



Financial & Economic Analysis

Community Benefits Program

City of Santa Clara Downtown Precise Plan

February 2026

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SANTA CLARA DOWNTOWN PRECISE PLAN

CITY OF SANTA CLARA | DRAFT | DECEMBER 2023

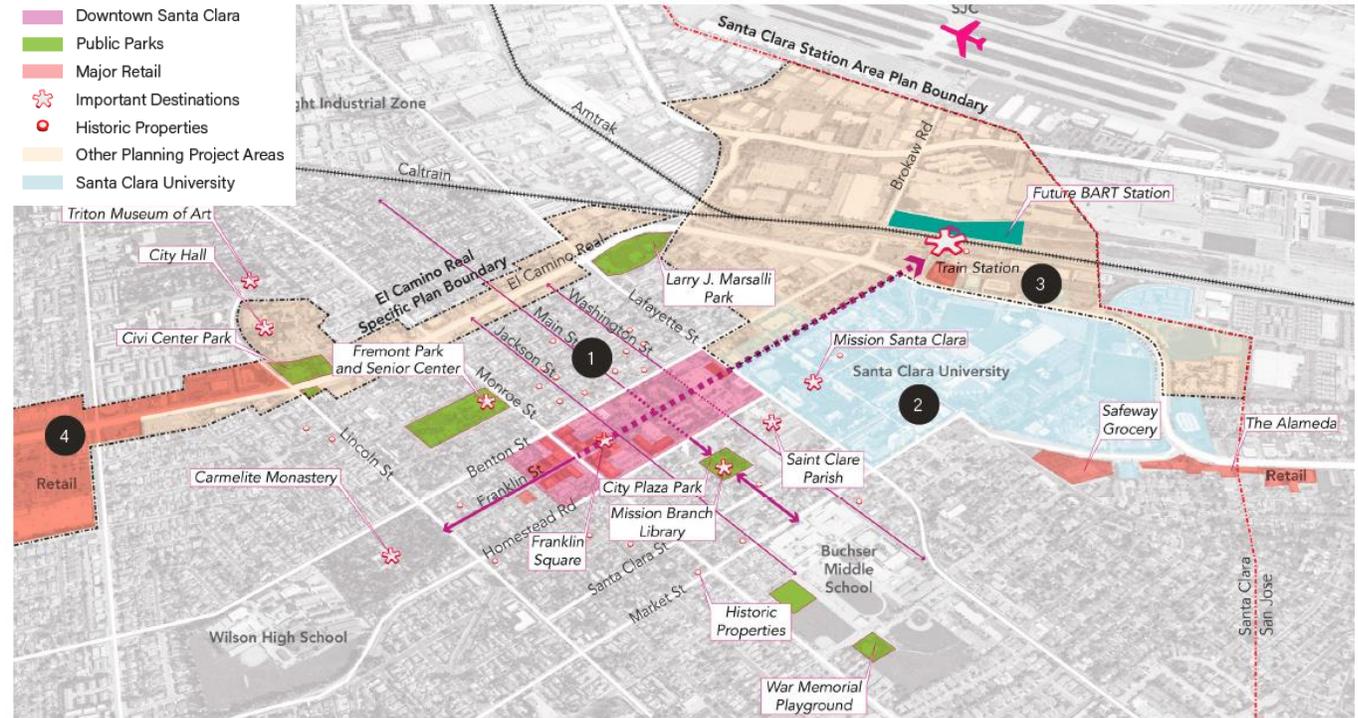


Introduction & Context

Financial & Economic Analysis
Downtown Precise Plan Community Benefits Program

About the Precise Plan

- The Downtown Precise Plan (DPP) establishes a framework to **guide mixed-use development** in downtown Santa Clara.
- The City adopted a **Form-Based Code** for the DPP area that defines development standards.
- The DPP envisions up to 1,071 residential units, 531.7K SF of office space, 197.9K of retail space, and 44.3K of public space at full buildout.



Framework for Community Benefits

What we Know

- The DPP anticipated that discretionary approvals for added density would be the vehicle to deliver community benefits.
- State Density Bonus (SDB) Law already grants multifamily developers up to a 100% increase in density in exchange for larger affordable housing dedications.
- In reality, most mixed-use development across California falls short of maximum density given current development economics.

What it Means

- Therefore, community benefit requirements must be financially feasible and account for:
 - **State regulatory requirements**
 - Surplus Land Act (public properties)
 - State Density Bonus incentives
 - **Local requirements**
 - Development impact fees
 - Inclusionary housing requirements
 - **Real estate market conditions**
 - Achievable rents/sale prices
 - Development economics

Legal and Market Considerations

- Development in the DPP area must comply with several state and local requirements.

State & Local Policy Context

Requirement	Implication	City's Ability to Alter or Influence
State Surplus Land Act (Gov't Code 54220-34)	Requires affordable housing on at least 25% of units	Very limited and requires HCD approval with focus on housing
State Density Bonus Law (Gov't Code 65915-18)	Provides developers by right concessions and incentives	Can offer additional concessions but applicants rarely maximize density
Development Impact Fees (Municipal Fee Schedule, Resolution 25-9547)	Requires fee for rental residential and office up to \$30.48 per square foot to support affordable housing	May be waived by City
City Inclusionary Housing (Municipal Code 17.40.090)	Requires 15% of rental units made available to moderate income households or below	N/A

Legal and Market Considerations

- Residential developers can already access multiple incentives to better facilitate development.

State-Level Incentives

Requirement	Description
Gov't Code Section 65912.155	100% affordable projects located within ½ mile of transit have no maximum density limits*
Gov't Code Section 65915	Senior projects of at least 35 units receive a 20% density bonus
Gov't Code Section 65915	Student housing projects receive a 35% density bonus
Gov't Code Section 65914.91	Prohibits local agencies from requiring ground floor commercial uses in projects to encourage residential development
Gov't Code Sections 65400 and 65585	Streamlines approval of residential development on commercial sites
Gov't Code Sections 65585 and 65863	Prohibits local agencies from imposing minimum parking requirements within ½ mile of transit*

*Note: Only a portion of the DPP area is within ½ mile of transit, in this case Blocks A and B of Downtown Precise Plan.

Purpose of Report

- Typically, community benefit requirements are calculated **based on what a project can reasonably deliver** while still earning a market-responsive return on investment.
- To establish a basis for this calculation, RSG performed a **market scan and feasibility analysis** across different uses expected in downtown.

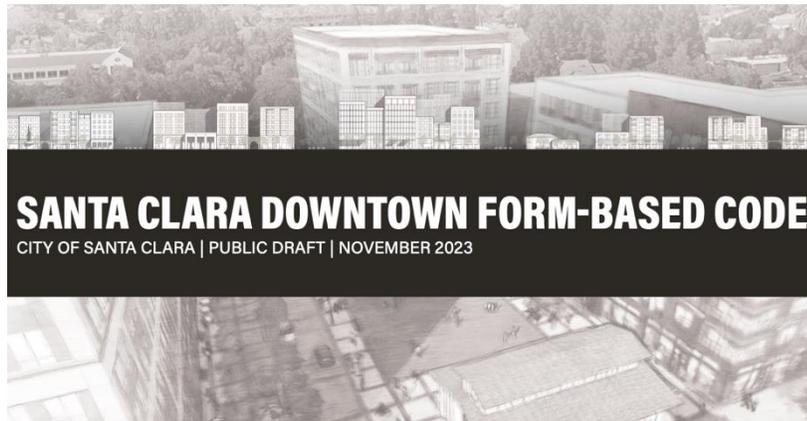
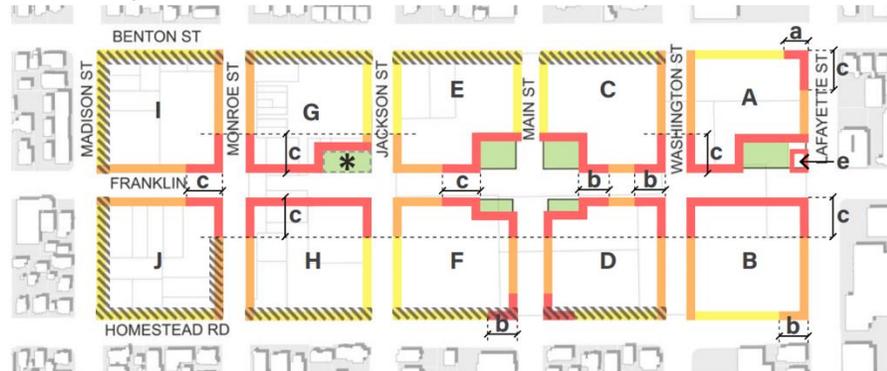


FIGURE 4-2 | CHARACTER OVERLAYS



Overlays

- Shopfront
- Retail-Ready
- General
- Neighborhood Edge

Dimensions

(Measured along the applicable private property line)

- a = 50 feet
- b = 70 feet
- c = 90 feet
- e = see *Standard 5.3.E*

* Potential relocation of Franklin Square and its fountain to the block to the north, as part of any future development which includes the demolition of the existing building at this location.

