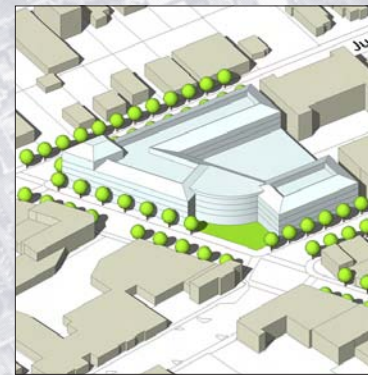
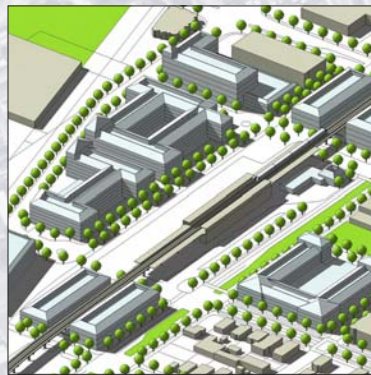


Downtown San Leandro Transit-Oriented Development Strategy

Prototype Development Projects Financial Feasibility Analysis



CITY OF SAN LEANDRO
Community Development Department

Working Paper #4
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Executive Summary

This document presents the results of financial analyses performed on three prototype development projects as part of the Downtown San Leandro Transit Oriented Development Strategy study. The conclusions and recommendations included in this paper are intended to assist the Citizen's Advisory Committee (CAC) in its discussion of desirable strategies and policies that the City could pursue for successful implementation of Transit-Oriented Development (TOD) in downtown San Leandro. Together with a subsequent Traffic and Transit Analysis, this Financial Analysis will be used to refine the alternative land use plans previously presented to the CAC and derive from them a preferred TOD Strategy.

The following goals have been established for this project with the CAC and San Leandro city staff:

- Improve the physical environment of the study area
- Enhance the image of downtown San Leandro
- Attract retailers to the downtown area
- Provide opportunity for new development
- Increase transit ridership
- Increase safety and security

In pursuing these goals, this study is seeking to provide innovative planning and implementation measures that can serve as a model for other regional TOD projects. As such, the study, including this Financial Feasibility Analysis, is investigating development scenarios that differ from current conditions in downtown San Leandro. In particular, higher densities and building heights, and lower parking ratios for new development have been studied in this current Working Paper in order to support the goals of TOD.

Work Process

In order to prepare reality-based financial analysis, prototype development projects were prepared for the following three project areas:

- BART / Westlake, several assembled parcels focused on the BART station
- Town Hall Square, several assembled parcels at the intersection of Davis and E. 14th Streets
- Downtown South Gateway, a single parcel at the south of the downtown retail core.

These project sites were chosen for their ability to serve as development catalysts with the potential for near-term success in key locations downtown and at the BART station.

The basis for design of these prototype projects is found in the Alternative Land Use plans

presented in Working Paper #3 (June 2006), where initial assumptions of TOD-appropriate uses and densities were established. The prototype development projects presented in this Working Paper tested the physical feasibility of these assumptions through diagrammatic architectural plans. The basic program elements include:

- BART / Westlake area: Rental and for-sale residential at 64 to 86 units per acre, office, retail and structured parking. Parking provided at 1.0 and 1.5 spaces per dwelling unit, and 2.0 spaces per 1,000 s.f. of office and retail space.
- Town Hall Square area: For-sale residential at 27 to 60 units per acre, and retail. Parking provided at 1.5 spaces per dwelling unit, and 2.0 spaces per 1,000 s.f. of retail space.
- Downtown South Gateway area: For-sale residential at 78 units per acre, and retail. Parking provided at 1.5 spaces per dwelling unit, and 2.0 spaces per 1,000 s.f. of retail space.

Based on these plans, a baseline financial pro forma analysis was prepared to test each development prototype for financial feasibility. Each project was then tested with an alternative program to determine the affect on feasibility of specific program changes. Four strategies were employed to test these alternatives:

- BART / Westlake area: Replace rental residential with for-sale residential.
- BART / Westlake area: Increase building height and overall dwelling unit count
- Town Hall Square area: Increase building footprint size and overall dwelling unit count
- Downtown South Gateway area: Replace below-grade parking with above grade podium parking.

Conclusions

The following general conclusions result from this Financial Feasibility Analysis:

- **FEASIBLE AND INFEASIBLE USES** There is strong financial feasibility for new for-sale residential development. Rental projects (including residential, office and retail) currently cannot be supported by the market if structured parking is included.
- **PARKING REQUIREMENTS** Providing parking for both for-sale and rental projects based on current City standards will discourage TOD in downtown San Leandro. However, amending parking requirements to allow lower ratios of supply can encourage development at the kind of densities associated with TOD projects. Similarly, if the BART area is to undergo new development that requires the replacement of all affected BART parking, the cost to replace that parking in nearby structures makes such development unlikely to occur in the short- to mid-term.
- **DENSITY & HEIGHT** Consideration of densities and building heights higher than currently found in San Leandro can help achieve additional benefits such as the transformation of the BART station area and

introduction of mixed-use projects into the downtown core. Without consideration of alternative zoning provisions, TOD-supportive projects are unlikely to occur.

1 | Introduction

Defining Financial Feasibility

Financial feasibility analysis involves understanding the relationship between the total cost to develop a potential project, including site acquisition and reasonable developer profit, versus the value of the completed project.

Simply put, a project is considered “financially feasible” when its value after completion is equal to or greater than all the costs involved in its development – land, construction, architecture and engineering, fees, financing costs, marketing and so on, as well as the return on investment required by a developer. The value of for-sale residential development is determined by sales price, less marketing and sales costs, while the value of income property – rental residential, office, retail, etc. – is calculated as a multiplier of the rents that can be collected, less operating costs.

An essential distinction is that financial feasibility reflects the “supply” side of the market for new development, while the “demand” for new development is analyzed through market feasibility, or the study of the number of potential purchasers or renters for a proposed project based on a project’s characteristics, including price.

For a project to proceed it must possess both market feasibility and financial feasibility. The relationship between these two fluctuates based on trends in the larger economy and market cycles – for example, there may be sufficient purchasers for new residential units at market prices (strong market feasibility), but the cost of development may be too high (weak financial feasibility), resulting in limited or no new development.

Responding to the Challenges of Infill Development

Creating new mixed-use development in urban infill locations such as downtown San Leandro presents unique challenges. These include property owners who for a range of reasons may be uninterested in selling at current market values. There has been limited sales activity, making it difficult to establish current market values. Properties that have existing improvements, even if they are obsolete or generate modest income, require a considerably higher price than unimproved land, resulting in a greater challenge for a project to achieve financial feasibility.

Other challenges include the much higher cost of providing parking underground or in structures to maximize utilization of a site, and

the higher costs associated with denser types of development.

Increasing the amount of development allowed at urban infill locations – such as through a Transit Oriented Development strategy – is a key method for increasing the value of potential development, both to offset higher costs of construction and the price that can be paid to property owners to motivate a sale.

Methodology

The financial feasibility analysis for this report involved preparing, for various potential development projects identified through the Study process, current projections as of Summer 2006 for sales prices; rents; construction costs; “soft costs” such as architects, engineers, and other services; financing costs; sales and marketing costs; and reasonable developer profit (assumed to be 8% to 10% of total development costs). These costs were summarized in “pro forma” (projection) tables that correspond to three project areas and the potential developments proposed in each area. The pro formas reflect the requirements of the City’s inclusionary housing ordinance, all development and other fees collected by the City, and the cost premium that may result

from prevailing wage requirements for projects that receive assistance from the City.

The completed pro formas project how much value is left over to pay for purchase of property after all other costs of development except land are deducted from the value of a completed project (known as a “land residual” analysis). Pro forma analysis was completed for both a “baseline” set of projects, as well as “alternate” projects in order to understand how changes in the potential development projects affect financial feasibility.

If the residual value is positive, and large enough to pay fair market value for the land, then the project is considered to be financially feasible. If the positive value is too small (or even negative if there are very high costs), then a project is considered to have a “feasibility gap” that must be eliminated before the development can occur.

The results of the financial feasibility analysis help identify which potential development projects that advance the goals of the Transit Oriented Development strategy and other City objectives may need assistance to proceed. Identification of potential sources to resolve feasibility gaps, and how assistance could be provided, is a topic for subsequent implementation work.

Limiting Conditions

The potential development projects analyzed were formulated for this analysis and may differ from future proposed development

projects. Sales prices, rental rates, construction costs and other factors are subject to significant change based on the type of project as well as when it occurs. Interest rates and calculations that depend upon interest rates (such as the value of income property) are subject to fluctuation based on general economic conditions, which also affects market and financial feasibility. The feasibility of specific uses or mix of uses will vary during an economic cycle. Thus, future consideration of specific proposed projects should be based on a feasibility analysis that incorporates economic conditions in effect at that time.

2 | Analysis Sites

The Existing Conditions Report, Market Assessment and subsequent tasks identified 39 major Development Opportunity Sites within the study area. These sites, ranging in size from 0.2 to 11.6 acres, were considered to be optimally sized and located to allow for transit-oriented, mixed-use development in the downtown area. Due to their underutilized or undeveloped status, they present an opportunity to act as near-term development catalysts for on-going downtown revitalization and transit usage.

