

May 26th, 2022

By Email: Billy.Gross@ssf.net

Billy Gross
Principal Planner
City of South San Francisco
400 Grand Ave.
South San Francisco, CA 94080

RE: PROPOSED COMMUNITY BENEFITS FOR 121 E GRAND AVE – FINAL:

Dear Mr. Gross:

On behalf of OCI San Fran, LLC (“Applicant”, “Owner”), an affiliate of Phase 3 Real Estate Partners, Inc. (“P3RE”), the purpose of this letter is to memorialize a package of community benefits associated with the development of 121 E Grand Avenue (“Project”). The Project proposes to replace the existing Comfort Inn and Suites with a 17-story, 940,000 square foot infill, transit-oriented, and amenity-enhanced office & research development campus that embraces its location as the gateway from the new Caltrain station to the East of 101.

The Project seeks approval of a Floor Area Ratio (FAR) of up to 7.4. This exceeds the maximum 2.5 FAR allowed by right within the current Downtown Station Area Specific Plan District, Transit Office/R&D Core subdistrict and the future East of 101 Transit Core identified in the proposed 2040 General Plan. However, the City may approve increased FAR up to 8.0 FAR in the future East of 101 Transit Core subdistrict with an appropriate community benefits package.

The Project will provide substantial benefits on-site as well as a direct financial contribution to support City capital improvement priorities. As described below, the total value of the community benefits provided is estimated at **\$30,150,000**. This value is composed of three major components: a direct funding contribution, a commitment to LEED Gold and 100% electrification, and support of the City’s formation of a Community Facilities District demonstrated by a prepayment of the Project’s obligations under the proposed CFD.

In addition to the community benefits above, the Project team estimates the impact fees from the Project to be **\$58,600,000**. The design of the Project also features areas specifically designed to welcome and benefit the community, including multiple outdoor plazas, meeting spaces, retail options, a gym/wellness studio, and a restaurant/café. The total sum contributions support the approval of the Project’s request for a Floor Area Ratio of up to 8.0 as proposed in the Preferred Alternate of the South San Francisco General Plan (www.shapessf.com).

Financial Community Benefits

1. Direct Funding Contribution.

The Applicant will provide a direct contribution to the City in the amount of **\$10,000,000**. The Applicant would intend that these funds be utilized at the City's discretion to complete capital improvement projects within the City of South San Francisco. The Applicant will deposit \$6,000,000 with the City prior to the issuance of building permits. The remaining \$4,000,000 will be deposited with the City prior to the issuance of a Certificate of Occupancy. It is anticipated that a significant portion of this contribution (estimated at \$6.6 million) would be utilized for plaza and corridor improvements surrounding the new Caltrain station.

2. LEED Gold and Building Electrification

The Applicant is committed to meeting significant sustainability measures beyond base code requirements with an estimated value of **\$7,250,000**. The Project will meet the requirements of LEED Gold Certification and is committed to 100% electrification of the building consistent with the City's Climate Action Plan. The costs of meeting LEED Gold requirements for the initial development are approximated as a 1% premium of building costs, or \$5,000,000. The cost of 100% electrification is estimated to be approximately \$4,500,000; we understand the City will consider half of this cost - \$2,250,00 - as a community benefit.

3. Community Facilities District

The Applicant will support the formation of a Community Facilities District (CFD) serving the East of 101 district and prepay the value of its obligations under the CFD, estimated to be **\$12,900,000**. The calculation of this amount was prepared by Economic & Planning Systems and relies on the assumption that the CFD Assessment Rate will be one dollar (\$1.00) per square foot of assessable real property and administered equivalently to other office/R&D properties in the East of 101 area. This contribution would meet the Applicant's financial obligations under the CFD. The Applicant will still participate in public hearings and negotiations regarding the CFD and proposed services/facilities to be funded by the CFD proceeds. The Applicant would pay the estimated CFD in two equal payments: the first \$6,450,000 will be paid prior to issuance of the building permit and the remaining \$6,450,000 once the CFD is adopted.

4. Summary of Community Benefits

Direct Funding Contribution	\$10,000,000
LEED Gold and Building Electrification	\$7,250,000
Community Facilities District	\$12,900,000
Total	\$30,150,000

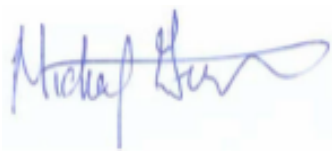
Additional Community Benefits

Attached is a table that summarizes the Applicant and Project's intended contributions per Municipal Code section 20.280.005(A). **(Attachment A)** A series of images also provides the context of various areas of Public access and benefit are incorporated into the design of the Project. **(Attachment B)**

This letter is being provided in addition to the analysis performed by Economic & Planning Systems (EPS). Included as **Attachment C**, EPS reviews the proposed benefits and other features that are created by the proposed FAR increase.

We are proud of our history partnering together on building iconic and special projects that deliver exciting benefits to the community while also advancing the mission of so many important companies. We look forward to working with you and City Staff on documenting the proposed community benefits through conditions of approval and/or a separate agreement. Please do not hesitate to reach out with questions or clarifications.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Gerrity", is positioned above the printed name.

