



## **MILPITAS CITY COUNCIL MEETING AGENDA**

**TUESDAY, SEPTEMBER 15, 2015**

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**455 EAST CALAVERAS BOULEVARD, MILPITAS, CA  
6:00 P.M. STUDY SESSION • 7:00 P.M. PUBLIC BUSINESS**

### **SUMMARY OF CONTENTS**

- I. CALL TO ORDER by the Mayor (6:00 p.m.)**
- II. STUDY SESSION – Regarding Proposal for Development of Serra Center**
- III. PLEDGE OF ALLEGIANCE (7:00 p.m.)**
- IV. INVOCATION (Councilmember Giordano)**
- V. APPROVAL OF COUNCIL MEETING MINUTES – September 1, 2015**
- VI. SCHEDULE OF MEETINGS – COUNCIL CALENDARS - September and October 2015**
- VII. PRESENTATIONS**
  - Proclaim September as Ovarian Cancer Awareness Month
  - Commend Generation Taekwondo (won 10 medals at 2015 National Championship)
- VIII. PUBLIC FORUM**

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Members of the audience are invited to address the Council on any subject not on tonight's agenda. Speakers must come to the podium, state their name and city of residence for the Clerk's record, and limit their remarks to three minutes. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. However, the Council may instruct the City Manager to place the item on a future meeting agenda.

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- IX. ANNOUNCEMENTS**
- X. ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS**
- XI. APPROVAL OF AGENDA**
- XII. CONSENT CALENDAR (Items with asterisks\*)**

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Consent calendar items are considered to be routine and will be considered for adoption by one motion. There will be no separate discussion of these items unless a member of the City Council, member of the audience, or staff requests the Council to remove an item from or be added to the consent calendar. Any person desiring to speak on any item on the consent calendar should ask to have that item removed from the consent calendar. If removed, this item will be discussed in the order in which it appears on the agenda.

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- XIII. PUBLIC HEARING**
  - 1. Hold a Public Hearing and Adopt the FY 2014-15 Community Development Block Grant's Consolidated Annual Performance Evaluation Report (CAPER) (Staff Contact: Tim Wong, 408-586-3286)**



**XIV. UNFINISHED BUSINESS**

- \*2. Review and Approve the Request for Proposals for a City of Milpitas Ethics Hotline (Staff Contact: Tom Williams, 408-586-3050)**
- 3. Receive Update on Proposed Amendment to Current Janitorial Contract to Increase Hourly Wage Rates and Direct Staff Accordingly (Contacts: Vice Mayor Montano, 408-586-3023 and Tom Williams, 408-586-3050)**

**XV. REPORTS OF MAYOR AND COMMISSION**

- \* 4. Consider Mayor's Recommendations for Appointments to City Commissions (Contact: Mayor Esteves, 408-586-3029)**
- 5. Per Parks, Recreation and Cultural Resources Commission, Approve the Revised Rules and Regulations for the Cesar E. Chavez Community Garden (Staff Contact: Renee Lorentzen, 408-586-3409)**
- 6. Receive a Presentation on the Recycling and Source Reduction Advisory Commission and Approve the 2015-16 Work Plan (Staff Contacts: Elizabeth Koo, 408-586-3353 and Leslie Stobbe, 408-586-3352)**

**XVI. NEW BUSINESS**

- 7. Authorize the Selection Process to Appoint a Public Representative and Alternate to Serve on the South Bay Odor Stakeholder Group (Staff Contact: Steven Machida, 408-586-3355)**
- 8. Receive Report on Milpitas Super Community Committee Marketing Plan (Staff Contact: Edesa Bitbadal, 408-586-3052)**
- 9. Receive Presentation and Approve the Conceptual Plan of the Milpitas Sports Center Sports Fields, Project No. 5104 (Staff Contact: Steven Machida, 408-586-3355)**
- 10. Receive the City of Milpitas Preliminary Year End Financial Report for the Fiscal Year Ended June 30, 2015 (Staff Contact: Emma Karlen, 408-586-3145)**
- \*11. Approve the Restoration of Employer's PERS Contribution for Unrepresented Employees (Staff Contact: Emma Karlen, 408-586-3145)**

**XVII. ORDINANCE**

- \*12. Waive the Second Reading and Adopt Ordinance No. 287 Restricting Use of Single-Use Carry-Out Bags (Staff Contact: Steven Machida, 408-586-3355)**

**XVIII. RESOLUTIONS**

- \*13. Adopt a Resolution Granting Initial Acceptance of Public Improvements and Approving a Reduction in the Performance Bond for the Subdivision Improvement Security for 1201 S. Main Street, SORA Milpitas LLC (Shea Residential) Project No. 2718 (Staff Contact: Steve Machida, 408-586-3355)**
- \*14. Adopt a Resolution Adding One Administrative Analyst II Position and Reclassifying an Existing Maintenance Custodian Position, and Approve Appropriation of \$182,000 from the General Fund for a Public Works Manager (Staff Contact: Nina Hawk, 408-586-2603)**

- \*15. Adopt a Resolution Opposing the Transport of Hazardous Crude by Rail Along the Union Pacific Railway Through Milpitas and Santa Clara County (Staff Contact: Tom Williams, 408-586-3050)**

**XIX. AGREEMENTS**

- \*16. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority Related to the Silicon Valley Rapid Transit Program Berryessa BART Extension Project Extending the Term to February 28, 2017, Increase by \$646,100 and Approve a Budget Appropriation of \$300,000 (Staff Contact: Steven Machida, 408-586-3355)**
- \*17. Approve Amendment No. 4 to the Consulting Services Agreement with Vali Cooper & Associates, Inc. Extending the Term to October 31, 2016 and Increasing Compensation in the Additional Amount of \$310,000 to Continue Support on the Silicon Valley Rapid Transit Program Berryessa BART Extension and Montague Expressway Widening, Projects No. 4265 and No. 4179 (Staff Contact: Steve Machida, 408-586-3355)**
- \*18. Approve a Consultant Agreement with CSG Consultants, Inc. for Staff Augmentation Services, for the Capital Improvement Program for an Annual Amount Not-To-Exceed \$150,000 (Staff Contact: Steven Machida, 408-586-3355)**

**XX. ADJOURNMENT**

**KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions and other agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the City operations are open to the people's review. For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035

*The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website [www.ci.milpitas.ca.gov](http://www.ci.milpitas.ca.gov) by selecting the Milpitas Municipal Code link.*

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3<sup>rd</sup> floor 455 E. Calaveras Blvd., Milpitas and on the City website. Phone 408-586-3040

All City Council agendas and related materials can be viewed online here:  
[www.ci.milpitas.ca.gov/government/council/agenda\\_minutes.asp](http://www.ci.milpitas.ca.gov/government/council/agenda_minutes.asp) (select meeting date)

**APPLY TO SERVE ON A CITY COMMISSION**

Seeking Applications for:

Arts Commission  
Community Advisory Commission (alternate)  
Economic Development Commission (alternate member and  
Commercial/Residential Real Estate broker)  
Veterans Commission (2 vacancies)  
Youth Advisory Commission

Commission application forms are available online at [www.ci.milpitas.ca.gov](http://www.ci.milpitas.ca.gov) or at Milpitas City Hall.  
Contact the City Clerk's office at 408-586-3003 for more information.

*If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, call the City Clerk at 408-586-3001 or send an e-mail to [mlavelle@ci.milpitas.ca.gov](mailto:mlavelle@ci.milpitas.ca.gov) prior to the meeting. You may request a larger font agenda or arrange for mobility assistance. For hearing assistance, headsets are available in the City Council Chambers for all meetings in that facility.*

## AGENDA REPORTS

### II. STUDY SESSION

**Study Session to Provide Direction to Owners of the Serra Center Regarding Request to Change the Zoning from C-2 (General Commercial) and Office Overlay (within the Midtown Specific Plan) to Residential (Staff Contact: Bill Ekern, 408-586-3273)**

**Background:** The owners of the Serra Center shopping center desire to change the zoning from commercial and office to residential. Staff has advised them that in order to enable such a development the Midtown Specific Plan and its zoning must be amended, as must the General Plan. It is required by state law that the zoning of a property be consistent with its General Plan designation. In order to accomplish both of these significant land use changes, an environmental review of the proposal must also occur. Before the owners make a formal proposal for a specific development to be reviewed by the City and CEQA, they are interested in obtaining the Council's perspective on changing commercial property to residential property.

**Recommendation:** Engage in a dialogue with the owners of the Serra Center. Implications of changing this property from commercial/office to residential have profound impacts throughout the City and the other commercial zones. Staff recommends that the City Council advise the owners that the need for commercial and office development, and the related job development, outstrips the City's need for housing in the Midtown Specific Plan area.

### XIII. PUBLIC HEARING

1. **Hold a Public Hearing and Adopt the FY 2014-15 Community Development Block Grant's Consolidated Annual Performance Evaluation Report (CAPER) (Staff Contact: Tim Wong, 408-586-3286)**

**Background:** The Consolidated Annual Performance Evaluation Report (CAPER) describes the City's one-year CDBG programs and activities undertaken in the past program year (FY 2014-15). The CAPER evaluates the City's overall progress in achieving the priority projects that were identified during the Five-Year Consolidated Plan and One-Year Action Plan.

The CAPER identifies major accomplishments in 2014-15 which included:

- Use of CDBG funds to investigate and attend to complaints of 87 elderly in long-term care facilities.
- CDBG funds serviced 32 children in the court-appointed, foster care system with long-term, steady, supportive volunteers throughout until adulthood.
- 47 Milpitas youths benefited from CDBG funds to attend recreational program at 50% of the cost.
- 33 Milpitas residents received shelter and other supportive services through 574 PSDs.
- CDBG funds helped continue services for the Milpitas Food Pantry, serving 1,026 very-low income households.
- CDBG funds assisted 30 low-income, pre-school aged children and their families with kindergarten reading strategies.
- Provided funds for 83 domestic violence victims (women and her children) with supportive & residential services.
- Funds helped with increasing awareness and investigating complaints on fair housing and landlord/tenant services to about 72 residents in Milpitas.
- CDBG funds served 49 Milpitas elderly citizens with free legal services.
- Three elevator modernizations were completed at a senior property with CDBG funds.
- A total of 1,636 of hot meals were delivered daily to 6 low-income, elderly, Milpitas residents.

- Thirty low-income homes were rehabilitated through home improvements of increasing safety, energy efficiency, accessibility and mobility.
- Six low-income households benefited from apartment rehabilitation through weatherization, energy conservation and mitigating code deficiencies.
- Funded 16 public and non-public service organizations with CDBG.
- A total of 3,584 individuals benefited from CDBG funds for FY 2014-15.

The City exceeded its administrative allocation by approximately \$15,000. Therefore, the City will reimburse the program account for the overage. Staff has been working with the federal Department of Housing and Urban Development (HUD) staff which approved this approach.

The CAPER was advertised for public review and comments for 15 days (August 21 - September 4, 2015). Copies of the CAPER were sent to all service providers that received CDBG funding and other interested parties. Copies were also made available at City Hall and Milpitas Library.

**Fiscal Impact:** None.

**Recommendations:**

1. Open the public hearing to receive any comments and then move to close the hearing.
2. Adopt the FY 2014-15 Consolidated Annual Performance Evaluation Report (CAPER) regarding distribution of Community Development Block Grant funds to non-profit organizations.

#### **XIV. UNFINISHED BUSINESS**

**\*2. Review and Approve the Request for Proposals for a City of Milpitas Ethics Hotline (Staff Contact: Tom Williams, 408-586-3050)**

**Background:** At the June 2, 2015 City Council meeting, staff was directed to return with specifics for a Request for Proposals to implement an Ethics Hotline Program in Milpitas. This is a program that would be available to City employees, vendors, and contractors 24 hours a day to confidentially report incidents of fraud and abuse.

**Fiscal Impact:** Unknown. Estimated cost is between \$15,000 and \$40,000 per year.

**Recommendation:** Receive update and direct City Manager to issue the Request for Proposals.

**3. Receive Update on Proposed Amendment to Current Janitorial Contract to Increase Hourly Wage Rates and Direct Staff Accordingly (Contacts: Vice Mayor Montano, 408-586-3023 and Tom Williams, 408-586-3050)**

**Background:** At the City Council meeting of August 4, 2015, Vice Mayor Montano introduced a proposal to amend the current janitorial contract with Varsity Facility Services to increase the minimum hourly wage from \$9.00 to \$13.00 per hour. The current contract will expire on January 6, 2016, and allows two annual options to extend the contract (refer to contract document). Contract terms allow for annual escalation of the base hourly rate to \$10.00 (new state mandated minimum wage) to \$10.75 in 2016; and \$13.69 in 2017. The City also has the option to simply let the contract expire and competitively rebid janitorial services. This latter option would allow the City to release a competitively bid Request for Proposals (RFP) with desired salary and benefit terms as directed by the City Council.

To provide additional historic context, the City released an RFP for janitorial services for twelve buildings in 2013 for services to commence in January 2014. The City tentatively selected Universal Business Services (UBS) as the lowest responsible bidder. As a result, the City received correspondence from the South Bay Labor Council opposing the selection of UBS. The reason for opposition stemmed from UBS not reaching agreement with South Bay Labor Council

and SEIU for an in-lieu “prevailing wage” for janitors within the region. South Bay Labor Council and SEIU requested, and the City concurred, to reject all bids and release a new RFP with terms compliant with the South Bay Labor Council/SEIU janitorial wage rates. As a result, Varsity Facility Services was selected per wage rates (identified on page 27) in the RFP.

Typically any public agency contract requires payment of prevailing wages. Locally, the City of Milpitas adopted Resolution No. 5981 requiring any contractor performing routine and recurring labor or services in excess of \$1,000 to pay not less than general prevailing wage. In California, there is no prevailing wage for janitors. As such, the South Bay Labor Council and SEIU reached agreement with four janitorial companies providing service in the region and they agreed to a voluntary in-lieu prevailing wage - refer to the Janitorial Wage Rate Analysis 2015 (included in the Council’s agenda packet).

**Discussion:** Several issues arise, identified below, and should be considered when analyzing the proposal to amend the existing contract with Varsity Facility Services and to increase the base hourly rate to \$13.00 per hour.

- The additional annual cost to the City ranges from \$121,000 – \$159,000 for the remaining two years of the Varsity contract, should that option be desired by the City Council. Two year aggregated cost is \$242,000 - \$318,000.
- If the City does not rebid the contract with new terms, the City is at risk of not adhering to the public bidding process pursuant to the Public Contract Code (CSL Section 100).
- City of Milpitas employees who made great sacrifices in lower wages and benefits during the 2008 Great Recession and negative impact of the dissolution of redevelopment have not been fully restored.
- The City of Milpitas is participating in a Minimum Wage study for the region. This study effort commenced September 3, 2015 (press release in Council agenda packet).

In light of the above identified issues, the City Council should consider one of two options:

- (1) Adhere to the current contract terms consistent with the agreement between Varsity and the South Bay Labor/SEIU agreed upon terms. Continue participation in the regional minimum wage study. Analyze the findings of the study and rebid the janitorial contract as result of the study findings; or
- (2) Continue with the current contract for the next four months letting the contract expire per the terms. Direct the immediate commencement of an RFP with the desired wage rates and terms as directed by the City Council. The objective of this option would also include having a vendor in place to commence work on January 7, 2016.

**Fiscal Impact:** If base wages are increased to \$13.00 per hour, the contract increase ranges from \$242,000 - \$318,000 for the remaining term of the existing contract with Varsity.

**Recommendation:** Adopt recommended Option 1 (current contract, participate in study, and potential rebid contract) and direct staff to report back on the minimum wage study with recommendation to consider for all outside contracts.

## **XV. REPORTS OF MAYOR AND COMMISSION**

- \* 4. Consider Mayor’s Recommendations for Appointments to City Commissions (Contact: Mayor Esteves, 408-586-3029)**

**Background:** Mayor Esteves recommends the following:

**Youth Advisory Commission:**

Re-appoint current Commissioners Sabina King, Sahil Sandhu and Crystal Tran to one year terms that will expire in September 2016.

Move Alternate No. 1 Jashandeep Chahal, Alternate No. 2 Claudia Wang, and Alternate No. 3 Ravit Sharma to voting member seats to terms that will expire in September of 2016.

Move Alternate No. 4 Christie Maly to Alternate No. 1 to a term that will expire in September of 2016.

Newly appoint Emerald Gilana as Alternate No. 2 to a term that will expire in September of 2016.

**Sister Cities Commission:**

Re-appoint Massoud Arefi to a new 3-year term that will expire in September of 2018.

**Recommendation:** Receive Mayor's recommendations for appointments to the Youth Advisory Commission and Sister Cities Commission.

**5. Per Parks, Recreation and Cultural Resources Commission, Approve the Revised Rules and Regulations for the Cesar E. Chavez Community Garden (Staff Contact: Renee Lorentzen, 408-586-3409)**

**Background:** At the May 4, 2015 Parks, Recreation and Cultural Resources Commission meeting, staff proposed revisions to the Community Garden Rules and Regulations which had not been updated since 2002. The revisions included minor language changes, water reduction procedures during declared drought emergencies, and updated programming logistics. Also recommended for addition are a one-time plot-cleaning deposit and a key replacement fee which will be brought to a future City Council meeting for approval as part of the Master Fee Schedule.

On June 8, 2015, the Parks, Recreation and Cultural Resources Commission unanimously recommended City Council approval of the revised Cesar E. Chavez Community Garden Rules and Regulations.

On September 1, 2015, staff met with the Milpitas Unified School District staff at the Garden to identify a new Vehicle Access path to the Garden and the approved loading/unloading and Disabled Placard parking area.

On September 14, 2015, the Parks, Recreation and Cultural Resources Commission reviewed the revised Cesar E. Chavez Community Garden Rules and Regulations with the addition of the new Vehicle Access section.

**Fiscal Impact:** None.

**Recommendation:** Approve revised Rules and Regulations for the Cesar E. Chavez Community Garden.

**6. Receive a Presentation on the Recycling and Source Reduction Advisory Commission and Approve the 2015-16 Work Plan (Staff Contacts: Elizabeth Koo, 408-586-3353 and Leslie Stobbe, 408-586-3352)**

**Background:** The Recycling and Source Reduction Advisory Commission (RSRAC) was established by City Council on February 5, 1991 and serves as an advisory group to the Council on matters pertaining to recycling and solid waste management. The commission recommends programs designed to reduce solid waste and monitor the City's achievement of state-mandated diversion goals.

The following Fiscal Year 2015-16 Work Plan is being presented to the City Council as an informational update. This Work Plan includes two categories:

- 1) Goals:
  - a. Promote a Plastic Bag Ban
  - b. Pursue an expanded Polystyrene Ban (Beverage and food containers)
  - c. Review of AB1826 (Organics Recycling)
- 2) Accomplishments:
  - a. Review Solid Waste Request for Proposal elements
  - b. Review Long-Term Trash Load Reduction Plan

**Recommendation:** Approve presentation on Recycling and Source Reduction Advisory Commission's 2015-16 Work Plan.

## **XVI. NEW BUSINESS**

### **7. Authorize the Selection Process to Appoint a Public Representative and Alternate to Serve on the South Bay Odor Stakeholder Group (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** As the City Council is aware, Republic Services has applied to the City of San Jose for a permit to expand the Newby Island Landfill by 195 feet. The South Bay Odor Stakeholder Group has formed to address community concerns related to odor. The stakeholders include Republic Services, Bay Area Air Quality Management District, San Jose Local Enforcement Agency, CalRecycle, City of Fremont, City of San Jose, City of Milpitas, Assemblymember Chu's office and Senator Wiecekowski's office.

At a July 31 meeting, stakeholders agreed to include members of the public. It had been requested that each City Council appoint a Representative and Alternate to participate in the Stakeholders Group. The meetings are tentatively scheduled every quarter, with the next meeting scheduled for Thursday, October 22 from 1:30 to 3:30 pm.

Interested persons would be required to fill out a commission application and submit to the City Clerk. The Mayor and City Council would then select the Representative and Alternate. Staff intends to report back to the City Council at the October 20, 2015 Council meeting with a recommendation by the Mayor.

**Alternative:** If no community members are appointed, the stakeholder group will lack representation from the Milpitas community.

**Recommendation:** Authorize the selection process to appoint a Representative and Alternate. Report back to the City Council with the recommendation for appointments on October 20, 2015.

### **8. Receive Report on Milpitas Super Community Committee Marketing Plan (Staff Contact: Edesa Bitbadal, 408-586-3052)**

**Background:** The Milpitas Super Community Committee is comprised of ten volunteers representing the City of Milpitas, Milpitas Chamber of Commerce, Milpitas hotels, Milpitas restaurants, Great Mall, and Economic Development Commission. The Committee held two meetings; the first meeting was to gather ideas from each member and the second was to discuss the costs associated with implementing those ideas in participation with the Regional Super Communities Committee. City of Milpitas is ahead in planning and has accomplished a lot compared to other cities. The Milpitas Super Community Committee unanimously proposed a comprehensive marketing package that includes print, television, collateral, signage, shuttle services and billboard advertisement to promote the City during the Super Bowl.



The Economic Development Commission met on August 17, 2015 and discussed the ideas as well as the costs needed to implement these ideas Citywide. The plan is listed below:

|                            |          |
|----------------------------|----------|
| Print collateral           | \$2,000  |
| Website and social media   | \$0      |
| Shuttle Services           | \$7,000  |
| Commercial on CBS          | \$16,500 |
| Welcome Signage            | \$5,500  |
| Billboard Advertisement    | \$0      |
| Milpitas Business Passport | \$2,000  |

The total cost for the entire marketing package is \$35,000 and it will be funded from the City Manager's budget. Although the Milpitas Super Community marketing budget was not included during the FY 2015-16 City Manager's economic development budget request, staff anticipates that a mid-year budget adjustment will make the economic development budget whole.

**Fiscal Impact:** \$35,000 from FY 2015-16 City Manager's office operating budget.

**Recommendation:** Receive an oral report and direct staff to implement the Milpitas Super Community Committee Citywide Marketing Plan.

