

# NAPA COUNTY

## AFFORDABLE HOUSING AND COMMERCIAL LINKAGE FEE FINANCIAL FEASIBILITY ANALYSIS

FINAL

SEPTEMBER 11, 2025



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# Executive Summary

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Willdan Financial Services has calculated the maximum justified affordable housing and commercial linkage fees that can be charged under the Mitigation Fee Act for Napa County. The purpose of this analysis is to provide County policymakers with some context for setting these fee levels. As a policy decision the Board of Supervisors can implement any fee level up to, but not exceeding, the maximum justified fee levels supported by Willdan's nexus analysis.

## Maximum Justified Fees

**Table E.1** summarizes the maximum justified affordable housing and commercial linkage fees justified by the April 23, 2025, Draft Affordable Housing and Commercial Linkage Fee Study ("Study"). The analysis documented in this memorandum will examine if the maximum justified fee levels are economically feasible.

**Table E.1: Maximum Justified Affordable Housing and Commercial Linkage Fee Schedule**

|                               | Fee per<br>Square<br>Foot |
|-------------------------------|---------------------------|
| <i><u>Residential</u></i>     |                           |
| New Rental Unit               | \$ 152                    |
| New For Sale Unit             | 86                        |
| <i><u>Nonresidential</u></i>  |                           |
| Commercial Retail/ Restaurant | \$ 584                    |
| Office                        | 367                       |
| Industrial/ Manufacturing     | 154                       |
| Hotel                         | 405                       |
| Warehousing/ Storage          | 50                        |

Source: Napa County Affordable Housing and Commercial Linkage Impact Fee Study, 2025.

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## Project Prototypes

County staff provided Willdan with building permit data from 2024 and 2025. Willdan reviewed the data and used the data to inform the development prototype characteristics. Since there were no completed hotels within the building permit data, the hotel prototype is based partially on a recent project within the City of St. Helena, with modifications to reflect generalized hotel characteristics. This prototype was chosen because it is within the County, it was feasible when it was recently approved, and would be representative of potential hotels that could be built in unincorporated areas of the County. Similarly, the multifamily prototype is partially based on an apartment project in the City of American Canyon, built in 2019. County staff confirmed that while there are two multifamily parcels available for development in the unincorporated County, the American Canyon

example was a reasonable project to use for the purpose of evaluating feasibility. The project prototypes used in this analysis are listed here:

- Residential: 4,050 square foot single family detached dwelling unit on a large lot
- Multifamily: 165,000 square foot apartment building
- Office: 6,846 square foot single story building
- Retail: 1,215 square foot single story building
- Industrial/Manufacturing: 4,225 square foot single story building
- Hotel: 65-room hotel
- Industrial/Warehousing: 51,837 square foot single story building

For each prototype, total site area, building area, number of parking spaces and other key development program components are identified. The analysis is driven by cost estimates for the major cost items — land, construction costs, tenant improvements, and indirect costs inclusive of all permits and fees. The cost estimates were developed from Willdan's experience with real estate projects throughout the Bay Area.

## Methodology Overview

This financial feasibility analysis uses a pro forma approach to calculate the projected return that the development prototypes are likely to generate. Each prototype's pro forma estimates the residual land value, a method of estimating the value of land for a project that calculates the total revenue generated by a project (either in the form of sales price or the present value of projected lease income) and subtracts the costs of developer and operations (as applicable) to arrive at a net amount that is attributable to the land under the project.

The analysis assumes that if the residual land value is less than the cost to acquire the land at the market rate, the project is not feasible. A low residual land value means a project is challenging to develop and may not be feasible. Willdan reviewed land sales transactions in Napa County in the past five years and estimates that a residual land value below \$9 per square foot (psf) for residential or \$11 per square foot for commercial projects indicates a low feasibility and low probability of completion for the prototype development in question. This number can vary by land entitlement, with generally higher valuations for single family land and downtown parcels, and lower values for industrial and other less intensive uses.

As shown in **Table E.2** below, considering the benchmarks described above, the analysis finds that single family residential, industrial, hotel, and retail development appear feasible in current market conditions, and multifamily and specialized industrial/warehousing development are near the threshold of feasibility although warehousing may in fact be feasible given that it typically has lower land valuations to meet. Office uses appear infeasible under current market conditions.

It is important to note that this feasibility analysis reflects current market conditions, and especially the historic increases in construction costs during and after the COVID epidemic. Willdan expects that market factors will return to a more historic balance in the future and that the office and warehouse development types will become feasible. It is also important to note that this analysis reflects a very generalized example, and that individual projects have their own economics and may in fact be feasible even in current market conditions.

Table E.2 also shows the net project value per building square foot. This metric roughly indicates if there is economic capacity to impose additional fees on a development prototype. It appears that the affordable housing fee would make little difference to feasibility for single family, retail, industrial and hotel development but could pose a significant burden to the feasibility of multifamily and warehousing. Office would be rendered even more infeasible, although the

relative burden on warehousing is small enough that it might make little material difference. The County's current affordable housing and commercial linkage fees per square foot are also shown.

## Alternative Feasibility Analysis

The residual land value analysis assumes that all development prototypes are rental or leased property, except for the single-family prototype, which is built for immediate sale. In practice, the unique characteristics of development in unincorporated Napa County are such that certain development product types are built by owner-operators for their own use, and the feasibility of those products is not based on immediate sale or ongoing lease of the property. Accordingly, an alternative analysis is also presented in Chapter 4, which assumes owner-operator development of the same project prototypes used in the residual land value analysis. This alternative analysis evaluates feasibility of the fees based on the assumption that fees within one- to three- percent of the construction cost of a project are economically feasible.

