

## DRAFT MEMORANDUM

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To: Bryan Copp, HDR|S.R. Beard  
From: Darin Smith and Garrett K. Gray  
Subject: Northwest Extension Development Feasibility Analysis; EPS #16127  
Date: March 11, 2008

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Economic & Planning Systems, Inc. (EPS) has been retained to identify and evaluate market-based development opportunities in the Northwest Extension Light Rail Corridor along 19<sup>th</sup> Avenue in the City of Phoenix. A market analysis completed in January 2008 provided an overview of regional market dynamics and station-specific market trends, as well as conclusions of product types that may have development potential for the next five-year period. The market data and conclusions have been used to identify illustrative development prototypes that may be appropriate and marketable in the Corridor, as determined by EPS, Valley Metro, Phoenix staff, and HDR|SR Beard. This memorandum provides comparative feasibility analyses of each development prototype, with the objective of assisting Valley Metro and Phoenix staff to identify projects that have the greatest potential for near-term feasibility (within roughly three to five years).

## SUMMARY OF MAJOR FINDINGS

### GENERAL FINDINGS

- **The market analysis identified potential near-term support for residential, retail, and service office development along the Corridor.** Continued population growth and the benefits of mass transit service indicated that residential development could be marketable in the Corridor. The recent expansion of locally serving retail, combined with continued local population growth, indicate future demand for retail space. Major office development is unlikely given the competitive regional market, but smaller service-oriented office users may seek location near population growth and transit service in the Corridor. Hotel uses are not expected to be competitive in the Corridor.



- **Development prototypes that may be appropriate for the Corridor include attached townhomes, multifamily housing of three to five stories, in-line retail, office buildings of three to five stories, and mixed use developments combining residential or office with ground floor retail.** These types of buildings reflect the types of densities desirable in transit-served locations, while remaining at appropriate scales for compatibility with surrounding neighborhoods. Also, the five story maximum height allows development to occur within relatively inexpensive woodframe construction, rather than requiring more expensive concrete and steel construction.
- **Within this study area, certain rental residential and in-line neighborhood-serving retail appear most feasible in the near term.** Retail is in demand along the 19<sup>th</sup> Avenue Corridor and major cross streets, and recently constructed retail space is achieving price points capable of supporting development costs. Rental townhomes are relatively inexpensive to construct, and achievable market rents are nearly adequate to support new construction of such townhomes.
- **For-sale housing faces feasibility challenges because of relatively low achievable price points compared with development costs.** While there is and will continue to be significant demand for housing along the LRT Corridor, that demand does not appear yet to have translated into price points that can support the costs of development and overcome the recent fallout in the residential market.
- **The development potential of office product types is limited.** The infeasibility of office product types is largely a result of the 19<sup>th</sup> Avenue Corridor's relatively uncompetitive position as an office location within the region, and the low achievable lease rates compared to development costs. Downtown Phoenix, Camelback/Biltmore, Scottsdale, and Downtown Tempe are established office nodes that command higher rent prices. Further, if office will be introduced in the general vicinity of the 19<sup>th</sup> Avenue Corridor, it most likely will be along the I-17 freeway. EPS projects that office products within the study area will not be able to command lease terms necessary for project feasibility within the short-term period of three to five years.
- **Mixed-use product types face significant challenges because of the low achievable price points of their residential or office components.** While the retail components appear to "pay for themselves", the retail is not sufficiently profitable to offset the losses attributable to the office or residential space above.
- **Feasibility is generally strongest where surface parking is used, and weakens with more expensive formats like podium or structured parking.** However, the cost of more expensive parking formats is offset to some extent by the smaller area of land and lower land cost involved in developing the same number of units. This is particularly relevant for commercial uses which require higher numbers of parking units per 1,000 square feet of building area.

- **With the completion of the LRT, demand for various product types is likely to increase, thereby improving the overall feasibility of development around each of the stations and within the general study area.** This assumes the recovery of the residential market and continued improvements in the regional office market as the 19<sup>th</sup> Avenue LRT extension approaches completion and commences service. It is also assumed that an increase in station area household populations and increased foot traffic created by the LRT will strengthen demand for retail in the general study area.

## GENERAL METHODOLOGY

The market analysis report completed by EPS in January 2008 identified land uses that have potential market support in the target area along 19<sup>th</sup> Avenue between Bethany Home and Dunlap. The conclusions regarding positive market support were based on expected population and job growth, recent real estate property performance (rents, vacancies, etc.), and an assessment of the Corridor's competitive position in the regional economy both currently and as the light rail service is being developed. While the market analysis identified the types of development that are likely to be *in demand* in the coming three to five years, that analysis did not conclude that such new development would in fact be *supplied* by private developers. This feasibility analysis addresses that issue by comparing the likely achievable values of such new development to the costs of construction and operation. For any building type for which achievable values exceed costs by an adequate margin, a profit-driven developer would likely be interested in building such projects.

EPS has worked with staff from Valley Metro and the City of Phoenix, including architects in the Development Services Department, to establish appropriate physical parameters for the types of buildings subject to this feasibility analysis. Such parameters include the heights, densities, and parking requirements for each building type. These determinations were made based on the findings of the market analysis, as well as considerations of compatibility with existing neighborhoods, appropriateness for a transit-served location, and a general sense of the costs associated with various types of construction (e.g., woodframe vs. steel). The types of buildings tested are shown on **Table 1**.

The feasibility analysis compares estimates of the costs of developing and operating a given building prototype and the potential revenues and value that can be achieved. This comparison provides an estimate of the site's "residual land value" — the level of financial resources that can be used to acquire and prepare the site while not incurring a financial loss. Comparing these residual land values to the estimated costs of property acquisition in the Corridor (provided by Valley Metro staff), this analysis can determine, for instance, if the capitalized value of new for-rent residential units on 19<sup>th</sup> Avenue would be sufficient to cover the costs of construction and operations, as well as the land acquisition costs. Additionally, the analysis also compares the feasibility of different development prototypes per tenure type (for-sale and rental) under near-term market conditions.

The pro forma models developed for these analyses are “static.” They compare the development costs to the future resale value of the building after stabilized operations have been achieved for each of the nine building prototypes tested within the Corridor. For each of the building prototypes, the feasibility analyses have applied generalized development and operating cost figures as well as consistent achievable price points in each of the stations along the Northwest Extension on 19<sup>th</sup> Avenue because of the close proximity and general market consistency between Bethany Home and Dunlap. Therefore, a use that appears feasible in one station area is assumed to be feasible in another. The construction and operating cost estimates and the value estimates were all generated by EPS using published materials as well as EPS’s past research, and further vetted with several local developers to ensure that they are consistent with similar recent developments within the region.

The residual land value calculated for each building prototype has been compared to the current estimated value of vacant land along the 19<sup>th</sup> Avenue Corridor in Phoenix, as determined through Valley Metro research regarding right-of-way acquisition costs for the light rail extension—roughly \$30 per square foot. Potential feasibility results when the residual land value is greater than this average value for land, while infeasibility results when the residual land value is less than the average current land value. Any building prototypes that appear to generate positive residual land values, but less than the \$30 threshold, are considered to be marginally feasible, and potential public sector assistance or relatively minor improvements in local market conditions are likely to make such projects feasible.

## ASSUMPTIONS AND CALCULATIONS

### DEVELOPMENT COSTS

It is necessary to estimate the costs of development for various building prototypes to conduct feasibility analyses. Development costs typically include “direct costs” and “indirect costs.”

#### **Direct Costs**

“Direct” costs include the materials and labor for the construction of the buildings and the finishing of the interiors, otherwise known as “tenant improvements,” as well as the construction costs for the necessary site improvements and parking spaces. Direct costs typically include land acquisition and infrastructure costs; however, in these feasibility analyses, EPS is solving for the development’s capacity to pay for land rather than including it as known quantities in the direct costs, and EPS has assumed that off-site infrastructure is adequate to accommodate local development, given that the 19<sup>th</sup> Avenue Corridor is largely built out and well served by streets and utilities.

EPS initially referenced data from R.S. Means, *Square Foot Costs 2007*, in order to derive direct cost estimates. This publication provides general costs for construction of several types of development projects nationally and provides adjustment factors to account for differences in costs among metropolitan areas. Following this initial inquiry, EPS then sought confirmation of these direct cost assumptions from numerous companies active in development in the Phoenix area. Based on the feedback received, adjustments have been made to the cost estimates, where necessary, to achieve a high degree of confidence in the development program assumptions.

The direct cost assumptions for each building prototype are shown on the pro formas presented in **Appendix A**. The direct construction cost assumptions for a given product type are consistent among all three station areas.

### **Indirect Costs**

The “indirect costs” of a project include a variety of charges beyond the labor and materials for construction that are components of the development process. Examples include:

- Architectural and engineering services
- Impact fees and costs to secure development entitlements
- Project management and general overhead, such as employee salaries
- Construction financing

Indirect costs are typically integrated as percentages of direct costs. Such relationships are fairly standard in the development industry, and EPS has used general industry standards for these indirect costs, with vetting again provided by locally active developers. The assumptions for indirect costs are shown in **Appendix A**, and vary slightly among development prototypes.

### **Total Development Costs**

The total development cost of each of the proposed land uses is the sum of the direct and indirect costs, plus a “contingency” factor to cover unanticipated cost overruns. EPS has applied a 5 percent contingency in the pro formas to account for unknown factors. The total costs for each land use are presented in **Appendix A**.

## **BUILDING VALUES**

The overall value of a building is derived from a static or dynamic cash flow analysis that compares the estimated annual revenues generated to the anticipated total costs to operate that project. In order to determine the building value for a rental property (residential or commercial), the net operating income (operating revenues less costs in a stabilized year) is capitalized.

## **Sale/Lease and Operating Revenues**

Different land uses may use different means of projecting revenues. For instance, a for-sale home simply generates its sale value, while a rental residential unit's revenue is generated on a monthly basis and capitalized to determine a full value of the property. The pro formas for each land use have been assembled to accommodate a variety of approaches to revenue estimation.

The operating revenue and cost assumptions in this feasibility analysis assume generally accepted lease terms for various building types. The lease rates applied in these analyses are consistent with the following guidelines:

- Residential Apartments (rental) — tenant pays rent and utilities; management pays taxes, insurance, and maintenance
- Residential Condominiums (for-sale) — tenant pays rent, utilities, taxes, insurance, and maintenance
- Retail Use — “triple-net” leases; tenants pay rent, utilities, taxes, insurance, and maintenance
- Office Use — “full service” leases; property managers pay maintenance, utilities, taxes, and insurance

Because of the close proximity of the three station areas, the achievable price points for residential, retail, and office uses are not exclusive to any specific station area, but are consistent throughout the study area. An EPS market analysis report completed in January 2008 and supplementary meetings with Valley Metro and Phoenix officials indicated that the station area markets did not contain discernible differences that would warrant individual value assumptions. However, this analysis identified a variety of newer, top-of-the-line developments in and around the study area and utilized their price points as baselines for the potential prices achievable in the LRT station areas, with adjustments made as necessary.

To reflect local market conditions, EPS again sought confirmation of these price points from active developers and provided an opportunity to recommend changes to the revenue relationships. Accordingly, the information submitted allowed EPS to gain a greater degree of confidence in the revenue assumptions and, where relevant, adjustments to the pro formas were made. These revenue assumptions per building prototype are presented in tables discussed later in this memorandum.

## **Operating Costs**

The majority of income properties (i.e., buildings leased rather than sold) experience standard relationships between achievable revenues and operating costs. Typical operating costs include utilities and common area maintenance. These costs may potentially be inherited by tenants through the lease terms in “triple net” retail leases, but are more likely to be absorbed by the property managers and not redirected to

tenants in “full service” office leases or rental apartments. Operating costs are often applied in one of two ways: they are estimated as a percentage of total achievable revenues, or as a given amount per leasable building square foot.

Buildings will typically experience some vacancy through tenant turnover, which represents revenues unachieved. EPS has used standard vacancy assumptions for each of the income property prototypes.

“Replacement reserves” are an additional element of the total operating costs associated with income properties. Typically, a certain amount of annual revenues is withheld for purposes of providing revenues to fund necessary repairs as the building ages. These “replacement reserves” are a small fraction of overall achievable revenues, and EPS has used an industry standard of 3 percent.

The assumed vacancy losses, operating costs, and replacement reserves for each building prototype are shown on **Appendix A**.

### **Total Building Value**

The building values of for-sale properties are straightforward—the price the buyer pays for the building. For income properties, a “capitalization rate” is applied to reflect the value of a constant annual revenue stream. To determine the total, capitalized value of a building, the stabilized annual net operating income is divided by the capitalization rate. For example, a building that generates \$1 million in annual net operating income would be sold for \$10 million to an investor using a 10 percent capitalization rate.

Capitalization rates are dependent on the level of risk associated with a specific project. Lower risk projects have lower capitalization rates, and therefore maintain higher values than a higher risk project with the same net operating income. EPS has assumed capitalization rates for each of the building prototypes, using information from Value Monitor’s published data, loopnet.com, and nreonline.com as a starting point and adjusting for current shifts in the residential, retail, and office markets, as discussed with local developers. The capitalization rate assumptions for each rental building prototype are shown in **Appendix A**, and are consistent for each product type throughout the study area.

For-sale properties do not maintain annual net operating incomes; therefore the capitalization rate is shown as 100 percent. This means that there is no multiplier to derive the total building value, and the total building value of for-sale properties is simply derived by multiplying the sales rate per building square foot by the net building area.

## RESIDUAL LAND VALUES

The primary determinant of the overall feasibility of a project in these analyses is the residual land value—the amount of revenues available to a developer to acquire the land parcel and fund additional costs for infrastructure improvements, lease buy-outs, and environmental remediation, as necessary.

The revenue from operating or selling a developed building must exceed the cost to develop that building by a sufficient margin to consider a project feasible. If the residual land value margin is negligible, identical levels of resources could be invested in other development projects or in alternative financial vehicles that have displayed a stronger likelihood of returns on investment.

