General Contractor) will identify scopes of work that could be completed by second-tier subcontractors and do community outreach to small local SSF businesses, with the goal of facilitating the assignment of these scopes of work to the local businesses under the larger contract with first-tier subcontractors. The Applicant aims to spend as much of the >\$100 million labor costs of the project with local firms and personnel as possible. In addition, the Project commits to using union labor for all major subcontractors. Shoring/dewatering, excavation, exterior skin, mechanical, plumbing electrical, audio/visual and low voltage scopes, representing >60% of construction cost, have already been onboarded, and all subcontractors are union shops. Based on the General Contractor’s experience and estimated construction costs, we anticipate that the incremental cost to support union labor is approximately \$12 million.
b. <i>Public art;</i>	The Project will exceed the City-mandated public art fee requirement by providing an on-site public art installation (value of 1% of project hard cost or ~ \$1.7 million dedicated on-site).

¹ The Project seeks rezoning from FC (Freeway Commercial) to the TO/RD subdistrict, among other land use entitlements.

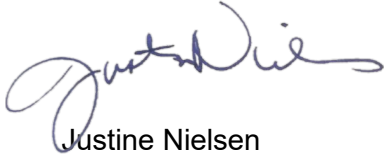
Eligible Public Benefit	South City Station Project Contribution
<i>c. Funding or construction of local streetscape enhancements as identified in the Downtown Station Area Specific Plan;</i>	The Project will greatly improve access around the Project site, creating a landscaped pedestrian path with a screening wall along Dubuque Avenue and creating new pedestrian and vehicular site access along the western edge of the site, at an estimated cost of \$2.0 million. These improvements will adapt a challenging site by reconfiguring street frontages, providing better emergency vehicle access, and improving vehicular and pedestrian connectivity to the Caltrain Station and throughout the entire Dubuque Corridor.
<i>d. Funding for enhanced public spaces;</i>	The applicant is in exclusive negotiations with JPB which operates Caltrain, to create a comprehensive plan for improvement and usage of the JPB property between the Project site and the new Caltrain station, as described in <u>Part I</u> . The Project will include innovative landscape architecture with at least 50 new trees, creating green spaces in an area of the City that generally lacks vegetation. The landscaping is designed to provide on-site screening of Caltrain facilities and enhance the ground-level experience for workers and visitors.
<i>e. Funding for public safety facilities, community meeting rooms, child care or similar;</i>	N/A
<i>f. Tenant space for local businesses or existing businesses in need of relocation;</i>	None dedicated; however, the Project will include approximately 4,000 square feet of café space that could be leased to a local and/or relocated business.
<i>g. Provision of green building measures over and above the applicable green building compliance threshold required pursuant to Title 15 ...;</i>	The Project will achieve LEED Gold Certification, exceeding the baseline requirements established under CALGreen, as well as Fitwel building health certification. The Project will also commit to 100% electrification, furthering the City's Climate Action Plan goals by avoiding use of natural gas.
<i>h. Transit subsidy or other incentives for residents and/or employees;</i>	The Project also advances City and regional transit-oriented development goals by planning an appropriate density of employment uses immediately adjacent to the new Caltrain station, providing regional access to the Project site through public transit. The Project will include a robust TDM plan to achieve 40% mode shift through alternative modes of transportation, including various multimodal site improvements and employee incentives.
<i>i. Family-friendly (two- and three-bedroom units); and</i>	N/A – no residential units in project
<i>j. Other developer proposed incentives achieving a similar public benefit.</i>	The applicant is in negotiations with PG&E to cause overhead power lines connecting to the new Caltrain Traction Power Station to be undergrounded, as described in <u>Part I</u> . This will further City policies calling for undergrounding of new utility lines, and facilitate use of the Caltrain station plaza.

Please see the memorandum titled *580 Dubuque Public Benefits Analysis*, prepared by Economic & Planning Systems, Inc. and included as Attachment A, which provides an analysis of the proposed public benefits and other features identified above, in relation to the value created by the proposed FAR increase.