**Table E.2: Feasibility Model Results**

|                                              | Single<br>Family<br>Residential | Multifamily<br>Residential | Office         | Commercial<br>Retail | Industrial/<br>Manufacturing | Hotel        | Warehousing/<br>Storage |
|----------------------------------------------|---------------------------------|----------------------------|----------------|----------------------|------------------------------|--------------|-------------------------|
| <u>Results</u>                               |                                 |                            |                |                      |                              |              |                         |
| Residual Land Values (per acre)              | \$ 2,398,835                    | \$ 477,233                 | \$ (1,674,647) | \$ 1,064,818         | \$ 611,911                   | \$ 1,358,761 | \$ 138,749              |
| Land Cost per Acre                           | 479,160                         | 479,160                    | 392,040        | 392,040              | 392,040                      | 392,040      | 392,040                 |
| Net Project Value per acre                   | \$ 1,919,675                    | \$ (1,927)                 | \$ (2,066,687) | \$ 672,778           | \$ 219,871                   | \$ 966,721   | \$ (253,291)            |
| Prototype Square Feet per Acre               | 4,050                           | 19,142                     | 10,867         | 11,045               | 15,089                       | 6,000        | 15,246                  |
| Net Project Value per Building Square Foot   | \$ 474                          | \$ (0)                     | \$ (190)       | \$ 61                | \$ 15                        | \$ 161       | \$ (17)                 |
| Maximum Fee per Square Foot                  | \$ 86                           | \$ 152                     | \$ 367         | \$ 584               | \$ 154                       | \$ 405       | \$ 50                   |
| Net Fee Capacity                             | \$ 388                          | \$ -                       | \$ -           | \$ 61                | \$ 15                        | \$ 161       | \$ -                    |
| Current Fee per Square Foot                  | \$ 12.25                        | \$ -                       | \$ 5.25        | \$ 7.50              | \$ 4.50                      | \$ 9.00      | \$ 3.60                 |
| Sources: CoStar; Willdan Financial Services. |                                 |                            |                |                      |                              |              |                         |

The residual land values are affected by each of the inputs and assumptions contained in the pro formas and are particularly sensitive to capitalization rates, construction costs, and lease rates. The analysis identified reasonable ranges for these factors, given current market conditions, and tested the sensitivity to the factors to financial feasibility for each of the prototypes.

Willdan believes it is important to consider that the impact fees are a cost recovery mechanism, not an assessment or tax. The impact fees are a calculation of the costs incurred by the County to provide affordable housing in connection with development. At the full calculated fee, the County “breaks even” on the revenue received and the costs of new facilities needed to serve development. Any reduction of the fees results in the need to identify outside revenues to make up the difference or a reduction in the provision of affordable housing. This analysis examines the proposed fees in comparison to estimated project feasibility, but that does not mean that the fees are responsible for the feasibility of projects, or that they should be set at a level that assists project feasibility. This is a policy judgement to be made by elected officials, with the input of members of the community and other stakeholders.

# 1. Introduction

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## Purpose

The primary purpose of this report is to analyze the effect on financial feasibility of the draft affordable housing and commercial linkage fees on seven residential and nonresidential development project prototypes. These prototypes are summarized in **Table 1**, below.

The Study calculates the maximum justified fee that will be considered by the County Board of Supervisors. The nexus study documents the necessary data and calculations to establish nexus and proportionality.

## Assumptions

The financial feasibility analysis assumes all development prototypes are rentals or leases, except for single-family residential. The analysis includes other assumptions about the development prototypes which are documented in **Table 2** and individual pro formas in the Appendix.

**Table 1: Development Prototypes**

|                                | <b>Single<br/>Family<br/>Residential</b> | <b>Multifamily<br/>Residential</b> | <b>Office</b> | <b>Commercial<br/>Retail</b> | <b>Industrial/<br/>Manufacturing</b> | <b>Hotel</b> | <b>Warehousing/<br/>Storage</b> |
|--------------------------------|------------------------------------------|------------------------------------|---------------|------------------------------|--------------------------------------|--------------|---------------------------------|
| Density (FAR)                  |                                          |                                    | 0.25          | 0.25                         | 0.35                                 | 0.14         | 0.35                            |
| Density (Units/Acre)           | 0.03                                     | 18.45                              |               |                              |                                      |              |                                 |
| Parking Type                   | Covered                                  | Surface                            | Surface       | Surface                      | Surface                              | Surface      | Surface                         |
| Form Factor                    | Single                                   | 3 Stories                          | 1 Story       | 1 Story                      | 1 Story                              | Multi        | 1 Story                         |
| Residential Units/ Hotel Rooms | 1                                        | 159                                |               |                              |                                      | 65           |                                 |
| Residential Square Feet        | 4,050                                    | 165,000                            |               |                              |                                      |              |                                 |
| Commercial Square Feet         |                                          |                                    | 6,846         | 1,215                        | 4,225                                | 54,000       | 51,837                          |
| Parcel Size (Acres)            | 30.00                                    | 8.62                               | 0.63          | 0.11                         | 0.28                                 | 9.00         | 3.40                            |

Source: Willdan Financial Services.

## 2. Feasibility Analysis

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The feasibility analysis of Napa County's proposed affordable housing and commercial linkage fees uses a pro forma approach to calculate the projected financial return that seven development prototypes are likely to generate for developers. The analysis assumes a standard set of assumptions and then estimate potential revenues, costs and a net financial return for the real estate developer.

### Feasibility Analysis Methods

In classical real estate economics, development value is created when existing land or buildings can be improved by the investment of financial capital. Two main types of financial calculations are used by developers and policy makers to understand the financial feasibility of a particular development concept or project. The first and simplest type of financial feasibility analysis can be expressed by this basic equation:

$$\text{Development Value} - (\text{Development Costs} + \text{Land}) = \text{Profit}$$

In this case profit can be expressed as total dollars or more typically as a percent return on money invested or costs. Assuming a positive return, this percentage return is then compared to typical returns in the marketplace to assess the viability of a particular development versus other potential investment and development opportunities.

The second type of financial feasibility analysis is called a “land residual method” and can be expressed by the following simple equation:

$$\text{Development Value} - (\text{Development Costs} + \text{Profit}) = \text{Land Residual}$$

This type of analysis is often preferred by urban economists as a means of clarifying the value generated by a proposed project under different planning and development scenarios and with validated cost and revenue assumptions. Assuming that the land residual is positive, the land value created by a development is compared to recent land sales for comparable parcels of land to further evaluate the relative feasibility of the development concept compared to other opportunities in the marketplace. Effectively, the land residual is the amount the developer can afford to pay for the land. If this amount is above prevailing land costs, the project is generally feasible.

This analysis uses the land residual value method for determining financial feasibility.

### Land Residual Analysis

As a policy tool for helping to understand the potential for value capture related to new zoning and/or planning permissions in each area, a land residual methodology is often a preferable approach for illustrating the potential increase in underlying land values associated with different policy interventions. This report uses a land residual analysis to estimate the value of land for each of the seven development prototypes that relies on the net operating income and value of improvements.