Michael Gerrity

President
Phase 3 Real Estate Partners, Inc.
OCI San Fran, LLC.

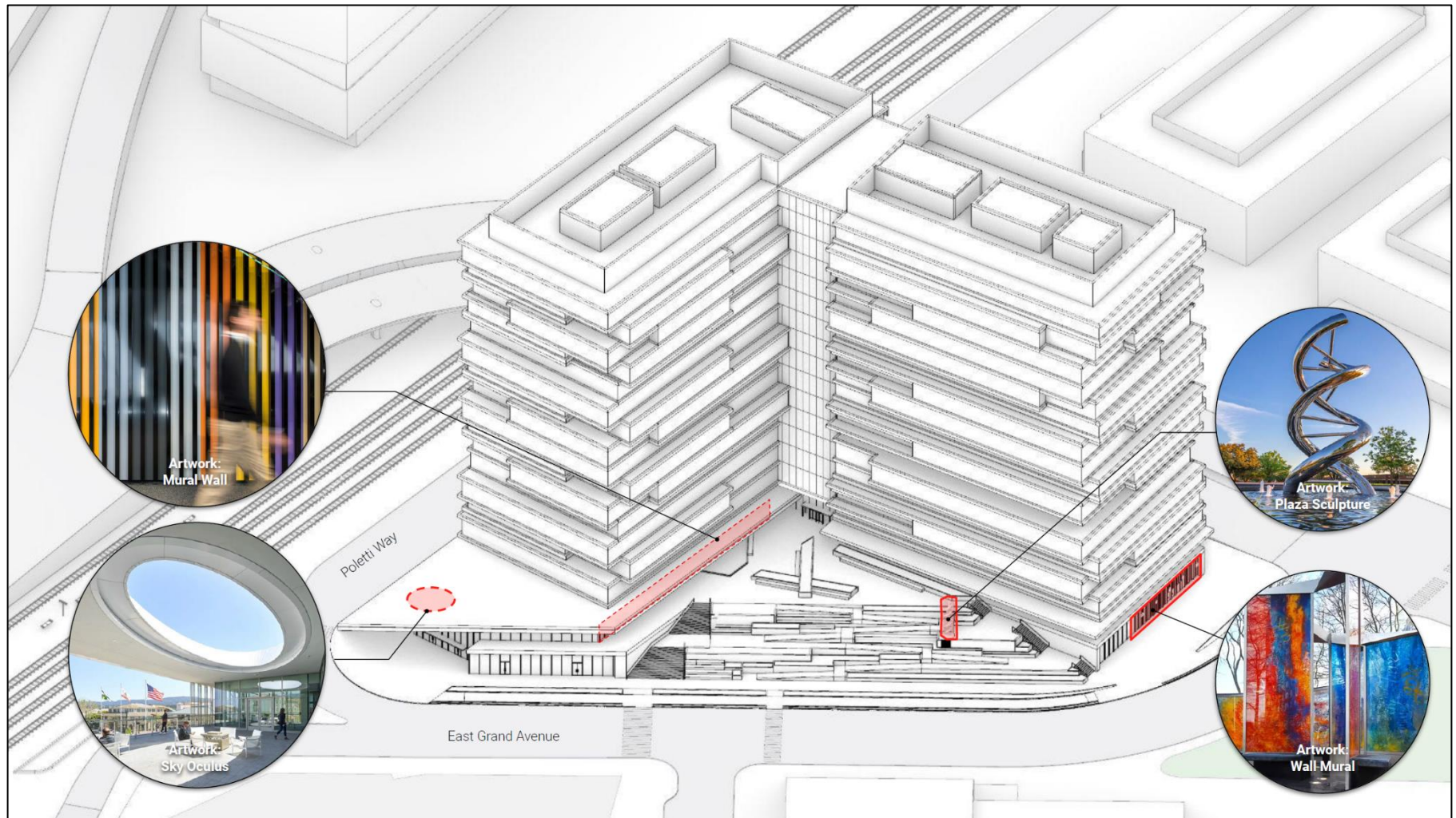
ATTACHMENT A

MUNICIPAL CODE SECTION 20.280.005(A) – SUMMARY TABLE

Eligible Public Benefit	South City Station Project Contribution
<i>a. 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.
<i>b. Public art;</i>	The Project will exceed the City-mandated public art fee requirement by providing on-site public art installations. A rendering of the locations of the public art follows.
<i>c. Funding or construction of local streetscape enhancements as identified in the Downtown Station Area Specific Plan;</i>	The Project includes a generous bike and pedestrian path along E Grand. A rendering and elevation of the bike and pedestrian path follows in Attachment C.
<i>d. Funding for enhanced public spaces;</i>	The Project is creating a series of public plazas and terraced gardens. A rendering of these plaza follows in Attachment C.
<i>e. Funding for public safety facilities, community meeting rooms, child care or similar;</i>	The Project will include pre-function space and a conference center of approximately 18,300 square feet which will be available for a fee to the public. The applicant will commit to allowing the City to utilize the event facilities once per quarter at no charge. A floor plan identifying the conference center and prefunction space is included in Attachment C.
<i>f. Tenant space for local businesses or existing businesses in need of relocation;</i>	None dedicated; however, the Project will include approximately 36,000 square feet of retail, café/restaurant, and gym/wellness 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. The Project will also commit to 100% electrification as stated previously.
<i>h. Transit subsidy or other incentives for residents and/or employees;</i>	The Project will propose a robust TDM plan to achieve 47.5% 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 Project is designed to be an effective connection between the Caltrain Station and the East of 101. A series of plazas, generous walkways, bike lanes, bike storage and parking, sitting areas and amenities creates a welcoming environment for the community and Caltrain riders as they travel through the area.

