

## Gateway Master Plan – Key Financial Assumptions

The following are key assumptions used for the Gateway Master Plan financial analysis for the Medium Office Scenario, which assumes 500,000 square feet and 1900 residential units.

### Development Revenues

- Monthly rents assumed at high end of the market – Office at \$7/NSF NNN; Apartments at \$4200/Unit (\$5.80/NSF); Condo prices at \$880,000/Unit (\$1100/NSF).
- Average monthly parking revenues range between \$100 to \$150/space.
- Twenty percent affordable housing requirement assumed based on NBPP, satisfied by including one acre of land dedicated for affordable housing for very low/low income households (160 units) plus onsite inclusionary (10-15% for apartments and 10% for condos) targeted to low to moderate income household incomes.
- Income properties like apartments are valued at historically low capitalization rates that maximize project values and development revenues.

### Development Costs

- Property owner's share to upgrade offsite public infrastructure in North Bayshore is estimated to cost \$38 million for water, sewer, recycled water, storm drain and transportation improvements.
- On the Gateway site, the developer is assumed to install new public roads and utility infrastructure at a projected cost of about \$29 million. Other site improvements, including building demolition, remediation and landscaping, are estimated to cost about \$53 million, or about \$1.9 million per acre.
- Moderate construction costs are assumed with a low contingency allowance of 5%, at an average of about \$375/building GSF and \$50,000/space for structured parking.
- The developer is estimated to pay development impact fees of about \$182 million, of which approximately 50% or \$90 million is attributable to parkland dedication.
  - **Park fees.** Assuming 80% market rate units, the parkland dedication requirement would be about 9 acres for 1,520 market rate units. Based on a \$10 million per acre land value, the parkland fees would be about \$91 million. If a 75% credit was granted for 2 acres of publicly accessible private open space (about \$20 million), then the net park fee would be \$71 million.
  - **School fees.** School fees are estimated at \$37 million, assuming an additional school contribution for residential development of \$17/GSF in addition to current school fee of \$3.79/GSF.
  - **Housing fees.** Non-residential development is assumed to pay housing fees totaling \$15 million, which would help fund affordable housing development.
  - **Infrastructure fees.** Non-residential development is projected to pay the North Bayshore fee, and both residential and non-residential development would pay the Sewer and Water Capacity Fees and Citywide Transportation Impact fees, collectively projected to total \$40 million, which would help fund the City's share of offsite public infrastructure costs.

- Other indirect costs in addition to impact fees, such as City building and permitting fees, construction financing, design, engineering, insurance, and predevelopment expenses, represent an additional 25% add-on to direct costs for most uses.