**9. Receive Presentation and Approve the Conceptual Plan of the Milpitas Sports Center Sports Fields, Project No. 5104 (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** At the August 18, 2015 meeting, the City Council awarded a contract to Verde Design, Inc. to prepare the construction documents to repurpose the MSC Sports Fields. The existing football field will be modified to a multi-purpose field to accommodate league football, adult and youth soccer and add an additional youth soccer field/practice fields/volleyball courts. The natural grass field will be replaced with artificial turf. Stadium lighting, field furniture and a decomposed granite walking path around the fields are also included in the project. Staff will present the conceptual field design and construction cost estimate as created by the city's project designer, Verde Design, Inc.

**Fiscal Impact:** None. Sufficient funds are available in the budget for the design of this project.

**Recommendation:** Receive a presentation and approve the conceptual plan for the Milpitas Sports Center Sports Fields Project No. 5104.

**10. Receive the City of Milpitas Preliminary Year End Financial Report for the Fiscal Year Ended June 30, 2015 (Staff Contact: Emma Karlen, 408-586-3145)**

**Background:** The preliminary year end financial report indicates that total General Fund revenue was above budget by approximately \$6 million. The biggest contributors for the increase came from property tax revenue, transient occupancy tax (hotel tax) and other governmental revenues. Property tax revenue increased by \$2.4 million over budget due to recovery of the housing market and increased assessed valuations on most properties. The City also received \$4.2 million distribution from the Redevelopment Property Tax Trust Fund ("RPTTF") which exceeded budget by \$0.7 million, again due to housing market recovery and increased assessed valuations of properties in the Redevelopment Agency (RDA) Project Area. The \$4.2 million distribution represents the City's share of the residual RDA property tax revenue after satisfying the recognized debt obligations of the former RDA.

The hotel tax revenue exceeded budget by \$1.6 million, reflecting economic recovery in this region. Other Governmental revenue increased by \$968,000 over budget primarily due to a one-time reimbursement from the State for State mandates costs incurred prior to 2004. The state budget act of 2014 specifically authorized the cost reimbursements to the counties and cities. The

City of Milpitas received approximately \$723,000 one-time state mandated cost reimbursement in FY 2014-15. The only major revenue that was below budget was sales tax revenue. Sales tax revenue was below budget by \$1 million. While restaurants and miscellaneous retail continue to show improvement in sales tax revenue, sales generated from the office equipment and electronic equipment segments continued to be volatile and cyclical.

On the expenditures side, the report shows that City departments achieved savings in the General Fund operating budget of 7.3% (approximately \$5.4 million). The combination of improved revenue and budget savings resulted in a net income of \$9.8 million. Pursuant to the City's budget policy, any excess revenue and/or distributions from the RPTTF will be transferred to the General Government Capital Improvement Project Fund to meet future capital improvement project funding needs. It should be noted that the most recently adopted Five Year Capital Improvement Plan identified \$57.1 million funding deficiency in the next four years. Any excess revenue or cost savings from the General Fund will be used to help offset some of the CIP funding deficiency.

**Fiscal Impact:** None.

**Recommendation:** Receive the preliminary year end financial report for the Fiscal Year ended June 30, 2015.

**\*11. Approve the Restoration of Employer's PERS Contribution for Unrepresented Employees (Staff Contact: Emma Karlen, 408-586-3145)**

**Background:** Due to the downturn of the economy in 2008 and the dissolution of the Redevelopment Agency in 2012, the unrepresented employees were among the first group of employees to contribute 7% of their salaries towards employer's share of the CalPERS contribution as a way of helping the City to save costs. As evidenced by recent General Fund revenue increase, the local economy has recovered and is expected to continue its improvement. Concessions from each of the five represented union groups have been restored or are on track to be restored. Staff believes that it is appropriate to restore the 7% employer's PERS contribution for the unrepresented employees as they are the last group of employees to be restored.

**Fiscal Impact:** Cost savings have been averaging approximately \$225,000 annually. Restoration of 7% employer's PERS contribution will eliminate the cost savings. There is sufficient funding available in the FY 2015-16 budget for the request.

**Recommendation:** Approve the restoration of Employer PERS 7% contribution for the City of Milpitas unrepresented employees.

**XVII. ORDINANCE**

**\*12. Waive the Second Reading and Adopt Ordinance No. 287 Restricting Use of Single-Use Carry-Out Bags (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** On September 1, 2015, the City Council introduced Ordinance No. 287 that bans single-use carry-out plastic bags for all retail establishments. Alternative paper bags with more than 40% post-consumer recycled material can be available for a 10 cents charge to the customer. Recordkeeping for up to three years is required of all merchants. No changes were made to the ordinance introduced on September 1, 2015. Ordinance No. 287 is now ready for a second reading and adoption.

**Recommendation:** Waive the second reading and adopt Ordinance No. 287 restricting use of single-use carry-out bags.

- \*13. Adopt a Resolution Granting Initial Acceptance of Public Improvements and Approving a Reduction in the Performance Bond for the Subdivision Improvement Security for 1201 S. Main Street, SORA Milpitas LLC (Shea Residential) Project No. 2718 (Staff Contact: Steve Machida, 408-586-3355)**

**Background:** On February 5, 2013, the City Council approved the Subdivision Improvement Agreement (SIA) for the Shea Residential project (Tract 10139) located at 1201 S. Main Street. The SIA is for the construction of certain public improvements identified in Public Improvement Plan 2-1163. The public improvements include, underground utilities and street improvements along the South Abel Street and South Main Street, and additional public improvements consisting of a portion of Sewer 11D and a new siphon across lower Penitencia Creek. These public improvements have been completed by the developer per the approved public improvement plans and are now ready for initial acceptance in accordance with the SIA. The developer's performance bond may be reduced to \$240,000, which is 10% of the improvement amount.

**Fiscal Impact:** None.

**Recommendation:** Adopt a resolution granting initial acceptance of public improvements for SORA Milpitas (Shea Residential), Tract 10139, Project No. 2718 and approving a reduction in the performance bond, subject to a one-year warranty period and reduction of the faithful performance security to \$240,000.

- \*14. Adopt a Resolution Adding One Administrative Analyst II Position and Reclassifying an Existing Maintenance Custodian Position, and Approve Appropriation of \$182,000 from the General Fund for a Public Works Manager (Staff Contact: Nina Hawk, 408-586-2603)**

**Background:** The Public Works Department provides several key services for the Community, including maintenance and operations of City Facilities and aging infrastructure. Delivering these services requires significant oversight, relevant technical aptitude and adequate resources. Public Works must also manage the City's infrastructure in adherence to several ever-changing state regulations and operating permits. While the existing Public Works staff continues to provide a high level of service and is highly dedicated, it is evidenced that three staff positions should be added, funded or reclassified to meet required service delivery and compliance with a number of regulatory requirements.

The Public Works Director proposes to establish a new Administrative Analyst II position, which will assist the entire department in meeting several regulatory requirements and permits, improve contractual management and help the department to develop written procedures for operations and maintenance. The Administrative Analyst will also conduct cost-benefit analysis, complete technical writing assignments and various supplemental assignments as needed. The Administrative Analyst would also serve as a key staff member in preparing the department specific budget. This position would report directly to the Director, but will work closely with all department managers, administration and various department staff.

The Maintenance Custodian classification is traditionally budgeted in the Facilities Maintenance Division within Public Works Department, however a few years ago during workforce reductions, an employee working in Facilities Maintenance was transferred to the Utilities Division to meet work load issues within the department. As a result, the employee has remained a Maintenance Custodian within the Utilities Division performing duties and tasks of a Maintenance Worker I/II. The employee has developed the required competencies for a Maintenance Worker I/II, and has acquired State specific certifications necessary to work within the Utilities Division. Therefore, the Department Director proposes the Maintenance Custodian

position be reclassified as a Maintenance Worker I/II to match the existing work load and skills of the position.

The Public Works Department provides services in six functions: Streets Maintenance, Park Maintenance, Trees and Landscape Maintenance, Fleet Maintenance, Utilities Maintenance and Facilities Maintenance. Currently the Department has one Public Works Manager and utilizes three Maintenance Workers III's on special assignment to help manage these functions. A second Public Works Manager position is authorized but funding has not been provided in the last 2 years to due to budget constraint. Given the high level of customer service requests, contractor services and wide breadth of responsibility, it is apparent that another Public Works Manager is necessary to improve overall workflow, management and services within the department. The Public Works Director requests approval to appropriate funds to fill the existing vacant Public Works Manager within the Public Works Department.

**Fiscal Impact:** There will be no fiscal impact to add an Administrative Analyst II and reclassify an existing Maintenance Custodian, as there is adequate funding available in the Department's Fiscal Year 2015-16 operating budget. An existing funded but unfilled Maintenance Worker position will be defunded and an existing vacancy in seasonal worker(s) will be used to fund the Administrative Analyst II position. An appropriation from the City's General Fund in the amount of \$182,000 is necessary to fund the Public Works Manager position.

**Recommendations:**

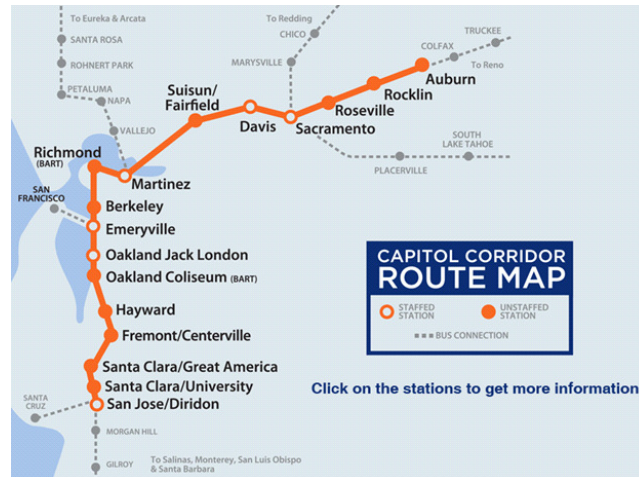
1. Adopt a resolution adding one Administrative Analyst II position and reclassify an existing Maintenance Custodian Position in the Public Works Department.
2. Approve appropriation of funds from the General Fund in the amount of \$182,000 to fill a vacant unfunded Public Works Manager position in the Public Works Department.

**\*15. Adopt a Resolution Opposing the Transport of Hazardous Crude by Rail Along the Union Pacific Railway Through Milpitas and Santa Clara County (Staff Contact: Tom Williams, 408-586-3050)**

**Background:** California refineries are in the process of securing permits to build rail terminals to import Canadian tar sands and Bakken crude oils as a result of fracking oil deposits from the Dakotas. Oil company applicants propose to build and operate an oil unloading facility at the existing Santa Maria Refinery in central California (Rail Spur Project). The proposed project is designed to accommodate trains carrying approximately 80 train cars of crude oil to the refinery at any one time. The proposed Rail Spur Project would allow for the unloading of up to five trains per week, with a 250 annual maximum number of trains, with each carrying over two million gallons of heavy, high-sulfur crude oil from North American oilfields. Union Pacific Railroad (UPRR) would be responsible for delivering the trains to the Santa Maria Refinery traveling through the Bay Area and at times Milpitas.

One example of the hazardous conditions stemming from such locomotive transportation of this type of oil occurred in July 2013, when 72 tanker cars loaded with two million gallons of flammable crude oil derailed in Lac-Mégantic, a small town in Quebec, Canada,. The accident dumped 1.5 million gallons of crude oil resulting in fire and explosions that burned down dozens of buildings, killed 47 people, and caused over \$1 billion in damages. Similar accidents have occurred elsewhere, including in North Dakota and Alabama.

The proposed Santa Maria Refinery rail spur extension project, currently in permitting stage, is planning rail transport of crude oil along water supply corridors for most of California and through densely populated urban and industrial areas, including through the East Bay and Milpitas. Trains delivering crude for this project would use Union Pacific rail tracks, which follow the Amtrak Capitol Corridor route through the Bay Area, shown below:



Amtrak Capitol Corridor route map (on Union Pacific Overland Route tracks from Auburn to Oakland and Coast Line tracks from Oakland to San José) (Source: [http://www.capitolcorridor.org/route\\_and\\_schedules/](http://www.capitolcorridor.org/route_and_schedules/))

The U.S. Department of Transportation recently classified crude shipments by rail as an “imminent hazard.” In light of recent accidents, the U.S. Department of Transportation issued an Emergency Order on May 7, 2014 and notification requiring all railroads operating trains containing large amounts of Bakken crude oil to notify State Emergency Response Commissions (SERCs) about the operation of the trains through their states. Effective immediately, the Emergency Order requires that each railroad operating trains containing more than 1,000,000 gallons of Bakken crude oil, or approximately 35 tank cars, in a particular state to provide the SERC notification regarding the expected movement of such trains through the counties in that state.

Specific to the City of Milpitas, UPPR rail lines run north/south through the City. Milpitas is an urbanized community and rail lines are in very close proximity to residential and commercial establishments potentially placing thousands of people in danger should an incident similar to Quebec occur.

Recent California legislation related to oil-by-rail and hazardous material transport includes the following bills:

- A currently active bill, AB 22 (Rodriguez), would provide fire departments with the necessary resources to train firefighters in response methods for oil-by-rail spills. AB 22 is in Senate Appropriations Committee held under submission on August 27, 2015.
- Last year’s Public Resources Budget Bill, SB 861, expanded the state’s oil spill prevention and response program to cover all statewide surface waters at risk of oil spills, not just coastal and marine waters. Funding for industry preparedness, spill response, and continued coordination with local, state, and federal government along with industry and non-governmental organizations was included in the measure.
- Senate Bill 84, the 2015-16 General Government Budget bill signed by Governor Brown, included a provision on the issue of transporting hazardous material by rail. Specifically, it requires the State Office of Emergency Services to work with relevant local and state agencies to develop and adopt a state fire services and rescue emergency mutual aid plan to serve as an annex to the State Emergency Plan. The State Emergency Plan addresses the state’s response to extraordinary emergency situations. The Plan describes the methods for carrying out emergency operations and the process for rendering mutual aid.

The bill also creates the Regional Railroad Accident Preparedness Response Force within the Office of Emergency Services. The force will be responsible for providing response capabilities

in the event of a release of hazardous materials that were being transported by rail. The bill requires the Director of the Office of Emergency Services to establish a schedule of fees to be paid by each entity owning any of the 25 most hazardous commodities that are transported by rail in California. The fee is to be based on each loaded rail car that travels in the state. The fee is to reflect the cost of preparations to respond to the release of hazardous materials from a rail car or a railroad accident involving a rail car.

**Fiscal Impact:** None.

**Recommendation:** Adopt a resolution and send appropriate letters expressing the City of Milpitas' opposition to the project and trains carrying crude oil from travelling through the City.

## **XIX. AGREEMENTS**

- \*16. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority Related to the Silicon Valley Rapid Transit Program Berryessa BART Extension Project Extending the Term to February 28, 2017, Increase by \$646,100 and Approve a Budget Appropriation of \$300,000 (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** The extension of the Bay Area Rapid Transit (BART) system into Santa Clara County is being implemented by Santa Clara Valley Transportation Authority's (VTA) Silicon Valley Rapid Transit (SVRT) program. The City and VTA executed a Master Agreement in 2010, which created a cooperative framework between VTA and the City for design and construction of the BART line extension through Milpitas. This agreement allows for reimbursement of City expenses for a variety of coordination efforts, including but not limited to design approval and inspection of City facilities, encroachment permit oversight, easements, utility maintenance operations, meetings, resolution of construction issues, and consultant support. The Master Agreement and Amendments No. 1 – 7 included a work plan which described reimbursement of the City's support effort with a total agreement amount of \$4,686,888 through September 30, 2015.

Several phases of the work are in progress simultaneously, including relocation of existing utilities, installation of new utilities, track installation, parking garage, roadway, frontage, and station construction. It is now necessary to extend the work plan duration and increase the contract amount for continued staff support.

Staff negotiated a work plan extension with VTA and recommends increasing the Master Agreement amount in the value of \$646,100 for the additional work not-to-exceed total of \$5,332,988; and extending the term to February 28, 2017. The requested budget appropriation will place a portion of this funding into a project budget account to allow payment for consultant support to the BART project.

**California Environmental Quality Act:** This action is exempt from CEQA as there will be no physical change to the environment.

**Alternative:** If the amendment is not approved, staff will not be available to provide support to the project which will impact construction and inspection of City infrastructure.

**Fiscal Impact:** The Master Agreement requires VTA to establish a deposit account with the City to fund the City's work related to the BART extension project. This amendment provides for an additional deposit of \$646,100 for reimbursable costs in accordance with the Master Agreement.

**Recommendations:**

1. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority related to the Silicon Valley Rapid Transit Program Berryessa BART Extension Project extending the term to February 28, 2017 and increasing the agreement amount by \$646,100.
2. Approve a budget appropriation of \$300,000 to Project No. 4265 – BART Extension coordination and planning in the CIP.

**\*17. Approve Amendment No. 4 to the Consulting Services Agreement with Vali Cooper & Associates, Inc. Extending the Term to October 31, 2016 and Increasing Compensation in the Additional Amount of \$310,000 to Continue Support on the Silicon Valley Rapid Transit Program Berryessa BART Extension and Montague Expressway Widening, Projects No. 4265 and No. 4179 (Staff Contact: Steve Machida, 408-586-3355)**

**Background:** On August 3, 2010, the City entered into a Master Agreement with the Santa Clara Valley Transportation Authority (VTA) for reimbursement of City work on the Silicon Valley Berryessa Extension (SVBX) BART project. The Master Agreement allows reimbursement of City consultant costs for support services.

On November 20, 2013, the City entered into a consulting services agreement with Vali Cooper & Associates, Inc. in the amount of \$19,760 to provide support services for the SVBX (BART) project through June 30, 2014. On January 21, 2014, the parties entered into Amendment No. 1 to increase the compensation by \$75,000 to continue support services. On June 3, 2014, the parties entered into Amendment No. 2 to increase the compensation by \$158,240 and extended the term through June 30, 2015. On December 16, 2014, the parties entered into Amendment No. 3 increasing compensation by \$300,000 and to extend the term through September 30, 2015.

Several phases of the SVBX (BART) work are in progress simultaneously, including relocation of existing utilities, installation of new utilities, track installation, parking garage, roadway, frontage, and station construction. The Montague Expressway Widening Project is scheduled to begin shortly and will also require engineering support services. Staff recommends that Vali Cooper & Associates perform additional services by continuing their support through October 31, 2016. Staff negotiated a fee for these services not to exceed \$310,000. Approval of this amendment brings the total agreement amount with Vali Cooper not to exceed \$863,000.

**Fiscal Impact:** Consultant expenses and City staff labor are reimbursable under the VTA Master Agreement. Work performed on the Montague Expressway Widening Project is charged to CIP Project No. 4179. Sufficient funds are available in the project budgets for these services. Miscellaneous third party utility work is reimbursable under Private Job accounts.

**Recommendation:** Approve Amendment No. 4 to the Agreement with Vali Cooper & Associates, Inc. extending the term to October 31, 2016 and increasing compensation in the additional amount of \$310,000 to continue support on the Silicon Valley Rapid Transit Program-Berryessa BART Extension and on the Montague Expressway Widening, Projects No. 4265 and No. 4179.

**\*18. Approve a Consultant Agreement with CSG Consultants, Inc. for Staff Augmentation Services for the Capital Improvement Program for an Annual Amount Not-To-Exceed \$150,000 (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** Each year, engineering staff prepares the comprehensive five-year plan of Capital Improvement Projects (CIP) for the City of Milpitas. Capital Improvement Program projects include construction of capital assets including streets, park development or upgrades, the acquisition of land, construction, repair, and rehabilitation of City infrastructure and facilities. The CIP reflects the City Council's priorities and policies to ensure that the needs of the city are met. For Fiscal Year 2015-16, the value of the CIP is \$22,421,960, and there are several high profile projects with tight completion deadlines.

The majority of the CIP projects, within the five-year plan are completed by the City's Design and Construction (D&C) Engineering Section. Design and Construction staff manage all projects from inception, through design, and finally through the warranty process upon completion of construction. Due to the volume of work in the CIP and the tight completion schedules for several of the projects, staff recommends use of an engineering consultant to provide staff augmentation services. Staff augmentation includes providing up to two consulting staff engineers who would be located at City Hall and would provide project management duties for completion of projects identified in the CIP.

Staff recommends hiring CSG Consultants Inc. as the firm to provide the staff augmentation services. CSG was selected using the City's standard operating procedure for the selection of professional consultants. CSG will provide staff augmentation to assist in the completion of projects identified in the CIP. Tasks will include project management and administration, review of engineering plans and specifications, hiring design consultants, advertisement and project public bidding, review of construction bids, submittals, change orders, and field problems as required for the completion of projects. Staff negotiated a fee with CSG not to exceed \$150,000 for on-call services starting September 16, 2015 and will end on September 16, 2016.

**California Environmental Quality Act:** This action is exempt from CEQA as there will be no physical change to the environment.

**Fiscal Impact:** None. There are sufficient funds in CIP budgets. CSG consulting staff will complete the following projects: CIP No. 3403 Fire Station Improvements; CIP No. 4271 Bridge Improvements; CIP No. 4281 TASP Utility Underground District; CIP No. 2001 Light rail Median Landscape; CIP No. 5097 Higuera Adobe Park and CIP No. 7121 Automated Water Meters

**Recommendation:** Approve a consultant agreement with CSG Consultants, Inc. for staff augmentation services for Capital Improvement Program projects for an annual amount not-to-exceed \$150,000.