ATTACHMENT B

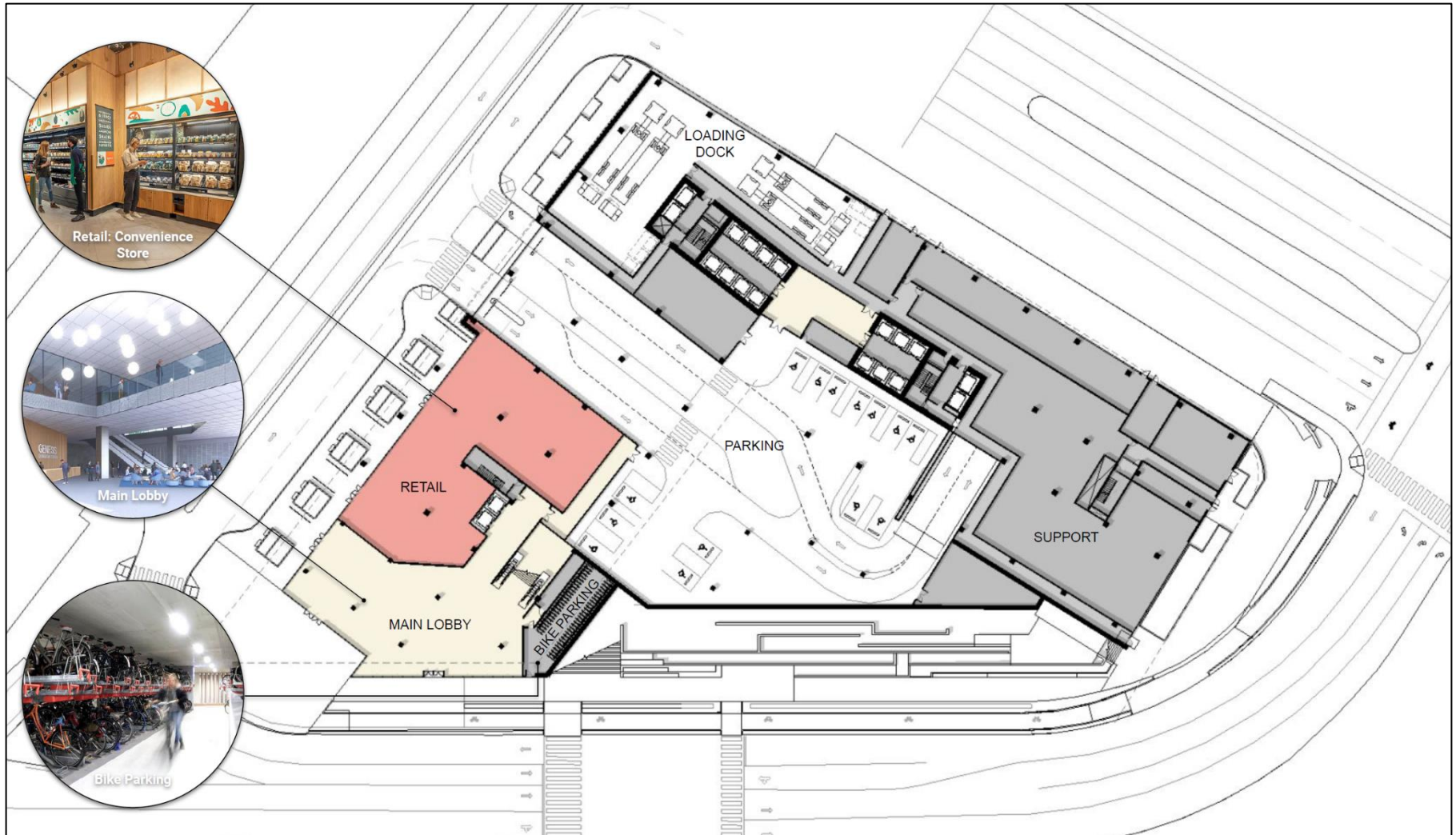
PUBLIC ART LOCATIONS



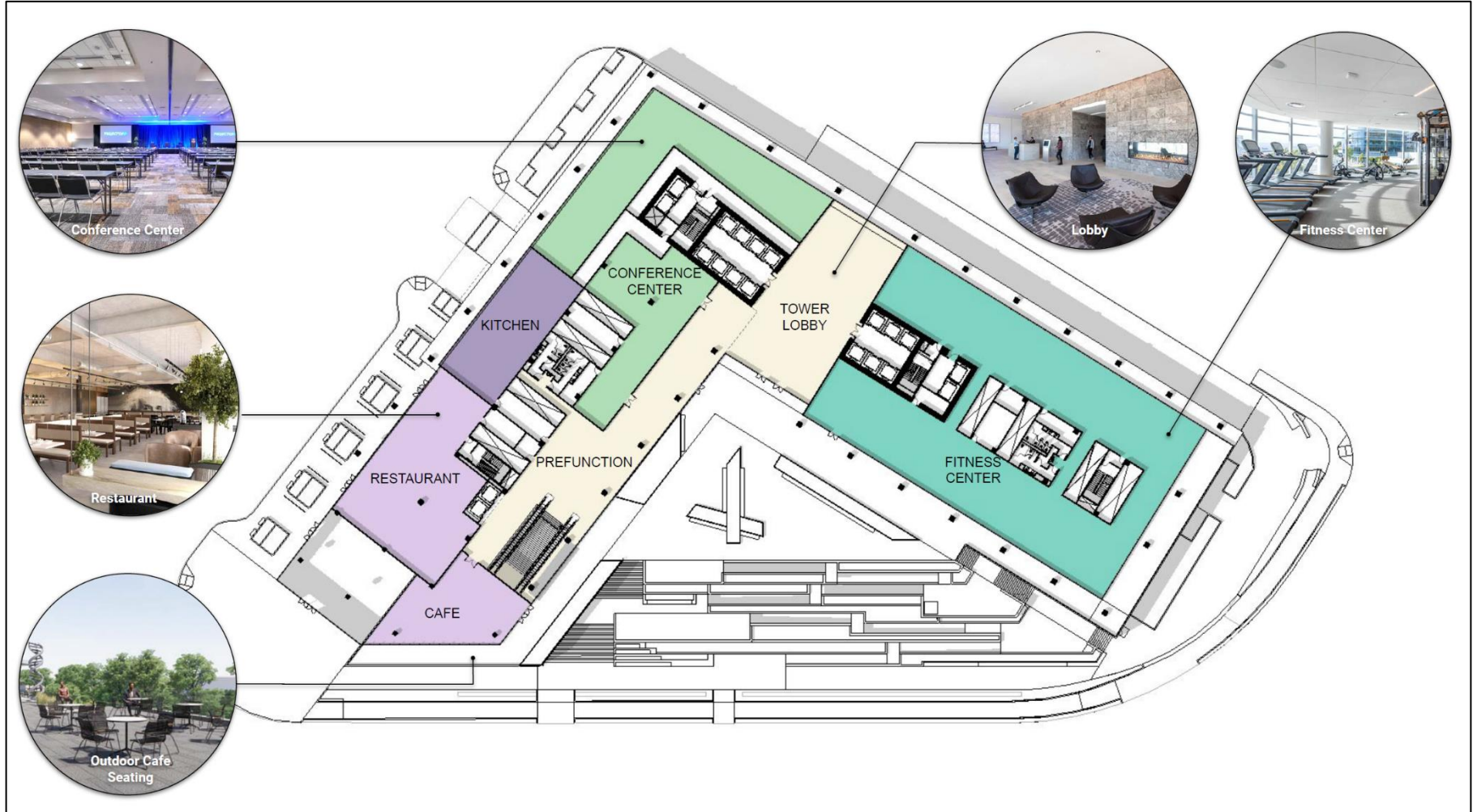
PLAZAS, PEDESTRIAN AND BICYCLE PATHS



RETAIL, CONFERENCE, RESTAURANT/CAFE AND GYM/WELLNESS SPACE FLOOR 1



RETAIL, CONFERENCE, RESTAURANT/CAFE AND GYM/WELLNESS SPACE FLOOR 2



MEMORANDUM

To: Phase 3 Real Estate Partners
From: Jason Moody and Benjamin C. Sigman
Subject: 121 East Grand Public Benefits Analysis #211068
Date: May 23, 2022

The Economics of Land Use



Phase 3 Real Estate Partners ("Phase 3") retained Economic and Planning Systems, Inc. ("EPS") to assess project economics and appropriate public benefit contributions for its proposed biomedical office development in the City of South San Francisco ("City"). Phase 3 is proposing to develop a biomedical office project on an approximately 2.9-acre site located at 121 East Grand Avenue, adjacent to the South San Francisco Caltrain station ("Project"). Since the Project will exceed the maximum building square footage allowed under current zoning, the City may seek contributions to various public benefits as part of the entitlement process. This analysis provides information to support sizing an appropriate public benefit contribution, based on the unique revenue and cost characteristics of the proposed development Project.

While the site currently is zoned for research and development office space, the maximum allowable floor-to-area ratio (FAR) on the site is 2.5, compared to the denser 7.4 FAR sought by Phase 3. However, the City's "Increased Density and FAR incentive Program" described in the Municipal Code allows for an increase in allowable density if the applicant can demonstrate that the City will receive specific public benefits. Though commercial developments have negotiated density increases in the past, the City does not have formal, established metrics for determining the appropriate level of public benefits.