The sale of a building typically includes marketing costs and commissions associated with that service. For all for-sale and commercial building prototypes, EPS has assumed that these costs are 6 percent of the total building value. This amount is subtracted from the capitalized value to derive the net revenue from the building's sale.

“Income” properties such as apartments, retail, or office, typically assume that developer profits are captured in the operating income over time, as well as in the future sale value of the building. However, for for-sale housing the profit margin must be captured in the initial sale of the units. Because of this, developers typically assume that sale prices will be at least 15 percent higher than the total costs of development. The profit margins sought by developers were assumed by EPS based on industry standards, and corroborated by locally active developers. The profit margin assumptions for each building prototype are shown in **Appendix A**, and are assumed to not vary among station areas.

## FEASIBILITY ANALYSIS FINDINGS

Feasibility analyses have been conducted for each of the nine development prototypes within the identified focus area of the 19<sup>th</sup> Avenue Corridor, between Bethany Home and Dunlap. These include single-use and mixed-use building types.

## FEASIBILITY THRESHOLD ANALYSIS

The pro forma analyses provide an estimate of the price points necessary to achieve basic project feasibility for each of the building prototypes when utilizing alternative parking formats (i.e., surface, podium, and structured). **Table 2** shows EPS's assumptions of current for-sale and rental market rates for new development in proximity to the three station areas along 19<sup>th</sup> Avenue, as well as the rates necessary to achieve project feasibility for each product type and parking format. **Table 2** displays how the feasibility threshold prices increase as more expensive parking formats are utilized. It is important to note that the price points required for feasibility on **Table 2** assumes an average land cost for a serviced vacant lot of \$30 per square foot.

Additionally, it must also be noted that although the introduction of more costly parking formats typically results in increasing threshold prices, these cost increases can potentially be offset by a reduction of land required to achieve an equal number of units or commercial square feet. For example, the introduction of structured parking in a development is capable of achieving the same number of units on less land than a building with surface parking requires, thus resulting in a reduction in the site acquisition costs per unit.

## CURRENT FEASIBILITY ANALYSIS

**Table 3** displays the residual land values derived from the current achievable sale or lease rates for the various building prototypes. As shown, EPS has identified those prototypes that generate \$30 per square foot land values as being feasible, those with positive but less than \$30 land values as marginally feasible, and those with negative land values as infeasible. More detail regarding the calculations of these residual land values is provided on the tables of **Appendix A**.

### Findings

#### Residential

For-sale residential product types do not display the ability to achieve the price points necessary for feasibility, regardless of the parking format utilized. The inability of for-sale housing to achieve feasibility can be attributed to the recent decline in the housing market throughout the Phoenix region, as well as within the station areas.

Despite the downturn in the for-sale housing market, rental residential product types displayed higher levels of residual land value regardless of the parking format utilized. However, none of these product types achieved feasibility, as measured by residual land values of \$30 or more per square foot. Based on EPS's value and cost estimates, the sole product type to achieve positive land value is rental townhomes. When structured parking is utilized, each residential product type—townhomes, four-story, and six-story multifamily—is infeasible, despite the fact that rental multi-story residential maintain superior performance over similar for-sale product types. Lastly, if podium parking is utilized, rental townhomes achieve a positive residual land value less than \$30 per land square foot, but the more dense residential prototypes continue to have negative land values.

It is important to understand why for-sale housing achieves a lower feasibility rating than does rental housing in the near-term. On the cost side, rental housing developers typically spend less per building square foot on both exterior and interior levels of finish, such as appliances, countertops, etc. Thus, apartment construction is less costly than condominium construction, even for otherwise similar densities. On the value side of the equation, the current and near-term for-sale housing market has experienced significant reduction in prices, while rental prices have remained more steady. The most

recent rental projects near the Northwest Extension are achieving rents that, when capitalized, achieve greater total building value than current market sales prices per square foot.

### Office

Low-rise and mid-rise office product types of three and five stories appeared unable to achieve lease rates that approach minimum threshold rates required for feasibility, regardless of parking format. This product type's inability to achieve the necessary price points for a feasible project is rooted in the fact that the 19<sup>th</sup> Avenue Corridor is not an established office node within the Phoenix region's office market, and is therefore unable to attract the regional demand necessary to support the threshold price points for feasibility. Even while projecting a strong demand for office space over the next five years, this demand is likely to target vacant space in established office nodes such as Downtown Phoenix, the Camelback/Biltmore area, Scottsdale, and Downtown Tempe, rather than new office space that is developed along the 19<sup>th</sup> Avenue Corridor. Therefore, barring the ability to attract build-to-suit tenants or a major shift in the market area conditions, office development throughout this section of the LRT Corridor is considered a longer-term proposition and should not be relied upon as a likely product near this phase of the Valley Metro LRT extension along the 19<sup>th</sup> Avenue Corridor.

### Retail

The market analysis identified the 19<sup>th</sup> Avenue Corridor as an area that is appropriate and marketable for in-line retail. The EPS market analysis and input from local professionals indicates that the achievable retail price points for in-line retail developments appear to approach or exceed the minimum feasibility thresholds with surface parking. It must be noted that EPS has not evaluated the feasibility of a structure or podium parking format for single-story, in-line retail because that combination is rarely utilized.

### Mixed-Use

The feasibility of mixed-use projects is dependent upon the proportions of housing, retail, and office land uses that are included in the development, as well as the parking format utilized. Because there are several variables in the ability of a project to achieve the price points necessary for feasibility, it is often most appropriate to address mixed-use projects' feasibility on a case-by-case basis. However, at this study level of study, several observations can be made regarding the general mixed-use product types, including the following:

- **For-sale residential over retail mixed-use:** This product type is presented as four- and six-story developments (woodframe residential construction over one story of concrete/steel including the retail space), and fails to achieve positive

residual land values regardless of the parking format utilized. Even when including surface parking, this product type would require significant market improvements to achieve the \$30 per land square foot threshold for feasibility.

- **Rental residential over retail mixed-use:** This product type fails to achieve positive residual land values, even when built as a four-story development and surface parking is utilized. The residual land values of these product types drop significantly below the development costs when raised to more expensive six-story construction or when podium or structured parking is utilized.
- **Office over retail mixed-use:** This product type performs best when surface parking is utilized. However, even with this parking format, this development prototype still displays a negative residual land value of more than ten percent below the development costs. When podium and structured parking formats are included, the residual land values decline significantly and maintain residual land values that are more than 30 percent below the development costs.

**Table 1**  
**Development Prototypes for Feasibility Analysis**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

Use Category & Building Prototype	Parking Ratio	Max. Height (ft)	Density Assumptions		
			w/ Surface Parking	w/ Structured Parking (3)	w/ Podium Parking (4)
<b>For-Sale Residential</b>					
Townhome Residential	1.5 /unit (1)	25	20 DU/Acre	N/A	30 DU/Acre
Multifamily Residential (3 stories)	1.5 /unit (1)	40	35 DU/Acre	45 DU/Acre	60 DU/Acre
Multifamily Residential (5 stories)	1.5 /unit (1)	75	45 DU/Acre	60 DU/Acre	60 DU/Acre
<b>Rental Residential</b>					
Townhome Residential	1.5 /unit (1)	24	20 DU/Acre	N/A	30 DU/Acre
Multifamily Residential (3 stories)	1.5 /unit (1)	40	35 DU/Acre	45 DU/Acre	60 DU/Acre
Multifamily Residential (5 stories)	1.5 /unit (1)	75	45 DU/Acre	60 DU/Acre	60 DU/Acre
<b>Retail, Neighborhood Serving</b>					
In-line Retail	4.0 /1000 SF (2)	20	0.30 FAR	N/A	N/A
<b>Office</b>					
Office, Low-rise (3 stories)	3.3 /1000 SF	40	0.40 FAR	1.00 FAR	0.75 FAR
Office, Mid-rise (5 stories)	3.3 /1000 SF	75	0.40 FAR	1.00 FAR	0.75 FAR
<b>Mixed Use</b>					
Mixed Use (4 stories): Multifamily Over In-Line Retail	1.5/unit + 4/1000 SF retail	60	25 DU/Acre + 0.20 FAR retail	50 DU/Acre + 0.20 FAR retail	35 DU/Acre + 0.20 FAR retail
Mixed Use (6 stories): Multifamily Over In-Line Retail	1.5/unit + 4/1000 SF retail	95	25 DU/Acre + 0.20 FAR retail	75 DU/Acre + 0.20 FAR retail	35 DU/Acre + 0.20 FAR retail
Mixed Use (4 stories): Office Over In-Line Retail	3.3/1000 SF office + 4/1000 SF retail	60	0.35 FAR office + 0.20 FAR retail	1.00 FAR office + 0.20 FAR retail	0.40 FAR office + 0.20 FAR retail

(1) Residential parking ratio assumes an average 2-BR unit.

(2) In-Line Retail parking ratio assumes a combination of regular retail, service offices, and restaurant space.

(3) Structured parking assumes 3-level parking garage. Townhomes and stand-alone retail are not assumed to be built with separate parking structure.

(4) Podium parking assumes one level of parking beneath building. As such, density is capped by number of spaces achievable on site footprint, so achievable density is same for 3-story building as for 5-story building.

Source: Economic & Planning Systems, Inc.

**Table 2**  
**Feasibility Threshold Analysis by Development Type by Parking Program**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

Use Category & Building Prototype	Estimated Necessary Rates for Feasibility by Parking Format			
	Current Achievable Rates	Surface	Structure	Podium
<b>For-Sale Residential (Sales Price/Sq. Ft.)</b>				
Townhome Residential	\$175.00	\$238.84	N/A	\$235.92
Multifamily Residential (3 stories)	\$175.00	\$261.85	\$274.44	\$277.05
Multifamily Residential (5 stories)	\$175.00	\$257.44	\$272.01	\$283.87
<b>Rental Residential (Lease Rate/Sq. Ft./Month)</b>				
Townhome Residential	\$1.30	\$1.47	N/A	\$1.44
Multifamily Residential (3 stories)	\$1.30	\$1.79	\$1.86	\$1.55
Multifamily Residential (5 stories)	\$1.30	\$1.78	\$1.54	\$1.57
<b>Retail, Neighborhood Serving (Lease Rate/Sq. Ft./Year)</b>				
In-line Retail	\$25.00	\$24.82	N/A	N/A
<b>Office (Lease Rate/Sq. Ft./Year)</b>				
Office, Mid-rise 5 stories	\$22.00	\$34.84	\$33.43	\$33.10
Office, Low-rise 3 stories	\$22.00	\$33.33	\$31.91	\$32.19

Key to Interpretation:

	Estimated price exceeds minimum feasibility threshold (apparent feasibility)
	Estimated price is within 20% of minimum feasibility threshold (marginal feasibility)
	Estimated price falls more than 20% short of minimum feasibility threshold (apparent infeasibility)

\* Mixed-use price points are assumed to be the same as for the individual components

Source: Economic & Planning Systems, Inc.

**Table 3**  
**Estimated Residual Land Value per Area Square Foot by Development Type and Parking Program**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

Use Category & Building Prototype	Estimated Residual Land Value per Site Square Foot by Parking Format		
	Surface	Structure	Podium
<b>For-Sale Residential (Sales Price/Sq. Ft.)</b>			
Townhome Residential	-\$7.20	N/A	-\$23.24
Multifamily Residential (3 stories)	-\$39.20	-\$74.00	-\$83.09
Multifamily Residential (5 stories)	-\$56.47	-\$108.24	-\$89.55
<b>Rental Residential (Lease Rate/Sq. Ft./Month)</b>			
Townhome Residential	\$14.70	NA	\$11.23
Multifamily Residential (3 stories)	-\$28.22	-\$56.81	-\$20.43
Multifamily Residential (5 stories)	-\$43.40	-\$20.78	-\$24.38
<b>Retail, Neighborhood Serving (Lease Rate/Sq. Ft./Year)</b>			
In-line Retail	\$30.63	N/A	N/A
<b>Office (Lease Rate/Sq. Ft./Year)</b>			
Office, Mid-rise 5 stories	-\$27.45	-\$97.74	-\$63.11
Office, Low-rise 3 stories	-\$20.68	-\$80.82	-\$55.45
<b>Mixed Use</b>			
Mixed Use (4 stories): For-Sale Multifamily Over In-Line Retail	-\$26.07	-\$106.07	-\$68.00
Mixed Use (4 stories): Rental Multifamily Over In-Line Retail	-\$3.57	-\$44.54	-\$23.36
Mixed Use (6 stories): For-Sale Multifamily Over In-Line Retail	-\$24.87	-\$150.79	-\$66.25
Mixed Use (6 stories): Rental Multifamily Over In-Line Retail	-\$20.98	-\$62.51	-\$21.28
Mixed Use (4 stories): Office Over In-Line Retail	-\$23.09	-\$124.64	-\$42.90

Key to Interpretation:

	Residual land value exceeds minimum feasibility threshold (apparent feasibility)
	Residual land value is positive but falls short of minimum feasibility threshold (marginal feasibility)
	Residual land value is negative (apparent infeasibility)

Source: Economic & Planning Systems, Inc.

The logo consists of the letters 'EPS' in a white, serif font, centered within a teal-colored square that has a vertical gradient from dark to light.

