

**CITY OF MENLO PARK - APPRAISAL INSTRUCTIONS  
TO DETERMINE THE VALUE OF COMMUNITY AMENITIES  
UNDER BONUS LEVEL ZONING**

**I. Required Appraiser Qualifications**

1. California State Certified General Real Estate Appraiser.
2. Member of the Appraisal Institute (MAI) designation.
3. At least five years' experience appraising commercial and multi-family development land in the San Francisco Bay Area.

**II. Methodology for Life Science (LS) and Office (O) Districts**

**A. Base Level Value**

1. The subject of the appraisal is the parcel or parcels of land identified in the project application for the proposed project, which is also generally referred to as the project site. The subject of the appraisal is hereinafter referred to as the **"Subject Property."**
2. The City of Menlo Park shall determine the **"Base Level"** of development permitted on the Subject Property in accordance with the City's zoning and provide that information to the appraiser.
3. The Base Level of development permitted on the Subject Property shall be stated on a Gross Floor Area basis.
4. Gross Floor Area (**"GFA"**) is defined as the sum of the horizontal areas of all habitable floors including basements and mechanical areas within the surrounding exterior walls of a building covered by a roof measured to the outside surfaces of exterior walls or portions thereof on the Subject Property, excluding parking structures. For purposes of these instructions, City staff shall determine GFA based on this definition.
5. The appraiser shall determine the Market Value of the Subject Property, assuming it is fully entitled for the Base Level of development. **"Market Value"** is the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.
6. For the Base Level, **"entitled"** means the Subject Property has all of the approvals necessary to immediately proceed with construction of the maximum GFA allowed by the zoning at the Base Level.
7. The **"GFA Per Square Foot Unit Value"** is defined as the sale price of the comparable divided by the GFA of the buildings proposed to be constructed on the property, or if there is no proposal, then the maximum GFA allowed by the zoning. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
8. The appraisal report shall include a **"Date of Value"** that is no more than 90 days from the date of the submission of the appraisal report to the City of Menlo Park.
9. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.

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10. The selected comparable sales used in valuing the Subject Property should be located in or as close to Menlo Park as reasonably available data allows.
11. The comparable sales should be as close to the Date of Value as reasonably available data allows.
12. The comparable sales should be as physically similar to the Subject Property as reasonably available data allows.
13. The intended use of the comparable sales by the buyer should be for mixed-use, commercial, office, life science or other similar non-residential uses.
14. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale's GFA Per Square Foot Unit Value.
15. After reasonable adjustment for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for a building or buildings at the Base Level of development.
16. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser's conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
17. The resulting value conclusion for the Subject Property at the Base Level is the GFA Per Square Foot Unit Value times the maximum GFA allowed at the Base Level.
18. For example, assume Comparable Sale 1 sold for \$40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square feet of GFA. The GFA Per Square Foot Unit Value of the comparable is thus \$200 ( $\$40,000,000 \div 200,000$ ). With respect to the Subject Property, the City of Menlo Park has determined that the Subject Property at the Base Level has an allowed maximum GFA of 100,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property GFA results in a Market Value of the Subject Property of \$20,000,000 ( $\$200 \times 100,000$ ).
19. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals, the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate GFA Per Square Foot Unit Value of the Subject Property, provided the appraiser provides sufficient analysis and explanation of any adjustments.

**B. Bonus Level Value**

1. The Subject Property at the Bonus Level must be identical to the Subject Property at the Base Level. The Subject Property must remain identical.

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2. The City of Menlo Park determines the “**Bonus Level**” of development permitted on the Subject Property in accordance with the City’s zoning and provides that information to the appraiser. The Bonus Level of development permitted on the Subject Property shall be stated on a GFA basis.
3. The appraiser shall determine the Market Value of the Subject Property assuming it is fully entitled for the Bonus Level of development.
4. For the Bonus Level, “**entitled**” means the Subject Property has all of the approvals necessary to immediately proceed with construction of the proposed project at the Bonus Level.
5. The Date of Value for the Bonus Level must be the same as the Date of Value for the Base Level.
6. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.
7. The selected comparable sales used in valuing the Subject Property at the Bonus Level must be the same comparable sales previously used in valuing the Subject Property at the Base Level. Different comparable sales are not allowed. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
8. The appraiser shall not consider the community amenities requirement established under Menlo Park Municipal Code Section 16.43.070 or Section 16.44.070, as applicable, in determining the Market Value of the Subject Property under the Bonus Level of development.
9. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale’s GFA Per Square Foot Unit Value.
10. After reasonable adjustment for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for a building or buildings at the Bonus Level of development.
11. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser’s conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
12. The resulting value conclusion for the Subject Property at the Bonus Level is the GFA Per Square Foot Unit Value times the GFA of the proposed project at the Bonus Level.
13. For example, assume Comparable Sale 1 sold for \$40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square feet of GFA. The GFA Per Square Foot Unit Value of the comparable is thus \$200 ( $\$40,000,000 \div 200,000$ ). The proposed project on the Subject Property at the Bonus Level has a GFA of 150,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property results in a Market Value of the Subject Property of \$30,000,000 ( $\$200 \times 150,000$ ).

