



STAFF REPORT

City Council

Meeting Date:

9/29/2026

Staff Report Number:

26-163-CC

Study Session:

Receive presentation and update on financial review of downtown development proposals for Parking Plazas 1, 2 and 3 and provide direction on next steps in the process, including Surplus Land Act exemption process and evaluation criteria

Recommendation

Staff recommends that the City Council receive a presentation and update on the financial review of three proposals for development on downtown Parking Plazas 1, 2 and 3, and provide feedback and direction to staff on next steps, including the Surplus Land Act exemption process and desired factors for a final comprehensive evaluation of the proposals to inform the selection of a preferred development team.

Policy Issues

The potential redevelopment of City-owned downtown parking plazas with housing, replacement parking, and other related uses involves a number of policy considerations, including:

1. **Housing production and affordability:** The General Plan Housing Element commits to meeting the City's assigned Regional Housing Needs Allocation (RHNA) of 2,946 new dwelling units, with an emphasis on creating 1,662 of those units affordable to households at the moderate- and lower-income levels. The downtown parking plazas were identified in Housing Element program H4.G (Prioritize Affordable Housing on City-Owned Parking Lots Downtown) as an opportunity to make progress toward these goals.
2. **Equitable community development:** Creating affordable housing downtown aligns with Housing Element goals to create mixed-income neighborhoods and provide housing opportunities for all income levels, particularly moderate- and lower-income households, in walkable high-resource areas near public transit.
3. **Downtown vitality and parking:** The existing parking plazas play a role in supporting downtown businesses and visitors. Any redevelopment should consider the balance between new housing and an adequate supply of public parking to enhance economic vitality and downtown vibrancy, consistent with the City Council's current priorities for fiscal year 2026-27.

Background

The City's 2023-2031 Housing Element includes eight City-owned downtown parking plazas as potential sites for housing development, identified as sites #9/9a, #10, and #14 through #19 (hereinafter the "parking plazas"). The parking plazas were projected to have capacity for at least 345 affordable housing units based on rezoning of the parking plaza sites as a part of the Housing Element rezonings and based

on applicable development standards. Program H4.G, which sets forth the policies regarding redevelopment of the parking plazas, enables the City to meet its RHNA and Affirmatively Furthering Fair Housing (AFFH) obligations. AFFH obligations stem from federal and state legislation that requires jurisdictions to take meaningful actions to combat discrimination, overcome patterns of segregation, and foster inclusive communities free from barriers that restrict access to housing opportunities.

In August 2025, the City Council provided feedback on a draft request for proposals (RFP) for development on Parking Plazas 1, 2, and 3 and authorized staff to release the RFP. The RFP (Attachment A) was released Sept. 15, 2025, with proposals due Dec. 15, 2025. The RFP included three overarching project priorities that expanded on the information requested in the request for qualifications (RFQ):

- Minimum 345 residential units affordable to households earning 15% to 80% of area median income (AMI);
- Replacement of at least 556 parking spaces for public use, to be financed and constructed by the developer without expectation of City financial contributions; and
- Consistency with all applicable City development standards and regulations to enhance the resident experience and livability of the development.

The RFP also specified a priority to ensure that at least 80% of the property is developed with housing, and at least 40% of the housing units are affordable to households with incomes at or below 60% of AMI, with half of those units affordable to households with incomes at or below 50% of AMI to meet the requirements of Government Code Section 37364 and qualify as exempt surplus land under the Surplus Land Act (SLA), which would be addressed at a later stage in the selection process. In addition, the RFP noted that finalists may be invited to participate in interviews and/or a community open house prior to selection.

Three development teams submitted RFP responses: Alliant Communities (Alliant), Presidio Bay Ventures (Presidio Bay), and Related California/Alta Housing (Related/Alta). On June 2, the City Council received presentations from the three development teams on their proposals and conducted a question-and-answer session with the development teams. The City Council also directed staff to initiate an independent financial review by a qualified consultant to evaluate the three proposals and outline potential mechanisms to fund new parking facilities downtown.

A complete project timeline with additional background information and documents is available on the City's project webpage (Attachment B). A table comparing key aspects of the three proposals is provided as Attachment C.

Analysis

The City retained Strategic Economics to conduct an independent financial review of the three proposals for downtown development on Parking Plazas 1, 2 and 3 and outline mechanisms and strategies for funding new parking facilities. The financial review (Attachment D) considers the pro forma assumptions, financing, and feasibility of each proposal; indicates potential risks and uncertainties; provides a high-level comparative analysis of the proposals; and outlines potential strategies to address gaps in project funding. This staff report provides an overview of the general findings in the report for transparency and awareness of key issues ahead of a future City Council discussion on next steps in the selection process. No City

Council action regarding the financial review is required.

Because the three proposals are based on conceptual designs and initial assumptions, the costs, funding sources, and other aspects of any selected proposal could change over time as project designs and plans advance. As a result, the findings below are described in general terms. The three proposals also differ substantially in their proposed programs and approaches to financing development on the parking plazas. For that reason, a comparison of the proposals is primarily qualitative and relies on certain generalized assumptions to arrive at a basic “apples-to-apples” comparison. Below is a high-level overview of the major findings of the financial review, followed by a brief summary discussion of the benefits and risks of each proposal.

Pro forma assumptions

Affordable housing development costs assumed in Alliant and Presidio Bay proposals are generally within the range of similar affordable housing developments recently constructed in San Mateo County. The Related/Alta proposal includes estimates on the conservative (higher cost) side, but the use of prevailing wage across the project and high-rise (Type 1) construction for one of the three buildings (i.e., nine stories) may help explain some of the higher estimated costs. Rent assumptions for affordable income-restricted units in each proposal are generally consistent with published San Mateo County affordable rent limits as of 2025, when the proposals were prepared.

Funding gaps

The financial review found that each proposal included a significant funding gap. Even with the City-owned land leased for development at a nominal cost, all three proposals show a substantial difference between the proposed funding sources and revenues and the total cost of the development. The size of the gap varies, with \$19-20 million at the low end for the Alliant and Related/Alta proposals and \$45 million at the high end for the Presidio Bay proposal. To fill the gap, each proposal seeks City assistance, soft debt from unidentified sources such as quasi-public agencies and philanthropic institutions, other unidentified funding sources, or some combination of the above. Requested City assistance varies by proposal and includes a range of subsidies such as impact fee deferrals, municipal fee waivers, redirected community benefits from other projects, or direct City contributions toward constructing public parking facilities. Closing the funding gaps may require identification of additional funding sources, City financial support, modifications to the project priorities (such as changes to desired affordability levels), or a mix of approaches.

Benefits and risks by proposal

According to the financial review, each proposal presents its own combination of benefits and risks, as summarized below in alphabetical order. Additional analysis is provided in the Strategic Economics memo (Attachment D).

Alliant

The Alliant proposal is a 100% affordable project that would generally use a combination of conventional loans and traditional affordable housing financing, such as grants and tax credit programs. Each of its three phases would compete separately for state funding, which could create a risk if funding programs and availability change from phase to phase. Replacement public parking would be provided incrementally as phases are completed. Alliant intends to include the costs of the replacement parking in its applications

for state affordable housing funding. The review notes that the nearly \$20 million funding gap for the project is proposed to be filled by an approximately \$10 million impact fee deferral from the City and \$10 million in soft debt, which is typically a more flexible source than traditional conventional loans and is often issued by public or philanthropic agencies and may have low or zero percent interest rates. These are frequently used tools for financing affordable housing in partnership with local governments. If granted affordable housing funding, the cost of replacement parking may be partially covered by those funds. Otherwise, the project financing gap could increase.

Presidio Bay

The Presidio Bay proposal envisions a workforce housing development with 60% of units affordable to middle-income households (100% of AMI) and 40% of units affordable to the upper range of low-income households (80% of AMI). The proposal does not specify whether the middle-income units are intended to be deed-restricted, and clarification is recommended in advance if the City were to select this proposal so that middle-income units would not become less affordable over time. The proposal also addresses a different affordability mix than the RFP requested, which would require a different SLA exemption or process than the one previously identified by the City and confirmed as acceptable by HCD. The issue is further discussed in the Next Steps section of this report. The development is proposed to be financed with conventional sources of market rate equity and debt and would not be subject to risks associated with competing for limited affordable housing funding. However, the proposal relies heavily on City contributions to fund the replacement parking, including waivers of City all development fees (including impact, planning, and permitting fees), diversion of expected community benefits from the future USGS project toward downtown development, and/or a direct City subsidy of up to \$15 million to close the estimated \$45 million development gap.

Related/Alta

The Related/Alta proposal would deliver the largest number of housing units of any of the three proposals, with 500 units proposed. It would pair an affordable component with 346 units with a market-rate building (154 units) intended to assist in subsidizing the remainder of the project. As a result, it could also be a complex project to finance and construct, since it is exposed to the risks of both competitive affordable housing financing sources and the private market. The market-rate component anticipates rental rates at the high end of other comparable developments, but if successful it could provide more cross-subsidy toward the development of affordable housing and replacement parking, subject to negotiation with the City. The proposal claims it would deliver the replacement parking first, but it does not clearly indicate how the garage would be financed ahead of other project phases. The project has a funding gap of approximately \$19 million without specific sources identified to close it.

Strategies to close funding gaps

The financial review identifies several tools for the City to consider that could assist in closing the funding gaps identified in each proposal:

- Reduction of the replacement parking requirement to contribute to improved financial feasibility of all three proposals;
- Use of parking demand management techniques to address downtown parking demands;
- Reduction in affordable housing goals for units serving below 60% AMI to generate higher rent revenues to offset project costs;
- Establishment of a parking benefit district and buildout of parking payment infrastructure to provide

- parking revenue, which would be realized over a long period of time;
- Formation of an enhanced infrastructure financing district (EIFD), which relies on dedicating a share of incremental property tax revenues generated by new development in a defined district and use of the revenue to pay for infrastructure like parking facilities; and
- Consideration of a local sales tax measure to pay for local infrastructure projects, which could include a downtown garage.

Many of these tools would require separate future City Council actions, new infrastructure, and/or approval by voters. Certain revenue-based tools, such as paid parking, may take many years to generate sufficient funds to support new infrastructure and would likely need to be paired with other funding sources or financing options. Additional tools may be available, subject to additional research and evaluation.

City Council direction on next steps

As a next step, staff proposes to return to the City Council with a comprehensive evaluation of the proposals to aid in selection of a preferred development team. At the study session, staff is requesting feedback and direction from the City Council on two considerations:

1. Compliance with the SLA, including differing exemption and process pathways available to the proposals based on their proposed affordability levels; and
2. Factors to include in the final evaluation of the proposals preceding the selection stage.