Economic &  
Planning Systems

*Public Finance*  
*Real Estate Economics*  
*Regional Economics*  
*Land Use Policy*

## APPENDIX A

### DEVELOPMENT PROTOTYPE PRO FORMAS

**Table A-1**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Townhome Residential</b>		<b>Townhome Residential</b>	
	<b>For-Sale</b>		<b>Rental</b>	
	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Number of Units/ Sq. Ft.	20		20	
Avg Net Unit Area	1,350		1,350	
Total Net Building Area	27,000		27,000	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>27,000</b>		<b>27,000</b>	
<b>Site Area</b>	<b>43,560</b>		<b>43,560</b>	
Density (Du/acre or FAR)	20		20	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
<b>Parking Spaces Necessary</b>	<b>30</b>		<b>30</b>	
Surface Spaces	30		30	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>0</u>		<u>0</u>	
<b>Total Parking Spaces</b>	<b>30</b>		<b>30</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$110.00	\$2,970,000	\$100.00	\$2,700,000
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$130,680</u>	<u>\$3.00</u>	<u>\$130,680</u>
<b>Building Construction Total</b>		<b>\$3,100,680</b>		<b>\$2,830,680</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$75,000	\$2,500	\$75,000
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$75,000</b>		<b>\$75,000</b>
<b>Subtotal Direct Costs</b>		<b>\$3,175,680</b>		<b>\$2,905,680</b>
<b>Indirect Costs</b>				
Architecture and Engineering	6.0%	\$190,541	6.0%	\$174,341
Entitlement & Fees	7.0%	\$222,298	7.0%	\$203,398
Project Management/General Admin.	7.0%	\$222,298	7.0%	\$203,398
Financing & Charges	<u>4.0%</u>	<u>\$127,027</u>	<u>4.0%</u>	<u>\$116,227</u>
<b>Subtotal, Indirect Costs</b>	<b>24.0%</b>	<b>\$762,163</b>	<b>24.0%</b>	<b>\$697,363</b>
<b>Total Direct + Indirect Costs</b>		<b>\$3,937,843</b>		<b>\$3,603,043</b>
<b>Contingency</b>	5.0%	\$196,892	5.0%	\$180,152
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$4,134,735</b>		<b>\$3,783,195</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$153</b>		<b>\$140</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price	\$175.00	\$4,725,000	\$1.30	\$35,100
x Revenue Periods/Year	1	\$4,725,000	12	\$421,200
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$21,060
<b>Gross Achievable Annual Income</b>	--	<b>\$4,725,000</b>	--	<b>\$442,260</b>
Vacancy %	0.0%	\$0	5.0%	(\$22,113)
Operating Expenses per Unit or Sq. Ft.	\$0.00	\$0	\$3,200.00	(\$64,000)
Replacement Reserve	0.0%	\$0	3.0%	(\$12,604)
<b>Net Operating Income (NOI)</b>	--	<b>\$4,725,000</b>	--	<b>\$343,543</b>
<b>Capitalized Value<sup>1</sup></b>	100.0%	<b>\$4,725,000</b>	7.3%	<b>\$4,706,063</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$4,725,000</b>		<b>\$4,706,063</b>
Marketing & Commissions	6.0%	-\$283,500	6.0%	-\$282,364
Less Total Costs (Direct + Indirect)		-\$4,134,735		-\$3,783,195
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	<u>-\$620,210</u>	0.0%	<u>\$0</u>
<b>= Total Residual Land Value</b>		<b>-\$313,446</b>		<b>\$640,504</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$7.20</b>		<b>\$14.70</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-1**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Multifamily Residential (3 stories)</b>		<b>Multifamily Residential (3 stories)</b>	
	<b>For-Sale</b>		<b>Rental</b>	
	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Number of Units/ Sq. Ft.	80		80	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	80,349		80,349	
Efficiency Rate (GLA/Gross SF)	89%		89%	
<b>Total Gross Building Area</b>	<b>90,280</b>		<b>90,280</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	35		35	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
<b>Parking Spaces Necessary</b>	<b>121</b>		<b>121</b>	
Surface Spaces	121		121	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>0</u>		<u>0</u>	
<b>Total Parking Spaces</b>	<b>121</b>		<b>121</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$130.00	\$11,736,363	\$120.00	\$10,833,565
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$300,000</u>	<u>\$3.00</u>	<u>\$300,000</u>
<b>Building Construction Total</b>		<b>\$12,036,363</b>		<b>\$11,133,565</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$301,309	\$2,500	\$301,309
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$301,309</b>		<b>\$301,309</b>
<b>Subtotal Direct Costs</b>		<b>\$12,337,671</b>		<b>\$11,434,874</b>
<b>Indirect Costs</b>				
Architecture and Engineering	8.0%	\$987,014	8.0%	\$914,790
Entitlement & Fees	7.0%	\$863,637	7.0%	\$800,441
Project Management/General Admin.	7.0%	\$863,637	7.0%	\$800,441
Financing & Charges	<u>4.0%</u>	<u>\$493,507</u>	<u>4.0%</u>	<u>\$457,395</u>
<b>Subtotal, Indirect Costs</b>	<b>26.0%</b>	<b>\$3,207,794</b>	<b>26.0%</b>	<b>\$2,973,067</b>
<b>Total Direct + Indirect Costs</b>		<b>\$15,545,466</b>		<b>\$14,407,941</b>
<b>Contingency</b>	5.0%	\$777,273	5.0%	\$720,397
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$16,322,739</b>		<b>\$15,128,338</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$181</b>		<b>\$168</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price	\$175.00	\$15,798,950	\$1.30	\$104,454
x Revenue Periods/Year	1	\$15,798,950	12	\$1,253,444
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$62,672
<b>Gross Achievable Annual Income</b>	<b>--</b>	<b>\$15,798,950</b>	<b>--</b>	<b>\$1,316,116</b>
Vacancy %	0.0%	\$0	5.0%	(\$65,806)
Operating Expenses per Unit or Sq. Ft.	\$0.00	\$0	\$3,200.00	(\$257,117)
Replacement Reserve	0.0%	\$0	3.0%	(\$37,509)
<b>Net Operating Income (NOI)</b>	<b>--</b>	<b>\$15,798,950</b>	<b>--</b>	<b>\$955,684</b>
<b>Capitalized Value<sup>1</sup></b>	<b>100.0%</b>	<b>\$15,798,950</b>	<b>7.3%</b>	<b>\$13,091,562</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$15,798,950</b>		<b>\$13,091,562</b>
Marketing & Commissions	6.0%	-\$947,937	6.0%	-\$785,494
Less Total Costs (Direct + Indirect)		-\$16,322,739		-\$15,128,338
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	<u>-\$2,448,411</u>	0.0%	<u>\$0</u>
<b>= Total Residual Land Value</b>		<b>-\$3,920,137</b>		<b>-\$2,822,270</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$39.20</b>		<b>-\$28.22</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-1**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Multifamily Residential (5 stories)</b>		<b>Multifamily Residential (5 stories)</b>	
	<b>For-Sale</b>		<b>Rental</b>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Number of Units/ Sq. Ft.	103		103	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	103,306		103,306	
Efficiency Rate (GLA/Gross SF)	88%		88%	
<b>Total Gross Building Area</b>	<b>117,393</b>		<b>117,393</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	45		45	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
<b>Parking Spaces Necessary</b>	<b>155</b>		<b>155</b>	
Surface Spaces	155		155	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>0</u>		<u>0</u>	
<b>Total Parking Spaces</b>	<b>155</b>		<b>155</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$135.00	\$15,848,047	\$125.00	\$14,674,117
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$300,000</u>	<u>\$3.00</u>	<u>\$300,000</u>
<b>Building Construction Total</b>		<b>\$16,148,047</b>		<b>\$14,974,117</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$387,397	\$2,500	\$387,397
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$387,397</b>		<b>\$387,397</b>
<b>Subtotal Direct Costs</b>		<b>\$16,535,443</b>		<b>\$15,361,514</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$1,157,481	7.0%	\$1,075,306
Entitlement & Fees	7.0%	\$1,157,481	7.0%	\$1,075,306
Project Management/General Admin.	7.0%	\$1,157,481	7.0%	\$1,075,306
Financing & Charges	<u>4.0%</u>	<u>\$661,418</u>	<u>4.0%</u>	<u>\$614,461</u>
<b>Subtotal, Indirect Costs</b>	<b>25.0%</b>	<b>\$4,133,861</b>	<b>25.0%</b>	<b>\$3,840,378</b>
<b>Total Direct + Indirect Costs</b>		<b>\$20,669,304</b>		<b>\$19,201,892</b>
<b>Contingency</b>	5.0%	\$1,033,465	5.0%	\$960,095
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$21,702,769</b>		<b>\$20,161,987</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$185</b>		<b>\$172</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price	\$175.00	\$20,543,764	\$1.30	\$134,298
x Revenue Periods/Year	1	\$20,543,764	12	\$1,611,570
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$80,579
<b>Gross Achievable Annual Income</b>	--	<b>\$20,543,764</b>	--	<b>\$1,692,149</b>
Vacancy %	0.0%	\$0	5.0%	(\$84,607)
Operating Expenses per Unit or Sq. Ft.	\$0.00	\$0	\$3,200.00	(\$330,579)
Replacement Reserve	0.0%	\$0	3.0%	(\$48,226)
<b>Net Operating Income (NOI)</b>	--	<b>\$20,543,764</b>	--	<b>\$1,228,737</b>
<b>Capitalized Value<sup>1</sup></b>	100.0%	<b>\$20,543,764</b>	7.3%	<b>\$16,832,008</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$20,543,764</b>		<b>\$16,832,008</b>
Marketing & Commissions	6.0%	-\$1,232,626	6.0%	-\$1,009,920
Less Total Costs (Direct + Indirect)		-\$21,702,769		-\$20,161,987
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	<u>-\$3,255,415</u>	0.0%	<u>\$0</u>
<b>= Total Residual Land Value</b>		<b>-\$5,647,046</b>		<b>-\$4,339,900</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$56.47</b>		<b>-\$43.40</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-1**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Retail, Neighborhood (In-Line)</b>		<b>Office, Mid-rise 5 stories</b>	
	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Number of Units/ Sq. Ft.	30,000		80,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	30,000		80,000	
Efficiency Rate (GLA/Gross SF)	100%		95%	
<b>Total Gross Building Area</b>	<b>30,000</b>		<b>84,211</b>	
<b>Site Area</b>	<b>100,000</b>		<b>200,000</b>	
Density (Du/acre or FAR)	0.3		0.4	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>250</b>		<b>300</b>	
<b>Parking Spaces Necessary</b>	<b>120</b>		<b>267</b>	
Surface Spaces	120		267	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>0</u>		<u>0</u>	
<b>Total Parking Spaces</b>	<b>120</b>		<b>267</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$90.00	\$2,700,000	\$105.00	\$8,842,105
Tenant Improvements/Upgrades per Net SF	\$15.00	\$450,000	\$30.00	\$2,400,000
Site Development Costs per Land Square Foot	<u>\$7.00</u>	<u>\$700,000</u>	<u>\$8.00</u>	<u>\$1,600,000</u>
<b>Building Construction Total</b>		<b>\$3,850,000</b>		<b>\$12,842,105</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$300,000	\$2,500	\$666,667
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$300,000</b>		<b>\$666,667</b>
<b>Subtotal Direct Costs</b>		<b>\$4,150,000</b>		<b>\$13,508,772</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.5%	\$311,250	7.0%	\$945,614
Entitlement & Fees	7.0%	\$290,500	7.0%	\$945,614
Project Management/General Admin.	7.0%	\$290,500	7.0%	\$945,614
Financing & Charges	<u>7.0%</u>	<u>\$290,500</u>	<u>7.0%</u>	<u>\$945,614</u>
<b>Subtotal, Indirect Costs</b>	<b>28.5%</b>	<b>\$1,182,750</b>	<b>28.0%</b>	<b>\$3,782,456</b>
<b>Total Direct + Indirect Costs</b>		<b>\$5,332,750</b>		<b>\$17,291,228</b>
<b>Contingency</b>	5.0%	\$266,638	5.0%	\$864,561
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$5,599,388</b>		<b>\$18,155,789</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$187</b>		<b>\$216</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
Lease Rate/Sales Price	\$25.00	\$750,000	\$22.00	\$1,760,000
x Revenue Periods/Year	1	\$750,000	1	\$1,760,000
Other Operating Revenue (beyond leases)	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>	<b>--</b>	<b>\$750,000</b>	<b>--</b>	<b>\$1,760,000</b>
Vacancy %	5.0%	(\$37,500)	8.0%	(\$140,800)
Operating Expenses per Unit or Sq. Ft.	\$0.00	\$0	\$7.00	(\$560,000)
Replacement Reserve	3.0%	(\$21,375)	3.0%	(\$48,576)
<b>Net Operating Income (NOI)</b>	<b>--</b>	<b>\$691,125</b>	<b>--</b>	<b>\$1,010,624</b>
<b>Capitalized Value<sup>1</sup></b>	<b>7.5%</b>	<b>\$9,215,000</b>	<b>7.5%</b>	<b>\$13,474,987</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$9,215,000</b>		<b>\$13,474,987</b>
Marketing & Commissions	6.0%	-\$552,900	6.0%	-\$808,499
Less Total Costs (Direct + Indirect)		-\$5,599,388		-\$18,155,789
Developer Profit Margin (% of Direct and Indirect Costs)	0.0%	\$0	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>\$3,062,713</b>		<b>-\$5,489,302</b>
<b>= Residual Land Value per Site Area</b>		<b>\$30.63</b>		<b>-\$27.45</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-1**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Office, Low-rise 3 stories</b>	
	<b>Rental</b>	
	<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>		
<b>Building Program</b>		
Number of Units/ Sq. Ft.	40,000	
Avg Net Unit Area	n/a	
Total Net Building Area	40,000	
Efficiency Rate (GLA/Gross SF)	97%	
<b>Total Gross Building Area</b>	<b>41,237</b>	
<b>Site Area</b>	<b>100,000</b>	
Density (Du/acre or FAR)	0.40	
<b>Parking Program</b>		
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>300</b>	
<b>Parking Spaces Necessary</b>	<b>133</b>	
Surface Spaces	133	
Podium/Attached Garage Spaces	0	
<u>Structured Spaces</u>	<u>0</u>	
<b>Total Parking Spaces</b>	<b>133</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>		
<b>Direct Costs</b>		
<i>Building Construction Costs (excluding parking)</i>		
General Costs per Gross SF	\$95.00	\$3,917,526
Tenant Improvements/Upgrades per Net SF	\$30.00	\$1,200,000
Site Development Costs per Land Square Foot	<u>\$8.00</u>	<u>\$800,000</u>
<b>Building Construction Total</b>		<b>\$5,917,526</b>
<i>Parking Construction Costs per Space</i>		
Surface Spaces	\$2,500	\$333,333
Podium/Attached Garage Spaces	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$333,333</b>
<b>Subtotal Direct Costs</b>		<b>\$6,250,859</b>
<b>Indirect Costs</b>		
Architecture and Engineering	7.0%	\$437,560
Entitlement & Fees	7.0%	\$437,560
Project Management/General Admin.	7.0%	\$437,560
Financing & Charges	<u>7.0%</u>	<u>\$437,560</u>
<b>Subtotal, Indirect Costs</b>	<b>28.0%</b>	<b>\$1,750,241</b>
<b>Total Direct + Indirect Costs</b>		<b>\$8,001,100</b>
<b>Contingency</b>	5.0%	\$400,055
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$8,401,155</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$204</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>		
Lease Rate/Sales Price	\$22.00	\$880,000
x Revenue Periods/Year	1	\$880,000
Other Operating Revenue (beyond leases)	0.0%	\$0
<b>Gross Achievable Annual Income</b>	<b>--</b>	<b>\$880,000</b>
Vacancy %	8.0%	(\$70,400)
Operating Expenses per Unit or Sq. Ft.	\$7.00	(\$280,000)
Replacement Reserve	3.0%	(\$24,288)
<b>Net Operating Income (NOI)</b>	<b>--</b>	<b>\$505,312</b>
<b>Capitalized Value</b>	7.5%	<b>\$6,737,493</b>
<b>RESIDUAL LAND VALUE</b>		
<b>Total Building Value</b>		<b>\$6,737,493</b>
Marketing & Commissions	6.0%	-\$404,250
Less Total Costs (Direct + Indirect)		-\$8,401,155
Developer Profit Margin (% of Direct and Indirect Costs)	0.0%	<u>\$0</u>
<b>= Total Residual Land Value</b>		<b>-\$2,067,911</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$20.68</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-2**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with structured parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Multifamily Residential (3 stories) For-Sale</b>		<b>Multifamily Residential (3 stories) Rental</b>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Number of Units/ Sq. Ft.	103		103	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	103,306		103,306	
Efficiency Rate (GLA/Gross SF)	89%		89%	
<b>Total Gross Building Area</b>	<b>116,074</b>		<b>116,074</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	45		45	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>155</u>		<u>155</u>	
<b>Total Parking Spaces</b>	<b>155</b>		<b>155</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$130.00	\$15,089,609	\$120.00	\$13,928,870
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$300,000</u>	<u>\$3.00</u>	<u>\$300,000</u>
<b>Building Construction Total</b>		<b>\$15,089,609</b>		<b>\$13,928,870</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$0	\$2,500	\$0
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$2,324,380</u>	<u>\$15,000</u>	<u>\$2,324,380</u>
<b>Parking Costs Total</b>		<b>\$2,324,380</b>		<b>\$2,324,380</b>
<b>Subtotal Direct Costs</b>		<b>\$17,413,989</b>		<b>\$16,253,250</b>
<b>Indirect Costs</b>				
Architecture and Engineering	8.0%	\$1,393,119	8.0%	\$1,300,260
Entitlement & Fees	7.0%	\$1,218,979	7.0%	\$1,137,728
Project Management/General Admin.	7.0%	\$1,218,979	7.0%	\$1,137,728
Financing & Charges	<u>4.0%</u>	<u>\$696,560</u>	<u>4.0%</u>	<u>\$650,130</u>
<b>Subtotal, Indirect Costs</b>		<b>\$4,527,637</b>		<b>\$4,225,845</b>
<b>Total Direct + Indirect Costs</b>		<b>\$21,941,626</b>		<b>\$20,479,095</b>
<i>Contingency</i>	5.0%	\$1,097,081	5.0%	\$1,023,955
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$23,038,708</b>		<b>\$21,503,050</b>