## **XX. ADJOURNMENT**

**NEXT REGULARLY SCHEDULED COUNCIL MEETING  
TUESDAY, OCTOBER 6, 2015**



| September 2015 |    |    |    |    |    |    |
|----------------|----|----|----|----|----|----|
| S              | M  | T  | W  | T  | F  | S  |
|                | 6  | 7  | 1  | 2  | 3  | 4  |
| 13             | 14 | 15 | 8  | 9  | 10 | 11 |
| 20             | 21 | 22 | 16 | 17 | 18 | 19 |
| 27             | 28 | 29 | 23 | 24 | 25 | 26 |
|                |    |    | 30 |    |    |    |

| November 2015 |    |    |    |    |    |    |
|---------------|----|----|----|----|----|----|
| S             | M  | T  | W  | T  | F  | S  |
| 1             | 2  | 3  | 4  | 5  | 6  | 7  |
| 8             | 9  | 10 | 11 | 12 | 13 | 14 |
| 15            | 16 | 17 | 18 | 19 | 20 | 21 |
| 22            | 23 | 24 | 25 | 26 | 27 | 28 |
| 29            | 30 |    |    |    |    |    |

## MILPITAS CITY COUNCIL CALENDAR

### October 2015

| Sunday    | Monday                                                                                                                     | Tuesday                                                                                                               | Wednesday                                                                                  | Thursday                                                                                                                                                                                                       | Friday    | Saturday                                                                                           |
|-----------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------------|
|           |                                                                                                                            |                                                                                                                       |                                                                                            | <b>1</b><br>5:30 PM-Santa Clara VTA Board of Directors (JE)                                                                                                                                                    | <b>2</b>  | <b>3</b>                                                                                           |
| <b>4</b>  | <b>5</b><br>10:00 AM-SVRT Program Working Committee (JE)<br>7:00 PM-Parks, Recreation & Cultural Resources Commission (GB) | <b>6</b><br>5:30 PM-Joint Meeting City Council +Planning Commission<br>7:00 PM-City Council                           | <b>7</b><br>5:30 PM-Veterans Commission (DG)<br>7:00 PM-Community Advisory Commission (CM) | <b>8</b><br>4:00 PM-Santa Clara VTA Policy Advisory Committee (CM)<br>4:30 PM-Treatment Plant Advisory Committee (JE) (San Jose)<br>7:00 PM-Youth Advisory Commission (DG)<br>7:00 PM-Cities Assoc of SCC (JE) | <b>9</b>  | <b>10</b>                                                                                          |
| <b>11</b> | <b>12</b><br>4:00 PM-Economic Development Commission (CM)                                                                  | <b>13</b>                                                                                                             | <b>14</b><br>7:00 PM-Planning Commission                                                   | <b>15</b><br>12:00 PM-Santa Clara VTA Congestion Management Program & Planning Committee (JE)                                                                                                                  | <b>16</b> | <b>17</b><br>10:00 AM to 4:00 PM<br>Milpitas Veterans Commission - 3 <sup>rd</sup> Annual Car Show |
| <b>18</b> | <b>19</b><br>7:00 PM-Telecommunications Commission (GB)                                                                    | <b>20</b><br>6:00 PM-Closed Session<br>7:00 PM-City Council                                                           | <b>21</b>                                                                                  | <b>22</b><br>5:30 PM-Milpitas Chamber of Commerce Board (DG)<br>6:00 PM-Sister Cities Commission (MG)                                                                                                          | <b>23</b> | <b>24</b>                                                                                          |
| <b>25</b> | <b>26</b>                                                                                                                  | <b>27</b><br>1:30 PM-Senior Advisory Commission (JE)<br>6:00 PM-Recycling & Source Reduction Advisory Commission (GB) | <b>28</b><br>7:00 PM-Planning Commission                                                   | <b>29</b><br>12:00 PM-Terrace Gardens Board of Directors (DG)<br>1:30 PM-Santa Clara County Library District Joint Powers Authority (CM)                                                                       | <b>30</b> | <b>31</b><br> |

| August 2015 |    |    |    |    |    |    |
|-------------|----|----|----|----|----|----|
| S           | M  | T  | W  | T  | F  | S  |
|             | 2  | 3  | 4  | 5  | 6  | 7  |
| 8           | 9  | 10 | 11 | 12 | 13 | 14 |
| 15          | 16 | 17 | 18 | 19 | 20 | 21 |
| 22          | 23 | 24 | 25 | 26 | 27 | 28 |
| 29          | 30 | 31 |    |    |    |    |

| October 2015 |    |    |    |    |    |    |
|--------------|----|----|----|----|----|----|
| S            | M  | T  | W  | T  | F  | S  |
|              |    |    |    |    | 1  | 2  |
| 3            | 4  | 5  | 6  | 7  | 8  | 9  |
| 10           | 11 | 12 | 13 | 14 | 15 | 16 |
| 17           | 18 | 19 | 20 | 21 | 22 | 23 |
| 24           | 25 | 26 | 27 | 28 | 29 | 30 |
| 31           |    |    |    |    |    |    |

## MILPITAS CITY COUNCIL CALENDAR

### September 2015

| Sunday    | Monday                                                                                                                                                                                                                                                                     | Tuesday                                                                    | Wednesday                                                                                                              | Thursday                                                                                                                                                                                                                                        | Friday    | Saturday  |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
|           |                                                                                                                                                                                                                                                                            | <b>1</b><br><b>5:00 PM</b> -Closed Session<br><b>7:00 PM</b> -City Council | <b>2</b><br><b>7:30 AM</b> -Santa Clara VTA Northeast Group (JE)<br><b>7:00 PM</b> -Community Advisory Commission (CM) | <b>3</b><br><b>5:30 PM</b> -Santa Clara VTA Board of Directors (JE)<br><b>7:00 PM</b> -Bicycle Pedestrian Advisory Commission (CM)                                                                                                              | <b>4</b>  | <b>5</b>  |
| <b>6</b>  | <b>7</b><br><br><b>LABOR DAY</b><br>City Departments and Services Closed for Holiday                                                                                                      | <b>8</b>                                                                   | <b>9</b><br><b>5:30 PM</b> -Veterans Commission – Special Meeting (DG)<br><b>7:00 PM</b> -Planning Commission          | <b>10</b><br><b>4:00 PM</b> -Santa Clara VTA Policy Advisory Committee (CM)<br><b>4:30 PM</b> -Treatment Plant Advisory Committee (JE) (San Jose)<br><b>7:00 PM</b> -Cities Assoc of SCC (JE)<br><b>7:00 PM</b> -Youth Advisory Commission (DG) | <b>11</b> | <b>12</b> |
| <b>13</b> | <b>14</b><br><b>2:30 PM</b> -Milpitas Oversight Board at Community Center<br><b>4:00 PM</b> -Economic Development Commission (CM)<br><b>4:30 PM</b> -City Council Finance Subcommittee (JE / CM)<br><b>7:00 PM</b> -Parks, Recreation & Cultural Resources Commission (GB) | <b>15</b><br><b>6:00 PM</b> -Study Session<br><b>7:00 PM</b> -City Council | <b>16</b>                                                                                                              | <b>17</b><br><b>10:00 AM</b> -Santa Clara VTA Congestion Management Program & Planning Committee (JE)<br><b>7:00 PM</b> -Emergency Preparedness Commission (MG)<br><b>7:00 PM</b> -Bay Area Water Supply Conservation Agency (JE-Foster City)   | <b>18</b> | <b>19</b> |
| <b>20</b> | <b>21</b><br><b>7:00 PM</b> -Telecommunications Commission (GB)<br><b>7:00 PM</b> -Library Advisory Commission (CM)                                                                                                                                                        | <b>22</b>                                                                  | <b>23</b><br><b>5:30 PM</b> -Veterans Commission – Special Meeting (DG)<br><b>7:00 PM</b> -Planning Commission         | <b>24</b><br><b>5:30 PM</b> -Milpitas Chamber of Commerce Board (DG)<br><b>6:00 PM</b> -Sister Cities Commission (MG)                                                                                                                           | <b>25</b> | <b>26</b> |
| <b>27</b> | <b>28</b><br><b>7:00 PM</b> -Arts Commission (DG)                                                                                                                                                                                                                          | <b>29</b>                                                                  | <b>30</b><br><b>7:30 AM</b> -Santa Clara VTA Northeast Group (JE)                                                      |                                                                                                                                                                                                                                                 |           |           |



## **MILPITAS CITY COUNCIL MEETING AGENDA**

**TUESDAY, SEPTEMBER 15, 2015**

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**455 EAST CALAVERAS BOULEVARD, MILPITAS, CA  
6:00 P.M. STUDY SESSION • 7:00 P.M. PUBLIC BUSINESS**

### **SUMMARY OF CONTENTS**

- I. CALL TO ORDER by the Mayor (6:00 p.m.)**
- II. STUDY SESSION – Regarding Proposal for Development of Serra Center**
- III. PLEDGE OF ALLEGIANCE (7:00 p.m.)**
- IV. INVOCATION (Councilmember Giordano)**
- V. APPROVAL OF COUNCIL MEETING MINUTES – September 1, 2015**
- VI. SCHEDULE OF MEETINGS – COUNCIL CALENDARS - September and October 2015**
- VII. PRESENTATIONS**
  - Proclaim September as Ovarian Cancer Awareness Month
  - Commend Generation Taekwondo (won 10 medals at 2015 National Championship)
- VIII. PUBLIC FORUM**

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Members of the audience are invited to address the Council on any subject not on tonight's agenda. Speakers must come to the podium, state their name and city of residence for the Clerk's record, and limit their remarks to three minutes. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. However, the Council may instruct the City Manager to place the item on a future meeting agenda.

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- IX. ANNOUNCEMENTS**
- X. ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS**
- XI. APPROVAL OF AGENDA**
- XII. CONSENT CALENDAR (Items with asterisks\*)**

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Consent calendar items are considered to be routine and will be considered for adoption by one motion. There will be no separate discussion of these items unless a member of the City Council, member of the audience, or staff requests the Council to remove an item from or be added to the consent calendar. Any person desiring to speak on any item on the consent calendar should ask to have that item removed from the consent calendar. If removed, this item will be discussed in the order in which it appears on the agenda.

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- XIII. PUBLIC HEARING**
  - 1. Hold a Public Hearing and Adopt the FY 2014-15 Community Development Block Grant's Consolidated Annual Performance Evaluation Report (CAPER) (Staff Contact: Tim Wong, 408-586-3286)**

**XIV. UNFINISHED BUSINESS**

- \*2. Review and Approve the Request for Proposals for a City of Milpitas Ethics Hotline (Staff Contact: Tom Williams, 408-586-3050)**
- 3. Receive Update on Proposed Amendment to Current Janitorial Contract to Increase Hourly Wage Rates and Direct Staff Accordingly (Contacts: Vice Mayor Montano, 408-586-3023 and Tom Williams, 408-586-3050)**

**XV. REPORTS OF MAYOR AND COMMISSION**

- \* 4. Consider Mayor's Recommendations for Appointments to City Commissions (Contact: Mayor Esteves, 408-586-3029)**
- 5. Per Parks, Recreation and Cultural Resources Commission, Approve the Revised Rules and Regulations for the Cesar E. Chavez Community Garden (Staff Contact: Renee Lorentzen, 408-586-3409)**
- 6. Receive a Presentation on the Recycling and Source Reduction Advisory Commission and Approve the 2015-16 Work Plan (Staff Contacts: Elizabeth Koo, 408-586-3353 and Leslie Stobbe, 408-586-3352)**

**XVI. NEW BUSINESS**

- 7. Authorize the Selection Process to Appoint a Public Representative and Alternate to Serve on the South Bay Odor Stakeholder Group (Staff Contact: Steven Machida, 408-586-3355)**
- 8. Receive Report on Milpitas Super Community Committee Marketing Plan (Staff Contact: Edesa Bitbadal, 408-586-3052)**
- 9. Receive Presentation and Approve the Conceptual Plan of the Milpitas Sports Center Sports Fields, Project No. 5104 (Staff Contact: Steven Machida, 408-586-3355)**
- 10. Receive the City of Milpitas Preliminary Year End Financial Report for the Fiscal Year Ended June 30, 2015 (Staff Contact: Emma Karlen, 408-586-3145)**
- \*11. Approve the Restoration of Employer's PERS Contribution for Unrepresented Employees (Staff Contact: Emma Karlen, 408-586-3145)**

**XVII. ORDINANCE**

- \*12. Waive the Second Reading and Adopt Ordinance No. 287 Restricting Use of Single-Use Carry-Out Bags (Staff Contact: Steven Machida, 408-586-3355)**

**XVIII. RESOLUTIONS**

- \*13. Adopt a Resolution Granting Initial Acceptance of Public Improvements and Approving a Reduction in the Performance Bond for the Subdivision Improvement Security for 1201 S. Main Street, SORA Milpitas LLC (Shea Residential) Project No. 2718 (Staff Contact: Steve Machida, 408-586-3355)**
- \*14. Adopt a Resolution Adding One Administrative Analyst II Position and Reclassifying an Existing Maintenance Custodian Position, and Approve Appropriation of \$182,000 from the General Fund for a Public Works Manager (Staff Contact: Nina Hawk, 408-586-2603)**

- \*15. Adopt a Resolution Opposing the Transport of Hazardous Crude by Rail Along the Union Pacific Railway Through Milpitas and Santa Clara County (Staff Contact: Tom Williams, 408-586-3050)**

**XIX. AGREEMENTS**

- \*16. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority Related to the Silicon Valley Rapid Transit Program Berryessa BART Extension Project Extending the Term to February 28, 2017, Increase by \$646,100 and Approve a Budget Appropriation of \$300,000 (Staff Contact: Steven Machida, 408-586-3355)**
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- \*18. Approve a Consultant Agreement with CSG Consultants, Inc. for Staff Augmentation Services, for the Capital Improvement Program for an Annual Amount Not-To-Exceed \$150,000 (Staff Contact: Steven Machida, 408-586-3355)**

**XX. ADJOURNMENT**

**KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions and other agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the City operations are open to the people's review. For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035

*The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website [www.ci.milpitas.ca.gov](http://www.ci.milpitas.ca.gov) by selecting the Milpitas Municipal Code link.*

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3<sup>rd</sup> floor 455 E. Calaveras Blvd., Milpitas and on the City website. Phone 408-586-3040

All City Council agendas and related materials can be viewed online here:  
[www.ci.milpitas.ca.gov/government/council/agenda\\_minutes.asp](http://www.ci.milpitas.ca.gov/government/council/agenda_minutes.asp) (select meeting date)

**APPLY TO SERVE ON A CITY COMMISSION**

Seeking Applications for:

Arts Commission  
Community Advisory Commission (alternate)  
Economic Development Commission (alternate member and  
Commercial/Residential Real Estate broker)  
Veterans Commission (2 vacancies)  
Youth Advisory Commission

Commission application forms are available online at [www.ci.milpitas.ca.gov](http://www.ci.milpitas.ca.gov) or at Milpitas City Hall. Contact the City Clerk's office at 408-586-3003 for more information.

*If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, call the City Clerk at 408-586-3001 or send an e-mail to [mlavelle@ci.milpitas.ca.gov](mailto:mlavelle@ci.milpitas.ca.gov) prior to the meeting. You may request a larger font agenda or arrange for mobility assistance. For hearing assistance, headsets are available in the City Council Chambers for all meetings in that facility.*

## AGENDA REPORTS

### II. STUDY SESSION

**Study Session to Provide Direction to Owners of the Serra Center Regarding Request to Change the Zoning from C-2 (General Commercial) and Office Overlay (within the Midtown Specific Plan) to Residential (Staff Contact: Bill Ekern, 408-586-3273)**

**Background:** The owners of the Serra Center shopping center desire to change the zoning from commercial and office to residential. Staff has advised them that in order to enable such a development the Midtown Specific Plan and its zoning must be amended, as must the General Plan. It is required by state law that the zoning of a property be consistent with its General Plan designation. In order to accomplish both of these significant land use changes, an environmental review of the proposal must also occur. Before the owners make a formal proposal for a specific development to be reviewed by the City and CEQA, they are interested in obtaining the Council's perspective on changing commercial property to residential property.

**Recommendation:** Engage in a dialogue with the owners of the Serra Center. Implications of changing this property from commercial/office to residential have profound impacts throughout the City and the other commercial zones. Staff recommends that the City Council advise the owners that the need for commercial and office development, and the related job development, outstrips the City's need for housing in the Midtown Specific Plan area.

### XIII. PUBLIC HEARING

1. **Hold a Public Hearing and Adopt the FY 2014-15 Community Development Block Grant's Consolidated Annual Performance Evaluation Report (CAPER) (Staff Contact: Tim Wong, 408-586-3286)**

**Background:** The Consolidated Annual Performance Evaluation Report (CAPER) describes the City's one-year CDBG programs and activities undertaken in the past program year (FY 2014-15). The CAPER evaluates the City's overall progress in achieving the priority projects that were identified during the Five-Year Consolidated Plan and One-Year Action Plan.

The CAPER identifies major accomplishments in 2014-15 which included:

- Use of CDBG funds to investigate and attend to complaints of 87 elderly in long-term care facilities.
- CDBG funds serviced 32 children in the court-appointed, foster care system with long-term, steady, supportive volunteers throughout until adulthood.
- 47 Milpitas youths benefited from CDBG funds to attend recreational program at 50% of the cost.
- 33 Milpitas residents received shelter and other supportive services through 574 PSDs.
- CDBG funds helped continue services for the Milpitas Food Pantry, serving 1,026 very-low income households.
- CDBG funds assisted 30 low-income, pre-school aged children and their families with kindergarten reading strategies.
- Provided funds for 83 domestic violence victims (women and her children) with supportive & residential services.
- Funds helped with increasing awareness and investigating complaints on fair housing and landlord/tenant services to about 72 residents in Milpitas.
- CDBG funds served 49 Milpitas elderly citizens with free legal services.
- Three elevator modernizations were completed at a senior property with CDBG funds.
- A total of 1,636 of hot meals were delivered daily to 6 low-income, elderly, Milpitas residents.

- Thirty low-income homes were rehabilitated through home improvements of increasing safety, energy efficiency, accessibility and mobility.
- Six low-income households benefited from apartment rehabilitation through weatherization, energy conservation and mitigating code deficiencies.
- Funded 16 public and non-public service organizations with CDBG.
- A total of 3,584 individuals benefited from CDBG funds for FY 2014-15.

The City exceeded its administrative allocation by approximately \$15,000. Therefore, the City will reimburse the program account for the overage. Staff has been working with the federal Department of Housing and Urban Development (HUD) staff which approved this approach.

The CAPER was advertised for public review and comments for 15 days (August 21 - September 4, 2015). Copies of the CAPER were sent to all service providers that received CDBG funding and other interested parties. Copies were also made available at City Hall and Milpitas Library.

**Fiscal Impact:** None.

**Recommendations:**

1. Open the public hearing to receive any comments and then move to close the hearing.
2. Adopt the FY 2014-15 Consolidated Annual Performance Evaluation Report (CAPER) regarding distribution of Community Development Block Grant funds to non-profit organizations.

#### **XIV. UNFINISHED BUSINESS**

**\*2. Review and Approve the Request for Proposals for a City of Milpitas Ethics Hotline (Staff Contact: Tom Williams, 408-586-3050)**

**Background:** At the June 2, 2015 City Council meeting, staff was directed to return with specifics for a Request for Proposals to implement an Ethics Hotline Program in Milpitas. This is a program that would be available to City employees, vendors, and contractors 24 hours a day to confidentially report incidents of fraud and abuse.

**Fiscal Impact:** Unknown. Estimated cost is between \$15,000 and \$40,000 per year.

**Recommendation:** Receive update and direct City Manager to issue the Request for Proposals.

**3. Receive Update on Proposed Amendment to Current Janitorial Contract to Increase Hourly Wage Rates and Direct Staff Accordingly (Contacts: Vice Mayor Montano, 408-586-3023 and Tom Williams, 408-586-3050)**

**Background:** At the City Council meeting of August 4, 2015, Vice Mayor Montano introduced a proposal to amend the current janitorial contract with Varsity Facility Services to increase the minimum hourly wage from \$9.00 to \$13.00 per hour. The current contract will expire on January 6, 2016, and allows two annual options to extend the contract (refer to contract document). Contract terms allow for annual escalation of the base hourly rate to \$10.00 (new state mandated minimum wage) to \$10.75 in 2016; and \$13.69 in 2017. The City also has the option to simply let the contract expire and competitively rebid janitorial services. This latter option would allow the City to release a competitively bid Request for Proposals (RFP) with desired salary and benefit terms as directed by the City Council.

To provide additional historic context, the City released an RFP for janitorial services for twelve buildings in 2013 for services to commence in January 2014. The City tentatively selected Universal Business Services (UBS) as the lowest responsible bidder. As a result, the City received correspondence from the South Bay Labor Council opposing the selection of UBS. The reason for opposition stemmed from UBS not reaching agreement with South Bay Labor Council

and SEIU for an in-lieu “prevailing wage” for janitors within the region. South Bay Labor Council and SEIU requested, and the City concurred, to reject all bids and release a new RFP with terms compliant with the South Bay Labor Council/SEIU janitorial wage rates. As a result, Varsity Facility Services was selected per wage rates (identified on page 27) in the RFP.

Typically any public agency contract requires payment of prevailing wages. Locally, the City of Milpitas adopted Resolution No. 5981 requiring any contractor performing routine and recurring labor or services in excess of \$1,000 to pay not less than general prevailing wage. In California, there is no prevailing wage for janitors. As such, the South Bay Labor Council and SEIU reached agreement with four janitorial companies providing service in the region and they agreed to a voluntary in-lieu prevailing wage - refer to the Janitorial Wage Rate Analysis 2015 (included in the Council’s agenda packet).

**Discussion:** Several issues arise, identified below, and should be considered when analyzing the proposal to amend the existing contract with Varsity Facility Services and to increase the base hourly rate to \$13.00 per hour.

- The additional annual cost to the City ranges from \$121,000 – \$159,000 for the remaining two years of the Varsity contract, should that option be desired by the City Council. Two year aggregated cost is \$242,000 - \$318,000.
- If the City does not rebid the contract with new terms, the City is at risk of not adhering to the public bidding process pursuant to the Public Contract Code (CSL Section 100).
- City of Milpitas employees who made great sacrifices in lower wages and benefits during the 2008 Great Recession and negative impact of the dissolution of redevelopment have not been fully restored.
- The City of Milpitas is participating in a Minimum Wage study for the region. This study effort commenced September 3, 2015 (press release in Council agenda packet).

