



## DISCUSSION ITEMS

### Agenda Item # 6

## AGENDA REPORT SUMMARY

**Meeting Date:** March 14, 2017

**Subject:** Downtown Vision Community Engagement Strategy, Future Scenarios, and Economic Study

**Prepared by:** Jon Biggs, Community Development Director

**Approved by:** Chris Jordan, City Manager

**Attachment:**

1. Community Engagement Plan for Downtown Vision
2. Economic Study from Land Econ Group

**Initiated by:**

City Council

**Fiscal Impact:**

The City Council has allocated \$300,000 for this effort

**Environmental Review:**

A planning study is statutorily exempt from environmental review per the California Environmental Quality Act (CEQA) Guidelines Section 15262

**Policy Question for Council Consideration:**

1. Does the Community Engagement Plan provide ample opportunity for the Public to participate in the Downtown Vision process?
2. What future scenarios shall be developed for use in the Community Engagement Process?

**Summary:**

The City Council is considering the Community Engagement Plan for the Downtown Vision process and confirming or providing feedback on the Future Scenarios that will be used as part of this effort

**Staff Recommendation:**

Concur with the Community Engagement Plan for the Downtown Vision Process and confirm the Future Scenarios for Downtown Los Altos that will be used in the Community Engagement effort



**Subject:** Downtown Vision Community Engagement Strategy and Economic Study Update

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### **Purpose**

The City Council adopted a goal of developing and implementing a Visioning Process for the Downtown. The purpose of the Community Engagement Plan is to provide an extensive and comprehensive opportunity to evaluate and participate in discussions on appropriate guidance for the Downtown's future. The Council also directed that three to four future scenarios, based on a variety of development activity, for the Downtown be created and used during the Community Engagement Process. The purpose of the future scenarios is to provide the Community with a glimpse of what Downtown might look like under a variety of scenarios and to generate discussions on which depicts the Community's preferred scenario.

### **Background**

The Downtown Vision Consultant Team, which is being headed by RRM Design Group, has been developing a Community Engagement Plan. The plan has been formed in part by interviews with residents, City Council members, and Planning and Transportation Commission members, and members of various Community Groups. In addition to the Community Engagement Plan, an economic analysis of the Downtown has been underway, with the intent that the results of the analysis could be used to inform how the future scenarios could be developed.

### **Discussion/Analysis**

A very important component of this Downtown Vision effort will be its community outreach. The Citizens of Los Altos seek to be informed and participate in a process that will result in a Vision for the Downtown.

Attached with this agenda report is the proposed Community Engagement Plan that the Consultant Team will be undertaking. The Plan is intended to provide a wide array of opportunities for the public to participate. The plan includes the following components:

1. Advertisement
2. Stakeholder/Focus Group Meetings
3. Downtown Vision Branding
4. Communication Templates
5. Online Engagement with City Webpage on the Downtown Visioning Effort
6. City Council Study Sessions - 1
7. Community Workshops – 2
8. Pop-up Workshops -3
9. Open House Opportunities
10. Community Group Meetings

In addition to the community engagement efforts identified in the Plan, staff will be holding pop-up workshops at several locations such as Grant Park, both libraries and a Community Event like the



**Subject:** Downtown Vision Community Engagement Strategy and Economic Study Update

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Egg Hunt at Hillview Park. One other opportunity Staff is trying to finalize is the use of a commercial space in the Downtown at which it will hold an open house or “Stop In” hours where the Community can come and provide their thoughts and ideas on how the Downtown’s should change over time.

Staff is also recommending that there be an official kick-off to the Downtown Vision effort and that this event serve as an opportunity for the Community to provide its feedback on the Downtown as well. This event should take place at a location in the Downtown to be determined and largely advertised throughout the community. This is intended to highlight this effort’s importance and provide another opportunity for the community to participate in this process. Staff wants to have this event as soon as possible, possibly the month of March depending on availabilities.

### **ECONOMIC ANALYSIS AND FUTURE SCENARIOS**

The economic analysis for the Downtown has been drafted and is included with this agenda report as an attachment. Information and findings within the report are provided in an effort inform the future scenarios. The Study includes findings that identify the strengths of the Downtown along with challenges/constraints and provides policy recommendations. Two of these recommendations are a proposed height limit and proposed parking ratios, which are two development standards that will influence how the Downtown will change over time.

Given the information provided by the Economic Analysis, staff is suggesting that the following four future scenarios be developed:

1. Buildout under current zoning requirements
2. Buildout using a 40’ height limit with parking at 2.0 to 2.5 parking spaces per 1,000 square feet.
3. Buildout using a 40’ height limit with parking at 2.0 to 2.5 parking spaces per 1,000 square feet – with emphasis on public facilities - theater, gathering spaces and public parking in structures
4. Buildout using a 52’ height limit with parking at 2.0 to 2.5 parking spaces per 1,000 square feet.

The second scenario is based on the policy recommendations of the economic study that reflect the recommended height limit and parking ratios while the third scenario reflects this also, but with an emphasis on public facilities. The fourth scenario is based on the height and parking suggestions; however, it factors in a project that incorporates the state’s density bonus regulations and seeks additional height to accommodate its additional density bonus market rate units. The heights in the above scenarios would accommodate retail, office, and residential uses as well as mixed use buildings with a need for taller ceilings, like that trending now for retail space. It is also important to note that



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uses on the first floor of the commercial buildings is not specifically identified. Rather, these will be flexible spaces intended to reflect changes in market trends and land use regulations.

Staff is seeking concurrence from the City Council on these scenarios or adjustments. Following the City Council's directions, the Consultant Team will generate scenes of the Downtown based on these scenarios. The future scenarios and the electronic three-dimensional model of the Downtown are to be completed by early May, which allows for the Community Engagement effort to begin in earnest.

### **Options**

- 1) Concur with the Community Engagement Plan and Future Scenarios

**Advantages:** Allows the project to continue on its current schedule

**Disadvantages:** None identified

- 2) Provide alternate guidance on this strategy

**Advantages:** Would provide an opportunity for other outreach efforts and development of future scenarios

**Disadvantages:** May extend the time frame for this effort

### **Recommendation**

The staff recommends Option 1.



**CITY OF LOS ALTOS**  
**DOWNTOWN VISION PLAN**  
Community Engagement Plan  
*DRAFT (revised 02.05.2017)*

## **INTRODUCTION**

### **A. Purpose**

The purpose of this Community Engagement Plan is to ensure that balanced and effective communication occurs through inclusive community-wide outreach and engagement throughout the duration of the vision plan process. This document outlines the community involvement goals of the Los Altos Downtown Vision Plan project and describes engagement strategies to reach community members and stakeholders.

### **B. Goals**

The engagement tools outlined in this Community Engagement Plan are intended to:

- Offer access to a wide range of individuals targeting all areas of Los Altos, and widespread demographics to provide input into the planning process;
- Educate the community about the purpose of the Downtown Vision Plan and clearly describe the process, impacts, and benefits of project implementation;
- Engage the community and stakeholders at key milestones throughout the planning process as outlined in this Engagement Plan; and
- Inform the preparation of a Vision for the Downtown area and the land use strategies that support it.

## **COMMUNITY ENGAGEMENT TOOLS AND ACTIVITIES**

The following community engagement tools and activities are described in detail below:

1. Advertisement
2. Stakeholder/Focus Group Meetings
3. Downtown Vision Branding
4. Communication Templates
5. Online Engagement
6. City Council Study Sessions (#1 - #2)
7. Community Workshops (#1 - #2)
8. Pop-up Workshops (#1 - #3)
9. Community Group Meetings
10. Design Review Commission Meeting
11. Planning and Transportation Commission Meeting
12. City Council Meeting

The following is a description of how each community engagement tool will be implemented, and the anticipated responsibilities of the consultant team and City staff.



## 1. ADVERTISEMENT

*Timeline:* Ongoing

The consultant team will collaborate with City staff to prepare the content for the advertisement used to publicize engagement events. It is anticipated that City will advertise all of the events through the designated channels (e.g., mailers, email blasts, posters, social media outlets, project website).

Deliverable/Task	CONSULTANT TEAM	CITY OF LOS ALTOS
<b>Advertisement materials</b>	<ul style="list-style-type: none"> <li>Collaborate with City staff on the advertisement templates and message.</li> </ul>	<ul style="list-style-type: none"> <li>Review and approve advertisements.</li> <li>Disseminate advertisements (see appendix for list of engagement opportunities)</li> </ul>

## 2. STAKEHOLDER/FOCUS GROUP MEETINGS

*Date:* January 11-12, 2017

The project team will meet with stakeholders and community interest groups to identify assets and issues and community engagement opportunities. Meetings over a two-day timeframe will allow the team to facilitate dialogue about the vision for the downtown area and community engagement strategies. The information gathered along with input from City staff and City Council will be used to prepare the initial draft of the Downtown Vision Scenarios and finalize the Community Engagement Plan.

Deliverable/Task	CONSULTANT TEAM	CITY OF LOS ALTOS
<b>Meeting materials</b>	<ul style="list-style-type: none"> <li>Coordinate with City staff to identify stakeholders</li> <li>Meeting materials (e.g., maps, project information, questions)</li> <li>Facilitation of all meetings</li> </ul>	<ul style="list-style-type: none"> <li>Meeting logistics - identify time and location for meetings and coordination with stakeholders to schedule meetings</li> <li>Review and approve meeting materials</li> </ul>
<b>Meeting summaries</b>	<ul style="list-style-type: none"> <li>Summary of all meetings</li> </ul>	<ul style="list-style-type: none"> <li>Review meeting summaries</li> </ul>



### 3. DOWNTOWN VISION BRANDING

*Date/Timeline:* late-January -March 2017

The consultant team will develop a customized logo that reflects the unique identity for the downtown visioning project. A customized logo will be a helpful tool to brand the project and will be used on vision posters, banners, and community event materials. Through consultation with City staff, research, investigation of logo design alternatives and preparation of preliminary concepts, the consultant team will prepare final digital graphic files in various formats for reproduction.

Deliverable/Task	CONSULTANT TEAM	CITY OF LOS ALTOS
<b>Branding Materials</b>	<ul style="list-style-type: none"> <li>Prepare draft and final downtown vision plan logo</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate on logo design</li> <li>Review and approve final logo</li> </ul>

### 4. COMMUNICATION TEMPLATES

*Date/Timeline:* early/mid-March 2017

The consultant team will prepare a postcard/newsletter and other communications templates using the established logo, colors and fonts. Similar branding will also be used on map and document templates to continue to build the project identity. In advance of the first community engagement events the consultant team will prepare a digital postcard/newsletter for the City to distribute to stakeholder lists and the community at large. Content will be illustrative, clear and provide detailed information on upcoming events and/or opportunities to get involved in the process.

Deliverable/Task	CONSULTANT TEAM	CITY OF LOS ALTOS
<b>Template Materials</b>	<ul style="list-style-type: none"> <li>Build on established logo, colors and fonts to establish document templates</li> <li>Template for postcards/newsletters, workshop agendas, workshop presentations, and logo/brand to be used ad hoc in other communications (e.g., emails, website)</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate on template and messaging</li> <li>Review and approve material</li> </ul>

### 5. ONLINE ENGAGEMENT

*Date/Timeline:* early-March 2017 launch and ongoing updates

To supplement traditional engagement tools (e.g., face to face meetings and mailers), online resources such as a project webpage, online surveys/questionnaires, and E-News updates provide a means to distribute information to a large number of interested parties and receive feedback. The consultant team will collaborate



with City staff to leverage existing online resources, including a new project website and social media platforms, and determine how other resources that augment online community engagement efforts can be utilized. The core objectives of the project website will be to house and disseminate information, including:

- Provide an overview of the project and background resources;
- Highlight upcoming events;
- Access summaries, imagery and videos from events/meetings;
- Gather contact information and foster additional input; and
- Link to additional resources (e.g., City’s website, Los Altos Open City Hall, Facebook, Nextdoor).

The consultant team will collaborate with City staff to storyboard and prepare language for the new project website. The consultant team will also prepare work products in a web-ready format for ease of posting to the project website.

It is anticipated that publicity for all the public meetings and events will be posted to the project website at least two weeks in advance. It is anticipated that the City will post similar information to the City’s social media outlets and other online resources (e.g., Nextdoor).

In addition, an interactive Peak Democracy platform will also be used to garner feedback on a range of project related topics and deliverables (e.g., ranking support for the preferred Downtown Scenario).

<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
<b>Online Engagement Materials/Strategy - PROJECT WEBSITE</b>	<ul style="list-style-type: none"> <li>• Collaborate with City staff to storyboard website format and content</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate on, and review and approve format and content edits</li> <li>• Maintain administrative control to implement edits and upload materials</li> </ul>
<b>Ongoing Project Website deliverables</b>	<ul style="list-style-type: none"> <li>• Prepare project website ready deliverables for review and posting</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve material</li> <li>• Website posting</li> <li>• Receive and share website feedback with project team</li> </ul>
<b>Online Engagement Materials/Strategy – LOS ALTOS OPEN CITY HALL (Peak Democracy)</b>	<ul style="list-style-type: none"> <li>• Prepare content for surveys</li> <li>• Coordinate with City staff on content and intent of surveys used through Peak Democracy (e.g., input on the Vision and Downtown Scenarios)</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain administrative control to implement surveys and upload materials for community input</li> </ul>
<b>Ongoing Open City Hall deliverables</b>	<ul style="list-style-type: none"> <li>• Prepare web ready deliverables for use on Peak Democracy platform for review and posting</li> </ul>	<ul style="list-style-type: none"> <li>• Review, approve and post material to the Peak Democracy site</li> <li>• Gather and share feedback with project team</li> </ul>



<b>Online Engagement Materials/Strategy – SOCIAL MEDIA</b>	<ul style="list-style-type: none"> <li>Coordinate with City staff on content and messaging on social media outlets</li> </ul>	<ul style="list-style-type: none"> <li>Maintain administrative control of messaging on City’s social media outlets and post to other resources (e.g., Nextdoor)</li> </ul>
<b>Ongoing Social Media deliverables</b>	<ul style="list-style-type: none"> <li>Prepare web ready deliverables for use on social media outlets</li> </ul>	<ul style="list-style-type: none"> <li>Prepare, review, approve and post material to social media outlets</li> <li>Share relevant feedback/conversations happening on social media outlets with consultant team</li> </ul>

**6. CITY COUNCIL STUDY SESSIONS**

Target Date for CC Study Session #1: **March 2017**

The consultant team will meet with the City Council at key stages of the visioning effort to foster input on the Downtown Scenarios and Vision Plan. The following outlines the intent of the two planned City Council Study Sessions early in the planning process.

**City Council Study Session #1 (March 2017)**

The consultant team will prepare for and facilitate a study session with Los Altos City Council to provide an overview of the Community Engagement Plan and Market Analysis and ask the City Council to provide direction on the Vision Scenarios for Downtown Los Altos.

<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
<b>Meeting materials</b>	<ul style="list-style-type: none"> <li>Draft and Final presentations</li> </ul>	<ul style="list-style-type: none"> <li>Review and approval of presentation</li> <li>Advertisement and staff report</li> </ul>
<b>Meeting summary</b>	<ul style="list-style-type: none"> <li>Prepare summary of direction to guide preparation of scenarios</li> <li>Prepare materials for project website posting</li> </ul>	<ul style="list-style-type: none"> <li>Review and approve summary of direction for preparing scenarios and project website posting</li> </ul>

**7. COMMUNITY WORKSHOPS**

Target Date for Workshop #1: **May 2017**

Target Date for Workshop #2: **Winter 2017**

The engagement plan for the Los Altos Downtown Vision Plan project includes two traditional community workshops at locations throughout City to facilitate discussions through hands-on interactive exercises to



foster feedback at key stages in the planning process. It is anticipated that the workshops will target the following topics:

- **Workshop #1** – Vision refinement and Review of Downtown Scenarios
- **Workshop #2** – Review Draft Vision Plan

**Community Workshop #1 – Vision refinement and Review of Downtown Scenarios (May 2017)**

The first community workshop provides an opportunity for the community to review the downtown Vision Scenarios through group visioning exercises. The consultant team will briefly present an overview of the project scope, share key findings that emerged through prior community engagement meetings, and introduce the alternative scenarios for Downtown Los Altos. The bulk of the workshop will be dedicated to gathering input from the community—through engaging exercises that encourage dialogue—on ideas, issues, and tradeoffs to consider for each downtown scenario.

<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
<b>Workshop materials</b>	<ul style="list-style-type: none"> <li>• Agendas, sign-in sheets, name tags and welcome table coordination</li> <li>• Workshop materials (PPT presentation, maps and materials for interactive stations)</li> <li>• Coordination with location to confirm set up</li> <li>• Photography at event</li> </ul>	<ul style="list-style-type: none"> <li>• Workshop logistics – confirm location, set up, potential catering or refreshments, and advertisement</li> <li>• A/V coordination and set up</li> <li>• Review and approve workshop materials and presentations</li> <li>• Facilitate discussions</li> </ul>
<b>Workshop deliverables</b>	<ul style="list-style-type: none"> <li>• Workshop summary and images for review and project website posting</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve summaries for project website posting</li> </ul>

**Community Workshop #2 – Review Draft Vision Plan (Winter 2017)**

The consultant team will facilitate an interactive workshop with the community to review the draft Vision Plan, and receive input and comments from the participants. The ultimate goal of the workshop will be to share with the community how the Vision Plan reflects the community input and garner their feedback on the draft plan.

<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
<b>Workshop materials</b>	<ul style="list-style-type: none"> <li>• Agendas, sign-in sheets, name tags, project sign/banner and welcome table coordination</li> <li>• Workshop materials (PPT presentation, interactive exercises, maps and materials)</li> <li>• Coordination with location to confirm set up</li> </ul>	<ul style="list-style-type: none"> <li>• Workshop logistics – confirm location, set up, potential catering or refreshments, and advertisement</li> <li>• A/V coordination and set up</li> <li>• Coordination and review of workshop material and presentations</li> </ul>



	<ul style="list-style-type: none"> <li>• Photography at event</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate discussions</li> </ul>
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<b>Workshop deliverables</b>	<ul style="list-style-type: none"> <li>• Workshop summary and images for review and project website posting</li> </ul>	<ul style="list-style-type: none"> <li>• Review, comment and approve materials and workshop summary for web posting</li> </ul>
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**8. POP-UP WORKSHOPS**

Target Date for Pop-ups #1 + #2: **June 2017**

Target Date for Pop-ups Staff: **March - June 2017**

Target Date for Pop-ups #3: **Winter 2017**

Target location and events for the initial pop-up workshops (see the Appendix for a full ongoing list of potential locations/events and stakeholder groups): South Los Altos, Farmers Market, Los Altos First Friday, Libraries (Los Altos and Woodland) , City Hall and some youth sporting events.

Pop-up Workshops are informal input-gathering opportunities that will be held at popular community events throughout the City. The purpose of these workshops will be to “meet the community where it is” and engaging citizens in a more approachable way at times and locations that are convenient. The consultant team will work with City staff to confirm and continue to identify community events and locations that will reach the widest audience. As will be done at all engagement events, participants will be asked to place a marker on a City wide map to identify where they live and/or work. Polling participants to understand where in Los Altos they are coming from will help the team target the demographics, populations or areas that need to be reached and engaged in the process. It is anticipated that City staff will lead some of the pop-up workshops independently (e.g., at the libraries and at City Hall) to supplement the consultant team’s community engagement efforts.

**Pop-up #1 + #2 - Vision Refinement and Review of Downtown Scenarios (following Community Workshop #1 – March - June 2017)**

The consultant team will conduct two initial interactive pop-up workshops throughout the community to foster feedback from and identify area-wide assets, issues, and opportunities related to the Vision Scenarios for the Downtown area. It is anticipated that the two initial pop-up workshops (in conjunction with the traditional Community Workshop held prior to the pop-ups) will help:

- Confirm assets and opportunities that support the overall future Vision for the Downtown area; and
- Review and provide feedback on the Draft Downtown Scenarios.

Deliverable/Task	CONSULTANT TEAM	CITY OF LOS ALTOS
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<b>Pop-up materials</b>	<ul style="list-style-type: none"> <li>• Pop-up tent project sign, Sign in sheets, sticky notes, pens, foam core, easels</li> <li>• Maps and interactive exercises</li> <li>• Prepare material for city - staff led pop-ups</li> </ul>	<ul style="list-style-type: none"> <li>• Assistance with confirming availability of locations for the pop-up workshops</li> <li>• Advertisement</li> <li>• Potential assistance with printing of materials</li> <li>• Pop-up tent and/or table and chairs (if available)</li> </ul>
<b>Facilitation</b>	<ul style="list-style-type: none"> <li>• Attend and facilitate pop-up workshops and actively collect input</li> <li>• Photography of the event</li> </ul>	<ul style="list-style-type: none"> <li>• Attend and facilitate pop-up workshops and actively collect input</li> <li>• Facilitate additional pop-up workshops independently</li> </ul>
<b>Summary of input</b>	<ul style="list-style-type: none"> <li>• Transcribe input from sticky notes</li> <li>• Prepare summary of pop-up workshop</li> <li>• Update the project website with workshop pictures and summary of input</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve pop-up workshop summaries for web posting</li> </ul>

**Pop-up #3– Review Draft Vision Plan (following Community Workshop #2 - Winter 2017)**

As with pop-up workshops #1 and #2, the purpose of this workshop will be to broaden the reach of engagement efforts with respect to vetting the draft Vision Plan. The consultant team will facilitate the last pop-up workshop at a location or event that is easily accessible and likely to reach a broad and diverse audience. The consultant team will work with City staff to identify the best locations and events to host the pop-up workshops. The consultant team will prepare materials engage participants and foster feedback on the Los Altos Downtown Vision Plan. City staff will hold additional pop-up workshops to garner more feedback from various areas around the City and with a range of target populations.

Deliverable/Task	CONSULTANT TEAM	CITY OF LOS ALTOS
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<b>Pop-up materials</b>	<ul style="list-style-type: none"> <li>• Sign in sheets, sticky notes, pens, foam core, easels</li> <li>• Maps and interactive exercises</li> <li>• Prepare material for city - staff led pop-ups</li> </ul>	<ul style="list-style-type: none"> <li>• Assistance with confirming availability of locations for the pop-up workshops</li> <li>• Potential assistance with printing of materials</li> <li>• Advertisement</li> <li>• Pop-up tent and/or table and chairs (if available)</li> </ul>
<b>Facilitation</b>	<ul style="list-style-type: none"> <li>• Attend and facilitate pop-up workshops and actively collect input</li> <li>• Photography of the event</li> </ul>	<ul style="list-style-type: none"> <li>• Attend and facilitate pop-up workshops and actively collect input</li> <li>• Facilitate additional pop-up workshops independently</li> </ul>
<b>Summary of input</b>	<ul style="list-style-type: none"> <li>• Transcribe input from sticky notes</li> <li>• Prepare summary of pop-up workshop</li> <li>• Update the project website with workshop pictures and summary of input</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve pop-up workshop summaries for web posting</li> </ul>

## 9. COMMUNITY GROUP MEETINGS

Target Date for Meetings: **Winter 2017/2018**

The consultant team will facilitate two meetings to review the draft Vision Plan with community groups that have an interest in the downtown area. The selection of groups to be included and the solicitation of their participation will be coordinated in advance in partnership with the City. City staff will attend additional community groups meetings to help extend the reach for community engagement. The consultant team will prepare a project tool-kit for city staff to take to these additional community groups. The purpose of the community group meetings is to gather feedback from various interest groups on how the draft Vision Plan responds to their ideas for and concerns about downtown development.