## Structure and Inputs

**Table 2** details the key assumptions used as inputs into the pro forma model. Values for current market conditions were sourced from CoStar and Willdan's experience with development projects in the Bay Area.

- **Construction Costs:** Figures are based on Willdan's experience in the Bay Area, and reflect modest finishes. Luxury products could cost substantially more per square foot.
- **Land Costs:** Costs are generalized between residential and nonresidential development and are informed by an analysis of land sales comparisons provided by CoStar. Land costs can be highly variable throughout any jurisdiction.
- **Soft Costs:** Soft costs including permitting, County fees, design, engineering costs and developer profit.
- **Vacancy Rates:** Vacancy rates are used to calculate the projected revenue for each prototype. The rates were updated using the latest rates by product type reported by CoStar for the Napa County submarket. Not applicable to single family residential prototype.
- **Operating Expenses:** Operating expenses capture ongoing costs not included in the one-time construction costs. Assumptions based on Willdan's experience with development projects in the Bay Area. Operating expenses are expressed as a percentage of ongoing revenue.
- **Financing Cost:** The cost of financing is assumed at five percent for all product types. The financing cost is calculated as a percentage of hard construction costs, including site acquisition.
- **Revenue Assumptions:** Ongoing revenue assumptions for all product types, except for single family residential were sourced from CoStar's submarket reports for the Napa County submarket. These assumptions include lease rates, capitalization rates, hotel ADR, occupancy and revenue per available room (revpar). The residential market value assumption is informed by recent sales reported by Zillow.com.

**Table 2: Feasibility Model Assumptions**

|                                                               | Single<br>Family<br>Residential | Multifamily<br>Residential | Office   | Commercial<br>Retail | Industrial/<br>Manufacturing | Hotel     | Warehousing/<br>Storage |
|---------------------------------------------------------------|---------------------------------|----------------------------|----------|----------------------|------------------------------|-----------|-------------------------|
| <u>Development/Construction Costs (Costs per Square Foot)</u> |                                 |                            |          |                      |                              |           |                         |
| Residential Construction Costs                                | \$ 240                          | \$ 310                     | -        | -                    | -                            | -         | -                       |
| Commercial Construction Costs                                 | -                               | -                          | \$ 250   | \$ 250               | \$ 125                       | \$ 250    | \$ 125                  |
| Commercial Tenant Improvements (PSF) Landlord Allowance       | -                               | -                          | 50       | 75                   | 30                           | -         | 30                      |
| Commercial Parking Standard (per 1,000 sf or Hotel Room)      |                                 |                            | 2.0      | 2.0                  | 1.3                          | 1.0       | 0.5                     |
| <u>Land Costs</u>                                             |                                 |                            |          |                      |                              |           |                         |
| Cost per Square Foot                                          | \$ 11                           | \$ 11                      | \$ 9     | \$ 9                 | \$ 9                         | \$ 9      | 9                       |
| <u>Soft Costs</u>                                             |                                 |                            |          |                      |                              |           |                         |
| Soft Costs (% of hard costs)                                  | 25%                             | 25%                        | 25%      | 25%                  | 25%                          | 25%       | 25%                     |
| Developer Profit                                              | 12%                             | 12%                        | 12%      | 12%                  | 12%                          | 12%       | 12%                     |
| <u>Vacancy Rate</u>                                           |                                 |                            |          |                      |                              |           |                         |
| Residential Vacancy                                           | NA                              | 3.8%                       | -        | -                    | -                            | -         | -                       |
| Commercial Vacancy                                            | -                               | -                          | 10.0%    | 2.0%                 | 5.8%                         | N/A       | 4.3%                    |
| <u>Operating Expenses (% of revenue)</u>                      |                                 |                            |          |                      |                              |           |                         |
| Residential Operating Expenses                                | NA                              | 25%                        | -        | -                    | -                            | -         | -                       |
| Commercial Operating Expenses                                 | -                               | -                          | 20%      | 20%                  | 15%                          | 25%       | 15%                     |
| <u>Financing</u>                                              |                                 |                            |          |                      |                              |           |                         |
| % of Construction Cost                                        | 5%                              | 5%                         | 5%       | 5%                   | 5%                           | 5%        | 5%                      |
| <u>Revenue</u>                                                |                                 |                            |          |                      |                              |           |                         |
| Residential Lease Rate (psf)                                  | -                               | \$ 2.96                    | -        | -                    | -                            | -         | -                       |
| Commercial Lease Rate (psf per year)                          | \$ -                            | \$ -                       | \$ 38.74 | \$ 41.50             | \$ 24.60                     | NA        | \$ 20.87                |
| Commercial Lease Rate (psf)                                   | -                               | -                          | \$ 3.23  | \$ 3.46              | \$ 2.05                      | NA        | \$ 1.74                 |
| For Sale Market Rate Residential Price Per Unit               | \$ 4,130,000                    | -                          | -        | -                    | -                            | -         | -                       |
| Commercial Cap Rate                                           | -                               | 0.0%                       | 8.5%     | 5.2%                 | 6.6%                         | 8.0%      | 6.6%                    |
| Residential Cap Rate                                          | -                               | 5.5%                       | 0.0%     | 0.0%                 | 0.0%                         | 0.0%      | 0.0%                    |
| Hotel ADR                                                     | -                               | -                          | -        | -                    | -                            | \$ 520.94 | -                       |
| Hotel occupancy                                               | -                               | -                          | -        | -                    | -                            | 74.2%     | -                       |
| Hotel revpar                                                  | -                               | -                          | -        | -                    | -                            | \$ 386.54 | -                       |

Sources: CoStar; Willdan Financial Services.

# 3. Impact on Land Value

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The residual land values are affected by each of the inputs and assumptions contained in the pro formas, and are particularly sensitive to capitalization rates, parking requirements, construction costs, and lease rates. However, in all cases the impact fees charged by the County do not have a major effect on feasibility, and in no case do they transform a prototype project from feasible to infeasible.

## Factors Affecting Feasibility

If the residual land value is negative, the project is not feasible. Alternatively, low land values indicate a low feasibility for a project. Willdan estimates that generally land values below \$11 per square foot for residential and \$9 per square foot for commercial uses indicate a low feasibility and low probability of completion for the prototype developments.

A developer's selection of real estate product type and location depends on various factors. The past, current, and projected future demand for a certain prototype in the area are weighed against the existing and projected future supply of these development types in the local and surrounding areas.