This memorandum provides real estate market and financial feasibility factors relevant to determining an appropriate public benefit contribution from the Phase 3 project. These factors include (1) the land use regulatory context relevant to the Phase 3 project, (2) real estate market conditions for life sciences projects in South San Francisco, (3) the amount and type of development impact fees to be paid by the Phase 3 project, and (3) the value creation from the Phase 3 entitlement as proposed, over the baseline development allowance for the site.

*Economic & Planning Systems, Inc.
1330 Broadway
Suite 450
Oakland, CA 94612
510 841 9190 tel*

*Oakland
Sacramento
Denver
Los Angeles*

www.epsys.com

Key Findings

1. **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 premiere 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 vast inventory and pipeline of projects, supply for life science space is not keeping pace with demand, driving rents to more than \$7 per square foot. 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.

2. **The pro forma financial analysis presented in this memorandum indicates that the increased land value supported by high-rise development at 121 East Grand could be as high as \$39.6 million under an "upside" scenario.**

The value creation estimate reflects rent potential of \$7.10 per square foot. At this rent level, the increase in value from the proposed density bonus (over the "baseline" project) generates about \$39.6 million in new value. When an estimate of current-market land cost is included in the proposed project pro forma financial analysis (using the baseline residual land value under the midpoint value assumption), value creation also is shown to be equal to \$39.6 million. However, this value creation must be shared between the developer and the City, with a portion of the new value serving to motivate the developer to undertake a larger project. If the City sought to capture all of the value created by the density increase, the developer loses the incentive to take on the larger project.

3. **The subterranean parking configuration required for a higher density development increases total development costs by nearly \$100 per building square foot.**

The 475 parking spaces required for the by-right case can be accommodated by an above-grade parking structure, which can be constructed for about \$50,000 per space. The proposed development would be required to provide 1,410 parking spaces, which would necessitate much more costly below-grade parking and an accompanying automated parking system. Such a configuration would cost approximately \$115,000 per space, which moderates the value creation from increased density.

4. **The City's recent adoption of additional impact fees requires 121 East Grand to pay far more in development impact fees than previous life science developments that contributed community benefits.**

The City most recently updated its impact fees in July 2021, with the new schedule requiring Phase 3's proposed project to pay about \$62 per gross square foot of building space. Some fees have more than doubled since 2018, such as the childcare and the public safety impact fees. Other fees have only recently been introduced, such as the commercial linkage fee (adopted 2018) and citywide transportation fee (adopted 2020), which combined account for over \$45 per square foot. As a result, the proposed Project will make a significant community investment through payment of impact fees, totaling approximately \$59 million.

5. **The proposed project will participate in a Community Facilities District (CFD) serving the area East of 101 and will prepay its obligation, which is estimated to be \$12,900,000.**

The prepayment calculation assumes an annual CFD special tax of \$1.00 per square foot is charged on 940,000 square feet of gross space at 121 East Grand. Rather than pay \$940,000 per year over the 30-year life of the CFD, EPS calculates the present value of the CFD obligation at \$12.9 million using a 6 percent annual discount rate.

Land Use Context

The Phase 3 site is within South San Francisco's Downtown Station Area Specific Plan and Transit Office / R&D Core Commercial Area. 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 indicates 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 a certain public/community benefits. Chapter 20, Sub-Section 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.

Given this regulatory context, EPS evaluated the additional development proposed by the Phase 3 Project above and beyond what would be allowed "by right." **Table 3** compares the level of development in Phase 3's proposed Project with a hypothetical by-right project. Specifically, with input from Phase 3, EPS formulated a hypothetical office development scenario consistent with current zoning and not subject to approval by the City Council through a Conditional Use Permit.

Phase 3's proposed development would be 940,000 square feet, which equates to an FAR of 7.4. At this density, the proposed Project requires three stories of subterranean parking to accommodate 1,410 required parking spaces and uses an automated parking system to improve parking efficiency. By comparison, the by-right base development scenario presents a project that is consistent with the current zoning of the site, without need for conditional approval. The base development scenario is a 317,000 square foot building, which equates to an FAR of 2.5. Similar to the proposed project, this scenario also assumes a life sciences tenant occupies the building. The 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 feature of the base case alternative is that it allows for above-grade structured parking and requires just 475 total spaces. This parking configuration has major implications for the potential value created by an increased in density, which is discussed in the "Cost Assumptions" subsection of this memorandum.