<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
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<b>Meeting materials</b>	<ul style="list-style-type: none"> <li>• Coordinate with City staff to identify community groups</li> <li>• Meeting materials (e.g., Vision Plan elements)</li> <li>• Facilitation of meetings</li> <li>• Prepare an outreach tool-kit for City staff to facilitate meetings with additional groups</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting logistics - identify time and location for meetings and coordination with community groups to schedule meetings</li> <li>• Review and approve meeting materials</li> <li>• Advertisement</li> <li>• Facilitate additional meetings with community groups</li> </ul>
<b>Meeting summaries</b>	<ul style="list-style-type: none"> <li>• Summary of all meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Review meeting summaries</li> </ul>

**10. DESIGN REVIEW COMMISSION MEETING**

Target Date for Meetings: **Winter 2017/2018**

The consultant team will team with City staff to present the Draft Downtown Vision Plan, and any related materials, to the Design Review Commission for comment on housing and design-related review, and recommendation to City Council for approval.

<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
<b>Meeting materials</b>	<ul style="list-style-type: none"> <li>• Draft and Final PPT presentations</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve PPT presentation</li> <li>• Staff report and advertisement</li> </ul>
<b>Meeting summary</b>	<ul style="list-style-type: none"> <li>• Prepare summary of recommendations</li> <li>• Prepare materials for project website posting</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve meeting summary for project website posting</li> </ul>

**11. PLANNING AND TRANSPORTATION COMMISSION MEETING**

Target Date for Meetings: **Winter 2017/2018**

The consultant team will team with City staff to present the draft Vision Plan, and any related materials, to the Planning and Transportation Commission for recommendation to City Council for approval.

<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
<b>Meeting materials</b>	<ul style="list-style-type: none"> <li>• Draft and Final PPT presentations</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve PPT presentation</li> <li>• Staff report and advertisement</li> </ul>




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<b>Meeting summary</b>	<ul style="list-style-type: none"> <li>• Prepare summary of recommendations</li> <li>• Prepare materials for project website posting</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve meeting summary for project website posting</li> </ul>
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**12. CITY COUNCIL MEETING**

Target Date for Meetings: **Winter 2017/2018**

The consultant team will team with City staff to present the Draft Downtown Vision Plan, and recommendations from the Design Review and Planning and Transportation Commissions at a City Council hearing for adoption.

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<b>Deliverable/Task</b>	<b>CONSULTANT TEAM</b>	<b>CITY OF LOS ALTOS</b>
<b>Meeting materials</b>	<ul style="list-style-type: none"> <li>• Draft and Final PPT presentations, incorporating Design Review and Planning and Transportation Commissions' recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve PPT presentation</li> <li>• Staff report and advertisement</li> </ul>
<b>Meeting summary</b>	<ul style="list-style-type: none"> <li>• Prepare summary of final approval</li> <li>• Prepare materials for project website posting</li> </ul>	<ul style="list-style-type: none"> <li>• Review and approve hearing summary for project website posting</li> </ul>

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## APPENDIX | ENGAGEMENT OPPORTUNITIES

The following is an ongoing list of engagement opportunities organized by various groups or organizations. The groups listed are those that information is anticipated to be disseminated to along with the community-at-large. Also included is a list of additional events or locations where pop-up workshops can be held to reach a wide cross section of the community. This information has been generated from City and community input and will be continually updated as a resource throughout the Vision Plan process.

### **GROUPS & ORGANIZATIONS**

#### **Community Groups/Coalitions/Clubs**

American Association of University Women-Mountain View & Los Altos Area  
Center for Age-Friendly Excellence  
Community Center Alliance  
El Camino Hospital  
Friends of Los Altos (FOLA)  
GreenTown Los Altos  
Kiwanis Club of Los Altos  
League of Women Voters-Mountain View-Los Altos  
Los Altos Chamber of Commerce  
Los Altos Community Coalition  
Los Altos Community Foundation (including Block Action Team network, LEAD)  
Los Altos Community Pool Foundation  
Los Altos Downtown Neighbors  
Los Altos Forward  
Los Altos History Museum  
Los Altos Politicos  
Los Altos Property Owners Downtown  
Los Altos Stage Company  
Los Altos Rotary Sunset Club  
Los Altos Village Association (LAVA)  
Los Altos Women's Caucus  
LosAltos-2020  
Our Next Library Committee  
Rotary Club of Los Altos

#### **Schools/Youth/PTAs**

Almond Schools (K-6)  
Blach Intermediate School (7-8)  
BCS School  
Canterbury Christian School (K-6)  
Children's Corner Pre-school  
Children's Creative Learning Centers (Pre-K)  
Children's House of Los Altos



Covington School (K-6)  
De Anza College - Cupertino  
Egan Intermediate School (7-8)  
Foothill College  
Gardner Bulis School (K-5)  
Grade/Middle school PTA's  
Heritage Academy  
Joan Bourriague's Preschool  
Los Altos Christian School (K-6)  
Los Altos High School  
Los Altos School District, School Board members  
Loyola School (K-6)  
Miramonte School of Los Altos (Pre-K-8)  
Monarch Christian Schools  
Montclair Pre-School and (K-5)  
Mountain View Los Altos High School District, School Board members  
MVLA High School Foundation  
Oak School (K-6)  
Pinewood Schools  
Santa Rita School (K-6)  
Stepping Stones Pre-School  
St. Nicholas Catholic School (K-8)  
St. Simon Catholic School (K-8)  
St. Williams  
Tiny Tots pre-school  
Ventana School  
Waldorf School of the Peninsula (K-8)  
West Valley School (K-5)  
Yikes Tikes

### **Seniors**

Center for Age Friendly Excellence  
Grant park senior Center (South Los Altos)  
Hillview Senior Center  
Independent voices  
Senior Commission  
Senior events - Morning Forum, etc.  
Senior living - Park Regent (Anabel Pelham's residence), The Terraces, etc.



### **Los Altos Neighborhoods**

Central Los Altos (El Monte down to Grant along Foothill)  
Country Club  
Loyola Corners  
North Los Altos (El Monte to Adobe Creek, bounded by Foothill and El Camino)  
Old Los Altos (El Monte to Foothill up to LA Hills)  
Rancho  
South Los Altos  
Woodland Acres/The Highlands

### **Libraries**

Los Altos Main Library  
Woodland Library  
Friends of the Library - [www.losaltoslibraryfriends.org](http://www.losaltoslibraryfriends.org)

### **Faith-Based Organizations**

St. Luke's Chapel in the Hills  
26140 Duval Way, Los Altos Hills  
St. Paul's Anglican Church  
101 North El Monte Avenue  
Bridges Community Church  
625 Magdalena Avenue  
Foothill Baptist Church  
1347 Richardson Avenue & Grant Road  
St. Nicholas Catholic Community  
473 Lincoln Avenue  
St. Simon Catholic Parish  
1860 Grant Road  
St. William Parish  
611 S. El Monte  
First Church of Christ, Scientist, Los Altos  
401 University Ave.  
CHURCH OF JESUS CHRIST OF LATTER DAY SAINTS  
Los Altos Stake Office  
1300 Grant Road, 190 Jordan Ave.  
Foothills Congregational Church, United Church of Christ  
461 Orange Avenue  
Foothill Covenant Church  
1555 Oak Avenue  
Christ Episcopal Church  
1040 Border Road



Immanuel Lutheran Church  
1715 Grant Road  
Los Altos Lutheran Church  
460 S. El Monte Avenue  
Los Altos United Methodist  
655 Magdalena Avenue  
Antiochian Orthodox Church of the Redeemer  
380 Magdalena Avenue, Los Altos Hills  
Los Altos Union Presbyterian Church  
858 University Avenue  
Congregation Beth Am - Reform  
26790 Arastradero Road, Los Altos Hills

### **Los Altos City Commissions and Committees**

Bicycle and Pedestrian Advisory Commission  
Design Review Commission  
Planning and Transportation Commission  
Public Arts Commission  
Senior and Youth Commissions

### **Town of Los Altos Hills**

Council  
Commissions  
Community Groups/Stakeholders

### **Nonprofits Serving the Community**

History Museum  
Los Altos Stage

### **Sports Groups**

Los Altos/Los Altos Hills Little league  
AYSO, CYSA, Red Star soccer leagues  
National Junior Basketball

### **Services**

El Camino Hospital



## **EVENTS**

Art in the Park  
Corvette Spectacular  
Fall Festival  
Farmer's Market  
Festival of Lights Parade  
Little League Opening Day (March 12<sup>th</sup>)  
Los Altos Chamber of Commerce Fall Festival  
Los Altos First Friday  
Pet Parade (May)  
Third Street Green  
Wine Festivals (July)

## **NEWS/SOCIAL MEDIA**

Los Altos Town Crier  
The Daily Post  
Project Website  
Nextdoor  
Linked In  
Facebook

# **ECONOMIC VITALITY STRATEGY OPTIONS FOR DOWNTOWN LOS ALTOS: ADMINISTRATIVE DRAFT**

Prepared for:  
**City of Los Altos**  
**RRM Design Group**

Submitted by:  
 **LAND ECON GROUP**

Date February 28, 2017  
Project # 1702.057

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## General and Limiting Conditions

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Every reasonable effort has been made to ensure that the data and information contained in this report are accurate as of the date of this study. However, factors exist that are outside the control of Land Econ Group (LEG) that may affect the estimates and forecasts contained herein. This study is based upon research information, estimates, assumptions and forecasts developed by LEG from independent research efforts and knowledge of the industry. LEG does not assume responsibility for inaccurate information provided by the clients, the client's agents and representatives, or other data sources used in the preparation of this study. The report is based upon information current as of February 2017. LEG has not undertaken any updates of its research since such date.

Because future events and circumstances, many of which are not known or predictable as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by LEG that any of the projected values or results contained in the study will actually be achieved.

## I. Executive Summary

### **Downtown Strengths**

Downtown Los Altos enjoys strengths and positive attributes that few smaller downtowns are able to match:

- It is located very near the heart of Silicon Valley. Over the past half century, the economic revolution initiated in this valley has increased global productivity and created enormous local wealth. The economy of this valley, after a period of recession, is now undergoing strong expansion.
- The market area for Downtown Los Altos is the City of Los Altos and the Town of Los Altos Hills. These municipalities are the two wealthiest in Santa Clara County with incomes and home values higher than Palo Alto, Cupertino, Los Gatos, Sunnyvale and Mountain View.
- Downtown retail sales has climbed steadily from \$100 million in 2009 to an estimated \$148 million in 2016. Restaurant sales have approximately doubled over this same period.
- With office rents in the \$5.00 to \$6.00 per square foot range, office demand is strong.
- Residential and hotel demand are also strong in the downtown.
- Downtown is the ideal size to function as a pedestrian district.

### **Challenges and Constraints**

While downtown's strengths are the envy of most every small city across the country, it does have a number of challenges and constraints:

- Neighboring cities are developing new office, retail, restaurant and residential projects in strong regional locations, like the intersection of El Camino Real and San Antonio Road in Mountain View, to compete for sales and tenants.
- The growing success of E-commerce retail has limited the expansion potential of brick and mortar retail stores. E-commerce retail sales in the US has increased from under \$100 in 2000 to over \$1,200 in 2016 on a per capita basis.
- With a majority of the downtown retail buildings constructed before 1970, many retail spaces are too deep and ceiling heights too low to effectively attract contemporary retail tenants.

- Contemporary personal fitness tenants, such as yoga or Tai Chi studios, day spas, martial arts classes and kinder gyms are not permitted in much of downtown.
- Retail rents have declined since mid 2014 and office rents have declined since early 2016.

## Parking Requirements and Downtown Vitality

The combination of high parking requirements, high land cost and the efficiency of larger parking garages forces new development to be of a size and bulk that many residents feel erode the downtown's village character. Despite some world-class strengths, downtown's challenges and constraints have limited its ability to add substantial vitality during this period of rapid regional economic expansion.

- Village scale expansion of small properties within the Downtown Parking District is impossible because expansion beyond an FAR of 1.0 requires additional parking on site, and small lot sizes make underground garages inefficient and financially unfeasible.
- Outside the Parking District, new development must satisfy suburban style parking requirements. (As a specific example, the primary reason that Downtown Los Altos does not have many high quality restaurants despite its affluence is because its parking requirement for restaurant development is five times that of Downtown Santa Barbara and three times that of Downtown San Luis Obispo. In addition, the employee related requirements penalize higher quality and more service intensive restaurants.)
- In contrast to Los Altos' goal of providing convenient parking everywhere, many smaller cities that have vibrant downtowns promote a philosophy of parking once and visiting multiple destinations by walking. For example, a person who visits an office, a bank, a coffee shop, a drug store and a restaurant in a small downtown needs only one parking space rather than the four or five in accordance to suburban style requirements. In mixed-use downtowns, where many short trips are shifted from driving to walking, the district-wide parking demand is greatly reduced.
- The emergence and growing popularity of ride sharing services like Lyft and Uber is likely to reduce future parking demand. Based upon a 2016 survey of over 34,000 ride sharing passengers who responded in 20 metropolitan areas (tabulated by LEG), 57 percent indicated that they likely would use their private automobiles less and 42 percent indicated that they would less likely own a private automobile because of the availability of ridesharing services.

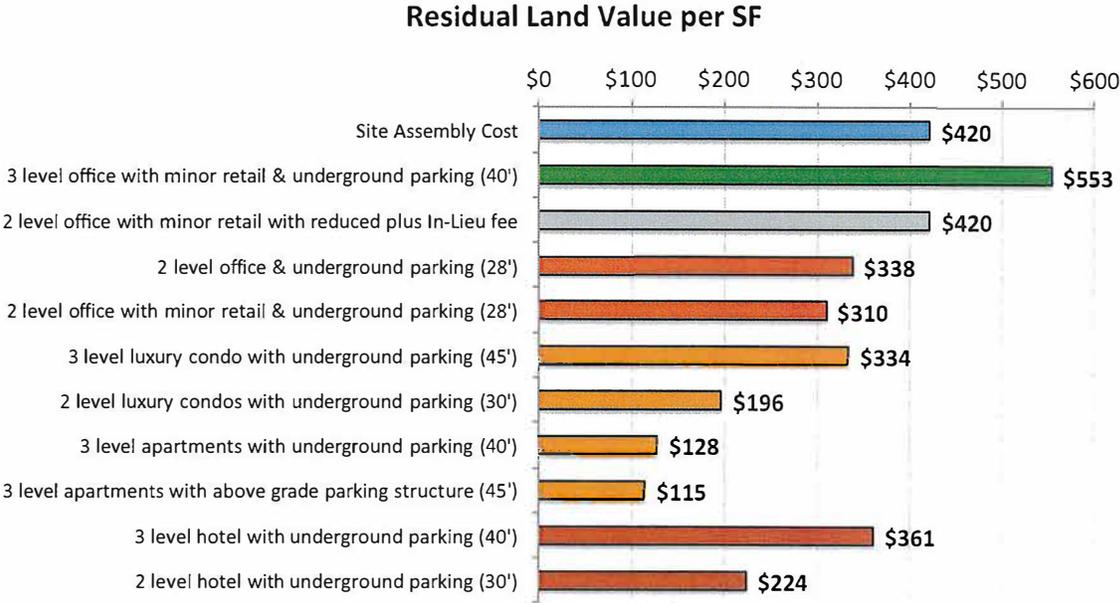
## Height Limits and Development Feasibility

We tested the impact of building height limits on redevelopment feasibility with our development pro forma feasibility model. This model compares the "residual land value" supportable by a development

project against the cost of assembling the redevelopment site. Residual land value is the amount of land value that a developer can afford to pay considering its projected revenues less all development cost, including the developer’s expected return.

The site assembly cost in downtown is estimated at \$400 to \$420 per square foot based upon one-story retail buildings available on the market in Los Altos and Mountain View, which are assumed to be purchased for clearance and redevelopment. Eight hypothetical development scenarios were examined assuming different uses and building heights. Two different land parcel sizes were tested. The findings are summarized in Figure 1 below. A three-story office building with minimum retail and underground parking with a height of approximately 40 feet is the only development scenario that was found to be clearly feasible. A two-story office building scenario was found to be marginally feasible, if its parking requirement was reduced to 2.5 spaces per 1,000 square feet plus if a Parking In-lieu Fee of \$25,000 per stall was applied for the requirement that exceeded the capacity of a one-level underground garage. All others were found to be not feasible.

**Figure 1: Development Feasibility and Building Heights**



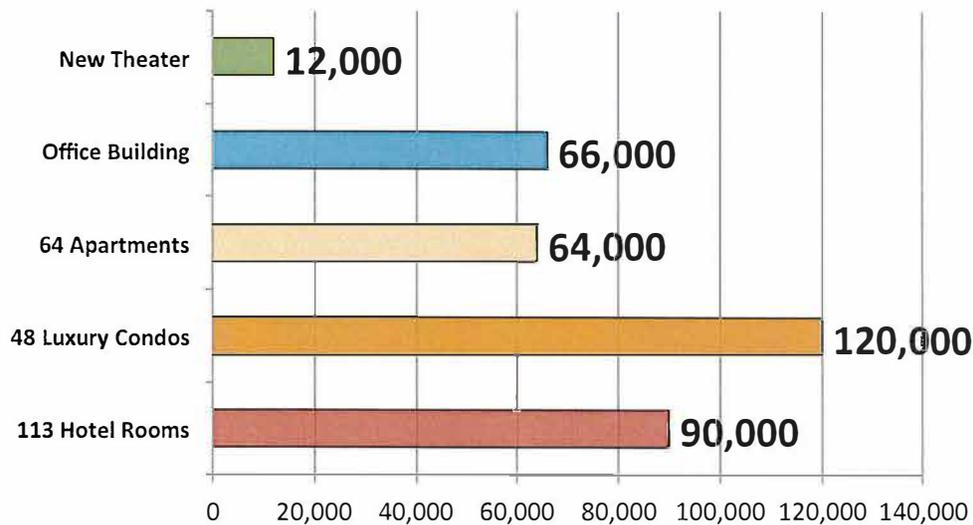
Source: Land Econ Group

**Options to Increase Downtown Vitality**

LEG has made estimates of the amount of each type of new development that is required to add \$1 million in new retail sales in the Downtown (Figure 2). As shown, it would require a new office building of 66,000 square feet or 64 new apartments (1,000 SF each) or 48 luxury condominiums (2,500 SF each)

or 113 new hotel rooms to achieve a comparable level of retail and restaurant sales gain to that of a new performing arts theater downtown of 12,000 square feet.

**Figure 2: Estimated Amount of Building SF Needed for One Million Dollar Gain in Downtown Sales**



Source: Estimates by Land Econ Group

## Policy Recommendations

The following seven recommendations are designed to enhance the vitality of Downtown Los Altos by 15 to 20 percent over a five to eight year period after implementation. They are also designed to encourage smaller scale incremental change that allows Downtown Los Altos to modernize while keeping the essence of its village character.

### Permit Contemporary Fitness and Personal Service Type Uses

Permit these uses along State Street and perpendicular streets but maintain the key blocks of Main Street for retail and restaurant use. This change reduces the duration of retail vacancies, adds pedestrian activity in the downtown, enhances retail sales, protects property interests and does not degrade village character.

### Overhaul Downtown Parking Requirements

Los Altos can learn from downtowns with the level of pedestrian vitality desired such as Burlingame, Los Gatos, San Luis Obispo and Santa Barbara.

- Suggest 2.0 to 2.5 parking spaces per 1,000 square feet of office, retail, restaurant or personal service use. The single standard facilitates re-leasing of vacant space to maintain vitality. Eliminating per employee requirements removes the development cost penalty for higher service restaurants.

- Suggest 0.8 to 1.0 parking spaces per hotel room. Employees are able to purchase annual permits at nominal cost. Eliminating employee requirements removes the development cost penalty for higher quality and higher service hotels.
- Institute a Parking In-Lieu Fee at \$25,000 to \$30,000 per space. The In-lieu Fees allows smaller properties to develop or redevelop. The money collected would accumulate in a Downtown Parking Fund and be used later to construct addition parking in or near the downtown as such parking is needed.
- As parking demand grows in the downtown core, use permits, pricing and enforcement to shift employee parking to the areas less convenient for shoppers and restaurant patrons.

#### **Move Forward with New Downtown Theater**

Relative to the amount of new building mass added the proposed new theater has very strong sales impact on restaurants in the downtown.

- Since a large majority of its patronage is in the evenings or on weekends, when parking downtown is not constrained, we suggest that the parking requirements for the new theater be waived. Having theater patrons park throughout the downtown has a greater impact on pedestrian vitality than having them drive in and out of a dedicated parking garage.
- Proceed with detailed feasibility study if needed. It is common for municipal performing arts centers to require an annual operating subsidy to help cover maintenance and utilities. This issue should be addressed in the feasibility study.
- Initiate a fund raising campaign. Given the affluence of the community, we expect the entire project development cost to be covered by private donations raised through a well-conceived fund raising campaign.

#### **Preserve Buildings and Landmarks of Historic Importance**

The architectural character of some of Los Altos' long-standing buildings contributes to its village character and provide downtown with a unique sense of place that is important for long-term vitality. It is time for Los Altos to formally identify those buildings and initiate the process of historic preservation. A state level historic designation prevents demolition and limits renovation options for the property owner, but can also confer tax benefits.

#### **Add Public Spaces or Facilities that Enhance Sense of Place**

The addition of public spaces, public facilities and events will bring more people downtown. The actual sales impact will depend upon the type of facility and crowd peaking characteristics of the events. An extreme peak in attendance leads to pedestrian and parking congestion that can diminish retail sales, but a series of events that have moderate and more even attendance can enhance downtown sales.

**Permit Three Story Buildings at Select Locations with Top Floor Setback**

As the financial analysis shows, under current parking requirements a two story height limit essentially restrict all new development even with the recommended changes in parking requirements. Elevating the height limit from 30 to 40 feet at selected locations with top floor set backs would add vitality to the downtown by allowing selected three-story office buildings to be developed.