* * *

We look forward to working with you and City staff to reach agreement on the Project's proposed community benefits, and documenting them as appropriate through conditions of approval and/or a separate agreement. Please let us know of any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justine Nielsen", with a stylized, flowing script.

Justine Nielsen
Senior Vice President, Development

cc: Tony Rozzi, Chief Planner
Christopher Espiritu, Senior Planner
Sky Woodruff, City Attorney

ATTACHMENT A

580 Dubuque Public Benefits Analysis

MEMORANDUM

To: IQHQ, Inc.

CC: Jason Bredbury, VFR Advisors

From: Jason Moody, Benjamin C. Sigman, and Jake Cranor

Subject: 580 Dubuque Public Benefits Analysis #211129

Date: February 18, 2022

The Economics of Land Use



IQHQ, Inc. ("IQHQ") retained Economic and Planning Systems, Inc. ("EPS") to assess project economics and appropriate public benefit contributions for its proposed life science office/research and development ("R&D") project in the City of South San Francisco ("City"). IQHQ is proposing to develop an office/R&D building on an approximately 1.9-acre site located at 580 Dubuque Avenue ("Project"). Since the Project will exceed the maximum building square footage allowed under proposed zoning, the City may seek contributions to various public benefits as part of the entitlement process under the City's Increased Density and FAR Incentive Program. EPS has prepared a third-party analysis of the additional value created by the proposed increase in project density given the unique revenue and cost characteristics of the proposed development.

The site is anticipated to be rezoned to TO/RD, which comes with an allowable floor-to-area ratio (FAR) of 2.5. IQHQ is proposing a project with an FAR up to 3.4. The City's "Increased Density and FAR incentive Program" described in section 20.280.005 of the Municipal Code allows for an increase in allowable density if the applicant provides additional specific "public benefits" to the City. Though commercial developments have negotiated density increases in the past, the City's Increased Density and FAR Incentive Program does not prescribe a formula for determining the appropriate level of public benefits relative to the proposed density increase.

The financial feasibility factors relevant to determining an appropriate public benefit contribution from the proposed IQHQ project include the land use regulatory context relevant to the IQHQ project and the value creation from the IQHQ entitlement as proposed. In particular, EPS has compared the financial performance of IQHQ's proposed project (assuming the proposed TO/RD rezoning is approved), against that of a hypothetical "Regulatory Baseline" development at 2.5 FAR.

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EPS has evaluated the IQHQ Project from the perspective of a real estate investment based on financial parameters commonly used in the industry. EPS recognizes that there are other factors that may motivate IQHQ to pursue an “up-zoned” scenario, even if the financial return is below what might be achievable from a development that conforms with TO/RD zoning (after accounting for Community Benefit contributions). These factors may include, for example, attracting high caliber tenants, among other considerations. While legitimate, these additional considerations are difficult to quantify and thus outside the scope of this analysis.

Key Findings

1. The pro forma financial analysis presented in this memorandum indicates the increase in land value supported by the proposed development at 580 Dubuque to be approximately \$7.8 million.

The proposed project adds approximately 75,000 square feet of rentable building area over a hypothetical Regulatory Baseline project that might be developed without community benefits. While the proposed building creates about \$99 million more in value, development costs (excluding land) are about \$88 million higher. The increase in value from the proposed FAR bonus (over the “Regulatory Baseline” project) generates about \$7.8 million in new value. Based on EPS experience with community benefit agreements in California, the value creation associated with any discretionary entitlement is typically shared between the developer and the City, with a portion of the new value serving to motivate the developer to undertake a larger project. Thus, if City seeks to capture more than \$7.8 million in direct community benefit contributions, the applicant will no longer have a financial incentive to develop a larger project, all else being equal.

2. The subterranean parking configuration and need for increased site remediation required for a higher density development increases total development costs by nearly \$75 per square foot of rentable building space relative to the “Regulatory Baseline”.