Surplus Land Act exemptions and potential process changes

The SLA requires local agencies to prioritize affordable housing, as well as parks and open space, when disposing of “surplus land.” The purpose of the SLA is to ensure that local agencies take initial steps to make public land available for affordable housing before disposing of the land for other non-affordable housing purposes. To accomplish this, the SLA imposes on local agencies the requirement that land owned by it be designated as “surplus land” or “exempt surplus land” before the property is disposed of (i.e., before a sale or lease of land for more than 15 years). In order to meet the SLA mandates and potentially pursue disposition of the parking plazas, the City must designate the parking plazas as “surplus land” or “exempt surplus land.”

“Exempt surplus land” is surplus land that is formally declared exempt from the public notice and bidding requirements under the SLA because it meets one or more criteria under the SLA to qualify for an exemption. The public notice and bidding requirements for non-exempt surplus lands mandate that before disposing of land, a public agency must give written notice of the availability (NOA) of the surplus land to any local public entity with jurisdiction over the area and to certified “housing sponsors” that have notified HCD of their interest in surplus land, with additional notice required where the land is located within an infill opportunity zone or a transit village plan area. The agency must also send a notice of availability for open-space purposes to the park and recreation departments of the city and county, any regional park authority with jurisdiction, and the Natural Resources Agency; a notice to any school district with jurisdiction where the land is located; and, where the land is located within an infill opportunity zone or a transit village plan area, a notice to the applicable local jurisdictions (Government Code Section 54222(a)-(d).) Those entities then have 60 days from the date of the NOA to notify the local agency in writing of interest in the property (Government Code Section 54222(e).) After the local agency receives a notice of interest, it must begin negotiations to determine the sales price or lease terms of the surplus land (Government Code Section 54223(a).) The public agency must negotiate in good faith, but if no

agreement on terms or price is reached after a good faith negotiation period of at least 90 days, the public agency can initiate negotiations with any other entity/buyer (Government Code Section 54223(a).)

The SLA includes 19 categories of land that are considered “exempt surplus land.” Among these categories is “surplus land that is transferred pursuant to Sections 25539.4 or 37364 [of the Government Code]” (Government Code Section 54221(f)(1)(A).) The RFP included a project priority that described the affordability criteria necessary to qualify for the SLA exemption under Government Code Section 37364. The specific criteria are that at least 80% of the property would be developed with housing, and at least 40% of the housing units would be affordable to households with incomes at or below 60% AMI, with half of those units affordable to households with incomes at or below 50% of AMI. The City shared a draft SLA declaration with HCD that would utilize the proposed exemption and received confirmation that the draft declaration was acceptable.

Of the three proposals, two appear designed to meet the exemption criteria: Alliant and Related/Alta. The Presidio Bay proposal addresses a different affordability mix than the RFP requested. As a result, the Presidio Bay proposal would need to qualify for a different SLA exemption. One possible exemption is found in Government Code Section 54221(f)(1)(G), which requires that the land is put out for open competitive bid with notice to any local public entity with jurisdiction over the area and to all housing sponsors that have notified HCD of their interest in surplus land, and the land will be developed as housing or a mixed-use development that is larger than one acre and less than 10 acres in size, will include at least 300 units, and will restrict at least 25% of the units for occupancy by households making 80% of AMI or less, with an affordable sales price or affordable rent for a defined period of 45-55 years depending on whether the units are for-sale or rentals.

However, the City would need to confirm a draft exemption declaration with HCD prior to any future City Council action that would result in entering exclusive negotiations with Presidio Bay. HCD has up to 30 days from receipt of a draft SLA exemption declaration to review and provide comments or approval to a jurisdiction. A local agency is not permitted to sell or lease property until HCD issues a confirmation notice. Otherwise, without an SLA exemption the lease of any of the downtown parking plazas would be subject to the SLA for non-exempt surplus land, which mandates a different disposition process (see discussion above) from the process for exempt surplus land. The non-exempt surplus land selection process would effectively start anew under the state criteria and could delay or restrict the City’s ability to ensure that the Housing Element Program H4.G requirements could be met, including the number of units and the range of affordability levels provided in a development.

Given the differing approaches to complying with the SLA and the potential risks of seeking a different SLA exemption path, staff is asking for City Council direction on whether to proceed with a comprehensive evaluation of all three proposals, to prepare a draft SLA exemption declaration under Government Code Section 54221 for the Presidio Bay proposal and return with the comprehensive evaluation of all three proposals after receiving confirmation from HCD, or whether to remove the Presidio Bay proposal from consideration and bring forward an evaluation that only analyzes the Alliant and Related/Alta proposals.

Comprehensive evaluation factors

Staff intends to include the following factors in the comprehensive evaluation of the proposals:

- Compliance with Housing Element Program H4.G requirements, including additional credit toward

proposals that provide a greater number of extremely low-, very low-, low-, and moderate-income units, or commit to make a percentage of the units preferential for people with special needs;

- Responsiveness to RFP project priorities, including provision of at least 345 housing units serving a mix of extremely low-income to low-income households (15% to 80% AMI); inclusion of public parking at a minimum one-to-one replacement ratio; ability to qualify for a SLA exemption; and creation of a design consistent with applicable City development standards, including green and sustainable development practices;
- Consideration of RFP development objectives, including maximization of the number of affordable housing units, income mix, unit type mix, special needs housing, design and amenities, ground floor activation, project timeline, construction phasing and impact management approach, and other objectives;
- Community feedback and survey results from the May open house;
- Additional community and City Council concerns discussed during the process, such as use of prevailing wage labor; long-term property management and maintenance; and amenities, services, and protections to enhance and ensure a quality resident experience; and
- Results of the financial review, including pro forma assumptions, financing sources, feasibility of each proposal, financing gaps, and potential benefits and risks.

Prior to preparing the comprehensive evaluation, staff requests feedback from the City Council on any additional topics or modifications to the proposed list of evaluation topics.

Updated tentative schedule

The following table provides an update to the tentative project schedule, assuming the current selection process proceeds and the original SLA exemption is pursued. Use of a different SLA exemption would result in an extended timeline prior to City Council consideration of a SLA resolution.

Table 1: Updated tentative schedule		
Date/Sequential timing	Activity/Action	Details
Late October 2026 at the earliest	City Council meeting	Direction on preferred proposal
30-45 days	City Council meeting	Adoption of SLA resolution
1 day	Notification to HCD	Provide resolution to state and complete required 30-day period before entering into exclusive negotiating agreement (ENA)
45-60 days	City Council meeting	Approve ENA
60-120 days	Planning Commission meeting	General Plan conformity determination required by SLA; recommendation on disposition and development agreement (DDA)
30-90 days	City Council meeting	Approve DDA

Citizen initiative

In May 2025, Menlo Park residents filed a notice of intent to circulate an initiative petition regarding the downtown parking plazas. The measure has qualified for the Nov. 3 general election ballot and is referred to as Measure P. The initiative would require voter approval before the City could take certain actions that

would diminish the availability, access, or convenience of public parking for downtown customers, workers, and visitors. City staff will continue to evaluate progress in the tentative schedule and potential impacts of the ballot measure, if approved by voters, and provide updates to the City Council as necessary.

Impact on City Resources

The independent financial review was completed as part of a \$59,000 contract with Strategic Economics to conduct the financial review and analysis of the three proposals, evaluate parking facilities funding sources and strategies, and suggest construction mitigation measures to assist existing downtown businesses. The contract is below the \$125,000 amount budgeted for the financial review and related tasks. Aside from the financial review, other tasks in the contract have not yet been completed and would continue to advance as the project progresses.

The project will continue to require staff time to evaluate proposals, provide ongoing project management, and conduct community outreach. Future phases of the project could also require resources to negotiate agreements with any selected development team and/or complete other specialized aspects of the project.

Environmental Review

This action is not a “project” within the meaning of Section 15378 of the California Environmental Quality Act (CEQA) Guidelines and in any event, is exempt under the “common sense” exemption in CEQA Guidelines Section 15061(b)(3) because it will not result in any direct or indirect physical change in the environment. Any future development proposal that is selected through the disposition process may require environmental review, which could be fully or partially covered by the Housing Element Update Subsequent Environmental Impact Report certified by the City Council Jan. 31, 2023, through Resolution No. 6808.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting. In addition, information about the meeting was included on the project webpage, email notifications to subscribers, and the City’s Weekly Digest email.

Attachments

- A. Hyperlink – RFP for Development on Downtown Parking Plazas 1, 2 and 3:
www.menlopark.gov/files/sharedassets/public/v/1/community-development/documents/development-downtown-parking/downtown-parking-plazas-rfp_0925.pdf
- B. Hyperlink – Project webpage: www.menlopark.gov/downtowndevelopment
- C. RFP comparison summary table
- D. Strategic Economics Financial Review of Development Proposals Memorandum

Report prepared by:
Tom Smith, Principal Planner

Report reviewed by:

