May 1, 2018

Chad Mosley
City of Cupertino
10300 Torre Avenue
Cupertino, California 95014

Re: Summary and Evaluation of Land selling Prices for Park Dedication Fee Study

Dear Mr. Mosley:

I am pleased to deliver the results of the Residential Land Selling Price survey and evaluation that we prepared for the use of the City of Cupertino, its City Council, and staff. As we agreed, my scope of work was to prepare the spreadsheets presented below to compile all residential land sales activity from January 1, 2016 through March 31, 2018 that we were able to discover using these available on-line resources, as well as the history of planning and building activity provided by your office:

- MLSListings.com (the Santa Clara County Association of Realtors database)
- Realquest Summary of the Public Record
- CoStar.com Commercial Sales Database
- City of Cupertino planning and building records

In this study I did not search the Trulia and Zillow data bases as I did on my previous survey. I have found that Trulia and Zillow rely upon the MLS data bases for nearly all of their data.

The spreadsheets displayed following show for each discovered transaction:

- price paid
- street address
- lot size
- price paid per SF
- market conditions or "time" adjustment factor
- Adjusted selling price of the lot or land sale
- Computed mean, median, and probable selling price of similar land
- The probable selling price per acre of residential land

Our search parameters for the *single-family lot sales* were these:

- Located in Cupertino
- Date of Sale January 1, 2016 through March 31, 2018
- Categorized as land and lots (i.e. bare land or a buildable lot)
- Improved with a house, but categorized as a Teardown

Our search parameters for *subdivision land sales* were these:

- Located in the western Santa Clara County cities of Cupertino, Sunnyvale, Santa Clara, and Campbell
- Date of Sale January 1, 2016 through March 31, 2018
- Proposed for subdivision and development with multiple units

The data for the low-density sales (i.e., a single lot for a single house) was the appropriate data for the lower density categories. The data that we discovered for the low-density analysis was for individual finished lot sales (including teardowns with intent to redevelop the site) represented transactions for the sale of finished (previously improved) lots. For the higher density product, the tentative map stage was more appropriate, since that is the point of entitlement that sets the basis for most of these transactions. We did not verify the entitlement status on the date of sale. Most sub-dividable land is priced and purchased as raw land contingent upon the accomplishment of the allowable lot density.

The data is displayed below on two spreadsheets. The first spreadsheet depicts the sale of individual lots suitable for improvement with one house, and the second depicts the sale of land suitable for higher-density development, with multiple living units such as condominium or apartment complexes. The data is arranged within the residential Land Use categories specified in the zoning ordinance for the City, based on density, discussed in Envision Cupertino 2015-2040:

- HD 35 Units per acre
- MHD 20-35 Units per acre
- MD 10-20 Units per acre
- LM 5-10 Units per acre
- Low 1-6 Units per acre
- VLD Slope-Density formula
- VLD 1-2 Acres/Lot; 0.5-1.0 Units per acre
- VLD 5-10 Acres/Lot; 0.05-0.10 Units per acre

We did not discover sales within each of the Envision Cupertino General Plan categories, nor did we discover data on the sale of lots in every neighborhood.

A breakdown by Neighborhood identified in the General Plan was applied: Oak Valley, Inspiration Heights, Rancho Rinconada, etc. Please refer to the map on Page 4. For those land use categories with limited sales data at either end of the density range (both the higher density classes and low Slope-Density Formula classes), we expanded the search to neighboring cities to provide enough data points to be meaningful. The theory that applies here is this: a developer with the financial capability to develop a high unit density project would not restrict his search for suitable sites to Cupertino or any other city in the county; and a home purchaser seeking the kind of semi-rural view lot in the Slope-Density Formula classification may not restrict his search to Cupertino, but would search others in the adjacent cities with hillside lots and comparable quality schools, Saratoga and Los Gatos

This report was prepared and written to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Ethics and Standards of Professional Practice of the Appraisal Institute.

## **Background**

The City adopted Park Land In-Lieu Dedication Fees to create a mechanism for the City to develop a Park Dedication In-Lieu Fee Fund to be used to acquire park land as prescribed in State law. The fund is comprised of monies assessed as an in-lieu fee when new housing units are added, and the developer/land owner chooses to not dedicate land for parks and recreation. The money is assessed based upon a formula that is intended to accumulate enough money to enable the City to acquire land to maintain compliance with the prescribed Park Acreage Standard of 3 acres of park and recreation land per 1,000 residents, in accordance with the open space and conservation element of the General Plan. The particulars are described in Section 13.08 of the ordinance.

Section 13.08 specifies that the amount of the fee "shall be based upon a formula that utilizes the fair market value of the land" as one variable. "The Department of Public Works shall establish the fair market value of land within the City and update the value on an annual basis in the City's Fee Schedule. The fair market value shall be determined by reference to comparable land within the City. As used herein [in the code], the term 'comparable' means land of similar size and development potential as the land which would otherwise be dedicated."