The 255 parking spaces required for the by-right case can be accommodated by in an above-grade parking structure, which can be constructed for about \$50,000 per space. The proposed development would provide 350 parking spaces, which would represent a reduction from current standard parking requirements but would still necessitate much more costly below-grade parking. Such a configuration would cost approximately \$115,000 per space, which moderates the value created by increased density. In addition, there are \$3.2 million in additional costs associated with a higher level of remediation for contaminants on the property with subterranean parking.

3. In addition to any unique community benefits contributed by the Applicant, the proposed project will help South San Francisco absorb un-met demand in the regional life science office market and further establish its position as one of the premier locations in the United States.

South San Francisco is home to one of the most significant life sciences agglomerations in the world, with 11.5-million square feet of life sciences office space. Despite the inventory and pipeline of projects, supply for life science space is not keeping pace with demand, driving rents up to over \$7 per square foot per month. Facilitating increased density on sites zoned for R&D office space helps address this local supply constraint, while further cementing South San Francisco’s position at the forefront of biotech innovation.

Land Use Context

The IQHQ site is proposed to be included South San Francisco's Downtown Station Area Specific Plan and Transit Office / R&D Core (TO/RD) zoning district. According to the City's Land Use Element and Municipal Code, the allowable development intensity in this area is limited to a floor area ratio (FAR) of between 1.5 and 2.5. However, the code states that developers can receive an increase to the maximum FAR or maximum density with approval of a Conditional Use Permit by the City Council through the satisfaction of certain public benefits. Section 20.280.005 of the code states that:

To be eligible for an increase to the maximum FAR or density incentives under this subsection, the public benefits that are included as part of a development project must demonstrate a positive contribution that is above and beyond the minimum required impact fees and other requirements of the particular project.

The code goes on to list specific "preferences for public benefits to the Downtown community and the City" that may be considered eligible to support an FAR increase, including Local Hire program, public art, funding or construction of certain streetscape improvements, green building measures above those required by code, and transit subsidies/incentives. Given this regulatory context, EPS evaluated the additional development proposed by the IQHQ Project above and beyond what would be allowed "by-right." **Table 3** compares the level of development in IQHQ's proposed Project with a hypothetical by-right project under TO/RD zoning. Specifically, with input from IQHQ, EPS formulated a hypothetical office development scenario consistent with TO/RD zoning without utilizing the City's Increased Density and FAR Incentive Program ("Regulatory Baseline Project").

Currently, the City's code requires 2 parking spaces minimum per 1,000 square feet of R&D floor area in Downtown districts. IQHQ's Project would be approximately 283,000 square feet, which equates to an FAR of approximately 3.4. At this density, the current code would require approximately 520 parking spaces. The proposed Project seeks a discretionary reduction in parking, to allow for a ratio of 1.2 spaces per 1,000 square feet; this requires four stories of subterranean parking to accommodate 350 parking spaces.

By comparison, the Regulatory Baseline Project (i.e., a project that is consistent with the proposed TO/RD zoning of the site, without utilizing the City's Increased Density and FAR Incentive Program) is a 206,000 square foot building with an FAR of 2.5. Similar to the proposed Project, this scenario also assumes a life sciences tenant occupies the building. The Regulatory Baseline project's costs reflect this use and include tenant improvements that are similar to the proposed Project. Aside from being smaller in size, a key component of the Regulatory Baseline Project is that it allows for above-grade structured parking and, assuming the same discretionary reduction in parking to a 1.2/1000 ratio, requires approximately 255 parking spaces. The ability to accommodate the Regulatory Baseline Project's spaces in an above-grade structure has major implications for the potential value created by an increase in density, which is discussed in the "Cost Assumptions" subsection of this memorandum.