Deanna Chow, Community Development Director

Mary Wagner, Assistant City Attorney

Summary of Responses to RFP for Development on Downtown Parking Plazas ("Sites") 1, 2 and 3			
Features	Alliant Communities	Presidio Bay Ventures	Related California & Alta Housing
DEVELOPMENT TEAM PARTNERS	Community Revitalization & Development Corporation (CRDC), Lowney Architecture, Kamangar Consulting, R3 Studios, Cox Castle, LT Strategic Communications, Partner Energy, RJC Group, Millennium Design & Consulting, CONCORE Development Group, Solari Enterprises, LifeSTEPS	Pacific Housing, Inc. (PHI), David Baker Architects	PYATOK architecture + urban design, GLS Landscape Architects, BKF Engineering
HOUSING UNITS			
Site 1	167 family units (7 stories)	171 family units (7 stories)	126 affordable senior units (8 stories) + 154 market-rate units (7 stories)
Site 2	60 senior units (5 stories)	93 family units (7 stories)	120 family units (7 stories)
Site 3	118 family units (7 stories)	83 family units (6 stories)	100 family units (9 stories)
Total	345 units	347 units	500 units
AFFORDABILITY LEVELS	100% affordable housing between 15-80% AMI*, averaging 55% AMI; 57% of units at or below 60% of AMI	100% affordable housing at 80-120% AMI* geared towards workforce professionals	Mixed-income approach with 346 affordable units between 30-60% AMI* + 154 market rate units
UNIT MIX	Studios, 1-beds, 2-beds, and 3-beds	Studios, 1-beds, 2-beds, and 3-beds	Studios, 1-beds, 2-beds, and 3-beds
PUBLIC PARKING SPACES			
Site 1	300 garage spaces	101 garage spaces	0 garage spaces
Site 2	0 spaces	0 garage spaces	0 garage spaces
Site 3	256 garage spaces	455 garage spaces	574 garage spaces
Total	556 garage spaces	556 garage spaces	574 garage spaces
RESIDENTIAL PARKING SPACES			
Site 1	81 garage spaces	150 garage spaces	198 garage spaces
Site 2	32 garage spaces	64 garage spaces	30 garage spaces
Site 3	69 garage spaces	44 garage spaces	25 garage spaces
Total	182 garage spaces	258 spaces	253 garage spaces
SHARED PARKING SPACES	Shared parking strategies may be incorporated where feasible, following additional analysis and outreach	-	-
ACTIVE STREETFRONTS & OPEN SPACES			
Site 1	- Active frontages on Oak Grove Ave. and Maloney Ln.	- Open space on Oak Grove Ave. - Active frontage on Maloney Ln. and adjacent to open space on Oak Grove Ave. - Courtyard for residents	- Active frontage on Oak Grove Ave. - Plaza along Maloney Ln.
Site 2	- Pocket park on Chestnut St. - Active frontage on Oak Grove Ave., including lobby entrance and amenity space	- Active frontages on Crane St., Oak Grove Ave. and Chestnut St. - Courtyards for residents	- Public open space on Chestnut St. - Active frontage on Oak Grove Ave. - Paseo behind building on "Oak Grove Plaza" right of way
Site 3	- Public open space on Crane St. - Active frontage on University Dr. and adjacent to open space, including lobby entrances, bicycle parking, and amenities	- Open space on Crane St. - Active frontages adjacent to Crane St. open space - Courtyards for residents	- Public open space on Crane St. - Active frontage on University Dr.
SUSTAINABILITY HIGHLIGHTS	- LEED Silver certification minimum - Zero waste management plan - Active transportation plan - All-electric buildings - EV charging infrastructure	- All-electric buildings - Rooftop solar array - EV charging infrastructure - Active mobility and transportation features	- All-electric buildings - Solar arrays - Water efficient design - Energy efficient and dark sky lighting
PHASING APPROACH	Housing and structured parking construction staggered to maximize downtown parking, from 2028-2031	Initial Phase: 455 public parking stalls, housing and open space on Site 3 Secondary Phase(s): Residential structures and second open space on Sites 1 and 2	Initial Phase: Site 3 public parking garage Secondary Phase(s): Residential structures in increments of 60-120 units
COMPLETION TIMELINE	Construction 2028-2031, leasing 2030-2032	Construction through approximately 2032	Construction through approximately 2032
GENERAL EXPERIENCE & CAPACITY	Founded in 2020; three other projects under construction in Los Angeles with total of 700+ units; combined development team has collective experience with 1,000+ affordable housing communities	Multiple examples of mixed-income and mixed-use development experience in San Francisco and the Bay Area	Partnership leverages Related Companies' scale (20,700 units completed/under construction) with Alta's local experience (800+ units in the area); Related has developed 1,300+ units in San Mateo and Santa Clara Counties; recently partnered on Mountain View parking lot redevelopment
FINANCIAL STRATEGY			
Menlo Park experience	Sheridan Apartments (320 Sheridan Dr.)	Springline	-
	Potential funding includes Affordable Housing and Sustainable Communities (AHSC) program, federal and state bond and tax credits, county NOFAs, City impact fee loan, private financing; each building as separate tax-credit financed project; pre-development soft costs funded by Alliant	Potential funding includes conventional construction debt, equity from investors, and private institutional equity, supplemental capital commitments through discretionary contributions and impact fees related to USGS redevelopment	Potential funding includes 4% low-income housing tax credits, private permanent debt, with other local and state funding such as AHSC, state tax credits, project-based vouchers, CalHFA Middle Income Program, and market-rate housing land proceeds towards funding replacement parking
Replacement public parking funding	No request from City indicated	\$15 million contribution by City, with suggestion of partial funding through impact fees generated through USGS redevelopment project	Capital contribution of \$5-10 million by developer from market-rate housing, potential use of infill infrastructure grants, collaboration with City on strategy that could include revenue-backed City bonds
COMMUNITY ENGAGEMENT & MANAGEMENT	Multiple forms of outreach, including one-on-one meetings, small group discussions, and workshops with multiple opportunities for feedback throughout the process; experienced in construction phase communication strategies, including project websites, timely notifications, and social media outreach	Extensive stakeholder identification, early one-on-one meetings, focus groups, town hall meetings, and community workshops; details commitment to local business inclusivity and outreach; communication during construction through mitigation plan and multiple communication touchpoints	Proposes community participation plan, early one-on-one meetings with stakeholders, dialogue through multiple channels, and relationship-building; local examples of gathering community support through transparent engagement with local businesses and residents
PROPOSED CITY RESPONSIBILITIES	- Timely review of entitlements and coordination with City departments and external agencies as needed - City loan of impact fees, to be repaid with interest - Long-term ground lease or disposition consistent with RFP - Facilitating public parking transitions during construction - Flexibility around construction scheduling to help minimize downtown impacts	- Waive all impact, planning and permitting fees - Financial contribution to construction of parking garage - Form enhanced infrastructure financing district (EIFD) or other tax-increment financing mechanism to fund garage - Waive property taxes during construction	- Bond issuer for parking garage - Provide mutually agreed disposition terms - Coordination for planning and permitting reviews - Cooperation in securing financing as necessary from various government sources and grant programs

September 2026 version

* 2025 area median income is \$130,600 for a single person, or \$186,600 for a family of four



MEMORANDUM

To: Tom A. Smith, Principal Planner

From: Dena Belzer, President; Jake Cummings, Senior Associate; Malia Wing, Associate

Date: September 24, 2026

Project: City of Menlo Park Downtown Parking Plazas Redevelopment

Subject: Financial Review of Development Proposals

INTRODUCTION

In 2024, the City of Menlo Park (City) began the solicitation process to identify a potential developer to deliver 345 affordable housing units on up to three City-owned downtown surface parking lots. In developing these parking plazas, the City seeks to implement part of its 2023-2031 Housing Element and help meet Menlo Park's Regional Housing Needs Allocation (RHNA) requirement of 2,946 new dwelling units.

Following an initial request for qualifications (RFQ), the City invited six developers to submit more detailed development proposals. Of these, the City received submissions from three development teams: Alliant Communities (Alliant), Presidio Bay Ventures (Presidio Bay), and a team composed of Related California and Alta Housing (Related/Alta). As part of the review process that followed, the City retained Strategic Economics in August 2026 to conduct a financial evaluation of the three development proposals to include the following:

- A detailed review of each development proposal and its accompanying pro forma, evaluating the pro forma assumptions, financing structures, phasing, and overall financial feasibility;
- An evaluation of risks or uncertainties in each proposal;
- A comparative analysis of the three development proposals, including an assessment of each proposal's alignment with the priorities outlined in the City's Request for Proposal (RFP) and a discussion of key issues for continued consideration; and
- Alternative approaches to publicly financing the replacement of a portion of the parking spaces currently available in the three parking plazas with some form of parking garage.

Development Site Information

The development sites include Parking Plazas 1, 2 and 3 – three non-contiguous City-owned parcels north of Santa Cruz Avenue in downtown Menlo Park. The Parking Plazas range in area from 0.56 acres (Plaza 2) to 2.28 acres (Plaza 1) with a combined total of 5.83 acres. All three sites are currently used as surface parking, totaling 556 spaces that are generally offered free to the public for the first three hours.

City Objectives for Development

In its Request for Proposals (RFP) issued in September 2025¹, the City identified the following priorities for development on the combined sites:

- Create a minimum of 345 housing units serving a mix of extremely low-income and low-income households (15% to 80% AMI);
- Ensure that at least 80% of the property is developed with housing, and at least 40% of the housing units are affordable to households with incomes at or below 60% of AMI, with half of those units affordable to households with incomes at or below 50% of AMI;
- Provide at least 556 parking spaces (a one-to-one parking replacement ratio), integrated within the development or as standalone structure(s), and able to be constructed by the developer without financial contributions from the City;
- Design a development consistent with applicable City development and design standards that enhance the resident experience and livability of the Downtown area by providing such features as active building entries and frontages, open space, parking, the use of sustainable building practices and green building materials, and landscaping;

The RFP specifies that the City will lease the parking plaza land at a nominal fee as an incentive to support the financial feasibility of any proposed development but does not intend to offer any additional incentives or financial contribution. This approach to the property disposition assumed that without land costs, the development proposals would generate sufficient returns to cross-subsidize the decreased revenues associated with deed-restricted affordable housing units and the cost of replacing the 556 public parking spaces.

Precedents in San Mateo County

The City's approach to developing its surface parking as a public/private partnership has at least two recent precedents in San Mateo County:

- **Kiku Crossing.** The City of San Mateo partnered with the developer Mid-Pen Housing to develop 225 units of affordable housing and a parking garage with 525 publicly-accessible spaces completed in 2025. The City of San Mateo contributed two downtown surface parking lots via a nominal ground lease as well as \$12.5 million to the project.
- **Wheeler Plaza.** In 2009, the City of San Carlos used a similar approach to developing a downtown parking plaza. As a for-sale project, the City of San Carlos sold the parking lot for \$1.00 and in exchange, a private developer built 109 condominiums, approximately 10,000 square feet of ground floor commercial space, and a two-level 252 space public parking garage offering up to two hours of free parking.

¹ City of Menlo Park Request for Proposals, Development on Downtown Parking Plazas 1, 2, and 3, Issued September 15, 2025.

Memo Organization

The remainder of this memo consists of the following sections:

- **Review of Development Proposals:** This section evaluates each development proposal, including a review of pro forma assumptions against area averages or industry standard values, the proposed financing structure, and the financing and delivery of replacement parking.
- **Comparative Analysis and Findings:** This section assesses how each proposal aligns with the City-identified goals and priorities and provides a discussion of key issues for further consideration.
- **Potential Strategies to Address Remaining Feasibility Gaps.** This section discusses both financing tools the City could use to assist with the parking replacement costs, and other ways that replacement parking costs could be further offset by reducing parking demand. However, this memo does not directly address any issues related to parking demand as this topic is being addressed through a separate City study.

The memo also includes the following appendices, which provide additional background and supporting information:

- Appendix A: State Affordable Housing Financing Sources
- Appendix B: Glossary of Terms
- Appendix C: Development Cost Assumptions

REVIEW OF DEVELOPMENT PROPOSALS

As mentioned in the introduction, the City received proposals from three development teams: Alliant, Presidio Bay, and Related/Alta. The residential and parking programs for each proposal are shown in Figure 1. As this figure shows, the three development teams took very different approaches to addressing the City's development objectives. The three proposals include a varied mix of unit counts, unit sizes and affordability levels. All three proposals provide at least 556 replacement parking spaces, although in different configurations, in addition to parking which serves the residential units. Given the range of development concepts and financing structures, the financial review of the proposals includes the following limiting conditions:

- Because the proposals employ only conceptual designs and preliminary assumptions, the City should understand that the actual parameters of any final transaction structure will be different than these initial proposals. For example, project construction costs will need to be revised once more detailed designs have been completed and the relevant contractors have prepared actual cost estimates.
- Owing to each proposal's significantly different approach to the development and its financing, Strategic Economics could only evaluate the financial strengths, risks, and tradeoffs of the proposals qualitatively.