In light of the above identified issues, the City Council should consider one of two options:

- (1) Adhere to the current contract terms consistent with the agreement between Varsity and the South Bay Labor/SEIU agreed upon terms. Continue participation in the regional minimum wage study. Analyze the findings of the study and rebid the janitorial contract as result of the study findings; or
- (2) Continue with the current contract for the next four months letting the contract expire per the terms. Direct the immediate commencement of an RFP with the desired wage rates and terms as directed by the City Council. The objective of this option would also include having a vendor in place to commence work on January 7, 2016.

**Fiscal Impact:** If base wages are increased to \$13.00 per hour, the contract increase ranges from \$242,000 - \$318,000 for the remaining term of the existing contract with Varsity.

**Recommendation:** Adopt recommended Option 1 (current contract, participate in study, and potential rebid contract) and direct staff to report back on the minimum wage study with recommendation to consider for all outside contracts.

## **XV. REPORTS OF MAYOR AND COMMISSION**

- \* 4. Consider Mayor’s Recommendations for Appointments to City Commissions (Contact: Mayor Esteves, 408-586-3029)**

**Background:** Mayor Esteves recommends the following:



**Youth Advisory Commission:**

Re-appoint current Commissioners Sabina King, Sahil Sandhu and Crystal Tran to one year terms that will expire in September 2016.

Move Alternate No. 1 Jashandeep Chahal, Alternate No. 2 Claudia Wang, and Alternate No. 3 Ravit Sharma to voting member seats to terms that will expire in September of 2016.

Move Alternate No. 4 Christie Maly to Alternate No. 1 to a term that will expire in September of 2016.

Newly appoint Emerald Gilana as Alternate No. 2 to a term that will expire in September of 2016.

**Sister Cities Commission:**

Re-appoint Massoud Arefi to a new 3-year term that will expire in September of 2018.

**Recommendation:** Receive Mayor's recommendations for appointments to the Youth Advisory Commission and Sister Cities Commission.

5. **Per Parks, Recreation and Cultural Resources Commission, Approve the Revised Rules and Regulations for the Cesar E. Chavez Community Garden (Staff Contact: Renee Lorentzen, 408-586-3409)**

**Background:** At the May 4, 2015 Parks, Recreation and Cultural Resources Commission meeting, staff proposed revisions to the Community Garden Rules and Regulations which had not been updated since 2002. The revisions included minor language changes, water reduction procedures during declared drought emergencies, and updated programming logistics. Also recommended for addition are a one-time plot-cleaning deposit and a key replacement fee which will be brought to a future City Council meeting for approval as part of the Master Fee Schedule.

On June 8, 2015, the Parks, Recreation and Cultural Resources Commission unanimously recommended City Council approval of the revised Cesar E. Chavez Community Garden Rules and Regulations.

On September 1, 2015, staff met with the Milpitas Unified School District staff at the Garden to identify a new Vehicle Access path to the Garden and the approved loading/unloading and Disabled Placard parking area.

On September 14, 2015, the Parks, Recreation and Cultural Resources Commission reviewed the revised Cesar E. Chavez Community Garden Rules and Regulations with the addition of the new Vehicle Access section.

**Fiscal Impact:** None.

**Recommendation:** Approve revised Rules and Regulations for the Cesar E. Chavez Community Garden.

6. **Receive a Presentation on the Recycling and Source Reduction Advisory Commission and Approve the 2015-16 Work Plan (Staff Contacts: Elizabeth Koo, 408-586-3353 and Leslie Stobbe, 408-586-3352)**

**Background:** The Recycling and Source Reduction Advisory Commission (RSRAC) was established by City Council on February 5, 1991 and serves as an advisory group to the Council on matters pertaining to recycling and solid waste management. The commission recommends programs designed to reduce solid waste and monitor the City's achievement of state-mandated diversion goals.

The following Fiscal Year 2015-16 Work Plan is being presented to the City Council as an informational update. This Work Plan includes two categories:

- 1) Goals:
  - a. Promote a Plastic Bag Ban
  - b. Pursue an expanded Polystyrene Ban (Beverage and food containers)
  - c. Review of AB1826 (Organics Recycling)
- 2) Accomplishments:
  - a. Review Solid Waste Request for Proposal elements
  - b. Review Long-Term Trash Load Reduction Plan

**Recommendation:** Approve presentation on Recycling and Source Reduction Advisory Commission's 2015-16 Work Plan.

## **XVI. NEW BUSINESS**

### **7. Authorize the Selection Process to Appoint a Public Representative and Alternate to Serve on the South Bay Odor Stakeholder Group (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** As the City Council is aware, Republic Services has applied to the City of San Jose for a permit to expand the Newby Island Landfill by 195 feet. The South Bay Odor Stakeholder Group has formed to address community concerns related to odor. The stakeholders include Republic Services, Bay Area Air Quality Management District, San Jose Local Enforcement Agency, CalRecycle, City of Fremont, City of San Jose, City of Milpitas, Assemblymember Chu's office and Senator Wiecewski's office.

At a July 31 meeting, stakeholders agreed to include members of the public. It had been requested that each City Council appoint a Representative and Alternate to participate in the Stakeholders Group. The meetings are tentatively scheduled every quarter, with the next meeting scheduled for Thursday, October 22 from 1:30 to 3:30 pm.

Interested persons would be required to fill out a commission application and submit to the City Clerk. The Mayor and City Council would then select the Representative and Alternate. Staff intends to report back to the City Council at the October 20, 2015 Council meeting with a recommendation by the Mayor.

**Alternative:** If no community members are appointed, the stakeholder group will lack representation from the Milpitas community.

**Recommendation:** Authorize the selection process to appoint a Representative and Alternate. Report back to the City Council with the recommendation for appointments on October 20, 2015.

### **8. Receive Report on Milpitas Super Community Committee Marketing Plan (Staff Contact: Edesa Bitbadal, 408-586-3052)**

**Background:** The Milpitas Super Community Committee is comprised of ten volunteers representing the City of Milpitas, Milpitas Chamber of Commerce, Milpitas hotels, Milpitas restaurants, Great Mall, and Economic Development Commission. The Committee held two meetings; the first meeting was to gather ideas from each member and the second was to discuss the costs associated with implementing those ideas in participation with the Regional Super Communities Committee. City of Milpitas is ahead in planning and has accomplished a lot compared to other cities. The Milpitas Super Community Committee unanimously proposed a comprehensive marketing package that includes print, television, collateral, signage, shuttle services and billboard advertisement to promote the City during the Super Bowl.

The Economic Development Commission met on August 17, 2015 and discussed the ideas as well as the costs needed to implement these ideas Citywide. The plan is listed below:

|                            |          |
|----------------------------|----------|
| Print collateral           | \$2,000  |
| Website and social media   | \$0      |
| Shuttle Services           | \$7,000  |
| Commercial on CBS          | \$16,500 |
| Welcome Signage            | \$5,500  |
| Billboard Advertisement    | \$0      |
| Milpitas Business Passport | \$2,000  |

The total cost for the entire marketing package is \$35,000 and it will be funded from the City Manager's budget. Although the Milpitas Super Community marketing budget was not included during the FY 2015-16 City Manager's economic development budget request, staff anticipates that a mid-year budget adjustment will make the economic development budget whole.

**Fiscal Impact:** \$35,000 from FY 2015-16 City Manager's office operating budget.

**Recommendation:** Receive an oral report and direct staff to implement the Milpitas Super Community Committee Citywide Marketing Plan.

**9. Receive Presentation and Approve the Conceptual Plan of the Milpitas Sports Center Sports Fields, Project No. 5104 (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** At the August 18, 2015 meeting, the City Council awarded a contract to Verde Design, Inc. to prepare the construction documents to repurpose the MSC Sports Fields. The existing football field will be modified to a multi-purpose field to accommodate league football, adult and youth soccer and add an additional youth soccer field/practice fields/volleyball courts. The natural grass field will be replaced with artificial turf. Stadium lighting, field furniture and a decomposed granite walking path around the fields are also included in the project. Staff will present the conceptual field design and construction cost estimate as created by the city's project designer, Verde Design, Inc.

**Fiscal Impact:** None. Sufficient funds are available in the budget for the design of this project.

**Recommendation:** Receive a presentation and approve the conceptual plan for the Milpitas Sports Center Sports Fields Project No. 5104.

**10. Receive the City of Milpitas Preliminary Year End Financial Report for the Fiscal Year Ended June 30, 2015 (Staff Contact: Emma Karlen, 408-586-3145)**

**Background:** The preliminary year end financial report indicates that total General Fund revenue was above budget by approximately \$6 million. The biggest contributors for the increase came from property tax revenue, transient occupancy tax (hotel tax) and other governmental revenues. Property tax revenue increased by \$2.4 million over budget due to recovery of the housing market and increased assessed valuations on most properties. The City also received \$4.2 million distribution from the Redevelopment Property Tax Trust Fund ("RPTTF") which exceeded budget by \$0.7 million, again due to housing market recovery and increased assessed valuations of properties in the Redevelopment Agency (RDA) Project Area. The \$4.2 million distribution represents the City's share of the residual RDA property tax revenue after satisfying the recognized debt obligations of the former RDA.

The hotel tax revenue exceeded budget by \$1.6 million, reflecting economic recovery in this region. Other Governmental revenue increased by \$968,000 over budget primarily due to a one-time reimbursement from the State for State mandates costs incurred prior to 2004. The state budget act of 2014 specifically authorized the cost reimbursements to the counties and cities. The

City of Milpitas received approximately \$723,000 one-time state mandated cost reimbursement in FY 2014-15. The only major revenue that was below budget was sales tax revenue. Sales tax revenue was below budget by \$1 million. While restaurants and miscellaneous retail continue to show improvement in sales tax revenue, sales generated from the office equipment and electronic equipment segments continued to be volatile and cyclical.

On the expenditures side, the report shows that City departments achieved savings in the General Fund operating budget of 7.3% (approximately \$5.4 million). The combination of improved revenue and budget savings resulted in a net income of \$9.8 million. Pursuant to the City's budget policy, any excess revenue and/or distributions from the RPTTF will be transferred to the General Government Capital Improvement Project Fund to meet future capital improvement project funding needs. It should be noted that the most recently adopted Five Year Capital Improvement Plan identified \$57.1 million funding deficiency in the next four years. Any excess revenue or cost savings from the General Fund will be used to help offset some of the CIP funding deficiency.

**Fiscal Impact:** None.

**Recommendation:** Receive the preliminary year end financial report for the Fiscal Year ended June 30, 2015.

**\*11. Approve the Restoration of Employer's PERS Contribution for Unrepresented Employees (Staff Contact: Emma Karlen, 408-586-3145)**

**Background:** Due to the downturn of the economy in 2008 and the dissolution of the Redevelopment Agency in 2012, the unrepresented employees were among the first group of employees to contribute 7% of their salaries towards employer's share of the CalPERS contribution as a way of helping the City to save costs. As evidenced by recent General Fund revenue increase, the local economy has recovered and is expected to continue its improvement. Concessions from each of the five represented union groups have been restored or are on track to be restored. Staff believes that it is appropriate to restore the 7% employer's PERS contribution for the unrepresented employees as they are the last group of employees to be restored.

**Fiscal Impact:** Cost savings have been averaging approximately \$225,000 annually. Restoration of 7% employer's PERS contribution will eliminate the cost savings. There is sufficient funding available in the FY 2015-16 budget for the request.

**Recommendation:** Approve the restoration of Employer PERS 7% contribution for the City of Milpitas unrepresented employees.

**XVII. ORDINANCE**

**\*12. Waive the Second Reading and Adopt Ordinance No. 287 Restricting Use of Single-Use Carry-Out Bags (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** On September 1, 2015, the City Council introduced Ordinance No. 287 that bans single-use carry-out plastic bags for all retail establishments. Alternative paper bags with more than 40% post-consumer recycled material can be available for a 10 cents charge to the customer. Recordkeeping for up to three years is required of all merchants. No changes were made to the ordinance introduced on September 1, 2015. Ordinance No. 287 is now ready for a second reading and adoption.

**Recommendation:** Waive the second reading and adopt Ordinance No. 287 restricting use of single-use carry-out bags.

- \*13. Adopt a Resolution Granting Initial Acceptance of Public Improvements and Approving a Reduction in the Performance Bond for the Subdivision Improvement Security for 1201 S. Main Street, SORA Milpitas LLC (Shea Residential) Project No. 2718 (Staff Contact: Steve Machida, 408-586-3355)**

**Background:** On February 5, 2013, the City Council approved the Subdivision Improvement Agreement (SIA) for the Shea Residential project (Tract 10139) located at 1201 S. Main Street. The SIA is for the construction of certain public improvements identified in Public Improvement Plan 2-1163. The public improvements include, underground utilities and street improvements along the South Abel Street and South Main Street, and additional public improvements consisting of a portion of Sewer 11D and a new siphon across lower Penitencia Creek. These public improvements have been completed by the developer per the approved public improvement plans and are now ready for initial acceptance in accordance with the SIA. The developer's performance bond may be reduced to \$240,000, which is 10% of the improvement amount.

**Fiscal Impact:** None.

**Recommendation:** Adopt a resolution granting initial acceptance of public improvements for SORA Milpitas (Shea Residential), Tract 10139, Project No. 2718 and approving a reduction in the performance bond, subject to a one-year warranty period and reduction of the faithful performance security to \$240,000.

- \*14. Adopt a Resolution Adding One Administrative Analyst II Position and Reclassifying an Existing Maintenance Custodian Position, and Approve Appropriation of \$182,000 from the General Fund for a Public Works Manager (Staff Contact: Nina Hawk, 408-586-2603)**

**Background:** The Public Works Department provides several key services for the Community, including maintenance and operations of City Facilities and aging infrastructure. Delivering these services requires significant oversight, relevant technical aptitude and adequate resources. Public Works must also manage the City's infrastructure in adherence to several ever-changing state regulations and operating permits. While the existing Public Works staff continues to provide a high level of service and is highly dedicated, it is evidenced that three staff positions should be added, funded or reclassified to meet required service delivery and compliance with a number of regulatory requirements.

The Public Works Director proposes to establish a new Administrative Analyst II position, which will assist the entire department in meeting several regulatory requirements and permits, improve contractual management and help the department to develop written procedures for operations and maintenance. The Administrative Analyst will also conduct cost-benefit analysis, complete technical writing assignments and various supplemental assignments as needed. The Administrative Analyst would also serve as a key staff member in preparing the department specific budget. This position would report directly to the Director, but will work closely with all department managers, administration and various department staff.

The Maintenance Custodian classification is traditionally budgeted in the Facilities Maintenance Division within Public Works Department, however a few years ago during workforce reductions, an employee working in Facilities Maintenance was transferred to the Utilities Division to meet work load issues within the department. As a result, the employee has remained a Maintenance Custodian within the Utilities Division performing duties and tasks of a Maintenance Worker I/II. The employee has developed the required competencies for a Maintenance Worker I/II, and has acquired State specific certifications necessary to work within the Utilities Division. Therefore, the Department Director proposes the Maintenance Custodian

position be reclassified as a Maintenance Worker I/II to match the existing work load and skills of the position.

The Public Works Department provides services in six functions: Streets Maintenance, Park Maintenance, Trees and Landscape Maintenance, Fleet Maintenance, Utilities Maintenance and Facilities Maintenance. Currently the Department has one Public Works Manager and utilizes three Maintenance Workers III's on special assignment to help manage these functions. A second Public Works Manager position is authorized but funding has not been provided in the last 2 years to due to budget constraint. Given the high level of customer service requests, contractor services and wide breadth of responsibility, it is apparent that another Public Works Manager is necessary to improve overall workflow, management and services within the department. The Public Works Director requests approval to appropriate funds to fill the existing vacant Public Works Manager within the Public Works Department.

**Fiscal Impact:** There will be no fiscal impact to add an Administrative Analyst II and reclassify an existing Maintenance Custodian, as there is adequate funding available in the Department's Fiscal Year 2015-16 operating budget. An existing funded but unfilled Maintenance Worker position will be defunded and an existing vacancy in seasonal worker(s) will be used to fund the Administrative Analyst II position. An appropriation from the City's General Fund in the amount of \$182,000 is necessary to fund the Public Works Manager position.

**Recommendations:**

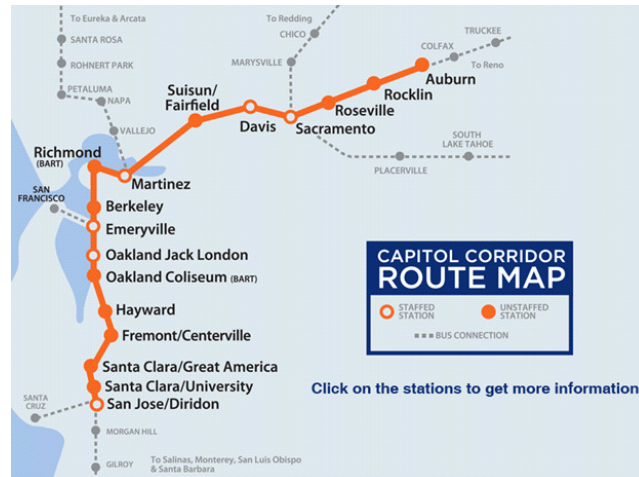
1. Adopt a resolution adding one Administrative Analyst II position and reclassify an existing Maintenance Custodian Position in the Public Works Department.
2. Approve appropriation of funds from the General Fund in the amount of \$182,000 to fill a vacant unfunded Public Works Manager position in the Public Works Department.

**\*15. Adopt a Resolution Opposing the Transport of Hazardous Crude by Rail Along the Union Pacific Railway Through Milpitas and Santa Clara County (Staff Contact: Tom Williams, 408-586-3050)**

**Background:** California refineries are in the process of securing permits to build rail terminals to import Canadian tar sands and Bakken crude oils as a result of fracking oil deposits from the Dakotas. Oil company applicants propose to build and operate an oil unloading facility at the existing Santa Maria Refinery in central California (Rail Spur Project). The proposed project is designed to accommodate trains carrying approximately 80 train cars of crude oil to the refinery at any one time. The proposed Rail Spur Project would allow for the unloading of up to five trains per week, with a 250 annual maximum number of trains, with each carrying over two million gallons of heavy, high-sulfur crude oil from North American oilfields. Union Pacific Railroad (UPRR) would be responsible for delivering the trains to the Santa Maria Refinery traveling through the Bay Area and at times Milpitas.

One example of the hazardous conditions stemming from such locomotive transportation of this type of oil occurred in July 2013, when 72 tanker cars loaded with two million gallons of flammable crude oil derailed in Lac-Mégantic, a small town in Quebec, Canada,. The accident dumped 1.5 million gallons of crude oil resulting in fire and explosions that burned down dozens of buildings, killed 47 people, and caused over \$1 billion in damages. Similar accidents have occurred elsewhere, including in North Dakota and Alabama.

The proposed Santa Maria Refinery rail spur extension project, currently in permitting stage, is planning rail transport of crude oil along water supply corridors for most of California and through densely populated urban and industrial areas, including through the East Bay and Milpitas. Trains delivering crude for this project would use Union Pacific rail tracks, which follow the Amtrak Capitol Corridor route through the Bay Area, shown below:



Amtrak Capitol Corridor route map (on Union Pacific Overland Route tracks from Auburn to Oakland and Coast Line tracks from Oakland to San José) (Source: [http://www.capitolcorridor.org/route\\_and\\_schedules/](http://www.capitolcorridor.org/route_and_schedules/))

The U.S. Department of Transportation recently classified crude shipments by rail as an “imminent hazard.” In light of recent accidents, the U.S. Department of Transportation issued an Emergency Order on May 7, 2014 and notification requiring all railroads operating trains containing large amounts of Bakken crude oil to notify State Emergency Response Commissions (SERCs) about the operation of the trains through their states. Effective immediately, the Emergency Order requires that each railroad operating trains containing more than 1,000,000 gallons of Bakken crude oil, or approximately 35 tank cars, in a particular state to provide the SERC notification regarding the expected movement of such trains through the counties in that state.

Specific to the City of Milpitas, UPPR rail lines run north/south through the City. Milpitas is an urbanized community and rail lines are in very close proximity to residential and commercial establishments potentially placing thousands of people in danger should an incident similar to Quebec occur.

Recent California legislation related to oil-by-rail and hazardous material transport includes the following bills:

- A currently active bill, AB 22 (Rodriguez), would provide fire departments with the necessary resources to train firefighters in response methods for oil-by-rail spills. AB 22 is in Senate Appropriations Committee held under submission on August 27, 2015.
- Last year’s Public Resources Budget Bill, SB 861, expanded the state’s oil spill prevention and response program to cover all statewide surface waters at risk of oil spills, not just coastal and marine waters. Funding for industry preparedness, spill response, and continued coordination with local, state, and federal government along with industry and non-governmental organizations was included in the measure.
- Senate Bill 84, the 2015-16 General Government Budget bill signed by Governor Brown, included a provision on the issue of transporting hazardous material by rail. Specifically, it requires the State Office of Emergency Services to work with relevant local and state agencies to develop and adopt a state fire services and rescue emergency mutual aid plan to serve as an annex to the State Emergency Plan. The State Emergency Plan addresses the state’s response to extraordinary emergency situations. The Plan describes the methods for carrying out emergency operations and the process for rendering mutual aid.

The bill also creates the Regional Railroad Accident Preparedness Response Force within the Office of Emergency Services. The force will be responsible for providing response capabilities

in the event of a release of hazardous materials that were being transported by rail. The bill requires the Director of the Office of Emergency Services to establish a schedule of fees to be paid by each entity owning any of the 25 most hazardous commodities that are transported by rail in California. The fee is to be based on each loaded rail car that travels in the state. The fee is to reflect the cost of preparations to respond to the release of hazardous materials from a rail car or a railroad accident involving a rail car.

**Fiscal Impact:** None.

**Recommendation:** Adopt a resolution and send appropriate letters expressing the City of Milpitas' opposition to the project and trains carrying crude oil from travelling through the City.

