

CITY OF BURLINGAME

City Hall – 501 Primrose Road
Burlingame, California 94010-3997



COMMUNITY DEVELOPMENT DEPARTMENT

Economic Development Division

PH: (650) 558-7264
FAX: (650) 696-3790

Economic Development Subcommittee Special Meeting

Thursday, June 9, 2022, 8:00 a.m.
Zoom Conference Call

On September 16, 2021, Governor Newsom signed into law AB 361, which allows a local agency to meet remotely when:

1. The local agency holds a meeting during a declared state of emergency
2. State or local health officials have imposed or recommended measures to promote social distancing
3. Legislative bodies declare the need to meet remotely due to present imminent risks to the health or safety of attendees

On May 16, 2022, the City Council adopted Resolution Number 054-2022 stating that the City Council and Commissions will continue to meet remotely for at least thirty days for the following reasons:

1. There is still a local state of emergency
2. County Health Orders require that all individuals in public spaces maintain social distancing and wear masks
3. The City can't maintain social distancing requirements for the public, staff, Councilmembers, and Commissioners in their meeting spaces.

Pursuant to Resolution Number 054-2022, Conference Room A will not be open to the public for the June 9, 2022 Economic Development Subcommittee Meeting.

Topic: Economic Development Subcommittee Meeting
Time: Jun 9, 2022 08:00 AM Pacific Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/87291080502?pwd=YkVUREx3MGF2ZlJpTDd2NHZYTkc5dz09>

Meeting ID: 872 9108 0502

Passcode: 139564

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AGENDA

CALL TO ORDER – 8:00 a.m.

READ AND APPROVE MINUTES FROM MAY 11, 2022 MEETING

DISCUSSION ITEMS

1. Update on Commercial Linkage Fee Study
2. Update on Fiscal Revenue Analysis of Bayfront Office/R&D Projects
3. Future Agenda Topics

Public Comments

The next regular meeting of the City Council's Economic Development Subcommittee will be held on July 13, 2022, via Zoom



City Council Economic Development Subcommittee

MINUTES (DRAFT)

Via Zoom

Wednesday, May 11, 2022 – 8:15 a.m.

ATTENDANCE

Members Present: Vice Mayor Michael Brownrigg, Councilmember Donna Colson

Members Absent: None

Staff Present: City Manager (CM) Lisa Goldman, Community Development Director (CDD) Kevin Gardiner, Parks & Recreation Director (PRD) Margaret Glomstad, Finance Director (FD) Helen Yu-Scott,

Members of the Public Present: John Hutar (President of The San Francisco Peninsula (SFP)), Fettah Aydin (Embassy Suites), Kevin Kretsch (Hyatt Regency SFO), Lisa Kershner (San Francisco Airport Marriott Waterfront), Susan Baker (President/CEO of Burlingame/SFO Chamber of Commerce), Mike McKee (DoubleTree)

READ AND APPROVE MINUTES FROM APRIL 13 MEETING

- Approved.

DISCUSSION ITEMS

Annual Meeting with the Hoteliers

CDD Gardiner introduced the topic, followed by a presentation from Mr. Hutar concerning industry data through March 2022. Thus far, occupancy is steadily increasing to about 60% occupancy, with an average daily rate (ADR) of about \$150/night. The Burlingame/Millbrae/SFO market was at 65.5% occupancy in March 2022, compared to 35.9% in March 2021. Mr. Hutar noted that there is still a long way to recover to pre-pandemic levels, but the market is much healthier than it had been in previous check-ins with the EDS.

Councilmember Colson questioned if hoteliers would steadily increase their prices as occupancy increased, or if they would have to wait till pre-pandemic occupancy rates are reached before price increases could be implemented. Mr. Aydin answered that rates would rise in accordance with rising occupancy levels, in addition to staying in line with market data provided from the SFP, as well as long-term crew rates negotiated at a predetermined level (which will be slower to recover). He also mentioned that the crew occupancy varies by hotel, but was generally around 20% of a hotel's occupancy (now at 10%).

Mr. Hutar noted the importance of international travel (particularly from Asian countries such as China) in the Burlingame market, which has been much slower to recover. Recent joint efforts from the SFP and the airport have drawn additional European airlines to SFO. Mr. Hutar explained that SFO travel volume is about 50% of its pre-pandemic levels, notably due to the drop in international

and business travel (though the latter is slowly recovering). Event and group travel will be slower to recover as well, likely not until 2024-2025.