- Because each proposal presents the financial information in a significantly different way, Strategic Economics made certain rough-order-of-magnitude assumptions to approximate an “apples-to-apples” comparison. These assumptions are explained in the below review as appropriate.

FIGURE 1: MARKET RATE AND AFFORDABLE UNITS AND PARKING PROGRAM BY DEVELOPMENT PROPOSAL

	Alliant	Presidio Bay	Related/Alta
Total Residential Units	345	347	500
Market Rate / On-site Management	5	-	157
Middle-Income (100% of AMI)	-	207	-
Lower-income (less than 80% of AMI)	340	140	343
Total Parking Spaces	738	814	827
Residential / Staff Parking			
Parking Format	Building Podiums	Building Podiums	Building Podiums
Number of Spaces	182	258	253
Public Parking (Replacement)			
Parking Format	Building Podiums	Dedicated Garage + Building Podium	Dedicated Garage
Number of Spaces	556	556	574

Sources: Alliant Communities, Presidio Bay, and Related California and Alta Housing, 2025-2026; Strategic Economics, 2026.

PRO FORMA ASSUMPTIONS

Strategic Economics validated the development costs, revenues, and, where appropriate, developer return in each proposal’s pro forma, as described below.

- **Development Costs** were compared with information collected from a series of interviews with multifamily developers active in San Mateo County. For affordable developments, which tend to have a different cost structure than market rate developments (see Appendix C), Strategic Economics compared overall reported costs to the average cost of similar, recent affordable developments in San Mateo County submitted to the California Tax Credit Allocation Committee.
- **Revenues** include market rents and income-restricted rents. Strategic Economics compared market rent assumptions with recently built rental apartments in Menlo Park. Income-restricted rent assumptions were validated against the rent limits for San Mateo County released by the California Department of Housing and Community Development (HCD).
- For conventionally financed developments, Strategic Economics reviewed the **developer return** on investment against researched minimum returns for multifamily development in San Mateo County.

FINANCING STRUCTURE

Strategic Economics also reviewed the “capital stack” or financing structure of each proposal. In addition to conventional debt and equity typically used to finance market rate multifamily development, two of the proposals included Low Income Housing Tax Credit equity and other potential State sources of affordable housing funds in their capital stacks.

Despite the three development proposals taking different approaches to project financing—which did include some internal cross subsidy for the two projects proposing either “middle-income” or market rate units—all three proposals identified a significant financial gap. Strategic Economics reviewed each proposal’s plan for closing this gap, including soft debt and various forms of City contributions.

Because all three development teams proposed to defer the developer fee, which covers developer overhead over the course of the project, Strategic Economics did not include this line item as part of the capital stack.

FINANCING AND DELIVERY OF REPLACEMENT PARKING

Finally, Strategic Economics reviewed each proposal’s approach to providing replacement parking for the three plazas and its financial feasibility. In each proposal, the market rate and affordable housing capital sources were insufficient to pay for the full cost of replacement parking, which necessitated the need for gap financing, including, in some proposals, in the form of additional City support. Following the financial review, this memorandum includes a section on alternative City strategies for filling this gap.

The remainder of this section reviews each proposal using the approach described above.

Alliant

Alliant’s proposal includes a total of 345 residential units, affordable to incomes ranging from 15 percent to 80 percent of AMI, with one residential building per site. Parking Plaza 2 is envisioned as a senior housing development. All parking in this proposal would be located in the parking podiums built for each building. Replacement parking is programmed for the podiums in Plaza 1 and Plaza 3.

FIGURE 2: RESIDENTIAL UNITS AND PARKING PROGRAM BY SITE – ALLIANT PROPOSAL

	Plaza 1	Plaza 2 (Senior Housing)	Plaza 3	Total
Total Units	167	60	118	345
On-site Management	2	1	2	
Lower-income (less than 80% of AMI)	165	59	116	
Residential Area (gsf)	180,480	53,460	131,700	365,640
Assumed Residential Construction Type	Type III	Type V	Type III	
Total Parking Spaces (Podium)	381	32	325	738
Residential Parking Spaces	81	32	69	182
Public Parking Spaces	300	0	256	556

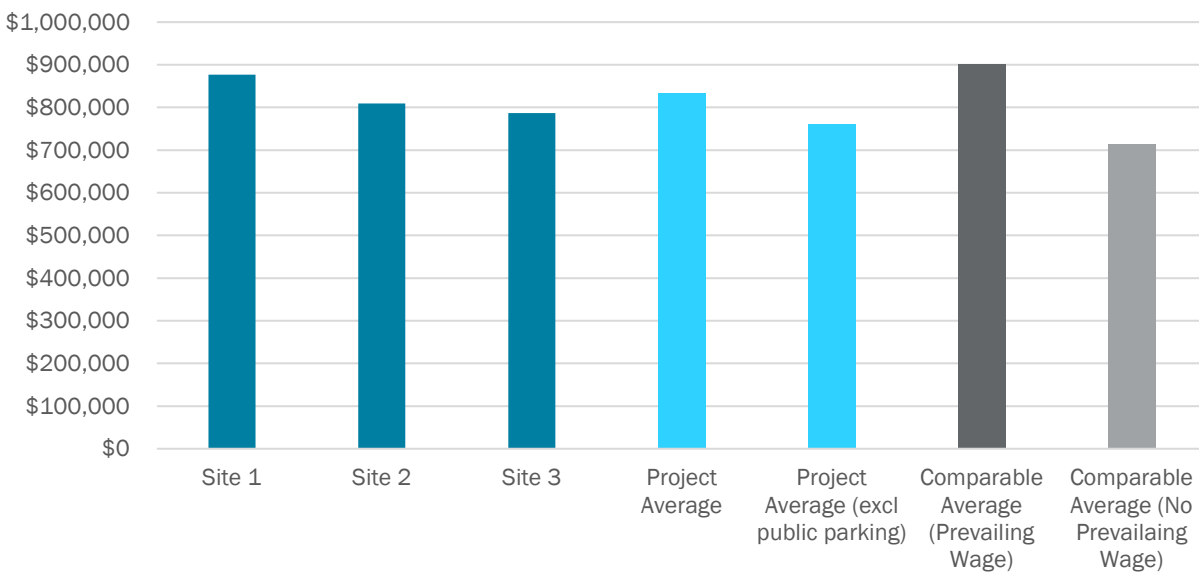
Sources: Alliant Communities, 2025-2026; Strategic Economics, 2026.

PRO FORMA ASSUMPTIONS

The cost of development is within the range of similar affordable projects in San Mateo County and consistent with Alliant’s expectation to pay prevailing wage for one of its three residential buildings. Strategic Economics compared per unit development costs in the Alliant pro forma to comparable affordable housing developments in San Mateo County that applied for tax equity funding since 2024 (Figure 3). Overall, average development costs, including the cost of including replacement parking in the building podiums, were approximately \$834,000 per unit, or eight percent lower than the average cost of comparable developments that pay prevailing wage and 17 percent higher than the average

cost of comparable developments that do not pay prevailing wage. Strategic Economics included replacement parking in the comparison because Alliant plans to include these costs in its applications for State affordable housing funding. Based on Alliant’s estimates of the portion of costs attributed to parking (see the discussion of parking costs and phasing below), the average development cost per unit drops to \$760,000 per unit, which is still within the range of costs of comparable projects.

FIGURE 3: AVERAGE DEVELOPMENT COST PER UNIT IN ALLIANT PROPOSAL COMPARED WITH RECENT AVERAGE COMPARABLE AFFORDABLE DEVELOPMENTS IN SAN MATEO COUNTY



See Appendix C for the estimation of comparable averages.

Sources: Alliant Communities, 2025-2026; Tax Credit Allocation Committee, 2024-2025; Strategic Economics, 2026.

The income-restricted rents in the proposal are consistent with the rent limits in San Mateo County. The comparison is based on the 2026 Maximum Affordable Rent Payments published by San Mateo County, which are based on income limits established by the California Department of Housing and Community Development and effective June 1, 2026.

FINANCING STRUCTURE

The majority of the Alliant proposal’s funding would come from State sources for affordable housing, including tax credit equity, an Affordable Housing Sustainable Community (AHSC) grant, and the Mixed Income Program (MIP). As shown in Figure 4, these sources constitute 63 percent of the capital stack. Alliant’s plan includes the AHSC grant only on Site 1. This appears to be a strategy to limit the need to pay prevailing wage, which is required by the AHSC program, to this phase of development in order to manage overall costs for the project. Alliant will need to compete for these State sources at each of the three phases of the project. More information about these sources of funding can be found in Appendix A.

Another 29 percent of the capital stack consists of conventional loans to be secured by the below-market income from the development.

Alliant proposes to cover the remaining \$20 million funding gap via an impact fee loan from the City and \$10 million in soft debt. These are precedented tools for financing affordable housing in partnership with local governments.

FIGURE 4: FUNDING SOURCES FOR ALLIANT PROPOSAL

	Amount	% of Total
Conventional Sources		
Debt	\$79.1M	29%
Total Conventional Sources	\$79.1M	29%
Affordable Housing Funding Sources		
Tax Credit Equity	\$132.2M	49%
AHSC	\$33.0M	12%
Mixed Income Program	\$4.0M	1%
Total A.H. Funding Sources	\$169.2M	63%
City Contributions		
Impact Fee Loan	\$9.9M	4%
Total City Contributions	\$9.9M	4%
Unidentified		
Soft Debt	\$10.0M	4%
Total Unidentified	\$10.0M	4%
Grand Total All Sources	\$268.2M	100%
Total City Contributions or Unidentified	\$19.9M	7%

Note: Amounts do not include deferred developer fees.

Sources: Proposal submitted by Alliant, 2025-2026; Strategic Economics, 2026.

FINANCING AND DELIVERY OF REPLACEMENT PARKING

In comparison to the \$20 million funding gap, Strategic Economics estimates the total cost of replacement parking to be \$30 to \$35 million. In a separate correspondence outside the proposal, Alliant estimated that including the public parking in the designs for Plaza 1 and 3 adds approximately \$25 million in construction costs in comparison to hypothetical developments that would include only the residential parking. Factoring in additional soft and financing costs associated with the public parking component, Strategic Economics estimates the total cost attributable to public parking could be \$30 million to \$35 million, a portion of which Alliant assumes could be covered by the affordable housing funding sources. The replacement parking would be delivered in two phases as the developments on Parking Plazas 1 and 3 are completed (in the year 2031 for Plaza 3 and 2032 for Plaza 1).

Presidio Bay

Presidio Bay's proposal includes 347 units, approximately the same number of units as the Alliant proposal, but these units are envisioned as workforce housing. Sixty percent of the units are priced at 100% of AMI ("middle-income") and 40 percent are at 80% of AMI (the maximum percentage for low-

income households). Presidio Bay proposes to deliver most of the replacement parking (455 spaces) in a dedicated garage on Plaza 3 in 2030, with the remainder (101 spaces) in the parking podium of Plaza 1 in 2033.