In order to perform detailed financial analyses of prototype development projects within the scope of this study, three prototype development projects were defined from the set of 39 Opportunity Sites. The primary criteria for defining the development opportunity projects included the following:

- Potential to develop in the near term – the City and MTC are eager to begin implementation of this study as soon as possible
- Potential to stimulate other development – market-oriented prototype projects, rather than unique uses that aren't likely to occur on more than one site, are important in early phases to prove the feasibility of similar projects in the future

- Ability to significantly influence transit ridership – early phase projects should have sufficient size and be located near transit facilities to contribute riders to transit systems
- Able to accommodate a diversity of product types – sites should have sufficient physical capacity and appropriate context to allow testing of the most viable early phase uses, e.g., residential, office, etc.
- Ability to strengthen downtown vitality – projects should immediately contribute to a more robust, active, pedestrian-oriented downtown
- Enhance downtown economic strength – projects should immediately contribute to private sector revenue as well as City tax income.

The three prototype development projects and their financial analysis are described on the following pages. For each site, conceptual site plans and three-dimensional diagrams were developed to illustrate the physical form that the development program could take on the site. These diagrams portray the general mass of the buildings and are not intended to convey the architectural character of the prototype projects.

Analysis Sites

Project Area One

BART / Westlake

Includes Opportunity Sites 17, 24, 25 and 26, as identified in previous working papers; 21.9 acres.

This area includes the BART station and related parking facilities as well as large areas of vacant land. Parts of this area could be developed immediately, providing ridership increases for BART and bus systems and demonstrating typical development models for large parcels adjacent to the BART right-of-way.

Project Area Two

Town Hall Square

Includes Opportunity Sites 7, 8 and 29, as identified in previous working papers; 4.8 acres.

This area includes a variety of active and vacant commercial parcels, as well as a city park and parking lot. Although subject to parcel acquisition challenges, development of this site would have a large impact on downtown economics and vitality and support the future adjacent BRT facility.

Project Area Three

Downtown South Gateway

Includes Opportunity Site 17, as identified in previous working papers; 1.7 acres.

This is a single parcel, currently occupied by a vacant grocery store and surface parking, that could be redeveloped immediately. It provides an opportunity to test downtown mixed-use development adjacent to established existing uses, while supporting a possible future BRT stop.



3 | BART / Westlake Project Area

Site Context

The BART / Westlake project area encompasses the San Leandro BART station and several adjacent and associated parcels. The primary site area is bounded by San Leandro Boulevard on the east, Davis Street on the north, Alvarado Street and the Niles Subdivision rail line on the west, and Thornton Street on the south. In addition, the parcel bounded by San Leandro Blvd., Juana Avenue, Carpentier Street and West Joaquin Street Avenue, currently used as a surface parking lot for BART passengers, is included in this project site. The BART station site currently contains the BART station, surface parking and an AC Transit/LINKS bus transfer facility. Surface parking for an office building occupies the northwest corner of the site (the office building itself has not been included in the project site since it is considered to be a viable structure with little likelihood of replacement or redevelopment in the near to mid term). The "Westlake Site," a large, privately owned vacant parcel comprises the western half of the site bordering Alvarado Street and the rail line.

The following context conditions characterize this project site.

- West of San Leandro Blvd., the site has few buildings of immediate adjacency: a three

story office building at Davis Street east of Alvarado Street and a one story office building at Davis Street west of Alvarado; and several one- to two-story light industrial buildings south of Thornton Street. All other adjacent buildings are separated from this area by the rail line or arterial streets. The most significant structure in this area is the BART station and overhead track structure.

- Two rail lines border or traverse the site area, both west of the BART station. The Niles Subdivision line borders the site on the west and is used on a daily basis by multiple freight and passenger trains. A second rail line parallels Martinez Street and the BART tracks, bisecting this western area of the site. Although infrequently used, this rail line remains active. Pedestrian and vehicular crossings of these rail lines are limited to certain specified locations.
- East of San Leandro Blvd., the surface parking site is bordered by residential uses on the east and south and St. Leander's School's recreation/parking lot on the north. Most residential uses in the vicinity are one- to two-story single-family houses or duplexes, although the parcel to the east is a four-story multi-family condominium building.
- The Central San Leandro / BART Area Revitalization Strategy recommended

reducing San Leandro Blvd. from seven travel lanes to five, creating a pedestrian plaza in front of the BART station, and enhancing pedestrian accessibility to and from the BART station. These improvements not only will enhance the pedestrian environment, but also will provide a more attractive setting for future development on parcels fronting the boulevard. The Strategy also recommended construction of high-density residential (up to 200 units, equating to 95 units/acre) on the BART parking lot site. These elements have been incorporated into this TOD study.

Proposed Baseline Project Elements

The baseline prototype development program for all sites in the BART / Westlake Project Area includes:

- 350 for-sale condominium dwelling units (with 53 at below market rates affordable to households at 70 percent and 110 percent of Area Median Income [2006 Alameda County median annual income for a four person household is \$83,800], per the City's inclusionary housing ordinance). These units are located on the Westlake parcel.
- 180 rental residential units (with 27 at below market rate inclusionary units affordable to households at 50 percent and 60 percent of Area Median Income as required by the City's inclusionary housing ordinance). This rental component was included to evaluate the feasibility of rental residential, based on current height limits and the most common construction type, in current market conditions. These rental units are located on the parcel east of San Leandro Blvd.
- 162,700 square feet of office space
- 15,000 square feet of retail space
- 1,945 parking spaces, including up to 900 to replace parking that is lost as a result of development on the BART station site. Parking is allocated at 1 space/dwelling unit on the Westlake site due to its proximity to BART and the availability of guest and visitor parking in the adjacent parking structures. Residential parking east of San Leandro Blvd is allocated at 1.5 spaces/dwelling unit. Office and retail parking is allocated at 2.0 spaces/1,000 s.f. of commercial space.

Key Factors Affecting Financial Feasibility

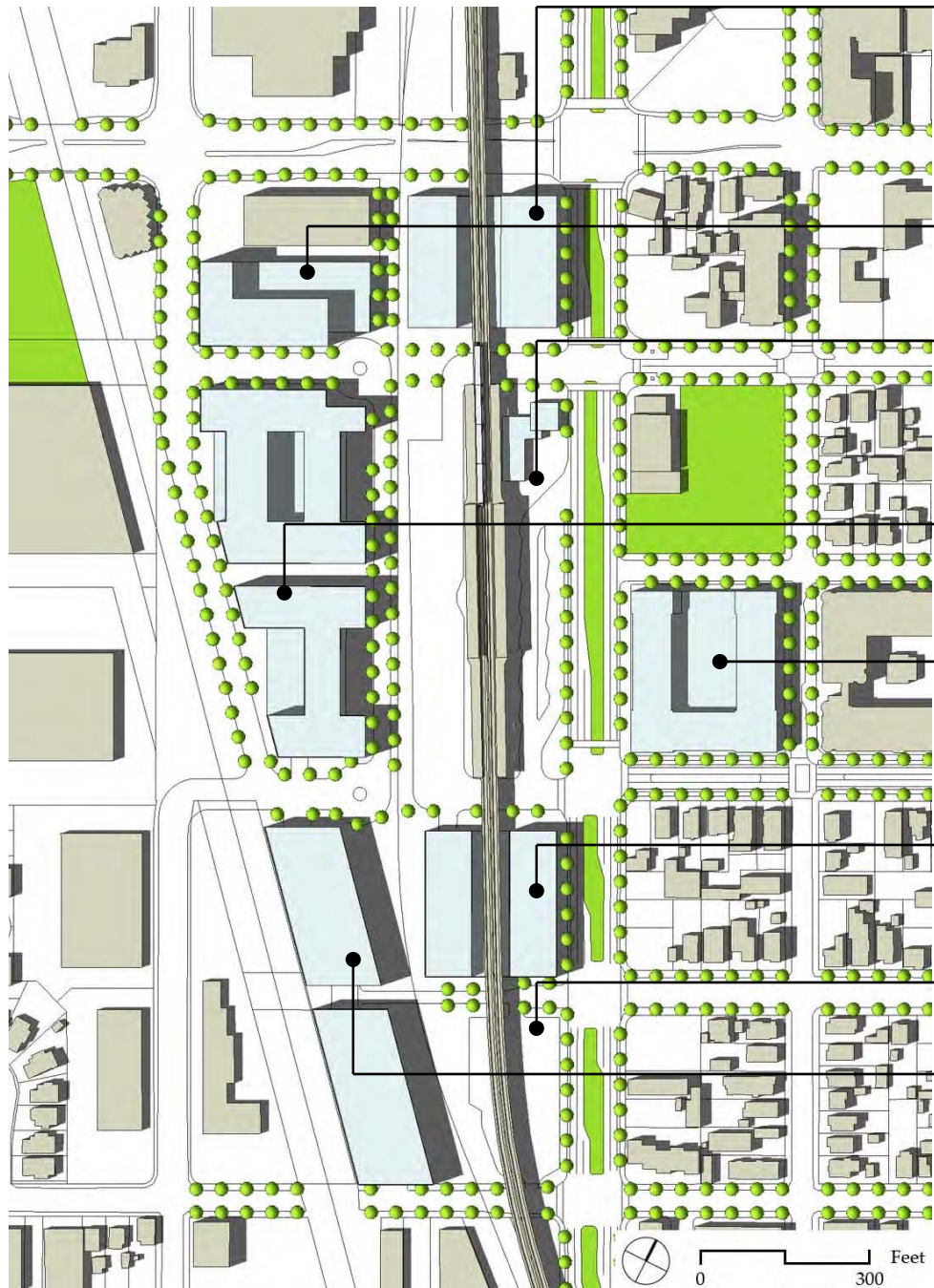
- **BART REPLACEMENT PARKING** The up to 900 replacement parking spaces in the baseline scenario could cost approximately \$27.7 million to construct, not including the purchase of approximately two acres of adjacent land to provide a site for the parking structures. This high cost, not offset by any potential parking revenues, represents an extraordinary cost burden.
- **RENTAL HOUSING** Rental housing is important for Transit Oriented Development because many households, including upper-income ones, prefer to rent their residences rather than purchase. Rental housing can also broaden housing affordability. However, flat market rental rates, combined with high development costs, have made market-rate rental housing development not feasible (this is true throughout most of the Bay Area). While interest in new market-rate residential development is picking up, it is likely at least another couple years before economic conditions favor extensive new residential development.
- **PARKING SUPPLY** Parking is provided at ratios below those currently allowed by standard San Leandro Zoning Code or even the more modest requirements of the E. 14th Street South Area Development Strategy. The high cost of providing structured parking, in combination with high ratios of required supply, can be prohibitive to successful TOD implementation.