Mr. Kretsch confirmed Mr. Hutar's data and said that the market continues to show strong growth in April and May, though the major sector still lacking continues to be large group travel (conferences, etc.) Ms. Kershner encouraged marketing of the new developments on the Bayfront, and also requested some sort of standardized garbage collection and maintenance from property owners on the Bay Trail. PRD Glomstad explained that they have no jurisdiction over the private property, and it may be a better question for Code Enforcement, but she would be happy to share the design guidelines for trashcans that the City uses. Vice Mayor Brownrigg thought that there could be an opportunity to partner with the Bay Conservation and Development Commission (BCDC), though Councilmember Colson favored seeing if design guidelines for trash collection/maintenance could be part of Planning approvals for Bayfront projects.

Councilmember Colson suggested potentially using her work with Filoli to help with weekend travel, by promoting stays at Burlingame hotels in exchange for free tickets at Filoli events. She also mentioned possible opportunities to partner with youth sports clubs and offer discounts at Burlingame hotels for those affiliated with the clubs. Mr. Hutar commented that it would be great to have advocacy to redesign the San Mateo County Event Center as an all-inclusive sports facility if possible.

Ms. Baker supported collaborating with the hoteliers for community events and shared increased interest in the shuttle service from other businesses. CDD Gardiner noted that there could be an opportunity to encourage or require corporate shuttles to frequent the city's business districts.

Update on the Bayshore Beautification Project

CDD Gardiner went through a Public Works presentation from February concerning the Bayshore Highway Feasibility Study, which encourages a variety of aesthetic and functional improvements to the surrounding area (planted medians, buffered bike lanes, sidewalk planting strips, etc.) Based on Council comments in February, this project will focus primarily on the streetscape and defer Bay Trail improvements to those already planned for in the One Shoreline project.

Mr. Kretsch strongly advocated for two vehicle lanes to remain in each direction to prevent congestion.

Update on Topgolf Project

CM Goldman mentioned that work is steadily progressing on the Topgolf agreement, and the current hope is to bring it to Council on June 6. PRD Glomstad shared Topgolf estimates for groundbreaking and opening (8-12 months for groundbreaking, 30-33 months until a grand opening). While they will be working as fast as they can, the construction on top of a landfill poses unique problems, and PG&E may add further delays.

Miscellaneous Discussion

There was no miscellaneous discussion.

Action Items

- EDS Sanfilippo and CDD Gardiner will work with PRD Glomstad to develop standards for trash containers on the Bay Trail, potentially including specific branding and suppliers

FUTURE AGENDA TOPICS

The June meeting will discuss the completed studies from Century Urban related to possible commercial linkage fee updates and revenue projections.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

Meeting adjourned at 9:15 a.m.

Respectfully submitted,

Joseph Sanfilippo
Economic Development & Housing
Specialist



CITY OF BURLINGAME
Community Development Department
MEMORANDUM

DATE: June 9, 2022

TO: Economic Development Subcommittee

FROM: Kevin Gardiner, Community Development Director
Joe Sanfilippo, Economic Development & Housing Specialist

SUBJECT: **Commercial Linkage Fees Feasibility Study**

In 2019 seven cities in the 21 Elements collaborative, including Burlingame, engaged Century Urban, LLC to review potential Commercial Linkage Fee assessments for affordable housing associated with commercial real estate development. The purpose of the review was to study the feasibility of adjusting existing fees or assessing new fees based on the development environment at the time. As most cities had established commercial linkage fees several years earlier, the intention was to see if there was feasibility to adjust fees based on the robust commercial development activity being experienced at that time. The City of Burlingame adopted its commercial linkage fees in 2017, and had been experiencing increasing interest in commercial development since the fees were adopted.

A draft of the report was completed in June 2020, at the height of the coronavirus pandemic. The draft report concluded that it was not likely to be feasible to increase linkage fees on hotel developments without diminishing return on cost (ROC) below acceptable levels, but it would be feasible to increase linkage fees on office developments. However, the report included a disclaimer that its research was conducted primarily in the fourth quarter of 2019 and first quarter of 2020, but economic changes driven by the impact of the pandemic may have affected supply-demand elements that underpin key operating income and construction assumptions. The report was not finalized, given the uncertainty on both the demand and supply side of commercial development that was being experienced in mid-2020.

Per Economic Development Subcommittee direction, staff had Century Urban update the market research with current data. The updated report has been finalized and is included with the meeting packet. The Subcommittee can review this data and consider a presentation to the full council as appropriate.