<i>Total Costs per Gross Square Foot (Excluding Land)</i>		<b>\$198</b>		<b>\$185</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price/ADR	\$175.00	\$20,312,935	\$1.30	\$134,298
x Revenue Periods/Year	1	\$20,312,935	12	\$1,611,570
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$80,579
<b>Gross Achievable Annual Income</b>	--	<b>\$20,312,935</b>	--	<b>\$1,692,149</b>
Vacancy %	0.0%	\$0	5.0%	(\$84,607)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$330,579)
Replacement Reserve	0.0%	\$0	3.0%	(\$48,226)
<b>Net Operating Income (NOI)</b>	--	<b>\$20,312,935</b>	--	<b>\$1,228,737</b>
<i>Capitalization Rate</i>	100.0%	<b>20,312,935</b>	7.3%	<b>16,832,008</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$20,312,935</b>		<b>\$16,832,008</b>
Marketing & Commissions	6.0%	-\$1,218,776	6.0%	-\$1,009,920
Less Total Costs (Direct + Indirect)		-\$23,038,708		-\$21,503,050
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	-\$3,455,806	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$7,400,355</b>		<b>-\$5,680,962</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$74.00</b>		<b>-\$56.81</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-2**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with structured parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Multifamily Residential (5 stories) For-Sale</b>		<b>Multifamily Residential (5 stories) Rental</b>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Number of Units/ Sq. Ft.	138		138	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	137,741		137,741	
Efficiency Rate (GLA/Gross SF)	88%		88%	
<b>Total Gross Building Area</b>	<b>156,524</b>		<b>156,524</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	60		60	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>207</u>		<u>207</u>	
<b>Total Parking Spaces</b>	<b>207</b>		<b>207</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$135.00	\$21,130,729	\$125.00	\$19,565,490
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$300,000</u>	<u>\$3.00</u>	<u>\$300,000</u>
<b>Building Construction Total</b>		<b>\$21,130,729</b>		<b>\$19,565,490</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$0	\$2,500	\$0
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$3,099,174</u>	<u>\$15,000</u>	<u>\$3,099,174</u>
<b>Parking Costs Total</b>		<b>\$3,099,174</b>		<b>\$3,099,174</b>
<b>Subtotal Direct Costs</b>		<b>\$24,229,902</b>		<b>\$22,664,663</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$1,696,093	7.0%	\$1,586,526
Entitlement & Fees	7.0%	\$1,696,093	7.0%	\$1,586,526
Project Management/General Admin.	7.0%	\$1,696,093	7.0%	\$1,586,526
Financing & Charges	<u>4.0%</u>	<u>\$969,196</u>	<u>4.0%</u>	<u>\$906,587</u>
<b>Subtotal, Indirect Costs</b>		<b>\$6,057,476</b>		<b>\$5,666,166</b>
<b>Total Direct + Indirect Costs</b>		<b>\$30,287,378</b>		<b>\$28,330,829</b>
<i>Contingency</i>	5.0%	\$1,514,369	5.0%	\$1,416,541
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$31,801,747</b>		<b>\$29,747,370</b>
<i>Total Costs per Gross Square Foot (Excluding Land)</i>		<b>\$203</b>		<b>\$190</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price/ADR	\$175.00	\$27,391,685	\$1.30	\$179,063
x Revenue Periods/Year	1	\$27,391,685	12	\$2,148,760
Other Operating Revenue (beyond leases)	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>	--	<b>\$27,391,685</b>	--	<b>\$2,148,760</b>
Vacancy %	0.0%	\$0	0.0%	\$0
Operating Expenses	\$0.00	\$0	\$0.00	\$0
Replacement Reserve	0.0%	\$0	0.0%	\$0
<b>Net Operating Income (NOI)</b>	--	<b>\$27,391,685</b>	--	<b>\$2,148,760</b>
<i>Capitalization Rate</i>	100.0%	<b>27,391,685</b>	7.3%	<b>29,435,073</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$27,391,685</b>		<b>\$29,435,073</b>
Marketing & Commissions	6.0%	-\$1,643,501	6.0%	-\$1,766,104
Less Total Costs (Direct + Indirect)		-\$31,801,747		-\$29,747,370
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	-\$4,770,262	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$10,823,825</b>		<b>-\$2,078,402</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$108.24</b>		<b>-\$20.78</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-2**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with structured parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Office, Mid-rise 5 stories</b>		<b>Office, Low-rise 3 stories</b>	
	<b>Rental</b>		<b>Rental</b>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Number of Units/ Sq. Ft.	200,000		100,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	200,000		100,000	
Efficiency Rate (GLA/Gross SF)	95%		97%	
<b>Total Gross Building Area</b>	<b>210,526</b>		<b>103,093</b>	
<b>Site Area</b>	<b>200,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	1.0		1.0	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>300</b>		<b>300</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>667</u>		<u>333</u>	
<b>Total Parking Spaces</b>	<b>667</b>		<b>333</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$105.00	\$22,105,263	\$95.00	\$9,793,814
Tenant Improvements/Upgrades per Net SF	\$30.00	\$6,000,000	\$30.00	\$3,000,000
Site Development Costs per Land Square Foot	<u>\$8.00</u>	<u>\$1,600,000</u>	<u>\$8.00</u>	<u>\$800,000</u>
<b>Building Construction Total</b>		<b>\$28,105,263</b>		<b>\$12,793,814</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$0	\$2,500	\$0
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$10,000,000</u>	<u>\$15,000</u>	<u>\$5,000,000</u>
<b>Parking Costs Total</b>		<b>\$10,000,000</b>		<b>\$5,000,000</b>
<b>Subtotal Direct Costs</b>		<b>\$38,105,263</b>		<b>\$17,793,814</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$2,667,368	7.0%	\$1,245,567
Entitlement & Fees	7.0%	\$2,667,368	7.0%	\$1,245,567
Project Management/General Admin.	7.0%	\$2,667,368	7.0%	\$1,245,567
Financing & Charges	<u>7.0%</u>	<u>\$2,667,368</u>	<u>7.0%</u>	<u>\$1,245,567</u>
<b>Subtotal, Indirect Costs</b>		<b>\$10,669,474</b>		<b>\$4,982,268</b>
<b>Total Direct + Indirect Costs</b>		<b>\$48,774,737</b>		<b>\$22,776,082</b>
<i>Contingency</i>	5.0%	\$2,438,737	5.0%	\$1,138,804
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$51,213,474</b>		<b>\$23,914,887</b>
<i>Total Costs per Gross Square Foot (Excluding Land)</i>		<b>\$243</b>		<b>\$232</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price/ADR	\$22.00	\$4,400,000	\$22.00	\$2,200,000
x Revenue Periods/Year	1	\$4,400,000	1	\$2,200,000
Other Operating Revenue (beyond leases)	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>	--	<b>\$4,400,000</b>	--	<b>\$2,200,000</b>
Vacancy %	8.0%	(\$352,000)	8.0%	(\$176,000)
Operating Expenses	\$7.00	(\$1,400,000)	\$7.00	(\$700,000)
Replacement Reserve	3.0%	(\$121,440)	3.0%	(\$60,720)
<b>Net Operating Income (NOI)</b>	--	<b>\$2,526,560</b>	--	<b>\$1,263,280</b>
<i>Capitalization Rate</i>	7.5%	<b>\$3,687,467</b>	7.5%	<b>\$16,843,733</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$33,687,467</b>		<b>\$16,843,733</b>
Marketing & Commissions	6.0%	-\$2,021,248	6.0%	-\$1,010,624
Less Total Costs (Direct + Indirect)		-\$51,213,474		-\$23,914,887
Developer Profit Margin (% of Direct and Indirect Costs)	0.0%	\$0	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$19,547,255</b>		<b>-\$8,081,777</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$97.74</b>		<b>-\$80.82</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-3**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with podium parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Townhome Residential</b>		<b>Townhome Residential</b>	
	<b>For-Sale</b>		<b>Rental</b>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Townhome Residential		Townhome Residential	
Number of Units/ Sq. Ft.	30		30	
Avg Net Unit Area	1,350		1,350	
Total Net Building Area	40,500		40,500	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>40,500</b>		<b>40,500</b>	
<b>Site Area</b>	<b>43,560</b>		<b>43,560</b>	
Density (Du/acre or FAR)	30		30	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
<b>Parking Spaces Necessary</b>	<b>45</b>		<b>45</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	45		45	
Structured Spaces	0		0	
<b>Total Parking Spaces</b>	<b>45</b>		<b>45</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$110.00	\$4,455,000	\$100.00	\$4,050,000
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$130,680</u>	<u>\$3.00</u>	<u>\$130,680</u>
<b>Building Construction Total</b>		<b>\$4,585,680</b>		<b>\$4,180,680</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$5,808	\$0	\$5,808	\$0
Podium/Attached Garage Spaces	\$12,000	\$540,000	\$12,000	\$540,000
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$540,000</b>		<b>\$540,000</b>
<b>Subtotal Direct Costs</b>		<b>\$5,125,680</b>		<b>\$4,720,680</b>
<b>Indirect Costs</b>				
Architecture and Engineering	6.0%	\$307,541	6.0%	\$283,241
Entitlement & Fees	7.0%	\$358,798	7.0%	\$330,448
Project Management/General Admin.	7.0%	\$358,798	7.0%	\$330,448
Financing & Charges	<u>4.0%</u>	<u>\$205,027</u>	<u>4.0%</u>	<u>\$188,827</u>
<b>Subtotal, Indirect Costs</b>		<b>\$1,230,163</b>		<b>\$1,132,963</b>
<b>Total Direct + Indirect Costs</b>		<b>\$6,355,843</b>		<b>\$5,853,643</b>
<b>Contingency</b>	5.0%	\$317,792	5.0%	\$292,682
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$6,673,635</b>		<b>\$6,146,325</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$165</b>		<b>\$152</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price/ADR	\$175.00	\$7,087,500	\$1.30	\$52,650
x Revenue Periods/Year	1	\$7,087,500	12	\$631,800
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$31,590
<b>Gross Achievable Annual Income</b>	--	<b>\$7,087,500</b>	--	<b>\$663,390</b>
Vacancy %	0.0%	\$0	5.0%	(\$33,170)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$96,000)
Replacement Reserve	0.0%	\$0	3.0%	(\$18,907)
<b>Net Operating Income (NOI)</b>	--	<b>\$7,087,500</b>	--	<b>\$515,314</b>
<b>Capitalization Rate</b>	100.0%	<b>\$7,087,500</b>	7.3%	<b>\$7,059,094</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$7,087,500</b>		<b>\$7,059,094</b>
Marketing & Commissions	6.0%	-\$425,250	6.0%	-\$423,546
Less Total Costs (Direct + Indirect)		-\$6,673,635		-\$6,146,325
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	-\$1,001,045	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$1,012,431</b>		<b>\$489,223</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$23.24</b>		<b>\$11.23</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-3**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with podium parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Multifamily Residential (3 stories) For-Sale</b>		<b>Multifamily Residential (3 stories) Rental</b>	
	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Multifamily Residential	(3 stories)	Multifamily Residential	(3 stories)
Number of Units/ Sq. Ft.	138		138	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	137,741		137,741	
Efficiency Rate (GLA/Gross SF)	89%		89%	
<b>Total Gross Building Area</b>	<b>122,590</b>		<b>122,590</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	60		60	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
<b>Parking Spaces Necessary</b>	<b>207</b>		<b>207</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	207		207	
Structured Spaces	0		0	
<b>Total Parking Spaces</b>	<b>207</b>		<b>207</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$130.00	\$15,936,639	\$120.00	\$14,710,744
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$300,000</u>	<u>\$3.00</u>	<u>\$300,000</u>
<b>Building Construction Total</b>		<b>\$16,236,639</b>		<b>\$15,010,744</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,904	\$0	\$2,904	\$0
Podium/Attached Garage Spaces	\$12,000	\$2,479,339	\$12,000	\$2,479,339
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$2,479,339</b>		<b>\$2,479,339</b>
<b>Subtotal Direct Costs</b>		<b>\$18,715,978</b>		<b>\$17,490,083</b>
<b>Indirect Costs</b>				
Architecture and Engineering	8.0%	\$1,497,278	8.0%	\$1,399,207
Entitlement & Fees	7.0%	\$1,310,118	7.0%	\$1,224,306
Project Management/General Admin.	7.0%	\$1,310,118	7.0%	\$1,224,306
Financing & Charges	<u>4.0%</u>	<u>\$748,639</u>	<u>4.0%</u>	<u>\$699,603</u>
<b>Subtotal, Indirect Costs</b>		<b>\$4,866,154</b>		<b>\$4,547,421</b>
<b>Total Direct + Indirect Costs</b>		<b>\$23,582,132</b>		<b>\$22,037,504</b>
<b>Contingency</b>	5.0%	\$1,179,107	5.0%	\$1,101,875
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$24,761,239</b>		<b>\$23,139,379</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$202</b>		<b>\$189</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price/ADR	\$175.00	\$21,453,168	\$1.30	\$179,063
x Revenue Periods/Year	1	\$21,453,168	12	\$2,148,760
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$107,438
<b>Gross Achievable Annual Income</b>	--	<b>\$21,453,168</b>	--	<b>\$2,256,198</b>
Vacancy %	0.0%	\$0	5.0%	(\$112,810)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$440,771)
Replacement Reserve	0.0%	\$0	3.0%	(\$64,302)
<b>Net Operating Income (NOI)</b>	--	<b>\$21,453,168</b>	--	<b>\$1,638,315</b>
<b>Capitalization Rate <sup>1</sup></b>	100.0%	<b>\$21,453,168</b>	7.3%	<b>\$22,442,677</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$21,453,168</b>		<b>\$22,442,677</b>
Marketing & Commissions	6.0%	-\$1,287,190	6.0%	-\$1,346,561
Less Total Costs (Direct + Indirect)		-\$24,761,239		-\$23,139,379
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	-\$3,714,186	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$8,309,447</b>		<b>-\$2,043,263</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$83.09</b>		<b>-\$20.43</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-3**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with podium parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Multifamily Residential (5 stories) For-Sale</b>		<b>Multifamily Residential (5 stories) Rental</b>	
	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Multifamily Residential	(5 stories)	Multifamily Residential	(5 stories)
Number of Units/ Sq. Ft.	138		138	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	137,741		137,741	
Efficiency Rate (GLA/Gross SF)	88%		88%	
<b>Total Gross Building Area</b>	121,212		121,212	
<b>Site Area</b>	100,000		100,000	
Density (Du/acre or FAR)	60		60	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>1.50</b>		<b>1.50</b>	
<b>Parking Spaces Necessary</b>	<b>207</b>		<b>207</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	207		207	
Structured Spaces	0		0	
<b>Total Parking Spaces</b>	<b>207</b>		<b>207</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$135.00	\$16,363,636	\$125.00	\$15,151,515
Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Site Development Costs per Land Square Foot	<u>\$3.00</u>	<u>\$300,000</u>	<u>\$3.00</u>	<u>\$300,000</u>
<b>Building Construction Total</b>		<b>\$16,663,636</b>		<b>\$15,451,515</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,904	\$0	\$2,904	\$0
Podium/Attached Garage Spaces	\$12,000	\$2,479,339	\$12,000	\$2,479,339
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$2,479,339</b>		<b>\$2,479,339</b>
<b>Subtotal Direct Costs</b>		<b>\$19,142,975</b>		<b>\$17,930,854</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$1,340,008	7.0%	\$1,255,160
Entitlement & Fees	7.0%	\$1,340,008	7.0%	\$1,255,160
Project Management/General Admin.	7.0%	\$1,340,008	7.0%	\$1,255,160
Financing & Charges	<u>4.0%</u>	<u>\$765,719</u>	<u>4.0%</u>	<u>\$717,234</u>
<b>Subtotal, Indirect Costs</b>		<b>\$4,785,744</b>		<b>\$4,482,713</b>
<b>Total Direct + Indirect Costs</b>		<b>\$23,928,719</b>		<b>\$22,413,567</b>
<b>Contingency</b>	5.0%	\$1,196,436	5.0%	\$1,120,678
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$25,125,155</b>		<b>\$23,534,246</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$207</b>		<b>\$194</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price/ADR	\$175.00	\$21,212,121	\$1.30	\$179,063
x Revenue Periods/Year	1	\$21,212,121	12	\$2,148,760
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$107,438
<b>Gross Achievable Annual Income</b>	--	<b>\$21,212,121</b>	--	<b>\$2,256,198</b>
Vacancy %	0.0%	\$0	5.0%	(\$112,810)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$440,771)
Replacement Reserve	0.0%	\$0	3.0%	(\$64,302)
<b>Net Operating Income (NOI)</b>	--	<b>\$21,212,121</b>	--	<b>\$1,638,315</b>
<b>Capitalization Rate <sup>1</sup></b>	100.0%	<b>\$21,212,121</b>	7.3%	<b>\$22,442,677</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$21,212,121</b>		<b>\$22,442,677</b>
Marketing & Commissions	6.0%	-\$1,272,727	6.0%	-\$1,346,561
Less Total Costs (Direct + Indirect)		-\$25,125,155		-\$23,534,246
Developer Profit Margin (% of Direct and Indirect Costs)	15.0%	-\$3,768,773	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$8,954,534</b>		<b>-\$2,438,129</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$89.55</b>		<b>-\$24.38</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-3**  
**Development Cost and Revenue Assumptions - Single-Use Building**  
**(with podium parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