Table 1 Development Alternatives

	Regulatory Baseline	Proposed Project
Floor-Area Ratio	2.5	7.4
Gross Building Area	317,000 Square Feet	940,000 Square Feet
Construction	Type I Life Science Occupancy	Type I Life Science Occupancy
Parking Stalls	475	1,410
Parking Type	Above-Grade Structure / Podium	Subterranean with Automation

Life Sciences Market in South San Francisco

South San Francisco has emerged as one of the premier life sciences office markets in the United States. The City's website notes that there are currently over 200 biotech companies located within its borders, occupying approximately 11.5-million square feet of research and development office space. While South San Francisco has one of the largest life science space inventories in the nation, vacancy is only 5.0 percent, according to Cushman and Wakefield's Bay Area Life Science Market Overview for Q1 2021. This is far lower than the life science vacancy rate in Santa Clara County (17.4 percent), and in the East Bay (12.5 percent). Such strong demand for life science office space on the Peninsula has led to an upward pressure on rents. As shown in **Table 2**, an additional half million square feet of new biotech space has been absorbed in 2021 in South San Francisco, with rents of \$6.50 per square feet and above.

Table 2 2021 Life Science Leases in South San Francisco

Lease Signed	Building Size (SF)	Class	Rent/SF
LOI	230,000	A	\$6.50
LOI	135,000	A	\$6.75
LOI	N/A	A	\$7.45
Q3 2021	31,000	B	\$6.50
Q2 2021	<u>140,000</u>	A	\$6.60
Total	536,000		

Source: Phase 3 Real Estate Partners; EPS

Development Impact Fees from Phase 3

Given the City's impact fees for R&D space increased to over \$60 per square foot in 2021, any increase in density is accompanied by a much steeper increase in the total amount of impact fee contributions relative to previous years. **Table 3** shows that the regulatory Baseline Scenario would be charged about \$61.63 per foot, or about \$20 million for the entire project. The Proposed Project would be charged \$62.33 per square foot, nearly \$59 million for the entire project. The City will receive more than \$39 million in additional impact fees from the proposed project relative to the Regulatory Baseline. The difference in the per-square-foot rates is due to fees that are levied as a percent of total cost, relative to strictly on a square foot basis. **Table A-4** shows a detailed breakdown of the City's updated impact fees.

Table 3 Development Impact Fee Contribution by Scenario

	Regulatory Baseline	Proposed Project
Gross Building Area (SF)	316,973	940,179
Development Impact Fees per SF	<u>\$61.63</u>	<u>\$62.33</u>
Total Impact Fee Payment	\$19,533,454	\$58,603,680

Source: City of South San Francisco; Phase 3 Real Estate Partners; EPS

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, in 2022 dollars.

The analysis determines finished real estate value based on assumptions including market-supportable lease rates, operating costs, and required yield-on-cost.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 Phase 3.

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.

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

Cost Assumptions

Both scenarios assume identical costs for site improvements, offsite infrastructure, and direct construction, which are shown in **Table A-1** and **Table A-2**. The major difference in hard costs between the two alternatives is for parking. Hard costs for the office space (excluding garages) for both the base and Proposed project are assumed to be \$700 per square foot. However, the above-grade structured parking in the base case scenario is assumed to be \$50,000 per space for 475 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, below-grade construction, and the required machinery for automated parking. On a per-square-foot basis, the base case scenario assumes total hard costs of \$726 per square foot of gross building area, while the proposed project assumes \$805 per square foot of gross building area.

With regard to soft costs, both scenarios assume identical proportions of soft costs to hard costs for most categories, with the exception of fees. Based on City staff input, EPS and Phase 3 estimate that the base case scenario would pay approximately \$59 million in development impact fees, as described above. Additionally, because contingency costs are estimated at 7.5 percent of total hard and soft costs, the proposed project has a higher contingency cost per square foot at \$75, relative to the base case's contingency assumption of \$68 per square foot. When all costs are combined, the base case scenario is estimated to have total development costs (excluding land) of \$1,034 per square foot, versus \$1,139 for the proposed Project.

Revenue Assumptions

EPS assumes rent per square foot of \$7.10 per square foot, consistent with top-of-market rents in the area. The same rent range is assumed in both the by-right and proposed development 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 (up-zoned) scenario generates about \$783 million more in value, much of this lift is offset by the increase in costs. This is due to the subterranean parking configuration required to serve the proposed project, which is far more expensive than the above-grade parking structure accommodated by the baseline scenario. This results in an estimated increase in residual land value of \$39.6 million.

When current-market land value is included in the proposed project pro forma financial analysis (using the baseline residual land value under the midpoint value assumption), value creation also is shown to be equal to \$39.6 million. Appendix **Table A-3** presents pro forma financial feasibility calculations that verify the estimate of value created when land cost is included as an input to the analysis. This value creation must be shared between the developer and the City, with a portion of the new value serving to motivate the developer to undertake a larger project. If the City sought to capture all of the value created by the density increase, the developer would no longer be incentivized to take on the larger project. EPS observes that other cities, such as Menlo Park, have codified an equal (50/50) distribution of value creation as an appropriate value contribution to incentivize higher density development.