**Institute Downtown Design Review**

Downtown's village character is not simply an issue of building height but very much an issue of building design, as well. It is time that Los Altos created a Downtown Design Review Committee to ensure that future projects of any significant scale reflects the community's desired character.

## II. Introduction

Downtown Los Altos is the community shopping district that has served both the City of Los Altos and the Town of Los Altos Hills since 1950s. It is now being buffeted by economic crosscurrents including more competition from neighboring cities, E-commerce displacing brick and mortar retail stores, a booming Silicon Valley economy and increasing affluence of its market area residents. With concerns that its vitality is waning, the City has engaged a consultant team led by RRM Design Group to prepare a Vision Plan and an Economic Vitality Strategy for its downtown. Land Econ Group (LEG) is the real estate and land planning economics subconsultant serving on the RRM team. This economics analysis examines the demographic and market forces driving change as well as the regulatory policies protecting the community from overly abrupt transition. This analysis provides the foundation for the planning alternatives to be evaluated by the Los Altos community in order to articulate its future vision for the downtown.

LEG has designed this analysis to serve two important but partially conflicting objectives:

- Increase the economic vitality of the downtown by approximately 20 percent.
- Maintain and enhance the village character of Downtown Los Altos so cherished by many of its residents.

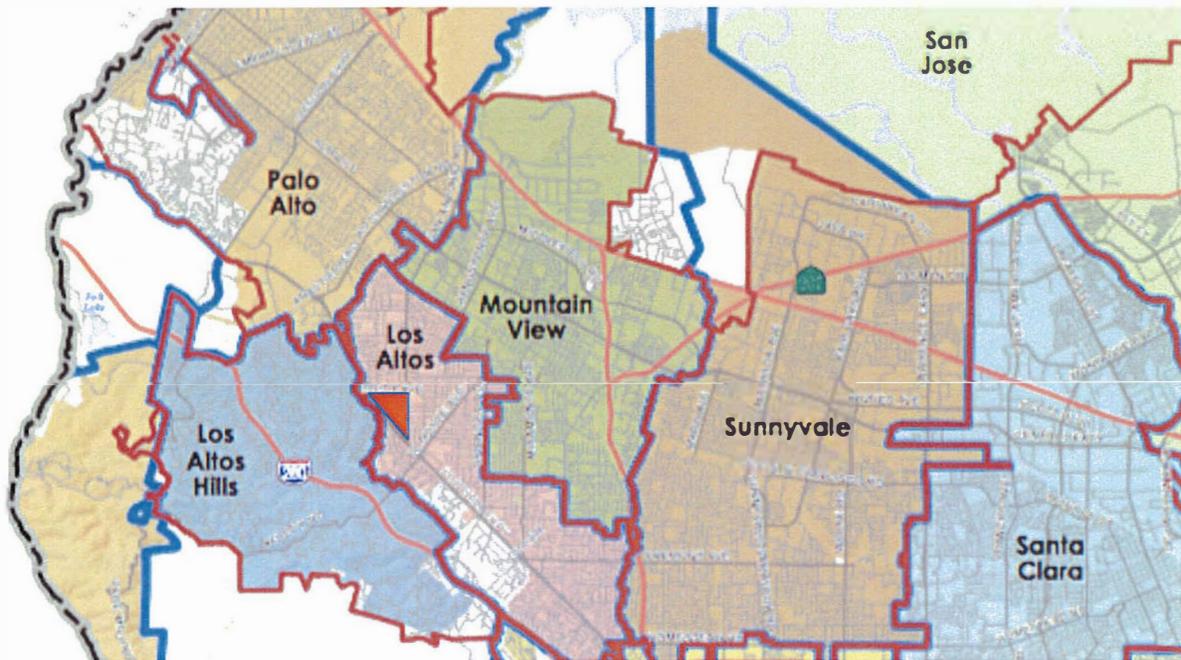
This study is prepared by the Principals of LEG with William “Bill” Lee serving as chief author/analyst and Tanya Chiranakhon serving as the primary researcher and key analyst. Jennifer Quinn, Economic Development Manager of the City of Los Altos, provided invaluable assistance by facilitating primary research and supplying insight and key data.

### III. The Key Strengths of Downtown Los Altos

#### A Booming Silicon Valley Economy

Downtown Los Altos is located near the heart of Silicon Valley (Figure 3). Shockley Semiconductor, a small business credited with initiating the silicon chip industry, was started just over one mile away at the intersection of San Antonio Road and El Camino Real. Stanford Industrial Park, now Stanford Research Park, the birthplace of Silicon Valley, is only two miles from Downtown Los Altos. Silicon Valley has experienced over four decades of globally unparalleled economic innovation and expansion, creating enormous wealth for many in the valley. This long-term economic expansion has oscillated through volatile cycles; however, since the Great Recession of 2008 and 2009, it has been on a robust expansion cycle.

**Figure 3: Downtown Los Altos and Surrounding Communities**



As shown in Table 1 below, since the trough of the recession in 2010, non-farm employment in Santa Clara County has increased by 172,400 with the most significant increase in the professional and business services sector (54,700), the education and health services sector (29,400) and the information technology sector (28,300). This strong job growth has powered demand for office space, housing, retail shops, restaurants and hotels. In the process it has driven up the price of real estate of all types.

**Table 1: Growth of Santa Clara County Employment Since Great Recession**

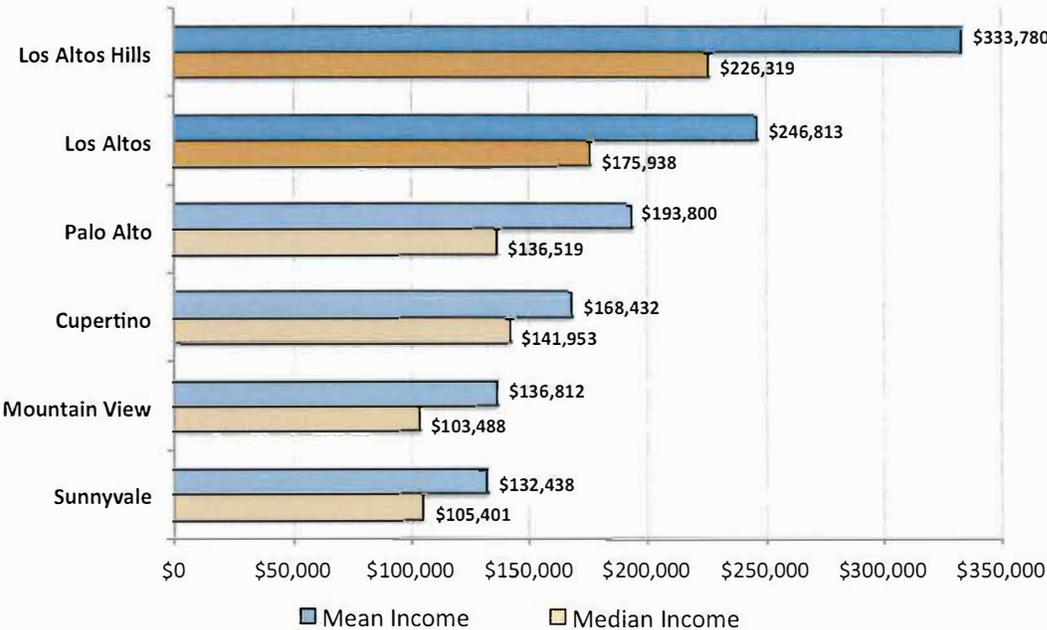
	2010	2011	2012	2013	2014	2015	2010 - 2015	
							Abs Change	CAGR
Total Nonfarm	856,200	877,100	911,100	947,000	987,400	1,028,600	172,400	3.7%
Annual Change	-2,300	20,900	34,000	35,900	40,400	41,200		
Annual Percentage Change	-0.3%	2.4%	3.9%	3.9%	4.3%	4.2%		
Natl Resources, Mining and Constr	31,600	31,100	34,100	36,700	38,800	42,300	10,700	6.0%
Manufacturing	149,000	152,600	153,300	153,100	155,900	159,400	10,400	1.4%
Wholesale Trade	34,600	33,600	34,600	35,900	36,100	36,000	1,400	0.8%
Retail Trade	76,800	79,700	81,900	82,500	83,900	84,900	8,100	2.0%
Transp, Warehousing and Utilities	11,700	11,800	12,700	13,700	14,400	15,000	3,300	5.1%
Information	46,400	51,200	54,100	58,600	66,200	74,700	28,300	10.0%
Financial Activities	30,800	32,100	33,000	33,500	34,300	35,000	4,200	2.6%
Professional and Business Services	160,200	166,000	177,200	190,100	201,800	214,900	54,700	6.1%
Educational and Health Services	126,000	128,600	135,700	142,600	148,700	155,400	29,400	4.3%
Leisure and Hospitality	73,800	76,300	81,300	86,300	90,700	94,500	20,700	5.1%
Other Services	23,900	24,100	24,400	25,000	26,000	26,700	2,800	2.2%
Government	91,500	89,900	88,700	89,000	90,600	89,900	-1,600	-0.4%

Source: California Employment Development Department, Labor Market Information Division

## A Market Area of Exceptional Affluence

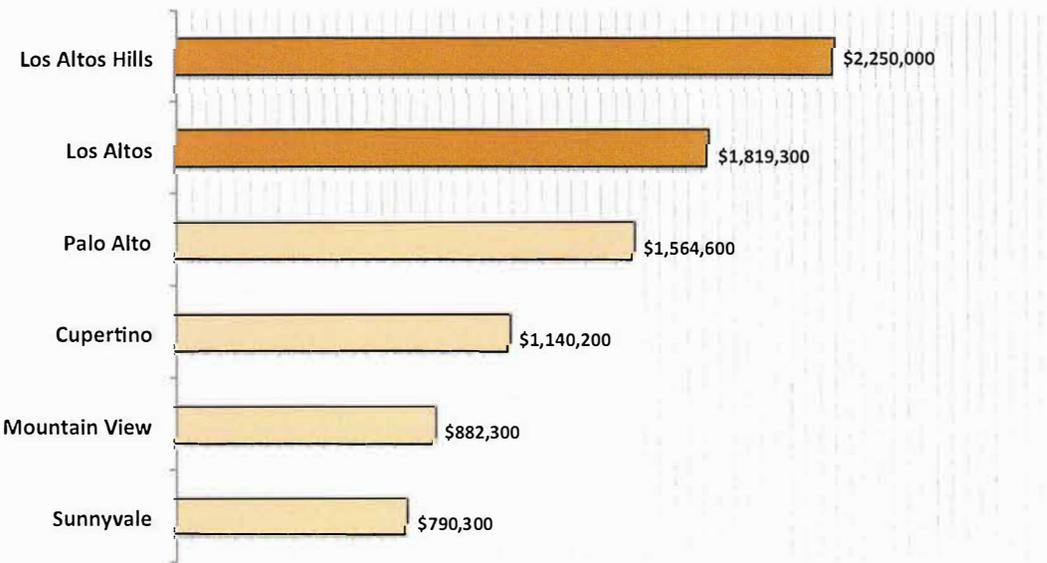
The unparalleled long-term expansion of the Silicon Valley economy, plus the recent accelerated job and income growth, has made the communities of Los Altos and Los Altos Hills not only the wealthiest communities in Silicon Valley, but also some of the wealthiest in all of the United States (see Figure 4 and Figure 5). Downtown Los Altos is the local shopping district that serves these two communities. As shown in Figure 2, the Town of Los Altos Hills and then the City of Los Altos are the highest income municipalities in Silicon Valley, higher than either Palo Alto or Cupertino. Also the substantial difference between the mean (arithmetic average) household income and the median (midpoint) household income indicate that there are large numbers of extremely wealthy households in these communities. The physical appearance of Downtown Los Altos and its tenant profile do not seem to have kept pace with the growing and world-class affluence of its market area. In the next sections of this report, some of the explanations will be explored.

Figure 4: Comparison of 2015 Household Income in Selected Silicon Valley Cities



Source: American Communities Survey of Census Bureau

Figure 5: Comparison of 2015 Median Home Prices in Selected Silicon Valley Cities



Source: American Communities Survey of Census Bureau

### Sales History Indicates Solid Increase

Since the Great Recession, the retail sector in Downtown Los Altos has performed well. Based upon the city’s sales tax data and adjusting for the fact that groceries for home consumption and prescription drugs are not taxed, the estimated retail sales in downtown has grown from \$100 million in 2009 to \$147 million in 2015 (Table 2). This 47 percent gain in six years is about three times the rate of inflation in the Bay Area.

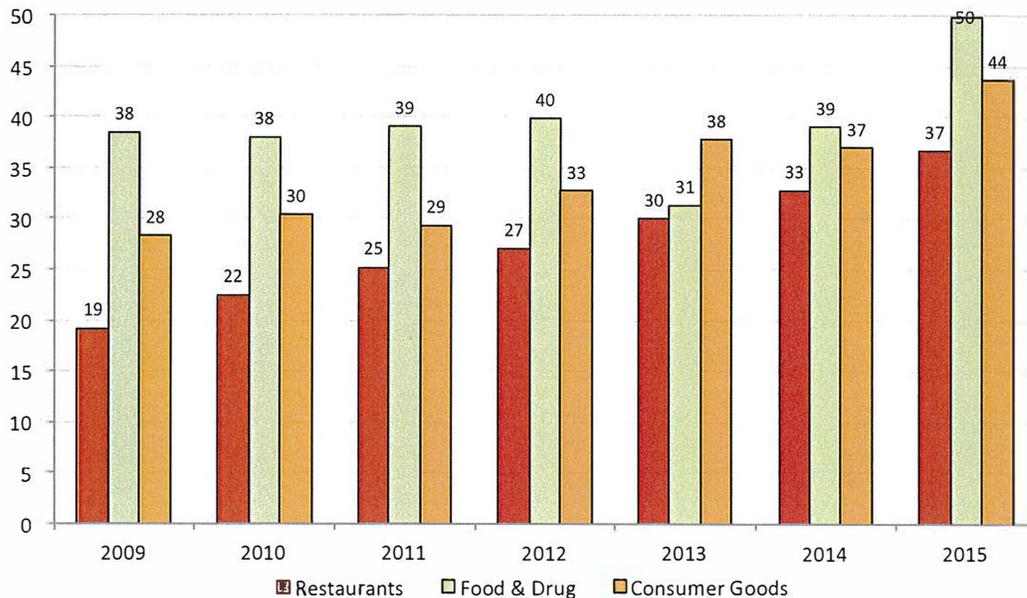
**Table 2: Estimated Downtown Los Altos Retail Sales by Store Type (Millions of Dollars)**

	2008	2009	2010	2011	2012	2013	2014	2015	Sales Gain 2009-15
Autos and Transportation	0.7	2.5	1.9	2.1	1.8	2.4	1.9	1.8	-0.7
Building and Construction	3.7	3.4	3.0	3.3	3.5	4.0	4.2	3.5	0.1
Business and Industry	2.2	1.7	2.0	0.9	1.0	0.8	0.8	1.2	-0.5
Food and Drugs*	39.9	38.5	38.0	39.0	39.8	31.3	39.0	49.8	11.4
Fuel and Service Stations	7.9	6.8	8.3	10.3	11.8	11.5	11.4	10.2	3.4
General and Consumer Goods	36.9	28.3	30.4	29.3	32.7	37.8	37.0	43.7	15.4
Restaurants	20.3	19.2	22.5	25.2	27.0	30.0	32.8	36.7	17.5
<b>Total</b>	<b>\$111.6</b>	<b>\$100.3</b>	<b>\$106.0</b>	<b>\$110.0</b>	<b>\$117.6</b>	<b>\$117.8</b>	<b>\$127.1</b>	<b>\$146.9</b>	<b>\$46.6</b>
<b>Annual Growth</b>	<b>-4.7%</b>	<b>-10.1%</b>	<b>5.7%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>0.1%</b>	<b>8.0%</b>	<b>15.6%</b>	<b>46.5%</b>

\*Adjusted by a factor of 3 to reflect groceries and prescription drugs not being taxable

Source: HDL Companies

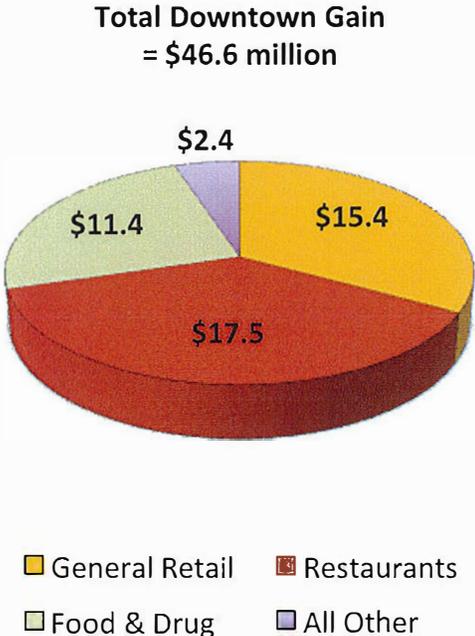
**Figure 6: High Growth Retail Sectors in Downtown**



Source: HDL Companies

As presented in Table 2 and highlighted in Figure 6 above, the restaurant sector in the downtown has essentially doubled in revenue from 2009 to 2015. The strong operators, like Los Altos Grill, are prospering. For the food and drug store sector, the Safeway redevelopment was noticeable in 2013 as sales dropped from \$40 million in 2012 to \$31 million. Once the new Safeway was completed, sales rebounded to \$39 million in 2014 and \$50 million in 2015. The consumer goods sector, which includes personal services, has shown steady sales increase as well. The graph in Figure 7 illustrates that of the downtown's \$46.6 million in estimated sale increase, the largest portion went to restaurants at \$17.5 million, followed by general retail at \$15.4 million and then groceries and drug stores at \$11.4 million. All other retail, primarily automotive retail, service station sales and business related retail, accounted for only \$2.4 million of the sales increase.

**Figure 7: Distribution of Downtown Sales Gain from 2009 to 2015**



Source: HDL Companies

The City of Los Altos as a whole also experienced retail sales increase during this six-year period (Table 3). Of the \$66.6 million in sales gain, 70 percent was achieved by the downtown (Figure 8).

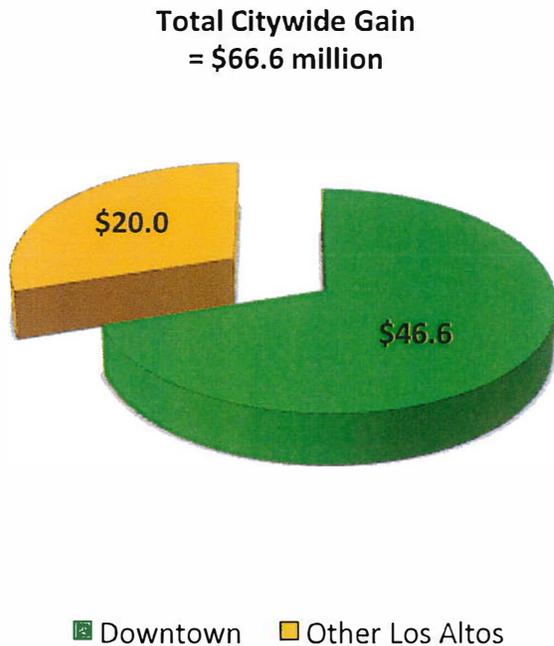
**Table 3: Estimated City of Los Altos Retail Sales by Store Type (Millions of Dollars)**

	2008	2009	2010	2011	2012	2013	2014	2015	Sales Gain 2009-15
Autos and Transportation	2.1	3.7	3.2	3.0	2.5	3.2	2.5	2.6	- 1.1
Building and Construction	6.8	4.9	3.6	3.7	4.0	4.3	4.7	3.9	- 1.1
Business and Industry	32.4	22.0	20.0	19.5	14.9	10.3	10.3	12.4	- 9.5
Food and Drugs*	123.1	112.5	115.7	116.7	121.6	116.1	127.2	146.0	33.5
Fuel and Service Stations	42.0	33.2	39.4	48.1	50.2	48.1	45.7	39.7	6.5
General and Consumer Goods	57.3	44.5	46.1	43.8	46.6	53.1	50.0	56.9	12.5
Restaurants and Hotels	43.0	41.0	44.8	49.3	52.4	56.6	61.2	66.7	25.7
Transfers and Unidentified	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	-
<b>Grand Total</b>	<b>\$306.9</b>	<b>\$261.8</b>	<b>\$272.8</b>	<b>\$284.1</b>	<b>\$292.2</b>	<b>\$291.6</b>	<b>\$301.6</b>	<b>\$328.5</b>	<b>\$66.6</b>
Annual Growth	-1.6%	-14.7%	4.2%	4.1%	2.9%	-0.2%	3.4%	8.9%	
Downtown Share of City Sales	36.4%	38.3%	38.9%	38.7%	40.2%	40.4%	42.2%	44.7%	70.0%

\*Adjusted by 3 times to reflect groceries and prescription drugs not paying sales tax

Source: Estimated from City Sales Tax Data provided by HDL Companies

**Figure 8: Downtown Share of Citywide Retail Sales Gain**



Source: HDL Companies

## Occupied Retail and Office Space Downtown Have Increased

The amount of occupied retail space in the downtown has grown since the recession as well. As shown in Table 4 below, occupied retail space dropped from 576,000 square feet in 2008 to 547,000 square feet in 2010 during the trough of the recession. It has grown to 640,000 square feet by 2016. Much of this growth was achieved in 2014 when the new and larger Safeway was completed. While the longer term trend has been solid, the recent trend is causing concern with vacancies increasing and average triple net rent (net of maintenance, insurance and property tax) decreasing during the past two years.

**Table 4: Trends in Occupancy of Downtown Retail Space**

Quarter	Inventory Bldgs	Inventory SF	Occupied SF	Occupancy %	Net	NNN Rent	Sales in	Sales per SF
					Absorption SF Direct			
2007 Q4	130	580,237	575,837	99.2	-900	\$2.95	\$117.2	\$203
2008 Q4	131	582,858	576,008	98.8	4,021	\$3.15	\$111.6	\$194
2009 Q4	131	582,858	556,832	95.5	-3,005	\$2.84	\$100.3	\$180
2010 Q4	131	582,858	547,133	93.9	-486	\$2.83	\$106.0	\$194
2011 Q4	131	582,858	567,014	97.3	909	\$2.83	\$110.0	\$194
2012 Q4	131	582,858	558,914	95.9	-2,762	\$2.96	\$117.6	\$210
2013 Q4	131	582,858	564,975	96.9	746	\$3.61	\$117.8	\$208
2014 Q4	133	661,657	637,218	96.3	11,860	\$4.44	\$127.1	\$200
2015 Q4	133	661,657	642,899	97.2	-3,257	\$3.67	\$146.9	\$229
2016 Q4	133	661,657	640,417	96.8	-6,064	\$3.52	N A	N A

Source: CoStar

The market for office space in the Downtown Los Altos is very similar to that of retail space. According to the data provider CoStar and shown below in Table 5, the amount of occupied office space climbed from 324,000 square feet in 2009 to 406,000 square feet by the end of 2016. However, rents have fallen and occupancy decreased this past year as more competition has emerged from Mountain View.