Initial Financial Feasibility Findings

As shown in Table 1, the total value of development is approximately \$205 million. However, total development costs of approximately \$277 million make this development program not feasible. Three primary factors affect this infeasibility:

- The extraordinary cost of BART replacement parking
- The lack of current feasibility for the proposed office use on the site
- The lack of current feasibility for rental residential.

The Westlake parcel by itself is feasible for for-sale residential development, based on parking ratios appropriate for a transit-oriented location. At current zoning code parking ratios, it is likely this project would become infeasible due to the high cost of providing parking.



Site 1 - Office

- Office: 2 - 3-story buildings: 107,500 s.f.
- Retail: 5,000 s.f.
- Parking: surface and one level above grade (below BART track structure): 235 spaces. Supply: 2.0 sp/1,000 s.f. office and retail.

Site 2 - Office

- Office: 5-story, with parking structure attached: 70,000 s.f.
- Parking: 3-level above-grade structure, accommodates existing and new office parking: 308 spaces. Supply: 2.0 sp/1,000 s.f. office.

Site 3 - BART station

- Retain BART station building
- Retain bus facility
- New drive access to passenger drop-off and parking
- Retail: 10,000 s.f. - pavilion/kiosk structures. Primarily serving transit patrons, therefore no parking provided.

Site 4 (Westlake) - Residential

- Residential: 2 - 5-story buildings; condominium flats; 350 units.
- Parking: ½ level below-grade: 350 spaces. Guest parking provided on-street and in adjacent BART parking structures (Site 8). Supply: 1.0 sp/dwelling unit.

Site 5 - Residential Mixed Use

- Residential: 4-story building; condominium flats; 180 units.
- Retail: 5,000 s.f. - ground-floor, neighborhood-serving.
- Parking: ½ level below-grade, 1 level above-grade; residential parking only (retail parking on-street): 280 spaces. Supply: 1.5 sp/dwelling unit.

Site 6 - Office

- Office: 3-story; 55,200 s.f.
- Parking: surface and one level above grade (below BART track structure): 180 spaces, up to 70 spaces dedicated to BART users. Supply: 2.0 sp/1,000 s.f. office.

Site 7 - Parking

- Retain BART surface parking.

Site 8 - Structured Parking

- Parking: 2 - 5-level above-grade parking structures: 900 spaces.
- Replaces BART parking displaced by development of BART-owned sites (Sites 1, 3, 5, 6). Provides shared-parking arrangement with adjacent residential development (Site 4).
- Requires acquisition of part of Martinez Street right-of-way and third-party parcel for assembly of developable parcel.



Bird's eye view of the BART / Westlake project area from the southeast, illustrating the size and configuration of prototype development projects in relationship to existing area scale. The diagram illustrates building massing only and is not intended to convey architectural character.

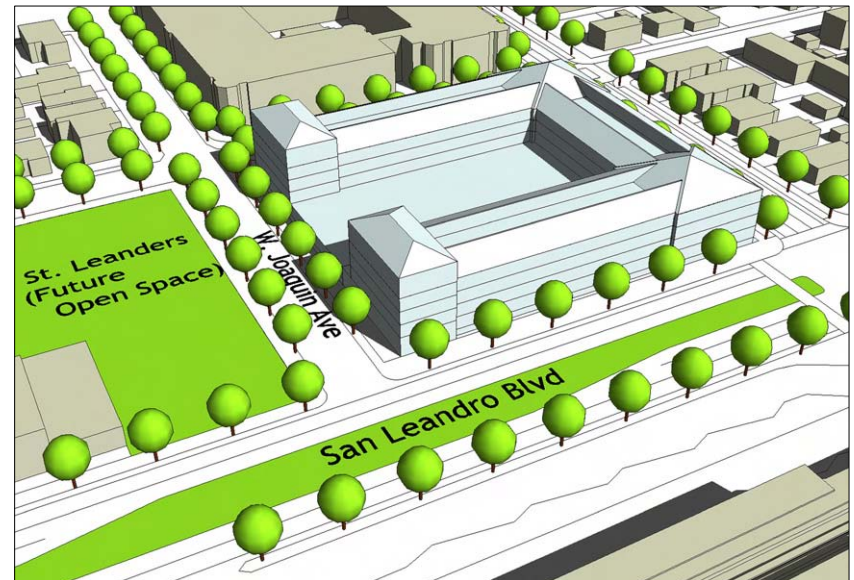
Table 1: BART/Westlake Financial Feasibility - Baseline Program

| | Sites 2, 4, 8 | Sites 1, 3, 6 | Site 5 | |
|--------------------------------|------------------------|-----------------------|-----------------------|------------------------|
| | <u>Westlake</u> | <u>BART Station</u> | <u>BART Lot</u> | <u>TOTAL</u> |
| DEVELOPMENT PROGRAM | | | | |
| Total Residential - Units | 350 | 0 | 180 | 530 |
| Total Commercial - Sq. Ft. | 0 | 172,700 | 5,000 | 177,700 |
| Parking Spaces - All Types | 350 | 1,315 | 280 | 1,945 |
| RESIDUAL VALUE ANALYSIS | | | | |
| Value of Completed Projects | \$140,133,313 | \$37,332,914 | \$27,878,010 | \$205,344,236 |
| Less Total Development Costs | <u>(\$133,298,115)</u> | <u>(\$90,661,743)</u> | <u>(\$53,246,731)</u> | <u>(\$277,206,589)</u> |
| Residual Land Value | \$6,835,198 | <u>(\$53,328,830)</u> | <u>(\$25,368,721)</u> | <u>(\$71,862,353)</u> |

Source: BAE, 2006.



Westlake site, with 5-story residential over ½ level below grade parking. View from west toward BART station, with warehouse/industrial buildings in foreground.



BART parking lot site, with 4-story residential over ½ level below grade parking, facing possible open space at St. Leander's School site. View from west, with BART station in lower right foreground.



Bird's eye view of the BART / Westlake project area from the southeast, alternate development program, illustrating 14-story residential building prototype on the Westlake property. All other program elements remain the same as the baseline development program illustrated on the previous pages.

Alternate Development Program Financial Feasibility

The above finding led to the formulation of an alternative program that could generate sufficient additional value to finance relocation of existing BART parking and create additional sites for transit-oriented development.

Economic analysis shows this can be accomplished by:

- Replacing new rental residential with for-sale units on the parcel east of San Leandro Blvd.
- Delaying office development on the BART station site until office rental rates support development of new office space
- Greatly increasing residential development on the Westlake site to generate enough extra revenue to offset the cost of up to 900 replacement BART parking spaces. This would result in the development of approximately 776 for-sale condominium units in 14-story mid-rise buildings and 64 townhouse units on the Westlake site.

Building heights would be approximately 150 feet, exceeding the 75' height limit in the downtown area and the 80' maximum height limit in any area of the city.

As shown in Table 2, the total value of this program is approximately \$462 million. Total development costs of approximately \$436 million mean that there is sufficient value for this development program to proceed. It should be noted, however, that current market conditions in San Leandro are not considered strong enough to support new mid-rise residential development, although there is believed to be greater potential in the next few years based on increasing market support for this type of housing in various suburban Bay Area locations.

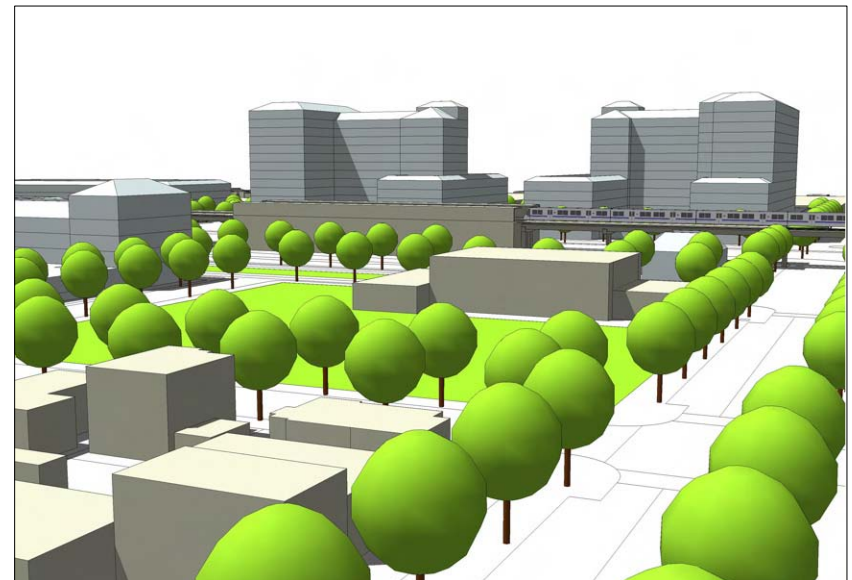
Table 2: BART/Westlake Financial Feasibility - Alternate Program

| | Sites 2, 4, 8 | Sites 1, 3, 6 | Site 5 | |
|--------------------------------|------------------------|-----------------------|-----------------------|------------------------|
| | <u>Westlake</u> | <u>BART Station</u> | <u>BART Lot</u> | <u>TOTAL</u> |
| DEVELOPMENT PROGRAM | | (a) | | |
| Total Residential - Units | 840 | 0 | 180 | 1,020 |
| Total Commercial - Sq. Ft. | 0 | 0 | 5,000 | 5,000 |
| Parking Spaces - All Types | 904 | 900 | 180 | 1,984 |
| RESIDUAL VALUE ANALYSIS | | | | |
| Value of Completed Projects | \$389,408,151 | \$0 | \$72,046,444 | \$461,454,595 |
| Less Total Development Costs | <u>(\$350,311,796)</u> | <u>(\$27,682,596)</u> | <u>(\$57,867,747)</u> | <u>(\$435,862,139)</u> |
| Residual Land Value | \$39,096,355 | <u>(\$27,682,596)</u> | \$14,178,697 | \$25,592,456 |

Source: BAE, 2006.