## **XIX. AGREEMENTS**

- \*16. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority Related to the Silicon Valley Rapid Transit Program Berryessa BART Extension Project Extending the Term to February 28, 2017, Increase by \$646,100 and Approve a Budget Appropriation of \$300,000 (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** The extension of the Bay Area Rapid Transit (BART) system into Santa Clara County is being implemented by Santa Clara Valley Transportation Authority's (VTA) Silicon Valley Rapid Transit (SVRT) program. The City and VTA executed a Master Agreement in 2010, which created a cooperative framework between VTA and the City for design and construction of the BART line extension through Milpitas. This agreement allows for reimbursement of City expenses for a variety of coordination efforts, including but not limited to design approval and inspection of City facilities, encroachment permit oversight, easements, utility maintenance operations, meetings, resolution of construction issues, and consultant support. The Master Agreement and Amendments No. 1 – 7 included a work plan which described reimbursement of the City's support effort with a total agreement amount of \$4,686,888 through September 30, 2015.

Several phases of the work are in progress simultaneously, including relocation of existing utilities, installation of new utilities, track installation, parking garage, roadway, frontage, and station construction. It is now necessary to extend the work plan duration and increase the contract amount for continued staff support.

Staff negotiated a work plan extension with VTA and recommends increasing the Master Agreement amount in the value of \$646,100 for the additional work not-to-exceed total of \$5,332,988; and extending the term to February 28, 2017. The requested budget appropriation will place a portion of this funding into a project budget account to allow payment for consultant support to the BART project.

**California Environmental Quality Act:** This action is exempt from CEQA as there will be no physical change to the environment.

**Alternative:** If the amendment is not approved, staff will not be available to provide support to the project which will impact construction and inspection of City infrastructure.

**Fiscal Impact:** The Master Agreement requires VTA to establish a deposit account with the City to fund the City's work related to the BART extension project. This amendment provides for an additional deposit of \$646,100 for reimbursable costs in accordance with the Master Agreement.

**Recommendations:**



1. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority related to the Silicon Valley Rapid Transit Program Berryessa BART Extension Project extending the term to February 28, 2017 and increasing the agreement amount by \$646,100.
2. Approve a budget appropriation of \$300,000 to Project No. 4265 – BART Extension coordination and planning in the CIP.

**\*17. Approve Amendment No. 4 to the Consulting Services Agreement with Vali Cooper & Associates, Inc. Extending the Term to October 31, 2016 and Increasing Compensation in the Additional Amount of \$310,000 to Continue Support on the Silicon Valley Rapid Transit Program Berryessa BART Extension and Montague Expressway Widening, Projects No. 4265 and No. 4179 (Staff Contact: Steve Machida, 408-586-3355)**

**Background:** On August 3, 2010, the City entered into a Master Agreement with the Santa Clara Valley Transportation Authority (VTA) for reimbursement of City work on the Silicon Valley Berryessa Extension (SVBX) BART project. The Master Agreement allows reimbursement of City consultant costs for support services.

On November 20, 2013, the City entered into a consulting services agreement with Vali Cooper & Associates, Inc. in the amount of \$19,760 to provide support services for the SVBX (BART) project through June 30, 2014. On January 21, 2014, the parties entered into Amendment No. 1 to increase the compensation by \$75,000 to continue support services. On June 3, 2014, the parties entered into Amendment No. 2 to increase the compensation by \$158,240 and extended the term through June 30, 2015. On December 16, 2014, the parties entered into Amendment No. 3 increasing compensation by \$300,000 and to extend the term through September 30, 2015.

Several phases of the SVBX (BART) work are in progress simultaneously, including relocation of existing utilities, installation of new utilities, track installation, parking garage, roadway, frontage, and station construction. The Montague Expressway Widening Project is scheduled to begin shortly and will also require engineering support services. Staff recommends that Vali Cooper & Associates perform additional services by continuing their support through October 31, 2016. Staff negotiated a fee for these services not to exceed \$310,000. Approval of this amendment brings the total agreement amount with Vali Cooper not to exceed \$863,000.

**Fiscal Impact:** Consultant expenses and City staff labor are reimbursable under the VTA Master Agreement. Work performed on the Montague Expressway Widening Project is charged to CIP Project No. 4179. Sufficient funds are available in the project budgets for these services. Miscellaneous third party utility work is reimbursable under Private Job accounts.

**Recommendation:** Approve Amendment No. 4 to the Agreement with Vali Cooper & Associates, Inc. extending the term to October 31, 2016 and increasing compensation in the additional amount of \$310,000 to continue support on the Silicon Valley Rapid Transit Program-Berryessa BART Extension and on the Montague Expressway Widening, Projects No. 4265 and No. 4179.

**\*18. Approve a Consultant Agreement with CSG Consultants, Inc. for Staff Augmentation Services for the Capital Improvement Program for an Annual Amount Not-To-Exceed \$150,000 (Staff Contact: Steven Machida, 408-586-3355)**

**Background:** Each year, engineering staff prepares the comprehensive five-year plan of Capital Improvement Projects (CIP) for the City of Milpitas. Capital Improvement Program projects include construction of capital assets including streets, park development or upgrades, the acquisition of land, construction, repair, and rehabilitation of City infrastructure and facilities. The CIP reflects the City Council's priorities and policies to ensure that the needs of the city are met. For Fiscal Year 2015-16, the value of the CIP is \$22,421,960, and there are several high profile projects with tight completion deadlines.

The majority of the CIP projects, within the five-year plan are completed by the City's Design and Construction (D&C) Engineering Section. Design and Construction staff manage all projects from inception, through design, and finally through the warranty process upon completion of construction. Due to the volume of work in the CIP and the tight completion schedules for several of the projects, staff recommends use of an engineering consultant to provide staff augmentation services. Staff augmentation includes providing up to two consulting staff engineers who would be located at City Hall and would provide project management duties for completion of projects identified in the CIP.

Staff recommends hiring CSG Consultants Inc. as the firm to provide the staff augmentation services. CSG was selected using the City's standard operating procedure for the selection of professional consultants. CSG will provide staff augmentation to assist in the completion of projects identified in the CIP. Tasks will include project management and administration, review of engineering plans and specifications, hiring design consultants, advertisement and project public bidding, review of construction bids, submittals, change orders, and field problems as required for the completion of projects. Staff negotiated a fee with CSG not to exceed \$150,000 for on-call services starting September 16, 2015 and will end on September 16, 2016.

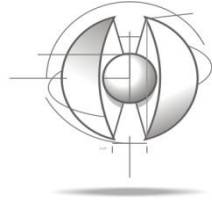
**California Environmental Quality Act:** This action is exempt from CEQA as there will be no physical change to the environment.

**Fiscal Impact:** None. There are sufficient funds in CIP budgets. CSG consulting staff will complete the following projects: CIP No. 3403 Fire Station Improvements; CIP No. 4271 Bridge Improvements; CIP No. 4281 TASP Utility Underground District; CIP No. 2001 Light rail Median Landscape; CIP No. 5097 Higuera Adobe Park and CIP No. 7121 Automated Water Meters

**Recommendation:** Approve a consultant agreement with CSG Consultants, Inc. for staff augmentation services for Capital Improvement Program projects for an annual amount not-to-exceed \$150,000.

## **XX. ADJOURNMENT**

**NEXT REGULARLY SCHEDULED COUNCIL MEETING  
TUESDAY, OCTOBER 6, 2015**



archespaceGWSC  
architectural design + project management

# SERRA CENTER CITY COUNCIL WORKSHOP





# Serra Center Market and Economic Analysis

August 20, 2015



Contributors:

Wayne Okubo, CDM, CSM, CLS, CMD, CRX, CPM©  
Okubo Real Estate  
BRE#01019710

Jeffrey D. Rhoads, RA, LEED AP  
Argonaut Company  
87 Marina Court Drive  
San Rafael, CA 94901

Leah Segawa  
WesTerra Investments, LLC  
1563 Solano Ave #188  
Berkeley, CA 94706

Gary Wong  
Principal  
ArchespaceGWSC



archespaceGWSC  
an effective design • direct involvement

August 20, 2015

Darryl Boyd, Senior Planner  
City of Milpitas  
Community Development and Neighborhood Services  
455 East Calaveras Boulevard  
Milpitas, CA 95035

Subject: Submittals for the staff report for the September 1, 2015 City Council Workshop on Serra Center

Dear Darryl

Please find the attached submittals as a follow up to our meeting with Mayor Jose Esteves and City Manager Tom Williams on Monday August 17th. We were informed we could proceed with the City Council workshop at the earliest available City Council meeting.

The Serra Center team has conducted additional research and analysis in response to the comments received from the EDC and Planning Commission workshops and the meeting with senior city staff on June 1<sup>st</sup>. Our market/economic analysis is complete and included with this submittal. We modified the project design and program in response to the preliminary analysis findings and discussions with staff, the EDC, Planning Commission, and with City Council members and community leaders.

Agenda for the workshop:

- 1 Staff Report to City Council
2. Sharing Information (20 minute PowerPoint presentation by Serra Center and Q & A by the City Council)
  - Lessons learned from the workshops and meetings with staff

- Results of the market study and economic analysis: Opportunities and Constraints for development of Serra Center
- Response to June 1<sup>st</sup> meeting Staff comments and questions Identifying a market supported and economically viable development program
- Evolution of the project design direction and current design images
- Relationship to the Midtown Specific Plan
- Relationship to City economic development objectives
- Relationship to community aspirations

3. City Council Workshop/Brainstorming

- Receive questions and comments from the City Council
- Brainstorm ideas for the project in the context of the opportunities and constraints for the project and the community
- Summarize the workshop outcome
- Discuss next possible next steps

We have included the following documents for inclusion in your staff report:

- Meeting notes from the Planning Commission Workshop
- EDC Workshop presentation notes
- Meeting notes and response from the Senior Staff meeting June 1, 2015
- Market/economic analysis executive summary and supporting documents
- Project exhibits including a site transverse section, phasing and orientation plans and, perspective renderings

The following presentation material will be supplied:

- PowerPoint Presentation (to be provided prior to the City Council Meeting)

Please contact me if you have any questions, would like to offer input or guidance or need additional information for your staff report.

Sincerely,



Jeffrey D. Rhoads, RA LEED AP



## Planning Commission Workshop Meeting Notes

### Serra Center Project

By Jeffrey D. Rhoads

February 25, 2015

#### Staff Presentation by Adam Petersen and Steve Mc Harris (SMH)

1. *The Midtown Specific Plan states in several places a desire for first class office on the Serra Center site as a gateway project for the midtown area*
2. *The office overlay places additional focus on the site for office development*
3. *Specific Plan policies referenced include 3.16 Retail, 3.17 Office, 3.18 Density Bonus for office (FAR of 1.5)*
4. *Reference was made to the Cal Poly SLO planning project and the value of the work as a source of ideas if not site-specific planning solutions. An emphasis was placed on retail and entertainment on the Serra Center site rather than office.*
5. *A reminder was provided to the commission regarding the emerging policies in the city against changing zoning in commercial and industrial areas to classifications allowing residential.*

#### Planning commission comments in response to the staff presentation:

1. *Chair Mandal: Pacific Commons is an example of the development type and quality he would like to see for Serra Center. He asked if input by the Milpitas Economic Development Commission has been received on Serra Center Project (SMH: not to date). He encouraged the owner and development team to not undersell the site.*
2. *Commissioner Maglalang: Felt Santana Row was a good model for the kind of development he would like to see on the site. He suggested underground parking. (SMH: Noted that housing is a significant component in the Santana Row project)*
3. *Commissioner Sandhu: Asked the status of the last plan for Serra Center. (SMH stated the plan did not move forward due to the recession The owner is in the process of collecting input from stakeholders to prepare new submittals to move forward with a Serra Center project)*
4. *Commissioner Madnawat: Stated he was inclined to support increases in FAR for the site.*
5. *SMH Reminded the commission about some of the different classifications of mixed use in the city's zoning code. Some allow residential anywhere in the zone and MXT-2 requires commercial on the ground floor.*

Gary's Presentation of slides 1 – 7



1. *A Commissioner asked if a convention center had been considered for the site. Gary indicated this use had not been considered.*

#### Jeff's Presentation of slides 8-15

##### Slide 8 People and Iconic

1. *Commissioner Maglalang: Expressed a desire to see the kinds of uses developed on the property to be targeted to be more affordable. An example given was smaller housing units for people entering the workforce. He also recommended visiting Alviso Adobe Park and Murphy Park for Milpitas historic References. A specific reference to little cornfields was made.*
2. *Commissioner (?): Would like the project to have as mall town feel and felt the agricultural imagery was appropriate.*
3. *Vice Chair Ciardella: Likes the crop circle idea and expressed a need for people places in Milpitas where folks could relax, hang out and enjoy a cup of coffee.*

##### Slide 9 Creekside Trailways

1. *Chair Mandal: Felt the team's emphasis on creating nice spaces along the creek edge was appropriate.*

##### Slide 10 Street Events

1. *Chair Mandal: Encouraged the team to consider the bigger picture and Millennial values on the environment. Think long term. Consider alternative energy and sustainability*
2. *Commissioner Madnawat: Stated the site has been in commercial use longer than any other in Milpitas (This is not believed to be correct and may be mistaken for the village crossroads at the intersection of the Milpitas/Alviso Road and Oakland/San Jose Road today's intersection of Serra Way and Main Street). He thought the site should reflect Mission traditions.*
3. *Commissioner Morris: Referenced Seattle as a city that has walkability and an emphasis on Millennials*
4. *Commissioner Malalang: Liked City Walk (Universal City Los Angeles) as a reference for family oriented places*

##### Slide 11 Additional Main Street Images and Junipero Edge Conditions

1. *Two commissioners Madnawat and one other suggested moving the parking structure to front on Junipero. The idea of upholstering the parking structure was not well received. It was felt the units would only have windows on one side and wouldn't be desirable.*
2. *Commissioner Madnawat: Wasn't enamored with straight residential along Junipero.*

##### Slide 12 Residential Alternative

1. *Commissioner Morris: Seemed to support the idea of a lower density residential transition to the Junipero neighborhood.*



Slides 13-15 Building Massing from the northwest, Gateway to Prosperity,  
Perspective view down Serra Way

1. *Vice Chair Ciardell and others liked the gateway plaza concept and pavement based on the crop circle idea.*
2. *A Commissioner Expressed a concern about the ugly higher building on the plaza (The team responded This is the proposed location for an iconic building that hadn't been designed yet. The perspectives are conceptual massing models and not yet architecture)*
3. *Commissioners Morris and others: Responded favorably to the idea of LED panels incorporated into the buildings both on the main addressing street and the gateway plaza.*
4. *Chair Mandal: Was concerned the pork chops were not part of the gateway scheme. (SMH expressed the city's willingness to take the lead in working with Caltrans to incorporate the pork chops into the gateway)*
5. *Several commissioners expressed support for the design direction of the project. Commissioner Sandhu expressed a concern: Will the owners be able to implement all of the grand ideas and stick with the project through the multiple phases? (Team response: The project hasn't been designed yet and the objective is to get your input. Also by acting prudently, having housing as a component, and designing each phase in response to the market at the time of roll out the project would be successful)*

Respectfully submitted Jeffrey D Rhoads

The following are meeting notes provided by Steven McHarris in an e-mail to Gary Wong:

Hi Gary-

The next step will be to present to the Economic Development Commission. I will be working with the staff liaison to that Commission on a date. I would recommend you address each of their requests and points in your plans and for upcoming presentations. Adam Petersen will continue to be your Project Planner/Manager and you primary point of contact. The following is a brief summary of comments that I noted during the Planning Commission study session:

1. *Take item to Economic Development Commission*
2. *Enhance Economic Support of City*
3. *Obtain ideas from an economic team*
4. *Do not underestimate Milpitas*
5. *Look at Fremont Pacific Commons Center as example*
6. *Provide staff with experience in similar past project examples*
7. *Incorporate Cal Poly vision study*
8. *Work with Cal Poly to further the concept*
9. *Santana Row style activity*
10. *Revisit Floor Area Ratio*
11. *Gateway to the City*

12. Residential will be above commercial (no ground floor residential)
13. Iconic appearance needed
14. Affordable commercial and residential rents
15. Serra Center theme, historic.
16. Look at Alviso Park for history
17. Attractive, enjoyable spaces and experience
18. Incorporate alternative energy solutions
19. Beautify and orient toward adjacent creek channel
20. Emphasize pedestrian design
21. Design for convertible internal street(s) (can be closed for festivals, events)
22. Not in favor of residential along Junipero
23. Consider moving parking structure closer to Junipero, no residential.
24. Work on Serra Calaveras "pork chop" for gateway design.



## Planning Commission Presentation

### Serra Center Project

By Jeffrey D. Rhoads

April 15, 2015

## Serra Center/ Milpitas Economic Development Commission Workshop

April 13, 2015

### 1. Introductions:

- Thank staff and EDC (Tom, Steve, Adam) for the opportunity to meet this evening
- Owner: Henry Horng
- Project Team Leader: Gary Wong of ArcheSpace
- Development Director (primary responsibility for entitlements and environmental clearance Serra Center): Jeff Rhoads
- What we do must be economic viable: no one wants a failing project
- The owner has not bias for any particular land uses - their primary concern is to be economically successful and build a project we can all be proud of
- It is time to move from conceptual planning to preparation of an application for a viable project

### 2. Purpose:

- Identify solutions that meet the city's and owners planning and economic development objectives
- Gain your input and expectations regarding economic development objectives in a context of what is supportable in the current Milpitas market
- Arrive at a mutually acceptable approach to conduct market focused economic analysis for the project

### 3. Overview (Slide 1)

- Owners purchased the property prior to the recession
- Revival of the economy and renewed project focus
- Conceptual consensus with Staff, Planning Commission, community stakeholders on the project design: Massing, Circulation – the idea of an internalized addressing street, Design theming, Circulation Framework and the notion of Gateway to mid town.

- Some variance in point of view regarding what can be a successful program
  - We have assembled a team to move forward with land uses applications, a specific plan amendment and EIR
5. Key Market and Economic Factors
    - Managing different least expiration dates: (This is not an unencumbered site)
    - Defining a development program for the initial phase that responds to market realities and meets our shared goals
    - Submitting a revised plan with viable products for the first phase
    - Designing the project, lease terms, reciprocal access and egress agreements with flexibility for later phases
    - We can't know exactly what build out will be as it will need to respond to changing market conditions and development phases over time
  6. Some lessons learned
    - In our efforts to engage consultants for economic analysis we identified three different perspectives and have proposals addressing each:
    - Brokers point of view: (Colliers Land Advisors)
    - Conventional empirical economic analysis of various product types: lease rates, vacancies, absorption velocities and the like: (Concord Group, Gruen Associates, and EPS)
    - A more nuanced point of view of merchandising retail, restaurants and entertainment and symbiotic relationships with other uses. (Main Street Property Services)
    - Our current plan (even if possible to proceed as a single phase development) doesn't meet cash on cash return expectations of equity investors or lenders
    - We will likely need to consider distributed parking and start off with a development program that can evolve with the market over several phases.
  7. Milestones
    - Conduct economic analysis that tests the current program and identifies viable product types and provides the basis for a revised program. Simply looks at what is possible now: Scope finalized proposal approved by May 1.
    - Present findings to a joint City Council/Economic Development Commission/Owner Workshop (Beginning of June)
    - Owner revises the conceptual design program for the project, submits land use applications, and applicable fees (Mid June)
    - Staff and Owner staff ifinalize scope for land use actions and EIR (Mid July)
  9. EDC Input
    - Open up to the EDC for input
  10. Next steps.



## **Milpitas City Senior City Staff Comments and Questions**

Meeting Date: June 1, 2015

*Serra Center Response Italicized and completed July 24, 2015 Rev Aug 10, 2015*

### **Meeting Attendees:**

City of Milpitas

Edesa Bitabadal, Economic Development Manager

Darrell Boyd, Planning and Neighborhood Services Project Planner

Bill Ekern, Planning and Neighborhood Services Interim Director

Adam Petersen, Planning and Neighborhood Services Senior Planner

Serra Center

Gary Wong, Principal ArcheSpace GWSC

Henry Horng, Owner Serra Center

Jeff Rhoads, Director Entitlements, Planning and Urban Design for ArcheSpace GWSC

### **Meeting Purpose:**

- Present Serra Center's preliminary findings on market conditions and economic viability of various land uses for the property
- Present Serra Center's preliminary development phasing findings for the property
- Present Serra Center's initial findings for a proposed Phase 1/1A development program
- Seek input for input, comments and guidance from City Staff

### **Comments and Guidance From City Staff:**

Edesa Bitabadal

1. Economic Development's primary objectives are to preserve and enhance the city's fiscal health by promoting activities that generate tax revenues and provide jobs.

*So noted*

2. Making sure that the community has a diversity of commercial and employment activities to support a range of choices and a high quality of life is also a priority.

*So Noted*

3. The city views land use decisions in the long term. Conversion of commercial and industrial land use to residential is seen as a decision that permanently removes these properties out of the city's inventory of land available for the generation of tax revenues and employment.

*So Noted*

4. Presently and in the recent past (following the recession) the city has received many requests to convert industrial and commercial lands to residential. A number of these have been approved. There have been a couple of recent discussions with project proponents to consider conversion of strip shopping center sites to residential.

*So Noted*

5. The city has received recent inquiries from potential investors regarding the Serra Center Site regarding potential for acquisition or participation in development.

*Serra Center welcomes any referrals from the city including potential tenants, build to suits and purchasers.*

6. A potential restaurant operator has expressed interest the King Egg Roll Building.

*Serra Center welcomes any referrals from the city including potential tenants, build to suits and purchasers.*

7. The city views the Serra Center site as the prime development opportunity property in the city.

*The owners also view the site as a prime development opportunity. However, constraints are placed on the site by the marketplace, real estate economics, existing leases and location limitations such as the adjacent land use context. Visibility is lacking from I 880 and constrained by a narrow view window on Calaveras Boulevard for the initial phase of the project.*

*The owners are committed to pursuing the highest and best use possible consistent with prudent economic analysis and risk including meeting or exceeding lender expectations for return on investment. If these criteria are not met financing will not be available for the project to be implemented.*

8. A potential use that could be used as an anchor for the site in addition to a grocery store is a Fitness Center. Based on observations elsewhere in the Silicon Valley, this kind of use has the potential to activate adjacent food and beverage, retail, and services.