Attached:

- Commercial Linkage Fee Analysis, Century Urban, May 2022



Century | Urban

Commercial Linkage Fee Analysis

Presented to:

City of Burlingame

May 11, 2022



CENTURY | URBAN

235 Montgomery Street, Suite 1042 | San Francisco, CA 94104 | 415.786.2875 | www.centuryurban.com



COMMERCIAL LINKAGE FEE ANALYSIS

TO: City of Burlingame
FROM: Century | Urban
SUBJECT: Commercial Linkage Fee Analysis
DATE: May 11, 2022

Century Urban, LLC (“Century | Urban”) has been engaged by the City of Burlingame (the “City”) to review potential Commercial Linkage Fee assessments for affordable housing associated with commercial real estate development. Building on work previously prepared in 2020, the purpose of this review is to study the feasibility of adjusting existing fees or assessing new fees based on the current market environment. The following is a summary of Century | Urban’s review of the Commercial Linkage Fee for the City.

Commercial Linkage Fee

The Commercial Linkage Fee is a fee charged by municipalities on new commercial development projects to offset the costs of producing affordable housing to meet the need for affordable housing created by the commercial development. The fee is typically charged on a per square foot basis and paid by a developer in advance of project construction. The fee therefore represents an element of project development costs, which is analyzed as part of the project underwriting to establish the project’s economic feasibility.

Analysis Qualifications

For this project analysis, Century | Urban relied upon data and information provided by the City as well as other reputable sources and market participants. The analysis is based on prototypical projects that represent high-level average or median types of projects and high-level project assumptions based on research at the time of analysis preparation. The prototypical projects do not correspond with any particular actual project or actual economics. Any actual project may reflect dramatically different costs, revenues, expenses, or other details driven by the circumstances of that project such as its sponsor, history, site conditions, contractor, business plan, and/or other factors. Moreover, the criteria and assumptions utilized in selecting and analyzing prototypes are specific to the time at which the analysis was prepared, and the research was conducted and will likely change over time as revenues, expenses, development costs including land costs, and lender/investor return targets change over time based on market conditions.



Prototypes

To prepare the Commercial Linkage Fee analysis, Century | Urban utilized prototype projects from the prior analysis as well as new prototypes requested by the City. Century | Urban then researched pro-forma underwriting assumptions for each prototype including revenue and expense assumptions, typical land costs, “hard” construction costs, City fees, “soft” costs including architectural and engineering costs, and return metrics required to establish project feasibility.

In Burlingame, commercial projects achieve/incur a range of rents, expenses, and profitability based on their location, age, design and other factors. Given these ranges, Century | Urban selected data that appeared most generally relevant to new commercial development in a prototypical mid-tier Burlingame location.

At the direction of the City, the results presented are based on non-prevailing wage project costs for the hotel prototype analysis and prevailing wage project costs for the office prototypes analysis.

In addition, the City requested the inclusion of a parks fees in the project soft costs. A parks fee is under discussion though not currently a City fee for the prototype projects. For high-level conceptual purposes, Century | Urban utilized a parks fee of \$2.50 per square foot for hotel and \$2.25 per square foot for office, based on a rough average of parks fees in nearby cities.

While the generic parameters established for each project prototype are intended to be generally representative of commercial development projects in the City’s pipeline, any policy changes proposed by the City may need to be adjusted based on the parameters of actual City pipeline development projects.

Feasibility

To review the feasibility of prototype projects with respect to the Commercial Linkage Fee, Century | Urban modeled the project’s stabilized return on cost (“ROC”) based on a range for the assumed linkage fee assessment amount by estimating the project’s annual pro-forma net operating income and dividing it by the estimated total project development cost. The ROC is a metric commonly used to evaluate project feasibility. The appropriate target ROC is established based on the project’s perceived risks, which include the uncertainty of ultimate project costs, rents and economic conditions upon completion, and project development/construction duration, as well as the cost of debt and equity in the current capital market. Typically, if a project’s projected ROC does not fall within the market threshold range required given the project’s risk profile, the project is considered infeasible and not pursued. While this decision is made primarily by a project developer, the project’s investors and lenders, often banks, typically also provide input to the developer with regard to feasibility and project status.



With market research establishing target ROC range, Century | Urban compared the projected ROC for project prototypes with the target range. An ROC lower than the target range would suggest an infeasible project, while an ROC above the target range would suggest a feasible project, as well as the potential to adjust the Commercial Linkage Fee without affecting project feasibility. In principle, the Commercial Linkage Fee could be increased until the prototype’s projected ROC falls within the target range. These results are used to evaluate how a potential adjustment in the Commercial Linkage Fee would affect project feasibility.