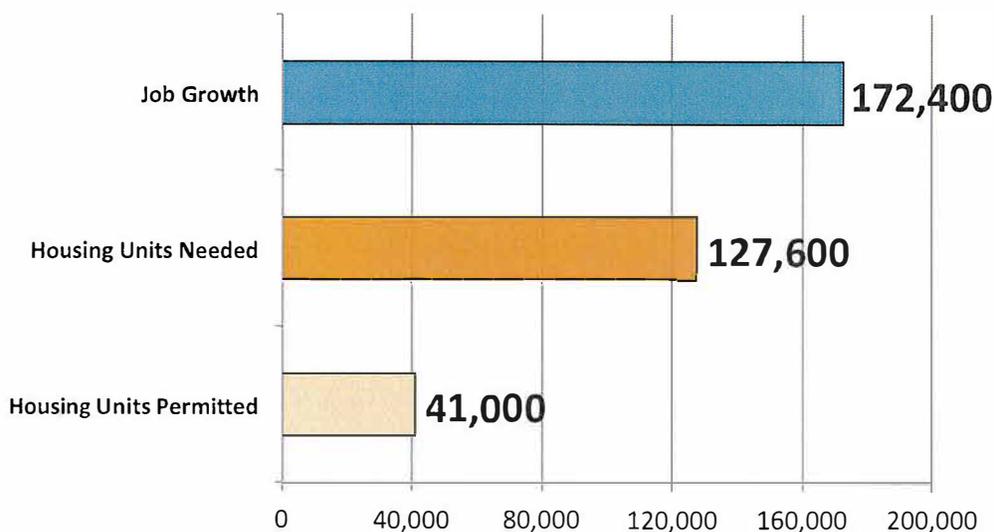
**Table 5: Trends in Occupancy of Office Space Downtown**

Quarter	Inventory		Occupied SF	Occupancy %	Net	
	Bldgs	Inventory SF			Absorption SF	Office Gross Rent Direct
2007 Q4	51	351,335	332,246	94.6	-13,835	\$3.37
2008 Q4	51	351,335	341,927	97.3	834	\$3.72
2009 Q4	51	351,335	324,259	92.3	1,397	\$3.64
2010 Q4	51	351,335	336,950	95.9	1,917	\$3.22
2011 Q4	51	351,335	331,783	94.4	-2,795	\$3.77
2012 Q4	53	422,391	396,437	93.9	9,214	\$4.14
2013 Q4	53	422,391	412,988	97.8	11,644	\$4.27
2014 Q4	53	422,391	408,003	96.6	170	\$4.60
2015 Q4	53	422,391	412,127	97.6	8,573	\$5.42
2016 Q4	53	422,391	406,325	96.2	595	\$5.34

Source: CoStar

### Silicon Valley Housing Market Not Keeping Pace with Job Growth

Because of the time lag between job growth and housing production, the cities in Santa Clara County are suffering from a severe housing shortage. The result has been escalating home sales prices and apartment rents. As shown in Figure 9 below, from 2010 through 2015 the county added 172,400 jobs, but only 41,000 units of housing were permitted. In order to maintain the jobs versus housing balance that existed in 2010, 127,600 housing units need to be developed to accommodate this strong level of job growth.

**Figure 9: Housing Units Needed to Maintain Jobs v Housing Balance in County 2010 to 2015**

Source: CA Employment Development Department, HUD and ABAG

The result of this housing shortage has been escalating home prices and apartment rents to the benefit of homeowners but to the detriment of new homebuyers and renters. The number of apartment units in Los Altos has grown from 667 units in 2007 to 1,017 units by the end of 2016. Rent has climbed by about 50 percent during this period and the average units size has declined as new project have smaller units in attempt to keep costs down. However, this past year both average rent per unit and per square foot have fallen in the city (Table 6), as new countywide housing production appears to be making inroads into the demand backlog.

**Table 6: Apartment Market Trends in Los Altos**

Quarter	Inventory Bldgs	Inventory Units	Inventory Avg SF	Effective Rent Per Unit	Effective Rent Per SF	Vacancy %	Occupied Units
2007 Q4	37	667	1,040	\$1,694	\$1.86	3.5	651
2008 Q4	37	667	1,040	\$1,722	\$1.89	5.1	643
2009 Q4	38	745	1,040	\$1,574	\$1.72	4.6	724
2010 Q4	38	745	1,040	\$1,725	\$1.89	2.2	735
2011 Q4	38	745	1,040	\$1,850	\$2.03	2.2	735
2012 Q4	38	745	1,040	\$2,018	\$2.22	2.8	732
2013 Q4	40	825	1,040	\$2,114	\$2.33	2.4	814
2014 Q4	40	825	1,040	\$2,253	\$2.49	3.1	810
2015 Q4	41	992	899	\$2,743	\$3.04	3.6	975
2016 Q4	42	1,017	909	\$2,530	\$2.80	4.3	996

Source: CoStar

## Hotel Market Has Been Strong

The hotel market in Los Altos has been strong as well, as measured by transient occupancy tax (TOT) collections. Hotel room revenue has increased every year since FY 2001-02 with the exception of FY 2008-09 when it dropped by over 15 percent due to the recession. As shown in Table 7 below, hotel room revenue has more than doubled since that recession year. This market strength is reflective of the booming Silicon Valley economy and the fact that Downtown Los Altos provides hotel guests with a safe and pleasant pedestrian environment in the evenings.

**Table 7: Citywide Transient Occupancy Tax and Hotel Room Revenue**

Fiscal Year	TOT	TOT Rate	Room Revenue	
			(Millions)	Annual % Change
2001-02	\$254,887	10.0%	\$2.5	--
2002-03	\$633,861	10.0%	\$6.3	148.7%
2003-04	\$945,649	10.5%	\$9.0	42.1%
2004-05	\$1,057,995	11.0%	\$9.6	6.8%
2005-06	\$1,260,279	11.0%	\$11.5	19.1%
2006-07	\$1,469,867	11.0%	\$13.4	16.6%
2007-08	\$1,525,090	11.0%	\$13.9	3.8%
2008-09	\$1,289,722	11.0%	\$11.7	-15.4%
2009-10	\$1,345,855	11.0%	\$12.2	4.4%
2010-11	\$1,517,579	11.0%	\$13.8	12.8%
2011-12	\$1,782,018	11.0%	\$16.2	17.4%
2012-13	\$1,946,484	11.0%	\$17.7	9.2%
2013-14	\$2,168,556	11.0%	\$19.7	11.4%
2014-15	\$2,450,488	11.0%	\$22.3	13.0%
2015-16	\$2,608,368	11.0%	\$23.7	6.4%

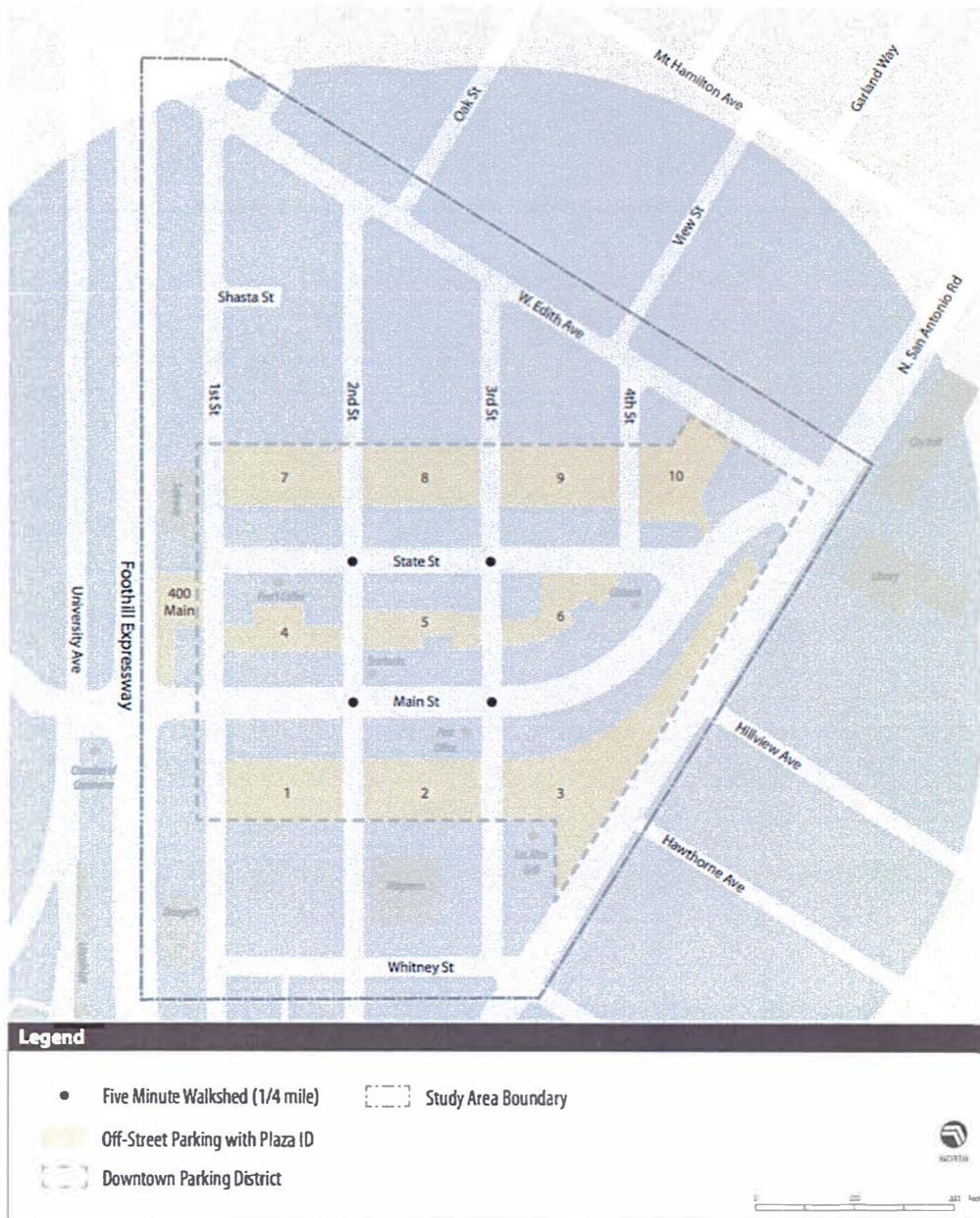
Source: City of Los Altos

## Downtown is Ideal Size for Pedestrian District

Based upon the experience of having studied a number of smaller downtowns in detail, LEG is of the opinion that Downtown Los Altos has the physical attributes to be a very vibrant pedestrian district. As illustrated in Figure 10, the key attributes include:

- The size of the downtown triangle is such that all parts are essentially within a five-minute walk of the center and walking from one corner to another is rarely more than ten minutes.
- The street system layout is such that traffic moves at moderate speeds.
- The street dimensions and block sizes are friendly to pedestrians.
- Some of the key sidewalk improvements are already in place.
- The existence of a large number of centralized public parking spaces is essential for a good pedestrian downtown. While only about half of the land area is in the parking district, the spaces in the district serve the entire downtown.

Figure 10: Downtown Walking Distances and Parking District



Source: Downtown Parking Management Plan 2013, CDM Smith

## IV. Challenges and Constraints to Downtown Vitality

While Downtown Los Altos enjoys many positive attributes, it also faces a number of challenges and constraints. The key challenges and constraints are summarized here and discussed in greater detail in this report section.

- There is growing competition from neighboring cities, particularly Mountain View.
- E-commerce is eliminating many brick & mortar retail stores.
- Older downtown retail buildings are not well suited to contemporary retail tenant needs.
- Los Altos has zoning restrictions that prevent contemporary physical fitness tenants from leasing vacant retail spaces.
- Downtown parking requirements for new development inhibit small scale incremental change essential to maintaining village character.
- The two-story building height limit, in combination with high land cost and high parking requirements, render redevelopment unfeasible.

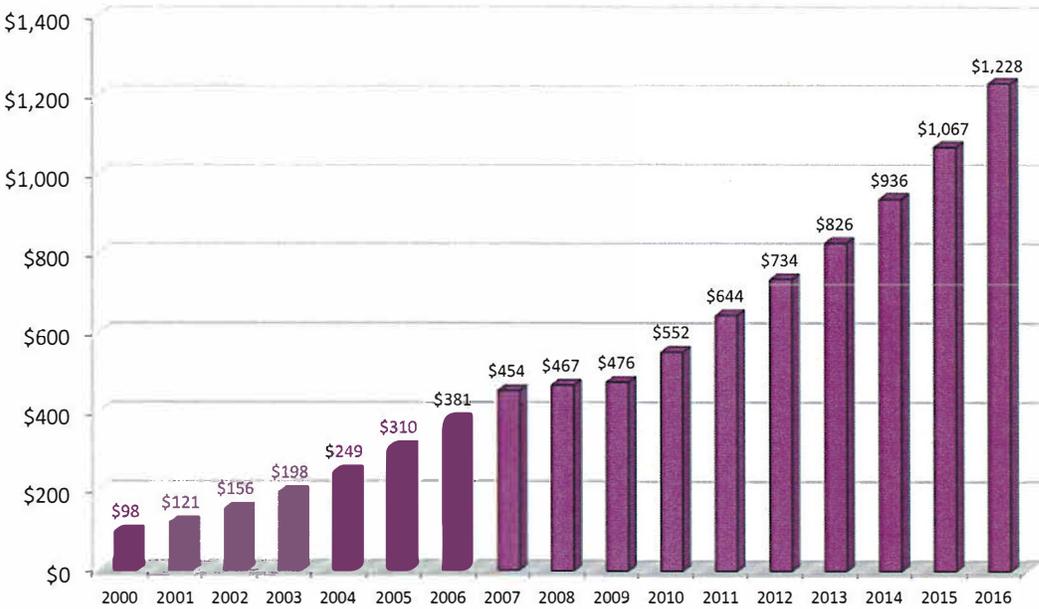
### Competition from Other Cities

As Los Altos debates the future of its downtown, neighboring cities are developing new shopping districts and office concentrations that are siphoning local sales and tenants. For example, a long struggling retail center at San Antonio Road and El Camino Real in Mountain View is being redeveloped. Now called the Village at San Antonio Center, it has just completed Phase 1 that includes a new Safeway supermarket and 330 residential apartments built over shops and restaurants. Phase 2 will add 400,000 square feet of office space, a 167-room hotel, an eight-screen cinema and 80,000 square feet of additional shops and restaurants. In the last two and half years, Mountain View has added 1.4 million square feet of new office space.

### E-Commerce Growth Eliminating Brick & Mortar Stores

Because of the dramatic emergence of E-commerce or on-line shopping, many regional shopping centers and downtown retail districts are struggling. According to Census Bureau estimates, E-commerce sales in the US have climbed from under \$100 per capita in 2000 to \$1,228 in 2016 (Figure 11). The average household in the US, assuming 2.6 persons, would have spent nearly \$3,200 in on-line purchases last year. Given the affluence and sophistication of the Los Altos and Los Altos Hills population, the per person amount could be considerably higher in this market.

Figure 11: Growth in Per Capita E-Commerce Sales in US



Source: US Census Bureau

The Wall Street Journal published an article at the end of 2016 indicating that the market value of Amazon is now higher than that of Walmart, Target, Best Buy, Macy’s, Kohl’s, Nordstrom, JC Penney and Sears combine (Figure 12 below).

Figure 12: Amazon Dominant in Market Value

Market value as of December 30, 2016



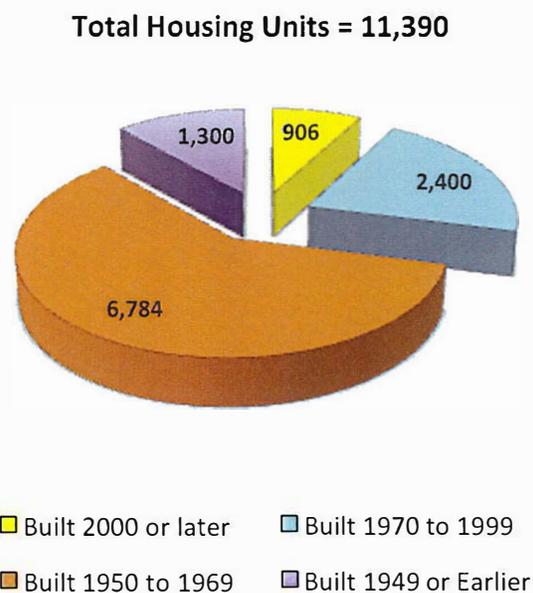
Source: Wall Street Journal

Vallco, the regional shopping mall in Cupertino, has had a difficult time competing against the Stanford Shopping Center to the northwest and Valley Fair/Santana Row to the southeast. Sand Hill Property Co. has recently announced that it will close all of its retail stores while keeping its cinema, ice skating rink and bowling alley open. The Benihana restaurant next to the ice rink will also remain open for the term of its lease. The voters of Cupertino voting down a proposition by Sand Hill Property Co. to redevelop the mall into a major concentration of offices, residential and restaurants with a park on top precipitated this action. The growing popularity of on-line shopping no doubt contributed to this closure decision.

### Growing Obsolescence of Downtown Buildings

A majority of the housing in Los Altos was built between 1950 and 1970, and over 70 percent of the stock was built before 1970 (Figure 13). The retail buildings in the downtown would have mostly been built during this period as well. These older buildings typically have heights of 10 to 12 feet, whereas contemporary retail tenants now require a minimum floor height of 15 or 16 feet. The depth of many of these older buildings is 100 feet, whereas contemporary retail tenants prefer a depth of 40 to 60 feet because of improved logistics. They do not need the extra 40 to 60 feet in depth, which was primarily used for storing inventory, and do not wish to pay rent for that space. Any attempt to update these buildings will trigger Title 24 Building Energy Efficiency Standards that are costly to implement.

**Figure 13: Age of Los Altos Housing Stock**



Source: Census Bureau

### Popular New Personal Services Tenants Not Permitted

As downtown property owners face increasing competition from E-commerce and neighboring cities for retail tenants, their ability to lease to new and popular physical fitness services type tenants are restricted by the Los Altos Zoning Code. As other retail districts lose shops, they are backfilling with fitness studios, day spas, yoga or Tai Chi classes, martial arts studios and kinder gyms. These new tenants pay rent to facilitate building and property maintenance and bring additional people into the district. For much of the Downtown Los Altos, property owners do not have this flexibility. As a consequence, storefront spaces remain vacant longer resulting in a lower level of downtown vitality.

### Retail and Office Rents Falling

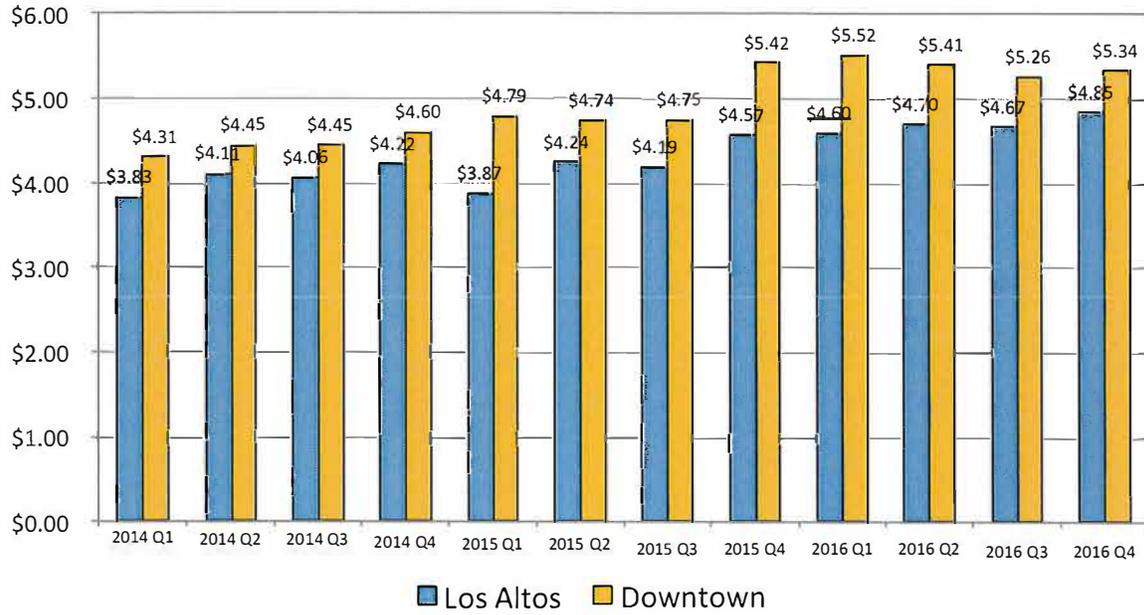
While the long-term trend since the recession has been strong, a closer examination of the last two year indicate that both retail and office rents in downtown are declining (Figure 14 and Figure 15). These declines can be attributed to the forces cited above, including competition from neighboring cities, the E-commerce juggernaut, older building in Los Altos not being competitive and restrictions on contemporary personal services tenants.

Figure 14: Quarterly Retail Rents in Downtown Los Altos



Source: CoStar

Figure 15: Quarterly Office Rents in Downtown Los Altos



Source: CoStar

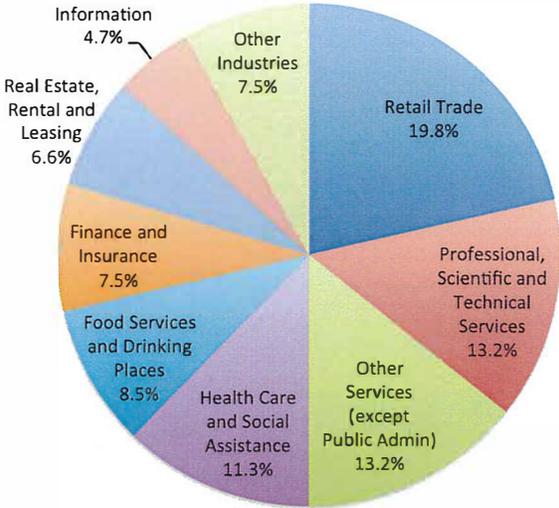
### IV. Downtown Businesses Survey

In order to better understand the perspectives and requirements of downtown business owners and operators, a survey of downtown businesses was conducted with the assistance of the City. LEG designed the online survey to gain a better understanding of downtown’s strengths, weaknesses, opportunities and threats. The online survey was sent to business owners by e-mail (as identified by employee parking permits) and to the Los Altos Chamber of Commerce and Los Altos Village Association (LAVA), an association with over 160 members comprised of merchants and property owners focused on promoting downtown businesses, for distribution to their membership. The City also canvassed the downtown area and distributed postcards with a link to the online survey. This section summarizes the 98 survey responses received between February 7 and 28, 2017.