Westlake site, with 14-story and townhouse residential prototype development program. View from west toward BART station, with warehouse/industrial uses in foreground.



BART / Westlake site, with 14-story and townhouse residential prototype development program. View from east toward BART station, with residential and possible public open space uses in foreground.

Summary of BART / Westlake Analysis

The following issues are critical to development of the BART / Westlake area:

- **BART REPLACEMENT PARKING** Both the baseline and the alternate development programs assumed 100% replacement of BART parking displaced by new development, located within the BART / Westlake project area boundaries. Due to the cost of structure parking, the financial feasibility of both alternative prototypes will improve if reduced replacement parking is provided, while financial performance will deteriorate if additional parking is required. Coordination with BART to determine the best approach to BART parking for this station area will be critical to achieve a unified development, as opposed to piecemeal development that does not achieve the same level of public improvements and TOD-oriented goals.
- **BART PROPERTY DEVELOPMENT** Building in proximity to existing transit facilities, especially overhead track structures, presents technical and policy challenges. Close coordination with BART will be necessary to ensure that maintenance, security and other requirements are satisfied, along with the goals of overall improvement of the project area.
- **BUILDING HEIGHT** If additional building height is necessary to achieve the financial and development goals of the project area, existing zoning code will require change and public opinion must be determined and addressed. The cost implications of additional building height (see Construction

Type and Cost below) were factored into the alternate program proforma.

- **RAILROAD CROSSINGS** Pedestrian and vehicular access across the rail lines will be limited to specific locations. These places should align with the existing grid of downtown street corridors. New development in the area, such as the BART parking structures and the Westlake site projects, should reinforce this grid concept by concentrating pedestrian activity on these corridors. Pedestrian crossing can occur at controlled at-grade crossings, or be achieved by using elevated or below-grade structures. Vehicular crossings will be limited in number to existing crossings, although they could be relocated to correspond with critical access points and the reintegration of the street grid.
- **PARKING REQUIREMENTS** Current zoning requirements for parking discourage the development of financially feasible projects at the densities supportive of TOD goals. Zoning requirements range from 1.5 to 2.5 parking spaces per dwelling unit, 3 spaces per 1,000 square feet of office space, and up to 5 spaces per 1,000 square feet of retail space (higher for restaurants). In order to achieve TOD in this project area, parking ratios for residential, office and retail uses must be lowered and consideration given to proximity to transit and shared parking opportunities. These prototype projects were studied at 1.0 and 1.5 spaces per dwelling unit, and 2 spaces per 1,000 square feet of office and retail space.
- **CONSTRUCTION TYPE & COST** One of the most cost-effective construction types for low-rise buildings (i.e., below five stories) is wood frame, Type V construction. Above four

stories, or 50' height, construction materials such as fire treated wood, steel or concrete become necessary, adding cost for materials and labor. Buildings higher than 75' to the top floor (approximately eight stories) require additional life safety systems that add to construction cost compared to lower buildings. In order to become financially feasible, buildings incurring these additional costs require additional income provisions, potentially including additional dwelling units, rentable square footage, higher rent/sale prices, subsidy, etc.

- **LONG TERM STRATEGY** Market conditions change, making current forecasting of financial feasibility difficult over the long-term. The building sites in this project area can be phased over time to better capture favorable market conditions, while still achieving the improvements to the station area envisioned in the Central San Leandro / BART Area Revitalization Strategy and being developed in this TOD Strategy.

4 | Town Hall Square Project Area

Site Context

The Town Hall Square project area occupies a prominent site in the center of downtown San Leandro adjacent to a primary stop of the future AC Transit BRT line. The site area is bounded by San Leandro Creek and Toler Avenue on the north; E. 14th Street on the east; Davis Street on the south; and Clarke Street on the west. This site lies at the high visibility crossroads of downtown and connects the downtown retail core to Civic Center.

The site currently is occupied by a variety of land uses including a large area of surface parking, several vacant commercial buildings, a gas station, a retail/office complex built within the last five years, and a public creekside park. The Civic Center complex is immediately north and a single-family residential neighborhood is north of the creek. A four-story senior housing apartment building is across E. 14th Street north of the creek. Existing adjacent land uses along Davis and E. 14th Streets are mostly retail and office, including the Washington Plaza shopping center across Davis Street. Multi-family residential buildings face the project area on the west. These multi-family buildings are the tallest structures in the downtown area, reaching five stories in height (approximately 55 feet) across Clarke Street from the site area.

Other nearby adjacent buildings are one- to two-stories high.

San Leandro Creek is not accessible in the project area with the exception of a stairway to creek level in Root Park. The top of creek bank along Hays Street is fenced off, and the bank and much of the creek channel is within private residential parcels on the north side. For most of its length, the creek bank is overgrown with trees and shrubs, further preventing public access.

The major bordering streets – Davis and E. 14th Streets – are heavily traveled, 4- and 5-lane arterials designated as state highways. Both serve as bus corridors, with E. 14th Street proposed for future BRT use. The BRT stops would be south of the Davis Street intersection at San Leandro Plaza. Hays Street currently bisects the site, connecting Davis and E. 14th Streets and serving as a bypass of the Davis/E. 14th Street intersection.

Proposed Baseline Project Elements

The baseline prototype development program for all sites in the Town Hall Square Project Area contains the following:

- 117 for-sale residential condominium units
- 14 for-sale townhouse units

- 12 for-sale live/work units, combining space for home-based businesses with a dwelling in a single unit;
- 18,900 square feet of retail space
- 289 parking spaces (159 in below-ground spaces, 68 in “podium” parking structures, 50 replacement spaces in a deck north of City Hall to offset loss of spaces due to development of the Toler lot, and 12 spaces in “tuck-under” parking under some of the townhouse units). Residential parking is allocated at 1.5 spaces/dwelling unit. Retail parking is allocated at 2.0 spaces/1,000 s.f. of retail space.
- 1.5 acres of public open space, potentially including a creekside park that expands Root Park, creekside pedestrian pathways, and a civic plaza for gatherings and events. This open space results from the closure of Hays Street between Davis and E. 14th Streets.

The above residential development includes 22 below-market rate inclusionary units per the City’s ordinance, spread among the various housing types.

Key Factors Affecting Financial Feasibility

- **HIGH COST OF ACQUIRING IMPROVED PROPERTY** There is 16,700 square feet of commercial space on

Town Hall Square Project Area

the block bounded by East 14th Street, Hays Street, and Davis Street. While much of this area is already owned by the City's Redevelopment Agency, privately owned property includes a Chevron Station, a bank office building, and the San Leandro Chamber of Commerce. The costs associated with acquiring these sites for development may run as high as \$6 million or more.

There is an additional 15,400 square feet of commercial space on the block bounded by Hays Street, Davis Street, Clarke Street, and San Leandro Creek. Improvements consist of an office/retail building and a retail building housing a video rental operation and a women's exercise studio. While no formal analysis of value has been completed, the cost of acquiring these properties may be as high as \$3 million or more.

- **HIGH COST OF PARKING** More than half of the parking spaces are underground, in order to accommodate development within site constraints and height limits. However, underground parking, at an estimated \$30,000 per space for direct construction costs, is twice the cost of parking in a podium structure that has development on a deck above (\$15,000 per space), and 50 percent more than in a standard above-ground parking structure (\$20,000 per space).

Construction of the 50 replacement parking spaces at City Hall will cost an estimated \$1 million in direct construction costs.

Initial Financial Feasibility Findings

Table 3 shows that the value of completed construction, at approximately \$75 million, is greater than total development costs of approximately \$68 million. However, the residual value of approximately \$7.5 million is less than the potential purchase costs of potentially \$11 million or more (this analysis assumes the City will obtain fair market value from sale of the Toler lot and Redevelopment Agency-owned property). Thus, without a source of additional support, this development is unlikely to occur.

It should be noted that the complicated assembly of multiple sites will require the City's Redevelopment Agency to act as the entity that buys property from willing sellers at fair market value. This is because developers are uninterested in the high effort, risk, and length of time it may take to purchase and assemble the individual parcels.

Table 3: Town Hall Square Financial Feasibility - Baseline Program

| | Site 1 <u>Toler</u> | Site 2 <u>Town Hall Square</u> | Site 3 <u>Clarke/ Davis St.</u> | <u>TOTAL</u> |
|--------------------------------|------------------------|---------------------------------------|--|------------------------------|
| DEVELOPMENT PROGRAM | | | | |
| Total Residential - Units | 24 | 100 | 19 | 143 |
| Total Commercial - Sq. Ft. | 0 | 14,000 | 4,900 | 18,900 |
| Parking Spaces - All Types | 80 | 180 | 29 | 289 |
| RESIDUAL VALUE ANALYSIS | | | | |
| Value of Completed Projects | \$11,911,728 | \$52,713,997 | \$10,431,422 | \$75,057,148 |
| Less Total Development Costs | <u>(\$11,613,116)</u> | <u>(\$46,242,023)</u> | <u>(\$9,750,657)</u> | <u>(\$67,605,797)</u> |
| Residual Land Value | \$298,612 | \$6,471,974 | \$680,765 | \$7,451,351 |

Source: BAE, 2006.