*A potential incentive for including a major fitness center in the project is increasing foot traffic and associated sales in adjacent retail and restaurant space. In this scenario the rent for the fitness center would cover costs of construction and associated operating expenses but support higher rents from retail and food /beverage tenants. These higher rents would presumably offset the higher costs and in many cases non-existent return for the fitness center. This loss leader approach commonly applies with highly desirable anchor stores in a regional shopping center.*

*Subsequent to the meeting, the owners' team contacted brokers to determine fitness center operators in the market for sites in the Milpitas area, their programmatic requirements and*

*transaction terms. The findings did not support the scenario identified here. Trends in the full service fitness center business are to build “category killers”. Like a casino, their business model is based on providing a one stop immersive experience. You go in but you never leave! Fitness centers now provide a range of services including point of sale for soft goods and dietary supplements, day care and food and beverage sales. Unfortunately they act as destinations that don’t support adjacent tenants.*

*Additionally, current transactions in Milpitas at \$ 2.00 per sq ft VS \$ 3.00+ per square foot in Cupertino do not deliver sufficient rents to support the highly specialized and costly building type and high parking ratios. This use requires high ceiling heights, larger clear span spaces and elaborate mechanical systems. The land use type doesn’t meet return expectations in either Milpitas or Cupertino. It doesn’t support land values and construction costs.*

*Smaller fitness tenants including yoga, cross fit and similar tenants can be accommodated in conventional retail space and support external retail and services. These tenants match rents similar to other retail tenants and will be considered viable tenants for a retail center.*

*The project team continues to consider a specialty grocery store as a possible tenant for the project. The economics are challenging, as the rents are lower, the space is specialized, there are large service area requirements and higher parking ratios for this type of use VS conventional retail. Cross shopping is also not as robust as desired since possession of perishable and frozen goods discourages shopping elsewhere.*

9. Consideration of anchors and branding for an “A” retail center is important. *The ownership team is committed to an effective retail strategy and land use context that will be viewed by potential tenants as a quality retail location if not class “A” as defined in the trade as a high sales volume per square foot regional shopping center or highly productive glamour retail street location. Unfortunately many credit tenants (Apple, Gap, Anthropology, Tesla, Channel and the like) will not likely consider this an appropriate location in the regional context.*

10. A hotel operator has expressed an interest seeking a site in Milpitas. *Serra Center welcomes any referrals from the city including potential tenants, build to suits and purchasers.*

11. The city is having difficulty retaining industrial users due to a lack of suitable space. *So noted as a reference to the desire to maintain a robust employment base and land suitable for non-residential uses in the city. However, both the Mid Town Specific Plan and the owner do not anticipate industrial uses for this site.*

12. Edessa pointed out challenges associated with leasing vacant space at McCarthy Ranch and building out some of its vacant parcels due to the negative impact of the adjacent landfill operation northwest of the properties. She suspected this could be the cause of McCarthy Ranch vacancies rather than regional office demand.

*The owners’ team contacted brokers and others to dig deeper into the Milpitas/International Business Park class “A” office market and more specifically the Golden Triangle and McCarthy*

ranch markets subsequent to the meeting. The team sought answers to two initial questions: How much actual class "A" office space is in the Milpitas market, is there a differential in rents and vacancies between the Golden Triangle (the area south of SR 237 between I 880 and US 101), and if so why.

*Research Findings:*

- The class "A" office market is quite limited in Milpitas IBP market, less than 320,000 square feet. A substantial inventory of high quality class "B" space is available at McCarthy Ranch and the Milpitas portion of the "Golden Triangle". This class B space is also commonly referred to R&D space. It is typically available in recently built 2+ story tilt up buildings designed for tech tenants seeking large floor plates. Irvine Company's McCarthy ranch inventory has extensive well-landscaped surface parking, common areas and amenities such as a Pete's Coffee that also serves food. The project exhibits the characteristics of a well managed and maintained master planned business park. This includes first class maintenance of buildings and grounds, a consistent signage and graphics program and programmed activities for tenants. The property has vacancies in the mid teens, a large inventory of available space, sublease rents in the \$1.00 per foot range (asking rents in the \$ 1.60 range), visibility from I-880, and an established and respected brand. This represents formidable competition for new properties within the submarket area. Additionally there is a large inventory of vacant land with available utilities immediately available for development.
- A low-rise steel frame office building with structured parking on the Serra Center site would require rents in excess of \$3.00 per square foot to be economically supportable. The parking structure costs would need to be amortized solely through office rents. Pay parking would not be competitive in a market where free parking is the norm. The current submarket will not support the rent required for a viable project.
- A June 25, 2015 Interview of a long term employee of a company at the McCarthy Center offered the following observations: Odor from the landfill was noticeable inside of the buildings at the Irvine Company operated properties approximately 5 years ago. The landlord installed filtration equipment in the HVAC system (The tenant's employee said it was a carbon filtration system). Ever since the filtration equipment was installed odor has no longer been noticeable inside the building. In addition exterior odors are much less evident. (The tenant's employee believes this is due to a misting system on the perimeter of the landfill property).
- A subsequent interview with an executive of Irvine Company (owners of office/R&D space inventory at McCarthy Ranch) confirmed Edessa's observations about proximity to the landfill having a potentially negative impact on leasing. The executive noted the ongoing challenge of achieving full occupancy of their holdings. While he did not attribute this solely landfill proximity, it's a factor. Indoor air quality and odor is managed. Odor outdoors is dependent on wind direction and mitigation efforts by the landfill operator. He noted this was less of a problem on the southern portions of McCarthy Ranch. Unfortunately brokers, tenants, lenders and investors analyzing the Serra Center property consider McCarthy ranch rents in sub area market comps.
- Total Milpitas IBP (A+B) inventory is 830,112 sq ft. Available space (vacant and sublease) in the market is 104,066 sq ft. The current available inventory equates to 12.5% of total. The average annual absorption over the last nine-year period for combined A and B space is 3,684 sq ft. The market has been quite volatile with negative absorption in the years 2008



*through 2010 (the recent recession), and positive absorption from 2011 to present. Average annual absorption since the recession has been 32,683 sq ft. If this rate is sustainable, the available inventory will take approximately three years to lease up. (Source CBRE 6/16/15)*

- *Market data doesn't differentiate between the Golden Triangle and McCarthy Ranch. Antidotal evidence suggests the lease rates are higher and the vacancies lower in the Golden Triangle. According to brokers this isn't due to proximity to the landfill. Golden Triangle is perceived in the market as a preferred location. Reasons given include: Golden Triangle has a critical mass and concentration of tech companies, and it's a well-established sub market.*

13. Edesa encourages Serra Center to look ahead longer term and anticipate market conditions beyond the current. (Perhaps 3 to 5 years ahead and greater)

*The owners are committed long term to the Serra Center site. Financial prudence requires that each phase of the development is self-sustaining in the market that exists at the time it's built and leased. Any other action would result in failure for both the project and the city.*

14. Pacific Mall is a regional shopping center the city sees as a model for class "A" retail space of the type they would like to see on the Serra Center site.

*The project owners will continue to track the progress of the Pacific Mall and learn from its example. We would like to know more about the tenant mix for the mall. A different retail merchandising and branding strategy will be needed to successfully differentiate a project on the Serra Center site from competitors.*

Bill Ekern

1. The housing issue is a both a political as well as a fiscal one. Staff, city council members and the public have voiced growing concerns about the impact of housing growth on the fiscal health of the city and quality of life. While some of these concerns may be misplaced, perceptions are very important.

*The project owners are very sensitive to the public, city staff and the City Council concerns and are seeking land use solutions for the Serra Center property that reflect community values and aspirations while being economically feasible. We understand the city's fiscal objectives related to land use.*

2. Even if the city's fiscal and services concerns can be addressed technically, the political issues remain. A project that includes housing on a commercial site must address the political issues to receive support by staff and the city council.

*So noted and acknowledged. We will continue to seek guidance from staff and elected and appointed officials. The project team plans to engage in a community outreach effort. We are focused on reaching out to the community to understand their desires and concerns and gain their input on a development concept we believe will work on the site.*

3. Perhaps it may be possible to provide housing on the site in either a vertical or horizontal mixed-use format if adequate commercial/employment uses are also included on the site.

*This may well be a workable solution and will be considered in preparation for any land use actions for the project.*

4. Affordable housing is now a major concern by the city as reflected by comments received from the city council as recently as yesterday. A moratorium on housing approvals has been broached to consider identifying ways to address this problem. The city has not required residential projects to include a percentage of the units for reduced purchase price or rent. No in lieu fees for affordable housing have been required and none have been collected.

*Entry level market rate housing and other lower cost homes types including senior housing are not currently being delivered in the Milpitas market. These will be considered in more detail market and economic analysis as the project progresses.*

5. Consider a live work option along South Abel as a potential use for the critical visual frontage along this major arterial roadway and for its relationship to the Mid Town Mixed use district.

*The project team will give this consideration.*

6. Bill asked if the owner had offered the property for sale to other potential investors interested in proceeding with a first class office project on the site.

*The owner has not entertained any potential investors or purchasers for the site at this time. Our market analysis conclusions don't support a compelling case for office this location other than modest amounts of professional offices seeking a more retail environment. If the city identifies a user for a build to suit, the owners would welcome any referrals.*

7. He asked if providing a first class office development on a portion of the site would equate to an incremental land value increase for the remainder of the site.

*If the site were sufficiently large to build a sizable inventory of office space that could achieve market support, tenants and their brokers might consider the location a viable submarket. This scenario would equate to a symbiotic mass of office use that could support higher lease rates. Unfortunately this would require an order of magnitude more space than can be accommodated on the Serra Center site (or be supported by the market). Additionally McCarthy Ranch has a substantial inventory of completed office space and a very large inventory of served vacant land available for new office projects. No new office projects are proposed or under construction. This is compelling evidence of a weak submarket. Our conclusion is an incremental land value increase would not be realized on the remaining inventory from office development on a portion of the site. An unsuccessful office project would likely have a detrimental impact on adjacent land values.*

*While it's not uncommon to see support retail and services associated with successful and sizable concentrations of office space there are some significant challenges. These include:*

- Retail activity success is influenced by the success of the office leasing. High development and construction costs, high vacancies and low rents bring into question the probability of success for conventional office on this site resulting in no benefit to adjacent retail.*
- Poor shared parking profiles as both activities parking needs tend to overlap.*
- Office centered retail requires massive amounts of office space (Embarcadero Center in San Francisco is a good example of this).*
- Office centered retail has difficulty driving foot traffic after 6:00PM.*

- *Retail on this property will likely derive a substantial majority of its customers from off site regardless of other on site non-retail uses.*

8. The Integral site proponents are seeking modifications in the entitlements to allow 100,000 square feet of retail.

*The project owners will continue to track the progress of the Integral Site and learn from its example. A different retail merchandising and branding strategy will be needed to successfully differentiate a project on the Serra Center site from competitors.*

9. The Pacific Center Project is seeking adjustments in its entitlements that do not result in a reduction of the retail or the hotel.

*The project owners will continue to track the progress of the Pacific Center and learn from its example. We would like to know more about the specific uses. A different retail merchandising and branding strategy will be needed to successfully differentiate a project on the Serra Center site from competitors.*

Darrell Boyd:

1. Proposed Phase 1/1A lacks critical mass. Has the owner looked at the cost of buying out existing leases to determine if this makes economic sense and results in a better project?

*The project owners have and continue to consider the possibility of buying out leases from tenants. Unfortunately the length of critical leases will result in very high buy out costs. This adds to the imputed land values, which are already quite high due to the income generating uses on the property. Buying out leases could be justified if a compelling land use or uses with high potential returns could be identified for the property. The market analysis has not identified such compelling uses in spite of the team's motivation to do so.*

2. The City will likely ask the developer to provide a fiscal impact study to the city particularly if the development proposal reduces the scope of commercial and/or office development from what was proposed in the Mid Town Specific Plan.

*This is a request that none of the project team members (with many years of land development experience) have ever encountered. We are concerned the assumptions would be highly speculative. The uses envisioned in the Specific Plan reflect desires and intentions identified through the Specific Plan process; however, they are not based on market conditions or real estate development economics. We suspect the fiscal impact of vacant office space (as an example) would be far less attractive to the city than other successful uses including retail, professional offices and residential accessed at current market values and generating taxes at current levy rates.*

3. Has the owner considered identifying alternative sites in the city that would be better suited for office development than Serra Center and contractually restricting development of other site/s or transferring development rights as a condition of approval for residential on Serra Center? Edessa pointed out that this must not result in net loss of commercial/employment in the city.

*This is also a bit out of the norm and may require a landowner or landowners willing to accept development restrictions on their land. While we would consider transfer of development rights*

*to another parcel or parcels not owned by Serra Center our preference would be to transfer these rights (such as the O-O overlay and increased FAR) to future Serra Center development phases.*

4. If a mixed-use development were approved for the site, a likely condition of approval would be construction of the commercial office components before the housing components.

*While we are sensitive to the city's concerns, in all probability the owners would want components of a mixed use project to move forward concurrently considering the following: 1) Much of the building inventory would likely be vertical mixed use which would be designed to be built at one time, and 2) The project economics and marketing strategy would be to implement a complete environment and minimize disruptions to tenants associated with multiple small phases. In addition the success of the project would be based on creating a compelling district with extensively used and well-loved public and quasi-public places.*

5. The City Council Workshop is scheduled for August 18<sup>th</sup>.  
*So noted and on our project schedule.*

Meeting notes respectfully submitted by Jeff Rhoads June 2, 2015

# Serra Center Market and Economic Analysis

## Executive Summary:

Based on August 8, 2015 model run (rev August 19, 2015)

### Purpose:

The Serra Center preliminary Market and Economic Analysis (Analysis) has two primary objectives. These are: 1) To inform the owners of land uses and building types that are supportable by current local and regional market conditions and 2) To provide the project team evidence based findings to inform city staff, the community, elected and appointed officials of development scenarios that are most likely to be successful on the Serra Center site given the constraints of the Milpitas market and regional construction practices and costs.

### Methodology:

The market portion of the Analysis is based on data commonly available in the brokerage community as well as proprietary information available to the Analysis team members. This includes the specific knowledge of the team members, and interviews with brokers, potential tenants, contractors and construction managers.

Serra Center design documents are conceptual and are subject to considerable revisions and refinement as the project proceeds through land use actions, specific plan amendments and environmental clearance. The market conditions will likely change significantly as the project works through this process. Since the design is conceptual, hard and soft cost estimates are based on unit costs and building square footages (for example costs per square foot and per parking space) rather than more detail line item Construction Specification Institute (CSI) estimates based on quantity take offs from a highly developed set of construction documents.

This Analysis is a first pass. It will need to be supplemented with more robust and detailed analysis as the project proceeds to delivery. This will enable the owners and project team to target the land use product types based on up-to-date market information and tenant negotiations. Lending terms and requirements will also be better defined. In addition the project design will be much more complete enabling a higher level of confidence in cost estimating.

### Location

Milpitas lies between Fremont, Santa Clara and San Jose. Serra Center is the geographic center of Milpitas.

The property is well located with frontage on Highway 237 approximately ¼ mile east of the Interstate 880 interchange. High traffic volumes, excellent access and visibility and proximity to the core of the

Silicon Valley provide opportunities to be capitalized on. This is also the route to Milpitas' City Hall, which creates tremendous expectations of being the front door to the city. The design currently includes significant design elements such as a gateway plaza, a main addressing street with park plazas, special pavements and features such as structures reminiscent of barns and silos. And although these design elements increase the cost of the project, they are likely to be required in some form to satisfy the city and support project success.

Modification of driveway locations and curb cuts required for access and egress for more intensive land use will require approval by the city and Caltrans. There may be additional costs for queuing lanes and traffic signals that have not been incorporated into the projections.

### **Property**

Serra Center is a redevelopment project situated on 16.49 acres. There is 93,326 square feet of existing leasable area including a Big Lots! anchored shopping center with pad buildings. The building area excludes two motor inns on ground-leased parcels. The leases for these parcels expire far into the future. One NNN lease tenant, a Walgreens, is both long term and high value. Phasing of the project will be timed to allow leases to expire to avoid buy out costs. These were not a part of the costs included in the Analysis.

### **Zoning**

The zoning is currently C-2 general commercial with O-O office overlay on the portion of the site east of the Walgreens and Days Inn.

The project is subject to the Mid-Town Specific Plan. The plan contemplates a gateway development of retail and Class "A" office on the site. A recently passed ordinance has placed a moratorium on the conversion of retail and industrial land to residential or mixed use allowing residential. Up to the recent past, the City of Milpitas has approved zone change of a number of retail and industrial/office properties into classifications that allow residential. The city has made clear their intent to not allow this to occur until the existing inventory of zoned land permitting residential is 85% built out. They are currently committed to requiring commercial uses that provide employment and positive tax revenue on the Serra Center site. In a recent meeting with the City Manager, Mr. Williams mentioned the new ordinance is likely not applicable to the Mid Town Specific Plan area. This will require verification. Regardless, a compelling case will need to be made for residential land use as part of a mixed-use project. The community is concerned about quality of life issues such as school crowding and traffic congestion impacts of large new housing developments.

This Analysis has demonstrated a mixed-use format including higher density residential above retail with additional single use residential buildings as the only currently viable development scenario. Feedback from the community, and elected and appointed city officials has demonstrated a nearly universal desire for a Santana Row mixed use environment in the Mid Town area. Santana Row required a major residential component to achieve financial success that was not initially assured.

## **Below Market Rate and Entry Level Housing**

Milpitas currently does not require Below Market Rate (BMR) residential units as a condition to development approval. This is commonly required in other Bay Area cities. As such has it has provided entitlements to projects that are market or higher than market rate and have not produced any BMR units. A major recent concern expressed by the City Council is the lack of affordable housing. The community may view Serra Center's ability to provide housing opportunities for entry level, senior and other underserved populations as beneficial.

## **Market**

Each of several different types of products including office, retail, residential, hotel and other miscellaneous uses have been investigated to determine possible development opportunities for the project.

### **Office market**

Since there is an office overlay on part of the project site, the City of Milpitas has requested the investigation of this product type's feasibility. Unfortunately regional market factors show office not to be a viable use for the site. Milpitas has some of the highest office vacancies and the lowest rents in the Bay Area/Silicon Valley surveys that were collected. Substantial vacant inventory of high quality R & D space (in the high teens) in a highly amenitized and well managed master planned business park is available directly across the 1 880 freeway at McCarthy Ranch. A large inventory of served vacant land is also available.

Further analysis of costs associated with constructing the class A office space contemplated by the Mid Town specific plan and associated structured parking was conducted following the June 1, 2015 meeting with senior city staff. The break-even rental rate for fully served space is \$4.00 per square per month. This exceeds current transactions for Irvine Company's McCarthy Ranch holdings by \$2.50 per square foot (nearly three times the current market rate).

### **Retail**

There is an abundance of retail in Milpitas, but the absorption has continued to reduce vacancy rates in recent years. This is particularly the case for well-anchored B centers, but not so for C and aging centers. Phase 1/1A of Serra Center is an aging C center.

Milpitas has evolved to be a net importer of retail sales mostly in the category killer, mid-market and value market segments. In spite of this, brick and mortar soft and durable goods retail is under considerable pressure from online shopping. The future success of Milpitas retail offerings will be dependant on how effectively the shopping centers and retailers manage this trend.

Phase 1/1A of the Serra Center site is not large enough to accommodate big or medium box stores. These store types are typically located in centers with floor area ratios in the .25 to .30 range and have large surface parking lots. These factors and high initial land cost make them unable to meet project

performance expectations. The development type is also not consistent with the Mid Town Specific Plan goals.

The Analysis has identified a lifestyle neighborhood center as the optimal retail format for the Serra Center site. Rental rates are sufficient to support hard and soft development costs and deliver good returns. Lifestyle centers are less impacted by online sales. Their primary attraction is providing a compelling experience and convenience for patrons. Santana Row is an example of a well-merchandised lifestyle center. Food and beverage establishments comprise a high ratio (60 – 70 %) of the tenants. These serve as the anchors for the center. Other tenants provide services and impulse retail. The tenant mix is less susceptible to competition from Internet sales. Success is dependent on creating a highly attractive and desirable place with the right tenant mix to attract patrons. Lifestyle centers require high quality finishes, good design and landscaping and top tier management. They're where people want to go, be seen and have fun. Currently Milpitas is a prime opportunity for this type of place.

The amount of retail that is programmed into the Serra Center project is about 200,000 square feet (113,600 square feet in Phase 1/1A), located on the ground floor. This allows for the parking to be provided below the building in a podium, which makes it easier to control and more convenient than a centralized parking structure.

### **Residential**

Milpitas has distinguished itself as a key provider of housing in an intensely undersupplied regional market. Much of this has been for sale townhomes and condominiums. Although current housing demand is very high, Milpitas housing experienced substantial price devaluation in the last recession. A concern is the impact of the next recession on housing prices and timing to product delivery. Strategies include identifying product types not currently being supplied in the Milpitas Market. Senior and entry-level housing are currently undersupplied.

The planned residential component for phase 1/1A of the project will be upwards of 429,298 square feet. Residential was identified as the use with the highest potential return. A mixture of units including micro-units of 450 square feet, condominiums of 850 square feet and townhouses of 1100 square feet were used in the Analysis. This reflects reduction in unit size and is at the lower end of the sizes available in Milpitas. The micro-units are considerably larger than new units offered in San Francisco, a reflection of a more suburban market.

On site residential also serves as a significant customer base for the contemplated retail providing "roof tops" and supporting extended hours of activity.