Source: City of Santa Clara

Methodology & Analysis

Financial & Economic Analysis

Downtown Precise Plan Community Benefits Program

Methodology

- RSG employed a three-pronged approach to determine how the City can best facilitate delivery of community benefits:



Methodology

- RSG also modeled **multiple buildout scenarios to determine the scale of benefits** that could be generated in the DPP area. The analysis examined:
 - Impact Fee Revenues
 - Housing Production
 - Financial Value of Affordable Housing*
- Scenarios differed based on the extent of development anticipated across the DPP area.

Buildout Metrics by Scenario**

Use	Scenario 1	Scenario 2	Scenario 3
Housing Units	440	723	1,071
Market-Rate	78	220	319
Affordable	362	503	752
Office (GSF)	54,901	102,940	102,940

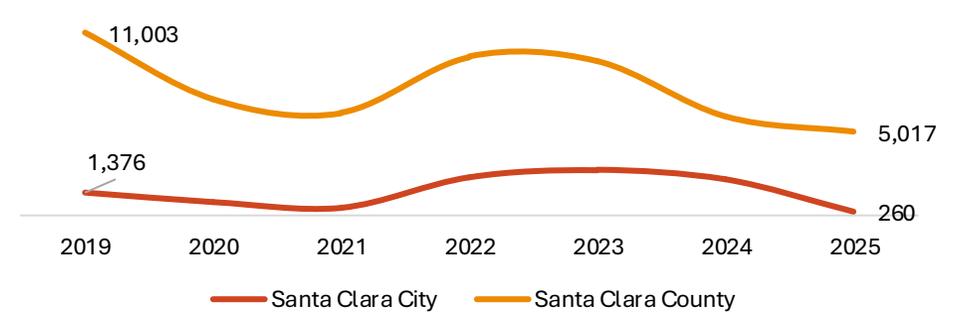
* RSG calculated the financial value of affordable housing by subtracting the total rents generated from deed-restricted affordable units from the total rents that could be generated if the units were listed at market-rate (i.e., calculating a rent gap).

** Detailed assumptions from RSG's buildout analysis will be displayed in the Appendix.

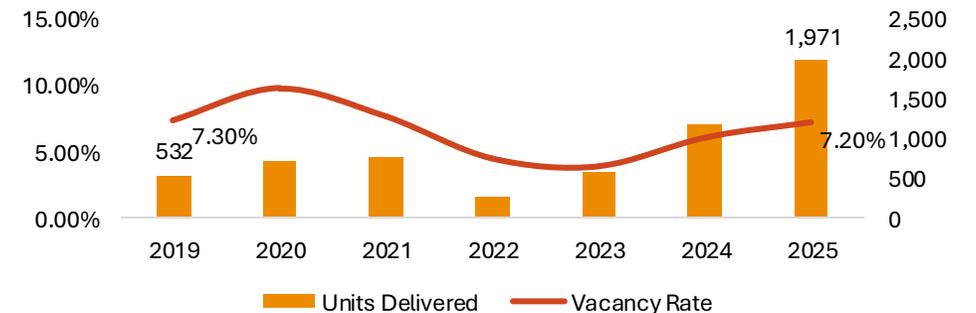
Multifamily Market

- Following a period of post-pandemic growth, **multifamily development in Santa Clara – and the County – has begun to slow.**
 - Over 5,000 units in Santa Clara have been delivered since 2020.
 - As of Q4 2025, only two multifamily projects are under construction.
- **Most development has occurred in suburban areas**, particularly near major employment hubs in the north Santa Clara.
 - Only five projects delivered since 2020 are within one mile of the DPP area.

**Units Under Construction
(2019-2025 YTD)**



**Vacancy Rates and Deliveries
(2019-2025 YTD)**

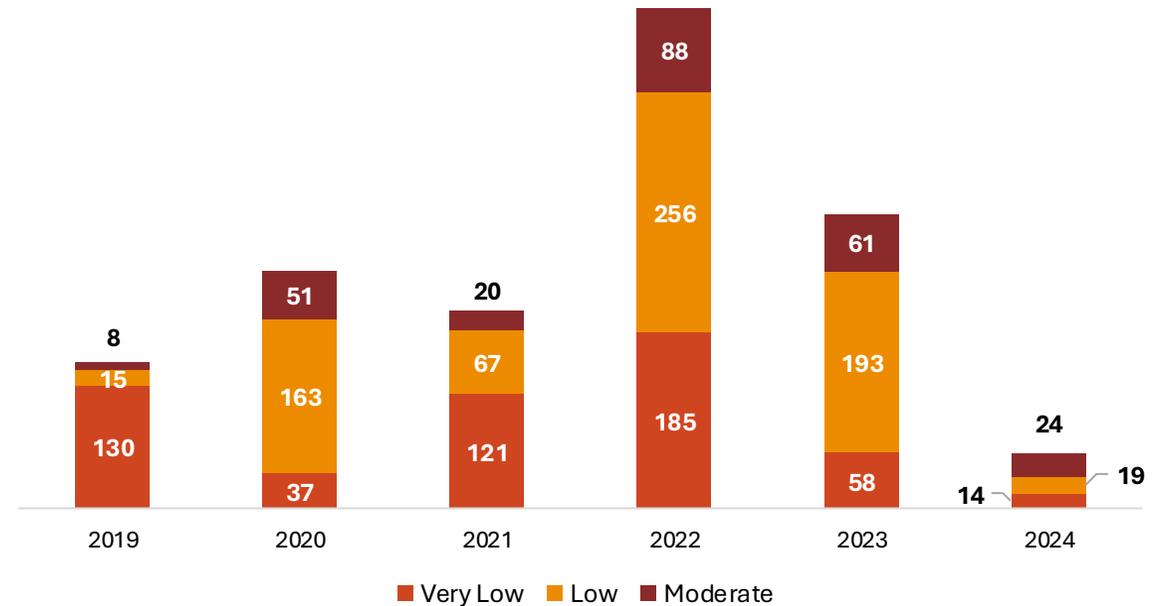


Sources: CoStar; City of Santa Clara

Multifamily Market

- **Permitting of affordable housing** has also slowed, with a sharp decline since 2022.
- As is often typical in California today, Moderate-Income units lag behind Low- and Very Low-Income units. This may be because **projects with deeper levels of affordability are more competitive for LIHTC funding.**

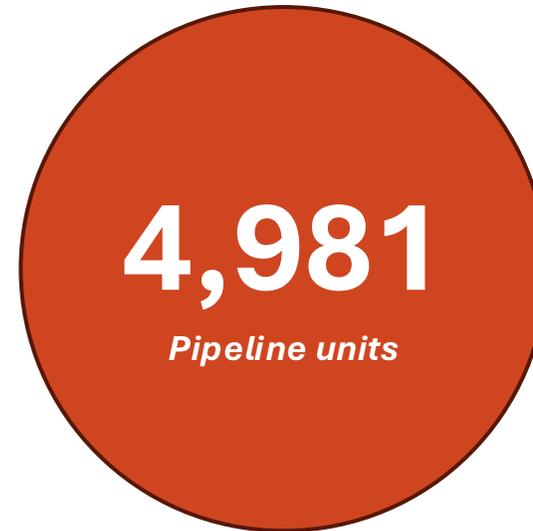
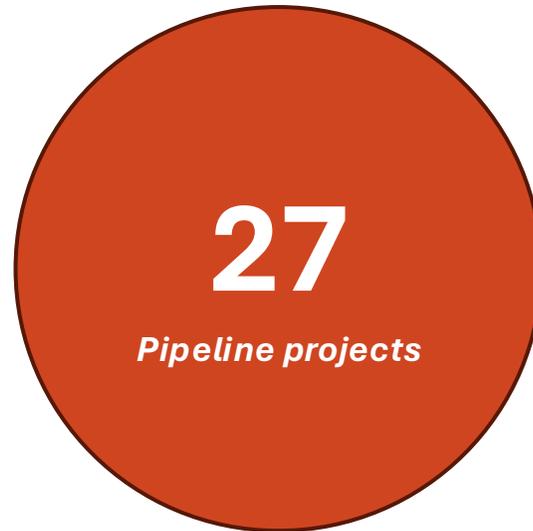
Permitted Units by Income Level by Year
(Santa Clara)



Source: California Department of Housing & Community Development

Multifamily Market

- **Several multifamily projects remain in the pipeline**, but it is unclear when – or whether – these will be built.