Site 1 - Residential

- Residential: 6 townhouses (facing Arroyo); 12 condominium flats (facing E. 14th St.); 18 total units.
- Parking: ½ level below-grade: 30 spaces. Supply: 1.5 sp/condo; 2.0 sp/townhouse.

Site 2 - Residential Mixed Use

- Residential: 3 & 4-story condominium flats above ground floor retail; 88 condominium units. Stacked townhouse/lofts at-grade; 12 units.
- Retail: 14,000 s.f. at-grade, facing Davis and E. 14th Streets.
- Parking: full level below-grade, two levels at/above-grade: 180 spaces. Parking podium serves residential and retail uses, including Site 3 retail parking. Supply: 1.5 sp/dwelling unit; 2.0 sp/1,000 s.f. retail.

Site 3 - Residential Mixed Use

- Residential: 3-story building; 11 flats over 8 podium-level townhouses; 19 units.
- Retail: 4,900 s.f. at grade, facing open space.
- Parking: ½ level below-grade, serving residential only: 29 spaces. Retail parking accommodated in Site 2 parking structure. Supply: 1.5 sp/dwelling unit.



Town Hall Square Project Area



Bird's eye view of the Town Hall Square project area from the southeast, illustrating the size and configuration of prototype development projects in relationship to existing area scale. The diagram illustrates building massing only and is not intended to convey architectural character.

Alternate Development Program

An alternate development program was formulated that could generate greater value by development of a larger portion of the Hays – East 14th – Davis Street site to add 60 more for-sale condominium units and 12 more for-sale live/work units and elimination of the Clarke – Davis Street site. The Toler site is unchanged in this alternate program.

Table 4 shows that the total value of the alternate development program, at approximately \$99 million, is considerably higher than total development costs of approximately \$86 million. This means that this program creates sufficient value for development to proceed without additional public support. However, the Redevelopment Agency would still likely need to take the lead in purchasing and packaging the multiple private parcels so that they can be resold at fair market value to a developer.

Table 4: Town Hall Square Financial Feasibility - Alternate Program

| | <u>Toler</u> | <u>Town Hall Square</u> | <u>Clarke/ Davis St.</u> | <u>TOTAL</u> |
|--------------------------------|-----------------------|-----------------------------|------------------------------|-----------------------|
| DEVELOPMENT PROGRAM | | | | |
| Total Residential - Units | 24 | 170 | 0 | 194 |
| Total Commercial - Sq. Ft. | 0 | 14,000 | 0 | 14,000 |
| Parking Spaces - All Types | 80 | 283 | 0 | 363 |
| RESIDUAL VALUE ANALYSIS | | | | |
| Value of Completed Projects | \$11,911,728 | \$87,519,594 | \$0 | \$99,431,322 |
| Less Total Development Costs | <u>(\$11,254,691)</u> | <u>(\$74,689,992)</u> | <u>\$0</u> | (\$85,944,683) |
| Residual Land Value | \$657,037 | \$12,829,602 | \$0 | \$13,486,639 |

Source: BAE, 2006.

Town Hall Square Project Area



Bird's eye view of the Town Hall Square project area from the southeast, alternate development program, illustrating the increased size of the Site 2 building component and removal from the prototype project of the retail structures east of Clarke Street.

Site 2 - Alternate Development Program Residential Mixed Use

- Residential: 4-story condominium flats above ground floor retail; 148 condominium units. Stacked townhouse/lofts at-grade; 22 units.
- Retail: 14,000 s.f. at-grade, facing Davis and E. 14th Streets.
- Parking: full level below-grade, two levels at/above-grade: 283 spaces. Supply: 1.5 sp/dwelling unit; 2.0 sp/1,000 s.f. retail.

Summary of Town Hall Square Analysis

The following issues are critical to development of the Town Hall Square project area:

- **PARKING REQUIREMENTS** This issue is similar to the BART / Westlake project area, with current zoning requirements for parking discouraging the development of financially feasible projects at the densities supportive of TOD goals. In order to achieve TOD in this project area, parking ratios for residential, office and retail uses must be lowered and consideration given to proximity to existing and proposed transit, as well as other innovative measures that reduce parking demand. These prototype projects were studied at 1.5 spaces per dwelling unit, and 2 spaces per 1,000 square feet of office and retail space.
- **BUILDING HEIGHT & DENSITY** This prototype project achieves greater financial feasibility when the number of dwelling units is increased. However, doing so within height limits established by both policy and custom in the downtown area (i.e., no higher than five stories), requires creation of a larger building footprint. This, in turn, limits the size of the public open space included in the baseline prototype. If it is desirable to achieve a creekside civic space, it may be necessary to allow a taller building on this site. However, building code and construction cost constraints also will affect ultimate building height.
- **CONSTRUCTION TYPE & COST** See BART / Westlake project summary issues, above.

5 | Downtown South Gateway Project Area

Site Context

The Downtown South Gateway project area is a 1.7 acre parcel located at the south end of the downtown retail core, bordered by Juana and Dolores Avenues, E. 14th Street, and two private parcels. The site previously housed an Albertson's supermarket and surface parking, however the store has been vacant for over a year. Surrounding uses include retail – Pelton Center is across E. 14th Street – and office, with residential uses common east of the site.

Adjacent building heights range from one to three stories, with three story office buildings bordering the site on the east.

A future north-bound BRT stop may be developed at the intersection of E. 14th Street and Dolores Avenue. It is likely this stop will be located along the frontage of this project site.

Proposed Baseline Project Elements

The baseline prototype development program for the Downtown South Gateway Project Area includes:

- 132 for-sale residential condominium units (with 20 below market-rate for-sale units per the City's inclusionary housing ordinance)
- 22,000 square feet of retail space, suitable for a single retailer (e.g. specialty grocery) or multiple tenants

- 242 parking spaces (162 below-ground and 80 in an at-grade podium structure). Residential parking is allocated at 1.5 spaces/dwelling unit (198 spaces). Retail parking is allocated at 2.0 spaces/1,000 s.f. of retail space (44 spaces). Current zoning requires 1.5 to 2.5 spaces/dwelling unit and up to 5 spaces/1,000 s.f. of retail space.

Key Factors Affecting Financial Feasibility

- **ACQUISITION OF EXISTING PROPERTY** The site is currently improved with an older, approximately 20,000 square foot building. The current owner intends to lease the space to a discount grocery retailer, and therefore would only sell the building if the price it receives for the site is comparable to its value if leased to such a tenant.

Initial Financial Feasibility Findings

Table 5 shows that the value of the completed project, at approximately \$63 million, is \$6.5 million higher than the total development cost of less than \$57 million. This means that, with zoning in place to allow denser new development, the project generates sufficient value to pay the property owner's sale price.

Table 5: Downtown S. Gateway Financial Feasibility - Baseline Program

| | Downtown S. Gateway |
|--------------------------------|--------------------------------|
| DEVELOPMENT PROGRAM | |
| Total Residential - Units | 132 |
| Total Commercial - Sq. Ft. | 22,000 |
| Parking Spaces - All Types | 242 |
| RESIDUAL VALUE ANALYSIS | |
| Value of Completed Projects | \$63,173,813 |
| Less Total Development Costs | (\$56,647,459) |
| Residual Land Value | \$6,526,353 |

Source: BAE, 2006.

Downtown South Gateway Project Area

Residential Mixed-Use

- Residential: 3-story condominium flats over ground-floor retail and parking; 132 units.
- Retail: 22,000 s.f. at-grade, facing E. 14th Street. Adequate capacity for small-medium grocery and/or small storefront retail.
- Parking: full level below-grade, partial level at grade: 242 spaces. Supply: 1.5 sp/dwelling unit; 2.0 sp/1,000 s.f. retail.



Alternate Development Program

An alternate development program was prepared that includes the same development program, but moves all of the parking to above-ground podium structures in order to show the impact on residual land value by eliminating underground parking. The result of placing all parking at or above grade is an increase in overall building height from four stories to five stories, which changes the construction type and increases building construction cost by approximately 20 percent. As shown in Table 6, the increased building construction cost offsets the savings from eliminating below ground parking, increasing total development cost by more than \$4 million, and creating the need for significant public support to make the project feasible.

Table 6: Downtown S. Gateway Financial Feasibility - Alt. Program

| | Downtown S. Gateway |
|--------------------------------|--------------------------------|
| DEVELOPMENT PROGRAM | |
| Total Residential - Units | 132 |
| Total Commercial - Sq. Ft. | 23,000 |
| Parking Spaces - All Types | 242 |
| RESIDUAL VALUE ANALYSIS | |
| Value of Completed Projects | \$63,413,771 |
| Less Total Development Costs | <u>(\$60,821,074)</u> |
| Residual Land Value | \$2,592,697 |

Source: BAE, 2006.



Bird's eye view of the Downtown South Gateway project area from the southwest, illustrating the size and configuration of the baseline prototype development project in relationship to existing area scale. The diagram illustrates building massing only and is not intended to convey architectural character.



Bird's eye view of the Downtown South Gateway project area from the southwest, alternate development program, with an additional level of development to accommodate all parking at or above grade.