Table 1 Development Alternatives

	Regulatory Baseline	Proposed Project
Floor-to-Area Ratio	2.5	3.4
Gross Floor Area	206,000 Square Feet	283,000 Square Feet
Construction	Type 1 Life Science Occupancy	Type 1 Life Science Occupancy
Parking Stalls	255	350
Parking Type	Above-Grade Structure / Podium	Subterranean

Development Feasibility Analysis

The EPS pro forma financial analysis relies on a feasibility assessment of both the Regulatory Baseline and Proposed Project, as well as a sensitivity analysis that reflects a range of potential financial outcomes. This analysis uses the well-accepted static pro forma financial feasibility framework to estimate a residual land value and supportable community benefit value for each of the development alternatives (see text box below). The approach compares real estate development value at project stabilization (i.e., after project lease up is complete) with the cost of project development, all in 2022 dollars.

The pro forma financial analysis determines finished real estate value based on assumptions including market-supportable lease rates, operating costs, and a required yield-on-cost investment return.¹ Development cost assumptions reflect project-specific construction costs, typical project soft costs (e.g., architecture and engineering), City Permits and Fees, and an appropriate developer return on investment. The assumptions reflect EPS research, third-party data, and construction costs prepared by IQHQ.

The financial feasibility analysis assumes the minimum return on investment requirement that likely would be necessary to attract investors to the real estate investment opportunity. EPS believes speculative real estate development in the current market requires a yield on cost of about 6 percent, commensurate with the risk factors associated with such investments.

Cost Assumptions

For analytical purposes, both the Regulatory Baseline and Proposed project scenarios assume identical costs for site improvements and direct construction (on a per-square-foot basis), which are

¹ Yield-on-cost is equal to annual net property income divided by total development cost. It is a commonly used metric for required investment return on an income-generating property.

show in **Table A-1** and **Table A-2**. The major differences in direct costs between the two alternatives are in parking and site remediation costs. The above-grade structured parking in the Regulatory Baseline scenario is assumed to be \$50,000 per space for 255 spaces while the subterranean parking with automation for the proposed project is estimated to be around \$115,000 per stall. The higher cost of subterranean parking is due to the excavation and waterproofing necessitated by below-grade construction. The Regulatory Baseline scenario assumes total hard costs of \$561 per square foot of gross floor area, while the proposed project assumes \$644 per square foot of gross floor area.

With regard to soft costs, both scenarios assume a percentage of direct construction costs, with the exception of fees and marketing costs (the latter being on a square foot basis). Based on City staff input, EPS and IQHQ estimate that the Regulatory Baseline scenario would pay approximately \$12.2 million in development impact fees versus the \$16.8 million anticipated to be paid by the proposed Project. Other costs include contingency and tenant improvement costs. Contingency costs are estimated at 5 percent of total hard and soft costs, with the proposed Project having a higher contingency cost per square foot at \$38, relative to the Regulatory Baseline scenario's contingency assumption of \$35 per square foot. This is due to the higher parking cost in the proposed Project. Tenant improvement costs are assumed to be the same in both scenarios at \$165 per leasable square foot. When all costs are combined, the Regulatory Baseline scenario is estimated to have total development costs (excluding land) of \$963 per square foot, versus \$1,032 for the proposed Project.

Revenue Assumptions

EPS assumes rent of \$7.10 per square foot, in line with top-of-market rents in the area. The same rent is assumed in both the Regulatory Baseline and Proposed Project scenarios. Yield-on-cost, the required net operating income as a percent of development cost, is assumed to be 6 percent in both cases.

Results

Table 4 shows the estimated residual land value by project. While the proposed (higher FAR) scenario generates about \$99 million more in project value, much of this lift is offset by the increase in costs. Higher costs in the proposed project result from the subterranean parking configuration required to serve to proposed project, which is far more expensive than the above-grade parking structure accommodated by the Regulatory Baseline scenario. The analysis finds residual land value for the Regulatory Baseline program is about \$74.1 million, versus \$81.9 million with the proposed program. The increase in project density from 2.5 FAR to 3.4 FAR results in an estimated increase in residual land value of \$7.8 million.