Potential factors affecting financial feasibility include the following:

- Capitalization rate – lower capitalization rates increase financial feasibility. Based on current and anticipated market conditions and assessment of relative market risk associated with Napa County, this analysis assumes capitalization rates ranging between 5.2 percent for multifamily development and 8.5 percent for office development in the Napa County submarket, as reported by CoStar.
- Construction costs – lower construction costs increase financial feasibility. Based on current market conditions, this analysis assumes base construction costs of \$250 per square foot for retail, office and hotel development, \$240 per square foot for residential development, \$310 per square foot for multifamily development, and \$125 per square foot for industrial developments.
- Operating expenses – operating costs include utilities, common area maintenance, security, and property taxes. The financial feasibility analysis uses 25% of revenue for multifamily residential and 15 to 20% for commercial prototypes.
- Lease rates – higher lease rates are dependent on building features and market conditions but increase financial feasibility. Based on current and expected market conditions, and this analysis assumes a monthly lease rate \$2.96 per square foot for multifamily development, \$3.23 per square foot for office development, \$3.46 per square foot for retail development, and \$2.05 per square foot for industrial development and \$1.74 for specialized warehousing in the Napa County submarket, as reported by CoStar.
- Tenant improvement costs – passing improvement costs to tenants or amortizing costs increase financial feasibility. This analysis assumes a commercial tenant improvement landlord allowance of \$50 psf for office, \$75 psf for retail development, and \$30 psf for industrial and warehouse development.
- Profit margin – lower profit margins return less to developers but increase apparent financial feasibility of a project. This analysis assumes a developer profit of 12 percent (of costs) on each development project.
- Density – the floor area ratio (FAR) of a development project affords financial feasibility because it allows for a higher number of square feet of development on a given parcel. There is a tradeoff, however, in that a higher FAR can result in a change in construction type which can lead to higher costs per square foot. The analysis assumes varying FARs to explore this dynamic.

Refer to Table 2 above for a master list of pro forma inputs and assumptions.

## Feasibility Results

The residual land values are affected by each of the inputs and assumptions contained in the pro forma and are particularly sensitive to capitalization rates, parking requirements, construction costs, and lease rates. The analysis identified reasonable ranges for these factors, given current and likely market conditions, and tested the sensitivity of the factors of financial feasibility for each of the seven development prototypes.

As shown in **Table 3**, below, initial results indicate that some of the development types are feasible under current market conditions, and that single family development, retail development, industrial development and hotel development appear able to bear the burden of an affordable housing impact fee or commercial linkage fee, respectively, to varying degrees.

**Table 3: Feasibility Model Results**

|                                            | Single<br>Family<br>Residential | Multifamily<br>Residential | Office         | Commercial<br>Retail | Industrial/<br>Manufacturing | Hotel        | Warehousing/<br>Storage |
|--------------------------------------------|---------------------------------|----------------------------|----------------|----------------------|------------------------------|--------------|-------------------------|
| <b>Results</b>                             |                                 |                            |                |                      |                              |              |                         |
| Residual Land Values (per acre)            | \$ 2,398,835                    | \$ 477,233                 | \$ (1,674,647) | \$ 1,064,818         | \$ 611,911                   | \$ 1,358,761 | \$ 138,749              |
| Land Cost per Acre                         | 479,160                         | 479,160                    | 392,040        | 392,040              | 392,040                      | 392,040      | 392,040                 |
| Net Project Value per acre                 | \$ 1,919,675                    | \$ (1,927)                 | \$ (2,066,687) | \$ 672,778           | \$ 219,871                   | \$ 966,721   | \$ (253,291)            |
| Prototype Square Feet per Acre             | 4,050                           | 19,142                     | 10,867         | 11,045               | 15,089                       | 6,000        | 15,246                  |
| Net Project Value per Building Square Foot | \$ 474                          | \$ (0)                     | \$ (190)       | \$ 61                | \$ 15                        | \$ 161       | \$ (17)                 |
| Maximum Fee per Square Foot                | \$ 86                           | \$ 152                     | \$ 367         | \$ 584               | \$ 154                       | \$ 405       | \$ 50                   |
| Net Fee Capacity                           | \$ 388                          | \$ -                       | \$ -           | \$ 61                | \$ 15                        | \$ 161       | \$ -                    |
| Current Fee per Square Foot                | \$ 12.25                        | \$ -                       | \$ 5.25        | \$ 7.50              | \$ 4.50                      | \$ 9.00      | \$ 3.60                 |

Sources: CoStar; Willdan Financial Services.

## 4. Alternative Feasibility Approach

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While the residual land value feasibility approach is effective for assessing economic feasibility for development projects that are built to be leased or sold immediately, it cannot necessarily evaluate the feasibility of projects that are built by owner-operators. These projects do not necessarily rely on the profitability of the project itself, but rather are part of a larger operation that benefits and therefore works through different economic factors. For example, an owner-operated winery may construct a warehouse to facilitate wine production. The feasibility of that warehouse is not tied to ongoing rents generated by the warehouse (since there are none), but rather to the economic benefits to the operation of packaging and shipping the product, which may be facilitated or improved by the warehouse. An alternative method to evaluate feasibility in these cases is to examine the level of fees relative to the total development cost of the project.

### Economic Feasibility Threshold

Affordable housing and commercial linkage fees were last evaluated in 2014. At that time, the nexus analysis examined the fees as a percentage of total development cost to inform the fee levels that were ultimately implemented by the Board of Supervisors. That study used a range of between 1- and 3-percent of total development costs to identify economically feasible fees, which Willdan agrees is a reasonable range. This alternative feasibility analysis uses the same thresholds for informing potential fee levels through the following steps:

1. Identify project prototypes representing land uses corresponding with fee schedule
2. Estimate total development costs for each prototype
3. Identify range of fees as percentage of total development costs per land use

### Results

**Table 4** summarizes the results of the feasibility analysis, using the same projects and assumptions detailed earlier in this report. Supportable fees are identified as a percentage of the total development cost of each project prototype. The County's current fee schedule, and the maximum justified fees are also shown in the table.