The formula is:

In lieu fee = ((Average Parkland Dedication/DU) X (Net new dwelling units)

X (Fair Market Value of land/acre))

In this formula, the Parkland Dedication/DU equals the expected average number of people per dwelling unit (DU) times the Park Acreage Standard of 3 acres per 1000 population, divided by 1000. The average number of people per dwelling, and the Average Park Land Dedication/DU, are determined using this table:

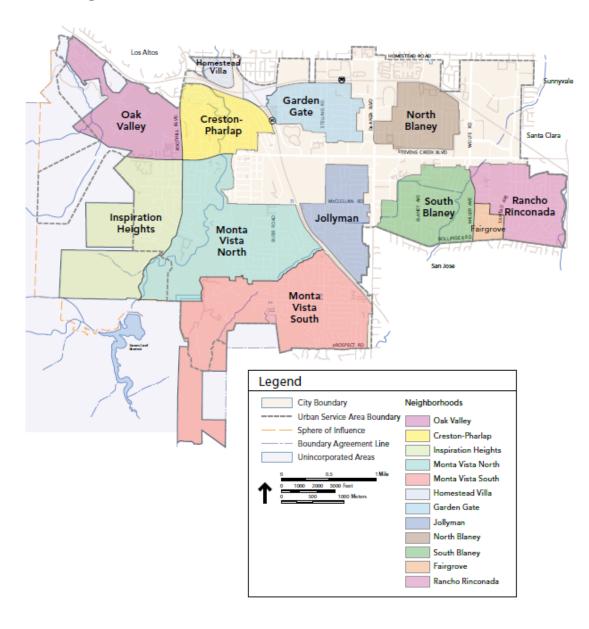
Table 13.08.050: Park Land Dedication Formula Table

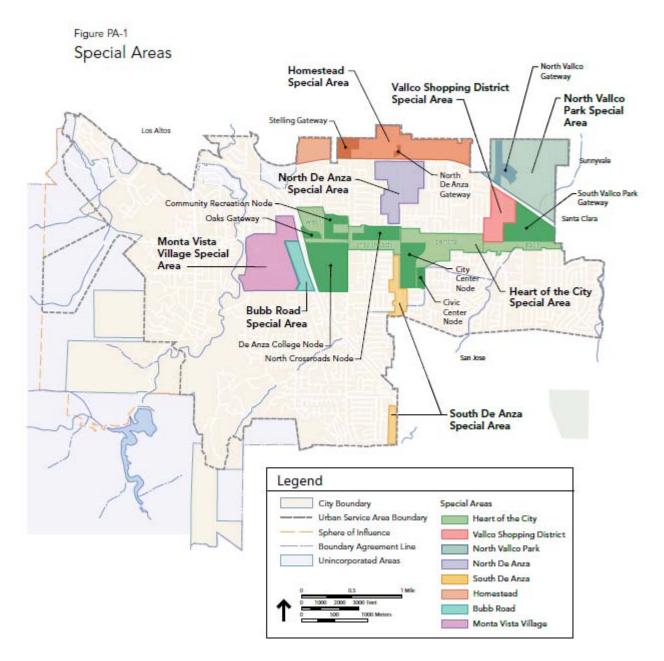
Density (DU/acre)	Average number of persons/DU	Average Park Land Dedication/ DU (in acres)
0 – 5 – Single Family Residence	3.5	.0105
5 - 10	2.0	.0060
10 - 20	2.0	.0060
20+	1.8	.0054
10+ (Apartments)	1.8	.0054
Senior Citizen Housing Development	1.0	.0030

The City intends to use the information in this report to decide upon the number to use as the "Fair Market Value of the land/acre" to be utilized in the formula.

The City utilizes a classification system by Neighborhood and Specific Plan Area, depicted on the maps displayed following.

Figure PA-2 Neighborhoods





# **Effect of Changing Market Conditions**

So that the raw data could be adjusted to the date of value, April 1, 2018, we conducted this study of how prices changed over the study period. Selling prices trended upward during the time frame of our study, from January 2016 through March 2018. The "Median Price Trend" graph below was created using the data points in the table below, which was created using data published in the Santa Clara County Association of Realtors database. Note that the data dates back beyond the start of the study period, for historical context.

<u>Cupertino</u>	Median Price
4Q 2011	\$1,090,000
1Q 2012	\$1,134,720
2Q 2012	\$1,250,000
3Q 2012	\$1,238,750
4Q 2012	\$1,311,000
1Q 2013	\$1,375,000
2Q 2013	\$1,500,000
3Q 2013	\$1,414,000
4Q 2013	\$1,550,000
1Q 2014	\$1,535,000
2Q 2014	\$1,788,000
3Q 2014	\$1,665,500
4Q 2104	\$1,660,000
1Q 2015	\$1,844,000
2Q 2015	\$1,871,000
3Q 2015	\$1,900,000
4Q 2015	\$1,750,000
1Q 2016	\$1,808,800
2Q 2016	\$1,955,000
3Q 2016	\$2,000,000
4Q 2016	\$1,818,000
1Q 2017	\$1,930,000
2Q 2017	\$2,075,000
3Q 2017	\$2,117,425
4Q 2017	\$2,237,444
1Q2018	\$2,398,888

Over the 9 quarters from and including 1Q2016 through 4Q2017, the median price of a single-family house in Cupertino increased from \$1,808,800 to \$2,398,888, an overall increase of 32.6% and a compounded increase of 3.2% per quarter or a little more than 1% per month. The Association of Realtors does not track land selling price trends. Absent that data, real property appraisers typically apply the rate of change in house selling prices when evaluating the rate of change in residential land selling prices. We applied a rate of change of +1.0% per month to the land selling prices in our study, over the 9 Quarter/27-month time frame ending March 31, 2018. Thus, the adjusted values for each line item are an estimate as of April 1, 2018.