#### Profile of Survey Respondents

Of the Downtown Los Altos Business Survey respondents, retail trade businesses represented the largest proportion, at approximately 20 percent. Professional, scientific, technical and other services made up a combined 26 percent of survey respondents. Businesses classified as health care and social assistance made up about 11 percent and food service and drinking places were less than nine percent.

Figure 16: Survey Respondents by Industry Classification (NAICS)



“Other Industries” includes: Management of Companies and Enterprises; Arts, Entertainment and Recreation; Manufacturing; Wholesale Trade; Educational Services; and Accommodation  
Source: Downtown Los Altos Business Survey, Land Econ Group

In terms of business tenure in Downtown Los Altos, nearly 41 percent of survey respondents' businesses have been located in downtown for less than six years, of which over a third have been there less than two years. Approximately 31 percent have been in downtown between six to ten years. The remaining 28 percent have been there for more than 20 years. In terms of business size by number of employees, survey respondents were overwhelmingly micro businesses, defined as having fewer than 10 employees, amounting to 74 percent. Another 19 percent of respondents were small businesses, having 11 to 25 employees, and six percent were medium businesses, with 26 to 50 employees. Only one percent of respondents had over 50 employees. The full-time and part-time employee split among respondent businesses was approximately 60 percent full-time and 40 percent part-time.

### **Downtown Businesses Outlook**

Survey respondents were asked about their business outlook and expected changes in employment and facility needs in the near future. Business outlook was generally strong, with 68 percent of respondents reporting "very strong" or "moderately strong" outlook at their downtown location. Approximately 26 percent of the respondents indicated "neutral" business outlook and only six percent responded that their business outlook was "moderately weak" or "very weak." Despite the strong business outlook of so many businesses in Downtown Los Altos, only 41 percent of respondents expected an increase in employment at this location over the next two years. Approximately 55 percent expected no employment change and the remaining four percent expected reduced employment over the next two years. In terms of facility size, 70 percent of respondents did not expect any change in their facility needs in the next five years. Just over 16 percent indicated that their business would likely need to expand facilities, with approximately one third of those needing to relocate to a larger site. Of the balance of respondents seven percent indicated their business may move out of downtown, five percent indicated they may cease operations and one percent anticipated a need to reduce facility size over the next five years.

Nearly 56 percent of respondents either "strongly agree" or "agree" with the statement: "Being in Downtown Los Altos is critically important to my business." About 23 percent were neutral on the statement and responded that they "neither agree nor disagree," and the remaining 21 percent of respondents did not agree that a downtown location was important to their business.

### **Business Perspective on What is Needed in Downtown**

Survey respondents also addressed their perspective on how to improve the business climate in Downtown Los Altos. Two thirds of respondents agreed or strongly agreed that more vitality in Downtown Los Altos is needed for their business to thrive. Fewer than 15 percent of respondents disagreed. An even greater proportion recognized that Downtown Los Altos would be improved with

more restaurants, stores, and services, with over 76 percent agreeing or strongly agreeing. Among those, when asked to rate the three types of businesses that would be most needed, the highest proportion chose family oriented restaurants and contemporary shops, each with over 60 percent of responses. The next most popular selection was a sports bar large enough to be a gathering place, which attracted 46 percent of responses.

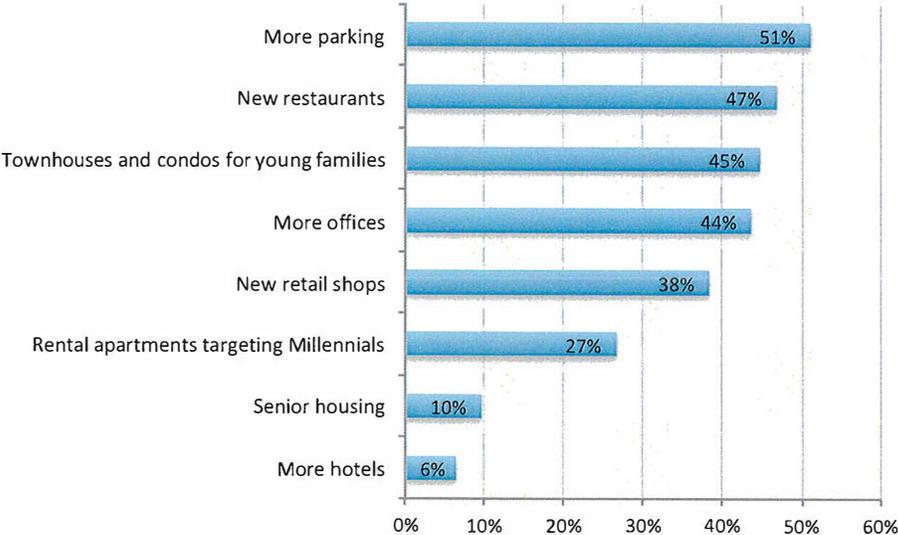
**Figure 17: Types of Additional Stores or Services Needed in Downtown Los Altos**



Source: Downtown Los Altos Business Survey, Land Econ Group

When asked what additions to Downtown Los Altos would best fuel vitality, the three most popular choices were more parking, new restaurants, townhouses and condos for young families, and more offices, each attracting more than 40 percent of respondents. More parking was the favorite, with over half the respondents answering that more parking would increase vitality. This reflects some businesses that commented in the survey they frequently receive feedback from customers that lack of parking is a problem. However, other businesses that rely more on foot traffic indicated they would like to make the environment more welcoming for customers that are already living or working in Downtown Los Altos to spend more time there. In summary, the collective outlook for Downtown Los Altos businesses is one of optimism with two-thirds of the respondents indicating their outlook is moderately strong to very strong.

Figure 18: Additions In and Around Downtown That Would Be Most Helpful in Increasing Vitality



Source: Downtown Los Altos Business Survey, Land Econ Group

## V. Parking Requirements, Building Height Limits and Development Feasibility

The properties in the downtown are segregated into those in the Parking District and those that are not. Parking requirements also differ for new development and redevelopment.

### Properties in the Parking District

When initially implemented, the Los Altos Downtown Parking District worked well in providing centralized parking for shoppers, restaurant patrons and employees. It covered about half of the downtown area and provided free 3-hour parking for all customers. For employees who need all day parking, an annual permit can be purchased for \$36, which allowed them to park in the District spaces, located more to the periphery of downtown. Those policies remain intact today.

For the properties included in the District, no additional parking was required as long as their built space did not exceed the land area of their parcel. However, if the owners wish to expand the improved portion of their property beyond an FAR of 1.0, they are required to meet the City's parking requirements on site. Since most of the properties in the District are small with narrow lots, parking under the building is not possible because the circulation ramps would make the subterranean garage inefficient and prohibitively expensive. Because of this parking requirement, a retail store owner is unable to add a second story as small tenant office space; and a coffee shop owner cannot add a mezzanine level to accommodate peak business conditions. Small-scale incremental expansion of the downtown by long time small property owners is essentially impossible. Such small-scale change would have maintained the area's village character while adding vitality.

### Properties Outside the Parking District

In the downtown, but outside the Parking District, the City's parking requirements can be described as suburban in character. For example, the following are direct quotes from Los Altos Parking Requirements, Section 14.74.110 – Commercial Uses in CRS/OAD, OA, CN, CD< CD/R3, CRS and CT Districts:

- For intensive retail uses and personal services, not less than one parking space for each two hundred (200) square feet of net floor area (or 5 spaces per 1,000 SF);
- For bars, cafes, nightclubs, restaurants, and soda fountains, one parking space for every three employees, plus one space for every three seats provided for patrons, and such additional

parking spaces as may be prescribed by the commission. (This amounts to 8 to 14 spaces per 1,000 SF with higher quality restaurants with more staff facing a higher parking requirement);

- For hotels and motels, one parking space for every three employees, plus one additional space for each sleeping room or suite, and additional parking spaces as prescribed in subsection A of this section for any store, service establishment, shop, or studio located on the site, and additional parking spaces as prescribed in subsection C of this section for any bar, cafe, nightclub, restaurant, or soda fountain located on the site. (This amounts to 1.2 to 1.4 spaces per guest room with higher quality hotels with more staff per guest room facing a higher parking requirement.)
- For theaters and auditoriums, one parking space for every four seats, plus one additional space for every three employees. (If a theater is primarily for evening use, there is no shortage of parking in the downtown during that period.)

These parking requirements reflect the City's long standing goal "to provide access to convenient parking for downtown customers, employees and visitors," which was the first goal recapped in the *Downtown Parking Management Plan of the City of Los Altos*, prepared by CDM Smith in May of 2013.

In contrast, many smaller cities that have vibrant downtowns promote a philosophy of parking once and visiting multiple destinations by walking. For example, a person who visits an office, a bank, a coffee shop, a drug store and a restaurant in a small downtown needs only one parking space rather than the four or five in accordance to suburban style requirements. Excessive parking convenience promotes automobile usage rather than pedestrian vitality. A number of smaller California cities with active pedestrian downtowns treat their parking requirements very differently from Los Altos:

- Santa Barbara has a downtown parking requirement of two spaces per 1,000 square feet of commercial use, covering retail, office, restaurants and essentially all commercial uses. Properties in the Downtown Parking Assessment Districts were exempt from parking requirements.
- For restaurant uses in the downtown, San Luis Obispo sets a maximum of one space per 350 square feet or 2.9 spaces per 1,000 square feet.
- In Downtown Burlingame, ground floor retail, personal service and food establishments are exempt from parking requirements.
- Downtown Los Gatos has parking requirements that are lower than Downtown Los Altos.

Portland, Oregon, a city often cited as the best example of pedestrian vitality and friendliness, has a cap on the maximum number of parking spaces that can be built in its downtown.

Los Altos' historic strategy of providing centralized public parking within its Downtown Parking District was a sound strategy. However, during the past decade or two, downtown has expanded beyond the

Parking District into the entire triangle bounded by San Antonio Road, Foothill Expressway and West Edith Avenue. Downtown Los Altos would likely gain 10 to 20 percent in pedestrian vitality without substantial public investment, if the City would update of its parking requirements, to be more consistent with those of the smaller downtowns enjoying great pedestrian vitality, such as Burlingame, Los Gatos, Santa Barbara and San Luis Obispo.

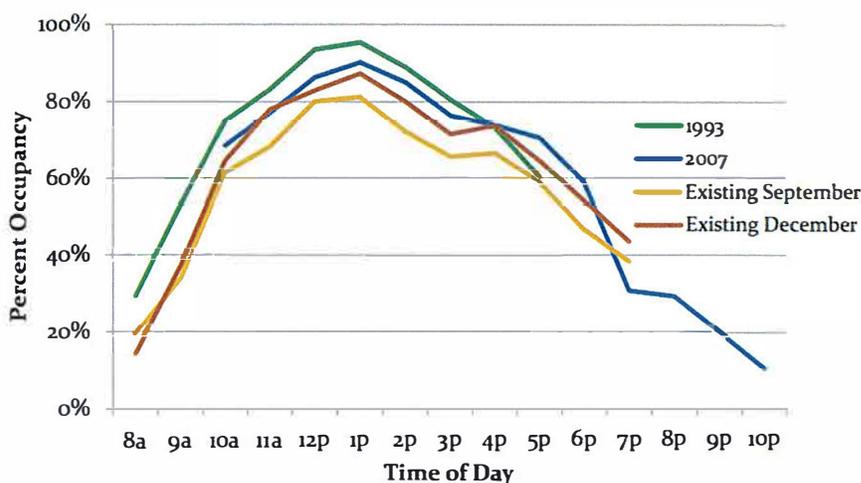
### Parking Requirements Erode Village Character

Given the small lot sizes, older buildings and high and not very flexible parking requirements, development in Downtown Los Altos has been limited to those organizations that are extremely well capitalized and can assemble properties to create sufficient land area to construct an efficient above grade or subterranean garage. Examples include Safeway, The Packard Foundation and Los Altos Community Investment (LACI). The combination of high parking requirements, high land cost and the efficiency of larger parking garages forces new development to be of a size and bulk that many residents feel erode the downtown's village character.

### Future Parking Demand

Los Altos came of age during the golden era of the automobile when single family homes and suburban shopping centers proliferated. A half century later, with the build up of traffic congestion, on-line shopping and ride sharing services, America's romance with the private automobile and associated parking convenience may be fading. According to the City's last *Downtown Parking Management Plan*, peak hour parking demand in the downtown has not been increasing (Figure 19). In fact, the September 2012 tabulation by CDM Smith is lower than the 2007 count, which was lower than the 1993 count.

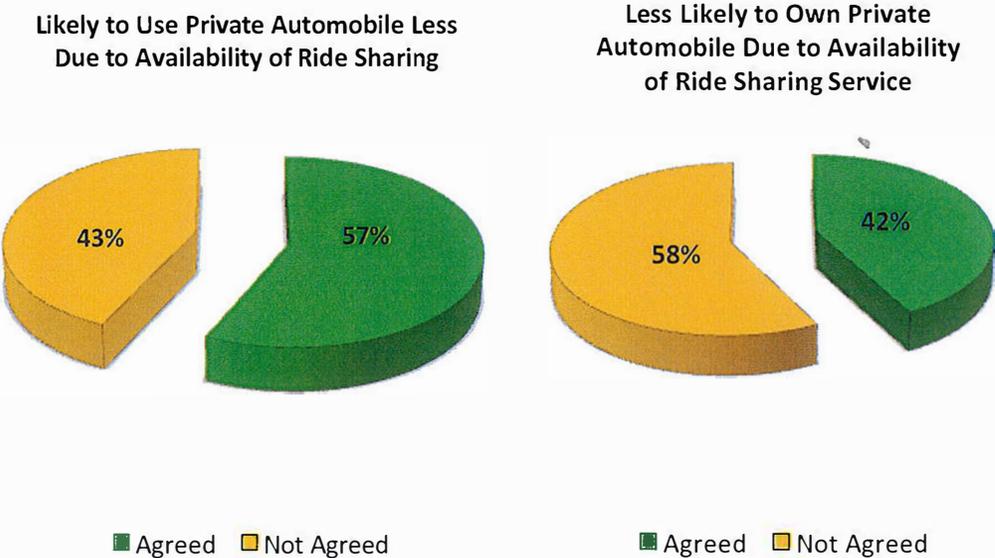
Figure 19: Downtown Off Street Parking Occupancy Trend



Source: Downtown Parking Management Plan 2013, CDM Smith

This trend of decreasing private automobile use, indicating less need for parking, was borne out by an early 2016 survey performed by one of the major ride sharing companies and tabulated and analyzed by LEG. The survey was sent to passengers in 20 US metropolitan areas and received over 34,000 responses. It found that 57 percent of the passengers either agreed or strongly agreed with the statement “I am less likely to use a private automobile due to the availability of ride sharing.” It also found that 42 percent of these passengers either agreed or strongly agreed with this statement “I am less likely to own a private automobile due to the availability of ride sharing service.” These responses are graphed in Figure 20 below.

**Figure 20: Survey of Over 34,000 Ride Sharing Passengers**



While Los Altos is not likely at the leading edge of this type of behavior change, it would be reasonable to anticipate a 10 or 15 percent decline in parking demand over the next decade if no substantial square footage is added downtown. Or conversely, if downtown activity expands by 10 or 15 percent, parking demand may remain at today’s level.

**Building Heights and Development Feasibility**

The impact of building height limits on redevelopment feasibility can be tested with the application of LEG’s development feasibility model. This model compares the “residual land value” supportable by a development project against the cost of assembling the redevelopment site. Residual land value is the amount of land value that a developer can afford to pay considering its projected revenues less all development cost, including the developer’s expected return. The developer moves forward with the project only if the project’s residual land value exceeds the cost of assembling the site.

This model was used to examine the projected cash flow over a 12-year time span and considered a large number of variables to estimate residual land value:

- 1) Land parcel size,
- 2) Net rentable or salable area by land use,
- 3) Number of floors and the height of each floor,
- 4) Gross building area,
- 5) Number of units,
- 6) Number of parking spaces by type and associated cost,
- 7) Rent or sales price per square foot,
- 8) Absorption schedule,
- 9) Rate of rent increase,
- 10) Project capitalization rate,
- 11) Direct building construction cost,
- 12) Direct parking construction cost by space type,
- 13) Indirect construction cost,
- 14) Construction interest,
- 15) Long term takeout financing,
- 16) Project operating cost and revenue, and
- 17) The developer's required rate of return.

The site assembly cost in downtown is estimated at \$400 to \$420 per square foot based upon one-story retail buildings available on the market in Los Altos and Mountain View, which are assumed to be purchased for clearance and redevelopment. LACI staff has indicated that this cost is more like \$450 per square foot. In order for a new redevelopment project to be financially feasible in Downtown Los Altos, it must be able to generate a residual land value of not less than \$420 per square foot. Eight hypothetical development scenarios were examined assuming different uses and building heights. Two different land parcel sizes were tested. The actual pro formas and development scenario assumptions are detailed in Appendix B, and the findings are presented in Figure 21 below.

**Figure 21: Development Feasibility and Building Heights**

Source: Land Econ Group

The findings presented in the bar graph above can be summarized as follows:

- A three story office building with minimum retail and underground parking with a height of approximately 40 feet is the only development scenario that was found to be feasible with a residual land value of \$553 per square foot.
- A two-story office building with minor retail and an assumed height of 28 feet was found to be marginally feasible, if its parking requirement was reduced to 2.5 spaces per 1,000 square feet and those spaces that could not be accommodated in a single-level underground garage was satisfied with the payment of a Parking In-lieu Fee at \$25,000 per space.
- All other scenarios were found to be unfeasible.
- Depending upon the intended use, land parcels size and shape, the land value difference between a 30 and a 40 to 45 feet height limit is in the range of \$120 to \$220 per square foot with the higher height limit providing the greater value.
- Due to higher parking requirements and lower per square foot rents, including retail space diminishes project feasibility.
- Neither three story apartments nor three story luxury condominiums were found to be feasible because of high site assembly and parking construction cost.

Within the Parking District redevelopment is restricted because small lot sizes render on-site parking for building expansion impractical, and no other option is available. Outside the Parking District the combination of high site assembly cost, 30-foot height limit and suburban style parking requirements essentially renders any redevelopment financially unfeasible.

## VI. Principles and Options to Increase Vitality and Maintain Village Character

### Principles

Based upon past experience in cities with values and characteristics similar to Los Altos, LEG has developed a set of principles for enhancing vitality while maintaining village character. We have employed downtown retail sales as the key variable representing vitality since no other metrics is readily available. Our principles and their implications are discussed below.

#### **Use Existing Built Space Efficiently and Intensely**

If the downtown were able to gain additional retail and restaurant sales without changes to the size and bulk of its building stock, its village character would be maintained. To satisfy this principle, when a tenant leaves and a space becomes vacant, the building owner should have good flexibility to re-lease to a new tenant. Given the competition from neighboring cities and E-commerce retailers, true retail store tenants are not numerous. The older retail buildings that have insufficient floor heights and excessive depth further restrict downtown's appeal. This principle suggests that restriction on contemporary fitness personal services type tenants be permitted in more of the downtown. It also suggests that the differences in parking requirements between commercial uses (e.g. stores, services and restaurants) be eliminated to facilitate ease of re-leasing.

#### **Encourage Small Scale Incremental Change by Existing Property Owners**

Part of Los Altos' village character is defined by its long time small property owners and business operators. As the community has prospered in recent years, its small property owners in the Parking District have been unable to undertake small-scale upgrades and expansions to keep pace with the growing affluence of their market place. They are handcuffed by inflexible parking requirements and strict enforcement of Title 24 energy efficiency standards. These property owners should have the ability to modernize and add a second floor to their buildings. The solution here is more contemporary parking requirements and a reasonable Parking In-lieu Fee to satisfy parking demand that cannot be accommodated on-site. The current parking requirements inhibit small-scale change by long time owners important to maintaining village character.

#### **Further Centralize Parking into Public Facilities in lieu of Requiring Extensive Private Parking**

The Parking District has worked well in the past for a one-story retail district covering approximately half of the land area in the downtown. With the recent growth of the Silicon Valley economy and the escalating affluence of the market area, the City's city's historic parking policies are inhibiting

downtown's transformation into a more vibrant and contemporary mixed-use village. Other smaller cities that have good pedestrian vitality promote the principle of parking once and walking to multiple destinations. In contrast, Los Altos' goal has been to provide convenient parking at all destinations. In mixed-use downtowns, where many short trips are shifted from driving to walking, the district-wide parking demand is greatly reduced. In addition, the reduction in land area for parking lots and driveways places stores and restaurants into a more compact area that facilitates walking. In summary, Los Altos' long-standing goal of convenient parking at all destinations contradicts its stated goal of more downtown pedestrian vitality. As Downtown Los Altos has evolved from a community shopping district into more of a mixed-use village, its parking policies needs to keep pace.

As a specific example, the primary reason that Downtown Los Altos does not have many high quality restaurants despite its world-class affluence is because its parking requirements for restaurant development are five or six time that of Downtown Santa Barbara and three times that of Downtown San Luis Obispo. In addition, the employee related requirements penalize higher quality and more service intensive restaurants.

#### **Promote New Development that Have High Retail Sales Impact per SF of New Building Area**

Different types of land uses have different impacts on downtown retail and restaurant sales. The principle is for Los Altos to select the uses that maximizes sales impact per square foot of new building area. This comparison will be discussed under options.

#### **Add Public Spaces, Facilities and Events**

The addition of public spaces, public facilities and events in the downtown will increase vitality without adding much building bulk which tends to erode its village character. The selection of such public spaces and amenities is a matter of community preference to be discovered through the visioning process.

## **Options**

The options to enhancing downtown liveliness, while maintaining village character by minimizing the height and bulk of new buildings, are based upon an analysis of new downtown retail and restaurant sales generated by different types of land development.

#### **New Performing Art Theater Downtown**

The Los Altos Stage Company was incorporated in 1995 and has been producing live theater performances in town since that date. Its performances are held in old school maintenance building in the civic center campus that is in poor exterior condition. The theater has 100 seats and stages approximately 135 event-days/evenings per year. At an assumed average attendance to be 80 percent of capacity, 50 percent of the attendees visiting the downtown for meals or drinks associated with the theater event, and an average expenditure of \$50, the current theater patrons generates an estimated \$270,000 in mostly restaurant and food service sales in the downtown. If an additional ten percent is

added for the sales of performers, theater staff and volunteers, the current theater impact on downtown sales would be approximately \$297,000.