Table 4 Estimated Residual Land Value by Scenario

	Base Program	Up-Zoned Program	Difference
Estimated Building Value	\$398,092,000	\$1,180,789,000	\$782,697,000
Estimated Project Cost	<u>(\$327,825,000)</u>	<u>(\$1,070,884,000)</u>	<u>(\$743,059,000)</u>
Estimated Land Value	\$70,267,000	\$109,905,000	\$39,638,000



APPENDIX A

Table A-1 By-Right Base Case Pro Forma Financial Analysis Summary

DEVELOPMENT PROGRAM ASSUMPTIONS				
Net Development Site (Square Feet)				126,789
FAR				2.5
Gross Building Area (Square Feet)				316,973
Rentable Building Area (Square Feet)	95%	of GBA		301,124
Parking Spaces	1.5	per 1,000 SF		475
PROJECT OPERATING INCOME (ANNUAL)			PER GBA	TOTAL
Gross Potential Rent	\$7.10	per SF/Month (NNN)	\$81	\$25,655,754
Gross Potential Parking Income	\$0.00	per Space/Month	\$0	\$0
Losses to Vacancy	5.0%	of GPR	-\$4	<u>-\$1,282,788</u>
Gross Office Revenue			\$77	\$24,372,966
Operating Expenses	2.0%	of Gross Revenue	-\$2	-\$487,459
Net Operating Income			\$75	\$23,885,507
Supportable Development Cost	6.00%	Project Yield Rate	\$1,256	\$398,091,785
PROJECT DEVELOPMENT COSTS			PER GBA	TOTAL
Construction Costs				
Site Preparation and Site Improvements	\$66	Cost/SF (Site Area)	\$27	\$8,417,358
Off-Site Infrastructure	\$4	Cost/SF (GBA)	\$4	\$1,296,126
Building Direct Cost	\$430	Cost/SF (GBA)	\$430	\$136,298,175
Tenant Improvement Cost	\$200	Cost/SF (RBA)	\$190	\$60,224,775
Structured Parking Direct Cost	\$50,000	per Space	<u>\$75</u>	<u>\$23,750,000</u>
<i>Total Construction Cost</i>			<i>\$726</i>	<i>\$229,986,434</i>
Soft Costs				
Impact Fees		See 'Fees' Tab	\$62	\$19,533,454
Permits and Other Fees	2.0%	of Construction Cost	\$15	\$4,599,729
Architecture and Engineering	4.0%	of Construction Cost	\$29	\$9,199,457
Other Professional Services	1.0%	of Construction Cost	\$7	\$2,299,864
Taxes, Insurance, & Other Carry Costs	2.0%	of Construction Cost	\$15	\$4,599,729
Financing	8.25%	of Construction Cost	\$60	\$18,973,881
Marketing/Leasing	\$25	Cost/SF (GBA)	\$25	\$7,924,313
Developer Fee	4.0%	of Construction Cost	<u>\$29</u>	<u>\$9,199,457</u>
<i>Total Soft Costs</i>			<i>\$241</i>	<i>\$76,329,883</i>
Other Project Costs				
Development Contingency [1]	7.5%	of Construction & Soft Costs	\$68	\$21,508,715
<i>Total Other Costs</i>			<i>\$68</i>	<i>\$21,508,715</i>
Total Project Cost Excluding Land			\$1,034	\$327,825,031
Residual Land Value			\$222	\$70,266,754

[1] Contingency calculation excludes impact fees.

Table A-2 Proposed Development Pro Forma Financial Analysis Summary

DEVELOPMENT PROGRAM ASSUMPTIONS				
Net Development Site (Square Feet)				126,789
FAR				7.4
Gross Building Area (Square Feet)				940,179
Rentable Building Area (Square Feet)	95%	of GBA		893,170
Parking Spaces	1.5	per 1,000 SF		1,410
PROJECT OPERATING INCOME (ANNUAL)			PER GBA	TOTAL
Gross Potential Rent	\$7.10	per SF/Month (NNN)	\$81	\$76,098,088
Gross Potential Parking Income	\$0.00	per Space/Month	\$0	\$0
Losses to Vacancy	5.0%	of GPR	-\$4	<u>-\$3,804,904</u>
Gross Office Revenue			\$77	\$72,293,184
Operating Expenses	2.00%	of Gross Revenue	-\$2	-\$1,445,864
Net Operating Income			\$75	\$70,847,320
Supportable Development Cost	6.00%	Project Yield Rate	\$1,256	\$1,180,788,670
PROJECT DEVELOPMENT COSTS			PER GBA	TOTAL
Construction Costs				
Site Preparation and Site Improvements	\$66	Cost/SF (Site Area)	\$9	\$8,417,358
Off-Site Infrastructure	\$4	Cost/SF (GBA)	\$4	\$3,325,000
Building Direct Cost	\$430	Cost/SF (GBA)	\$430	\$404,276,970
Tenant Improvement Cost	\$200	Cost/SF (RBA)	\$190	\$178,634,010
Parking Direct Cost	\$115,308	per Space	<u>\$173</u>	<u>\$162,584,764</u>
<i>Total Construction Cost</i>			<i>\$805</i>	<i>\$757,238,102</i>
Soft Costs				
Impact Fees		See 'Fees' Tab	\$62	\$58,603,680
Permits and Other Fees	2.0%	of Construction Cost	\$16	\$15,144,762
Architecture and Engineering	4.0%	of Construction Cost	\$32	\$30,289,524
Other Professional Services	1.0%	of Construction Cost	\$8	\$7,572,381
Taxes, Insurance, & Other Carry Costs	2.0%	of Construction Cost	\$16	\$15,144,762
Financing	8.25%	of Construction Cost	\$66	\$62,472,143
Marketing/Leasing	\$25	Cost/SF (GBA)	\$25	\$23,504,475
Developer Fee	4.0%	of Construction Cost	<u>\$32</u>	<u>\$30,289,524</u>
<i>Total Soft Costs</i>			<i>\$258</i>	<i>\$243,021,252</i>
Other Project Costs				
Development Contingency	7.5%	of Construction & Soft Cos	\$75	\$70,624,175
<i>Total Other Costs</i>			<i>\$75</i>	<i>\$70,624,175</i>
Total Project Cost Excluding Land			\$1,139	\$1,070,883,529
Residual Land Value			\$117	\$109,905,141