**Table 4: Alternative Feasibility Summary**

|                                                     | Single Family<br>Residential | Multifamily<br>Residential | Office       | Commercial<br>Retail | Industrial/<br>Manufacturing | Hotel         | Warehousing/<br>Storage |
|-----------------------------------------------------|------------------------------|----------------------------|--------------|----------------------|------------------------------|---------------|-------------------------|
| Prototype Building Cost <sup>1</sup>                | \$ 1,442,065                 | \$ 74,705,700              | \$ 3,112,505 | \$ 583,821           | \$ 1,013,228                 | \$ 20,326,788 | \$ 11,962,363           |
| Market Rate Land Cost <sup>2</sup>                  | 3,920,400                    | 4,130,359                  | 246,985      | 43,124               | 109,771                      | 3,528,360     | 1,332,936               |
| Total Development Cost                              | \$ 5,362,465                 | \$ 78,836,059              | \$ 3,359,490 | \$ 626,946           | \$ 1,122,999                 | \$ 23,855,148 | \$ 13,295,299           |
| Gross Building Area                                 | 4,050                        | 165,000                    | 6,846        | 1,215                | 4,225                        | 54,000        | 51,837                  |
| Total Development Costs per SF GBA                  | \$ 1,324                     | \$ 478                     | \$ 491       | \$ 516               | \$ 266                       | \$ 442        | \$ 256                  |
| <i><u>Fee Feasibility Ranges</u></i>                |                              |                            |              |                      |                              |               |                         |
| 1% of Total Development Cost                        | \$ 13.24                     | \$ 4.78                    | \$ 4.91      | \$ 5.16              | \$ 2.66                      | \$ 4.42       | \$ 2.56                 |
| 3% of Total Development Cost                        | \$ 39.72                     | \$ 14.33                   | \$ 14.72     | \$ 15.48             | \$ 7.97                      | \$ 13.25      | \$ 7.69                 |
| <i><u>Current Fee per Square Foot</u></i>           | \$ 12.25                     | \$ -                       | \$ 5.25      | \$ 7.50              | \$ 4.50                      | \$ 9.00       | \$ 3.60                 |
| <i><u>Maximum Justified Fee per Square Foot</u></i> | \$ 86                        | \$ 152                     | \$ 367       | \$ 584               | \$ 154                       | \$ 405        | \$ 50                   |

<sup>1</sup> Calculated based on the sum of construction costs, soft costs and developer return on investment from Tables A.1 through A.7.

<sup>2</sup> Calculated based on parcel size in Table 1 and land cost per square foot assumption from Table 2. Single family prototype assumes \$3 per square foot of land, consistent with agricultural land acquisition sales comparisons.

Sources: Tables E.1, 1, and A.1 through A.7.

# Appendix

The appendix provides detailed and supporting tables for the summary analysis described above.

**Table A.1: Single Family Prototype**

| Development Program Assumptions                  | Assumption/Factor                      |          | Total        |
|--------------------------------------------------|----------------------------------------|----------|--------------|
| Development Site (Square Feet)                   | 30 Acres                               |          | 1,306,800    |
| Dwelling Units                                   | 0.03 DU/Acre                           |          | 1            |
| Gross Building Area (Square Feet)                | 4,050 GBA/DU                           |          | 4,050        |
| Net Habitable Square Feet                        | 100%                                   |          | 4,050        |
| Building Income and Value                        | Assumption/Factor                      | per GBA  | Total        |
| Project Market Value                             | \$ 4,130,000 per DU                    | \$ 1,020 | \$ 4,130,000 |
| Project Sale Cost                                | 7% Value                               | 71       | 289,100      |
| <b>Net Project Value</b>                         |                                        | \$ 948   | \$ 3,840,900 |
| Project Development Costs                        | Assumption/Factor                      | per GBA  | Total        |
| <u>Construction Cost</u>                         |                                        |          |              |
| Building Direct Cost (Includes Site Development) | \$ 240 Cost/SF (GBA)                   | \$ 240   | \$ 972,000   |
| Total Construction Cost                          |                                        | \$ 240   | \$ 972,000   |
| <u>Soft Costs</u>                                |                                        |          |              |
| Financing                                        | 5% of Construction Costs (incl. site)  | \$ 18    | \$ 72,558    |
| Other Soft Costs (Including County Fees)         | 25% of Construction Costs (excl. site) | 60       | 243,000      |
| Total Soft Costs                                 |                                        | \$ 78    | \$ 315,558   |
| <u>Other Project Costs</u>                       |                                        |          |              |
| Developer Return on Investment                   | 12% of Construction & Soft Costs       |          | \$ 154,507   |
| Residual Land Value                              | Model Output/Supportable Land Cost     |          | 2,398,835    |
| Total Other Costs                                |                                        |          | \$ 2,553,342 |
| Results                                          |                                        |          |              |
| Total Project Cost (Including Land)              |                                        |          | \$ 3,840,900 |
| Residual Land Value (Total)                      |                                        |          | \$ 2,398,835 |
| Residual Land Value (per Acre) <sup>1</sup>      |                                        |          | \$ 2,398,835 |
| Market Land Cost per Acre                        |                                        |          | \$ 479,160   |

<sup>1</sup> Project market value primarily driven by home characteristics, as opposed to parcel size. Assumes effective parcel size is one acre.

Sources: Table 2, Willdan Financial Services.