FIGURE 5: RESIDENTIAL UNITS AND PARKING PROGRAM BY SITE – PRESIDIO BAY PROPOSAL

	Site 1	Site 2	Site 3	Total
Total Units	171	93	83	347
Middle-income (100% of AMI)	102	55	50	207
Low-income (80% of AMI)	69	38	33	140
Residential Area (gsf)	237,018	126,840	90,129	453,987
Assumed Residential Construction Type	Type V	Type V	Type V	
Total Parking Spaces	251	64	499	814
Residential Parking Spaces (Podium)	150	64	44	258
Public Parking Spaces	101 (podium)	--	455 (garage)	556

Sources: Proposal submitted by Presidio Bay, 2025-2026; Strategic Economics, 2026.

PRO FORMA ASSUMPTIONS

Presidio Bay's development cost assumptions are within the range of industry-standard averages for market rate multifamily development in San Mateo County. As shown in Figure 6, the overall average development cost per residential unit is \$791,000 or approximately eight percent higher than Strategic Economics' estimate of \$734,000 for market rate, multifamily development with a parking podium. Each of the development budgets for the residential buildings was higher than Strategic Economics' estimate, particularly for the residential building on Site 3. However, considering Presidio Bay's budget for the parking garage on Site 3 is \$33 million (\$73,000 per space), or lower than Strategic Economics' estimate of \$36 million, the differences may be due to how soft and financing costs have been allocated between the components of the project.

The rent assumptions for the middle-income and low-income units in the proposal are consistent with San Mateo County rent limits. The comparison is based on the 2026 Maximum Affordable Rent Payments published by San Mateo County and based on HCD income limits.

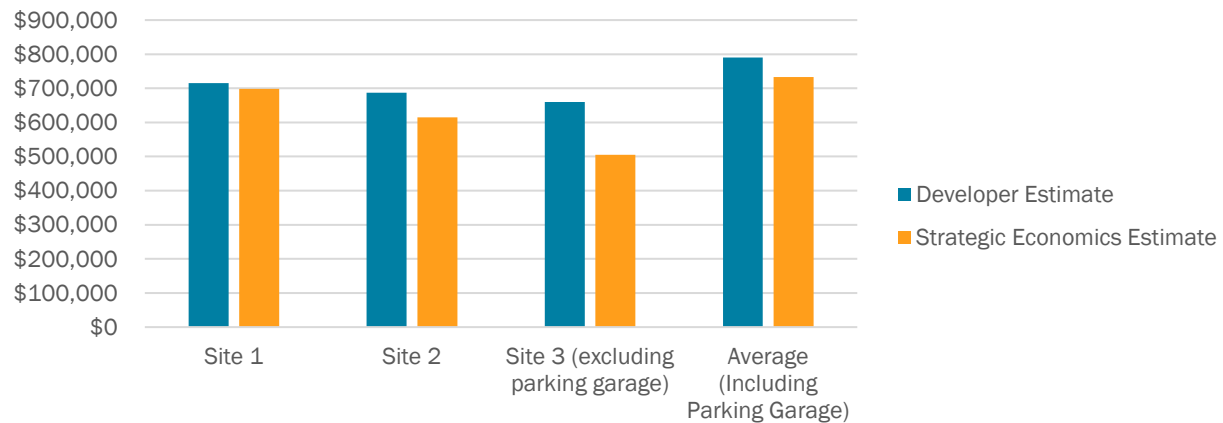
The middle-income rent assumptions are in the range of market rents in Menlo Park. Figure 7 shows monthly rents by unit type for the Presidio Bay proposal alongside other recently built, comparable market rate developments in Menlo Park. The middle-income rents in the proposal are in the same range as the market rents for Realm, Vasara, and Lume developments. However, there is also a proven market for a significantly higher priced product, as demonstrated by the rent levels at Springline. Springline serves a higher-income market segment at approximately 170% of AMI for one-bedroom units and 200% of AMI for two-bedrooms.

Because Presidio Bay did not specify whether it intended to deed-restrict the middle-income units, the City may wish to negotiate some form of guarantee regarding rent levels if it pursues this proposal's approach to the site. The City should also consider that it can be difficult to tenant deed-restricted rental units if the rents are in a similar range as the supply of competing market rate units. Currently, the City's BMR program caps rent levels at 75 percent of the market rent for a comparable unit.

Presidio Bay projects a project return below an industry average return supported by the market in San Mateo County. The proposal reports a return on cost of 4.4 percent assuming constant 2026 dollars ("untrended return"). This return is significantly lower than a typical minimum return of 6 to 6.25 percent to be feasible in the current market, according to developers active in multifamily

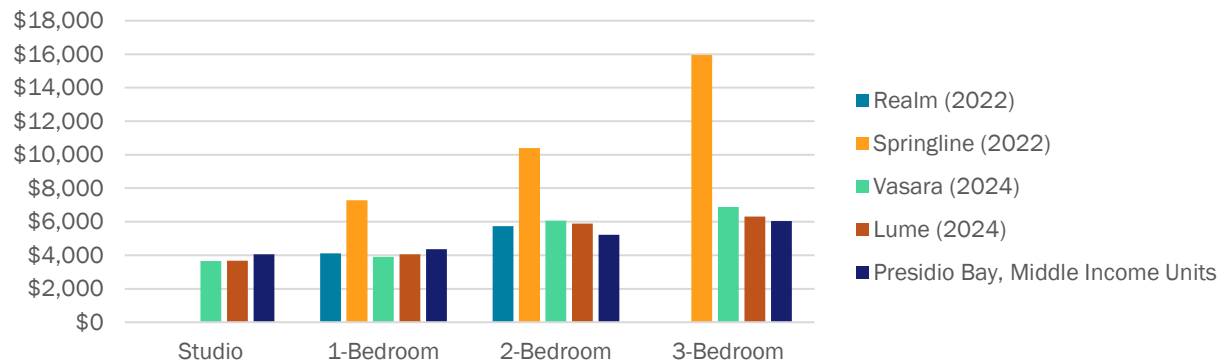
development in San Mateo County. However, this market return may or may not be operative for Presidio Bay for a variety of reasons. For example, the developer may have access to capital sources with lower return expectations.

FIGURE 6: AVERAGE DEVELOPMENT COSTS PER UNIT IN PRESIDIO BAY PROPOSAL COMPARED WITH STRATEGIC ECONOMICS ESTIMATE OF INDUSTRY AVERAGE COSTS IN SAN MATEO COUNTY



See Appendix C for details on Strategic Economics' estimates.
Sources: Presidio Bay, 2025-2026; Strategic Economics, 2026.

FIGURE 7: PRESIDIO BAY MIDDLE-INCOME MONTHLY RENT LEVELS COMPARED WITH RENTS FOR RECENTLY BUILT MULTIFAMILY DEVELOPMENTS IN MENLO PARK



Sources: Apartment Complex Websites, 2026; Presidio Bay, 2025-2026; Strategic Economics, 2026.

FINANCING STRUCTURE

Presidio Bay proposes to finance the project using conventional sources of market rate equity and debt, leaving a funding gap of approximately \$45 million. As shown in Figure 8, these conventional sources make up 85 percent of total project costs. Presidio Bay proposes to cover the remaining cost with various sources of City support, including waivers of all municipal fees (including impact fees, entitlement fees, utility fees, etc.), diverting an expected community benefit contribution from another project in Menlo Park ("USGS"), and other sources of City support that were not specified in the proposal. Because the proposal did not include estimates of waived fees, Strategic Economics

estimated the value of fee waivers to be \$20 million, which is a similar percentage of total development costs as the other two proposals.

FIGURE 8: FUNDING SOURCES FOR PRESIDIO BAY PROPOSAL

	Amount	% of Total
Conventional Sources		
Equity	\$92.7M	31%
<u>Debt</u>	<u>\$156.7M</u>	<u>53%</u>
Total Conventional Sources	\$249.4M	85%
City Contributions		
Municipal Fee Waivers*	\$20.0M	7%
<u>USGS/Other City Sources</u>	<u>\$25.0M</u>	<u>8%</u>
Total City Contributions	\$45.0M	15%
Grand Total All Sources	\$294.4M	100%

Total City Contributions or Unidentified	\$45.0M	15%
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* Estimated by Strategic Economics as approximately seven percent of the total project budget.

Note: Amounts do not include deferred developer fees.

Sources: Presidio Bay, 2025-2026; Strategic Economics, 2026.

FINANCING AND DELIVERY OF REPLACEMENT PARKING

Presidio Bay's proposal assumes a City contribution, in addition to the land, of roughly the same amount as the cost of developing the replacement parking. In comparison with the \$45 million estimated City contribution from Figure 8, Strategic Economics estimates the total development cost of the public parking to be \$41 million. This amount was calculated by applying the development cost per space for the parking garage to the additional public parking in Plaza 1.²

Most of the replacement parking (455 spaces) would be delivered with the construction of the garage on Plaza 3 in 2030, with the remainder delivered with the completion of the last phase of the project on Plaza 1 in 2033. With completion of all development in 2033, Presidio Bay's phasing plan is the most conservative of the three proposals.

Related/Alta

The Related/Alta proposal envisions the most development intensity of the three proposals. Its 500 total residential units include 346 units affordable to lower-income households (similar to the Alliant residential program) and a separate market rate residential building on Plaza 1 with 154 units. Like the Presidio Bay proposal, the Related/Alta proposal would construct a parking garage as a separate structure on Plaza 3. The parking garage in this proposal would include all the replacement public parking.

² Presidio Bay reports development costs of \$33.3 million for a parking garage with 455 spaces on Plaza 3, or approximately \$73,000 per space. Strategic Economics estimated the total cost of developing replacement parking by assuming the same per space development cost for the 101 spaces in the building podium on Plaza 1.

FIGURE 9: RESIDENTIAL UNITS AND PARKING PROGRAM BY SITE – RELATED/ALTA PROPOSAL

	Site 1 (Affordable)	Site 1 (Market)	Site 2	Site 3	Total
Total Units	126	154	120	100	500
Market Rate / On-site Management	--	154	--	--	154
Low-income (80% of AMI)	126	--	120	100	346
Residential Area (gsf)	93,576	154,859	120,462	100,930	469,827
Assumed Construction Type	Type III/Type I	Type III/Type I	Type III/Type I	Type I	
Total Parking Spaces	13	185	30	599	827
Residential Parking Spaces (Podium)	13	185	30	25	253
Public Parking Spaces (Garage)	--	--	--	574	574

Sources: Related California and Alta Housing, 2025-2026; Strategic Economics, 2026.