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14. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate GFA Per Square Foot Unit Value of the Subject Property, provided the appraiser provides sufficient analysis and explanation of any adjustments.

**C. Value of the Amenity Conclusion**

1. The Market Value of the additional GFA proposed at the Bonus Level of development is calculated based on the Subject Property values as determined through the process outlined above.
2. The value conclusion at the Base Level is subtracted from the value conclusion at the Bonus Level. The result is the Market Value of the additional GFA proposed at the Bonus Level. The “**Value of the Amenity**” is 50 percent of the Market Value of the additional GFA proposed at the Bonus Level.
3. Using the above examples, the Value of Amenity calculation would be as follows:

Value conclusion at the Bonus Level	\$30,000,000
Value conclusion at the Base Level	<u>-\$20,000,000</u>
Value of the Additional GFA Proposed	\$10,000,000
<b>Value of the Amenity</b>	<b>\$5,000,000</b>

**III. Methodology for Residential Mixed-Use (R-MU) District**

**A. Base Level Value for a Residential Development or the Residential Component of a Mixed-Use Project**

1. The subject of the appraisal is the parcel or parcels of land identified in the project application for the proposed project, which is also generally referred to as the project site. The subject of the appraisal is hereinafter referred to as the “**Subject Property**.”
2. The appraiser identifies the proposed project as either a for sale condominium or a rental project or a combination thereof. This determination needs to be consistent with the application for the proposed project.
3. The City of Menlo Park shall determine the “**Base Level**” of development permitted on the Subject Property in accordance with the City’s zoning and provide that information to the appraiser. This determination will include identification of both

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the percentage and the number and the income level of required Below Market Rate (“**BMR**”) dwelling units required for the Subject Property at the Base Level pursuant to the City’s Below Market Rate Housing Program.

4. The Base Level of development permitted on the Subject Property shall be stated on a Gross Floor Area basis.
5. Gross Floor Area (“**GFA**”) is defined as the sum of the horizontal areas of all habitable floors including basements and mechanical areas within the surrounding exterior walls of a building covered by a roof measured to the outside surfaces of exterior walls or portions thereof on the Subject Property, excluding parking structures. For purposes of these instructions, City staff shall determine GFA based on this definition.
6. The appraiser shall determine the Market Value of the Subject Property, assuming it is fully entitled for the Base Level of development. “**Market Value**” is the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.
7. For the Base Level, “**entitled**” means the Subject Property has all of the approvals necessary to immediately proceed with construction of the maximum GFA allowed by the zoning at the Base Level.
8. The “**GFA Per Square Foot Unit Value**” is defined as the sale price of the comparable divided by the GFA of the buildings proposed to be constructed on the property, or if there is no proposal, then the maximum GFA allowed by the zoning. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
9. The appraisal report shall include a “**Date of Value**” that is no more than 90 days from the date of the submission of the appraisal report to the City of Menlo Park.
10. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.
11. The selected comparable sales used in valuing the Subject Property should be located in or as close to Menlo Park as reasonably available data allows.
12. The comparable sales should be as close to the Date of Value as reasonably available data allows.
13. The comparable land sales should be as physically similar as reasonably available data allows.
14. The intended use of the comparable sales by the buyer should be the same as the proposed project, for use as a multi-family residential development.
15. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale’s GFA Per Square Foot Unit Value.
16. Additional analysis of the comparable sales on a per dwelling unit basis is also acceptable. The final conclusion shall be stated on a GFA Per Square Foot Unit Value basis.
17. The BMR requirement at the Base Level for the Subject Property versus the comparable sales may be a basis for adjustment.

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18. After reasonable adjustment for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for a building or buildings at the Base Level of development.
19. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser's conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
20. The resulting value conclusion for the Subject Property at the Base Level is the GFA Per Square Foot Unit Value times the maximum GFA allowed at the Base Level.
21. For example, assume Comparable Sale 1 sold for \$40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square foot of GFA. The GFA Per Square Foot Unit Value of the comparable is thus \$200 ( $\$40,000,000 \div 200,000$ ). With respect to the Subject Property, the City of Menlo Park has determined that the Subject Property at the Base Level has an allowed maximum GFA of 100,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property results in a Market Value of the Subject Property of \$20,000,000 ( $\$200 \times 100,000$ ).
22. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate Subject Property GFA Per Square Foot Unit Value, provided the appraiser provides sufficient analysis and explanation of any adjustments.