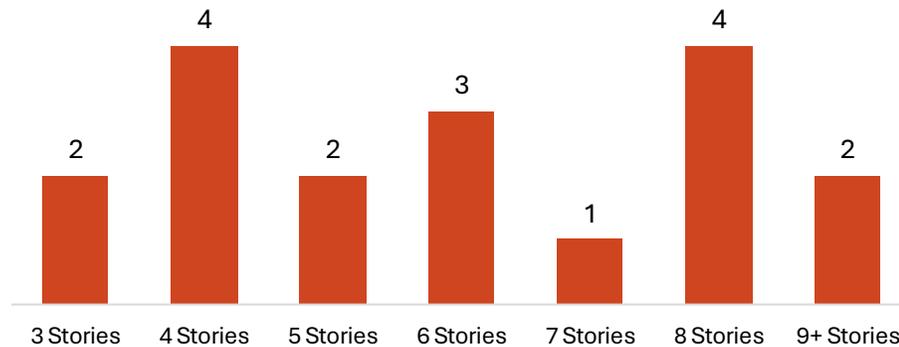


Source: City of Santa Clara

Multifamily Market

- Mid-rise buildings represent the most common multifamily development typology. Of the 18 projects delivered since 2023, **only six are high-rises (i.e., 8+ stories)**.
- Most high-rise projects are in the Tasman East Specific Plan area (TESP), where developers pay an **infrastructure impact fee to help defray development costs**.

Recent Deliveries by Number of Stories
(2023-2026 YTD)



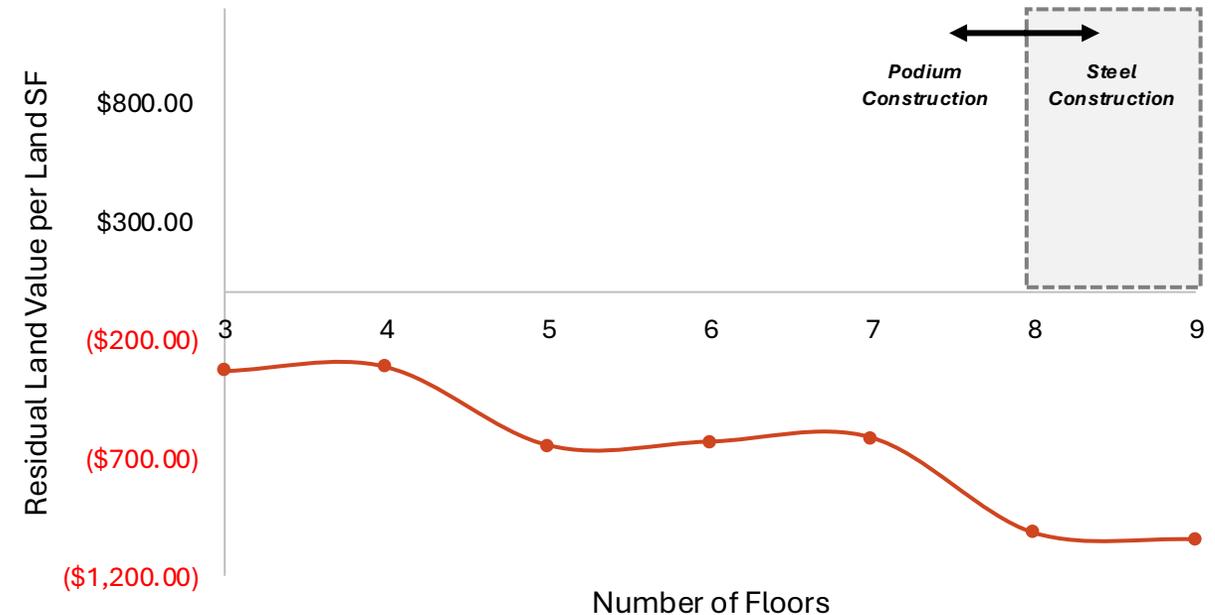
Sources: CoStar; City of Santa Clara



Multifamily Market

- **Developers may avoid taller buildings due to economics.** Development above 7 stories typically triggers a change to steel construction, which can be costlier than wood-frame or podium construction.
- These diminishing returns suggest that building at **lower, by-right densities may be preferable to opting into a density bonus framework.**

Feasibility by Number of Floors*



*Feasibility results are shown for a scalable, multifamily massing model developed by RSG on a theoretical 0.75-acre site. RSG assumes podium construction for buildings up to 7 floors and steel construction for building exceeding 7 floors.

Non-Residential Uses

- **Class A office performance has improved considerably in Santa Clara,** which may be attributed an ongoing AI boom across Silicon Valley.
 - Most new development has occurred in north Santa Clara, which hosts a high concentration of technology firms.
 - By Q3 2025, only 0.3% of Class A space built since 2020 was vacant.
- Trends suggest a **growing demand for modern, state-of-the-art facilities.** New facilities are likelier to be built near existing technology hubs (e.g., north Santa Clara). The DPP area is not a technology hub.

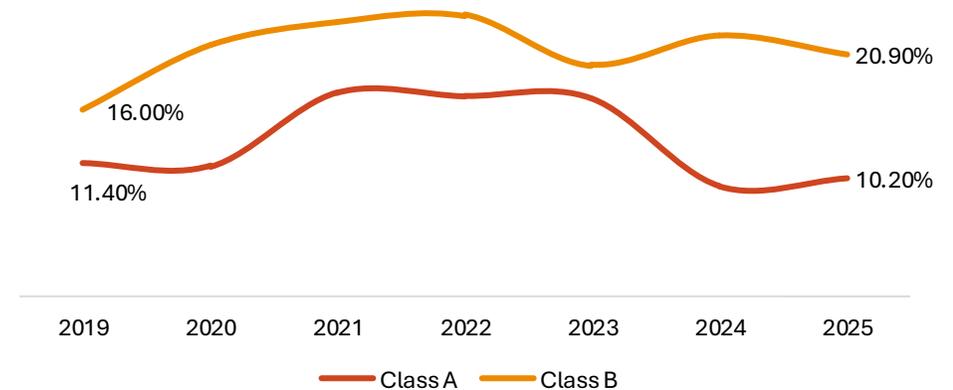
+1.2M

Class A SF delivered since 2020

+1.4M

Net absorption SF of Class A space since 2023

Office Vacancy Rate by Class



Source: CoStar

Non-Residential Uses

- Over 11 million SF of office space remains in the pipeline. As with multifamily, **most projects are concentrated in north Santa Clara.**