PRO FORMA ASSUMPTIONS

Development costs for the affordable buildings in the Related/Alta proposal are within the range of costs for affordable developments that pay prevailing wage, with overall costs significantly elevated due to the plan to use more expensive Type I construction for one of the buildings. The development team has stated its assumption of 100 percent prevailing wage in estimating costs for the development. As shown in Figure 10, the team's cost estimates for the affordable buildings average \$893,000 per unit, or just below the San Mateo County average of \$902,000 per unit for similar affordable projects that use prevailing wage. Costs range from \$752,000 per unit on Site 1 to \$1.1 million on Site 3, where the proposal includes a nine-story building utilizing the necessary Type I construction for a building of this height.

Development costs for the market rate building are 10 percent higher than Strategic Economics' estimates and are 12 percent higher for the public parking garage. Strategic Economics independently estimated the development costs for the market rate building and the parking garage. Even accounting for the higher construction costs associated with paying prevailing wage, Related/Alta's cost estimates are somewhat conservative.

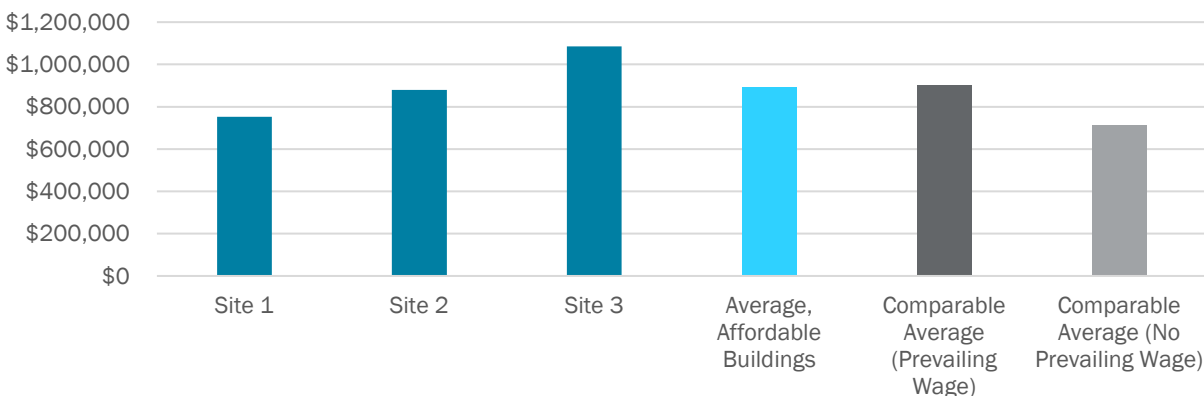
The rent assumptions for the low-income units in the proposal are consistent with San Mateo County rent limits. The comparison is based on the 2026 Maximum Affordable Rent Payments published by San Mateo County and based on HCD income limits.

The rent assumptions for the market rate units are in the higher range of market rents for new, multifamily development in Menlo Park. As shown in Figure 11, the assumed rents in the proposal are significantly higher than each of the comparable multifamily developments except Springline, which demonstrates a precedent for a premium rental product. In a separate correspondence, Related stated that their market rate offerings typically include enhanced amenities and service packages that are fine-tuned later in the design process.

The pro forma developer return for the market rate building is sufficiently high to cross-subsidize the remainder of the project. The return on cost for the market rate development, assuming no land cost, is 7.4 percent, compared with a minimum return for many multifamily developers in San Mateo County of 6 to 6.25 percent in the current market. Related/Alta propose to redirect \$5 to \$10 million in value generated from the project to subsidize the affordable units and public parking garage—this amount would reduce the expected return on the market rate project to approximately seven percent. Given

this return remains above a market rate minimum return, there may be opportunities for a higher level of cross subsidy to help fill the funding gap for the balance of the project.

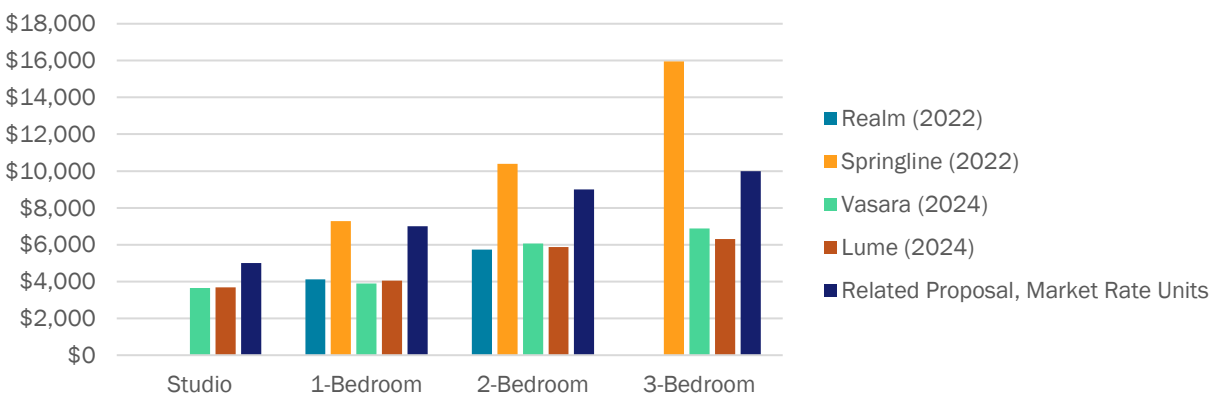
FIGURE 10: AVERAGE DEVELOPMENT COST PER UNIT IN RELATED / ALTA PROPOSAL COMPARED WITH RECENT AVERAGE COMPARABLE AFFORDABLE DEVELOPMENTS IN SAN MATEO COUNTY



See Appendix C for calculation of comparable averages.

Sources: Related California and Alta Housing, 2025-2026; California Tax Credit Allocation Committee, 2024-2025; Strategic Economics, 2026.

FIGURE 11: RELATED/ALTA MONTHLY MARKET RATE RENT ASSUMPTIONS COMPARED WITH RENTS FOR RECENTLY BUILT MULTIFAMILY DEVELOPMENTS IN MENLO PARK



Sources: Apartment Complex Websites, 2026; Related California and Alta Housing, 2025-2026; Strategic Economics, 2026.

FINANCING STRUCTURE

The Related/Alta proposal assumes conventional debt and equity financing for the market rate portion with an opportunity to cross-subsidize the affordable housing and public parking portion of the project. The debt and equity raised for the market rate building is budgeted to include \$7.5 million in land costs, with the assumption that this amount can be redirected to the other components of the project if the City contributes the land.

Similar to the Alliant proposal, the affordable housing component of the Related/Alta project relies on conventional debt combined with State affordable housing funding sources, although the State sources represent a larger portion of the overall financing structure than Alliant. The State funding sources constitute 83 percent of the capital stack and include tax credit equity, AHSC funds, and an infill infrastructure grant to fund a portion of the parking garage. This proposal appears to require a higher level of affordable housing funding than Alliant's proposal, for two reasons. First, the Related/Alta team assumed prevailing wage requirements on 100 percent of the project versus Alliant's proposal to pay prevailing wage on one of its three buildings. Costs are further elevated by the inclusion of a nine-story building requiring Type I construction, which is significantly more expensive than Type III or Type V construction.

The Related/Alta proposal includes a funding gap of approximately \$19 million. The proposal did not include a specific source of gap funding.

FIGURE 12: FUNDING SOURCES FOR RELATED/ALTA PROPOSAL

	Amount		% of Total	
	Market Rate Building	Affordable Housing and Public Parking	Market Rate Building	Affordable Housing and Public Parking
Conventional Sources				
Equity	\$65.7M		49%	0%
Debt	<u>\$68.4M</u>	<u>\$32.5M</u>	<u>51%</u>	<u>9%</u>
Total Conventional Sources	\$134.1M	\$32.5M	100%	9%
Cross-Subsidy from Market Rate Development		\$7.5M		2%
Affordable Housing Funding Sources				
Tax Credit Equity		\$160.8M		45%
AHSC		\$105.0M		30%
Infill Infrastructure Grant		<u>\$28.7M</u>	-	<u>8%</u>
Total A.H. Funding Sources		\$294.5M		83%
Unidentified				
Gap Source		<u>\$19.2M</u>	-	<u>5%</u>
Total Unidentified		\$19.2M		5%
Grand Total All Sources	\$134.1M	\$353.7M	100%	100%
Total City Contributions or Unidentified	\$19.2M		4%	

Note: Amounts do not include deferred developer fees.

Sources: Proposal submitted by Presidio Bay, 2025-2026; Strategic Economics, 2026.

FINANCING AND DELIVERY OF REPLACEMENT PARKING

The Related/Alta proposal assumes an aggressive timeline for delivering the parking structure in early 2029. This would be the first phase of construction, with the remaining buildings phased in over four years and completed in 2032.

As the first phase of construction, it is unclear how the capital will be raised for the public parking garage. The Related/Alta proposal estimates the parking garage will cost \$54 million, or \$95,000 per space in total development costs, assuming prevailing wage. Of this amount, approximately half is assumed to be funded by Infill Infrastructure Grants. IIG is no longer an active program accepting new applications, but funding for infill infrastructure may be renewed if Proposition 1 passes in November. Further, replacement parking not associated with transit is not ordinarily eligible for funding, but Related/Alta believe it would be approved if the parking is a condition of City's approval for the affordable projects. In addition to the \$19.2 million in gap funding, the proposal would require an additional \$7.5 million from developer equity raised for the market rate building. Because construction of the market rate building would not occur until a later phase, it appears a financing mechanism would be needed to deploy this cross-subsidy in the first phase, in which the parking garage is to be developed.

COMPARATIVE ANALYSIS AND FINDINGS

This section includes a comparative economic analysis of the three proposals with a summary of the key issues the City should consider in selecting a development team. Figure 13 shows a matrix of key factors to consider, including, for each proposal, a rating for its performance meeting the City's primary goals for the project, proposed City and developer contributions, and Strategic Economics' assessment of key areas of potential project risk as described below.

- **Development complexity** is generally associated with a higher risk of delay over the course of a project. Development complexity might arise from having relatively more buildings or development intensity, additional phases and contingencies from one phase to the next, or other characteristics that create potential sources of delay. Of the three proposals, the Related/Alta proposal includes the most structures and the highest development intensity.
- **Market risk** refers to risks associated with the local real estate market. The Related/Alta proposal has the highest market risk because it assumes elevated market rents that are supported by today's conditions but may not be supported in any future downturn.
- **Financing risk** refers to the ability to obtain financing for the project. With conventional sources of debt and equity financing, a major source of risk includes rising interest rates. The higher cost of capital and return thresholds that result from higher interest rates can impact the viability of a project. For affordable housing funding sources, risk arises from the competition for limited funds. For the Alliant and Related/Alta proposals, each phase of the affordable projects (each affordable building) must re-apply for funding, which represents a risk of delay at each phase. In addition, the value of tax credits, even if secured successfully, is influenced by certain economic factors and fluctuates over time. Overall, Strategic Economics believes that these factors make affordable housing funding more uncertain than conventional financing. Because the Presidio Bay proposal includes only conventional sources, it was rated with the lowest financing risk. Alliant, which relies mostly on affordable sources, was rated at a medium risk level. The Related/Alta proposal, which includes both sources of capital and a larger overall budget, was rated with the highest financing risk.