In 2014, a group of community leaders proposed a new theater of approximately 190 seats with a 12,000 square feet overall size to be located in the downtown (Figure 22). With the excitement generated by a new building, we assume that the number of event-days/evenings would increase to 200 per year. At an assumed average attendance of 80 percent of capacity, 70 percent of the attendees visiting the downtown for meals or drinks, an average expenditure of \$55 per attendee, and including the impact of performers and staff, the new theater would generate an estimated \$1.29 million in downtown sales. The net gain mostly during the evening hours would be approximately \$1 million (Table 8).

**Figure 22: Concept Illustration for New Downtown Theater**



Source: A Theater and parking Garage for Downtown, Presentation to City Council June 10, 2014

**Table 8: Estimated New Downtown Theater Impact on Downtown Sales**

	Existing Theater	New Theater
Seating Capacity	100	190
Estimated Event Days/Evenings	135	200
Estimated Attendance @ 80% of Capacity	10,800	30,400
Estimated Percentage of Attendees Patronizing Downtown	50%	70%
Average Spending for Meals/Drinking/Incidentals	\$50	\$55
Theater Patron Sales Impact on Downtown	\$270,000	\$1,170,400
Add 10% for Performer and Staff Impact	\$297,000	\$1,287,440
<b>Gain in Downtown Sales Due to New Theater Patrons/Performers/Staff</b>		<b>\$990,440</b>

Source: LEG estimates based upon interview with Executive Director of Stage Company

This new 12,000 square feet theater will generate approximately \$1 million in addition downtown sales, almost entirely in restaurants, bars and coffee shops. This \$1 million in new sales represents a 2.7 percent increase in downtown restaurant sales and only a 0.7 percent increase in total downtown retail sales.

#### **New Office, Residential or Hotel Development**

The next step in the analysis is to determine at what levels of office, residential or hotel development would we achieve a comparable \$1 million in additional downtown sales. When 2015 citywide retail sales of \$329 million is divided by the population of Los Altos (30,500) and that of Los Altos Hills (8,600), each resident in these two communities account for \$8,400 in sale of which 45 percent is in downtown Los Altos (Table 3). The countywide per capita retail sales generation is approximately \$15,000, indicating that Los Altos is experiencing considerable leakage to surround areas like Stanford Shopping Center, the automobile dealerships along El Camino Real and Stevens Creek Boulevard and workplace related spending throughout the county and beyond. While this \$8,400 per resident is a benchmark for estimation, a number of other factors needs to taken into consideration:

- Approximately 3,000 employees work in Downtown Los Altos, 1,700 in the retail sector and 1,200 in the office sector and 100 or more in other sectors. Their spending needs to be considered.

- The residents living near or in the downtown would tend to make a higher proportion of their retail purchases downtown.
- Those of higher income, including employees in expensive new office buildings or residents buying or renting new housing in the downtown, would tend to have higher spending.

Taking all these factors into consideration, LEG has made estimates of the amount of each type of new development required to add \$1 million in new retail sales in the downtown (Table 9). As shown, it would require a new office building of 66,000 square feet or 64 new apartments (1,000 SF each) or 48 luxury condominiums (2,500 SF each) or 113 new hotel rooms to achieve a comparable level of retail and restaurant sales gain. As illustrated in Table 10, a five percent gain in downtown sales would require 490,000 square feet of new office space or 475 new apartment units (475,000 square feet) or 352 new luxury condominiums (880,000 square feet) or 863 new hotel rooms (690,000 square feet).

**Table 9: Estimated Amount of New Development Needed for Additional Million in Downtown Sales**

	Theater	Office	Apartments	Luxury Condos	Hotel
Square Footage of Development	12,000	66,000	64,000	120,000	90,000
Number of Units	1	1	64	48	113
Employees		200			90
Residents or Patrons			154	134	84
Local Spending per Person per Year		6,000	9,000	12,000	1,858,078
Downtown Los Altos Share		80%	70%	60%	50%
Sales Gain per Office Worker or Resident		4,800	6,300	7,200	
Downtown Sales Increase		\$960,000	\$967,680	\$967,680	\$929,039
<b>Add New Retail Employee Spending</b>	<b>\$990,440</b>	<b>\$988,800</b>	<b>\$996,710</b>	<b>\$996,710</b>	<b>\$956,910</b>
As Percent of 2015 Downtown Sales	0.7%	0.7%	0.7%	0.7%	0.7%

Source: Estimated by Land Econ Group

**Table 10: Estimated Amount of New Development Needed to Achieve Five Percent Increase in Sale**

	Office	Apartments	Luxury Condos	Hotel
<b>Square Footage of Development</b>	<b>490,000</b>	<b>475,000</b>	<b>880,000</b>	<b>690,000</b>
Number of Units	5	475	352	863
Employees	1,485			690
Residents or Patrons		1,140	986	647
Local Spending per Person per Year	6,000	9,000	12,000	14,245,266
Downtown Los Altos Share	80%	70%	60%	50%
Sales Gain per Office Worker or Resident	4,800	6,300	7,200	
Downtown Sales Increase	\$7,127,273	\$7,182,000	\$7,096,320	\$7,122,633
<b>Add New Retail Employee Spending @ 3%</b>	<b>\$7,341,091</b>	<b>\$7,397,460</b>	<b>\$7,309,210</b>	<b>\$7,336,312</b>
As Percent of 2015 Downtown Sales	5.0%	5.0%	5.0%	5.0%

Source: Estimated by Land Econ Group

**Restructuring Parking Goals, Policies and Requirements**

Either as an alternative or as a supplemental strategy to enhancing downtown sales and pedestrian vitality, a comprehensive restructuring of the City's downtown parking goals, policies and requirements would likely lead to smaller scale incremental change over time that is more in keeping with the community's desire to maintain downtown's village character. The next section covers LEG's recommendations for enhancing vitality while keeping the downtown's village character.

## VII. Recommendations

The following seven recommendations are designed to enhance the vitality of Downtown Los Altos by 15 to 20 percent over a five to eight year period after implementation. They are also designed to encourage smaller scale incremental change that allows Downtown Los Altos to modernize while keeping the essence of its village character.

### Permit Fitness Uses in Select Locations

Permit contemporary fitness and personal service type uses along State Street and perpendicular streets but maintain the key blocks of Main Street for retail and restaurant use. This change reduces the duration of retail vacancies, adds pedestrian activity in the downtown, enhances retail sales, protects property interests and does not degrade village character.

### Overhaul Downtown Parking Requirements

Learn from downtowns with the level of pedestrian vitality desired by Los Altos.

Suggest 2.0 to 2.5 spaces per 1,000 square feet of office, retail, restaurant or personal service use. The single standard facilitates re-leasing of vacant space to maintain village liveliness. Eliminating per employee requirements removes development cost penalty against higher service restaurants.

Suggest 0.8 to 1.0 spaces per hotel sleeping room. Employees are able to purchase annual permits at a nominal cost. Eliminating employee requirements removes development cost penalty against higher quality and higher service hotels.

Institute a Parking In-Lieu Fee at \$25,000 to \$30,000 per space. The In-lieu Fees allows smaller properties to develop or redevelop. The money collected would accumulate in a Downtown Parking Fund and be used later to construct addition parking in or near the downtown as such parking is needed.

As parking demand grows in the downtown core, use permits, pricing and enforcement to shift employee parking to the areas less convenient for shoppers and restaurant patrons.

### Move Forward with New Downtown Theater

Relative to the amount of new building mass added, the proposed new theater has very strong sales impact on restaurants in the downtown.

- Since a large majority of its patronage is in the evenings or on weekends, when parking downtown is not constrained, we suggest that the parking requirements for the new theater be

waived. Having theater patrons park throughout the downtown has a greater impact on vitality than having them drive in and out of a dedicated parking garage.

- Proceed with detailed feasibility study if needed. It is common for municipal performing arts centers to require an annual operating subsidy to cover maintenance and utilities. This issue should be addressed in the feasibility study.
- Initiate a fund raising campaign. Given the affluence of the community, we expect the entire project development cost to be covered by private donations raised through a well-conceived fund raising campaign.

### **Preserve Buildings and Landmarks of Historic Importance**

The architectural character of some of its long-standing buildings contributes to Los Altos's village character. Those buildings or landmarks provide downtown a unique sense of place that is important for long-term vitality. It is time for Los Altos to formally identify those buildings and initiate the process of historic preservation. A state level historic designation prevents demolition and limits renovation options for the property owner, but can also confer tax benefits.

### **Add Public Spaces or Facilities that Enhance Sense of Place**

The addition of public spaces, public facilities and events will bring more people downtown. The actual sales impact will depend upon the type of facility and crowd peaking characteristics of the events. An extreme peak in attendance leads to pedestrian and parking congestion that can diminish retail sales, but a series of events that have moderate and more even attendance can enhance downtown sales.

### **Permit Three Story Buildings at Select Locations with Top Floor Setback**

The financial analysis shows that under current parking requirements a two-story height limit essentially restrict all new development and even with the recommended changes in parking requirements. Elevating the height limit from 30 to 40 feet at selected locations with top floor set back would add vitality to the downtown by allowing selected three-story office buildings to proceed.

### **Institute Downtown Design Review**

Downtown's village character is not simply an issue of building height but very much also an issue of building design. It is time that Los Altos created a Downtown Design Review Committee to ensure that future projects of any significant scale reflects the community's desired character.

**APPENDIX A:**  
**ON-LINE SURVEY FOR LOS ALTOS DOWNTOWN BUSINESSES**

Name of Business: \_\_\_\_\_

Type of Business: \_\_\_\_\_

1. Please classify your business in accordance to the standard North American Industry Classification System (NAICS).

- a) Agriculture or Forestry \_\_\_\_\_
- b) Mining or Oil and Gas Extraction \_\_\_\_\_
- c) Utilities \_\_\_\_\_
- d) Manufacturing \_\_\_\_\_
- e) Wholesale Trade \_\_\_\_\_
- f) Retail Trade \_\_\_\_\_
- g) Transportation and Warehousing \_\_\_\_\_
- h) Information \_\_\_\_\_
- i) Finance and Insurance \_\_\_\_\_
- j) Real Estate and Rental and Leasing \_\_\_\_\_
- k) Professional, Scientific and Technical Services \_\_\_\_\_
- l) Management of Companies and Enterprises \_\_\_\_\_
- m) Administrative and Support and Waste Management and Remediation Services \_\_\_\_\_
- n) Educational Services \_\_\_\_\_
- o) Health Care and Social Assistance \_\_\_\_\_
- p) Arts, Entertainment and Recreation \_\_\_\_\_
- q) Accommodation \_\_\_\_\_
- r) Food Services and Drinking Places \_\_\_\_\_
- s) Other Services (except Public Administration) \_\_\_\_\_
- t) Public Administration \_\_\_\_\_

2. How long has your business been in Downtown Los Altos?

- a) Less than 2 years \_\_\_\_\_
- b) 2 to 5 years \_\_\_\_\_

- c) 6 to 10 years \_\_\_\_\_
- d) 11 to 20 years \_\_\_\_\_
- e) More than 20 years \_\_\_\_\_

4. Is this your headquarters location?

- a) Yes \_\_\_\_\_
- b) No \_\_\_\_\_

3. How many full and part-time employees does your business have at this location?

- a) Full time \_\_\_\_\_
- b) Part-time \_\_\_\_\_

5. Please classify your business at this location by number of employees.

- a) Micro or under 10 employees \_\_\_\_\_
- b) Small or 11 to 25 employees \_\_\_\_\_
- c) Medium or 26 to 50 employees \_\_\_\_\_
- d) Large or 51 to 100 employees \_\_\_\_\_
- e) Very Large or over 100 employees \_\_\_\_\_

6. Please provide your business outlook at this location.

- a) Very strong \_\_\_\_\_
- b) Moderately strong \_\_\_\_\_
- c) Neutral \_\_\_\_\_
- d) Moderately weak \_\_\_\_\_
- e) Very weak \_\_\_\_\_

7. Over the next two years, do you expect changes in employment at this location?

- a) Increase employment by more than 10 percent \_\_\_\_\_
- b) Increase employment by up to 10 percent \_\_\_\_\_
- c) No employment change \_\_\_\_\_
- d) Reduce employment by up to 10 percent \_\_\_\_\_
- e) Reduce employment by more than 10 percent \_\_\_\_\_

8. Over the next five years, are your facilities needs likely to change?

- a) Will need to expand and relocate to a larger site and facility \_\_\_\_\_
- b) Will expand facility at current site \_\_\_\_\_
- c) No change expected \_\_\_\_\_
- d) Will need to reduce facility size \_\_\_\_\_
- e) May move out of Downtown Los Altos \_\_\_\_\_
- f) May cease operation \_\_\_\_\_

9. Would you agree or disagree with the statement – Being in Downtown Los Altos is critically important to my business.

- a) Strongly agree \_\_\_\_\_
- b) Agree \_\_\_\_\_
- c) Neither agree nor disagree \_\_\_\_\_
- d) Disagree \_\_\_\_\_
- e) Strongly disagree \_\_\_\_\_

10. Would you agree or disagree with the statement – More downtown vitality is needed for my business to thrive in Downtown Los Altos.

- a) Strongly agree \_\_\_\_\_
- b) Agree \_\_\_\_\_
- c) Neither agree nor disagree \_\_\_\_\_
- d) Disagree \_\_\_\_\_
- e) Strongly disagree \_\_\_\_\_

11. Would you agree or disagree with the statement – Additional restaurants, stores and services are needed in Downtown Los Altos.

- a) Strongly agree \_\_\_\_\_
- b) Agree \_\_\_\_\_
- c) Neither agree nor disagree \_\_\_\_\_
- d) Disagree \_\_\_\_\_
- e) Strongly disagree \_\_\_\_\_

12. If additional stores or services are needed, please indicate the types of stores and services most needed (please indicate your top three choices):

- a) More contemporary shops \_\_\_\_\_
- b) Family oriented restaurants \_\_\_\_\_
- c) Top end restaurants \_\_\_\_\_
- d) Specialty grocery store or delicatessen \_\_\_\_\_
- e) A sports bar large enough to be gathering place \_\_\_\_\_
- f) Other please specify \_\_\_\_\_

13. To increase vitality, the following additions in or around downtown would be most helpful (select up to three responses):

- a) Rental apartments targeting Millennials \_\_\_\_\_
- b) Townhouses and condos for young families \_\_\_\_\_
- c) Senior housing \_\_\_\_\_
- d) More offices \_\_\_\_\_
- e) More hotels \_\_\_\_\_
- f) New retail shops \_\_\_\_\_
- g) New restaurants \_\_\_\_\_
- h) More parking \_\_\_\_\_

14. Please provide any additional comments you have concerning the needs of Downtown Los Altos:

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**Appendix B**

**FINANCIAL MODELING OF DEVELOPMENT  
SCENARIOS AT DIFFERENT HEIGHTS**

For RRM and City of Los Altos  
25-Feb-17



Table B1

## KEY ASSUMPTIONS FOR HYPOTHETICAL COMMERCIAL DEVELOPMENT PROJECT IN DOWNTOWN LOS ALTOS

Option A - 45 Feet Limit Three Stories of Office with 2,000 SF Retail at 40 Feet Height			Option B - 30 Feet Limit Two Stories of Office with No Retail at 28 Feet Height		
Building Description	Floor Area (SF)	Parking Spaces	Building Description	Floor Area (SF)	Parking Spaces
Land Area in SF (280 x 150)	42,000		Land Area in SF (280 x 150)	42,000	
Land Area in Acres	0.96		Land Area in Acres	0.96	
Ground Floor - 16' Height	35,700		Ground Floor - 16' Height	32,130	
Retail or Restaurants	2,000	8			
Office	28,200	85	Office	27,630	83
Office Lobby and Vertical Circulation	2,500		Office Lobby and Vertical Circulation	1,500	
Parking Ramps and Mechanical	3,000		Parking Ramps and Mechanical	3,000	
Office Second Floor - 12' Height	32,130	96	Office Second Floor - 12' Height	32,130	96
Office Third Floor - 12' Height	32,130	96			
<b>Total Rentable - Parking Required</b>	<b>94,460</b>	<b>285</b>	<b>Total Rentable - Parking Required</b>	<b>59,760</b>	<b>179</b>
Gross Building Area	99,960		Gross Building Area	64,260	
Subterranean Garage - Parking Built	120,000	274	Subterranean Garage - Parking Built	80,000	183
Level B1	40,000	91	Level B1	40,000	91
Level B2	40,000	91	Level B2	40,000	91
Level B3	40,000	91			
Option C - 30 Feet Limit Two Stories of Office with 6,000 SF Retail at 28 Feet Height			Option D - 30 Feet Limit Two Stories of Office with 2,000 SF Retail and 2.5 Parking Spaces/1,000 SF		
Building Description	Floor Area (SF)	Parking Spaces	Building Description	Floor Area (SF)	Parking Spaces
Land Area in SF (280 x 150)	42,000		Land Area in SF (280 x 150)	30,000	
Land Area in Acres	0.96		Land Area in Acres	0.69	
Ground Floor - 16' Height	32,130		Ground Floor - 16' Height	25,500	
Retail or Restaurant	6,000	24	Retail or Restaurant	2,000	5
Office	21,630	65	Office	19,500	49
Office Lobby and Vertical Circulation	1,500		Office Lobby and Vertical Circulation	1,500	
Parking Ramps and Mechanical	3,000		Parking Ramps and Mechanical	2,500	
Office Second Floor - 12' Height	32,130	96	Office Second Floor - 12' Height	25,500	64
<b>Total Rentable - Parking Required</b>	<b>59,760</b>	<b>185</b>	<b>Total Rentable - Parking Required</b>	<b>47,000</b>	<b>118</b>
Gross Building Area	64,260		Gross Building Area	51,000	
Subterranean Garage - Parking Built	80,000	183	Subterranean Garage - Parking Built	30,000	118
Level B1	40,000	91	Level B1	30,000	69
Level B2	40,000	91	Pay In-Lieu Fee @ \$25,000		49

Source: Land Econ Group

Table B2

**SUMMARY OF FEASIBILITY TESTING RESULTS**

<b>Site Cost per SF</b>	<b>\$400 to \$420</b>		This typically includes the purchase of one story commercial property and clearing it to calculate land cost
<b>Land Residual per SF</b>			This determines the per SF land value a the project can support
Option A - 40 Feet	<b>\$553</b>	<b>Feasible</b>	Three level office building with three levels of underground parking and 2,000 SF of retail
Option B - 28 Feet	<b>\$338</b>	<b>Not Feasible</b>	Two level office building with no retail and two levels of underground parking
Option C - 28 Feet	<b>\$310</b>	<b>Not Feasible</b>	Two level office building with 6,000 SF of retail and two levels of underground parking
Option D - 28 Feet	<b>\$420</b>	<b>Marginal</b>	Two level office building with 2,000 SF of retail and one level of underground parking assuming parking requirement reduced to 2.5 spaces per 1,000 SF for all comercial uses plus payment of In-Lieu Fee

Source: Land Econ Group

Table B3

**FINANCIAL ANALYSIS OF HYPOTHETICAL COMMERCIAL DEVELOPMENT IN DOWNTOWN LOS ALTOS: THREE LEVEL OFFICE OVER GROUND FLOOR RETAIL**  
**Option A - Assumes 45 Feet Height Limit with 40 Feet Building**

Date: 25-Jan-17  
 ERA Project No: Los Altos

**A: Key Project Information**

Total Land Area	Acres	0.96	Number of Apt Units	0		
Total Land Area	SF	42,000	Average SF per unit	0		
Retail Space	SF	2,000	Monthly Rent per Unit	\$0		
Retail & Restaurant Rent	Per SF	\$2.65	<b>Annual Rate of Rent Increase</b>			
Office Space Net Area	SF	92,460	Retail	1.0%		
Office Space Rent	Per SF	\$5.75	Office	2.0%		
Apt Units Net Area	SF	0	Apartments	0.0%		
Apt Rent	Per SF	\$0.00	<b>Effective Annual Occupancy Rate</b>			
Total Bldg Net Area	SF	94,460	Year 1	Year 2	Year 3+	
Total Gross Bldg Area	SF	99,960	Retail	65%	95%	95%
Parking Spaces - Structure		274	Office	50%	80%	95%
			Apartments	50%	90%	95%
Three levels of underground garage						
Dir Bldg Const Cost	Per SF	\$235.00	Total	23,490,600		
Parking Const Cost - UnderGround	Per Space	\$40,000	Total	10,971,429		
Office TI	Per SF	\$100.00	Total	9,246,000		
Indirect Const Cost	Percent Dir	17.5%	Total	7,648,905		
Total Construction Cost			Total	51,356,934		
Construction Interest	Per SF	\$19.27	Total	1,925,885		
Total Project Cost	Per GSF	\$533.04	Total	53,282,819		
Amount Financed Exc Land	Percent	95.0%	Total	50,618,678		
Year Four Debt Cover Ratio		2.05				
Long Term Financing Rate		4.5%				
Terms in Years		30				
Construction Interest Rate		7.5%				
Project Capitalization Rate		5.0%				

SUMMARY OF RESULTS	
Project Internal Rate of Return	18.0%
Residual for Land	\$23,215,080
Residual for Land Per SF	\$553

Table B3

**FINANCIAL ANALYSIS OF HYPOTHETICAL COMMERCIAL DEVELOPMENT IN DOWNTOWN LOS ALTOS: THREE LEVEL OFFICE OVER GROUND FLOOR RETAIL**

Option A - Assumes 45 Feet Height Limit with 40 Feet Building

Date: 25-Jan-17

ERA Project No: Los Altos

**B: Operating Cash Flow**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Retail &amp; Restaurant</b>														
Leaseable Square Feet			2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Percentage Leased			65%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Avg Lease Rate			\$2.65	\$2.68	\$2.70	\$2.73	\$2.76	\$2.79	\$2.81	\$2.84	\$2.87	\$2.90	\$2.93	\$2.96
Total Lease Revenue (\$1,000)			41	61	62	62	63	64	64	65	65	66	67	67
<b>Office Space</b>														
Leaseable Square Feet			92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460	92,460
Percentage Leased			50%	80%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Avg Lease Rate			\$5.75	\$5.87	\$5.98	\$6.10	\$6.22	\$6.35	\$6.48	\$6.60	\$6.74	\$6.87	\$7.01	\$7.15
Total Lease Revenue (\$1,000)			3,190	5,206	6,306	6,432	6,560	6,692	6,825	6,962	7,101	7,243	7,388	7,536
<b>Total Gross Lease Revenue (\$1,000)</b>			3,231	5,267	6,367	6,494	6,623	6,755	6,890	7,027	7,167	7,309	7,455	7,603
Plus Ancillary Revenue @ 3% (\$1,000)			97	158	191	195	199	203	207	211	215	219	224	228
<b>Total Gross Operating Revenue (\$1,000)</b>			3,328	5,425	6,558	6,689	6,822	6,958	7,096	7,237	7,382	7,529	7,678	7,831
<b>Net Operating Income (\$1,000)</b>			\$3,328	\$5,425	\$6,558	\$6,689	\$6,822	\$6,958	\$7,096	\$7,237	\$7,382	\$7,529	\$7,678	\$7,831
<b>Capitalized Value (\$1,000)</b>			\$66,563	\$108,498	\$131,165	\$133,776	\$136,438	\$139,154	\$141,924	\$144,750	\$147,631	\$150,570	\$153,568	\$156,626