<b>BUILDING PROTOTYPE</b>	<b>Office, Mid-rise 5 stories</b>		<b>Office, Low-rise 3 stories</b>	
	<b>Rental</b>		<b>Rental</b>	
	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Office, Mid-rise	5 stories	Office, Low-rise	3 stories
Number of Units/ Sq. Ft.	150,000		75,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	150,000		75,000	
Efficiency Rate (GLA/Gross SF)	95%		97%	
<b>Total Gross Building Area</b>	<b>142,500</b>		<b>72,750</b>	
<b>Site Area</b>	<b>200,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	0.75		0.75	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>	<b>300</b>		<b>300</b>	
<b>Parking Spaces Necessary</b>	<b>500</b>		<b>250</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	500		250	
Structured Spaces	0		0	
<b>Total Parking Spaces</b>	<b>500</b>		<b>250</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
General Costs per Gross SF	\$105.00	\$14,962,500	\$95.00	\$6,911,250
Tenant Improvements/Upgrades per Net SF	\$30.00	\$4,500,000	\$30.00	\$2,250,000
Site Development Costs per Land Square Foot	<u>\$8.00</u>	<u>\$1,600,000</u>	<u>\$8.00</u>	<u>\$800,000</u>
<b>Building Construction Total</b>		<b>\$21,062,500</b>		<b>\$9,961,250</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,400	\$0	\$2,400	\$0
Podium/Attached Garage Spaces	\$12,000	\$6,000,000	\$12,000	\$3,000,000
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$6,000,000</b>		<b>\$3,000,000</b>
<b>Subtotal Direct Costs</b>		<b>\$27,062,500</b>		<b>\$12,961,250</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$1,894,375	7.0%	\$907,288
Entitlement & Fees	7.0%	\$1,894,375	7.0%	\$907,288
Project Management/General Admin.	7.0%	\$1,894,375	7.0%	\$907,288
Financing & Charges	<u>7.0%</u>	<u>\$1,894,375</u>	<u>7.0%</u>	<u>\$907,288</u>
<b>Subtotal, Indirect Costs</b>		<b>\$7,577,500</b>		<b>\$3,629,150</b>
<b>Total Direct + Indirect Costs</b>		<b>\$34,640,000</b>		<b>\$16,590,400</b>
<b>Contingency</b>	5.0%	\$1,732,000	5.0%	\$829,520
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$36,372,000</b>		<b>\$17,419,920</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$255</b>		<b>\$239</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
Lease Rate/Sales Price/ADR	\$22.00	\$3,300,000	\$22.00	\$1,650,000
x Revenue Periods/Year	1	\$3,300,000	1	\$1,650,000
Other Operating Revenue (beyond leases)	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>	--	<b>\$3,300,000</b>	--	<b>\$1,650,000</b>
Vacancy %	8.0%	(\$264,000)	8.0%	(\$132,000)
Operating Expenses	\$7.00	(\$1,050,000)	\$7.00	(\$525,000)
Replacement Reserve	3.0%	(\$91,080)	3.0%	(\$45,540)
<b>Net Operating Income (NOI)</b>	--	<b>\$1,894,920</b>	--	<b>\$947,460</b>
<b>Capitalization Rate <sup>1</sup></b>	7.5%	<b>\$25,265,600</b>	7.5%	<b>\$12,632,800</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value</b>		<b>\$25,265,600</b>		<b>\$12,632,800</b>
Marketing & Commissions	6.0%	-\$1,515,936	6.0%	-\$757,968
Less Total Costs (Direct + Indirect)		-\$36,372,000		-\$17,419,920
Developer Profit Margin (% of Direct and Indirect Costs)	0.0%	\$0	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$12,622,336</b>		<b>-\$5,545,088</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$63.11</b>		<b>-\$55.45</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreionline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-4**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

	<i>Mixed Use (4 stories): For-Sale Housing Over In-Line Retail</i>		<i>Mixed Use (4 stories): Rental Housing Over In-Line Retail</i>	
<b>BUILDING PROTOTYPE</b>				
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>Building Program</b>				
Use #1	Multifamily Residential (3 Stories)		Multifamily Residential (3 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms	57		57	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	57,392		57,392	
Efficiency Rate (GLA/Gross SF)	89%		89%	
<b>Total Gross Building Area</b>	<b>64,486</b>		<b>64,486</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	25		25	
Use #2	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms	20,000		20,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	20,000		20,000	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>20,000</b>		<b>20,000</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	0.20		0.20	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>				
Use #1	1.5		1.5	
Use #2	250		250	
<b>Parking Spaces Necessary</b>	<b>166</b>		<b>166</b>	
Surface Spaces	166		166	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>0</u>		<u>0</u>	
<b>Total Parking Spaces</b>	<b>166</b>		<b>166</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
Use #1 General Costs per Gross SF	\$135.00	\$8,705,544	\$135.00	\$8,705,544
Use #1 Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Use #2 General Costs per Gross SF	\$110.00	\$2,200,000	\$110.00	\$2,200,000
Use #2 Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000	\$15.00	\$300,000
Site Development Costs per Land Square Foot	<u>\$7.00</u>	<u>\$700,000</u>	<u>\$7.00</u>	<u>\$700,000</u>
<b>Building Construction Total</b>		<b>\$11,905,544</b>		<b>\$11,905,544</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$415,220	\$2,500	\$415,220
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$415,220</b>		<b>\$415,220</b>
<b>Subtotal Direct Costs</b>		<b>\$12,320,764</b>		<b>\$12,320,764</b>
<b>Indirect Costs</b>				
Architecture and Engineering	8.0%	\$985,661	8.0%	\$985,661
Entitlement & Fees	7.0%	\$862,453	7.0%	\$862,453
Project Management/General Admin	7.0%	\$862,453	7.0%	\$862,453
Financing & Charge:	<u>4.0%</u>	<u>\$492,831</u>	<u>4.0%</u>	<u>\$492,831</u>
<b>Subtotal, Indirect Costs</b>		<b>\$3,203,399</b>		<b>\$3,203,399</b>
<b>Total Direct + Indirect Costs</b>		<b>\$15,524,163</b>		<b>\$15,524,163</b>
<b>Contingency</b>	5.0%	\$776,208	5.0%	\$776,208
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$16,300,371</b>		<b>\$16,300,371</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$193</b>		<b>\$193</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>Use #1</b>	Multifamily Residential (3 Stories)		Multifamily Residential (3 Stories)	
Lease Rate/Sales Price/ADR	\$175.00	\$11,284,964	\$1.30	\$83,831
x Revenue Periods/Yea	1	\$11,284,964	12	\$1,005,974
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$50,299
<b>Gross Achievable Annual Income</b>		<b>\$11,284,964</b>		<b>\$1,056,273</b>
Vacancy %	0.0%	\$0	5.0%	(\$52,814)
Operating Expenses:	\$0.00	\$0	\$3,200.00	(\$183,655)
Replacement Reserve	0.0%	\$0	3.0%	(\$30,104)
<b>Net Operating Income (NOI)</b>		<b>\$11,284,964</b>		<b>\$789,701</b>
<b>Capitalization Rate</b>	100.0%	<b>\$11,284,964</b>	7.3%	<b>\$10,817,815</b>
<b>Use #2</b>	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Lease Rate/Sales Price/ADR	\$25.00	\$500,000	\$25.00	\$500,000
x Revenue Periods/Yea	1	\$500,000	1	\$500,000
Other Operating Revenue	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>\$500,000</b>		<b>\$500,000</b>
Less Vacancy %	5.0%	(\$25,000)	5.0%	(\$25,000)
Less Operating Expenses:	\$0.00	\$0	\$0.00	\$0
Less Replacement Reserve	3.0%	(\$14,250)	3.0%	(\$14,250)
<b>Net Operating Income (NOI)</b>		<b>\$460,750</b>		<b>\$460,750</b>
<b>Capitalized Value</b>	7.5%	<b>\$6,143,333</b>	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>	<b>Assumption</b>	<b>Total</b>	<b>Assumption</b>	<b>Total</b>
<b>Total Building Value (Use #1 + Use #2)</b>		<b>\$17,428,297</b>		<b>\$16,961,148</b>
Marketing & Commissions	6.0%	-\$1,045,698	6.0%	-\$1,017,669
Less Total Costs (Direct + Indirect)		-\$16,300,371		-\$16,300,371
Developer Profit Margin (% of Direct and Indirect Costs)	16.5%	-\$2,689,561	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$2,607,333</b>		<b>-\$356,891</b>
<b>= Residual Land Value per Site Area:</b>		<b>-\$13.04</b>		<b>-\$1.78</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-4**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