For historical perspective and for comparison to the previous study done in 2015, the median price increased 211% from January 2011 through March 31, 2018.



# **Finished Single Family Lot Sales**

We utilized the Cupertino Planning Department and Public Works Department records to identify single-family residential lots in the City where a property owner had obtained a demolition permit, indicating intent to construct a new house. We cross-checked those records with our summary transcript of the public record, and with the Santa Clara County Association of Realtors data base (MLS database), to determine which of these were properties purchased during the time period of our analysis, January 1, 2016 through March 31, 2018. Using key words such as "teardown" in the MLS database search, we identified additional sales where houses were purchased with the intent to tear down the existing house and build new. Those transactions typically reflect the sum of the value of the land and the anticipated cost to demolish the improvements.

The table following shows as line items the single-family lot sale transactions that we discovered. These lots are typically finished with curbs, gutters, sidewalks, or any other off-site improvement typical in the neighborhood, with utilities stubbed to the property line, graded and ready to be improved with a house. In Cupertino, some neighborhoods have fully improved city streets, with some combination of curbs, gutters, sidewalks, utilities, park strips, and/or streetlights. Other neighborhoods may not have all of these features, resulting from the fact that the entire City was not incorporated at the same time.

Some of the transactions we discovered using the MLS were categorized as "teardowns". A teardown is a lot with a house on it, purchased with the intent to demolish the house and build new. Because there are few vacant lots in Cupertino and other nearly built-out cities in northern Santa Clara County, people buy depreciated houses, demolish them, and build new. A buyer typically pays a little less than land value for a teardown, because he must incur the cost of demolition. Marshall Valuation Service reported that the cost to demolish the typical teardown in Santa Clara County is \$11,500, which is less than ½ of 1% of the median house price of \$2,398,888. In this study, we did not adjust for the cost to demolish.

The first and second columns identify the Neighborhood and housing density description, as defined in the General Plan. The third column identifies the zoning designation. In this column, R1-5 means the minimum lot size is 5,000 square feet, while R1-10 means the minimum lot size is 10,000 square feet, and so forth. The following columns identify the address and size of the lot, price paid, and the unit price per square foot and per acre. The next column identifies the number of months between the date of sale and the date of this evaluation at the end of March/April 1, 2018. The Market Conditions column reflects the adjustment for changing market conditions at the rate of 1% per month. The last 4 columns identify the data sources utilized to compile the information for each line item. We discovered that the Trulia and Zillow data is a duplication of the MLS data, so we did not record Trulia or Zillow as data sources this year.