Pipeline Office Projects in Santa Clara

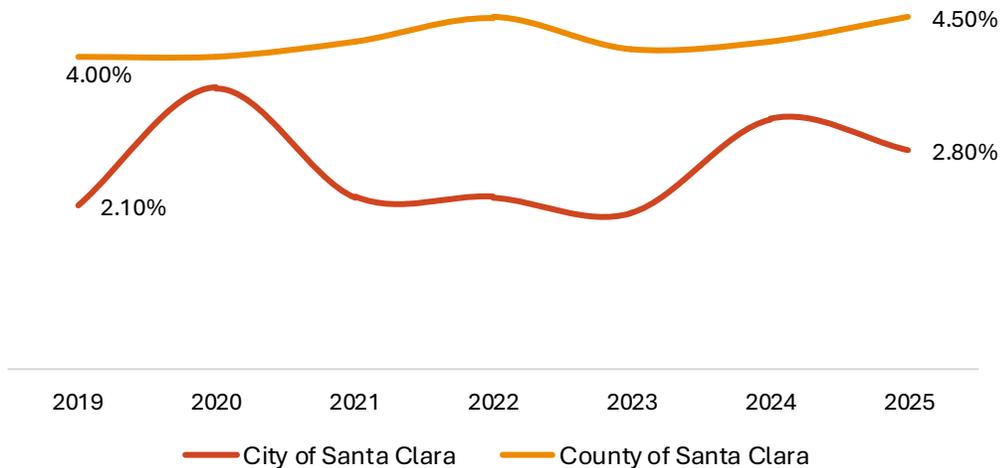
Property Address	Property Name	Building Class	Building Status	Number of Stories	RBA
Great America Pkwy & Tasman Dr	Building B	A	Proposed	12	535,000
Great America Pkwy & Tasman Dr	Building A	A	Proposed	12	527,000
3000 Bowers Ave	Bldg. II	A	Proposed	5	165,951
3000 Bowers Ave	Bldg. I	A	Proposed	5	165,951
3005 Democracy Way	-	A	Proposed	6	3,500,000
Great America Pkwy & Tasman Dr	Bridge Space	A	Proposed	7	38,300
Lafayette St	Phase 6	A	Proposed	10	2,592,000
5451 Lafayette St	Phase 5	A	Proposed	Unknown	1,440,000
2400 Mission College Blvd	Phase 2	B	Proposed	6	150,000
2300 and 2350 Walsh Ave	Nvidia	A	Proposed	3	692,634
2351 Stars And Stripes Dr	Phase II Office	A	Proposed	17	1,100,000
Tasman Dr	City Center Scheme C	A	Proposed	9	347,000
TOTAL					11,253,836

Source: CoStar

Non-Residential Uses

- Although retail has generally performed strongly in Santa Clara, **the future of ground-floor spaces appears uncertain**. Among mixed-use projects delivered since 2024, nearly half of the ground-floor retail currently sits vacant.

Retail Vacancy Rates



Retail Space (SF) by Mixed-Use Project (Deliveries from 2024-2025 YTD)



Source: CoStar

Baseline Feasibility Analysis

- Market activity suggests that **multifamily development is most likely to occur in downtown**, though office cannot be ruled out given recent uptick in performance.
- To better understand current development economics, RSG performed a feasibility analysis for **six prototypical developments** in downtown.

Development Prototypes*

	Prototype 1 (Office)	Prototype 2 (Condo)	Prototype 2 (Rental)	Prototype 3 (Condo)	Prototype 3 (Rental)	Prototype 4 (For Sale)
Primary Uses	Office	Mid-Rise Residential	Mid-Rise Residential	High-Rise Residential	High-Rise Residential	Townhome
FAR/Density	6.0	80 du/ac	100 du/ac	300 du/ac	300 du/ac	30 du/ac
Dwelling Units	-	80	100	300	300	30
Parking Spaces	523	80	100	300	300	0

**Note: Prototypes were initially developed and tested by Economic & Planning Systems in 2019-20. RSG relied on the same pro forma model to ensure an apples-to-apples comparison of results.*

Source: Economic & Planning Systems

Baseline Feasibility Analysis

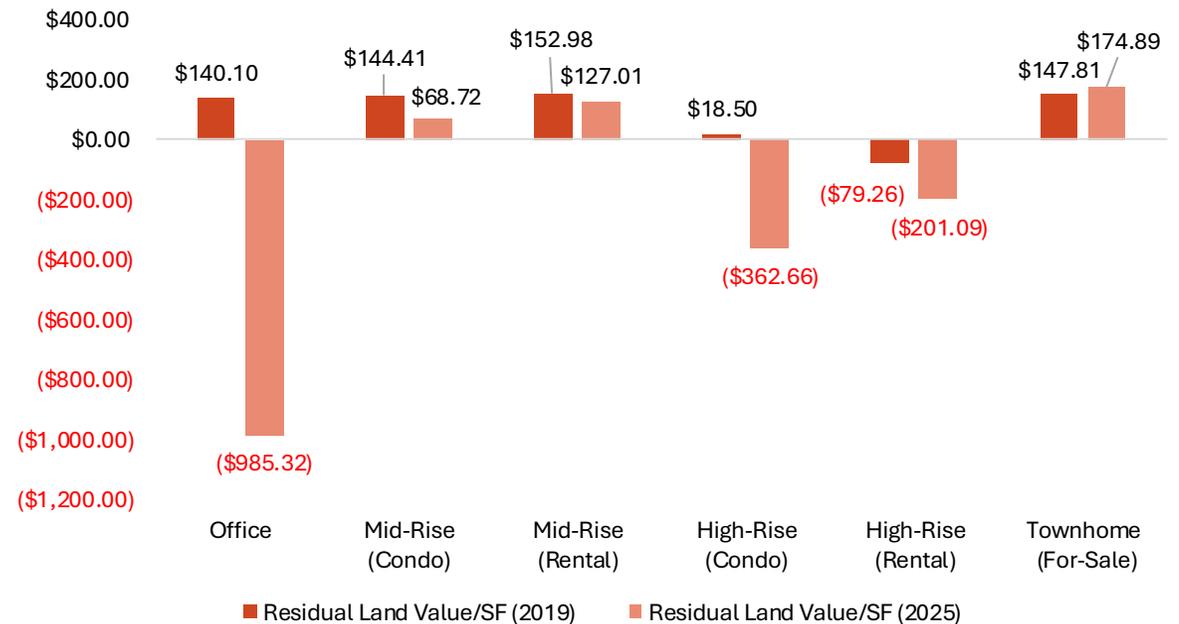
- Between 2019 and 2025, **feasibility worsened for all prototypes except townhomes.**
- Market dynamics are responsible for worsening economics. During this period, **hard costs grew faster than rents.**

Key Market Variables (Multifamily)

	2019 (\$)	2025 (\$)	% Change
Land Costs	\$177.46	\$167.38	-5.7%
Hard Costs	-\$245.18	-\$303.43	23.8%
Rents	\$4.27	\$4.89	14.5%

Source: CoStar

Feasibility by Prototype by Year (2019 vs. 2025)

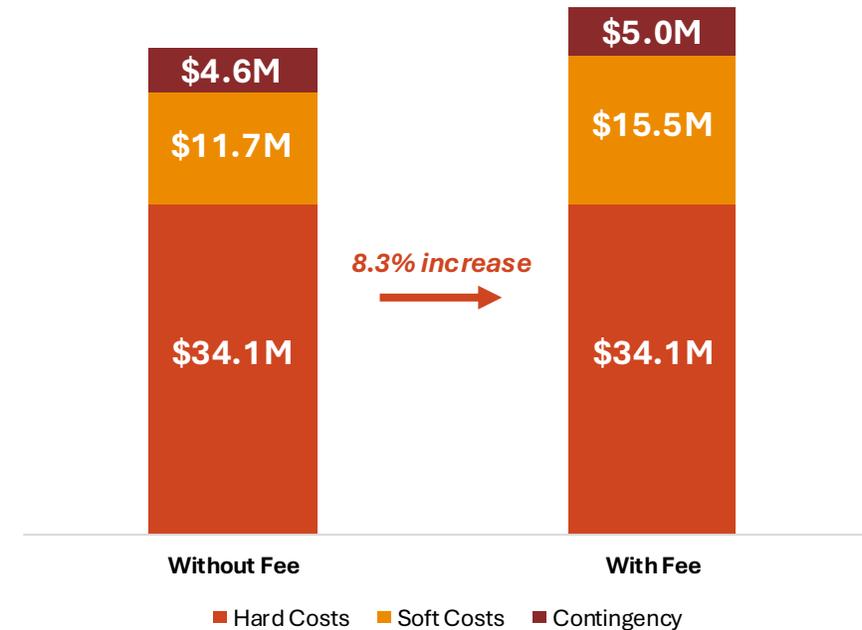


Source: RSG, Inc.; Economic & Planning Systems

Potential Fee Impacts on Feasibility

- Implementing a community benefits program **would increase development costs** and further constrain project feasibility.
- To generate \$50M in revenue for community benefits, the City would have to impose a fee of \$42.19/Built SF.*
- For a prototypical mid-rise multifamily project, **construction costs could increase by 8.3%.**

Construction Costs with/without Fee
(Mid-Rise Rental)**



**Excludes land acquisition cost

*Fee calculation assumes full buildout of downtown (Scenario 3), which is detailed in Appendix B. If downtown buildout projections are reduced, a community benefits fee would have to increase to still hit the \$50M target.