**COST & FINANCING ANALYSIS (\$1,000)****Development Cost**

Direct Bldg Construction	23,491													
Site & Parking Construction	20,217													
Indirect Construction	7,649													
Construction Interest	1,926													
<b>Total Development Cost</b>	<b>53,283</b>													

**Financing Computation**

Amount Financed	50,619													
Loan Balance	49,789	48,922	48,016	47,069	46,080	45,046	43,965	42,836	41,656	40,423	39,134	37,788		
Annual Debt Service	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108
Interest Payment	2,278	2,241	2,201	2,161	2,118	2,074	2,027	1,978	1,928	1,875	1,819	1,761		
Retirement of Principal	830	867	906	947	989	1,034	1,081	1,129	1,180	1,233	1,289	1,347		

**CASH FLOW ANALYSIS (\$1,000)****Revenue**

Long Term Financing	50,619													
Net Operating Income		3,328	5,425	6,558	6,689	6,822	6,958	7,096	7,237	7,382	7,529	7,678	7,831	
Terminal Value (Sale Proceed Net of Debt and Commission)														114,139

**Cost**

Development	53,283													
Debt Service		3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108
<b>Net Cash Flow</b>	<b>-2,664</b>	<b>221</b>	<b>2,317</b>	<b>3,451</b>	<b>3,581</b>	<b>3,714</b>	<b>3,850</b>	<b>3,989</b>	<b>4,130</b>	<b>4,274</b>	<b>4,421</b>	<b>4,571</b>	<b>4,721</b>	<b>4,871</b>

Residual for Land @ IRR 18.0% \$23,215,080

Residual for Land Per SF \$552.74

Table B4

**FINANCIAL ANALYSIS OF HYPOTHETICAL DEVELOPMENT IN DOWNTOWN LOS ALTOS: TWO LEVEL OFFICE ONLY**  
**Option B - Assumes 30 Feet Height Limit with 28 Feet building**

Date: 25-Jan-17  
 ERA Project No: Los Altos

**A: Key Project Information**

Total Land Area	Acres	0.96	Number of Apt Units	0
Total Land Area	SF	42,000	Average SF per unit	0
Retail Space	SF	0	Monthly Rent per Unit	\$0
Retail & Restaurant Rent	Per SF	\$0.00		
Office Space Net Area	SF	59,760	Annual Rate of Rent Increase	
Office Space Rent	Per SF	\$5.65	Retail	1.0%
Apt Units Net Area	SF	0	Office	2.0%
Apt Rent	Per SF	\$0.00	Apartments	0.0%
Total Bldg Net Area	SF	59,760		
Total Gross Bldg Area	SF	64,260		
Parking Spaces - Structure		183	Two levels of underground garage	

	Effective Annual Occupancy Rate		
	Year 1	Year 2	Year 3+
Retail	65%	90%	95%
Office	50%	80%	95%
Apartments	50%	90%	95%

Dir Bldg Const Cost	Per SF	\$235.00	Total	15,101,100
Parking Const Cost - Under Ground	Per Space	\$40,000	Total	7,314,286
Office Tls	Per SF	\$100.00	Total	5,976,000
Indirect Const Cost	Percent Dir	17.5%	Total	4,968,493
Total Construction Cost			Total	33,359,878
Construction Interest	Per SF	\$19.47	Total	1,250,995
Total Project Cost	Per SF	\$538.61	Total	34,610,874
Amount Financed Exc Land	Percent	95.0%	Total	32,880,330
Year Four Debt Cover Ratio		1.98		
Long Term Financing Rate		4.5%		
Terms in Years		30		
Construction Interest Rate		7.5%		
Project Capitalization Rate		5.0%		

SUMMARY OF RESULTS	
Project Internal Rate of Return	18.0%
Residual for Land	\$14,207,629
Residual for Land Per SF	\$338



Table B5

**FINANCIAL ANALYSIS OF HYPOTHETICAL COMMERCIAL DEVELOPMENT IN DOWNTOWN LOS ALTOS: TWO LEVEL OFFICE OVER GROUND FLOOR RETAIL AT 6,000 SF**  
 Option C - Assumes 30 Feet Height Limit with 28 Feet Building with more Retail

Date: 25-Jan-17  
 ERA Project No: Los Altos

**A: Key Project Information**

Total Land Area	Acres	0.96	Number of Apt Units	0				
Total Land Area	SF	42,000	Average SF per unit	0				
Retail Space	SF	6,000	Monthly Rent per Unit	\$0				
Retail & Restaurant Rent	Per SF	\$2.65			<u>Effective Annual Occupancy Rate</u>			
Office Space Net Area	SF	53,760			Year 1	Year 2	Year 3+	
Office Space Rent	Per SF	\$5.65			Retail	65%	95%	95%
Apt Units Net Area	SF	0			Office	50%	80%	95%
Apt Rent	Per SF	\$0.00			Apartments	50%	90%	95%
Total Bldg Net Area	SF	59,760						
Total Gross Bldg Area	SF	64,260						
Parking Spaces - Structure		183	Two levels of underground garage					
Dir Bldg Const Cost	Per SF	\$235.00	Total	15,101,100				
Parking Const Cost - Under Ground	Per Space	\$40,000	Total	7,314,286				
Office TI	Per SF	\$100.00	Total	5,376,000				
Indirect Const Cost	Percent Dir	17.5%	Total	4,863,493				
Total Construction Cost			Total	32,654,878				
Construction Interest	Per SF	\$19.06	Total	1,224,558				
Total Project Cost	Per GSF	\$527.22	Total	33,879,436				
Amount Financed Exc Land	Percent	95.0%	Total	32,185,464				
Year Four Debt Cover Ratio		1.92						
Long Term Financing Rate		4.5%						
Terms in Years		30						
Construction Interest Rate		7.5%						
Project Capitalization Rate		5.0%						

SUMMARY OF RESULTS	
Project Internal Rate of Return	18.0%
Residual for Land	\$13,003,033
Residual for Land Per SF	\$310



Table B6

**FINANCIAL ANALYSIS OF HYPOTHETICAL COMMERCIAL DEVELOPMENT IN DOWNTOWN LOS ALTOS: TWO LEVEL OFFICE OVER GROUND FLOOR RETAIL**  
**Option D - Assumes 30 Feet Height Limit with 28 Feet Building with Reduced Parking Standards to 2.5 per 1,000 SF**

Date: 25-Jan-17  
 ERA Project No: Los Altos

**A: Key Project Information**

Total Land Area	Acres	0.69	Number of Apt Units	0	
Total Land Area	SF	30,000	Average SF per unit	0	
Retail Space	SF	2,000	Monthly Rent per Unit	\$0	
Retail & Restaurant Rent	Per SF	\$3.00			
Office Space Net Area	SF	45,000	Annual Rate of Rent Increase		
Office Space Rent	Per SF	\$5.65	Retail	1.0%	
Apt Units Net Area	SF	0	Office	2.0%	
Apt Rent	Per SF	\$0.00	Apartments	0.0%	
Total Bldg Net Area	SF	47,000			
Total Gross Bldg Area	SF	51,000			
Parking Spaces - Garage		69	One level of underground garage		
Parking In-Lieu Fee		49	Pay Inlieu Fee		
Dir Bldg Const Cost	Per SF	\$235.00	Total	11,985,000	
Parking Const Cost - Under Ground	Per Space	\$40,000	Total	2,760,000	
Parking In-Lieu Fee Payment	Per Space	\$25,000	Total	1,225,000	
Office TI	Per SF	\$100.00	Total	4,500,000	
Indirect Const Cost	Percent Dir	17.5%	Total	3,582,250	
Total Construction Cost			Total	24,052,250	
Construction Interest	Per SF	\$16.78	Total	856,022	
Total Project Cost	Per GSF	\$488.40	Total	24,908,272	
Amount Financed Exc Land	Percent	95.0%	Total	23,662,858	
Year Four Debt Cover Ratio		2.12			
Long Term Financing Rate		4.5%			
Terms in Years		30			
Construction Interest Rate		7.5%			
Project Capitalization Rate		5.0%			

	Effective Annual Occupancy Rate		
	Year 1	Year 2	Year 3+
Retail	65%	95%	95%
Office	50%	80%	95%
Apartments	50%	90%	95%

SUMMARY OF RESULTS	
Project Internal Rate of Return	18.0%
Residual for Land	\$12,612,406
Residual for Land Per SF	\$420



Table B7  
KEY ASSUMPTIONS FOR HYPOTHETICAL RESIDENTIAL DEVELOPMENT IN DOWNTOWN LOS ALTOS

Option E - 45 Feet Limit Three Stories of Apartments with at 40 Feet Height				Option F - 30 Feet Limit Two Stories of Luxury Condos at 30 Feet Height			
Building Description	Floor Area (SF)	Units @ 960 SF	Parking Spaces @ 1.8/unit	Building Description	Floor Area (SF)	Units @ 2,700 SF	Parking Spaces @ 2.2/unit
Land Area in SF (280 x 150)	42,000			Land Area in SF (280 x 150)	42,000		
Land Area in Acres	0.96			Land Area in Acres	0.96		
Ground Floor - 16' Height	35,700			Ground Floor - 15' Height	35,700		
Apartments	26,700	28	50	Condos	25,200	9	21
Common Areas	5,000			Common Areas	6,000		
Lobby and Vertical Circulation	1,000			Lobby and Vertical Circulation	1,500		
Parking Ramps and Mechanical	3,000			Parking Ramps and Mechanical	3,000		
Apartments Second Floor - 12' Height	32,130	33	60	Condos Second Floor - 15' Height	32,130	12	26
Apartments Third Floor - 12' Height	32,130	33	60				
<b>Total Rentable - Parking Required</b>	<b>90,960</b>	<b>95</b>	<b>171</b>	<b>Total Saleable - Parking Required</b>	<b>57,330</b>	<b>21</b>	<b>47</b>
Gross Building Area	107,100			Gross Building Area	71,400		
Subterranean Garage - Parking Built	76,000		174	Subterranean Garage - Parking Built	22,000		50
Level B1	38,000		87	Level B1	22,000		50
Level B2	38,000		87				

Option G - 45 Feet Limit Three Stories of Luxury Condos at 45 Feet Height				Option H - 45 Feet Limit Three Stories of Apartments with at 40 Feet Height with Parking Structure			
Building Description	Floor Area (SF)	Units @ 2,150 SF	Parking Spaces @ 2.1/unit	Building Description	Floor Area (SF)	Units @ 960 SF	Parking Spaces @ 1.6/unit
Land Area in SF (280 x 150)	42,000			Land Area in SF (340 x 150)	51,000		
Land Area in Acres	0.96			Land Area in Acres	1.17		
Ground Floor - 15' Height	35,700			Ground Floor - 16' Height	33,150		
Condos	25,200	12	25	Apartments	24,150	25	40
Common Areas	6,000			Common Areas	5,000		
Lobby and Vertical Circulation	1,500			Lobby and Vertical Circulation	1,000		
Parking Ramps and Mechanical	3,000			Parking Ramps and Mechanical	3,000		
Condos Second Floor - 15' Height	32,130	15	31	Apartments Second Floor - 12' Height	29,835	31	50
Condos Third Floor - 15' Height	32,130	15	31	Apartments Third Floor - 12' Height	29,835	31	50
<b>Total Saleable - Parking Required</b>	<b>57,330</b>	<b>42</b>	<b>87</b>	<b>Total Rentable - Parking Required</b>	<b>83,820</b>	<b>87</b>	<b>140</b>
Gross Building Area	71,400			Gross Building Area	99,450		
Subterranean Garage - Parking Built	38,000		87	Above Grade Parkign Structure - Parking Built	45,000		137
Level B1	38,000		87	Level A1	15,000		34
				Level A2	15,000		34
				Level A3	15,000		34
				Level A4	15,000		34

Source: Land Econ Group

Table B8

**SUMMARY OF RESIDENTIAL FEASIBILITY TESTING RESULTS**

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<b>Site Cost per SF</b>	<b>\$400 to \$420</b>		This typically includes the purchase of one story commercial property and clearing it to calculate land cost
<b>Land Residual per SF</b>			This determines the per SF land value a the project can support
Option E - 40 Feet	<b>\$128</b>	<b>Not Feasible</b>	Three level apartment building with two levels of underground parking
Option F - 30 Feet	<b>\$196</b>	<b>Not Feasible</b>	Two levels of luxury condominiums with one level of underground parking
Option G - 45 Feet	<b>\$334</b>	<b>Not Feasible</b>	Three levels of luxury condominiums with one level of underground parking
Option H - 45 Feet	<b>\$115</b>	<b>Not Feasible</b>	Three levels of rental apartments with four level above grade garage on larger site

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Source: Land Econ Group

Table B9

**FINANCIAL ANALYSIS OF HYPOTHETICAL APARTMENT DEVELOPMENT IN DOWNTOWN LOS ALTOS: THREE LEVELS OF APARTMENTS**  
 Option E - Assumes 45 Feet Height Limit with 40 Feet Building

Date: 26-Jan-17  
 ERA Project No: Los Altos

**A: Key Project Information**

Total Land Area	Acres	0.96	Number of Apt Units	95		
Total Land Area	SF	42,000	Average SF per unit	960		
Retail Space	SF	0	Monthly Rent per Unit	\$3,840		
Retail & Restaurant Rent	Per SF	\$0.00				
Office Space Net Area	SF	0	Annual Rate of Rent Increase			
Office Space Rent	Per SF	\$0.00	Retail	0.0%		
Apt Units Net Area	SF	90,960	Office	0.0%		
Apt Rent	Per SF	\$4.00	Apartments	1.5%		
Total Bldg Net Area	SF	90,960				
Total Gross Bldg Area	SF	107,100				
Parking Spaces - Structure		174	Two levels of underground garage			
Dir Bldg Const Cost	Per SF	\$232.00	Total	24,847,200		
Parking Const Cost - Under Ground	Per Space	\$40,000	Total	6,948,571		
Indirect Const Cost	Percent Dir	17.5%	Total	5,564,260		
Total Construction Cost			Total	37,360,031		
Construction Interest	Per SF	\$13.08	Total	1,401,001		
Total Project Cost	Per GSF	\$361.91	Total	38,761,033		
Amount Financed Exc Land	Percent	95.0%	Total	36,822,981		
Year Four Debt Cover Ratio		1.89				
Long Term Financing Rate		4.5%				
Terms in Years		30				
Construction Interest Rate		7.5%				
Project Capitalization Rate		5.0%				

	Effective Annual Occupancy Rate		
	Year 1	Year 2	Year 3+
Retail	0%	0%	0%
Office	0%	0%	0%
Apartments	60%	95%	95%

SUMMARY OF RESULTS	
Project Internal Rate of Return	18.0%
Residual for Land	\$5,391,477
Residual for Land Per SF	\$128

Table B9

**FINANCIAL ANALYSIS OF HYPOTHETICAL APARTMENT DEVELOPMENT IN DOWNTOWN LOS ALTOS: THREE LEVELS OF APARTMENTS**

Option E - Assumes 45 Feet Height Limit with 40 Feet Building

Date: 26-Jan-17

ERA Project No: Los Altos

**B: Operating Cash Flow**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Apartment Complex</b>														
Leaseable Square Feet		90,960	90,960	90,960	90,960	90,960	90,960	90,960	90,960	90,960	90,960	90,960	90,960	90,960
Percentage Leased		60%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Avg Lease Rate		\$4.00	\$4.06	\$4.12	\$4.18	\$4.25	\$4.31	\$4.37	\$4.44	\$4.51	\$4.57	\$4.64	\$4.71	\$4.71
Total Lease Revenue (\$1,000)		2,620	4,210	4,273	4,337	4,402	4,468	4,535	4,603	4,672	4,743	4,814	4,886	4,886
<b>Total Gross Lease Revenue (\$1,000)</b>		2,620	4,210	4,273	4,337	4,402	4,468	4,535	4,603	4,672	4,743	4,814	4,886	4,886
Less Operating Cost @ 30%		-786	-1,263	-1,282	-1,301	-1,321	-1,340	-1,361	-1,381	-1,402	-1,423	-1,444	-1,466	-1,466
<b>Total Gross Operating Revenue (\$1,000)</b>		1,834	2,947	2,991	3,036	3,082	3,128	3,175	3,222	3,271	3,320	3,370	3,420	3,420
<b>Net Operating Income (\$1,000)</b>		\$1,834	\$2,947	\$2,991	\$3,036	\$3,082	\$3,128	\$3,175	\$3,222	\$3,271	\$3,320	\$3,370	\$3,420	\$3,420
<b>Capitalized Value (\$1,000)</b>		\$36,675	\$58,940	\$59,824	\$60,721	\$61,632	\$62,557	\$63,495	\$64,447	\$65,414	\$66,395	\$67,391	\$68,402	\$68,402
Cap Value per Unit		\$387,072	\$622,057	\$631,388	\$640,859	\$650,472	\$660,229	\$670,132	\$680,184	\$690,387	\$700,743	\$711,254	\$721,922	\$721,922

**C: Financing & Return Calculation****COST & FINANCING ANALYSIS (\$1,000)****Development Cost**

Direct Bldg Construction	24,847													
Site & Parking Construction	6,949													
Indirect Construction	5,564													
Construction Interest	1,401													
<b>Total Development Cost</b>	<b>38,761</b>													

**Financing Computation**

Amount Financed	36,823													
Loan Balance		36,219	35,589	34,930	34,241	33,521	32,769	31,983	31,161	30,303	29,406	28,469	27,489	27,489
Annual Debt Service		2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261
Interest Payment		1,657	1,630	1,601	1,572	1,541	1,508	1,475	1,439	1,402	1,364	1,323	1,281	1,281
Retirement of Principal		604	631	659	689	720	752	786	821	858	897	937	980	980

**CASH FLOW ANALYSIS (\$1,000)****Revenue**

Long Term Financing	36,823													
Net Operating Income		1,834	2,947	2,991	3,036	3,082	3,128	3,175	3,222	3,271	3,320	3,370	3,420	3,420
Terminal Value (Sale Proceed Net of Debt and Commission)														38,861

**Cost**

Development	38,761													
Debt Service		2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261	2,261

**Net Cash Flow**

	-1,938	-427	686	731	775	821	867	914	962	1,010	1,059	1,109	40,020	
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Residual for Land @ IRR 18.0% \$5,391,477

Residual for Land Per SF \$128.37

Table B10

**FINANCIAL ANALYSIS OF HYPOTHETICAL LUXURY CONDOMINIUM DEVELOPMENT IN DOWNTOWN LOS ALTOS: TWO LEVELS**  
**Option F - Two Stories of Luxury Condos at 30 Feet Height**

	Total Units 21	Per Unit 2,700	Per SF	Percentage
Gross Sales Revenue	53,865,000	2,565,000	950	100.0%
Less Sales commission	(2,154,600)	(102,600)	(38)	4.0%
Less Closing Cost	(1,346,625)	(64,125)	(24)	2.5%
Warranty Reserves	(323,190)	(15,390)	(6)	0.6%
Net Sales Revenue	50,040,585	2,382,885	883	92.9%
Construction Cost				
Direct Construction	19,278,000	918,000	340	35.8%
Subterranean Parking	1,848,000	88,000	33	3.4%
Contingency	1,542,240	73,440	27	2.9%
Indirect Construction Cost	5,667,060	269,860	100	10.5%
Interest Cost	2,693,250	128,250	48	5.0%
Total Development Cost	31,028,550	1,477,550	547	57.6%
Developer's Profit	10,773,000	513,000	190	20.0%
Land Residual	8,239,035	392,335	145	15.3%
<b>Land Residual per SF</b>	<b>\$196</b>			

Source: Land Econ Group

Table B11

**FINANCIAL ANALYSIS OF HYPOTHETICAL LUXURY CONDOMINIUM DEVELOPMENT IN DOWNTOWN LOS ALTOS****Option G - Three Stories of Luxury Condos at 45 Feet Height**

	Total Units 42	Per Unit 2,200	Per SF	Percentage
Gross Sales Revenue	87,778,542	2,090,000	950	100.0%
Less Sales commission	(3,511,142)	(83,600)	(38)	4.0%
Less Closing Cost	(2,194,464)	(52,250)	(24)	2.5%
Warranty Reserves	(526,671)	(12,540)	(6)	0.6%
Net Sales Revenue	81,546,265	1,941,610	883	92.9%
Construction Cost				
Direct Construction	30,491,493	726,000	330	34.7%
Subterranean Parking	3,527,941	84,000	38	4.0%
Contingency	2,439,319	58,080	26	2.8%
Indirect Construction Cost	9,114,689	217,020	99	10.4%
Interest Cost	4,388,927	104,500	48	5.0%
Total Development Cost	49,962,370	1,189,600	541	56.9%
Developer's Profit	17,555,708	418,000	190	20.0%
Land Residual	14,028,187	334,010	152	16.0%
<b>Land Residual per SF</b>	<b>\$334</b>			

Source: Land Econ Group

Table B12

**FINANCIAL ANALYSIS OF HYPOTHETICAL APARTMENT DEVELOPMENT IN DOWNTOWN LOS ALTOS: THREE LEVELS OF APARTMENTS**  
 Option E - Assumes 45 Feet Height Limit with 40 Feet Building and 4 Level Above Grade Garage

Date: 26-Jan-17  
 ERA Project No: Los Altos

**A: Key Project Information**

Total Land Area	Acres	1.17	Number of Apt Units	87		
Total Land Area	SF	51,000	Average SF per unit	960		
Retail Space	SF	0	Monthly Rent per Unit	\$3,744		
Retail & Restaurant Rent	Per SF	\$0.00				
Office Space Net Area	SF	0	Annual Rate of Rent Increase			
Office Space Rent	Per SF	\$0.00	Retail	0.0%		
Apt Units Net Area	SF	83,820	Office	0.0%		
Apt Rent	Per SF	\$3.90	Apartments	1.5%		
Total Bldg Net Area	SF	83,820				
Total Gross Bldg Area	SF	99,450				
Parking Spaces - Structure		137	Four level above grade parking structure			
Dir Bldg Const Cost	Per SF	\$230.00	Total	22,873,500		
Parking Const Cost - Under Ground	Per Space	\$25,000	Total	3,428,571		
Indirect Const Cost	Percent Dir	17.5%	Total	4,602,863		
Total Construction Cost			Total	30,904,934		
Construction Interest	Per SF	\$11.65	Total	1,158,935		
Total Project Cost	Per GSF	\$322.41	Total	32,063,869		
Amount Financed Exc Land	Percent	95.0%	Total	30,460,676		
Year Four Debt Cover Ratio		2.05				
Long Term Financing Rate		4.5%				
Terms in Years		30				
Construction Interest Rate		7.5%				
Project Capitalization Rate		5.0%				