FIGURE 13: SUMMARY OF PROJECT PERFORMANCE, CITY AND DEVELOPER CONTRIBUTIONS, AND PROJECT RISK

	Alliant	Presidio Bay	Related / Alta
Performance on City's goals			
Meets affordability goals	yes	partial	yes
Commits to prevailing wage	1 of 3 bldgs	no	yes
Replaces 100% of public parking	yes	yes	yes
Expected delivery of replacement parking	phased (2030-2032)	most in 2030	fastest (2029)
Proposed City and Developer Contributions			
Assumes City contributes land	yes	yes	yes
Assumes additional City contribution or funding gap	\$20m	\$45m	\$19m
Deferred developer fee	yes	yes	yes
Opportunities for cross-subsidy	no	some	highest
Project Risk			
Development complexity	medium	medium	highest*
Market risk	no	some	highest*
Financing risk	medium	low	highest*

Key

Most favorable attribute
Somewhat favorable attribute
Least favorable attribute

* See further discussion below regarding how this risk might be offset.
Source: Strategic Economics, 2026.

Issues for Further Consideration

Because the three development projects are very different, they offer a range of opportunities and potential challenges that cannot be captured simply with a review of their financial feasibility or the comparison of the projects' development programs. The discussion below addresses these factors as issues for further consideration for each development proposal.

ALLIANT

The Alliant proposal offers the opportunity to approach the site as a 100% affordable housing project that is not subject to real estate market or capital market conditions.

- State funds for affordable housing are currently limited, but the passage of a state housing bond (Proposition 1) in November would significantly improve the project's chances of obtaining the necessary funding.
- Because each phase of its project must apply for funding individually, this proposal's financing risk is distributed across the three phases.

- Although Alliant’s proposal has a funding gap, there may be sources to fill the gap other than the City. Soft debt could come from sources outside the City, and the terms of the impact fee loan would be negotiable.
- The replacement parking would be delivered in three phases upon the completion of each building between 2030 to 2032 and would be distributed across the three sites.
- Alliant relies on tax credits to pay a portion of the replacement parking, for which there is no clear precedent.

PRESIDIO BAY

The Presidio Bay proposal offers the opportunity to meet some of the City’s goals while avoiding the risks and complexity associated with securing affordable housing funds.

- While conventional sources of financing do require the support of both real estate and capital market conditions, this approach to financing is significantly less complex than assembling the capital for an affordable development.
- Without access to affordable housing sources of funding, Presidio Bay’s proposal is left with the largest gap to fill for delivery of replacement parking, an estimated \$45 million. The developer proposes to divert an expected community benefits contribution from another project, waive municipal fees, and requires an additional City contribution of \$10 million.
- The City would only achieve 140 units towards the goal of 345 units for lower-income households, without the depth of affordability provided in the competing proposals.
- The middle-income units in the proposal do not provide a higher level of affordability compared with market rate units in the current market, although deed-restricting the units would help guarantee long-term affordability.

RELATED / ALTA

The Related/Alta proposal presents an approach that combines the benefits and risks of both an affordable development with the value proposition and market risks of a market rate development.

- The Related/Alta proposal performs best on the City’s key goals for the site.
- The proposal is also the most complex project to build and finance and would be subject to the full range of risks associated with both affordable housing and conventional sources of capital.
- Although Related may present the most downside risk, it also has the potential to generate the most value from its market rate development, assuming market support. Assumptions about costs are conservative and the projected returns are sufficient to generate the most value that can be used to cross-subsidize the remainder of the project. However, achieving these upside benefits might require significant negotiations and could result in project delay.
- The proposal is unclear about how the parking garage would be funded as the first stage of the project.

POSSIBLE STRATEGIES TO CLOSE THE FEASIBILITY GAP

The City's RFP requested that the developers replace the full number of parking spaces currently available, however the cost of the replacement parking is having a significant impact on all three development projects' feasibility. There are multiple strategies the City could consider to further reduce this gap using a variety of tools. These tools, which most likely would be deployed in some combination, are described below.

1. **Reduce the replacement parking requirement.** The City could consider reducing the required number of replacement parking spaces from 566 to something lower, and therefore less expensive to finance.
2. **Reduce downtown parking demand through demand management techniques.** To an appropriate extent, downtown parking demand could be reduced by increasing multi-modal access to downtown through biking and walking. Implementing this strategy may require additional funding for the necessary infrastructure improvements. However, these improvements would be eligible for various grants related to greenhouse gas reduction and improved health benefits related to active transportation; whereas the parking garage is unlikely to be eligible for similar grants for various regional, state and federal sources.
3. **Reduce the affordable housing goals for units serving households below 60 percent AMI.** Increasing the income targets improves the revenue the project can generate from rents, improving the overall financial performance.
4. **Establish some form of parking benefit district.** This mechanism requires charging for public parking, in the parking garage, but also potentially installing parking meters for on-street parking spaces in the downtown area. A proportion of these parking revenues would be dedicated to paying for some or all of the cost to build the parking garage and the parking payment infrastructure for on-street parking. In addition, downtown property owners and businesses could be assessed an annual levy that would also contribute to repaying the cost to build the garage thus passing on the replacement costs to parking users and potentially, to downtown property owners and businesses. A detailed revenue model would be required to determine whether charging for parking and/or creating a downtown parking assessment would be sufficient to cover the construction costs, and to understand how long this process could take.
5. **Form an enhanced infrastructure financing district.** Enhanced infrastructure financing districts (EIFDs) rely on dedicating a share of the incremental increase in property tax revenues generated by new development within a defined district and using this revenue to pay for infrastructure such as the parking garage. Although EIFDs can be a powerful infrastructure financing tool, there is a lag between when the infrastructure improvement is needed, in this case the parking garage, and when revenues become available from the financing district to pay for infrastructure-related costs. To address this issue, jurisdictions often pair EIFDs with other funding sources, such as a parking benefit district, which can generate revenues sooner than an EIFD. In addition, it is unclear whether there would be a sufficient increase in property tax revenues to support the parking garage cost and there could be uncertainty as to the timing of the revenue. In cases where neither a taxing district nor an EIFD generates sufficient revenues to cover the necessary costs, combining the two sources helps to address this challenge. An EIFD would require the City to forgo any increase in property tax revenues within the EIFD boundaries.

6. **Pass a local sales tax measure.** Although Menlo Park increased its transient occupancy tax rate in 2024 through Measure CC, the city has not passed a local sales tax rate increase. Local sales tax measures are often used to pay for local infrastructure improvements and could be used to pay for at least some portion of the parking garage and/or multimodal transportation improvements the city could deploy to reduce downtown parking demand.

APPENDIX A: STATE AFFORDABLE HOUSING FUNDING SOURCES

There are a variety of affordable housing funding sources administered by state agencies. While each program has historically been administered independently, there have been recent efforts to coordinate the application processes and allow projects to apply for multiple programs simultaneously, discussed further below. Programs maintain their own funding sources, eligibility criteria, and evaluation/scoring processes.

Low-Income Housing Tax Credits (LIHTC)

The California Tax Credit Allocation Committee (TCAC) administers both federally and state-funded LIHTC programs³. TCAC administers four percent and nine percent tax credits, both of which serve to generate equity for affordable housing development projects. Qualifying projects must meet affordability requirements with a certain percent of units set aside for households under a certain AMI level, but there is some flexibility in the exact unit mix.

The four percent tax credits generate equity with tax-exempt bonds and can cover between 30 and 40 percent of a development's construction costs. In many states, four percent tax credits are awarded to any developer who requests them; however, due to the high demand in California, the allocation of four percent tax credits is a more competitive process. Nine percent tax credits generate revenue through the sale of the credits to investors and can cover up to 70 percent of construction costs. Nine percent tax credits are awarded through a competitive process.

Affordable Housing and Sustainable Communities Program (AHSC)

The AHSC program is administered by California Strategic Growth Council and California Department of Housing and Community Development (HCD)⁴. The program awards funds to affordable housing projects and related transportation or infrastructure projects that support affordable housing that is located near transit, reduces greenhouse gas emissions, and benefits low-income communities. The most recent round of AHSC funding required developments to include a minimum of 20 percent of units as affordable to households earning at or below 60 percent of AMI. Applicants can be public entities, developers, program operators, or tribal entities. The tenth round of AHSC applications and awards is currently underway.

The funding for the AHSC program is currently undergoing some changes as the state's former "cap and trade" program transitions to the "cap and invest" program. Previously, AHSC received 20 percent of all trade revenue generated from the trade of emissions allowances. Under the new 'cap and invest' program, AHSC is set to receive a set \$800 million per year, but only after several other programs are funded. Therefore, if trade revenue is lower than anticipated each year, the AHSC program will not receive the full \$800 million allocation. AHSC typically allocates funding with a 70/30 split between affordable housing developments and sustainable communities initiatives.

³ State of California Office of the State Treasurer, <https://www.treasurer.ca.gov/ctcac/tax>

⁴ State of California Strategic Growth Council, <https://sgc.ca.gov/grant-programs/ahsc/>

Middle Income Program (MIP)

The MIP program is administered by California Housing Finance Agency (CalHFA) and provides long-term subordinate loan financing for new multifamily construction targeting households making between 30 percent and 120 percent of AMI. CalHFA administers an annual funding cycle; the most recent cycle distributed \$63 million in loan financing to 13 development projects. Applicants can be for-profit or nonprofit developers or public agencies.

Infill Infrastructure Grant (IIG)

The IIG program is administered by HCD and provides funding for a variety of infrastructure projects that are needed to facilitate infill affordable housing production⁵. Funding can be used for projects such as sewer upgrades, street improvements, pedestrian/bike facilities, transit linkages, or parking facilities. According to Qualified Infill Area guidelines published in 2025, eligible parking projects include structured parking to replace transit station parking and residential structured parking that is a requirement for project entitlement. It is possible that the replacement of public parking not associated with transit could be eligible as a capital asset that is “required as a condition of local approval”. The most recent round of IIG funding required that developments include a minimum of fifteen percent of units as affordable to households earning 60 percent of AMI or less.

In 2022, HCD created the Multifamily Finance Super NOFA (MFSN) system which allows applicants to simultaneously apply for a number of HCD programs, including IIG, Multifamily Housing Program (MHP), Joe Serna, Jr. Farmworker Housing Grant (FWHG), and Veterans Housing and Homelessness Prevention (VHHP)⁶. This change reflects an effort to simplify the application processes for affordable housing funding programs to reduce the cost of these developments and increase efficiency in distributing state funds.

The IIG program currently has limited funding available. The 2021 Budget Act appropriated \$250 million from the General Fund to the IIG program, which has mostly been depleted. In the most recent state budget, \$7 million in unused funding was relocated to the IIG program and is available for grantees. Future funding for the program will likely be supported by Proposition 1 funding through the Veterans and Affordable Housing Bond Act of 2026, if approved by voters in November 2026⁷.