	<i>Mixed Use (6 stories): For Sale Housing Over In-Line Retail</i>		<i>Mixed Use (6 stories): Rental Housing Over In-Line Retail</i>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>BUILDING PROTOTYPE</b>				
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Multifamily Residential (5 Stories)		Multifamily Residential (5 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms	57		57	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	57,392		57,392	
Efficiency Rate (GLA/Gross SF)	88%		88%	
<b>Total Gross Building Area</b>	<b>65,218</b>		<b>65,218</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	25		25	
Use #2	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms	20,000		20,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	20,000		20,000	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>20,000</b>		<b>20,000</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	0.20		0.20	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>				
Use #1	1.5		1.5	
Use #2	250		250	
<b>Parking Spaces Necessary</b>				
Surface Spaces	166		166	
Podium/Attached Garage Spaces	0		0	
<u>Structured Spaces</u>	<u>0</u>		<u>0</u>	
<b>Total Parking Spaces</b>	<b>166</b>		<b>166</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
Use #1 General Costs per Gross SF	\$135.00	\$8,804,470	\$135.00	\$8,804,470
Use #1 Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$25.00	\$1,434,803
Use #2 General Costs per Gross SF	\$110.00	\$2,200,000	\$110.00	\$2,200,000
Use #2 Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000	\$15.00	\$300,000
Site Development Costs per Land Square Foot	<u>\$7.00</u>	<u>\$700,000</u>	<u>\$7.00</u>	<u>\$700,000</u>
<b>Building Construction Total</b>		<b>\$12,004,470</b>		<b>\$13,439,273</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,500	\$415,220	\$2,500	\$415,220
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$415,220</b>		<b>\$415,220</b>
<b>Subtotal Direct Costs</b>		<b>\$12,419,691</b>		<b>\$13,854,493</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$869,378	7.0%	\$969,815
Entitlement & Fees	7.0%	\$869,378	7.0%	\$969,815
Project Management/General Admin	7.0%	\$869,378	7.0%	\$969,815
Financing & Charge:	<u>4.0%</u>	<u>\$496,788</u>	<u>4.0%</u>	<u>\$554,180</u>
<b>Subtotal, Indirect Costs</b>		<b>\$3,104,923</b>		<b>\$3,463,623</b>
<b>Total Direct + Indirect Costs</b>		<b>\$15,524,613</b>		<b>\$17,318,117</b>
<b>Contingency</b>	5.0%	\$776,231	5.0%	\$865,906
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$16,300,844</b>		<b>\$18,184,022</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$191</b>		<b>\$213</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
<b>Use #1</b>				
Lease Rate/Sales Price/ADR	\$175.00	\$11,413,202	\$1.30	\$84,784
x Revenue Periods/Yea	1	\$11,413,202	12	\$1,017,405
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$50,870
<b>Gross Achievable Annual Income</b>		<b>\$11,413,202</b>		<b>\$1,068,276</b>
Vacancy %	0.0%	\$0	5.0%	(\$53,414)
Operating Expenses:	\$0.00	\$0	\$3,200.00	(\$183,655)
Replacement Reserve	0.0%	\$0	3.0%	(\$30,446)
<b>Net Operating Income (NOI)</b>		<b>\$11,413,202</b>		<b>\$800,761</b>
<b>Capitalization Rate</b>	100.0%	<b>\$11,413,202</b>	7.3%	<b>\$10,969,334</b>
<b>Use #2</b>				
Lease Rate/Sales Price/ADR	\$25.00	\$500,000	\$25.00	\$500,000
x Revenue Periods/Yea	1	\$500,000	1	\$500,000
Other Operating Revenue	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>\$500,000</b>		<b>\$500,000</b>
Less Vacancy %	5.0%	(\$25,000)	5.0%	(\$25,000)
Less Operating Expenses:	\$0.00	\$0	\$0.00	\$0
Less Replacement Reserve	3.0%	(\$14,250)	3.0%	(\$14,250)
<b>Net Operating Income (NOI)</b>		<b>\$460,750</b>		<b>\$460,750</b>
<b>Capitalized Value</b>	7.5%	<b>\$6,143,333</b>	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value (Use #1 + Use #2)</b>		<b>\$17,556,536</b>		<b>\$17,112,667</b>
Marketing & Commissions	6.0%	-\$1,053,392	6.0%	-\$1,026,760
Less Total Costs (Direct + Indirect)		-\$16,300,844		-\$18,184,022
Developer Profit Margin (% of Direct and Indirect Costs)	16.5%	-\$2,689,639	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$2,487,340</b>		<b>-\$2,098,115</b>
<b>= Residual Land Value per Site Area:</b>		<b>-\$12.44</b>		<b>-\$10.49</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-4**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with surface parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

		<i>Mixed Use (4 stories): Office over In-Line Retail</i>	
<b>BUILDING PROTOTYPE</b>		<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>			
<b>Building Program</b>			
Use #1		Office (3 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms		35,000.00	
Avg Net Unit Area		n/a	
Total Net Building Area		35,000	
Efficiency Rate (GLA/Gross SF)		97%	
<b>Total Gross Building Area</b>		<b>36,082</b>	
<b>Site Area</b>		<b>100,000</b>	
Density (Du/acre or FAR)		0.35	
Use #2		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms		20,000	
Avg Net Unit Area		n/a	
Total Net Building Area		10,000	
Efficiency Rate (GLA/Gross SF)		100%	
<b>Total Gross Building Area</b>		<b>10,000</b>	
<b>Site Area</b>		<b>100,000</b>	
Density (Du/acre or FAR)		0.20	
<b>Parking Program</b>			
<b>Parking Ratio per Unit or Square Feet per Space</b>			
Use #1		<b>300</b>	
Use #2		<b>250</b>	
<b>Parking Spaces Necessary</b>			
Surface Spaces		<b>157</b>	
Podium/Attached Garage Spaces		<b>0</b>	
<u>Structured Spaces</u>		<b>0</b>	
<b>Total Parking Spaces</b>		<b>157</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>		<b>Assumption</b>	<b>Total</b>
<b>Direct Costs</b>			
<i>Building Construction Costs (excluding parking)</i>			
Use #1	General Costs per Gross SF	\$135.00	\$4,871,134
Use #1	Tenant Improvements/Upgrades per Net SF	\$25.00	\$875,000
Use #2	General Costs per Gross SF	\$110.00	\$1,100,000
Use #2	Tenant Improvements/Upgrades per Net SF	\$15.00	\$150,000
	Site Development Costs per Land Square Foot	<u>\$8.00</u>	<u>\$800,000</u>
<b>Building Construction Total</b>			<b>\$7,796,134</b>
<i>Parking Construction Costs per Space</i>			
	Surface Spaces	\$2,500	\$391,667
	Podium/Attached Garage Spaces	\$12,000	\$0
	Structured Spaces	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>			<b>\$391,667</b>
<b>Subtotal Direct Costs</b>			<b>\$8,187,801</b>
<b>Indirect Costs</b>			
	Architecture and Engineering	7.0%	\$573,146
	Entitlement & Fees	7.0%	\$573,146
	Project Management/General Admin	7.0%	\$573,146
	Financing & Charge:	<u>7.0%</u>	<u>\$573,146</u>
<b>Subtotal, Indirect Costs</b>			<b>\$2,292,584</b>
<b>Total Direct + Indirect Costs</b>			<b>\$10,480,385</b>
	<b>Contingency</b>	5.0%	\$524,019
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>			<b>\$11,004,404</b>
<i>Total Costs per Gross Square Foot (Excluding Land)</i>			<b>\$239</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>		<b>Assumption</b>	<b>Total</b>
<b>Use #1</b>			
	Office (3 Stories)		
Lease Rate/Sales Price/ADR		\$22.00	\$793,814
x Revenue Periods/Yea		1	\$793,814
Other Operating Revenue (beyond leases)		0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>--</b>	<b>\$793,814</b>
Vacancy %		8.0%	(\$63,505)
Operating Expenses:		\$7.00	(\$245,000)
Replacement Reserve		3.0%	(\$21,909)
<b>Net Operating Income (NOI)</b>		<b>--</b>	<b>\$463,400</b>
<i>Capitalization Rate</i>		7.5%	<b>\$6,178,667</b>
<b>Use #2</b>			
	Retail, Inline (Ground Floor)		
Lease Rate/Sales Price/ADR		\$25.00	\$250,000
x Revenue Periods/Yea		1	\$250,000
Other Operating Revenue		0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>--</b>	<b>\$250,000</b>
Less Vacancy %		5.0%	(\$12,500)
Less Operating Expense:		\$0.00	\$0
Less Replacement Reserve		3.0%	(\$7,125)
<b>Net Operating Income (NOI)</b>		<b>--</b>	<b>\$230,375</b>
<i>Capitalized Value</i>		7.5%	<b>\$3,071,667</b>
<b>RESIDUAL LAND VALUE</b>		<b>Assumption</b>	<b>Total</b>
<b>Total Building Value (Use #1 + Use #2)</b>			<b>\$9,250,333</b>
	Marketing & Commissions	6.0%	-\$555,020
	Less Total Costs (Direct + Indirect)		-\$11,004,404
	Developer Profit Margin (% of Direct and Indirect Costs)	0.0%	\$0
<b>= Total Residual Land Value</b>			<b>-\$2,309,091</b>
<b>= Residual Land Value per Site Area:</b>			<b>-\$11.55</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-5**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with structured parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

	<i>Mixed Use (4 stories): For-Sale Housing Over In-Line Retail</i>		<i>Mixed Use (4 stories): Rental Housing Over In-Line Retail</i>	
<b>BUILDING PROTOTYPE</b>				
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>Building Program</b>				
Use #1	Multifamily Residential (3 Stories)		Multifamily Residential (3 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms	115		115	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	114,784		114,784	
Efficiency Rate (GLA/Gross SF)	89%		89%	
<b>Total Gross Building Area</b>	<b>128,971</b>		<b>128,971</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	50		50	
Use #2	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms	20,000		20,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	20,000		20,000	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>20,000</b>		<b>20,000</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	0.20		0.20	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>				
Use #1	1.5		1.5	
Use #2	250		250	
<b>Parking Spaces Necessary</b>	<b>252</b>		<b>252</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	0		0	
<b>Structured Spaces</b>	<b>252</b>		<b>252</b>	
<b>Total Parking Spaces</b>	<b>252</b>		<b>252</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
Use #1 General Costs per Gross SF	\$135.00	\$17,411,087	\$125.00	\$16,121,377
Use #1 Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Use #2 General Costs per Gross SF	\$110.00	\$2,200,000	\$110.00	\$2,200,000
Use #2 Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000	\$15.00	\$300,000
Site Development Costs per Land Square Foot	\$7.00	\$700,000	\$7.00	\$700,000
<b>Building Construction Total</b>		<b>\$20,611,087</b>		<b>\$19,321,377</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,379	\$0	\$2,379	\$0
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	\$15,000	\$3,782,645	\$15,000	\$3,782,645
<b>Parking Costs Total</b>		<b>\$3,782,645</b>		<b>\$3,782,645</b>
<b>Subtotal Direct Costs</b>		<b>\$24,393,732</b>		<b>\$23,104,022</b>
<b>Indirect Costs</b>				
Architecture and Engineering	8.0%	\$1,951,499	8.0%	\$1,848,322
Entitlement & Fees	7.0%	\$1,707,561	7.0%	\$1,617,282
Project Management/General Admin	7.0%	\$1,707,561	7.0%	\$1,617,282
Financing & Charge	4.0%	\$975,749	4.0%	\$924,161
<b>Subtotal, Indirect Costs</b>		<b>\$6,342,370</b>		<b>\$6,007,046</b>
<b>Total Direct + Indirect Costs</b>		<b>\$30,736,102</b>		<b>\$29,111,068</b>
<b>Contingency</b>	5.0%	\$1,536,805	5.0%	\$1,455,553
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$32,272,907</b>		<b>\$30,566,621</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$217</b>		<b>\$205</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>Use #1</b>	Multifamily Residential (3 Stories)		Multifamily Residential (3 Stories)	
Lease Rate/Sales Price/ADR	\$175.00	\$22,569,928	\$1.30	\$167,662
x Revenue Periods/Yea	1	\$22,569,928	12	\$2,011,948
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$100,597
<b>Gross Achievable Annual Income</b>		<b>\$22,569,928</b>		<b>\$2,112,545</b>
Vacancy %	0.0%	\$0	5.0%	(\$105,627)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$367,309)
Replacement Reserve	0.0%	\$0	3.0%	(\$60,208)
<b>Net Operating Income (NOI)</b>		<b>\$22,569,928</b>		<b>\$1,579,401</b>
<b>Capitalization Rate</b>	100.0%	<b>\$22,569,928</b>	7.3%	<b>\$21,635,630</b>
<b>Use #2</b>	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Lease Rate/Sales Price/ADR	\$25.00	\$500,000	\$25.00	\$500,000
x Revenue Periods/Yea	1	\$500,000	1	\$500,000
Other Operating Revenue	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>\$500,000</b>		<b>\$500,000</b>
Less Vacancy %	5.0%	(\$25,000)	5.0%	(\$25,000)
Less Operating Expenses	\$0.00	\$0	\$0.00	\$0
Less Replacement Reserve	3.0%	(\$14,250)	3.0%	(\$14,250)
<b>Net Operating Income (NOI)</b>		<b>\$460,750</b>		<b>\$460,750</b>
<b>Capitalized Value</b>	7.5%	<b>\$6,143,333</b>	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>Total Building Value (Use #1 + Use #2)</b>		<b>\$28,713,261</b>		<b>\$27,778,964</b>
Marketing & Commissions	6.0%	-\$1,722,796	6.0%	-\$1,666,738
Less Total Costs (Direct + Indirect)		-\$32,272,907		-\$30,566,621
Developer Profit Margin (% of Direct and Indirect Costs)	16.5%	-\$5,325,030	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$10,607,471</b>		<b>-\$4,454,395</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$53.04</b>		<b>-\$22.27</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-5**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with structured parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