Source: RSG, Inc.

Sensitivity Analysis

- If market conditions were to improve, projects could potentially achieve feasibility.
- RSG examined project feasibility under two “upside” scenarios, which assume **positive rent/price growth** while keeping all other variables constant.

Moderate Upside

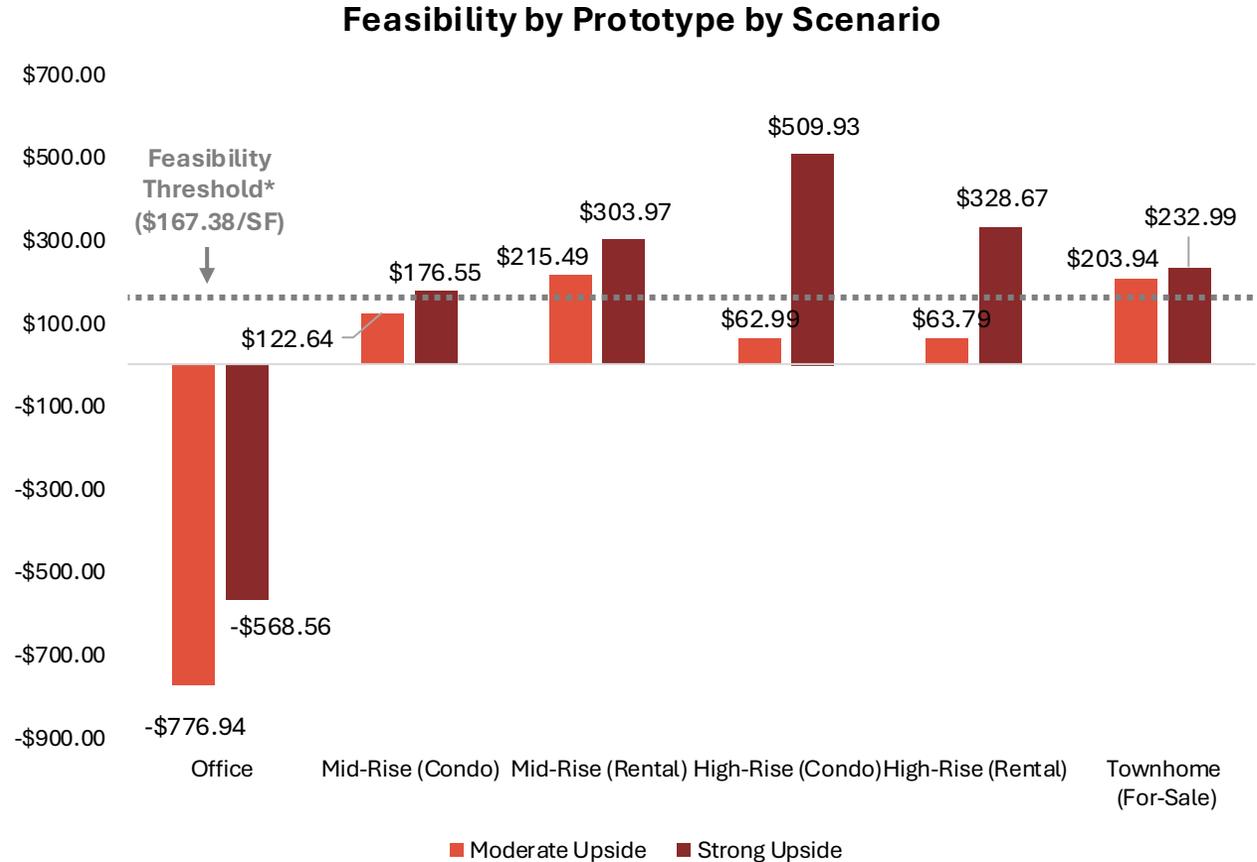


Strong Upside



Sensitivity Analysis Results

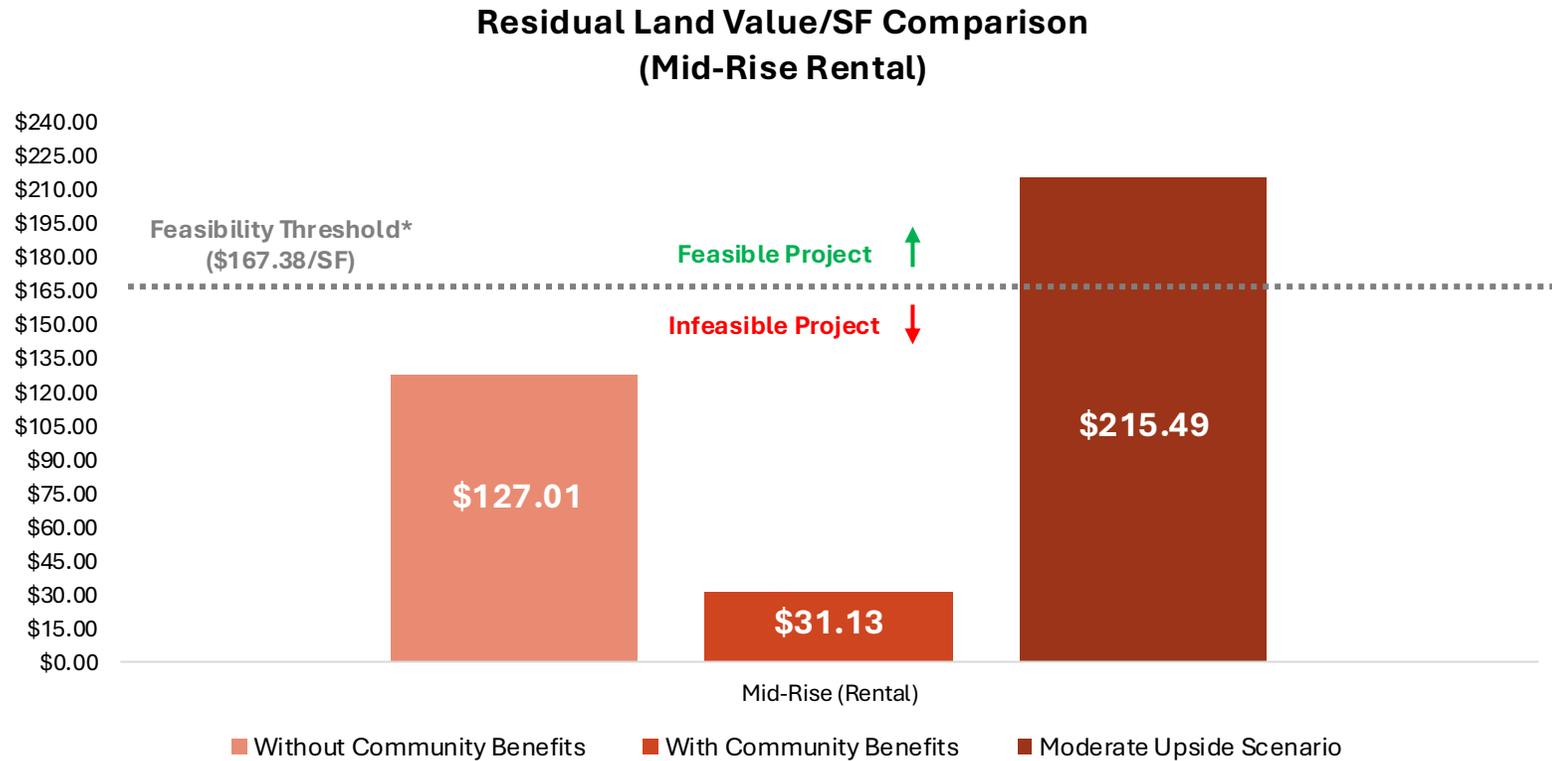
- **Significant market improvements are required for prototypes to achieve feasibility.** Under a Strong Upside scenario, five of the six prototypes could achieve feasibility.
- While possible, it is difficult to project when this might occur.