Summary of Downtown South Gateway Analysis

The following issues are critical to development of the Downtown South Gateway project area:

- **PARKING REQUIREMENTS** This issue is similar to the other project areas, with current zoning requirements for parking discouraging the development of financially feasible projects at the densities supportive of TOD goals. In order to achieve TOD in this project area, parking ratios for residential and retail uses should be lowered and consideration given to proximity to existing and proposed transit, as well as other innovative measures that reduce parking demand. These prototype projects were studied at 1.5 spaces per dwelling unit, and 2 spaces per 1,000 square feet of retail space.
- **BUILDING HEIGHT & DENSITY** This prototype project achieves greater financial feasibility with below-grade parking than with above-grade parking. As shown in the alternate development program, in order to retain the same number of dwelling units and retail square footage, and the same parking ratios for these uses, an additional floor must be added to the structure in order to eliminate below-grade parking. Doing so changes the construction type and cost of the project (see Construction Type & Cost in the BART / Westlake project summary, above). A similar result is likely to occur if parking ratios are increased or additional program square footage is desired.

6 | Conclusions

Transit-Oriented Development can generate significant long-term benefits for mobility, economic development, fiscal impact, and the character of places. At the same time, it faces the same feasibility challenges as other types of mixed-use infill development. Financial analysis of potential development in the three project areas was performed in order to determine if the value of potential new development is sufficient for developers to proceed with these projects. The analysis considers the specific mix of uses, types of construction, and amount of parking as well as how parking is accommodated in below-ground or above ground parking structures, or podium parking.

The analysis quantifies the cost of some key challenges faced by Transit-Oriented Development, including the need to construct expensive parking structures, purchase property whose value is increased by existing improvements even if they are obsolete or generate modest rents, and that not all potential uses desirable in mixed-use development are currently feasible. Although large up-front costs can inhibit the desired development, this challenge can be addressed through strategic public support whose cost is funded from the economic and fiscal benefits generated by new development.

Key Findings

- **CURRENTLY FEASIBLE USES** There is strong financial feasibility in San Leandro for new for-sale residential development, either in condominiums, townhouses, or live/work units. The value of such development is sufficient to cover the cost of structured parking to serve new residents and tenants, as well as pay land values likely to encourage property owners to sell.
- **CURRENTLY INFEASIBLE USES** Current rents in San Leandro make it difficult, absent public support, to develop new larger floorplate office buildings, retail uses, and market-rate rental residential units if these projects must also include the cost of various types of structured parking. The current San Leandro market does not support paid parking to an extent that would help recoup the costs of parking structures. These uses will become more feasible in the future when rental rates rise, and tenants in suburban Bay Area locations become more willing to pay for parking.
- **IMPLICATIONS FOR MIXED-USE DEVELOPMENT** Within a specific mixed-use project, it is often the case that certain uses are more profitable than others, but a mix of uses is important for enhancing pedestrian character and downtown vitality. The ability of profitable

uses to “cross-subsidize” less profitable uses is widely understood by the development industry. Allowing flexibility in the amount and types of allowed uses, within height limits and other zoning requirements, can help developers tailor mixed-use development to current market conditions, and reduce the amount of public support that may be needed for projects.

- **SIGNIFICANT IMPACT FROM REPLACEMENT PARKING REQUIREMENTS** The need for replacement of a large portion of the 900 parking spaces affected by joint development at the BART Station site means that development is unlikely to occur in the near- or medium-term, until there is a significant increase in office rents and/or ability to charge high enough rates for parking. One option that preliminary analysis shows can likely cover the \$27 million or more cost of replacement parking is through allowing mid-rise residential development on the adjacent Westlake site, in return for that project funding the cost of replacement BART parking. However, it likely will be at least several years before the market would support such mid-rise residential development in San Leandro.
- Another approach is for the City and BART to evaluate BART’s revised replacement parking methodology to identify

Conclusions

opportunities for a lower level of replacement parking. If viable, substantial reductions in replacement parking could make new development occur sooner.

- Ultimately, development of the BART Station site may be most feasible if it occurs in phases, with a significant amount of the new development in the longer-term after other nearby development has significantly increased the value of the property and its ability to support replacement parking or other costs.
- **CHANGES IN DEVELOPMENT PROGRAM CAN ENHANCE FEASIBILITY** The alternate development projects tested in the financial feasibility analysis show that measures such as delaying or phasing currently infeasible uses (office and market-rate rental residential uses in the BART / Westlake Project Area), eliminating sites with high value improvements in good condition (the Clarke-Davis Street site in the Town Hall Square Area), and increasing residential density (BART / Westlake and Town Hall Square Project Areas) can enhance feasibility significantly and reduce the need for potential public support.
- **IMPLICATIONS FOR TIMING OF PROJECTS** The financial feasibility analysis shows that the Downtown South Gateway Project Area, and the

Westlake site in the BART/Westlake Project Area, are feasible for near-term development. The Town Hall Square Project Area, for the alternative development program, is also feasible, however the complexities of land assembly make it difficult for this project to occur in the near-term. The balance of BART/Westlake Project Area development is likely to happen only in the long-term when economic conditions are enhanced to the point where the project can cover the cost of replacement BART parking.

- **EFFECT OF CHANGES IN FUTURE MARKET AND ECONOMIC CONDITIONS** While future market and economic conditions cannot be predicted, experience shows that these are subject to ongoing changes, and which uses are feasible at a particular point in time will change. The City's strategy for Transit-Oriented Development needs to provide for sufficient flexibility and ongoing review to accommodate these shifts.

Potential City Support for Projects

More detailed implementation analysis is needed to understand the amount of support that may be required from the City in order to stimulate additional private investment in downtown San Leandro. Such analysis would

refine cost estimates for acquiring sites, determine the amount of property and other taxes that would be generated by new development, and calculate the amount of new tax increment that could be captured by the City.

Preliminary review of the current projected residual value of baseline new development in the three project areas, even after excluding development at the BART Station site, indicates that it may be difficult for all of the identified projects to achieve financial feasibility, even with potential City assistance funded from available new fiscal revenues. The higher residual value generated by the combined alternate development programs in the three project areas, and the greater fiscal benefits it generates for the City, suggests that the alternate development program as a whole is more financially feasible and that the City would likely be able to fund the assistance needed to attract the desired development.

7 | Acknowledgements

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Appendix Table 1: Summary of Pro Formas for San Leandro TOD - Baseline Prototype Projects

| | Site | 24 | 25 | 17 | 7 | 8 | 29 | 13 |
|--|-----------------------|--------------------|-----------------------|-----------------------|------------------------------|-----------------------------|------------------|--------------------|
| | <u>TOTAL</u> | <u>Westlake</u> | <u>BART Station</u> | <u>BART Lot</u> | <u>Clarke/ Davis St.</u> | <u>Town Hall Square</u> | <u>Toler</u> | <u>S. Gateway</u> |
| DEVELOPMENT PROGRAM | | | | | | | | |
| Residential - Units | | | | | | | | |
| Multifamily Rental | 180 | 0 | 0 | 180 | 0 | 0 | 0 | 0 |
| Multifamily For-Sale | 599 | 350 | 0 | 0 | 11 | 88 | 18 | 132 |
| Townhouse | 14 | 0 | 0 | 0 | 8 | 0 | 6 | 0 |
| Live/Work | <u>12</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>12</u> | <u>0</u> | <u>0</u> |
| Total Residential | 805 | 350 | 0 | 180 | 19 | 100 | 24 | 132 |
| Market-Rate Units | 684 | 298 | 0 | 153 | 16 | 85 | 20 | 112 |
| Inclusionary Units (15%) | 121 | 53 | 0 | 27 | 3 | 15 | 4 | 20 |
| Commercial - Sq. Ft. | | | | | | | | |
| Office | 162,700 | 0 | 162,700 | 0 | 0 | 0 | 0 | 0 |
| Retail | <u>55,900</u> | <u>0</u> | <u>10,000</u> | <u>5,000</u> | <u>4,900</u> | <u>14,000</u> | <u>0</u> | <u>22,000</u> |
| Total Commercial | 218,600 | 0 | 172,700 | 5,000 | 4,900 | 14,000 | 0 | 22,000 |
| Parking Spaces - All Types | 2,476 | 350 | 1,315 | 280 | 29 | 180 | 80 | 242 |
| Replacement Parking Spaces | 950 | 0 | 900 | 0 | 0 | 0 | 50 | 0 |
| Site Area - Acres | 25.5 | 5.5 | 13.1 | 2.1 | 0.7 | 2.0 | 0.4 | 1.7 |
| Residential Density - Units/Gross Acre | | 64 | 0 | 86 | 27 | 50 | 60 | 78 |
| Est. Exist. Improvements - Sq. Ft. (excluding RDA owned property) | | | | | | | | |
| Office | 23,632 | 0 | 0 | 0 | 8,100 | 15,532 | 0 | 0 |
| Retail | <u>28,475</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>7,300</u> | <u>1,175</u> | <u>0</u> | <u>20,000</u> |
| Total Existing | 52,107 | 0 | 0 | 0 | 15,400 | 16,707 | 0 | 0 |
| DEVELOPMENT FEASIBILITY | | | | | | | | |
| Value of Completed Projects | \$343,575,197 | \$140,133,313 | \$37,332,914 | \$27,878,010 | \$10,431,422 | \$52,713,997 | \$11,911,728 | \$63,173,813 |
| Development Cost Excl. Parking | \$330,017,658 | \$119,752,567 | \$57,754,050 | \$44,768,583 | \$8,636,439 | \$40,620,549 | \$9,647,873 | \$48,837,596 |
| Parking Construction | <u>71,442,188</u> | <u>13,545,548</u> | <u>32,907,693</u> | <u>8,478,148</u> | <u>1,114,219</u> | <u>5,621,474</u> | <u>1,965,243</u> | <u>7,809,863</u> |
| Total Development Costs | \$401,459,845 | \$133,298,115 | \$90,661,743 | \$53,246,731 | \$9,750,657 | \$46,242,023 | \$11,613,116 | \$56,647,459 |
| Residual Land Value | (\$57,884,649) | \$6,835,198 | (\$53,328,830) | (\$25,368,721) | \$680,765 | \$6,471,974 | \$298,612 | \$6,526,353 |

Source: BAE, 2006.