[1] Contingency calculation excludes impact fees.

Table A-3 Proposed Development Pro Forma Financial Analysis with Land Cost

DEVELOPMENT PROGRAM ASSUMPTIONS				
Net Development Site (Square Feet)				126,789
FAR				7.4
Gross Building Area (Square Feet)				940,179
Rentable Building Area (Square Feet)	95%	of GBA		893,170
Parking Spaces	1.5	per 1,000 SF		1,410
PROJECT OPERATING INCOME (ANNUAL)			PER GBA	TOTAL
Gross Potential Rent	\$7.10	per SF/Month (NNN)	\$81	\$76,098,088
Gross Potential Parking Income	\$0.00	per Space/Month	\$0	\$0
Losses to Vacancy	5.0%	of GPR	-\$4	<u>-\$3,804,904</u>
Gross Office Revenue			\$77	\$72,293,184
Operating Expenses	2.00%	of Gross Revenue	-\$2	-\$1,445,864
Net Operating Income			\$75	\$70,847,320
Supportable Development Cost	6.00%	Project Yield Rate	\$1,256	\$1,180,788,670
PROJECT DEVELOPMENT COSTS			PER GBA	TOTAL
Construction Costs				
Site Preparation and Site Improvements	\$66	Cost/SF (Site Area)	\$9	\$8,417,358
Off-Site Infrastructure	\$4	Cost/SF (GBA)	\$4	\$3,325,000
Building Direct Cost	\$430	Cost/SF (GBA)	\$430	\$404,276,970
Tenant Improvement Cost	\$200	Cost/SF (RBA)	\$190	\$178,634,010
Parking Direct Cost	\$115,308	per Space	<u>\$173</u>	<u>\$162,584,764</u>
<i>Total Construction Cost</i>			<i>\$805</i>	<i>\$757,238,102</i>
Soft Costs				
Impact Fees		See 'Fees' Tab	\$62	\$58,603,680
Permits and Other Fees	2.0%	of Construction Cost	\$16	\$15,144,762
Architecture and Engineering	4.0%	of Construction Cost	\$32	\$30,289,524
Other Professional Services	1.0%	of Construction Cost	\$8	\$7,572,381
Taxes, Insurance, & Other Carry Costs	2.0%	of Construction Cost	\$16	\$15,144,762
Financing	8.25%	of Construction Cost	\$66	\$62,472,143
Marketing/Leasing	\$25	Cost/SF (GBA)	\$25	\$23,504,475
Developer Fee	4.0%	of Construction Cost	<u>\$32</u>	<u>\$30,289,524</u>
<i>Total Soft Costs</i>			<i>\$258</i>	<i>\$243,021,252</i>
Other Project Costs				
Development Contingency	7.5%	of Construction & Soft Costs	\$75	\$70,624,175
Land Cost	2.5 FAR	Residual Land Value Calculation	\$75	\$70,266,754
<i>Total Other Costs</i>			<i>\$150</i>	<i>\$140,890,929</i>
Total Project Cost Excluding Land			\$1,214	\$1,141,150,282
Residual Value Available for Community Benefits			\$42	\$39,638,387

[1] Contingency calculation excludes impact fees.

Table A-4 Detailed Development Impact Fee Breakdown

Fee	Amount per SF	
	Baseline	Proposed
Parks and Rec Impact Fee	\$3.10	\$3.10
Childcare Impact Fee	\$1.32	\$1.32
Library Impact Fee	\$0.13	\$0.13
Public Safety Impact Fee	\$1.15	\$1.15
School District Fee	\$0.61	\$0.61
Bicycle and Pedestrian Impact Fee	\$0.09	\$0.09
Citywide Transportation Fee	\$30.52	\$30.52
Commercial Linkage Fee	\$16.55	\$16.55
Oyster Point Overpass Impact Fee	\$2.07	\$2.07
East of 101 Sewer Impact Fee	\$0.61	\$0.61
Sewer Capacity Charge	\$1.18	\$1.89
Public Art Requirements	<u>\$4.30</u>	<u>\$4.30</u>
Total Impact Fees [1]	\$61.63	\$62.33

[1] Preliminary fee estimate .

Sources: City of South San Francisco; EPS