Prototype Results

Exhibit A: Prototype Analysis shows the linkage fee analysis for each of the City’s chosen project prototypes. Each prototype exhibit lists the size and type of the prototype, the estimated total development costs, the estimated net operating income, and the resulting projected returns based on a range of potential linkage fee assessment amounts.

The City’s current linkage fee assessments for projects built without prevailing wage requirements are \$18 per square foot for office projects under 50,000 square feet, \$25 per square foot for office projects above 50,000 square feet, and \$12 per square foot for hotel projects. For projects built with prevailing wage requirements, the assessments are \$15 per square foot for office projects under 50,000 square feet, \$20 per square foot for office projects above 50,000 square feet, and \$10 per square foot for hotel projects.

Office Prototypes

For the office prototypes studied, the analysis assumed prevailing wage construction costs and construction of an above-grade parking garage. The analysis indicates that the projected ROC of the office prototypes with Commercial Linkage Fee assessment amounts ranging from \$15 to \$40 per square foot falls below the target ROC range for all three office prototypes.

Fee Scenarios		
Product Type:	Office	
Size Category, SF:	45,000	
Construction Type:	Type III	
Target Return on Cost	6.5% to 7%	
<u>Fee Per Square Foot</u>	<u>Return on Cost</u>	<u>Feasibility</u>
\$15 PSF Linkage Fee	4.46%	Below Target Range
\$20 PSF Linkage Fee	4.44%	Below Target Range
\$25 PSF Linkage Fee	4.42%	Below Target Range
\$30 PSF Linkage Fee	4.39%	Below Target Range
\$35 PSF Linkage Fee	4.37%	Below Target Range
\$40 PSF Linkage Fee	4.35%	Below Target Range



Fee Scenarios		
Product Type:	Office	
Size Category, SF:	150,000	
Construction Type:	Type III	
Target Return on Cost	6.5% to 7.0%	
<u>Fee Per Square Foot</u>	<u>Return on Cost</u>	<u>Feasibility</u>
\$15 PSF Linkage Fee	4.50%	Below Target Range
\$20 PSF Linkage Fee	4.48%	Below Target Range
\$25 PSF Linkage Fee	4.46%	Below Target Range
\$30 PSF Linkage Fee	4.44%	Below Target Range
\$35 PSF Linkage Fee	4.42%	Below Target Range
\$40 PSF Linkage Fee	4.40%	Below Target Range

Fee Scenarios		
Product Type:	Office	
Size Category, SF:	500,000	
Construction Type:	Type I	
Target Return on Cost	6.5% to 7.0%	
<u>Fee Per Square Foot</u>	<u>Return on Cost</u>	<u>Feasibility</u>
\$15 PSF Linkage Fee	4.35%	Below Target Range
\$20 PSF Linkage Fee	4.33%	Below Target Range
\$25 PSF Linkage Fee	4.31%	Below Target Range
\$30 PSF Linkage Fee	4.29%	Below Target Range
\$35 PSF Linkage Fee	4.27%	Below Target Range
\$40 PSF Linkage Fee	4.25%	Below Target Range

Hotel Prototype

For purposes of analyzing the hotel prototype, Century | Urban assumed, at the City’s direction, a return to pre-Covid average daily rates and occupancy levels. The analysis indicates that the projected ROC of the hotel prototype with Commercial Linkage Fee assessment amounts ranging from \$5 to \$30 per square foot falls below the target ROC range.



Fee Scenarios		
Product Type:	Hotel	
Prototype:	175 Room Select Service Hotel	
Construction Type:	Type III	
Target Return on Cost	7.75% to 8.25%	
<u>Fee Per Square Foot</u>	<u>Return on Cost</u>	<u>Feasibility</u>
\$5 PSF	5.19%	Below Target Range
\$10 PSF	5.16%	Below Target Range
\$15 PSF	5.13%	Below Target Range
\$20 PSF	5.10%	Below Target Range
\$25 PSF	5.07%	Below Target Range
\$30 PSF	5.05%	Below Target Range

Summary

On behalf of the City, Century | Urban reviewed development project prototypes to estimate the degree to which potential adjustments in Commercial Linkage Fee assessment amounts may affect project feasibility.

The office and hotel prototype analyses indicate that, based on a range of potential Commercial Linkage Fee assessment amounts, the projected ROC of the prototypes fall below the target ROC range.