### **Hotel**

There are a significant number of hotel rooms in Milpitas. In recent years Milpitas hotel rooms have been enjoying higher occupancy and room rates that exceed the dismal performance experienced during the recession. This is strictly because overflow from other Silicon Valley cities' employment growth and office demand, has impacted Milpitas. When the economic cycle enters into a recession in



the future, room occupancies will likely return to about the fifty to sixty+ percent (50-60+%) range and room rates will also likely decline to previous non economically supportable levels. Recognizing this cyclical and volatile impact on the hotel rental market, it would be impractical to develop additional hotel rooms, especially at higher room rates driven by current high construction and carry costs. The introduction of Levi's stadium in the market has had a positive impact on room occupancy and exerted some upward pressure on room rates. However, the size and configuration of the venue limit the number of events booked and stabilized market impact has not yet been established.

Typical ground lessees for a hotel return a five to nine percent (5-9%) cap rate in this market (annualized basis). The returns on hotel joint ventures tend to be low because operations costs can be manipulated to conceal profits. The primary benefit results from efficient and effective operation of the hotel and benefiting from the cash flow generated.

### **Grocery**

Typically, grocery use has been not conducive as a contributor to cross-shopping, since they are destinations that require a large amount of area for parking, shopping carts, loading and service. When someone goes to the grocery store they plan on going home shortly afterwards, since they commonly have perishables or frozen products that will spoil or melt if left in the vehicle. Further, these types of facilities require high spaces and large footprints that are difficult to re-lease, while paying rents that do not meet the pro forma requirements.

Therefore, possible alternatives include grocery/delis that primarily provide hot food and specialties for defined ethnic and demographic targets. These stores are smaller, typically between 2000-4000 square feet, and will fit into spaces being planned for the project. Certain smaller specialty grocery store formats may prove viable based on tenant motivations and transaction terms.

### **Miscellaneous**

There are a number of dedicated uses, such as a medical center or fitness center that are purpose built facilities imposing additional costs. These do not provide commensurate compensation to economically justify development. The problem is they have use specific requirements (height, depth of space, heating, ventilation and air conditioning, refrigeration, parking, plumbing, and subsurface utilities, etc.) and costs that are not adequately offset by local rental rates. In addition, rental income will not be sufficient to pay for conversion of the spaces for alternate uses. They do not act as retail "loss leaders" since they do not promote cross shopping.

## **SERRA CENTER PARAMETERS**

### **Design**

The general project design for the initial phases envisions two basic building types. The predominant is a mixed-use building type with a steel and concrete two level parking and retail/commercial "podium" and three to four stories of wood framed residential construction above. The second building type is three story wood framed townhome type residences with individual garages at the ground level. The

typical floor-to-floor heights for the mixed-use building are 11 feet in the parking level, 18 feet in the retail commercial level and an average of 10 feet for each of the residential levels. The townhomes are projected to have 10 foot to floor heights except for the main level, which is proposed at 11 feet.

The overall development at build out of all phases includes commercial/retail projected at approximately 200,000 square feet and residential at approximately 600,000 square feet. The building envelope meets the height and setback requirements with one floor of partially underground parking for the mixed-use buildings. The amount and type of residential is currently allocated between townhouses, condominium/apartments, and micro units. A portion of the residences may be age restricted for seniors. The retail/commercial space is allocated between general retail/quasi-office and restaurant/fast food. Each of these components has differing parking requirements that are incorporated into the project cost. The townhome styled units with ground level garages are proposed for a portion of the site along Junipero Drive. Financial performance for the project would improve significantly, with margins achieving lender and investor expectations, if the town homes were replaced by apartment style homes over a podium.

### **Parking**

Studies have been performed comparing podium versus structured parking. The approachable design, cost and convenience of podium parking versus structured parking outweigh the efficiency of building a parking garage. Certain housing types such as micro units and senior housing require fewer spaces per unit. A larger number of micro units could replace conventional units, however the bedroom count will remain approximately the same for the total residential square footage. A primary goal of project programming is to limit parking to a one-story podium constructed above the water table. A shared parking analysis will optimize parking provided for the project.

### **Development Phasing**

The total project build out is contemplated about 1,031,000 square feet. This is projected to occur over three phases. The phasing areas are identified as 1) Phase 1/1A: the existing Serra Center retail, office and restaurant inline shops, pad tenants and parking area east of Walgreens and Days Inn, 2) Phase 2: Heritage Motor Inn (Travelodge), King Egg Roll and a vacant parcel west and north of Abbott Avenue, and 3) Phase 3: the central portion of the holdings including Days Inn and Walgreens. The project team contemplates proceeding with Phase 1/1A for land use actions and environmental clearance. Subsequent phases will proceed independently as justified by the market, owner's investment objectives and lease terminations.

The Analysis is based on Phase 1/1A at approximately 10.481 acres and 542,943 gross square feet of mixed-use building area. This includes approximately 113,600 square feet of retail/service and 429,898 square feet of residential. The mixed-use buildings contain 555 residential units. An additional 56 townhome units totaling approximately 71,440 square feet with private garages are also included in the Analysis separate from the mixed use buildings. As a rule of thumb the Analysis generally supports a ratio of approximately 15/20% commercial floor area to 80/85% residential. Parking is not included in the building floor area calculations.

The conceptual land plan shows Phase 2 with a land area of approximately 2.559 acres and 287,749 rentable square feet. This includes 71,937 sq ft of retail and 215,812 sq ft of residential.

The conceptual land plan shows Phase 3 with a land area of approximately 3.449 acres and 95,800 rentable square feet. This includes 23,950 sq ft of retail and 71,850 sq ft of residential.

### **Construction Costs**

The costs have been projected based on current unit costs that were experienced in projects in the Bay Area's Silicon Valley. These construction costs will need to be further refined for this specific project, but regional unit costs give an indication of where the project is heading as programmed.

Mixed-use buildings with concrete podiums and wood-frame construction above are widely accepted as a development standard in the region and are used to manage costs. The residential hard and soft costs are based on \$178 and \$51 per square foot respectively with a parking cost of just above \$10,000 per stall. The retail/commercial hard and soft costs are based on \$112 and \$35 per square foot respectively with the parking at the same cost per stall for residential. Projects can be built with all concrete or steel at additional cost. The costs utilized are general rough order of magnitude and do not include possible additional or specific costs that will be allocated to this project through fully detailed plans and general contractor CSI line item bidding. In addition they do not include tenant improvement costs for the commercial spaces.

### **Edges and Buffers**

Discussions about the project with city staff and appointed and elected officials underscore the need to create an appropriate condition along the Junipero Drive edge of the site. This southerly edge is adjacent to an existing low-density multifamily residential neighborhood. The project team will be conducting a community outreach effort to better understand the concerns and opinions of the neighborhood. This will help inform land use and design along Junipero Drive and potentially elsewhere around Serra Center.

While buffering such as landscape setbacks and a linear park may be potential solutions, the design team will focus on building community support for townhomes or other types of residences on the north side of Junipero Drive. A linear park open space amenity can provide an active area between the two differing uses and result in density credits for additional building height and more residential units. The team's preference is to internalize amenities to add value to the project and serve the needs of project tenants and customers.

### **Imputed land Value**

The imputed land values are based on the purchase price of the various parcels by the Serra Center owners. These values are reflected in the property tax records. Since the purchase transactions occurred prior to the last recession, it is probable the land cost basis is higher than current market value. The land values at purchase are included in the calculation of cash on cash return. Accrued opportunity cost during Serra Center owners' holding period is not considered in the calculations.

## **Rents**

The rents are based on the rental information provided CoStar and the surveys from brokerage companies.

The rents in the simplified pro forma utilized CoStar's research information based on monthly rental rates. The office rents range from \$1.48 to \$2.10 per square foot. The rents for retail and restaurant range from \$2.50 per square foot to \$3.00 per square foot respectively. The rents for apartments are about \$2.50 per square foot. The rents for residential micro units will likely be higher than conventional apartments.

The Net Operating Income (NOI) deducts the operating expenses from the rents. This amount is typically about ten to fifteen percent (10-15%).

## **Valuation**

The valuation is based on income capitalization, where anticipated operating expenses are deducted from the rents to provide the net operating income (NOI). NOI is the basis for the valuation of the project, where time value of money, certain costs applicable specifically to the property and absorption have not been taken into consideration at this point in time. The valuation provided is based on investment market driven income capitalization rates that have been experienced on other projects in the Silicon Valley and the Bay Area. The NOI divided by the capitalization rate provides the value of the property in dollars.

- The capitalization rate for office is seven and a half percent (7.5%).
- The capitalization rate for retail is seven and a quarter percent (7.25%).
- The capitalization rate for residential is five and half percent (5.5%).
- The capitalization rate for hotels is seven percent (7.0%).

## **Financing**

The project has migrated from its initial layout to a mixed-use program that provides for returns that avail financing in the following parameters that have been experienced recently:

- Typical financing is at usually between fifty to fifty-five percent (50-55%) of the cost of the project with a rebalance if the project's appraised loan to value ratio exceeds sixty-five percent (65%) upon completion.
- The interest rate is determined by the project itself and its ability to pay back the loan. Typical interest rates are based on simple interest that is interest only during construction, which is usually between two to three+ percent (2-3+ %) plus monthly LIBOR. The financial institution typically requires some sort of interest hedge.
- The points or costs associated with the loan origination are currently between seventy-five to one hundred fifty basis points (.75-1.5%) of the loan amount.

- The loan duration is typically three (3) years with up to two (2) one year extensions, usually with a quarter to half percent (.25-.50%) fee for each extension, so that the property can stabilize its operations. The debt yield is typically between seven to eleven percent (7-11%) and if during the extension if the property fails to meet its stabilization requirements the loan will need to be rebalanced (a reduction of the loan amount with the repayment of proceeds).
- The amount of owner equity (land and cash) is to be put up initially before any of the loan proceeds about drawn upon. Evidence of funds is required as a part of qualifying for the loan.
- The owner must also maintain a certain level of liquidity and net worth during the term of the loan.
- The property needs to be held in a single-purpose entity. In other words, each phase of the property needs to be held individually, in order to encumber only the specific phase property with the loan and these requirements.
- The loans are typically recourse with a completion guaranty.
- There are a number of tests that need to be met in order for the loan to qualify for approval and quarterly tests to remain in good standing.

### **Investment Return Objectives**

The threshold return for investment quality real estate development is approximately 60% cash on cash return. If a project takes 3 years from construction mobilization to pro forma lease occupancy (generally 95%) the internal rate of return percentage equates to the high teens on an annualized basis. A cash on cash return of 50% will generally meet financial institutional underwriting requirements with a 50% loan to value ratio of the cost of the project. The imputed land values are likely to be reset downward to reflect current market values. A cash and/or equity contribution may be required to achieve a 50% loan to value ratio.

### **Project Financial Performance**

Several pro forma runs have been completed with alternative land use scenarios and programs for the full 16.49 acre land inventory including Phases 1/1A, Phase 2 and Phase 3. Existing lease terms will delay Phase 2 and 3 beyond a predictable market analysis time horizon. This serves as justification for focusing the analysis is on 10.48 Acre Phase 1/1A. Expiring leases will allow redevelopment of this portion of the site to proceed over the next few years.

The pro forma process is iterative. Revisions in the building program including land uses, building and site improvement areas, and parking requirements result in different outcomes. The most recent Phase 1/1A was completed based on the site plan submitted to the city of Milpitas on July 24, 2015.

### **Key Assumption Metrics for Phase 1/1A (8.8.15 Run):**

- Total site area 10.48 (some improvements may be required on phase 3 area for access and utilities)
- Total Building Area: 647,440 sq ft
- Mixed Use Building Area: 542, 943 sq ft

- Mixed Use Building Retail and Other Uses Area: 113,600 sq ft
- Mixed Use Building and surface parking: 1,475 spaces
- Mixed Use Building residential units: 555
- Townhomes Area: 71,440 sq ft
- Townhome units: 52
- Townhomes parking: 112 spaces

**Performance:**

- Margin (Cash on Cash Return): 39.69%

**Conclusions:**

The margin of 39.69% is not yet an a minimum required level of 60% based on a three year build out and lease up of Phase 1/1A. Parking provided on the site appears to meet the needs based on a high ratio of restaurant tenants. A shared parking analysis will determine the desired number of spaces when the parking requirements for the residential products and breakdown of retail uses are better defined. While the trend for financial performance has improved as the program has been refined, further changes will be required to achieve the minimum required performance to attract lender participation. The most promising means to achieve the margin is to increase the number of residential units and/or reduce the retail area. Replacing the townhomes with podium parked residential at approximately 50 units per acre density (4 stories of wood framed apartments or townhomes above a concrete parking podium) will likely achieve the performance required.

**Serra Center**  
**Office Market Analysis**  
as of June 5, 2015

**Prepared for 200 Serra Way LLC**

c/o Gary Wong, ArcheSpace GWSC

**Prepared By:**

**Wayne Okubo, CDP, CSM, CLS, CMD, CRX, CPM®**  
**Okubo Real Estate**  
**BRE #01019710**

**And**

**WesTerra Investments LLC**  
**1563 Solano Ave #188**  
**Berkeley, CA 94706**

## **Executive Summary**

1. Milpitas is a minor market and has a scant 320,000 sf of Class A inventory.
2. Milpitas is at the periphery of the Silicon Valley whose path of growth is northward toward San Francisco and in the opposite direction.
3. The vacancy rate in the Milpitas R&D market is higher than the Silicon Valley average.
4. The Milpitas rents for both Office and R&D space are substantially lower than the Silicon Valley average.
5. There has been little rental growth in both Milpitas office and R&D product during the past 8 years making it a less attractive investment for property owners and investors.
6. The prominent McCarthy Ranch office property with excellent I-880 visibility and a superior location to Serra Center has a 20% vacancy rate and its asking rents are \$1.50psf with a range from \$0.90-\$1.50psf.
7. The permitted Class A Equity Office project is not being marketed and doesn't appear on its owner's website.
8. Development of office product on the Serra Center site is further disadvantaged by the need to build structured parking as opposed to having on-grade parking as in the McCarthy Ranch project.
9. The above facts, taken together, do not support the expected return requirements for office investors nor does it support the required safety margins to secure project financing.



## Background

200 Serra Way LLC, the owner of Serra Center, has directed the preparation of this Milpitas office market analysis in order to determine if the site supports Class A office development as indicated in the Milpitas Midtown Specific Plan, updated 2010.

The site is comprised of several parcels containing approximately 10 acres and is located near the southeastern quadrant of Interstate 880 and State Highway 237 bounded by Calaveras Boulevard and Serra Way to the north, South Abel Street to the east, Junipero Way to the south and the adjacent Walgreens and Travelodge and Day's Inn motels to the west. The site is divided into two potential phases, 1 and 1A depending on the existing retail tenant expirations. At this time, Phase 1 is expected to be ready for development in 2017 and Phase 1A in 2019.

The site is currently developed with a series of eight, one- and two-story office/retail buildings for a total of 84,442 sq. The owners also own adjacent parcels that contain the existing Walgreens store and the Travelodge and Day's Inn motel structures and because the underlying leases have long remaining terms, they are excluded from this study.

Phases 1 and 1a are currently zoned General Commercial (C2) with an Office Overlay (-00) in order to encourage Class A office development to visually strengthen one of the main entrances into the City. The City wishes to encourage the development of up to six-story office buildings by increasing the FAR at this location to 1.5.

## The Milpitas Office and R&D Market

Located at the southern end of the San Francisco Bay and the eastern edge of Santa Clara County, the City of Milpitas is an integral part of high-tech Silicon Valley since its incorporation in 1954. The City is a strong employment center with a diverse population, quality schools, conveniently located neighborhood parks and a variety of retail options. Milpitas is often called the "Crossroads of Silicon Valley" as most of its 13.6 square mile area is situated between two major freeways (I-880 and I-680), State Route 237 and a County expressway. Furthermore Milpitas is served by Valley Transportation Authority and in 2017, a new BART station at the southern end of the city.

Milpitas has long been known as an industrial and warehouse market and, while the city contains 1.1% of the land area of Silicon Valley, it contains 5.1% of its industrial space and 12.1% of its warehouse space.

**Figure 1: Milpitas as a Percent of Silicon Valley's Industrial Space**

|                        | <b>Milpitas</b> | <b>Santa Clara Co</b> | <b>% of SCC</b> |
|------------------------|-----------------|-----------------------|-----------------|
| <b>Area (Sq Miles)</b> | 13.6            | 1290.1                | 1.1%            |
| <b>Industrial (sf)</b> | 3,084,176       | 60,399,467            | 5.1%            |
| <b>Warehouse (sf)</b>  | 4,577,739       | 37,859,144            | 12.1%           |

Source: Colliers International IQ 2015 Silicon Valley Market Report

This fact is further reinforced by the data presented in Figure 2 below which compares the office and R&D inventory of Milpitas with the Silicon Valley. Here, the 319,665 square-foot Class A office inventory of Milpitas represents less than 1% of the Silicon Valley total while its Class B, Class C and R&D inventory make up increasing larger percentages of Valley's total inventory for these product types although less than the 12.1% of warehouse space shown above. These two tables together indicate that the City of Milpitas is small Class A office market due to its inventory, and furthermore, that inventory of is of proportionately lower-quality than the rest of the Silicon Valley, i.e. it contains more Class C space than Class A space.

**Figure 2: Milpitas as a Percentage of Silicon Valley's Office Space**

|                | <b>Milpitas</b> | <b>Santa Clara Co*</b> | <b>% of SCC</b> |
|----------------|-----------------|------------------------|-----------------|
| Office Class A | 319,665         | 36,356,129             | 0.9%            |
| Office Class B | 399,578         | 20,021,115             | 2.0%            |
| Office Class C | 625,978         | 9,630,327              | 6.5%            |
| R&D            | 11,674,473      | 151,354,966            | 7.7%            |

Source: CBRE IQ 2015 Silicon Valley Market Report

\* Plus Fremont and Newark

Historically, the heart of the Silicon Valley has been Palo Alto with Stanford University as a major source of intellectual capital and the venture capital offices along Sand Hill Road representing the financial capital. Rents in Palo Alto are generally the highest in the Silicon Valley and during recessions, its vacancy rate is typically the lowest. Correspondingly, the cities that surround Palo Alto--Cupertino, Mountain View and Sunnyvale--tend to experience higher demand for both office and R&D space, lower vacancies and higher rents. As you move further south and east into Santa Clara and San Jose, vacancies tend to remain higher and rental rates lower for longer periods of time even during recoveries. And Milpitas is even further removed.

It is important to note that Silicon Valley has been expanding in a northerly direction into the City of San Francisco which offers the cultural 24/7 amenities of a world-class city that helps expanding companies attract and retain its workforce. The result of this would be to shift the path of growth, or at least infill growth, in a direction away from Milpitas.