<b>CUPERTINO</b>	SINGLE-F	AMILY	LOT SA	ALES - JA	NUARY	2016 THROUG	Н МА	RCH 20	018													
						Property Detail							Adjstmt for	Adjusted				Drobable	Data 9	Sources		
	General	Zoning	High School	Specific				Lot Size				Date of	Mkt Cond	Price/SF	Mean	Median	Probable	Probable Price/Ac	Demo Planning			
Neighborhood	Plan	Designation	District	Plan Area	APN	Address	SF	Acres	Price	Pr/SF	Pr/Ac	Sale	1.0% /Mo	End 1Q 2018				Price/AC	Permit Apprv'd	Record	MLS	CoStar
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 12 040	18911 ARATA WAY	5,310	0.1	\$1,525,000	287.19	\$12,510,169	12/20/2017	4 4.0%	6 299						Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 31 017	10699 GASCOIGNE DR	6,300	0.1	\$1,630,000	258.73	\$11,270,286	11/3/2017	5 5.0%	6 272					Х	Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 31 027	10801 GASCOIGNE DR	6,572	0.2	\$1,710,000	260.19	\$11,334,084	10/31/2017	6 6.0%	6 276						Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 18 025	18734 LOREE AVE	5,700	0.1	\$1,360,000	238.60	\$10,393,263	7/7/2017	9 9.0%	6 260					Х Х	Х	Χ	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 15 028	10271 MENHART LN	6,358	0.1	\$1,605,000	252.44	\$10,996,194	7/7/2017	9 9.0%	6 275					Х	Х	Χ	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 16 017	10330 MENHART LN	5,862	0.1	\$2,300,000	392.36	\$17,091,095	7/3/2017	9 9.0%	428					Х Х	Х	Χ	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 10 054	10365 STERN AVE	5,314	0.1	\$1,528,000	287.54	\$12,525,344	6/23/2017	10 10.0%	6 316					X X	Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 12 009	10128 STERN AVE	6,420	0.1	\$1,650,000	257.01	\$11,195,327	6/22/2017	10 10.0%		284	276	280	\$12,196,800	Х	Х	Χ	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 16 054	18841 BARNHART AVE	5,355	0.1	\$1,290,000		\$10,493,445	6/17/2017	10 10.0%					Say	X X	Х	Χ	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 33 015	18850 BARNHART AVE	5,355	0.1	\$1,513,000		\$12,307,429	5/12/2017	11 11.0%					\$12,200,000	Х	Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 27 018	10636 WUNDERLICH DR	6,630	0.2	\$1,280,000		\$8,409,774	10/5/2016	18 18.0%						X X	Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 25 040	18660 PRING CT	9,500	0.2	\$1,620,000		\$7,428,126	9/14/2016	19 19.0%						X X	X	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 35 061	10700 MORENGO DR	5,500	0.1	\$1,450,000		\$11,484,000	8/19/2016	20 20.0%						X X	X	X	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 12 032	18831 ARATA WAY	5,220	0.1	\$1,200,000		\$10,013,793	8/9/2016	20 20.0%						X X	X	X	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-5	Fremont		375 19 018	10190 CALVERT DR	4,998	0.1	\$1,208,000	241.70	\$10,528,307	1/20/2016	27 27.0%	6 307		<u> </u>	I I		X   X	Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-7.5	Fremont		375 24 006	10400 STERLING BLVD	8,436	0.2	\$1,630,000	193.22	\$8,416,643	2/1/2017	14 14.0%	6 220					х х	Х	Х	
Rancho Rinconada	Low (1-6 DU/Ac)	R1-7.5	Fremont		375 24 003	10424 STERLING BLVD	8,726	0.2	\$1,300,000		\$6,489,571	5/27/2016	23 23.0%					\$9,147,600	X X	Х	Х	
Rancho Rinconada	Low (1-5DU/Ac)	R1-10	Fremont		342 14 007	10161 LEBANON DR	11,100	0.3	\$1,901,500		\$7,462,103	10/7/2016	18 18.0%		209	208	210	Say	х х	Х	Х	
Rancho Rinconada	Low (1-5DU/Ac)	R1-10	Fremont		342 14 015	10240 LEBANON DR	9,375	0.2	\$1,815,000		\$8,433,216	8/26/2016	20 20.0%					\$9,100,000	Х Х	Х	Х	
Monte Vista North	Res (0-4.4 DU/Ac)	R1-7.5	Fremont		357 14 020	10455 ORANGE	5,400	0.1	\$1,655,000	306.48	\$13,350,333	10/11/2017	6 6.0%	6 325						Х	Х	
Monte Vista Village	Res (0-4.4 DU/Ac)	R1-7.5	Fremont	MV Village	357 16 066	21871 LOMITA AVE	9,900	0.2	\$1,750,000		\$7,700,000	2/3/2017	14 14.0%					\$12,196,800	Land Sale	Х	Х	