	<i>Mixed Use (6 stories): For-Sale Housing Over In-Line Retail</i>		<i>Mixed Use (6 stories): Rental Housing Over In-Line Retail</i>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>BUILDING PROTOTYPE</b>				
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Multifamily Residential (5 Stories)		Multifamily Residential (5 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms	172		172	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	172,176		172,176	
Efficiency Rate (GLA/Gross SF)	88%		88%	
<b>Total Gross Building Area</b>	<b>195,655</b>		<b>195,655</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	75		75	
Use #2	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms	20,000		20,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	20,000		20,000	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>20,000</b>		<b>20,000</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	0.20		0.20	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>				
Use #1	1.5		1.5	
Use #2	250		250	
<b>Parking Spaces Necessary</b>	<b>338</b>		<b>338</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	0		0	
<b>Structured Spaces</b>	<b>338</b>		<b>338</b>	
<b>Total Parking Spaces</b>	<b>338</b>		<b>338</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
Use #1 General Costs per Gross SF	\$135.00	\$26,413,411	\$125.00	\$24,456,862
Use #1 Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Use #2 General Costs per Gross SF	\$110.00	\$2,200,000	\$110.00	\$2,200,000
Use #2 Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000	\$15.00	\$300,000
Site Development Costs per Land Square Foot	\$7.00	\$700,000	\$7.00	\$700,000
<b>Building Construction Total</b>		<b>\$29,613,411</b>		<b>\$27,656,862</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$1,774	\$0	\$1,774	\$0
Podium/Attached Garage Spaces	\$12,000	\$0	\$12,000	\$0
Structured Spaces	\$15,000	\$5,073,967	\$15,000	\$5,073,967
<b>Parking Costs Total</b>		<b>\$5,073,967</b>		<b>\$5,073,967</b>
<b>Subtotal Direct Costs</b>		<b>\$34,687,378</b>		<b>\$32,730,829</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$2,428,116	7.0%	\$2,291,158
Entitlement & Fees	7.0%	\$2,428,116	7.0%	\$2,291,158
Project Management/General Admin	7.0%	\$2,428,116	7.0%	\$2,291,158
Financing & Charge	4.0%	\$1,387,495	4.0%	\$1,309,233
<b>Subtotal, Indirect Costs</b>		<b>\$8,671,844</b>		<b>\$8,182,707</b>
<b>Total Direct + Indirect Costs</b>		<b>\$43,359,222</b>		<b>\$40,913,536</b>
<b>Contingency</b>	5.0%	\$2,167,961	5.0%	\$2,045,677
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$45,527,184</b>		<b>\$42,959,213</b>
<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$211</b>		<b>\$199</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
<b>Use #1</b>				
Lease Rate/Sales Price/ADR	\$175.00	\$34,239,607	\$1.30	\$254,351
x Revenue Periods/Yea	1	\$34,239,607	12	\$3,052,216
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$152,611
<b>Gross Achievable Annual Income</b>		<b>\$34,239,607</b>		<b>\$3,204,827</b>
Vacancy %	0.0%	\$0	5.0%	(\$160,241)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$550,964)
Replacement Reserve	0.0%	\$0	3.0%	(\$91,338)
<b>Net Operating Income (NOI)</b>		<b>\$34,239,607</b>		<b>\$2,402,284</b>
<b>Capitalization Rate</b>	100.0%	<b>\$34,239,607</b>	7.3%	<b>\$32,908,001</b>
<b>Use #2</b>				
Lease Rate/Sales Price/ADR	\$25.00	\$500,000	\$25.00	\$500,000
x Revenue Periods/Yea	1	\$500,000	1	\$500,000
Other Operating Revenue	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>\$500,000</b>		<b>\$500,000</b>
Less Vacancy %	5.0%	(\$25,000)	5.0%	(\$25,000)
Less Operating Expenses	\$0.00	\$0	\$0.00	\$0
Less Replacement Reserve	3.0%	(\$14,250)	3.0%	(\$14,250)
<b>Net Operating Income (NOI)</b>		<b>\$460,750</b>		<b>\$460,750</b>
<b>Capitalized Value</b>	7.5%	<b>\$6,143,333</b>	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value (Use #1 + Use #2)</b>		<b>\$40,382,940</b>		<b>\$39,051,334</b>
Marketing & Commissions	6.0%	-\$2,422,976	6.0%	-\$2,343,080
Less Total Costs (Direct + Indirect)		-\$45,527,184		-\$42,959,213
Developer Profit Margin (% of Direct and Indirect Costs)	16.5%	-\$7,511,985	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$15,079,205</b>		<b>-\$6,250,959</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$75.40</b>		<b>-\$31.25</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-5  
Development Cost and Revenue Assumptions - Mixed-Use Building  
(with structured parking)  
Phoenix Northwest Corridor Market Study; EPS#16127**

		<i>Mixed Use (4 stories): Office over In-Line Retail</i>	
<b>BUILDING PROTOTYPE</b>		<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>			
<b>Building Program</b>			
Use #1		Office (3 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms		100,000	
Avg Net Unit Area		n/a	
Total Net Building Area		100,000	
Efficiency Rate (GLA/Gross SF)		97%	
<b>Total Gross Building Area</b>		<b>103,093</b>	
<b>Site Area</b>		<b>100,000</b>	
Density (Du/acre or FAR)		1.00	
Use #2		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms		20,000	
Avg Net Unit Area		n/a	
Total Net Building Area		20,000	
Efficiency Rate (GLA/Gross SF)		100%	
<b>Total Gross Building Area</b>		<b>20,000</b>	
<b>Site Area</b>		<b>100,000</b>	
Density (Du/acre or FAR)		0.20	
<b>Parking Program</b>			
<b>Parking Ratio per Unit or Square Feet per Space</b>			
Use #1		<b>300</b>	
Use #2		<b>250</b>	
<b>Parking Spaces Necessary</b>		<b>413</b>	
Surface Spaces		0	
Podium/Attached Garage Spaces		0	
<b>Structured Spaces</b>		<b>413</b>	
<b>Total Parking Spaces</b>		<b>413</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>			
<b>Direct Costs</b>			
<i>Building Construction Costs (excluding parking)</i>			
Use #1	General Costs per Gross SF	\$135.00	\$13,917,526
Use #1	Tenant Improvements/Upgrades per Net SF	\$25.00	\$2,500,000
Use #2	General Costs per Gross SF	\$110.00	\$2,200,000
Use #2	Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000
	Site Development Costs per Land Square Foot	<u>\$8.00</u>	<u>\$800,000</u>
	<b>Building Construction Total</b>		<b>\$19,717,526</b>
<i>Parking Construction Costs per Space</i>			
	Surface Spaces	\$1,452	\$0
	Podium/Attached Garage Spaces	\$12,000	\$0
	Structured Spaces	<u>\$15,000</u>	<u>\$6,200,000</u>
	<b>Parking Costs Total</b>		<b>\$6,200,000</b>
	<b>Subtotal Direct Costs</b>		<b>\$25,917,526</b>
<b>Indirect Costs</b>			
	Architecture and Engineering	7.0%	\$1,814,227
	Entitlement & Fees	7.0%	\$1,814,227
	Project Management/General Admin	7.0%	\$1,814,227
	Financing & Charge	<u>7.0%</u>	<u>\$1,814,227</u>
	<b>Subtotal, Indirect Costs</b>		<b>\$7,256,907</b>
	<b>Total Direct + Indirect Costs</b>		<b>\$33,174,433</b>
	<b>Contingency</b>	5.0%	\$1,658,722
	<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$34,833,155</b>
	<b>Total Costs per Gross Square Foot (Excluding Land)</b>		<b>\$283</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>			
<b>Use #1</b>			
	Lease Rate/Sales Price/ADR	\$22.00	\$2,268,041
	x Revenue Periods/Yea	1	\$2,268,041
	Other Operating Revenue (beyond leases)	0.0%	\$0
	<b>Gross Achievable Annual Income</b>		<b>\$2,268,041</b>
	Vacancy %	8.0%	(\$181,443)
	Operating Expenses	\$7.00	(\$700,000)
	Replacement Reserve	3.0%	(\$62,598)
	<b>Net Operating Income (NOI)</b>		<b>\$1,324,000</b>
	<b>Capitalization Rate</b>	7.5%	<b>\$17,653,333</b>
<b>Use #2</b>			
	Lease Rate/Sales Price/ADR	\$25.00	\$500,000
	x Revenue Periods/Yea	1	\$500,000
	Other Operating Revenue	0.0%	\$0
	<b>Gross Achievable Annual Income</b>		<b>\$500,000</b>
	Less Vacancy %	5.0%	(\$25,000)
	Less Operating Expenses	\$0.00	\$0
	Less Replacement Reserve	3.0%	(\$14,250)
	<b>Net Operating Income (NOI)</b>		<b>\$460,750</b>
	<b>Capitalized Value</b>	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>			
	<b>Total Building Value (Use #1 + Use #2)</b>		<b>\$23,796,667</b>
	Marketing & Commissions	6.0%	-\$1,427,800
	Less Total Costs (Direct + Indirect)		-\$34,833,155
	Developer Profit Margin (% of Direct and Indirect Costs)	0.0%	\$0
	<b>= Total Residual Land Value</b>		<b>-\$12,464,288</b>
	<b>= Residual Land Value per Site Area</b>		<b>-\$62.32</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%.  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-6**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with podium parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

	<i>Mixed Use (4 stories): For-Sale Housing Over In-Line Retail</i>		<i>Mixed Use (4 stories): Rental Housing Over In-Line Retail</i>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>BUILDING PROTOTYPE</b>				
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Multifamily Residential (3 Stories)		Multifamily Residential (3 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms	80		80	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	80,349		80,349	
Efficiency Rate (GLA/Gross SF)	89%		89%	
<b>Total Gross Building Area</b>	<b>90,280</b>		<b>90,280</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	35		35	
Use #2	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms	20,000		20,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	20,000		20,000	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>20,000</b>		<b>20,000</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	0.20		0.20	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>				
Use #1	1.5		1.5	
Use #2	250		250	
<b>Parking Spaces Necessary</b>	<b>201</b>		<b>201</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	201		201	
Structured Spaces	0		0	
<b>Total Parking Spaces</b>	<b>201</b>		<b>201</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
Use #1 General Costs per Gross SF	\$135.00	\$12,187,761	\$125.00	\$11,284,964
Use #1 Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Use #2 General Costs per Gross SF	\$110.00	\$2,200,000	\$110.00	\$2,200,000
Use #2 Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000	\$15.00	\$300,000
Site Development Costs per Land Square Foot	<u>\$7.00</u>	<u>\$700,000</u>	<u>\$7.00</u>	<u>\$700,000</u>
<b>Building Construction Total</b>		<b>\$15,387,761</b>		<b>\$14,484,964</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,992	\$0	\$2,992	\$0
Podium/Attached Garage Spaces	\$12,000	\$2,406,281	\$12,000	\$2,406,281
Structured Spaces	<u>\$15,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>		<b>\$2,406,281</b>		<b>\$2,406,281</b>
<b>Subtotal Direct Costs</b>		<b>\$17,794,042</b>		<b>\$16,891,245</b>
<b>Indirect Costs</b>				
Architecture and Engineering	8.0%	\$1,423,523	8.0%	\$1,351,300
Entitlement & Fees	7.0%	\$1,245,583	7.0%	\$1,182,387
Project Management/General Admin.	7.0%	\$1,245,583	7.0%	\$1,182,387
Financing & Charges	<u>4.0%</u>	<u>\$711,762</u>	<u>4.0%</u>	<u>\$675,650</u>
<b>Subtotal, Indirect Costs</b>		<b>\$4,626,451</b>		<b>\$4,391,724</b>
<b>Total Direct + Indirect Costs</b>		<b>\$22,420,493</b>		<b>\$21,282,969</b>
<b>Contingency</b>	5.0%	\$1,121,025	5.0%	\$1,064,148
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$23,541,518</b>		<b>\$22,347,117</b>
<i>Total Costs per Gross Square Foot (Excluding Land)</i>		<b>\$213</b>		<b>\$203</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
<b>Use #1</b>				
Multifamily Residential (3 Stories)				
Lease Rate/Sales Price/ADR	\$175.00	\$15,798,950	\$117.364	\$117,364
x Revenue Periods/Year	1	\$15,798,950	12	\$1,408,364
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$70,418
<b>Gross Achievable Annual Income</b>		<b>\$15,798,950</b>		<b>\$1,478,782</b>
Vacancy %	0.0%	\$0	5.0%	(\$73,939)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$257,117)
Replacement Reserve	0.0%	\$0	3.0%	(\$42,145)
<b>Net Operating Income (NOI)</b>		<b>\$15,798,950</b>		<b>\$1,105,581</b>
<b>Capitalization Rate<sup>1</sup></b>	100.0%	<b>\$15,798,950</b>	7.3%	<b>\$15,144,941</b>
<b>Use #2</b>				
Retail, Inline (Ground Floor)				
Lease Rate/Sales Price/ADR	\$25.00	\$500,000	\$25.00	\$500,000
x Revenue Periods/Year	1	\$500,000	1	\$500,000
Other Operating Revenue	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>\$500,000</b>		<b>\$500,000</b>
Less Vacancy %	5.0%	(\$25,000)	5.0%	(\$25,000)
Less Operating Expenses	\$0.00	\$0	\$0.00	\$0
Less Replacement Reserve	3.0%	(\$14,250)	3.0%	(\$14,250)
<b>Net Operating Income (NOI)</b>		<b>\$460,750</b>		<b>\$460,750</b>
<b>Capitalized Value</b>	7.5%	<b>\$6,143,333</b>	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value (Use #1 + Use #2)</b>				
Marketing & Commissions	6.0%	\$1,316,537	6.0%	\$1,277,296
Less Total Costs (Direct + Indirect)		-\$23,541,518		-\$22,347,117
Developer Profit Margin (% of Direct and Indirect Costs)	16.5%	-\$3,884,350	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$6,800,122</b>		<b>-\$2,336,139</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$34.00</b>		<b>-\$11.68</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-6**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with podium parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