**Feasibility threshold corresponds to a land acquisition cost of \$167.38/SF, which was determined based on recent transactions in the South Bay region.*

Source: RSG, Inc.

Project Feasibility Comparison



Interpreting the Data

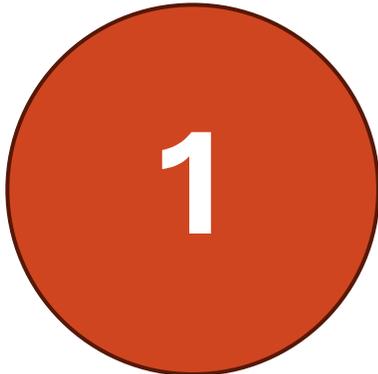
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Interpreting the Data

- Downtown's challenged development environment yields three key considerations as the City advances DPP implementation:

**Development will be
Slow**



**New Requirements May
Further Hinder
Development**



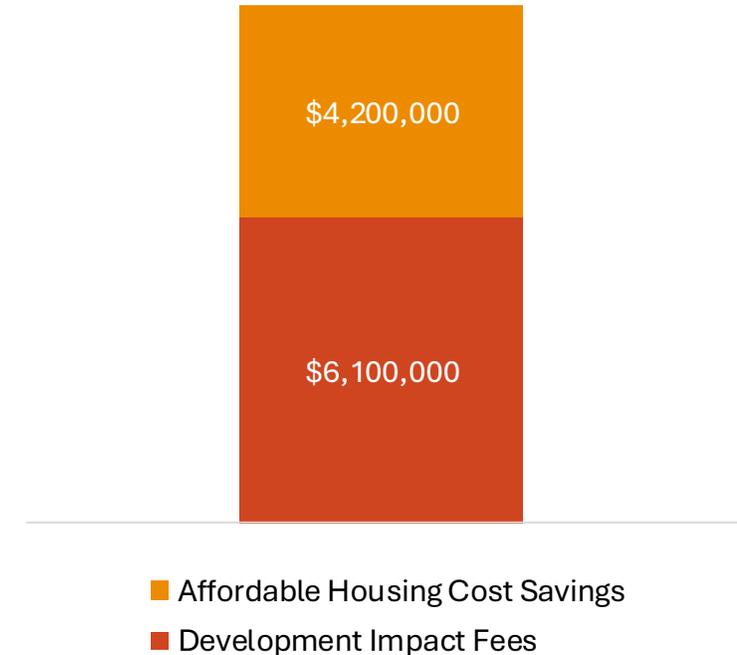
**Mandatory Affordable
Housing Delivers
Benefits**



Development will be Slow

- **Townhomes are most likely to be built** in the near-term, and it is unclear when conditions will improve for higher-density products.
- Townhomes typically do not seek additional height due to their form and scale, which means that **developers could altogether forego a community benefits program.**
- Townhomes could theoretically create up to 182 units if built at scale across downtown, **falling short of the DPP's housing production goals.**

Townhome Scenario*



*Assumes no development on Blocks B or C due to existing multifamily and courthouse presence.



New Requirements May Further Hinder Development

- Given poor development economics, imposing additional requirements could **negatively affect feasibility**.
- Existing development-related fees could generate the City between \$33.6 million (under Scenario 1) and \$80.9 million (under Scenario 3) in revenues.

Existing Fee Revenues by Buildout Scenario*

	Scenario 1 (Conservative)	Scenario 2 (Moderate)	Scenario 3 (Aggressive)
Impact Fees	\$16,500,000	\$27,500,000	\$39,300,000
Park Dedication In-Lieu Fees	\$17,100,000	\$28,100,000	\$41,600,000
Downtown Infrastructure Fee	TBD	TBD	TBD
TOTAL	\$33,600,000	\$55,600,000	\$80,900,000

Other Scenario Calculations

	Scenario 1 (Conservative)	Scenario 2 (Moderate)	Scenario 3 (Aggressive)
Total GSF	541,835	903,060	1,288,180
Average Fees/SF	\$62.01	\$61.57	\$62.80
% of Construction Cost**	5.4%	5.3%	5.4%

***For a prototypical mid-rise residential project. Excludes land acquisition cost and an additional community benefits fee.*

**Scenarios differ based on the scale of new development anticipated across downtown, with Scenario 1 offering the most conservative estimate and Scenario 3 offering the most optimistic. Scenario details are provided in the Appendix.*

Affordable Housing Delivers Benefits

- City-owned sites, as well as the City’s inclusionary housing ordinance, would deliver a significant amount of affordable housing. The DPP provides a list of community benefits, of which affordable housing is one; however, the Plan does not provide any prioritization of benefits.
- Deed-restricted housing creates significant cost savings for households, who would otherwise be required to pay market-rate rents.



**Moderate-Income rent represents the maximum affordable rent for a 1-bedroom unit per the City. Market-rate rents are based on an approximate asking rent of \$5.40/SF, per CoStar, assuming an average unit size of 830 RSF. Actual rents will likely vary based on unit size.*

Takeaways

Financial & Economic Analysis
Downtown Precise Plan Community Benefits Program

Takeaways

- Development at the scale envisioned in the DPP is **unlikely to occur until and unless market conditions change favorably**.
 - Some developers may pursue higher-density projects if they can achieve significant cost savings (e.g., discounted land, favorable financing, etc.). However, this may be unlikely to occur at scale.
- **City-owned sites may be the likeliest to generate significant community benefits**, assuming they are disposed of at low/no cost.
 - A discounted purchase price could help a selected developer achieve a viable project.
- The addition of a fee-based community benefits program would **reduce already-slim development margins**, further decreasing the likelihood of development occurring in downtown.
 - The City should consider that affordable housing may be a worthy community benefit and would be provided by virtually any redevelopment of publicly owned properties.
- A downtown-specific impact fee, which would exempt developers from other citywide fees, could **generate ample funding earmarked specifically for downtown**.

Appendix A

Financial Feasibility Analysis

FINANCIAL FEASIBILITY APPROACH

- RSG used a static Residual Land Value (RLV) financial model to test the feasibility of development in downtown Santa Clara.
- Residual Land Value represents the price a developer can pay for land (given specific project parameters) while still earning a market-responsive return on investment.
 - If $RLV/SF \geq$ average market price, project is *feasible*
 - If $RLV/SF <$ average market price, project is *infeasible*
- RSG determined the average market price by examining recent transactions in which properties were sold for land value.

COST & REVENUE ASSUMPTIONS

- RSG derived several cost and revenue inputs based on standard industry benchmarks, market reports, and other databases (e.g., CoStar).
- Inputs typically vary based on development prototype.

COST ASSUMPTIONS BY USE TYPE	Office	Mid-Rise (Condo)	Mid-Rise (Rental)	High-Rise (Condo)	High-Rise (Rental)	Townhome (For-Sale)
Site Improvements	\$23.19	\$23.19	\$23.19	\$23.19	\$23.19	\$23.19
Building	\$422.16	\$332.75	\$303.43	\$410.60	\$367.54	\$305.34
Structured Parking	\$57,700	\$57,700	\$57,700	\$57,700	\$57,700	\$57,700
Soft Costs/SF	\$169.55	\$149.68	\$132.82	\$170.70	\$158.96	\$117.61
TI Allocation/SF	\$82.00	-				
Permits and Fees	\$50.00	\$56,000.00	\$52,000.00	\$52,000.00	\$50,000.00	\$56,000.00
Operating Expenses						
Marketing & Leasing						

REVENUE ASSUMPTIONS BY USE TYPE	Office	Mid-Rise (Condo)	Mid-Rise (Rental)	High-Rise (Condo)	High-Rise (Rental)	Townhome (For-Sale)
Rent/SF	\$5.06	\$950.00	\$5.40	\$950.00	\$5.40	\$910.00
ROI Threshold	7.25%	13.00%	5.75%	13.00%	5.75%	13.00%

MODELING RESULTS, MID-RISE RENTAL

- Residual Land Value is calculated by subtracting **total project cost** from **total supportable project cost**, which takes developer return into account.