**Table A.2: Multifamily Prototype**

| Development Program Assumptions                    | Assumption/Factor                      |         | Total          |
|----------------------------------------------------|----------------------------------------|---------|----------------|
| Development Site (Square Feet)                     | 8.62 Acres                             |         | 375,487        |
| Dwelling Units                                     | 18.45 DU/Acre                          |         | 159            |
| Gross Building Area (Square Feet)                  | 1,038 GBA/DU                           |         | 165,000        |
| Net Rentable Square Feet                           | 100%                                   |         | 165,000        |
| Building Income and Value                          | Assumption/Factor                      | per GBA | Total          |
| Gross Potential Rent                               | \$2.96 per SF/Month                    | \$ 36   | \$ 5,860,800   |
| Gross Potential Parking Income                     | 85 per Unit/Month                      | 1       | 162,180        |
| Losses to Vacancy                                  | 4% of Gross Income                     | (1)     | (222,710)      |
| Gross Residential Revenue                          |                                        | \$ 35   | \$ 5,800,270   |
| Basic Operating Expenses                           | 25% of Gross Potential Rent            | (9)     | \$ (1,465,200) |
| Total Operating Expenses                           |                                        |         | \$ (1,465,200) |
| Net Operating Income (NOI)                         |                                        | 26      | \$ 4,335,070   |
| Project Market Value                               | 5.50% Cap Rate                         | \$ 478  | \$ 78,819,447  |
| Project Leasing Cost (included in operating costs) |                                        | -       | -              |
| <b>Net Project Value</b>                           |                                        | \$ 478  | \$ 78,819,447  |
| Project Development Costs                          | Assumption/Factor                      | per GBA | Total          |
| <u>Construction Cost</u>                           |                                        |         |                |
| Building Direct Cost (Includes Site Development)   | \$ 310 Cost/SF (GBA)                   | \$ 310  | \$ 51,150,000  |
| Total Construction Cost                            |                                        | \$ 310  | \$ 51,150,000  |
| <u>Soft Costs</u>                                  |                                        |         |                |
| Financing                                          | 5% of Construction Costs (incl. site)  | \$ 17   | \$ 2,764,018   |
| Other Soft Costs (Including County Fees)           | 25% of Construction Costs (excl. site) | 78      | 12,787,500     |
| Total Soft Costs                                   |                                        | \$ 94   | \$ 15,551,518  |
| <u>Other Project Costs</u>                         |                                        |         |                |
| Developer Return on Investment                     | 12% of Construction & Soft Costs       |         | \$ 8,004,182   |
| Residual Land Value                                | Model Output/Supportable Land Cost     |         | 4,113,747      |
| Total Other Costs                                  |                                        |         | \$ 12,117,929  |
| <b>Results</b>                                     |                                        |         |                |
| Total Project Cost (Including Land)                |                                        |         | \$ 78,819,447  |
| Residual Land Value (Total)                        |                                        |         | \$ 4,113,747   |
| Residual Land Value (per Acre)                     |                                        |         | \$ 477,233     |
| Market Land Cost per Acre                          |                                        |         | \$ 479,160     |

Sources: Table 2, Willdan Financial Services.

**Table A.3: Office Prototype**

| <b>Development Program Assumptions</b>           | <b>Assumption/Factor</b>               | <b>Total</b>   |                |
|--------------------------------------------------|----------------------------------------|----------------|----------------|
| Development Site (Square Feet)                   | 0.63 Acres                             | 27,443         |                |
| FAR                                              | 0.25                                   |                |                |
| Gross Building Area (Square Feet)                | 10,890 GBA/Acre                        | 6,861          |                |
| Net Leaseable Square Feet                        | 100%                                   | 6,861          |                |
| Total Parking Spaces                             | 2.00 /1,000 leaseable sf               | 14             |                |
| <b>Building Income and Value</b>                 | <b>Assumption/Factor</b>               | <b>per GBA</b> | <b>Total</b>   |
| NNN Potential Rent                               | \$3.23 per SF/Month                    | \$ 39          | \$ 265,784     |
| Losses to Vacancy                                | 10% of Gross Income                    | (4)            | (26,578)       |
| <i>NNN Commercial Revenue</i>                    |                                        | \$             | \$ 239,205     |
| Basic Operating Expenses                         | 20% of Gross Potential Rent            | \$ (8)         | \$ (53,157)    |
| <i>Total Operating Expenses</i>                  |                                        | \$             | \$ (53,157)    |
| Net Operating Income (NOI)                       |                                        | \$ 27          | \$ 186,048     |
| Project Market Value                             | 8.50% Cap Rate                         | \$ 319         | \$ 2,188,805   |
| Project Leasing Cost                             | 6.0% Value                             | 19             | 131,328        |
| Net Project Value                                |                                        | \$ 300         | \$ 2,057,477   |
| <b>Project Development Costs</b>                 | <b>Assumption/Factor</b>               | <b>per GBA</b> | <b>Total</b>   |
| <u><b>Construction Cost</b></u>                  |                                        |                |                |
| Building Direct Cost (Includes Site Development) | \$ 250 Cost/SF (net leaseable)         | \$ 250         | \$ 1,715,175   |
| Tenant Improvements                              | 50 cost/sf (leaseable sf)              | 50             | 343,035        |
| Surface Parking Direct Cost                      | 5,000 per Space                        | 10             | 70,000         |
| Total Construction Cost                          |                                        | \$ 310         | \$ 2,128,210   |
| <u><b>Soft Costs</b></u>                         |                                        |                |                |
| Financing                                        | 5% of Construction Costs (incl. site)  | \$ 17          | \$ 118,760     |
| Other Soft Costs (Including County Fees)         | 25% of Construction Costs (excl. site) | 78             | 532,053        |
| Total Soft Costs                                 |                                        | \$ 95          | \$ 650,812     |
| <u><b>Other Project Costs</b></u>                |                                        |                |                |
| Developer Return on Investment                   | 12% of Construction & Soft Costs       | \$             | \$ 333,483     |
| Residual Land Value                              | Model Output/Supportable Land Cost     |                | (1,055,028)    |
| Total Other Costs                                |                                        | \$             | \$ (721,545)   |
| <b>Results</b>                                   |                                        |                |                |
| Total Project Cost (Including Land)              |                                        | \$             | \$ 2,057,477   |
| Residual Land Value (Total)                      |                                        | \$             | \$ (1,055,028) |
| Residual Land Value (per Acre)                   |                                        | \$             | \$ (1,674,647) |
| Market Land Cost per Acre                        |                                        | \$             | \$ 392,040     |

Sources: Table 2, Willdan Financial Services.