	Effective Annual Occupancy Rate		
	Year 1	Year 2	Year 3+
Retail	0%	0%	0%
Office	0%	0%	0%
Apartments	60%	95%	95%

SUMMARY OF RESULTS	
Project Internal Rate of Return	18.0%
Residual for Land	\$5,843,077
Residual for Land Per SF	\$115

Table B12

**FINANCIAL ANALYSIS OF HYPOTHETICAL APARTMENT DEVELOPMENT IN DOWNTOWN LOS ALTOS: THREE LEVELS OF APARTMENTS**

Option E - Assumes 45 Feet Height Limit with 40 Feet Building and 4 Level Above Grade Garage

Date: 26-Jan-17  
ERA Project No: Los Altos**B: Operating Cash Flow**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Apartment Complex</b>														
Leaseable Square Feet			83,820	83,820	83,820	83,820	83,820	83,820	83,820	83,820	83,820	83,820	83,820	83,820
Percentage Leased			60%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Avg Lease Rate			\$3.90	\$3.96	\$4.02	\$4.08	\$4.14	\$4.20	\$4.26	\$4.33	\$4.39	\$4.46	\$4.53	\$4.59
Total Lease Revenue (\$1,000)			2,354	3,783	3,839	3,897	3,955	4,015	4,075	4,136	4,198	4,261	4,325	4,390
<b>Total Gross Lease Revenue (\$1,000)</b>			2,354	3,783	3,839	3,897	3,955	4,015	4,075	4,136	4,198	4,261	4,325	4,390
Less Operating Cost @ 30%			-706	-1,135	-1,152	-1,169	-1,187	-1,204	-1,222	-1,241	-1,259	-1,278	-1,297	-1,317
<b>Total Gross Operating Revenue (\$1,000)</b>			1,648	2,648	2,687	2,728	2,769	2,810	2,852	2,895	2,939	2,983	3,027	3,073
<b>Net Operating Income (\$1,000)</b>			\$1,648	\$2,648	\$2,687	\$2,728	\$2,769	\$2,810	\$2,852	\$2,895	\$2,939	\$2,983	\$3,027	\$3,073
<b>Capitalized Value (\$1,000)</b>			\$32,951	\$52,956	\$53,750	\$54,556	\$55,374	\$56,205	\$57,048	\$57,904	\$58,772	\$59,654	\$60,549	\$61,457
Cap Value per Unit			\$377,395	\$606,506	\$615,603	\$624,837	\$634,210	\$643,723	\$653,379	\$663,179	\$673,127	\$683,224	\$693,472	\$703,874

**C: Financing & Return Calculation****COST & FINANCING ANALYSIS (\$1,000)****Development Cost**

Direct Bldg Construction		22,874												
Site & Parking Construction		3,429												
Indirect Construction		4,603												
Construction Interest		1,159												
Total Development Cost		32,064												

**Financing Computation**

Amount Financed		30,461												
Loan Balance			29,961	29,440	28,894	28,325	27,729	27,107	26,457	25,777	25,067	24,325	23,550	22,740
Annual Debt Service			1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870
Interest Payment			1,371	1,348	1,325	1,300	1,275	1,248	1,220	1,191	1,160	1,128	1,095	1,060
Retirement of Principal			499	522	545	570	595	622	650	679	710	742	775	810

**CASH FLOW ANALYSIS (\$1,000)****Revenue**

Long Term Financing		30,461												
Net Operating Income			1,648	2,648	2,687	2,728	2,769	2,810	2,852	2,895	2,939	2,983	3,027	3,073
Terminal Value (Sale Proceed Net of Debt and Commission)														36,874

**Cost**

Development		32,064												
Debt Service			1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870	1,870

**Net Cash Flow**

		-1,603	-222	778	817	858	899	940	982	1,025	1,069	1,113	1,157	38,077
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Residual for Land @ IRR 18.0% \$5,843,077

Residual for Land Per SF \$114.57

Table B13  
KEY ASSUMPTIONS FOR HYPOTHETICAL HOTEL DEVELOPMENT IN DOWNTOWN LOS ALTOS

Option E - 45 Feet Limit Three Stories of Hotel with at 40 Feet Height				Option F - 30 Feet Limit Two Stories of Hotel at 30 Feet Height			
Building Description	Floor Area (SF)	Units @ 550 SF	Parking Spaces @ 1.0/unit	Building Description	Floor Area (SF)	Units @ 540 SF	Parking Spaces @ 0.9/unit
Land Area in SF (280 x 150)	42,000			Land Area in SF (280 x 150)	42,000		
Land Area in Acres	0.96			Land Area in Acres	0.96		
Ground Floor - 16' Height	35,700			Ground Floor - 15' Height	35,700		
Hotel Rooms (Including Hallways)	18,200	33	33	Hotel Rooms (Including Hallways)	22,000	41	37
Common Areas/Meeting Rooms	10,000			Common Areas/Meeting Rooms	7,500		
Lobby and Vertical Circulation	4,500			Lobby and Vertical Circulation	3,200		
Parking Ramps and Mechanical	3,000			Parking Ramps and Mechanical	3,000		
Apartments Second Floor - 12' Height	32,130	58	58	Condos Second Floor - 15' Height	32,130	60	54
Apartments Third Floor - 12' Height	32,130	58	58				
<b>Total Units - Parking Required</b>	<b>82,460</b>	<b>150</b>	<b>150</b>	<b>Total Units - Parking Required</b>	<b>54,130</b>	<b>100</b>	<b>90</b>
Gross Building Area	107,100			Gross Building Area	71,400		
Subterranean Garage - Parking Built	76,000		174	Subterranean Garage - Parking Built	40,000		91
Level B1	38,000		87	Level B1	40,000		91
Level B2	38,000		87				

Source: Land Econ Group

Table B14

**SUMMARY OF RESIDENTIAL FEASIBILITY TESTING RESULTS**

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<b>Site Cost per SF</b>	<b>\$400 to \$420</b>		This typically includes the purchase of one story commercial property and clearing it to calculate land cost
<b>Land Residual per SF</b>			This determines the per SF land value a the project can support
Option J-Hotel at 40 Feet	<b>\$361</b>	<b>Not Feasible</b>	Three level hotel with two levels of underground parking at 150 units
Option K-Hotel at 30 Feet	<b>\$224</b>	<b>Not Feasible</b>	Two levels of hotels with one level of underground parking at 100 units

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Source: Land Econ Group

Table B15

**FINANCIAL ANALYSIS OF LOS ALTOS DOWNTOWN HOTEL - THREE STORIES OR 40 FEET****PROJECT INFORMATION**

Land Area	Acres	0.96		
Land Parcel Area	SF	42,000		
Number of Units	Units	150		
Parking Spaces	Spaces	150		
Average Room Size	SF	550	Includes hallways	
Total Room Area	SF	82,460	Includes hallways	
Common Area	SF	17,500		
Gross Building Area	SF	99,960		
Initial Year's Eff Room Rate		\$295.00		
Annual Room Rate Increase		2.0%		
Dir Bldg Const Cost	Per SF	\$235.00	Total	\$23,490,600
Parking Const Cost	Per Space	\$40,000	Total	\$5,997,091
Indir Const Cost	Percent Dir	17.5%	Total	\$5,160,346
Furniture, Fixture & Equipment	Per Unit	\$45,000	Total	\$6,746,727
Total Cost Before Const Interest	Per Unit	\$276,099	Total	\$41,394,764
Construction Interest	Per Unit	\$12,839	Total	\$1,924,857
Total Project Cost	Per Unit	\$288,938	Total	\$43,319,621
Amount Financed Exc Land	Percent	95%	Total	\$41,153,640
Year Four Debt Cover Ratio		2.263		
Long Term Financing Rate		4.50%		
Terms in Years		30		
Construction Interest Rate		7.5%		
Project Capitalization Rate		5.50%		

**SUMMARY OF RESULTS**

<b>Project Internal Rate of Return</b>	<b>18.0%</b>
<b>Residual for Land</b>	<b>\$15,143,707</b>
<b>Residual for Land Per SF</b>	<b>\$360.56</b>

Table B15

## FINANCIAL ANALYSIS OF LOS ALTOS DOWNTOWN HOTEL - THREE STORIES OR 40 FEET

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>OPERATING ANALYSIS (Revenue &amp; Expenses in \$1,000)</b>														
Project Completion Percentage		30%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Number of Units Completed				149,927	149,927	149,927	149,927	149,927	149,927	149,927	149,927	149,927	149,927	149,927
Occupancy Rate				52.0%	65.0%	69.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%
Average Effective Room Rate				\$295.00	\$300.90	\$306.92	\$313.06	\$319.32	\$325.70	\$332.22	\$338.86	\$345.64	\$352.55	\$359.60
Room Nights Sold				28,456	35,570	37,759	39,401	39,401	39,401	39,401	39,401	39,401	39,401	39,401
<b>Hotel Revenue</b>														
Room Revenue				8,395	10,703	11,589	12,335	12,581	12,833	13,090	13,351	13,619	13,891	14,169
Food & Beverage Revenue				2,686	3,425	3,708	3,947	4,026	4,107	4,189	4,272	4,358	4,862	4,959
Garage & Misc.				714	910	985	1,048	1,069	1,091	1,113	1,135	1,158	1,181	1,204
Hotel Retail				294	375	406	432	440	449	458	467	477	486	496
Total Revenue				12,088	15,412	16,688	17,762	18,117	18,480	18,849	19,226	19,611	20,420	20,828
<b>Departmental Expenses</b>														
Room				2,518	3,211	3,129	3,084	3,145	3,208	3,272	3,338	3,405	3,473	3,542
Food & Beverage				2,256	2,877	2,967	3,079	3,140	3,203	3,267	3,333	3,399	3,792	3,868
Garage & Misc.				400	509	552	587	599	611	623	636	648	661	674
Hotel Retail				191	243	264	281	286	292	298	304	310	316	322
Total Departmental Expenses				5,365	6,841	6,911	7,030	7,171	7,314	7,460	7,610	7,762	8,242	8,407
<b>Unallocated Expenses</b>														
General & Administrative				967	1,233	1,252	1,243	1,268	1,294	1,319	1,346	1,373	1,429	1,458
Marketing				725	925	918	888	906	924	942	961	981	1,021	1,041
Management Fee				363	462	501	533	544	554	565	577	588	613	625
Utilities				423	539	584	622	634	647	660	673	686	715	729
Property Operation & Maintenance				423	539	584	622	634	647	660	673	686	715	729
Total Unallocated Expenses				2,901	3,699	3,838	3,908	3,986	4,066	4,147	4,230	4,314	4,492	4,582
<b>Cash Flow Before Fixed Charges</b>				3,822	4,873	5,939	6,824	6,961	7,100	7,242	7,387	7,534	7,685	7,839
<b>Fixed Charges</b>														
Property Taxes				497	512	527	543	559	576	593	611	629	648	668
Insurance				124	128	132	136	140	144	148	153	157	162	167
Replacement Reserve				121	308	334	533	544	554	565	577	588	613	625
Total Fixed Charges				742	948	992	1,211	1,242	1,274	1,307	1,340	1,375	1,423	1,459
<b>Net Operating Income</b>				3,080	3,925	4,946	5,613	5,718	5,826	5,935	6,046	6,160	6,262	6,380
<b>Capitalized Value</b>				55,997	71,360	89,932	102,051	103,969	105,921	107,909	109,932	111,992	113,861	115,991

Table B15

## FINANCIAL ANALYSIS OF LOS ALTOS DOWNTOWN HOTEL - THREE STORIES OR 40 FEET

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>OPERATING RATIOS (Percentage of Total Revenue Except for Departmental Expenses)</b>														
<b>Hotel Revenue</b>														
Room Revenue			69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	68.0%	68.0%
Food & Beverage Revenue			22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	23.8%	23.8%
Garage & Misc.			5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.8%	5.8%
Hotel Retail			2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total Revenue			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Departmental Expenses (Expressed as Percentage of Departmental Revenue)</b>														
Room			30.0%	30.0%	27.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Food & Beverage			84.0%	84.0%	80.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%
Garage & Misc.			56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%
Hotel Retail			65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Total Departmental Expenses (As Percentage of Total Revenue)			44.4%	44.4%	41.4%	39.6%	39.6%	39.6%	39.6%	39.6%	39.6%	39.6%	40.4%	40.4%
<b>Unallocated Expenses</b>														
General & Administrative			8.0%	8.0%	7.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Marketing			6.0%	6.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Management Fee			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities			3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Property Operation & Maintenance			3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Total Unallocated Expenses			24.0%	24.0%	23.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
<b>Cash Flow Before Fixed Charges</b>			31.6%	31.6%	35.6%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	37.6%	37.6%
<b>Fixed Charges</b>														
Property Taxes			4.1%	3.3%	3.2%	3.1%	3.1%	3.1%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%
Insurance			1.0%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Replacement Reserve			1.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Fixed Charges			6.1%	6.1%	5.9%	6.8%	6.9%	6.9%	6.9%	7.0%	7.0%	7.0%	7.0%	7.0%
<b>Net Operating Income</b>			25.5%	25.5%	29.6%	31.6%	31.6%	31.5%	31.5%	31.4%	31.4%	31.4%	30.7%	30.6%



Table B16

**FINANCIAL ANALYSIS OF LOS ALTOS DOWNTOWN HOTEL - TWO STORIES STORIES OR 30 FEET**

**PROJECT INFORMATION**

Land Area	Acres	0.96		
Land Parcel Area	SF	42,000		
Number of Units	Units	100		
Parking Spaces	Spaces	91		
Average Room Size	SF	540	Includes hallways	
Total Room Area	SF	54,130	Includes hallways	
Common Area	SF	13,700		
Gross Building Area	SF	67,830		
Initial Year's Eff Room Rate		\$285.00		
Annual Room Rate Increase		2.0%		
Dir Bldg Const Cost	Per SF	\$235.00	Total	\$15,940,050
Parking Const Cost	Per Space	\$40,000	Total	\$3,657,143
Indir Const Cost	Percent Dir	17.5%	Total	\$3,429,509
Furniture, Fixture & Equipment	Per Unit	\$45,000	Total	\$4,510,833
Total Cost Before Const Interest	Per Unit	\$274,714	Total	\$27,537,535
Construction Interest	Per Unit	\$12,774	Total	\$1,280,495
Total Project Cost	Per Unit	\$287,488	Total	\$28,818,030
Amount Financed Exc Land	Percent	95%	Total	\$27,377,129
Year Four Debt Cover Ratio		2.190		
Long Term Financing Rate		4.50%		
Terms in Years		30		
Construction Interest Rate		7.5%		
Project Capitalization Rate		5.50%		

<b>SUMMARY OF RESULTS</b>	
<b>Project Internal Rate of Return</b>	<b>18.0%</b>
<b>Residual for Land</b>	<b>\$9,426,826</b>
<b>Residual for Land Per SF</b>	<b>\$224.45</b>

Table B16  
**FINANCIAL ANALYSIS OF LOS ALTOS DOWNTOWN HOTEL - TWO STORIES STORIES OR 30 FEET**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>OPERATING ANALYSIS (Revenue &amp; Expenses in \$1,000)</b>														
Project Completion Percentage		30%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Number of Units Completed				100.24074	100.24074	100.24074	100.24074	100.24074	100.24074	100.24074	100.24074	100.24074	100.24074	100.24074
Occupancy Rate				52.0%	65.0%	69.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%
Average Effective Room Rate				\$285.00	\$290.70	\$296.51	\$302.44	\$308.49	\$314.66	\$320.96	\$327.38	\$333.92	\$340.60	\$347.41
Room Nights Sold				19,026	23,782	25,246	26,343	26,343	26,343	26,343	26,343	26,343	26,343	26,343
<b>Hotel Revenue</b>														
Room Revenue				5,422	6,913	7,486	7,967	8,127	8,289	8,455	8,624	8,797	8,973	9,152
Food & Beverage Revenue				1,735	2,212	2,395	2,550	2,601	2,653	2,706	2,760	2,815	3,140	3,203
Garage & Misc.				461	588	636	677	691	705	719	733	748	763	778
Hotel Retail				190	242	262	279	284	290	296	302	308	314	320
Total Revenue				7,808	9,955	10,779	11,473	11,702	11,937	12,175	12,419	12,667	13,190	13,453
<b>Departmental Expenses</b>														
Room				1,627	2,074	2,021	1,992	2,032	2,072	2,114	2,156	2,199	2,243	2,288
Food & Beverage				1,458	1,858	1,916	1,989	2,028	2,069	2,110	2,153	2,196	2,450	2,498
Garage & Misc.				258	329	356	379	387	395	402	411	419	427	436
Hotel Retail				123	157	170	181	185	189	192	196	200	204	208
Total Departmental Expenses				3,466	4,419	4,464	4,541	4,632	4,724	4,819	4,915	5,014	5,324	5,430
<b>Unallocated Expenses</b>														
General & Administrative				625	796	808	803	819	836	852	869	887	923	942
Marketing				468	597	593	574	585	597	609	621	633	659	673
Management Fee				234	299	323	344	351	358	365	373	380	396	404
Utilities				273	348	377	402	410	418	426	435	443	462	471
Property Operation & Maintenance				273	348	377	402	410	418	426	435	443	462	471
Total Unallocated Expenses				1,874	2,389	2,479	2,524	2,575	2,626	2,679	2,732	2,787	2,902	2,960
<b>Cash Flow Before Fixed Charges</b>				2,469	3,147	3,836	4,408	4,496	4,586	4,678	4,771	4,867	4,964	5,063
<b>Fixed Charges</b>														
Property Taxes				330	340	351	361	372	383	395	406	419	431	444
Insurance				83	85	88	90	93	96	99	102	105	108	111
Replacement Reserve				78	199	216	344	351	358	365	373	380	396	404
Total Fixed Charges				491	625	654	796	816	837	858	881	903	935	959
<b>Net Operating Income</b>				1,977	2,523	3,182	3,612	3,680	3,749	3,819	3,891	3,963	4,029	4,105
<b>Capitalized Value</b>				35,952	45,869	57,859	65,680	66,911	68,165	69,441	70,740	72,063	73,262	74,629

Table B16

## FINANCIAL ANALYSIS OF LOS ALTOS DOWNTOWN HOTEL - TWO STORIES STORIES OR 30 FEET

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>OPERATING RATIOS (Percentage of Total Revenue Except for Departmental Expenses)</b>														
<b>Hotel Revenue</b>														
Room Revenue				69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	68.0%	68.0%
Food & Beverage Revenue				22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	23.8%	23.8%
Garage & Misc.				5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.8%	5.8%
Hotel Retail				2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total Revenue				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Departmental Expenses (Expressed as Percentage of Departmental Revenue)</b>														
Room				30.0%	30.0%	27.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Food & Beverage				84.0%	84.0%	80.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%
Garage & Misc.				56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%
Hotel Retail				65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Total Departmental Expenses (As Percentage of Total Revenue)				44.4%	44.4%	41.4%	39.6%	39.6%	39.6%	39.6%	39.6%	39.6%	40.4%	40.4%
<b>Unallocated Expenses</b>														
General & Administrative				8.0%	8.0%	7.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Marketing				6.0%	6.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Management Fee				3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities				3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Property Operation & Maintenance				3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Total Unallocated Expenses				24.0%	24.0%	23.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
<b>Cash Flow Before Fixed Charges</b>				31.6%	31.6%	35.6%	38.4%	38.4%	38.4%	38.4%	38.4%	38.4%	37.6%	37.6%
<b>Fixed Charges</b>														
Property Taxes				4.2%	3.4%	3.3%	3.1%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%
Insurance				1.1%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Replacement Reserve				1.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Fixed Charges				6.3%	6.3%	6.1%	6.9%	7.0%	7.0%	7.1%	7.1%	7.1%	7.1%	7.1%
<b>Net Operating Income</b>				25.3%	25.3%	29.5%	31.5%	31.4%	31.4%	31.4%	31.3%	31.3%	30.5%	30.5%

Table B16

## FINANCIAL ANALYSIS OF LOS ALTOS DOWNTOWN HOTEL - TWO STORIES STORIES OR 30 FEET

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>PRE FINANCING CASH FLOW ANALYSIS (\$1,000)</b>														
<b>Cost</b>														
Development Cost		8,261	19,276											
<b>Revenue</b>														
Net Operating Income				1,977	2,523	3,182	3,612	3,680	3,749	3,819	3,891	3,963	4,029	4,105
Net Proceed From Sale														71,644
<b>Net Cash Flow</b>		(8,261)	(19,276)	1,977	2,523	3,182	3,612	3,680	3,749	3,819	3,891	3,963	4,029	75,749
<b>Residual for Land @ IRR</b>	15.0%	<b>\$2,700</b>												
<b>AFTER FINANCING CASH FLOW ANALYSIS (\$1,000)</b>														
<b>Financing Computation</b>														
Loan Balance			27,377	26,928	26,459	25,969	25,457	24,922	24,363	23,779	23,168	22,530	21,863	21,166
Annual Debt Service				1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681
Interest Payment				1,232	1,212	1,191	1,169	1,146	1,121	1,096	1,070	1,043	1,014	984
Retirement of Principal				449	469	490	512	535	559	584	611	638	667	697
<b>Cost</b>														
Development Cost		8,261	19,276											
Costruction Interest		186	1,095											
Debt Service				1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681
<b>Revenue</b>														
Borrowing		4,957	22,420	0										
Net Operating Income				1,977	2,523	3,182	3,612	3,680	3,749	3,819	3,891	3,963	4,029	4,105
Net Proceed from Sale														50,478
<b>Net Cash Flow</b>		(3,490)	2,049	297	842	1,502	1,932	1,999	2,068	2,139	2,210	2,283	2,349	52,902
<b>Residual for Land @ IRR</b>	18.0%	<b>\$9,427</b>												
<b>Residual for Land Per SF</b>		<b>\$224.45</b>												

Table B17

**SITE ACQUISITION COST FOR RETAIL PROPERTY**

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Address	City	Land Area SF	Retail Bldg SF	Estimated Price	Land Price per SF
284 Moffett Boulevard	Mt View	10,000	3,000	\$3,950,000	\$395.00
389 First Street	Los Altos	9,750	3,140	\$4,000,000	\$410.26

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Source: LoopNet