BUILDING OPERATING INCOME (ANNUAL)				PROJECT DEVELOPMENT COSTS				Residual Land Value	
	ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		
2025				2025					
Gross Potential Rent	\$5.40 per SF/Month	\$ 41	\$ 4,665,600	Construction Cost				Residual Land Value	\$ 5,532,529
Gross Potential Parking Income	\$ 100 per Space/Month	\$ 1	\$ 120,000	Basic Site Work	\$ 23 Cost/SF (Site)	\$ 10	\$ 1,009,960	per Land SF	\$ 127.01
Losses to Vacancy	5.0% of Gross Income	\$ (2)	\$ (239,280.0)	Building Direct Cost	\$ 303 Cost/SF (GBA)	\$ 245	\$ 27,309,117		
Gross Revenue		\$ 40	\$ 4,546,320	Surface Parking Direct Cost	\$ 5,700 per Space	\$ -	\$ -		
Operation Expenses	\$ 13,335 per Unit / Year	\$ (13)	\$ (1,333,500)	Structured Parking Direct Cost	\$ 57,700 per Space	\$ 51	\$ 5,770,000		
				Subterranean Parking Direct Cost	\$ 84,200 per Space	\$ -	\$ -		
Net Operating Income (NOI)		\$ 27	\$ 3,212,820	Total Construction Cost		\$ 306	\$ 34,089,077		
Supportable Development Cost	5.8% Project Yield Rate (on NOI)	\$ 538	\$ 55,875,130	Soft Cost					
				Architecture and Engineering	4.0% of Construction Cost	\$ 12	\$ 1,363,563		
				Other Soft Costs	2.0% of Construction Cost	\$ 6	\$ 681,782		
				Permits and Fees	\$ 52,000 per DU	\$ 58	\$ 5,200,000		
				Taxes and Insurance	2.0% of Construction Cost	\$ 6	\$ 681,782		
				Financing	4.0% of Construction Cost	\$ 12	\$ 1,363,563		
				Marketing/Leasing	3.0% of Construction Cost	\$ 9.00	\$ 1,022,672		
				Developer Fee	4.0% of Construction Cost	\$ 12	\$ 1,363,563		
				Total Soft Costs		\$ 115	\$ 11,676,925		
				Other Project Costs					
				Development Contingency	10% of Construction & Soft Costs	\$ 42	\$ 4,576,600		
				Residual Land Value	Model Output / Supportable Land Cost	\$ 74	\$ 5,532,529		
				Total Other Costs		\$ 116	\$ 10,109,129		
				Total Project Cost		\$ 538	\$ 55,875,130		

Net Project Revenues

Supportable Development Cost*

Residual Land Value per SF**

**Represents what a developer could pay for land after accounting for costs and ROI.

*Represents total development cost, plus a return on investment (ROI) hurdle, to calculate the maximum cost a developer could afford to incur while still earning a market-responsive return.

Total Development Cost



MODELING RESULTS, MID-RISE CONDO

- Residual Land Value is calculated by subtracting **total project cost** from **total supportable project cost**, which takes developer return into account.

BUILDING OPERATING INCOME (ANNUAL)				PROJECT DEVELOPMENT COSTS					
	ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		
2025									
Condominium Sale Value	\$ 950 Per Square Foot	\$ 704	\$ 54,720,000	Construction Cost	2025				
Sale Cost	3.0%	\$ (21)	\$ (1,641,600)	Basic Site Work	\$ 23 Cost/SF (Site)	\$ 12	\$ 1,009,960	Residual Land Value	\$ 2,993,379
Net Building Value		\$ 854	\$ 53,078,400	Building Direct Cost	\$ 332.75 Cost/SF (GBA)	\$ 269	\$ 23,957,871	per Land SF	\$ 68.72
				Surface Parking Direct Cost	\$ 5,700 per Space	\$ -	\$ -		
Supportable Development Cost	13.0% Return on Cost (Unlevered)	\$ 594	\$ 46,972,035	Structured Parking Direct Cost	\$ 57,700.00 per Space	\$ 51	\$ 4,616,000		
				Subterranean Parking Direct Cost	\$ 84,200 per Space	\$ -	\$ -		
				Total Construction Cost		\$ 332	\$ 29,583,830		
				Soft Cost	2025				
				Architecture and Engineering	4.0% of Construction Cost	\$ 13	\$ 1,183,353		
				Other Soft Costs	2.0% of Construction Cost	\$ 7	\$ 591,677		
				Permits and Fees	\$ 56,000 per DU	\$ 62	\$ 4,480,000		
				Taxes and Insurance	3.0% of Construction Cost	\$ 10	\$ 887,515		
				Financing	4.0% of Construction Cost	\$ 13	\$ 1,183,353		
				Marketing/Leasing	3.0% of Construction Cost	\$ 10	\$ 887,515		
				Developer Fee	4.0% of Construction Cost	\$ 13	\$ 1,183,353		
				Total Soft Costs		\$ 128	\$ 10,396,766		
				Other Project Costs	2025				
				Development Contingency	10% of Construction & Soft Costs	\$ 46	\$ 3,998,060		
				Residual Land Value	Model Output / Supportable Land Cost	\$ 87	\$ 2,993,379		
				Total Other Costs		\$ 133	\$ 6,991,439		
				Total Project Cost		\$ 594	\$ 46,972,035		

MODELING RESULTS, HIGH-RISE RENTAL

- Residual Land Value is calculated by subtracting **total project cost** from **total supportable project cost**, which takes developer return into account.

BUILDING OPERATING INCOME (ANNUAL)				PROJECT DEVELOPMENT COSTS					
	ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		
2025				2025					
Gross Potential Rent	\$5.40 per SF/Month	\$ 41	\$ 13,996,800	Construction Cost					
Gross Potential Parking Income	\$ 100 per Space/Month	\$ 1	\$ 360,000	Basic Site Work	\$ 23 Cost/SF (Site)	\$ 3	\$ 1,009,960		
Losses to Vacancy	5.2% of Gross Income	\$ (2)	\$ (727,834)	Building Direct Cost	\$ 368 Cost/SF (GBA)	\$ 306	\$ 99,234,484		
Gross Revenue		\$ 40	\$ 13,628,966	Surface Parking Direct Cost	\$ 5,700 per Space	\$ -	\$ -		
				Structured Parking Direct Cost	\$ 57,700 per Space	\$ 51	\$ 17,310,000		
Operation Expenses	\$ 13,335 per Unit / Year	\$ (13)	\$ (4,000,500)	Subterranean Parking Direct Cost	\$ 84,200 per Space	\$ -	\$ -		
				Total Construction Cost		\$ 360	\$ 117,554,444		
Net Operating Income (NOI)		\$ 27	\$ 9,628,466	Soft Cost					
				Architecture and Engineering	4.0% of Construction Cost	\$ 14	\$ 4,702,178		
Supportable Development Cost	5.8% Project Yield Rate (on NOI)	\$ 538	\$ 167,451,590	Other Soft Costs	2.0% of Construction Cost	\$ 7	\$ 2,351,089		
				Permits and Fees	\$ 52,000 per DU	\$ 58	\$ 15,600,000		
				Taxes and Insurance	2.0% of Construction Cost	\$ 7	\$ 2,351,089		
				Financing	8.0% of Construction Cost	\$ 29	\$ 9,404,355		
				Marketing/Leasing	3.0% of Construction Cost	\$ 11	\$ 3,526,633		
				Developer Fee	4.0% of Construction Cost	\$ 14	\$ 4,702,178		
				Total Soft Costs		\$ 140	\$ 42,637,522		
				Other Project Costs					
				Development Contingency	10% of Construction & Soft Costs	\$ 50	\$ 16,019,197		
				Residual Land Value	Model Output / Supportable Land Cost	\$ (13)	\$ (8,759,573)		
				Total Other Costs		\$ 37	\$ 7,259,624		
				Total Project Cost		\$ 538	\$ 167,451,590		

Residual Land Value \$ (8,759,573)
per Land SF \$ (201.09)

MODELING RESULTS, HIGH-RISE CONDO

- Residual Land Value is calculated by subtracting **total project cost** from **total supportable project cost**, which takes developer return into account.