	<i>Mixed Use (6 stories): For-Sale Housing Over In-Line Retail</i>		<i>Mixed Use (6 stories): Rental Housing Over In-Line Retail</i>	
	<u>Assumption</u>	<u>Total</u>	<u>Assumption</u>	<u>Total</u>
<b>BUILDING PROTOTYPE</b>				
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>				
<b>Building Program</b>				
Use #1	Multifamily Residential (5 Stories)		Multifamily Residential (5 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms	80		80	
Avg Net Unit Area	1,000		1,000	
Total Net Building Area	80,349		80,349	
Efficiency Rate (GLA/Gross SF)	88%		88%	
<b>Total Gross Building Area</b>	<b>91,306</b>		<b>91,306</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	35		35	
Use #2	Retail, Inline (Ground Floor)		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms	20,000		20,000	
Avg Net Unit Area	n/a		n/a	
Total Net Building Area	20,000		20,000	
Efficiency Rate (GLA/Gross SF)	100%		100%	
<b>Total Gross Building Area</b>	<b>20,000</b>		<b>20,000</b>	
<b>Site Area</b>	<b>100,000</b>		<b>100,000</b>	
Density (Du/acre or FAR)	0.20		0.20	
<b>Parking Program</b>				
<b>Parking Ratio per Unit or Square Feet per Space</b>				
Use #1	1.5		1.5	
Use #2	250		250	
<b>Parking Spaces Necessary</b>	<b>201</b>		<b>201</b>	
Surface Spaces	0		0	
Podium/Attached Garage Spaces	201		201	
Structured Spaces	0		0	
<b>Total Parking Spaces</b>	<b>201</b>		<b>201</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>				
<b>Direct Costs</b>				
<i>Building Construction Costs (excluding parking)</i>				
Use #1 General Costs per Gross SF	\$135.00	\$12,326,258	\$125.00	\$11,413,202
Use #1 Tenant Improvements/Upgrades per Net SF	\$0.00	\$0	\$0.00	\$0
Use #2 General Costs per Gross SF	\$110.00	\$2,200,000	\$110.00	\$2,200,000
Use #2 Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000	\$15.00	\$300,000
Site Development Costs per Land Square Foot	\$7.00	\$700,000	\$7.00	\$700,000
<b>Building Construction Total</b>		<b>\$15,526,258</b>		<b>\$14,613,202</b>
<i>Parking Construction Costs per Space</i>				
Surface Spaces	\$2,992	\$0	\$2,992	\$0
Podium/Attached Garage Spaces	\$12,000	\$2,406,281	\$12,000	\$2,406,281
Structured Spaces	\$15,000	\$0	\$15,000	\$0
<b>Parking Costs Total</b>		<b>\$2,406,281</b>		<b>\$2,406,281</b>
<b>Subtotal Direct Costs</b>		<b>\$17,932,539</b>		<b>\$17,019,483</b>
<b>Indirect Costs</b>				
Architecture and Engineering	7.0%	\$1,255,278	7.0%	\$1,191,364
Entitlement & Fees	7.0%	\$1,255,278	7.0%	\$1,191,364
Project Management/General Admin.	7.0%	\$1,255,278	7.0%	\$1,191,364
Financing & Charges	4.0%	\$717,302	4.0%	\$680,779
<b>Subtotal, Indirect Costs</b>		<b>\$4,483,135</b>		<b>\$4,254,871</b>
<b>Total Direct + Indirect Costs</b>		<b>\$22,415,674</b>		<b>\$21,274,354</b>
<b>Contingency</b>	5.0%	\$1,120,784	5.0%	\$1,063,718
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>		<b>\$23,536,458</b>		<b>\$22,338,072</b>
<i>Total Costs per Gross Square Foot (Excluding Land)</i>		<b>\$211</b>		<b>\$201</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>				
<b>Use #1</b>				
Multifamily Residential (5 Stories)				
Lease Rate/Sales Price/ADR	\$175.00	\$15,978,483	\$1.30	\$118,697
x Revenue Periods/Year	1	\$15,978,483	12	\$1,424,368
Other Operating Revenue (beyond leases)	0.0%	\$0	5.0%	\$71,218
<b>Gross Achievable Annual Income</b>		<b>\$15,978,483</b>		<b>\$1,495,586</b>
Vacancy %	0.0%	\$0	5.0%	(\$74,779)
Operating Expenses	\$0.00	\$0	\$3,200.00	(\$257,117)
Replacement Reserve	0.0%	\$0	3.0%	(\$42,624)
<b>Net Operating Income (NOI)</b>		<b>\$15,978,483</b>		<b>\$1,121,066</b>
<b>Capitalization Rate<sup>1</sup></b>	100.0%	<b>\$15,978,483</b>	7.3%	<b>\$15,357,067</b>
<b>Use #2</b>				
Retail, Inline (Ground Floor)				
Lease Rate/Sales Price/ADR	\$25.00	\$500,000	\$25.00	\$500,000
x Revenue Periods/Year	1	\$500,000	1	\$500,000
Other Operating Revenue	0.0%	\$0	0.0%	\$0
<b>Gross Achievable Annual Income</b>		<b>\$500,000</b>		<b>\$500,000</b>
Less Vacancy %	5.0%	(\$25,000)	5.0%	(\$25,000)
Less Operating Expenses	\$0.00	\$0	\$0.00	\$0
Less Replacement Reserve	3.0%	(\$14,250)	3.0%	(\$14,250)
<b>Net Operating Income (NOI)</b>		<b>\$460,750</b>		<b>\$460,750</b>
<b>Capitalized Value</b>	7.5%	<b>\$6,143,333</b>	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>				
<b>Total Building Value (Use #1 + Use #2)</b>				
Marketing & Commissions	6.0%	-\$1,327,309	6.0%	-\$1,290,024
Less Total Costs (Direct + Indirect)		-\$23,536,458		-\$22,338,072
Developer Profit Margin (% of Direct and Indirect Costs)	16.5%	-\$3,883,516	0.0%	\$0
<b>= Total Residual Land Value</b>		<b>-\$6,625,466</b>		<b>-\$2,127,695</b>
<b>= Residual Land Value per Site Area</b>		<b>-\$33.13</b>		<b>-\$10.64</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.

**Table A-6**  
**Development Cost and Revenue Assumptions - Mixed-Use Building**  
**(with podium parking)**  
**Phoenix Northwest Corridor Market Study; EPS#16127**

		<b>Mixed Use (4 stories): Office over In-Line Retail</b>	
<b>BUILDING PROTOTYPE</b>		<b>Assumption</b>	<b>Total</b>
<b>DEVELOPMENT PROGRAM ASSUMPTIONS</b>			
<b>Building Program</b>			
Use #1		Office (3 Stories)	
Number of Units/ Sq. Ft./Hotel Rooms		40,000	
Avg Net Unit Area		n/a	
Total Net Building Area		40,000	
Efficiency Rate (GLA/Gross SF)		97%	
<b>Total Gross Building Area</b>		<b>41,237</b>	
<b>Site Area</b>		<b>100,000</b>	
Density (Du/acre or FAR)		0.40	
Use #2		Retail, Inline (Ground Floor)	
Number of Units/ Sq. Ft./Hotel Rooms		20,000	
Avg Net Unit Area		n/a	
Total Net Building Area		20,000	
Efficiency Rate (GLA/Gross SF)		100%	
<b>Total Gross Building Area</b>		<b>20,000</b>	
<b>Site Area</b>		<b>100,000</b>	
Density (Du/acre or FAR)		0.20	
<b>Parking Program</b>			
<b>Parking Ratio per Unit or Square Feet per Space</b>			
Use #1		<b>300</b>	
Use #2		<b>250</b>	
<b>Parking Spaces Necessary</b>			
Surface Spaces		0	
Podium/Attached Garage Spaces		213	
Structured Spaces		0	
<b>Total Parking Spaces</b>		<b>213</b>	
<b>DEVELOPMENT COST ASSUMPTIONS</b>		<b>Assumption</b>	<b>Total</b>
<b>Direct Costs</b>			
<i>Building Construction Costs (excluding parking)</i>			
Use #1	General Costs per Gross SF	\$135.00	\$5,567,010
Use #1	Tenant Improvements/Upgrades per Net SF	\$25.00	\$1,000,000
Use #2	General Costs per Gross SF	\$110.00	\$2,200,000
Use #2	Tenant Improvements/Upgrades per Net SF	\$15.00	\$300,000
	Site Development Costs per Land Square Foot	<u>\$8.00</u>	<u>\$800,000</u>
<b>Building Construction Total</b>			<b>\$9,867,010</b>
<i>Parking Construction Costs per Space</i>			
	Surface Spaces	\$2,813	\$0
	Podium/Attached Garage Spaces	\$12,000	\$2,560,000
	Structured Spaces	<u>\$15,000</u>	<u>\$0</u>
<b>Parking Costs Total</b>			<b>\$2,560,000</b>
<b>Subtotal Direct Costs</b>			<b>\$12,427,010</b>
<b>Indirect Costs</b>			
	Architecture and Engineering	7.0%	\$869,891
	Entitlement & Fees	7.0%	\$869,891
	Project Management/General Admin.	7.0%	\$869,891
	Financing & Charges	<u>7.0%</u>	<u>\$869,891</u>
<b>Subtotal, Indirect Costs</b>			<b>\$3,479,563</b>
<b>Total Direct + Indirect Costs</b>			<b>\$15,906,573</b>
<b>Contingency</b>		5.0%	\$795,329
<b>TOTAL BUILDING DEVELOPMENT COSTS</b>			<b>\$16,701,902</b>
<i>Total Costs per Gross Square Foot (Excluding Land)</i>			<b>\$273</b>
<b>BUILDING REVENUE ASSUMPTIONS</b>		<b>Assumption</b>	<b>Total</b>
<b>Use #1</b>			
Lease Rate/Sales Price/ADR		Office (3 Stories)	
	x Revenue Periods/Year	\$22.00	\$907,216
	Other Operating Revenue (beyond leases)	1	\$907,216
		0.0%	\$0
<b>Gross Achievable Annual Income</b>			<b>\$907,216</b>
	Vacancy %	8.0%	(\$72,577)
	Operating Expenses	\$7.00	(\$280,000)
	Replacement Reserve	3.0%	(\$25,039)
<b>Net Operating Income (NOI)</b>			<b>\$529,600</b>
	Capitalization Rate <sup>1</sup>	7.5%	<b>\$7,061,333</b>
<b>Use #2</b>			
Lease Rate/Sales Price/ADR		Retail, Inline (Ground Floor)	
	x Revenue Periods/Year	\$25.00	\$500,000
	Other Operating Revenue	1	\$500,000
		0.0%	\$0
<b>Gross Achievable Annual Income</b>			<b>\$500,000</b>
	Less Vacancy %	5.0%	(\$25,000)
	Less Operating Expenses	\$0.00	\$0
	Less Replacement Reserve	3.0%	(\$14,250)
<b>Net Operating Income (NOI)</b>			<b>\$460,750</b>
	Capitalized Value	7.5%	<b>\$6,143,333</b>
<b>RESIDUAL LAND VALUE</b>		<b>Assumption</b>	<b>Total</b>
<b>Total Building Value (Use #1 + Use #2)</b>			<b>\$13,204,667</b>
	Marketing & Commissions	6.0%	-\$792,280
	Less Total Costs (Direct + Indirect)		-\$16,701,902
	Developer Profit Margin (% of Direct and Indirect Costs)	0.0%	\$0
<b>= Total Residual Land Value</b>			<b>-\$4,289,515</b>
<b>= Residual Land Value per Site Area</b>			<b>-\$21.45</b>

(1) Cap Rate is from Value Monitor, loopnet.com, and nreonline.com, with increases of roughly .5%  
Sources: RS Means Square Foot Costs, 2007; Local developers; Economic & Planning Systems, Inc.