Monte Vista Village	Res (4.4-7.7 DU/Ac)	P(Res)	Fremont	MV Village	326 22 036	10191 SANTA CLARA AVE	7,500	0.2	\$1,770,000	236.00	\$10,280,160	1/17/2017	15 15.0%		281	281	280	Say	Х	Х	Х	Χ
Monte Vista Village	Res (4.4-7.7 DU/Ac)	P(Res)	Fremont	MV Village	326 23 045	10200 EMPIRE AVE	4,573	0.1	\$1,100,000	240.54	\$10,478,023	11/9/2016	17 17.0%	6 281		1		\$12,200,000	Х Х	Х	Х	
Monte Vista North	Low (1-5DU/Ac)	R1-7.5	Fremont		356 03 035	22393 RIVERSIDE DR	7,500	0.2	\$2,001,000	266.80	\$11,621,808	6/8/2016	22 22.0%	6 325					Х	Х	Χ	
Monte Vista North	Low (1-5DU/Ac)	R1-10	Fremont		357 05 054	10524 S FOOTHILL	12,000	0.3	\$1,930,000	160.83	\$7,005,900	10/12/2017	6 6.0%	6 170						Х	Χ	
Monte Vista North	Low (1-5DU/Ac)	R1-10	Fremont		357 03 024	10349 PALO VISTA RD	11,340	0.3	\$2,117,500	186.73	\$8,133,889	9/1/2017	7 7.0%		197	200	200	\$8,712,000	Х	Х	Χ	
Monte Vista North	Low (1-5DU/Ac)	R1-10	Fremont		357 02 011	10371 SCENIC BLVD	10,215	0.2	\$1,901,500	186.15	\$8,108,599	10/28/2016	18 18.0%		197	200		Say	X X	Х	Χ	
Monte Vista North	Low (1-5DU/Ac)	R1-10	Fremont		357 04 011	22490 PALM AVE	9,976	0.2	\$1,590,000	159.38	\$6,942,702	3/30/2016	25 25.0%	199				\$8,700,000	<u> </u>	X	Х	
Monte Vista South	Low (1-5DU/Ac)	R1-20	Fremont		356 25 033	0 LINDY LN	46,043	1.1	\$1,918,000	41.66	\$1,814,570	9/5/2017	7 7.0%	45				\$1,960,200	Land Sale	Х	Χ	
Monte Vista South	VL 1/2	RHS-70	Fremont		366 03 062	11841 UPLAND WAY	67,953	1.6	\$1,400,000	20.60	\$897,444	1/19/2018	3 3.0%	6 21	43	45	45	Say	Land Sale	Х	Χ	
Monte Vista South	VL 1/2	RHS-21	Fremont		366 38 007	21650 RAINBOW CT	39,985	0.9	\$2,350,000	58.77	\$2,560,110	8/18/2017	8 8.0%	6 63				\$2,000,000	Land Sale	Х	Х	
Jollyman	Low (1-5DU/Ac)	R1-6	Fremont		359 03 028	7825 LILAC CT	10,800	0.2	\$1,749,000	161.94	\$7,054,300	10/11/2017	6 6.0%	6 172		l			I x I	X	Х	
Jollyman	Low (1-5DU/Ac)	R1-10	Fremont		359 18 027	20544 BLOSSOM LN	7,378	0.2	\$1,600,000		\$9,446,462	5/26/2016	23 23.0%		220	220	220	\$9,600,000	X X	X	X	
Inspiration Heights	Low (1-5DU/Ac)	R1-10	Fremont		342 14 089	10212 PRADO VISTA DR	9,856	0.2	\$1,910,000	193.79	\$8,441,518	2/10/2017	14 14.0%	6 221		l			I x I x	Х	х	
Los Gatos	` '	R-1:20	LGUSD		407-08-032	709 MORE AVE	20,850	0.5	\$2,300,000		\$4,805,180	8/15/2017	8 8.0%		113	200	200	\$4,940,000	Land Sale		^	
		R-1:8:PD			523-25-060	101 CONSTANCE CT	7,884	0.2	\$1,370,000			1/29/2017	15 15.0%					+ 1,0 10,000	Land Sale			
Homestead Villa	Low (1-5DU/Ac)	R1-10	Fremont		326 03 043	22030 WALLACE DR	9,375	0.2	\$1,500,500	160.05	\$6,971,923	6/26/2016	22 22.0%	6 195	195	195	195	\$4,175,000	X	Х	Х	
Garden Gate	Low (1-5DU/Ac)	R1-10	Fremont		326 28 027	10405 ANN ARBOR AVE	9,750	0.2	\$1,900,000	194.87	\$8,488,615	3/6/2017	13 13.0%	6 220					X X	l x		
Garden Gate Garden Gate	Low (1-5DU/Ac)	R1-10	Fremont	1	326 28 027	20696 GREENLEAF DR	9,750	0.2	\$1,900,000		\$8,488,615	12/15/2016	16 16.0%		222	220	220	\$9,600,000	X X	X	Х	
Garden Gate	Low (1-5DU/Ac)	R1-10	Fremont		326 08 044	21030 GARDENA DR	9,625	0.2	\$1,725,000		\$7,806,857	10/28/2016	18 18.0%					75,000,000	XX	X	X	
Ca. acii Gate		11.10	TTETHORIC		320 00 074	22000 GARDENA DA	3,023													_ ^ _	^	
Creston-Pharlap	Low (1-5DU/Ac)	R1-10	Fremont		326 19 105	21900 OAKVIEW LN	10,800	0.2	\$2,050,000		\$8,268,333	6/20/2017	10 10.0%						Х	Х	Х	
Creston-Pharlap	Low (1-5DU/Ac)	R1-10	Fremont		326 19 091	21912 GARDENVIEW LN	12,750	0.3	\$1,830,000		\$6,252,141	5/27/2016	22 22.0%		204	209	205	\$8,930,000	Х	Х	Х	
Creston-Pharlap	Low (1-5DU/Ac)	R1-10	Fremont		326 17 052	10036 CRESCENT RD	8,500	0.2	\$1,560,000	183.53	\$7,994,541	3/24/2016	25 25.0%	6 229					X X	Х	Х	
North Blaney	Low (1-5DU/Ac)	R1-a	Fremont		316 02 073	10740 RANDY LN	8,520	0.2	\$1,850,000	217.14	\$9,458,451	4/25/2017	12 12.0%	6 243	243	243	245	\$10,670,000	Х	Х	Х	
South Blaney	Low (1-5DU/Ac)	R1-5	Fremont		369 26 008	6625 CLIFFORD	6,060	0.1	\$1,300,000	214.52	\$9,344,554	11/17/2016	17 17.0%	6 251	251	251	250	\$10,900,000		Х	Х	