**Table A.4: Retail Prototype**

| Development Program Assumptions                  |  | Assumption/Factor                      |  | Total   |    |           |  |
|--------------------------------------------------|--|----------------------------------------|--|---------|----|-----------|--|
| Development Site (Square Feet)                   |  | 0.11 Acres                             |  | 4,792   |    |           |  |
| FAR                                              |  | 0.25                                   |  |         |    |           |  |
| Gross Building Area (Square Feet)                |  | 10,890 GBA/Acre                        |  | 1,198   |    |           |  |
| Net Leaseable Square Feet                        |  | 100%                                   |  | 1,198   |    |           |  |
| Total Parking Spaces                             |  | 2.00 /1000 leaseable sf                |  | 2       |    |           |  |
| Building Income and Value                        |  | Assumption/Factor                      |  | per GBA |    | Total     |  |
| NNN Potential Rent                               |  | \$3.46 per SF/Month                    |  | \$ 42   | \$ | 49,713    |  |
| Losses to Vacancy                                |  | 2% of Gross Income                     |  | (1)     |    | (994)     |  |
| NNN Commercial Revenue                           |  |                                        |  |         | \$ | 48,719    |  |
| Basic Operating Expenses                         |  | 20% of Gross Potential Rent            |  | \$ (8)  | \$ | (9,943)   |  |
| Total Operating Expenses                         |  |                                        |  |         | \$ | (9,943)   |  |
| Net Operating Income (NOI)                       |  |                                        |  | \$ 32   | \$ | 38,776    |  |
| Project Market Value                             |  | 5.20% Cap Rate                         |  | \$ 623  | \$ | 745,693   |  |
| Project Leasing Cost                             |  | 6.0% Value                             |  | 37      |    | 44,742    |  |
| Net Project Value                                |  |                                        |  | \$ 585  | \$ | 700,951   |  |
| Project Development Costs                        |  | Assumption/Factor                      |  | per GBA |    | Total     |  |
| <u>Construction Cost</u>                         |  |                                        |  |         |    |           |  |
| Building Direct Cost (Includes Site Development) |  | \$ 250 Cost/SF (leaseable)             |  | \$ 250  | \$ | 299,475   |  |
| Tenant Improvements                              |  | 75 cost/sf (leaseable sf)              |  | 75      |    | 89,843    |  |
| Surface Parking Direct Cost                      |  | 5,000 per Space                        |  | 8       |    | 10,000    |  |
| Total Construction Cost                          |  |                                        |  | \$ 333  | \$ | 399,318   |  |
| <u>Soft Costs</u>                                |  |                                        |  |         |    |           |  |
| Financing                                        |  | 5% of Construction Costs (incl. site)  |  | \$ 18   | \$ | 22,122    |  |
| Other Soft Costs (Including County Fees)         |  | 25% of Construction Costs (excl. site) |  | 83      |    | 99,829    |  |
| Total Soft Costs                                 |  |                                        |  | \$ 102  | \$ | 121,951   |  |
| <u>Other Project Costs</u>                       |  |                                        |  |         |    |           |  |
| Developer Return on Investment                   |  | 12% of Construction & Soft Costs       |  |         | \$ | 62,552    |  |
| Residual Land Value                              |  | Model Output/Supportable Land Cost     |  |         |    | 117,130   |  |
| Total Other Costs                                |  |                                        |  |         | \$ | 179,682   |  |
| Results                                          |  |                                        |  |         |    |           |  |
| Total Project Cost (Including Land)              |  |                                        |  |         | \$ | 700,951   |  |
| Residual Land Value (Total)                      |  |                                        |  |         | \$ | 117,130   |  |
| Residual Land Value (per Acre)                   |  |                                        |  |         | \$ | 1,064,818 |  |
| Market Land Cost per Acre                        |  |                                        |  |         | \$ | 392,040   |  |

Sources: Table 2, Willdan Financial Services.

**Table A.5: Industrial Prototype**

| <b>Development Program Assumptions</b>           | <b>Assumption/Factor</b>               | <b>Total</b>   |              |
|--------------------------------------------------|----------------------------------------|----------------|--------------|
| Development Site (Square Feet)                   | 0.28 Acres                             | 12,197         |              |
| FAR                                              | 0.35                                   |                |              |
| Gross Building Area (Square Feet)                | 15,246 GBA/Acre                        | 4,269          |              |
| Net Leaseable Square Feet                        | 100%                                   | 4,269          |              |
| Total Parking Spaces                             | 1.30 /1000 leaseable sf                | 6              |              |
| <b>Building Income and Value</b>                 | <b>Assumption/Factor</b>               | <b>per GBA</b> | <b>Total</b> |
| NNN Potential Rent                               | \$2.05 per SF/Month                    | \$ 25          | \$ 105,014   |
| Losses to Vacancy                                | 6% of Gross Income                     | (1)            | (6,091)      |
| <i>NNN Commercial Revenue</i>                    |                                        | \$             | 98,924       |
| Basic Operating Expenses                         | 15% of Gross Potential Rent            | \$ (4)         | \$ (15,752)  |
| <i>Total Operating Expenses</i>                  |                                        | \$             | (15,752)     |
| Net Operating Income (NOI)                       |                                        | \$ 19          | \$ 83,171    |
| Project Market Value                             | 6.60% Cap Rate                         | \$ 295         | \$ 1,260,173 |
| Project Leasing Cost                             | 6.0% Value                             | 18             | 75,610       |
| Net Project Value                                |                                        | \$ 277         | \$ 1,184,563 |
| <b>Project Development Costs</b>                 | <b>Assumption/Factor</b>               | <b>per GBA</b> | <b>Total</b> |
| <u><b>Construction Cost</b></u>                  |                                        |                |              |
| Building Direct Cost (Includes Site Development) | \$ 125 Cost/SF (leaseable area)        | \$ 125         | \$ 533,610   |
| Tenant Improvements                              | 30 cost/sf (leaseable sf)              | 30             | 128,066      |
| Surface Parking Direct Cost                      | 5,000 per Space                        | 7              | 30,000       |
| Total Construction Cost                          |                                        | \$ 162         | \$ 691,676   |
| <u><b>Soft Costs</b></u>                         |                                        |                |              |
| Financing                                        | 5% of Construction Costs (incl. site)  | \$ 9           | \$ 40,072    |
| Other Soft Costs (Including County Fees)         | 25% of Construction Costs (excl. site) | 41             | 172,919      |
| Total Soft Costs                                 |                                        | \$ 50          | \$ 212,991   |
| <u><b>Other Project Costs</b></u>                |                                        |                |              |
| Developer Return on Investment                   | 12% of Construction & Soft Costs       | \$             | 108,560      |
| Residual Land Value                              | Model Output/Supportable Land Cost     |                | 171,335      |
| Total Other Costs                                |                                        | \$             | 108,560      |
| <b>Results</b>                                   |                                        |                |              |
| Total Project Cost (Including Land)              |                                        | \$             | 1,013,228    |
| Residual Land Value (Total)                      |                                        | \$             | 171,335      |
| Residual Land Value (per Acre)                   |                                        | \$             | 611,911      |
| Market Land Cost per Acre                        |                                        | \$             | 392,040      |

Sources: Table 2, Willdan Financial Services.