Appendix Table 2: Summary of Development Program for San Leandro TOD - Baseline Prototype Projects

| Site | 24 | 25 | 17 | 7 | 8 | 29 | 13 | |
|--------------------------|--------------------|----------|-----------------|----------|----------------------|---------------------|---------------------------|--------|
| Name | TOTAL ALL SITES | Westlake | BART Station | BART Lot | Clarke/ Davis St. | Town Hall Square | (Albertson) S. Gateway | |
| SITE AREA - Acres | 25.5 | 5.5 | 13.1 (a) | 2.1 | 0.7 | 2.0 (b) | 0.4 (c) | 1.7 |
| RESIDENTIAL - Units | | | | | | | | |
| Rental: Studio | 18 | 0 | 0 | 18 | 0 | 0 | 0 | 0 |
| Rental: 1 BR 1 BA | 81 | 0 | 0 | 81 | 0 | 0 | 0 | 0 |
| Rental: 2 BR 2 BA | 81 | 0 | 0 | 81 | 0 | 0 | 0 | 0 |
| Rental: 3 BR 3 BA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 180 | 0 | 0 | 180 | 0 | 0 | 0 | 0 |
| Townhouse: 2 BR 2 BA | 8 | 0 | 0 | 0 | 4 | 0 | 4 | 0 |
| Townhouse: 3 BR 2 BA | 6 | 0 | 0 | 0 | 4 | 0 | 2 | 0 |
| | 14 | 0 | 0 | 0 | 8 | 0 | 6 | 0 |
| Condo: Studio | 35 | 35 | 0 | 0 | 0 | 0 | 0 | 0 |
| Condo: 1 BR 1 BA | 200 | 157 | 0 | 0 | 4 | 0 | 0 | 39 |
| Condo: 2 BR 2 BA | 313 | 158 | 0 | 0 | 5 | 59 | 12 | 79 |
| Condo: 3 BR 2 BA | 51 | 0 | 0 | 0 | 2 | 29 | 6 | 14 |
| | 599 | 350 | 0 | 0 | 11 | 88 | 18 | 132 |
| Live/Work: 1 BR 1 BA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Live/Work: 2 BR 2 BA | 12 | 0 | 0 | 0 | 0 | 12 | 0 | 0 |
| | 12 | 0 | 0 | 0 | 0 | 12 | 0 | 0 |
| TOTAL RESIDENTIAL | 805 | 350 | 0 | 180 | 19 | 100 | 24 | 132 |
| COMMERCIAL - Sq. Ft. | | | | | | | | |
| Office | 162,700 | 0 | 162,700 | 0 | 0 | 0 | 0 | 0 |
| Retail | 55,900 | 0 | 10,000 | 5,000 | 4,900 | 14,000 | 0 | 22,000 |
| TOTAL COMMERCIAL | 218,600 | 0 | 172,700 | 5,000 | 4,900 | 14,000 | 0 | 22,000 |
| PARKING - Spaces | | | | | | | | |
| Off-Site Street | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| On-Site Surface | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| On-Site Below-Ground | 851 | 350 | 0 | 180 | 29 | 112 | 18 | 162 |
| On-Site Structure | 415 | 0 | 415 | 0 | 0 | 0 | 0 | 0 |
| On-Site Podium | 248 | 0 | 0 | 100 | 0 | 68 | 0 | 80 |
| Replacement in Structure | 950 | 0 | 900 | 0 | 0 | 0 | 50 | 0 |
| Townhouse Tuck-Under | 12 | 0 | 0 | 0 | 0 | 0 | 12 | 0 |
| TOTAL PARKING | 2,476 | 350 | 1,315 | 280 | 29 | 180 | 80 | 242 |

Notes

- (a) BART replacement parking is on Site 24, land area includes approx. 2 acres from Site 24 to be purchased to site replacement parking.
- (b) Does not include San Leandro Creek park improvements to be built by City using developer park in-lieu fee payments.
- (c) Toler site pays for 50 space deck at current City Hall site. To be determined if deck design requires more than 50 spaces, if so, City pays balance.

Appendix Table 3: Summary of Pro Formas for San Leandro TOD Prototype Projects - Alternate Program

| | Site | 24 | 25 | 17 | 8 | 29 | 13 |
|--|----------------------|----------------------|-----------------------|---------------------|-------------------------|---------------------|---------------------|
| | <u>TOTAL</u> | <u>Westlake</u> | <u>BART Station</u> | <u>BART Lot</u> | <u>Town Hall Square</u> | <u>Toler</u> | <u>S. Gateway</u> |
| DEVELOPMENT PROGRAM | | | (a) | | | | |
| Residential - Units | | | | | | | |
| Multifamily Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Multifamily For-Sale | 1,254 | 776 | 0 | 180 | 148 | 18 | 132 |
| Townhouse | 70 | 64 | 0 | 0 | 0 | 6 | 0 |
| Live/Work | 22 | 0 | 0 | 0 | 22 | 0 | 0 |
| Total Residential | 1,346 | 840 | 0 | 180 | 170 | 24 | 132 |
| Market-Rate Units | 1,144 | 714 | 0 | 153 | 145 | 20 | 112 |
| Inclusionary Units (15%) | 202 | 126 | 0 | 27 | 26 | 4 | 20 |
| Commercial - Sq. Ft. | | | | | | | |
| Office | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retail | 42,000 | 0 | 0 | 5,000 | 14,000 | 0 | 23,000 |
| Total Commercial | 42,000 | 0 | 0 | 5,000 | 14,000 | 0 | 23,000 |
| Parking Spaces - All Types | 2,589 | 904 | 900 | 180 | 283 | 80 | 242 |
| Replacement Parking Spaces | 950 | 0 | 900 | 0 | 0 | 50 | 0 |
| Site Area - Acres | 24.8 | 5.5 | 13.1 | 2.1 | 2.0 | 0.4 | 1.7 |
| Residential Density - Units/Gross Acre | | 153 | 0 | 86 | 85 | 60 | 78 |
| Est. Exist. Improvements - Sq. Ft. (excluding RDA owned property) | | | | | | | |
| Office | 15,532 | 0 | 0 | 0 | 15,532 | 0 | 0 |
| Retail | 21,175 | 0 | 0 | 0 | 1,175 | 0 | 20,000 |
| Total Existing | 36,707 | 0 | 0 | 0 | 16,707 | 0 | 0 |
| DEVELOPMENT FEASIBILITY | | | | | | | |
| Value of Completed Projects | \$624,299,688 | \$389,408,151 | \$0 | \$72,046,444 | \$87,519,594 | \$11,911,728 | \$63,413,771 |
| Development Cost Excl. Parking | \$516,880,939 | \$326,107,929 | \$5,587,596 | \$53,202,929 | \$66,191,417 | \$9,631,773 | \$56,159,294 |
| Parking Construction | 65,746,957 | 24,203,867 | 22,095,000 | 4,664,818 | 8,498,574 | 1,622,918 | 4,661,780 |
| Total Development Costs | \$582,627,896 | \$350,311,796 | \$27,682,596 | \$57,867,747 | \$74,689,992 | \$11,254,691 | \$60,821,074 |
| Residual Land Value | \$41,671,792 | \$39,096,355 | (\$27,682,596) | \$14,178,697 | \$12,829,602 | \$657,037 | \$2,592,697 |

(a) BART station site includes only cost of replacement parking with no development, to isolate that cost.

Appendix Table 4: Summary Development Program for San Leandro Prototype Projects - Alternate Program

| Site | 24 | 25 | 17 | 8 | 29 | 13 |
|-----------------------------|--------------------|------------|-----------------|--------------|---------------------|---------------------------|
| Name | TOTAL ALL SITES | Westlake | BART Station | BART Lot | Town Hall Square | (Albertson) S. Gateway |
| SITE AREA - Acres | 24.8 | 5.5 | 13.1 | 2.1 | 2.0 | 0.4 |
| | | | (a) | | (b) | (c) |
| RESIDENTIAL - Units | | | | | | |
| Rental: Studio | 0 | 0 | 0 | 0 | 0 | 0 |
| Rental: 1 BR 1 BA | 0 | 0 | 0 | 0 | 0 | 0 |
| Rental: 2 BR 2 BA | 0 | 0 | 0 | 0 | 0 | 0 |
| Rental: 3 BR 3 BA | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| Townhouse: 2 BR 2 BA | 46 | 42 | 0 | 0 | 0 | 4 |
| Townhouse: 3 BR 2 BA | 24 | 22 | 0 | 0 | 0 | 2 |
| | 70 | 64 | 0 | 0 | 0 | 6 |
| Condo: Studio | 96 | 78 | 0 | 18 | 0 | 0 |
| Condo: 1 BR 1 BA | 468 | 348 | 0 | 81 | 0 | 39 |
| Condo: 2 BR 2 BA | 620 | 350 | 0 | 81 | 98 | 12 |
| Condo: 3 BR 2 BA | 70 | 0 | 0 | 0 | 50 | 6 |
| | 1,254 | 776 | 0 | 180 | 148 | 18 |
| Live/Work: 1 BR 1 BA | 0 | 0 | 0 | 0 | 0 | 0 |
| Live/Work: 2 BR 2 BA | 22 | 0 | 0 | 0 | 22 | 0 |
| | 22 | 0 | 0 | 0 | 22 | 0 |
| TOTAL RESIDENTIAL | 1,346 | 840 | 0 | 180 | 170 | 24 |
| COMMERCIAL - Sq. Ft. | | | | | | |
| Office | 0 | 0 | 0 | 0 | 0 | 0 |
| Retail | 42,000 | 0 | 0 | 5,000 | 14,000 | 0 |
| | 42,000 | 0 | 0 | 5,000 | 14,000 | 0 |
| TOTAL COMMERCIAL | 42,000 | 0 | 0 | 5,000 | 14,000 | 0 |
| PARKING - Spaces | | | | | | |
| Off-Site Street | 0 | 0 | 0 | 0 | 0 | 0 |
| On-Site Surface | 0 | 0 | 0 | 0 | 0 | 0 |
| On-Site Below-Ground | 728 | 480 | 0 | 90 | 158 | 0 |
| On-Site Structure | 0 | 0 | 0 | 0 | 0 | 0 |
| On-Site Podium | 771 | 296 | 0 | 90 | 125 | 18 |
| Replacement in Structure | 950 | 0 | 900 | 0 | 0 | 50 |
| Townhouse Tuck-Under | 140 | 128 | 0 | 0 | 0 | 12 |
| | 140 | 128 | 0 | 0 | 0 | 12 |
| TOTAL PARKING | 2,589 | 904 | 900 | 180 | 283 | 80 |