## **Data by Neighborhood**

The table above delineates the data discovered, by neighborhood and by land use ordinance. Within each neighborhood, different land use designated areas are color-coded differently. The Mean, Median, and Probable columns show dollars per square foot, and the \$/Acre column computes the typical price per acre. The range of selling prices was not unusually large after weeding out the outliers, which have their unit price highlighted in gray. We have found that these small samples are not statistically significant, but we have also found that when the average and median compute within a tight range, the data is useful. We computed these as reference points for the Client's use.

### Rancho Rinconada

In the Rancho Rinconada neighborhood, there were 15 sales in the R1-5 zoning district. The unit price of 2 sales, those on Menhart Lane and Pring Court, appeared to be outliers, so they were not included in the computed mean. The mean and median were close in value, so I selected a number between them as the probable unit selling price for the small lots in Rancho Rinconada.

Among the 4 sales within the R1-7.5 and R1-10 zoning districts, there did not appear to be a distinction based on lot size, so I combined these categories into one set of numbers to develop the probable unit selling price for larger lots in Rancho Rinconada.

### Monte Vista North and Monte Vista Village Specific Plan Area

There appeared to be a distinction in this neighborhood between the larger lots zoned R1-10 and those zoned either R1-7.5 or P(Res), so I computed the numbers separately for these two categories.

#### **Monte Vista South**

The 3 sales that occurred in Monte Vista South probably reflect physical considerations that resulted in little consistency in this data. It appears only be happenstance that resulted in the mean and median being nearly the same value. I examined data from our previous study covering the period 2012-2016 and found even less consistency, as the only sales in that study were small lots.

## **Inspiration Heights**

I searched for similar lots in Los Gatos and Saratoga to supplement the data discovered for Inspiration Heights. I found the two sales displayed, which were bare land sales. I put greater emphasis on the sale within Inspiration Heights to estimate probable value.

### **Other Neighborhoods**

There were only 2 or 3 sales in each of the other 7 neighborhoods where data was discovered, in Jollyman, Inspiration Heights, Homestead Villa, Garden Gate, Creston-Pharlap, North Blaney, and South Blaney. Interestingly, the mean and medians in each of these neighborhoods shows consistency among them. The City might consider using one number for all 7 neighborhoods, where together the mean and median of all 12 sales computes to 220 and 221.

## **Medium and High Density Land Sales**

These sales are sub-dividable parcels that are proposed for improvement with condominiums, apartments or a mix of one of these plus a small retail component. Because a developer intent upon developing a property like this would not confine his search to land in Cupertino, and because we did discovered only one transactions in Cupertino (a senior housing project), we expanded the search for sales to include the cities of Sunnyvale, Santa Clara, and Campbell. We did not include the Western Santa Clara County cities of Los Gatos and Saratoga because subdivision of land is rare in these communities. These land sales were not adjusted for the cost of demolition, which is often offset by renting the improvements while seeking site approvals. In Campbell we found only 2 sales, at \$102 and \$139/SF, substantially below the data for Cupertino, Sunnyvale, and Santa Clara, so we did not report the Campbell data.

Note that the selling price data for the individual lots sold in the Cupertino neighborhoods indicate a higher range than the selling price data for these residential development sites. The lot sales data reflects the retail price of individual finished lots, ready to be built upon, while the development site data reflects the price of land purchased for development, typically at the tentative map stage of entitlement. The development site data is a "wholesale" number while the lot sales data reflects the retail price for individual, finished lots. Note also that the selling prices have been "scaled up" to a price per acre basis at the client's request. In the market place, the selling price of larger lots is lower on a per unit basis than for smaller lots. This is not reflected in the mean, median and probable price data.

<b>CUPERTINO RE</b>	SIDENTIAL DE	VELOPME	NT ACTIVITY - RESI	DENTIAL I	DEVELOPMENT SITES	S - JANU	ARY 201	6 - MARCH	2018												
	Property Detail Adjstmt for Mkt Adjstmt for Mkt																		Da	ata Sources	
	General	Zoning	Specific				Lot Size				Date of	Co	ond	Price/Ac.				Demo	Planning	RQ Pub.	
Neighborhood	Plan	Designation	Plan Area	APN	Address	SF	Acres	Price	Pr/SF	Pr/Ac	Sale	1.0%	/Mo	End 1Q 2018	Mean	Median	Probable	Permit	Apprv'd.	Record ML	S CoStar
Rancho Rinconada	Commercia/Off/Residential	P(CG,Res)	East Stevens Creek Boulevard	375 07 001	19160 STEVENS CREEK BLVI	24,448	0.6	\$3,600,000	147.25	\$6,414,267	7/28/2016	21	21.0%	178	178	178	178		Х	х	х
19-Unit Affordable Sen	nior Housina																				

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CHAINIWALE DECIDENTIAL	LAND DEVELOPMENT - IANIIARY 2016 -	MAADCH 2010
INDICATE RESIDENTIAL	I ANII I I I I I I I I I I I I I I I I I	IVIARLE /IIIX