**Table A.6: Hotel Prototype**

| Development Program Assumptions                  |             | Assumption/Factor                      | Total   |               |
|--------------------------------------------------|-------------|----------------------------------------|---------|---------------|
| Development Site (Square Feet)                   | 9.00        | Acres                                  | 392,040 |               |
| FAR                                              | 0.14        |                                        |         |               |
| Rooms                                            | 65          |                                        |         |               |
| Gross Building Area (Square Feet)                | 6,000       | GBA/Acre                               | 54,000  |               |
| Net Leaseable Square Feet                        | 100%        |                                        | 54,000  |               |
| Total Parking Spaces                             | 1.00        | / room                                 | 65      |               |
| Building Income and Value                        |             | Assumption/Factor                      | per GBA | Total         |
| ADR                                              |             | \$521 /night                           |         |               |
| Occupancy                                        |             | 74%                                    |         |               |
| Gross Potential Room Revenue                     | \$9,170,602 | annually                               | \$      | 9,170,602     |
| Ancillary Income                                 | 80.00%      | % of Room Revenue                      |         | 7,336,481     |
| Gross Revenue                                    |             |                                        |         | \$ 16,507,083 |
| Overall Exp.                                     | 62.0%       | of Gross Revenue                       | \$      | 10,234,392    |
| Room Operations                                  | 18.0%       | of Room Revenue                        |         | 1,650,708     |
| Other Op Exp                                     | 27.5%       | of Ancillary Revenue                   |         | 2,017,532     |
| Total Operating Expenses                         |             |                                        |         | \$ 13,902,632 |
| Net Operating Income (NOI)                       |             |                                        |         | \$ 2,604,451  |
| Project Market Value                             | 8.00%       | Cap Rate                               |         | \$ 32,555,636 |
| Project Development Costs                        |             | Assumption/Factor                      | per GBA | Total         |
| <u>Construction Cost</u>                         |             |                                        |         |               |
| Building Direct Cost (Includes Site Development) | \$          | 250 Cost/SF                            | \$ 250  | \$ 13,500,000 |
| Surface Parking Direct Cost                      | 5,000       | per Space                              | 6       | 325,000       |
| Total Construction Cost                          |             |                                        | \$ 256  | \$ 13,825,000 |
| <u>Soft Costs</u>                                |             |                                        |         |               |
| Financing                                        |             | 5% of Construction Costs (incl. site)  | \$ 16   | \$ 867,668    |
| Other Soft Costs (Including County Fees)         |             | 25% of Construction Costs (excl. site) | 64      | 3,456,250     |
| Total Soft Costs                                 |             |                                        | \$ 80   | \$ 4,323,918  |
| <u>Other Project Costs</u>                       |             |                                        |         |               |
| Developer Return on Investment                   |             | 12% of Construction & Soft Costs       | \$      | 2,177,870     |
| Residual Land Value                              |             | Model Output/Supportable Land Cost     |         | 12,228,848    |
| Total Other Costs                                |             |                                        |         | \$ 2,177,870  |
| Results                                          |             |                                        |         |               |
| Total Project Cost (Including Land)              |             |                                        |         | \$ 20,326,788 |
| Residual Land Value (Total)                      |             |                                        |         | \$ 12,228,848 |
| Residual Land Value (per Acre)                   |             |                                        |         | \$ 1,358,761  |
| Market Land Cost per Acre                        |             |                                        |         | \$ 392,040    |

Sources: Table 2, Willdan Financial Services.

**Table A.7: Warehouse Prototype**

| Development Program Assumptions                  | Assumption/Factor                      | Total   |               |
|--------------------------------------------------|----------------------------------------|---------|---------------|
| Development Site (Square Feet)                   | 3.40 Acres                             | 148,104 |               |
| FAR                                              | 0.35                                   |         |               |
| Gross Building Area (Square Feet)                | 15,246 GBA/Acre                        | 51,836  |               |
| Net Leaseable Square Feet                        | 100%                                   | 51,836  |               |
| Total Parking Spaces                             | 0.50 /1000 leaseable sf                | 26      |               |
| Building Income and Value                        | Assumption/Factor                      | per GBA | Total         |
| NNN Potential Rent                               | \$1.74 per SF/Month                    | \$ 21   | \$ 1,081,826  |
| Losses to Vacancy                                | 4% of Gross Income                     | (1)     | (46,519)      |
| <i>NNN Commercial Revenue</i>                    |                                        |         | \$ 1,035,307  |
| Basic Operating Expenses                         | 15% of Gross Potential Rent            | \$ (3)  | \$ (162,274)  |
| <i>Total Operating Expenses</i>                  |                                        |         | \$ (162,274)  |
| Net Operating Income (NOI)                       |                                        | \$ 17   | \$ 873,033    |
| Project Market Value                             | 6.60% Cap Rate                         | \$ 255  | \$ 13,227,777 |
| Project Leasing Cost                             | 6.0% Value                             | 15      | 793,667       |
| Net Project Value                                |                                        | \$ 240  | \$ 12,434,111 |
| Project Development Costs                        | Assumption/Factor                      | per GBA | Total         |
| <u>Construction Cost</u>                         |                                        |         |               |
| Building Direct Cost (Includes Site Development) | \$ 125 Cost/SF (leaseable area)        | \$ 125  | \$ 6,479,550  |
| Tenant Improvements                              | 30 cost/sf (leaseable sf)              | 30      | 1,555,092     |
| Surface Parking Direct Cost                      | 5,000 per Space                        | 3       | 130,000       |
| Total Construction Cost                          |                                        | \$ 158  | \$ 8,164,642  |
| <u>Soft Costs</u>                                |                                        |         |               |
| Financing                                        | 5% of Construction Costs (incl. site)  | \$ 9    | \$ 474,879    |
| Other Soft Costs (Including County Fees)         | 25% of Construction Costs (excl. site) | 39      | 2,041,161     |
| Total Soft Costs                                 |                                        | \$ 49   | \$ 2,516,039  |
| <u>Other Project Costs</u>                       |                                        |         |               |
| Developer Return on Investment                   | 12% of Construction & Soft Costs       |         | \$ 1,281,682  |
| Residual Land Value                              | Model Output/Supportable Land Cost     |         | 471,748       |
| Total Other Costs                                |                                        |         | \$ 1,281,682  |
| <b>Results</b>                                   |                                        |         |               |
| Total Project Cost (Including Land)              |                                        |         | \$ 11,962,363 |
| Residual Land Value (Total)                      |                                        |         | \$ 471,748    |
| Residual Land Value (per Acre)                   |                                        |         | \$ 138,749    |
| Market Land Cost per Acre                        |                                        |         | \$ 392,040    |

Sources: Table 2, Willdan Financial Services.