Table 4 Estimated Residual Land Value by Scenario

	Regulatory Baseline Project	Proposed Project	Difference
Estimated Building Value	\$272,663,000	\$374,132,000	\$101,469,000
Estimated Project Cost	<u>(\$198,563,000)</u>	<u>(\$292,183,000)</u>	<u>(\$93,620,000)</u>
Estimated Land Value	\$74,100,000	\$81,949,000	\$7,849,000

“Public Benefit” Project Enhancements

IQHQ’s proposed project includes improvements and commitments that may be used to satisfy requirements for community benefit to achieve an FAR bonus, per the City’s Municipal Code. Specifically, the proposal is to develop the project using union labor (including local hire), to fully electrify the project, to incorporate enhanced public art on site, and to fit out the adjacent street scape to an elevated standard. Each of these project elements are listed as eligible “public benefit” contributions in the City’s Municipal Code.

Table 5 presents a valuation of potential on-site project enhancements, based on cost information provided to EPS by IQHQ. Together, including direct and soft costs, the estimated costs of these features is approximately \$17.2 million. The additional cost associated with these project enhancements are included within the financial analysis (i.e., factored into the project construction costs summarized in Appendix A). These costs are isolated here for informational purposes, to provide context for the value of the project’s contributions in connection with the City’s Increased Density and FAR Incentive Program.

Table 5 Project Enhancements

Improvement	Total Cost	Cost per SF
Union Labor (including local hire)	\$12,000,000	\$42.40
Green Building/Electrification	\$2,450,000	\$8.66
Public Art	\$1,700,000	\$6.01
Streetscape Improvements	<u>\$1,000,000</u>	<u>\$3.53</u>
Total	\$17,150,000	\$60.60

Source IQHQ



APPENDIX A

Table A-1 Regulatory Baseline Project Pro Forma Financial Analysis Summary

DEVELOPMENT PROGRAM ASSUMPTIONS				
Net Development Site (Square Feet)				82,499
FAR				2.5
Gross Building Area (Square Feet)				206,248
Rentable Building Area (Square Feet)	100%	of GBA		206,248
Parking Spaces (Structured)	1.2	per 1,000 SF		255
PROJECT OPERATING INCOME (ANNUAL)			PER GBA	TOTAL
Gross Potential Rent	\$7.10	per SF/Month (NNN)	\$85	\$17,572,287
Gross Potential Parking Income	\$0.00	per Space/Month	\$0	\$0
Losses to Vacancy	5.0%	of GPR	-\$4	<u>-\$878,614</u>
Gross Office Revenue			\$81	\$16,693,673
Operating Expenses	2.0%	of Gross Revenue	-\$2	-\$333,873
Net Operating Income			\$79	\$16,359,799
Supportable Development Cost	6.00%	Project Yield Rate	\$1,322	\$272,663,320
PROJECT DEVELOPMENT COSTS			PER GBA	TOTAL
Construction Costs				
Site Preparation and Site Improvements	\$38	Cost/SF (Site Area)	\$15	\$3,134,962
Site Remediation	\$10	Cost/SF (Site Area)	\$4	\$824,990
Building Direct Cost	\$479	Cost/SF (GBA)	\$479	\$98,889,616
Structured Parking Direct Cost	\$50,000	per Space	<u>\$62</u>	<u>\$12,753,821</u>
<i>Total Construction Cost</i>			<i>\$561</i>	<i>\$115,603,389</i>
Soft Costs				
Impact Fees		Calculated by IQHQ	\$59	\$12,243,668
Public Art	1%	of Construction Cost	\$5	\$1,078,300
Permits and Other Fees	1%	of Construction Cost	\$6	\$1,225,396
Architecture and Engineering	4%	of Construction Cost	\$22	\$4,566,334
Other Professional Services	1%	of Construction Cost	\$7	\$1,421,922
Taxes and Insurance	5%	of Construction Cost	\$26	\$5,455,659
Financing	6%	of Construction Cost	\$34	\$6,936,203
Marketing/Leasing	\$20	Cost/SF (GBA)	\$20	\$4,124,950
Developer Fee	4%	of Construction Cost	<u>\$22</u>	<u>\$4,624,136</u>
<i>Total Soft Costs</i>			<i>\$202</i>	<i>\$41,676,567</i>
Other Project Costs				
Tenant Improvement Cost	\$165	Cost/SF (RBA)	\$165	\$34,030,838
Development Contingency [1]	5.0%	of Construction & Soft Cost	\$35	\$7,251,814
<i>Total Other Costs</i>			<i>\$200</i>	<i>\$41,282,652</i>
Total Project Cost Excluding Land			\$963	\$198,562,608
Residual Land Value			\$359	\$74,100,712