BUILDING OPERATING INCOME (ANNUAL)				PROJECT DEVELOPMENT COSTS				Residual Land Value	
	ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		
2025									
Condominium Sale Value	\$ 950 Per Square Foot	\$ 704	\$ 205,200,000	Construction Cost	2025				
Sale Cost	3.0%	<u>\$ (21)</u>	<u>\$ (6,156,000)</u>	Basic Site Work	\$ 23 Cost/SF (Site)	\$ 3	\$ 1,009,960	Residual Land Value	\$ (15,797,667)
Net Building Value		\$ 854	\$ 199,044,000	Building Direct Cost	\$ 410.60 Cost/SF (GBA)	\$ 336	\$ 110,861,711	per Land SF	\$ (362.66)
				Surface Parking Direct Cost	\$ 5,700 per Space	\$ -	\$ -		
Supportable Development Cost	13% Return on Cost (Unlevered)	\$ 594	\$ 176,145,133	Structured Parking Direct Cost	\$ 57,700.00 per Space	\$ 51	\$ 17,310,000		
				Subterranean Parking Direct Cost	\$ 84,200 per Space	\$ -	\$ -		
				<i>Total Construction Cost</i>		<u>\$ 390</u>	<u>\$ 129,181,671</u>		
				Soft Cost	2025				
				Architecture and Engineering	4.0% of Construction Cost	\$ 16	\$ 5,167,267		
				Other Soft Costs	2.0% of Construction Cost	\$ 8	\$ 2,583,633		
				Permits and Fees	\$ 52,000 per DU	\$ 58	\$ 15,600,000		
				Taxes and Insurance	2.0% of Construction Cost	\$ 8	\$ 2,583,633		
				Financing	8.0% of Construction Cost	\$ 31	\$ 10,334,533		
				Marketing/Leasing	3.0% of Construction Cost	\$ 12	\$ 3,875,450		
				Developer Fee	4.0% of Construction Cost	\$ 16	\$ 5,167,267		
				<i>Total Soft Costs</i>		<u>\$ 149</u>	<u>\$ 45,311,784</u>		
				Other Project Costs	2025				
				Development Contingency	10% of Construction & Soft Costs	\$ 54	\$ 17,449,345		
				Residual Land Value	Model Output / Supportable Land Cost	<u>\$ 3</u>	<u>\$ (15,797,667)</u>		
				<i>Total Other Costs</i>		<u>\$ 57</u>	<u>\$ 1,651,678</u>		
				Total Project Cost		\$ 594	\$ 176,145,133		

MODELING RESULTS, TOWNHOME

- Residual Land Value is calculated by subtracting **total project cost** from **total supportable project cost**, which takes developer return into account.

BUILDING OPERATING INCOME (ANNUAL)				PROJECT DEVELOPMENT COSTS					
	ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		
Condominium Sale Value	\$ 910 Per Square Foot	\$ 702	\$ 29,484,000	Construction Cost	2025				
Sale Cost	3.0%	\$ (21)	\$ (884,520)	Basic Site Work	\$ 23 Cost/SF (Site)	\$ 24	\$ 1,009,960	Residual Land Value	\$ 7,618,191
Net Building Value		\$ 757	\$ 28,599,480	Building Direct Cost	\$ 305 Cost/SF (GBA)	\$ 250	\$ 10,992,376	per Land SF	\$ 174.89
				Surface Parking Direct Cost	\$ 5,700 per Space	\$ -	\$ -		
				Structured Parking Direct Cost	\$ 57,700 per Space	\$ -	\$ -		
Supportable Development Cost	13.0% Return on Cost (Unlevered)	\$ 592	\$ 25,309,274	<i>Total Construction Cost</i>		\$ 274	\$ 12,002,336		
				Soft Cost	2025				
				Architecture and Engineering	4.0% of Construction Cost	\$ 11	\$ 480,093		
				Other Soft Costs	2.0% of Construction Cost	\$ 5	\$ 240,047		
				Permits and Fees	\$ 56,000 per DU	\$ 47	\$ 1,680,000		
				Taxes and Insurance	3.0% of Construction Cost	\$ 8	\$ 360,070		
				Financing	4.0% of Construction Cost	\$ 11	\$ 480,093		
				Marketing/Leasing	3.0% Cost/SF (GBA)	\$ 8	\$ 360,070		
				Developer Fee	4.0% of Construction Cost	\$ 11	\$ 480,093		
				<i>Total Soft Costs</i>		\$ 101	\$ 4,080,467		
				Other Project Costs	2025				
				Development Contingency	10% of Construction & Soft Costs	\$ 38	\$ 1,608,280		
				Residual Land Value	Model Output / Supportable Land Cost	\$ 179	\$ 7,618,191		
				<i>Total Other Costs</i>		\$ 217	\$ 9,226,471		
				Total Project Cost		\$ 592	\$ 25,309,274		

MODELING RESULTS, OFFICE

- Residual Land Value is calculated by subtracting **total project cost** from **total supportable project cost**, which takes developer return into account.

BUILDING OPERATING INCOME (ANNUAL)				PROJECT DEVELOPMENT COSTS				Residual Land Value	
	2025	ASSUMPTION/FACTOR	PER GBA	TOTAL 2025		ASSUMPTION/FACTOR	PER GBA	TOTAL 2025	
Gross Potential Rent	\$5.06	per SF/Month (NNN)	\$ 49	\$ 14,282,801	Construction Cost				
Losses to Vacancy	5.0%	of GPR	\$ (2)	\$ (714,140)	Basic Site Work	23	Cost/SF (Site)	\$ 3	\$ 1,009,960
Gross Office Revenue			\$ 46	\$ 13,568,661	Building Direct Cost	422	Cost/SF (GBA)	\$ 351	\$ 110,335,447
Operation Expenses	3.0%	of Gross Revenue	\$ (1)	\$ (407,060)	Tenant Improvement Cost	82	Cost/SF (Rentable Area)	\$ 63	\$ 19,288,368
Net Operating Income (NOI)			\$ 45	\$ 13,161,601	Surface Parking Direct Cost	5,700	per Space	\$ -	\$ -
Supportable Development Cost	7.3%	Project Yield Rate (on NOI)	\$ 746	\$ 181,539,329	Structured Parking Direct Cost	57,700	per Space	\$ 91	\$ 30,177,100
					Subterranean Parking Direct Cost	84,200	per Space	\$ -	\$ -
					Total Construction Cost			\$ 508	\$ 160,810,874
					Soft Cost				
					Architecture and Engineering	4.0%	of Construction Cost	\$ 20	\$ 6,432,435
					Other Professional Services	2.0%	of Construction Cost	\$ 10	\$ 3,216,217
					Permits and Fees	\$ 50	per Square Foot (GBA)	\$ 50	\$ 13,068,000
					Taxes and Insurance	2.0%	of Construction Cost	\$ 10	\$ 3,216,217
					Financing	4.0%	of Construction Cost	\$ 20	\$ 6,432,435
					Marketing/Leasing	\$ 17.01	Cost/SF (GBA)	\$ 17	\$ 4,445,734
					Developer Fee	4.00%	of Construction Cost	\$ 20	\$ 6,432,435
					Total Soft Costs			\$ 148	\$ 43,243,474
					Other Project Costs				
					Development Contingency		of Construction & Soft Costs	\$ 66	\$ 20,405,435
					Residual Land Value		Model Output / Supportable Land Cost	\$ 23	\$ (42,920,453)
					Total Other Costs			\$ 89	\$ (22,515,019)
					Total Project Cost			\$ 746	\$ 181,539,329

Appendix B

Downtown Buildout Modeling

BUILDOUT MODELING

- To model long-term buildout in downtown, RSG first defined a land use program for each “Block” based on guidance from the DPP.
 - RSG assumed that neither Blocks C nor D would redevelop to existing uses that are unlikely to change (i.e., multifamily building, Santa Clara County Courthouse).
- RSG then formulated three conceptual buildout scenarios, which differ based on the total land area per Block expected to redevelop.
- To calculate total redevelopment GBA*, RSG multiplied redevelopment land area by the expected building intensity.

Theoretical Buildout Estimates by Scenario

	Scenario 1	Scenario 2	Scenario 3
Residential Units	440	723	1,071
Market-Rate	78	220	319
Affordable	362	503	752
Office (GSF)	54,901	102,940	102,940
Parking Stalls*	528	888	1,236
Residential	440	723	1,071
Office	88	165	165

*Assumes parking ratios of a) one stall per residential unit, and b) one stall per 500 rentable square feet (RSF) of office space.