					Property Detail							Adjstmt for Mkt	Adjusted					Data	a Source:	:S	
	General	Zoning	Specific				Lot Size				Date of	Cond	Price/Ac.					Demo Planning RO	Q Pub.		ĺ
Neighborhood	Plan	Designation	Plan Area	APN	Address	SF	Acres	Price	Pr/SF	Pr/Ac	Sale	1.0% /Mo	End 1Q 2018	Mean	Median	Probable	•	Permit Apprv'd. R	ecord	MLS	CoSta
	TMU	MXD1		205-50-004	1120 Kifer Rd	348,480	8.0	\$68,230,500	195.79	\$8,528,813	8/23/2017	8 8.0%	211					X	Χ		Х
	Low-Med	R-2		165-16-021	847 Muender Ave	6,098	0.1	\$750,000	122.99	\$5,357,494	12/11/2016	16 16.0%	143					X	Χ		
	PP-NT	PPSP		204-01-007	740 San Aleso Ave	52,630	1.2											X	Χ		Х
	PP-NT	PPSP		204-01-015	750 San Aleso Ave	52,272	1.2	\$20,150,000	191.84	\$8,356,586	11/30/2016	17 17.0%	224					X	Χ		Х
	PP-NT	PPSP		204-01-016	760 San Aleso Ave	52,405	1.2											Х	Χ		Х
	PP-NT	PPSP		204-02-005	814 San Aleso Ave	79,279	1.8	\$9,750,000	122.98	\$5,357,156	3/30/2016	25 25.0%	154					X	Χ		Х
	TMU-20	DSP		209-29-060	528 Mathilda Ave	18,288	0.4	\$3,300,000	180.45	\$7,860,236	12/23/2016	16 16.0%	209					X	Χ		Х
	TMU	MXD1		205-50-016	1154 Sonora Ct.	82,330	1.9	\$14,100,000	171.26	\$7,460,172	8/9/2017	8 8.0%	185					Х	Χ		Х
	RHI	R4		211-34-012	1162 Sunnyvale-Saratoga	26,220	0.6	\$4,400,000	167.81	\$7,309,840	2/25/2016	26 26.0%	211					Х	Χ		Х
	RLO-PD	R0		313-41-070	18771 E Homestead Rd.	25,965	0.6	\$4,000,000	154.05	\$6,710,572	6/29/2017	10 10.0%	169					Х	Χ		1
	RHI-PD	R4		204-29-035	255 W.Maude	21,840	0.5	\$4,350,000	199.18	\$8,676,099	9/22/2017	7 7.0%	213	184	184	184		X	Χ	,	Х
	RLM	R2		204-51-005	258 W. California Ave	9,400	0.2	\$675,000	71.81	\$3,127,979	7/27/2017	9 9.0%	78				\$8,000,000	X	Χ		
	RLM	R2		204-51-022	305 Beemer	9,200	0.2	\$1,000,000	108.70	\$4,734,783	2/28/2017	14 14.0%	124				38,000,000	Х	Χ		
	TMU-18	DSP		209-34-020	333 W. Iowa Ave	33,771	0.8	\$100,000,000	857.15	\$5,148,000	9/28/2016	19 19.0%	1020					Х	Χ		1
	TMU-19	DSP		209-34-019	300 S. Mathilda	82,895	1.9	\$100,000,000	657.15	\$3,148,000	9/28/2010	19 19.0%	1020					Х	Χ		1
	RLM-PD	R2		209-34-034	421 E. Washington Ave	8,100	0.2	\$1,450,000	179.01	\$7,797,778	3/7/2017	13 13.0%	202					Х	Χ		
	RMED-PD	R3		209-03-007	528 E. Washington Ave	7,236	0.2	\$1,100,000	152.02	\$6,621,891	7/6/2017	9 9.0%	166					X	Χ		
	RMED	R3		209-18-014	536 Hawthorn Ave	15,000	0.3	\$1,950,000	130.00	\$5,662,800	7/28/2017	9 9.0%	142					X	Χ	Х	1
<u>-                                    </u>	RLO-PD	R0		110-16-040	640 Lakehaven Dr.	43,560	1.0	\$3,400,000	78.05	\$3,400,000	9/30/2016	19 19.0%	93					X	Χ		
	RMED	R3		211-50-025	845 Maria Lane	10,454	0.2	\$2,410,000	230.53	\$10,042,051	1/29/2016	27 27.0%	293					X	Χ		
	Industrial	R-3/PD		205-21-001	915 DeGUIGNE DR	1,063,735	24.4	\$186,000,000	174.86	\$7,616,709	2/22/2016	26 26.0%	220					x	Χ	Х	X