[1] Contingency calculation excludes impact fees.

Table A-2 Proposed Development Pro Forma Financial Analysis Summary

DEVELOPMENT PROGRAM ASSUMPTIONS				
Net Development Site (Square Feet)				82,499
FAR				3.4
Gross Building Area (Square Feet)				283,000
Rentable Building Area (Square Feet)	100%	of GBA		283,000
Parking Spaces (Subterranean)	1.2	per 1,000 SF		350
PROJECT OPERATING INCOME (ANNUAL)			PER GBA	TOTAL
Gross Potential Rent	\$7.10	per SF/Month (NNN)	\$85	\$24,111,600
Gross Potential Parking Income	\$0.00	per Space/Month	\$0	\$0
Losses to Vacancy	5.0%	of GPR	-\$4	<u>-\$1,205,580</u>
Gross Office Revenue			\$81	\$22,906,020
Operating Expenses	2.00%	of Gross Revenue	-\$2	-\$458,120
Net Operating Income			\$79	\$22,447,900
Supportable Development Cost	6.00%	Project Yield Rate	\$1,322	\$374,131,660
PROJECT DEVELOPMENT COSTS			PER GBA	TOTAL
Construction Costs				
Site Preparation and Site Improvements	\$38	Cost/SF (Site Area)	\$11	\$3,134,962
Site Remediation	\$39	Cost/SF (Site Area)	\$11	\$3,180,000
Building Direct Cost	\$479	Cost/SF (GBA)	\$479	\$135,690,185
Subterranean Parking Direct Cost	\$115,000	per Space	<u>\$142</u>	<u>\$40,250,000</u>
<i>Total Construction Cost</i>			<i>\$644</i>	<i>\$182,255,147</i>
Soft Costs				
Impact Fees	Calculated by IQHQ		\$59	\$16,800,000
Public Art	1%	of Construction Cost	\$6	\$1,700,000
Permits and Other Fees	1%	of Construction Cost	\$5	\$1,436,938
Architecture and Engineering	4%	of Construction Cost	\$19	\$5,354,626
Other Professional Services	1%	of Construction Cost	\$6	\$1,667,390
Taxes and Insurance	5%	of Construction Cost	\$22	\$6,167,663
Financing	6%	of Construction Cost	\$29	\$8,133,609
Marketing/Leasing	\$20	Cost/SF (GBA)	\$20	\$5,660,000
Developer Fee	4%	of Construction Cost	<u>\$19</u>	<u>\$5,422,406</u>
<i>Total Soft Costs</i>			<i>\$185</i>	<i>\$52,342,631</i>
Other Project Costs				
Tenant Improvement Cost	\$165	Cost/SF (RBA)	\$165	\$46,695,000
Development Contingency	5.0%	of Construction & Soft Co	<u>\$38</u>	<u>\$10,889,889</u>
<i>Total Other Costs</i>			<i>\$203</i>	<i>\$57,584,889</i>
Total Project Cost Excluding Land			\$1,032	\$292,182,667
Residual Land Value			\$290	\$81,948,993

[1] Contingency calculation excludes impact fees.