⁵ California Department of Housing and Community Development, <https://www.hcd.ca.gov/funding/iig>

⁶ California Department of Housing and Community Development, <https://www.hcd.ca.gov/funding/supernofa>

⁷ Non-Profit Housing Association of Northern California, <https://nonprofithousing.org/final-state-budget-includes-critical-investments-for-addressing-housing-affordability-and-homelessness/>

APPENDIX B: GLOSSARY OF TERMS

Conventional Loan or Hard Debt refers to loans with a fixed amount, set payment schedule, interest rate, and loan term. Hard debt is typically issued by traditional lending institutions such as banks or credit unions. Interest rates for hard debt may be at or below market rates depending on the loan, but all loan terms are fixed. Hard debt is senior debt that will be repaid first in the event of a project default.

Soft Debt is typically more flexible than hard debt and may be subsidized through below-market or zero percent interest rates. Most soft debt is issued by public agencies, but it can also come from philanthropic sources or quasi-public entities. Soft debt sits in a subordinate position in the capital stack, meaning that in the event of sale or project default, its principal and any interest would only be repaid after all hard debt is repaid in full. Many sources of soft debt financing allow for forgiveness of the principal after a given time frame and/or if certain requirements are met, often related to affordability.

Conventional equity refers to the cash that investors or developers put into a project. Equity investment is at greater risk than any form of debt, as it is only repaid from the project's eventual cash flow and/or sale. Sources of equity could include private investors, philanthropic sources, or the developers themselves.

Income-Restricted housing units have deed restrictions that establish affordability requirements. These are legal requirements that the housing unit be rented to a household earning no more than a specific percentage of the Area Median Income (AMI).

APPENDIX C: DEVELOPMENT COST ASSUMPTIONS

This Appendix includes background data and details on Strategic Economics' independently-estimated development costs and comparable cost data used to validate the cost estimates in the development proposals.

- Figure 14 shows comparable affordable housing development applications submitted to the California Tax Credit Allocation Committee in 2024 and 2025. Based on the project budgets in these applications, Strategic Economics calculated an average development cost per unit with and without prevailing wage. Strategic Economics then compared these averages to the affordable housing components of the Alliant and Related/Alta proposals.
- Figures 15 and 16 show the assumptions and estimation of the conventionally financed development and parking garage in the Presidio Bay proposal. Strategic Economics independently researched typical development costs for multifamily development in San Mateo County to perform the estimation, assuming no prevailing wage requirement.
- Figures 17 and 18 show the assumptions and estimation of the conventionally financed market rate residential building and parking garage in the Presidio Bay proposal. Strategic Economics independently researched typical development costs for multifamily development in San Mateo County to perform the estimation, assuming the higher costs associated with a prevailing wage requirement.

As shown in the figures, the development cost of affordable housing units is typically higher than the cost of developing market rate units using conventional financing. The elevated costs are due to the added complexity and specific requirements of affordable housing funding sources. A 2020 study by the Turner Center analyzed 678 new construction projects that received 9% LIHTC funding from 2008 to 2019. The analysis identified a variety of factors that increase the per unit development costs of these affordable developments:

- **Prevailing Wage Requirements:** While the LIHTC program does not have a prevailing wage requirement, many affordable housing financing programs do include this requirement. State funding programs administered by the Department of Housing and Community Development, including AHSC and IIG, classify developments as ‘public works’ which typically triggers prevailing wage requirements, unless specific exemptions are met. The study found that prevailing wages increase per unit development costs by an average of 13 percent.
- **Sustainable Building Materials:** The California Tax Credit Allocation Committee is responsible for allocating low-income housing tax credits to affordable housing projects based on a point system related to specific project features such as proximity to transit and use of sustainable building materials beyond what is already required in the state’s uniform building code. To make their projects more competitive in the tax credit allocation process, affordable housing developers incorporate sustainable design features into their projects, even if it is not an explicit requirement. The study found that the inclusion of sustainable design features increases per unit development costs by an average of four percent.
- **Additional Funding Sources:** Most affordable developments will stack between four and eight sources. The use of more funding sources increases staffing needs and can cause delays as there can be mismatch in programs’ timelines. The study found that each additional funding source increases per unit development costs by an average of two percent.

FIGURE 14: COMPARABLE AFFORDABLE HOUSING PROPOSALS APPLYING TO CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE, 2024-2025

Project Name	Project City	Developer	Total Units	Cost / Unit	Cost / Unit (Estimate Excluding Land Costs)*
Prevailing Wage					
Cherry Street Commons	San Carlos	Eden Housing, Inc.	33	\$1,163,020	\$1,046,718
Hill Street	Belmont	Linc Housing Corporation	37	\$1,210,296	\$1,089,266
Midway Village Phase 2	Daly City	MidPen Housing Corporation	113	\$1,159,243	\$1,043,319
Vera Avenue Apartments	Redwood City	Corporation for Better Housing	178	\$538,440	\$484,596
Cypress Point	Moss Beach	MidPen Housing Corporation	71	\$1,063,310	\$956,979
678 Ralston Avenue	Belmont	CRP Affordable Housing and Community Development	65	\$880,582	\$792,524
493 Eastmoor Avenue	Daly City	Core Affordable Housing, LLC	72	\$1,000,076	\$900,068
Average with Prevailing Wage					\$901,924
Without Prevailing Wage					
View at San Bruno	San Bruno	JEMCOR Development Partners, LLC	341	\$694,121	\$624,709
Broadway Meadows	Millbrae	Pacific West Communities, Inc.	97	\$889,528	\$800,575
Average without Prevailing Wage					\$712,642

* Costs were reduced by ten percent to estimate each project budget excluding land costs.
Sources: California Tax Credit Allocation Committee, 2024-2025; Strategic Economics, 2026.

FIGURE 15: DEVELOPMENT COST ASSUMPTIONS FOR PRESIDIO BAY PROPOSAL

	Unit of Measure	Site 1	Site 2	Site 3
Hard Cost Assumptions				
Demo/Site Prep	per s.f.	\$40	\$40	\$40
Assumed Residential Construction Type		Type V	Type V	Type V
Residential Area	per gross s.f.	\$300	\$300	\$300
Podium Parking	per space	\$55,000	\$55,000	\$55,000
Garage Parking	per space	n/a	n/a	\$55,000
Soft Costs	% of hard costs	20%	20%	20%
Municipal Fees	(assumed waived)			
Contingency	% of hard and soft costs	5%	5%	5%
Financing	% of hard and soft costs	7%	7%	7%
Developer Fee	(excluded)	0%	0%	0%

Source: Strategic Economics, 2026.

FIGURE 16: STRATEGIC ECONOMICS' ESTIMATE OF DEVELOPMENT COSTS FOR THE PRESIDIO BAY PROPOSAL

	Site 1	Site 2	Site 3	Parking Garage	Total
Site Area	99,317	24,394	43,342	43,342	210,395
Units	171	93	83		347
Residential Area (gsf)	237,018	126,840	90,129		453,987
Podium Parking	251	64	44	–	359
Garage Parking	--	--	--	455	0
Hard Costs					
Demo/Site Prep	\$3,972,672	\$975,744	\$1,733,688	\$1,733,688	\$8,415,792
Residential Area	\$71,105,400	\$38,052,000	\$27,038,700		\$136,196,100
Podium Parking	\$13,805,000	\$3,520,000	\$2,420,000		\$19,745,000
Garage Parking	--	--	--	\$25,025,000	\$25,025,000
Subtotal Hard Costs	\$88,883,072	\$42,547,744	\$31,192,388	\$26,758,688	\$189,381,892
Soft Costs/Closing Costs	\$17,776,614	\$8,509,549	\$6,238,478	\$5,351,738	\$37,876,378
Municipal Fees	\$0	\$0	\$0	\$0	\$0
Contingencies	\$5,332,984	\$2,552,865	\$1,871,543	\$1,605,521	\$11,362,914
Financing	\$7,466,178	\$3,574,010	\$2,620,161	\$2,247,730	\$15,908,079
Developer Fee (excl from developer pro forma)	\$0	\$0	\$0	\$0	\$0
Total Development Costs	\$119,458,849	\$57,184,168	\$41,922,569	\$35,963,677	\$254,529,263
Per Unit	\$698,590	\$614,884	\$505,091		\$733,514
Developer Estimated Costs	\$122,356,030	\$63,885,110	\$54,787,253	\$33,340,680	\$274,369,073
Per Unit	\$715,532	\$686,937	\$660,087		\$790,689

Sources: Presidio Bay, 2025-2025; Strategic Economics, 2026.

FIGURE 17: DEVELOPMENT COST ASSUMPTIONS FOR RELATED/ALTA PROPOSAL

	Unit of Measure	Site 1 - Market Rate	Parking Garage
Hard Cost Assumptions			
Demo/Site Prep	per s.f.	\$40	
Assumed Residential Construction Type		Type III	
Residential Area	per gross s.f.	\$357	
Podium Parking	per space	\$60,550	
Garage Parking	per space	n/a	\$60,550
Soft Cost Assumptions	% of hard costs	20%	20%
Municipal Fees	(used developer's estimates)		
Contingency	% of hard and soft costs	5%	5%
Financing	% of hard and soft costs	7%	7%
Developer Fee	% of all costs	4%	4%

Source: Strategic Economics, 2026.

FIGURE 18: STRATEGIC ECONOMICS' ESTIMATE OF DEVELOPMENT COSTS FOR THE MARKET RATE BUILDING AND PARKING GARAGE IN THE RELATED/ALTA PROPOSAL

	Site 1 (Market Rate)	Parking Garage	Total
Site Area	49,658	43,342	210,395
Units	154		500
Residential Area (gsf)	154,859		469,827
Podium Parking	185		253
Garage Parking		574	574
Hard Costs			
Demo/Site Prep	\$1,986,336	\$0	\$6,682,104
Residential Area	\$55,284,663	\$0	\$187,207,729
Podium Parking	\$11,201,750	\$0	\$15,319,150
Garage Parking	–	\$34,755,700	\$34,755,700
Subtotal Hard Costs	\$68,472,749	\$34,755,700	\$243,964,683
Soft Costs	\$13,694,550	\$6,951,140	\$41,841,797
Municipal Fees	\$18,480,000	\$0	\$32,320,000
Contingencies	\$4,108,365	\$2,085,342	\$12,552,539
Financing	\$5,751,711	\$2,919,479	\$17,573,555
Developer Fee	\$4,420,295	\$1,785,053	\$11,936,940
Total Development Costs	\$114,927,670	\$48,496,714	\$325,433,813
Per Unit	\$746,284		\$650,868
Developer Estimated Costs	126,581,564	54,530,000	489,957,636
Per Unit	\$821,958	\$95,000	\$979,915

Source: Strategic Economics, 2026.