The results of this analysis should be considered within the economic context of the City’s overall development goals, and the degree to which continually changing conditions are impacting local costs, rents, and business activity.



Exhibit A: Prototype Analysis

Page 8: Exhibit A-1 - 45,000-SF Office Prototype

Page 9: Exhibit A-2 - 150,000-SF Office Prototype

Page 10: Exhibit A-3 - 500,000-SF Office Prototype

Page 11: Exhibit A-4 - 175-Room Hotel Prototype

DRAFT

Exhibit A-1**Burlingame Linkage Fee Analysis***Cost figures rounded to nearest \$10,000; PSF cost figures rounded to near \$10*

Product Type:	Office
Prototype:	45,000
Construction Type:	Type III
Current Commercial Linkage Fee (Prevailing Wage):	\$15.00

Item	Amount
Building Gross SF	45,000
Building Net Rentable SF	40,500
Building Efficiency	90%
Construction Costs	
<i>Hard Costs</i>	
Building Hard Costs PSF	<i>Prevailing wage</i> \$460
Parking Hard Costs PSF	\$150
TIs/Contingency/Other PSF	<u>\$140</u>
Total Hard Costs Per GSF	\$750
<i>Soft Costs</i>	
Total City Fees PSF	\$40
Other Soft Costs PSF	\$150
Financing Costs PSF	\$20
Leasing Commissions PSF	\$10
Soft Cost Contingency PSF	<u>\$11</u>
Total Soft Costs Per GSF	\$230
<i>Soft Costs as % of Hard Costs</i>	31%
<i>Land Cost</i>	
Land Cost Per GSF/Building	\$150
Total Development Cost PSF	\$1,130
Total Development Cost	\$50,830,000
Net Operating Income	
<i>Revenue</i>	
Office Annual Rent per NRSF	\$60
Office Rent Type For Underwriting	NNN
Reimbursements	\$19
Parking Revenue Per NRSF	\$0
Vacancy Rate	5%
Total Annual Rental Revenue	\$3,043,000
<i>Operating Expenses</i>	
Average Operating Expense PSF	\$19
Capital Expense PSF	\$0.10
Total Annual Operating Expenses	\$777,000
TOTAL NET OPERATING INCOME	\$2,266,000
Linkage Fee Analysis	
Target Return on Cost Range	6.5% to 7%
<i>Underwritten Return on Cost</i>	
\$15 PSF Linkage Fee	4.46%
\$20 PSF Linkage Fee	4.44%
\$25 PSF Linkage Fee	4.42%
\$30 PSF Linkage Fee	4.39%
\$35 PSF Linkage Fee	4.37%
\$40 PSF Linkage Fee	4.35%

Exhibit A-2**Burlingame Linkage Fee Analysis***Cost figures rounded to nearest \$10,000; PSF cost figures rounded to near \$10*

Product Type:	Office
Prototype:	150,000
Construction Type:	Type III
Current Commercial Linkage Fee (Prevailing Wage):	\$20.00

Item	Amount
Building Gross SF	150,000
Building Net Rentable SF	135,000
Building Efficiency	90%
Construction Costs	
<i>Hard Costs</i>	
Building Hard Costs PSF	<i>Prevailing wage</i> \$450
Parking Hard Costs PSF	\$150
TIs/Contingency/Other PSF	\$130
Total Hard Costs Per GSF	\$730
<i>Soft Costs</i>	
Total City Fees PSF	\$40
Other Soft Costs PSF	\$150
Financing Costs PSF	\$30
Leasing Commissions PSF	\$10
Soft Cost Contingency PSF	\$12
Total Soft Costs Per GSF	\$240
<i>Soft Costs as % of Hard Costs</i>	33%
<i>Land Cost</i>	
Land Cost Per GSF/Building	\$150
Total Development Cost PSF	\$1,120
Total Development Cost	\$168,541,000
Net Operating Income	
Revenue	
Office Annual Rent per NRSF	\$60
Office Rent Type For Underwriting	NNN
Reimbursements	\$19
Parking Revenue Per NRSF	\$0
Vacancy Rate	5%
Total Annual Rental Revenue	\$10,144,000
Operating Expenses	
Average Operating Expense PSF	\$19
Capital Expense PSF	\$0.10
Total Annual Operating Expenses	\$2,591,000
TOTAL NET OPERATING INCOME	\$7,553,000
Linkage Fee Analysis	
Target Return on Cost Range	6.5% to 7.0%
Underwritten Return on Cost	
\$15 PSF Linkage Fee	4.50%
\$20 PSF Linkage Fee	4.48%
\$25 PSF Linkage Fee	4.46%
\$30 PSF Linkage Fee	4.44%
\$35 PSF Linkage Fee	4.42%
\$40 PSF Linkage Fee	4.40%