					Property Detail							Adjstmt for I	⁄lkt Adjus	ed		Probable	Di	ata Source	es	
	General	Zoning	Specific				Lot Size				Date of	Cond	Price/	Ac. Mean	Median Probable	Price/Ac	Demo Planning	RQ Pub.		1
Neighborhood	Plan	Designation	Plan Ar	a APN	Address	SF	Acres	Price	Pr/SF	Pr/Ac	Sale	1.0% /Mo	End 1Q 20	18			Permit Apprv'd.	Record	MLS	CoStar
	Very Low Den Res	R1-6L			3023 Homestead Rd	16,988	0.4	\$1,850,000	108.90	\$4,743,701	12/16/2015	28 28	0% 139				Х	Х	, ,	1
	Very Low Den Res	Light Ind.			967 Warburton Ave	20,909	0.5	\$1,325,000	63.37	\$2,760,390	1/26/2016	27 27.	0% 80				X	Х	, ,	ı
	CMU	ML		224-29-012,- 032, -034	1525 Alviso St.	91,345	2.1	\$8,325,000 91.14	91.14	\$3,969,971	8/2/2016	20 20.	0% 109				X	х		х
Lawerence Station			LSAP	216-34-070	3505 Kifer Rd.	169,500	3.9	\$18,000,000	106.19	\$4,625,841	6/20/2016	22 22.	0% 130				Х	Х		Χ
Lawerence Station			LSAP	216-34-041	2985 Gordon Ave	58,806	1.4	\$7,947,000	135.14	\$5,886,667	1/12/2017	15 15	0% 155				Х	Х		Х
Lawerence Station			LSAP	216-34-051	2960 Gordon Ave	77,537	1.8	\$10,478,000	135.14	\$5,886,502	1/12/2017	15 15.	0% 155				X	Х	, ,	Х
Lawerence Station			LSAP	216-34-072	2951 Gordon Ave	83,200	1.9	\$11,243,000	135.13	\$5,886,359	1/12/2017	15 15	0% 155				Х	Х		Х
Lawerence Station			LSAP	216-34-066	2901 Gordon Ave	37,000	0.8	\$5,003,500	135.23	\$5,890,607	1/12/2017	15 15	0% 156				Х	Х		Х
Lawerence Station	Summerhill Homes	Development	LSAP	216-34-073	2900 Gordon Ave	38,975	0.9	\$8,829,500	226.54	\$9,868,198	1/13/2017	15 15	0% 261				Х	Х		Х
Lawerence Station			LSAP	216-34-069	3485 Kifer Rd.	327,135	7.5	\$41,000,000	125.33	\$5,459,397	7/26/2016	21 21.	0% 152	148	141 145	\$6,315,000	Х	Х		Х
Lawerence Station			LSAP	216-34-005	3045 Copper Rd.	22,000	0.5	\$2,600,000	118.18	\$5,148,000	7/22/2016	21 21	0% 143				Х	Х		Х
Lawerence Station			LSAP	216-34-074		58,960	1.4	\$2,454,500	31.63	¢E 149 000	6/20/2016	22 22	0% 39					V		· ·
Lawerence Station			LSAP	216-34-075		18,630	0.4	\$2,454,500	31.03	\$5,148,000	6/20/2016	22 22	39				^	_ ^		_ ^
Lawerence Station			LSAP	216-34-036	3570 Ryder St.	48,787	1.1	\$5,000,000	102.49	\$4,464,304	5/9/2016	23 23	0% 126				Х	Х	, ,	Х
	Med Den. Res		LSAP	216-33-030	2921 Corvin Dr.	45,693	1.0	\$14,000,000	161.48	ĆE 140 000	4/12/2017	12 12	0% 181				Х	Х		Х
	Med Den. Res		LSAP	216-33-001	3305 Kifer Rd.	41,005	0.9	\$14,000,000	101.48	\$5,148,000	4/12/2017	12 12.	J% 181				X	Х	, ,	Χ
	High Den. Res	Gen. Off.		303-16-073	100 N. Winchester Blvd	81,156	1.9	\$12,000,000	147.86	\$6,440,929	7/19/2016	21 21.	0% 179				X	Х		Х
	Very Low Den Res	R1-6L		224-26-062	1627 Monroe Street	10,950	0.3	\$1,310,000	119.63	\$5,211,288	4/28/2017	12 12	0% 134				Х	X		1
	Regional MU	CC		290-29-022	2780 El Camino Real	125,453	2.9	\$17,500,000	139.49	\$6,076,379	11/21/2016	16 16	0% 162				Х	Х		1
	Very Low Den Res	Light Ind.		224-27-049	917 Warburton Ave	27,318	0.6	\$2,650,000	97.01	\$4,225,566	9/29/2017	7 7.0	% 104				Х	Х	, 7	X

The columns on this table are the same as those on the table above for the individual lot sales. The last 3 columns show my computation of the median, average, and most probable selling prices per acre for each zoning category within each neighborhood. The data for Cupertino and Sunnyvale is consistent. Considering all of the sub-dividable data developed, a unit price of \$180 per SF is an appropriate basis.

### **Summary and Conclusion**

This report presented our findings based upon the investigation we completed to accomplish the scope of work we were engaged to undertake. It is a survey of the prices at which residential lots sold in Cupertino over the past 2 years; and the prices at which sub-dividable residential land sold during the same time frame. It is not a report of the appraisal of any particular property. We discovered that land and lot selling prices vary considerably across the City, and that the home selling prices have increased on the order of 32.6% since January 1, 2016.

The average, median, and probable selling prices reveal in relative terms the relationship of land prices in different neighborhoods in Cupertino. The sales data for individual finished lot sales expectedly produces a higher range of value than the sales data for development sites. In order to assemble park land in residential neighborhoods, where the park land would be most utilized, the City would need to purchase and assemble existing individual house lots.

### Recommendations

Although land prices have proven to increase and decrease as the demand for housing changes, the overall trend is upward. The In-lieu Fee formula was developed to create a fund to purchase residential land. Because the price of land has historically been trending upward, the land the City might purchase will typically cost more per acre than the fund raises applying the formula, because the formula raises funds based on historically lower prices than the price when the City's purchases will be made. We recommend that the survey be updated annually, so that in the future the FMV does not become "dated", as selling prices cycle up and down.

The selling price of residential lots and land has increased substantially over the past several years. Based upon the probable employment trend in the City, demand for housing is forecast to remain strong, resulting in a forecast for continued land price increases.

Very Truly Yours,

Wayne F. Prescott, MAI, CCIM