Notes

- (a) BART replacement parking is on Site 24, land area includes approx. 2 acres from Site 24 to be purchased to site replacement parking.
- (b) Does not include San Leandro Creek park improvements to be built by City using developer park in-lieu fee payments.
- (c) Toler site pays for 50 space deck at current City Hall site. To be determined if deck design requires more than 50 spaces, if so, City pays balance.

Table 5: Pro Forma Assumptions

| Project Assumptions (a) | | | | Development Assumptions | |
|---|--------------------------|--------------------------|------------------|---|-------------------------------|
| Inclusionary Residential Units (b) | | | | Development Unit Costs (f) | |
| Market Rate Residential Units | | 85% | | Construction Cost: Residential per sq. ft. - Type V Constructio | \$200 |
| Inclusionary Residential Units (b) | | 15% | | Construction Cost: Residential per sq. ft. - Type III Constructic | \$240 |
| | | | | Construction Cost: Residential per sq. ft. - Type I Constructor | \$260 |
| Unit Sizes (c) (d) | Size (sq. ft.) | | | Construction Cost: Commercial per sq. ft. | \$165 |
| <i>Product Mix - Multifamily:</i> | | | | Construction Cost: Office Tenant Improvement per sq. ft. | \$35 |
| Studio Market | 550 | | | Construction Cost: Retail Tenant Improvement per sq. ft. | \$10 |
| Studio Inclusionary | 468 | | | Off-Site Street Parking per space | \$0 |
| | | | | On-Site Surface Parking per space | \$5,000 |
| 1 BR/1 BA Market | 750 | | | On-Site Below Parking Grade Structure per space | \$30,000 |
| 1 BR/1 BA Inclusionary | 638 | | | On-Site Parking Structure per space | \$20,000 |
| | | | | On-Site Podium Parking per space | \$15,000 |
| 2 BR/2 BA Market | 1,000 | | | Replacement Parking in Structure per space | \$20,000 |
| 2 BR/2 BA Inclusionary | 850 | | | Off-Site Infrastructure Costs - lump sum (g) | \$0 |
| | | | | Site Preparation & Utility Costs per site sq. ft. (h) | \$5 |
| 3 BR/2 BA Market | 1,200 | | | Development Fees per City Schedule (i) | varies by project - see notes |
| 3 BR/2 BA Inclusionary | 1,020 | | | Developer Profit as % of Revenues | 8% |
| | | | | Contingency as % of Hard Costs | 10% |
| <i>Product Mix - Townhouse:</i> | | | | Soft Costs (j) | 15% |
| 2 BR/2 BA Market | 1,400 | | | Construction Financing Assumptions | |
| 2 BR/2 BA Inclusionary | 1,190 | | | Interest Rate | 8.75% |
| | | | | Period of Initial Loan - months | 12 |
| 3 BR/2 BA Market | 1,600 | | | Initial Construction Loan Fee - points | 2.0% |
| 3 BR/2 BA Inclusionary | 1,360 | | | Average Outstanding Balance | 60% |
| <i>Product Mix - Live/Work:</i> | | | | Loan to Cost Ratio | 80% |
| 1 BR/1 BA Market | 1,100 | | | Residual Value Analysis Assumptions | |
| 1 BR/1 BA Inclusionary | 935 | | | For-Sale Residential Commissions/Marketing | 4% |
| | | | | Income Property Sale Costs | 3% |
| 2 BR/2 BA Market | 1,400 | | | Income Property Occupancy Rate (k) | 95% |
| 2 BR/2 BA Inclusionary | 1,190 | | | Income Property Operating Expenses | 30% |
| | | | | Rental Residential Capitalization Rate | 8.00% |
| | | | | Retail / Office Capitalization Rate | 9.00% |
| <i>Sale Price / Rent: (e)</i> | <i>Mo. Rent For-Sale</i> | <i>Mo. Rent For-Sale</i> | | | |
| | <i>Inclusion.</i> | <i>Inclusion.</i> | <i>Mkt. Rate</i> | <i>Mkt. Rate</i> | |
| Studio | | | \$1,100 | \$315,000 | |
| 1 BR/1 BA | | | \$1,500 | \$410,000 | |
| 2 BR/2 BA | | | \$1,900 | \$510,000 | |
| 3 BR/2 BA | | | \$2,400 | \$600,000 | |
| 2 BR/2 BA Townhouse | See Notes | | n/a | \$580,000 | |
| 3 BR/2 BA Townhouse | | | n/a | \$675,000 | |
| 1 BR/1 BA Live/Work | | | n/a | \$560,000 | |
| 2 BR/2 BA Live/Work | | | n/a | \$660,000 | |
| Office - Full Service per sq. ft. per mo. | | | \$2.75 | n/a | |
| Retail - NNN + Op. Expenses per sq. ft. per m | | | \$3.10 | n/a | |

Table 5: Pro Forma Assumptions**Notes**

- (a) See Tables 1 - 4 for details of development program for sites.
- (b) Per San Leandro inclusionary housing ordinance, Zoning Code Article 30 Part VI Section 6-3006; requires same average bedroom count.
- (c) Inclusionary housing ordinance allows units to be up to 15% smaller in projects with multiple housing types; 25% in projects with one type).
Factor for reduced unit size used in this analysis = 15%
- (d) Includes additional factor for circulation, common area in multifamily units approx. = 10%

- (e) Market rates per BAE survey as set forth in San Leandro TOD Market Overview. Affordable rental rates per CA TCAC for appropriate Alameda Co. size household; affordable ownership rates calculated by BAE per requirements of City Inclusionary Housing Ordinance:

| <i>Rental</i> | <i>60% AMI</i> | <i>50% AMI</i> | <i>Total</i> | <i>For-Sale</i> | <i>110% AMI</i> | <i>70% AMI</i> | <i>Total</i> |
|-----------------------------|----------------|----------------|--------------|------------------------|-----------------|----------------|--------------|
| Share of inclusionary units | 40% | 60% | 100% | Share inclusion. units | 60% | 40% | 100% |
| <i>Monthly Rents</i> | | | | <i>Sale Prices</i> | | | |
| Studio (Efficiency) | \$880 | \$733 | | Studio (Efficiency) | \$250,480 | \$159,397 | |
| 1 BR | \$942 | \$785 | | 1 BR | \$285,898 | \$181,935 | |
| 2 BR | \$1,131 | \$942 | | 2 BR | \$321,742 | \$204,745 | |
| 3 BR | \$1,307 | \$1,089 | | 3 BR | \$357,585 | \$227,554 | |

- (f) Estimate by BAE based on R.S. Means Co. Square Foot Construction Cost Data, updated end of 2nd Quarter 06. Adjusted for prevailing wage.
Townhouse units have 450 sf for 2 tuck-under parking spaces, reduced cost for lesser construction, discount = 50%
Live/Work units have reduced cost due to savings in details and finishes, discount = 10%
to reflect savings in details and finishes.
- (g) Allowance for off-site infrastructure costs not otherwise captured through development fees. None projected for prototype projects.
- (h) Allowance for demolition, grading, utilities, and other site costs within parcel. Does NOT include cost of purchasing existing properties.
- (i) Calculation by BAE based upon City's Development Fees effective 7/1/06, conversion to another unit by BAE noted with (est.):

| <i>Fee</i> | <i>Category</i> | <i>Unit</i> | <i>Charge</i> |
|---------------------------------|--------------------|---------------|---------------|
| Park Development Impact Fee | Multifamily | per unit | \$11,509.63 |
| Dev. Fees for Street Improvmt. | Residential | per unit | \$1,047.65 |
| | Commercial | gross sq. ft. | \$2.91 |
| | Retail | gross sq. ft. | \$3.25 |
| Overhead Utility Conversion Fee | Residential (est.) | per unit | \$1,091 |
| | Commercial (est.) | per sq. ft. | \$1.00 |
| Sanitary Sewer Connection Fees | Multifamily | per unit | \$1,020 |
| | Commercial (est.) | per sq. ft. | \$4.00 |
| School District Fee Assessment | Residential | per sq. ft. | \$2.24 |
| (San Leandro Unified) | Non-residential | per sq. ft. | \$0.36 |
| Long Range Planning Fee | Multifamily | per unit | \$110 |
| | Commercial | per sq. ft. | \$0.11 |

- (j) BAE estimate. Soft costs include architecture, engineering, legal costs, insurance, building permit and plan check costs, leasing costs, etc.
- (k) Revenue based on per square foot rents, less non-rentable areas of office buildings = 20%
Non-rentable area of retail buildings = 10%



Prepared for:
City of San Leandro
Community Development Department



Prepared by:
BMS Design Group
Consultant Team