Exhibit A-3

Burlingame Linkage Fee Analysis

Cost figures rounded to nearest \$10,000; PSF cost figures rounded to near \$10

Product Type:	Office
Prototype:	500,000
Construction Type:	Type I
Current Commercial Linkage Fee (Prevailing Wage):	\$20.00

Item	Amount
Building Gross SF	500,000
Building Net Rentable SF	450,000
Building Efficiency	90%
Construction Costs	
<i>Hard Costs</i>	
Building Hard Costs PSF	Prevailing wage \$480
Parking Hard Costs PSF	\$150
TIs/Contingency/Other PSF	<u>\$130</u>
Total Hard Costs Per GSF	\$760
<i>Soft Costs</i>	
Total City Fees PSF	\$40
Other Soft Costs PSF	\$150
Financing Costs PSF	\$40
Leasing Commissions PSF	\$10
Soft Cost Contingency PSF	<u>\$12</u>
Total Soft Costs Per GSF	\$260
<i>Soft Costs as % of Hard Costs</i>	34%
<i>Land Cost</i>	
Land Cost Per GSF/Building	\$150
Total Development Cost PSF	\$1,160
Total Development Cost	\$581,232,000
Net Operating Income	
Revenue	
Office Annual Rent per NRSF	\$60
Office Rent Type For Underwriting	NNN
Reimbursements	\$19
Parking Revenue Per NRSF	\$0
Vacancy Rate	5%
Total Annual Rental Revenue	\$33,814,000
Operating Expenses	
Average Operating Expense PSF	\$19
Capital Expense PSF	\$0.10
Total Annual Operating Expenses	\$8,638,000
TOTAL NET OPERATING INCOME	\$25,175,000
Linkage Fee Analysis	
Target Return on Cost Range	6.5% to 7.0%
Underwritten Return on Cost	
\$15 PSF Linkage Fee	4.35%
\$20 PSF Linkage Fee	4.33%
\$25 PSF Linkage Fee	4.31%
\$30 PSF Linkage Fee	4.29%
\$35 PSF Linkage Fee	4.27%
\$40 PSF Linkage Fee	4.25%

Exhibit A-4**Burlingame Linkage Fee Analysis**

Cost figures rounded to nearest \$10,000; PSF cost figures rounded to near \$10

Product Type:	Hotel
Prototype:	175 Room Select Service Hotel
Construction Type:	Type III
Current Commercial Linkage Fee:	\$12.00

Item	Amount
Building Gross SF	87,500
Rooms	175
Avg GSF Per Room	500
Construction Costs	
<i>Hard Costs</i>	
Building Hard Costs PSF	<i>Not prevailing wage</i> \$540
Parking Hard Costs PSF	\$10
FF&E/Contingency/Other PSF	\$110
Total Hard Costs Per GSF	\$660
<i>Soft Costs</i>	
Total City Fees PSF	\$30
Other Soft Costs PSF	\$130
Financing Costs PSF	\$30
Soft Cost Contingency PSF	\$10
Total Soft Costs Per GSF	\$200
<i>Land Cost</i>	
Land Cost Per GSF/Building	\$80
Total Development Cost PSF	\$940
Total Project Cost	\$82,147,000
Total Project Cost per Room	\$469,000
Pro-Forma - Daily Revenue Assumptions	
Revenue	
Average Daily Rate Per Room	\$200
Average Occupancy	83%
Total Other Revenue (F&B, other)	\$40
Total Revenue, incl F&B and Other	\$204
Annual Total Gross Revenue	\$13,016,000
Operating Expenses	
Property Taxes (% of value)	1.14%
Total Operating Expenses	\$140
Total Annual Operating Expenses	\$8,785,000
<i>Operating Margin</i>	33%
Daily Net Operating Income Per Room	\$63
Annual Net Operating Income Per Room	\$24,000
Total Net Operating Income	\$4,231,000
Linkage Fee Analysis	
Target Return on Cost Range	7.75% to 8.25%
Market Capitalization Rate	7.00%
\$5 PSF Linkage Fee	5.19%
\$10 PSF Linkage Fee	5.16%
\$15 PSF Linkage Fee	5.13%
\$20 PSF Linkage Fee	5.10%
\$25 PSF Linkage Fee	5.07%
\$30 PSF Linkage Fee	5.05%