**B. Bonus Level Value for a Residential Development or the Residential Component of a Mixed-Use Project**

1. The Subject Property at the Bonus Level must be identical to the Subject Property at the Base Level. The Subject Property must remain identical.
2. The City of Menlo Park shall determine the "**Bonus Level**" of development permitted on the Subject Property in accordance with the City's zoning and provide that information to the appraiser. The BMR requirement, stated in both percentage and number and income level, at the Bonus Level shall be determined pursuant to the City's Below Market Rate Housing Program.
3. The Bonus Level of development permitted on the Subject Property shall be stated on a GFA basis.
4. The appraiser shall determine the Market Value of the Subject Property assuming it is fully entitled for the Bonus Level of development.

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5. For the Bonus Level, “**entitled**” means the Subject Property has all of the approvals necessary to immediately proceed with construction of the proposed project at the Bonus Level.
6. The Date of Value for the Bonus Level is to be the same as the Date of Value for the Base Level.
7. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.
8. The selected comparable sales used in valuing the Subject Property for the Bonus Level must be the same comparable sales previously used in valuing the Subject Property at the Base Level. Different comparable sales are not allowed. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
9. Additional analysis of the comparable sales on a per dwelling unit basis is also acceptable. The final conclusion shall be stated on a GFA Per Square Foot Unit Value basis.
10. The appraiser shall not consider the community amenities requirement established under Menlo Park Municipal Code Section 16.45.070 in determining the Market Value of the Subject Property at the Bonus Level of development.
11. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale’s GFA Per Square Foot Unit Value.
12. After reasonable adjustments for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for the proposed project at the Bonus Level, including the required percentage/number of BMR units pursuant to the to the City’s Below Market Rate Housing Program.
13. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser’s conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
14. The resulting value conclusion for the Subject Property under the Bonus Level is the GFA Per Square Foot Unit Value times the GFA of the proposed project at the Bonus Level.
15. For example, assume Comparable Sale 1 sold for \$40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square feet of GFA. The GFA Per Square Foot Unit Value of the comparable is thus \$200 ( $\$40,000,000 \div 200,000$ ). The proposed project on the Subject Property at the Bonus Level has a GFA of 150,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property results in a Market Value of the Subject Property of \$30,000,000 ( $\$200 \times 150,000$ ).
16. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals

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the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate GFA Per Square Foot Unit Value of the Subject Property, provided the appraiser provides sufficient analysis and explanation of any adjustments.

**C. Value of Amenity Conclusion for a Residential Development or the Residential Component of a Mixed-Use Project**

1. The Market Value of the additional GFA proposed at the Bonus Level of development is calculated based on the Subject Property values as determined through the process outlined above.
2. The value conclusion at the Base Level is subtracted from the value conclusion at the Bonus Level. The result is the Market Value of the additional GFA proposed at the Bonus Level. The **“Value of the Amenity”** is 50 percent of the Market Value of the additional GFA proposed at the Bonus Level.
3. Using the above examples, the Value of Amenity calculation would be as follows:

Value conclusion at the Bonus Level	\$30,000,000
Value conclusion at the Base Level	<u>-\$20,000,000</u>
Value of the Additional GFA Proposed	\$10,000,000
<b>Value of the Amenity</b>	<b>\$5,000,000</b>

**D. For Non-Residential Component of Mixed-Use Project**

1. This step is not applicable to Residential Developments.
2. For the non-residential portion of a mixed-use project in the R-MU District, the appraiser shall follow the methodology above for the Office (O) District in reaching a Value of the Amenity conclusion.

**E. Value of Amenity Conclusion R-MU District Combined Residential and Non-Residential Component of Mixed-Use Project**

1. The resulting Value of the Amenity conclusion for the non-residential component of a mixed-use project shall be added to the Value of the Amenity conclusion for the residential portion of the mixed-use project, without discount to either value conclusions, to determine the total Value of the Amenity to be provided.

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**IV. Methodology for Projects That Include Multiple Zoning Districts**

1. For master planned projects that include multiple zonings of R-MU, LS and/or O Districts the appraiser shall follow the methodology above for each separate component. The resulting value conclusions shall be added together without discount resulting in the defined Market Value for the entire Subject Property.