Figure 3 compares the Milpitas office market with the whole of the Silicon Valley from the fourth quarter of 2006 through the first quarter of 2015 and shows the effects of the market changes from the last economic boom, through the crippling 2008 recession and into the current economic surge. While the office availability in Milpitas was lower than the Silicon Valley during this period, its rents were startlingly lower. This would indicate that despite a proportionately smaller amount of supply, demand for Milpitas office space was not strong enough to be able to match the asking rental rates in the rest of the Valley. Even today, in this current economic boom, average office rents are \$1.48psf compared

**Figure 3: Milpitas/Silicon Valley Office Market--Comparative Statistics**

|                                | 4Q 2006   | 4Q 2007   | 4Q 2008   | 4Q 2009   | 4Q 2010   | 4Q 2011   | 4Q 2012   | 4Q 2013   | 4Q 2014   | 1Q 2015   |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Milpitas/IBP* Office Submarket |           |           |           |           |           |           |           |           |           |           |
| Class A                        | N/A       | 356,618   | 319,655   | 319,655   | 319,665   | 319,665   | 319,665   | 319,665   | 319,665   | 319,665   |
| Class B                        | N/A       | 332,756   | 339,456   | 350,652   | 350,652   | 350,652   | 399,578   | 399,578   | 399,578   | 399,578   |
| Class C                        | N/A       | 503,662   | 521,462   | 625,978   | 625,978   | 625,978   | 625,978   | 625,978   | 625,978   | 625,978   |
| Total Office:                  | 1,180,217 | 1,193,036 | 1,180,573 | 1,296,285 | 1,296,295 | 1,296,295 | 1,345,221 | 1,345,221 | 1,345,221 | 1,345,221 |
| Total Availability Rate        | 11.9%     | 9.3%      | 7.5%      | 13.7%     | 19.4%     | 16.7%     | 13.8%     | 12.7%     | 8.0%      | 6.9%      |
| Avg Asking Rate Class A        | \$1.93    | \$2.19    | \$2.08    | \$1.75    | \$1.60    | \$1.70    | \$1.85    | \$1.85    | \$2.07    | \$2.10    |
| Avg Asking Rate Class B        | \$1.49    | \$1.68    | \$1.60    | \$1.25    | \$1.19    | \$1.29    | \$1.40    | \$1.40    | \$1.44    | \$1.48    |

Class A 1Q15/4Q06 Rental Growth = 9%  
Class B 1Q15/4Q06 Rental Growth = -1%

|                         | 4Q 2006    | 4Q 2007    | 4Q 2008    | 4Q 2009    | 4Q 2010    | 4Q 2011    | 4Q 2012    | 4Q 2013    | 4Q 2014    | 1Q 2015    |
|-------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Silicon Valley Office** |            |            |            |            |            |            |            |            |            |            |
| Class A                 | N/A        | 28,293,422 | 29,456,804 | 31,447,507 | 32,103,218 | 31,288,152 | 31,943,174 | 33,350,219 | 35,917,397 | 36,356,129 |
| Class B                 | N/A        | 19,048,910 | 19,773,409 | 21,066,297 | 20,940,697 | 18,684,380 | 18,486,216 | 19,755,670 | 20,087,430 | 20,021,115 |
| Class C                 | N/A        | 10,803,568 | 10,469,175 | 10,456,556 | 10,287,661 | 10,116,421 | 10,218,728 | 9,793,736  | 9,715,922  | 9,630,327  |
| Total Office:           | 56,988,490 | 58,145,900 | 59,699,388 | 62,970,360 | 63,331,576 | 60,088,953 | 60,648,118 | 62,899,625 | 65,720,749 | 66,007,571 |
| Total Availability Rate | 11.3%      | 11.1%      | 16.1%      | 21.7%      | 20.3%      | 14.5%      | 13.0%      | 12.8%      | 10.3%      | 9.8%       |
| Avg Asking Rate Class A | \$2.70     | \$3.50     | \$3.49     | \$2.81     | \$2.80     | \$3.31     | \$3.62     | \$3.95     | \$4.44     | \$4.60     |
| Avg Asking Rate Class B | \$2.12     | \$2.88     | \$2.81     | \$2.34     | \$2.39     | \$2.76     | \$3.03     | \$3.25     | \$3.48     | \$3.60     |

Class A 1Q15/4Q06 Rental Growth = 70%  
Class B 1Q15/4Q06 Rental Growth = 70%

|                                    |       |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Milpitas Market as % of Silicon V: | 2.1%  | 2.1%  | 2.0%  | 2.1%  | 2.0%  | 2.2%  | 2.2%  | 2.1%  | 2.0%  | 2.0%  |
| Difference in Availability Rates:  | 0.6%  | -1.8% | -8.6% | -8.0% | -0.9% | 2.2%  | 0.8%  | -0.1% | -2.3% | -2.9% |
| Milpitas Class A Rents as % of SV: | 71.5% | 62.6% | 59.6% | 62.3% | 57.1% | 51.4% | 51.1% | 46.8% | 46.6% | 45.7% |
| Milpitas Class B Rents as % of SV: | 70.3% | 58.3% | 56.9% | 53.4% | 49.8% | 46.7% | 46.2% | 43.1% | 41.4% | 41.1% |

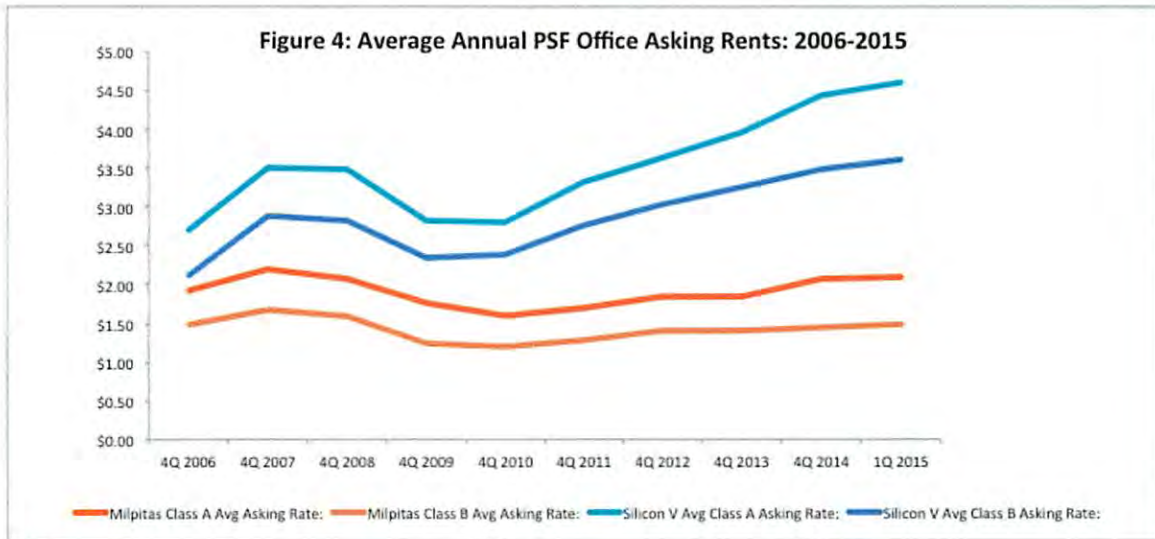
\* International Business Park in San Jose

\*\* Santa Clara Co + Fremont/Newark

Source: CBRE Market Reports



to average Silicon Valley office rents at \$3.93psf--a 165% difference. In fact, the City of Milpitas has the lowest average rental rates than any other city in the Silicon Valley. Similarly, average Class A asking rents in Milpitas of \$2.10psf and \$1.48psf for Class B compares very unfavorably with average rental rates in the Silicon Valley of \$4.60psf for Class A space and \$3.60psf for Class B. Growth in the rental rates during this period, as shown in Figure 4 below, was 9% for Class A office and (-1%) for Class B while rental rates for both classes of Silicon Valley office space increased by 70% during that same time. See Appendix B for detailed office market data.



In Milpitas, which has more than its proportionate share of the R&D market, the vacancy rates were significantly higher than the rest of the Silicon Valley during this timeframe, the difference in its rental rates growing increasingly larger over time from about a 20% difference at the end of 2006 to an almost 40% difference in the first quarter of 2015 as can be seen in Figure 5. Correspondingly, the growth in rental rates during this 8-year period was 29% in the Milpitas market compared with 78% in the Silicon Valley as shown in Figure 6.

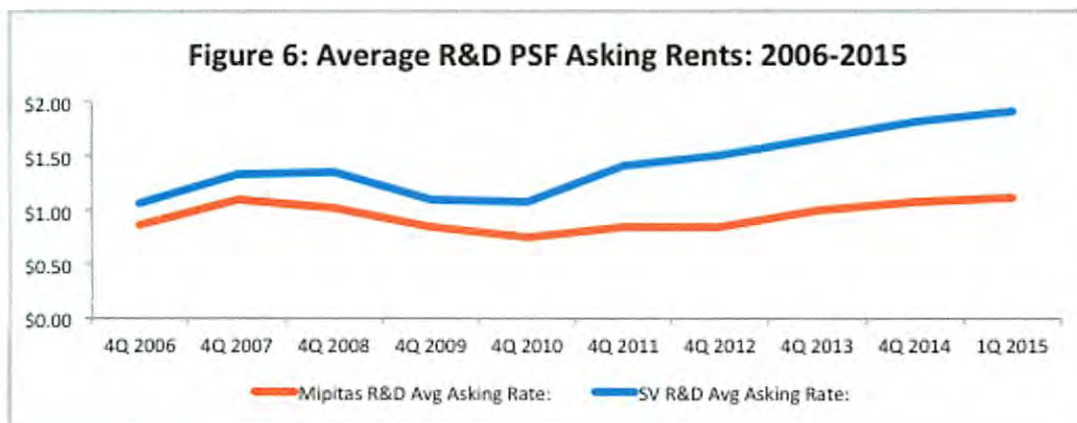


Figure 5: Milpitas/Silicon Valley R&D Market--Comparative Statistics

|                          | 4Q 2006    | 4Q 2007    | 4Q 2008    | 4Q 2009    | 4Q 2010    | 4Q 2011    | 4Q 2012    | 4Q 2013    | 4Q 2014    | 1Q 2015    |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Milpitas** R&D Submarket | 12,263,128 | 12,297,445 | 12,531,324 | 12,499,875 | 12,481,583 | 11,919,158 | 11,279,521 | 11,391,742 | 11,362,492 | 11,674,473 |
| Total Availability Rate  | 23.3%      | 20.6%      | 22.4%      | 25.3%      | 26.8%      | 21.4%      | 18.8%      | 15.9%      | 12.4%      | 12.0%      |
| Avg Asking Rate          | \$0.87     | \$1.10     | \$1.03     | \$0.85     | \$0.75     | \$0.86     | \$0.86     | \$1.00     | \$1.09     | \$1.12     |

1Q15/4Q06 Rental Growth = 29%

|                           | 4Q 2006     | 4Q 2007     | 4Q 2008     | 4Q 2009     | 4Q 2010     | 4Q 2011     | 4Q 2012     | 4Q 2013     | 4Q 2014     | 1Q 2015     |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Silicon Valley R&D Market | 157,348,761 | 155,199,918 | 154,656,633 | 153,403,451 | 153,026,615 | 153,598,790 | 153,178,233 | 149,784,886 | 150,933,978 | 151,354,966 |
| Total Availability Rate   | 17.5%       | 17.0%       | 17.2%       | 20.9%       | 21.2%       | 16.5%       | 14.6%       | 14.1%       | 11.6%       | 11.7%       |
| Avg Asking Rate           | \$1.07      | \$1.33      | \$1.35      | \$1.11      | \$1.08      | \$1.41      | \$1.51      | \$1.65      | \$1.81      | \$1.90      |

1Q15/4Q06 Rental Growth = 78%

|                                    |       |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Milpitas Market as % of Silicon V: | 7.8%  | 7.9%  | 8.1%  | 8.1%  | 8.2%  | 7.8%  | 7.4%  | 7.6%  | 7.5%  | 7.7%  |
| Difference in Availability Rates:  | 5.8%  | 3.6%  | 5.2%  | 4.4%  | 5.6%  | 4.9%  | 4.2%  | 1.8%  | 0.8%  | 0.3%  |
| Milpitas R&D Rents as % of SV:     | 81.3% | 82.7% | 76.3% | 76.6% | 69.4% | 61.0% | 57.0% | 60.6% | 60.2% | 58.9% |

Source: CBRE Market Reports

## **Serra Center as an Office Location**

Next, the appropriateness of not only an office zoning designation but in particular the “Class A” Office Overlay zoning designation for this study site is reviewed. The answer is provided in the case of the Irvine Company’s McCarthy Ranch office complex running along the west side of I-880. In the CBRE data used in this report, these “office” buildings are designated as R&D buildings due to the presence of lab space and R&D-type loading dock configurations within a portion of the project rendering it not true office product.

Regardless of this distinction, this project, from every aspect is superior in type and in location to that of Serra Center. The McCarthy Ranch project is, for all intents and purposes, a Class-A office park. It has well-designed buildings in a well-landscaped campus setting with excellent freeway visibility for tenant signage. It has easily accessible surface parking and is adjacent neighboring retail and food services. Nevertheless, this property has an overall 20.82% vacancy rate and an average asking rate of \$1.50psf/mo which is well below the average asking rate for Class-A space in Milpitas of \$2.10 psf. The asking rents in the available space in this project range from as low as \$0.90psf/mo to \$1.50psf/mo.

Another Class-A office building, 1533 California Circle, has almost 27,000sf of rental space on the market and they are asking \$1.30psf.

During a time when cities such as Cupertino and Mountain View cannot build enough new office space to accommodate the rapid growth of its existing tenants, this high-quality office property is not able to attract users and its asking rental rates are substantially below average both Milpitas Class A and Silicon Valley office rents. This indicates that the users of the existing office space in Milpitas are smaller and local-to-Milpitas tenants. In fact, Equity Office has an approved office project adjacent this property with the rights to build 424,814 square feet in six, 5-story buildings, and has yet to do so. In conversations with office brokers, Equity Office is not even marketing the site indicating that they are not able to attract build-to-suit tenants.

Compared to McCarthy Ranch, the Serra Center site is vastly inferior. Serra Center has no freeway visibility and although it is located on a busy arterial, it enjoys a fraction of the visibility of the McCarthy Ranch property. Any Serra Center office development would be an isolated office project with no other neighboring office users reinforcing the notion that this was an office location. The quality of the surrounding retail services is notably lower and less visually cohesive than McCarthy Ranch. In fact, the most prominent retail neighbors are the gasoline station on the other side of Serra Way and the adjacent Walgreens store. Additionally, the cost to build a Serra Center project would be substantially higher than McCarthy Ranch as this site would require structured parking. Finally, the rents Serra Center would be able to command would be significantly lower than those of McCarthy Ranch due to its inferior location. Therefore, it would be

economically unfeasible to build this project on a speculative basis, and the owners are unlikely to find a build-to-suit user (which the better located Equity Office project, with its better financed owners cannot do), the lower rents that this property would command, would not generate the returns necessary to obtain lender financing.

**Appendices:**

A: Nova Biannual Workforce Index 2011/2012

B: CBRE Office Market Reports: 4Q2016-1Q2015

C: CBRE R&D Market Reports: 4Q2006-1Q2015

D: CBRE Available Class A Office space and Available Irvine Park (McCarthy Ranch)

E: CBRE For Sale and Absorption Reports



**Appendix A:**  
**Nova Biannual Workforce Index 2011/2012**

We are pleased to provide you with the Fiscal Year 2011/12 issue of NOVA's **Workforce Index** for the city of Milpitas. This biannual report presents a summary of the services that were provided to the residents and businesses of Milpitas between July 2011 and June 2012, as well as a snapshot of workforce and demographic data for the city and region.

All reports point to the fact that the economy — after a long downward slide — is improving, and Silicon Valley is key to this recovery.

Steve Levy, director of the Center for the Continuing Study of the California Economy, and long-time NOVA Workforce Board member, believes that California's economy is "in strong recovery mode" and that these trends bode well for continued job gains. Some of the indicators that spark this optimism include the fact that California's 2.6%, year-over-year job growth is double that experienced by the U.S. for the same period, and that the 365,100 jobs added between July 2011 and July 2012 is the largest 12-month gain since the height of the dot-com boom in 2000.

Locally, the nine-county San Francisco Bay Area remains "the State's job-growth leader" with gains of more than 91,000 within the San Francisco, San José, and East Bay metropolitan statistical areas (MSAs) representing one-quarter of the annual growth within the state. This positive movement is further illustrated in the region's unemployment rates: San Francisco's 7.3% unemployment rate was significantly below both the state (10.9%) and national (8.6%) rates for July, and San José's slightly higher 8.7% was still seventh lowest of California's 28 MSAs.

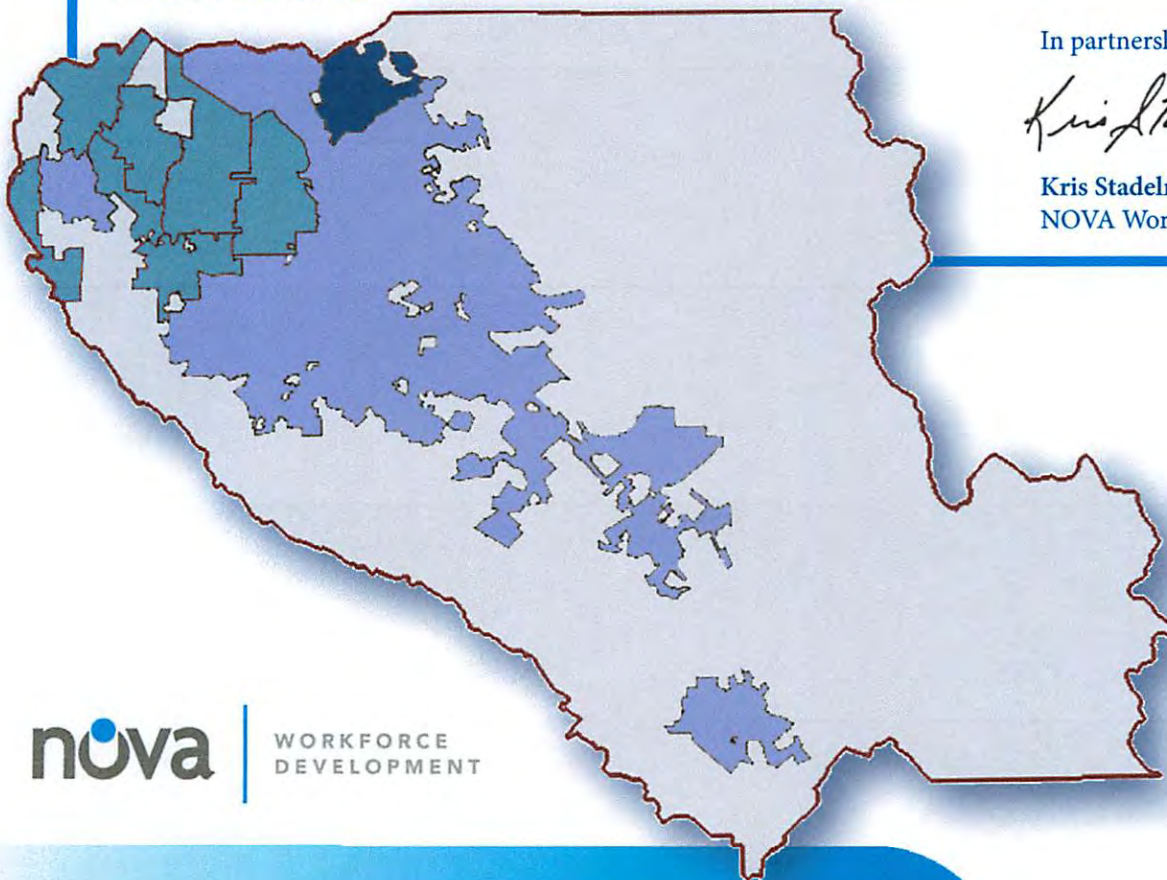
As Silicon Valley's innovation economy continues to drive the state's recovery, we want you to remain aware of NOVA as a key resource, providing you, your residents, and your companies with essential workforce development services.

To learn more about NOVA, the services we provide and the impact that we continue to have on your community, I invite you to contact us. We are, after all, *your* workforce investment board.

In partnership,



Kris Stadelman, Director  
NOVA Workforce Board

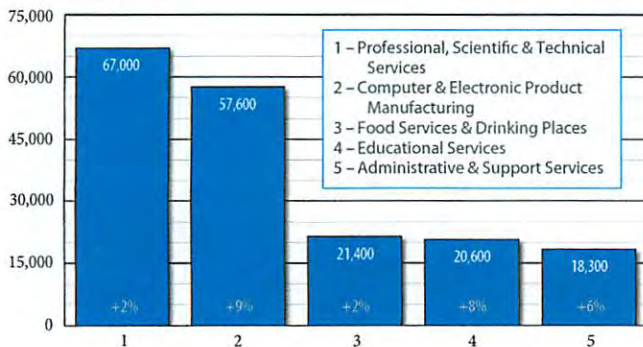




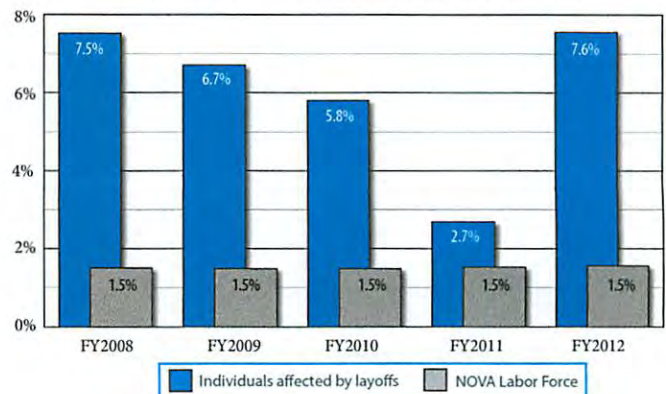
# nova Workforce Index

## Workforce Characteristics

Largest Industry Sectors (employed individuals; Q1 2011) & Change (Q2 2010–Q1 2011)<sup>2</sup>



NOVA's Share of Layoffs (FY data) & Labor Force (June data) relative to California<sup>3</sup>



## NOVA Client Data<sup>1</sup>

Services provided to Milpitas residents and businesses by NOVA from July 2011 through June 2012.

### Universal Services

#### CONNECT Job Seeker Center

|                                                          |          |
|----------------------------------------------------------|----------|
| Milpitas residents enrolled in FY12                      | 165      |
| Total Milpitas residents receiving services in FY12      | 243      |
| Total services accessed by Milpitas residents:           | 4,944    |
| • Number of drop-in career advising appointments         | 312      |
| • Number of job-search workshops attended                | 123      |
| Duration of unemployment for Milpitas participants (avg) | 174 days |

#### Youth@Work (ages 16–24)

|                                                   |    |
|---------------------------------------------------|----|
| Milpitas youth receiving counseling assistance    | 7  |
| Milpitas youth attending pre-employment workshops | 25 |

#### ProMatch: Professional Networking Group

|                                          |    |
|------------------------------------------|----|
| Milpitas residents participating in FY12 | 32 |
|------------------------------------------|----|

### Business Services

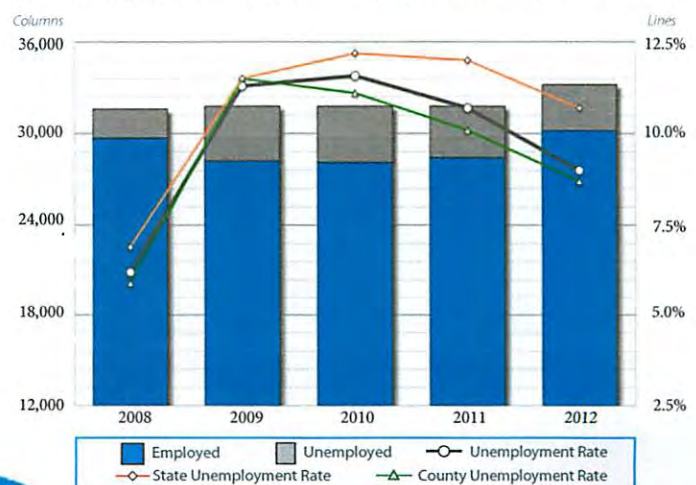
|                                                    |     |
|----------------------------------------------------|-----|
| Milpitas companies receiving pre-layoff assistance | 12  |
| Workers affected by layoffs at these companies     | 443 |

## EDD's Labor Force Data<sup>4</sup>

The number of Milpitas residents employed and unemployed in June 2008 and June 2012, and the net change.

|                                   |          |
|-----------------------------------|----------|
| Labor force (2008)                | 31,500   |
| Labor force (2012)                | 33,200   |
| • Change in labor force (2008–12) | + 1,700  |
| • Percent change (2008–12)        | + 5.4 %  |
| Employed (2008)                   | 29,500   |
| Employed (2012)                   | 30,200   |
| • Change in employed (2008–12)    | + 700    |
| • Percent change (2008–12)        | + 2.4 %  |
| Unemployed (2008)                 | 1,900    |
| Unemployed (2012)                 | 3,000    |
| • Change in unemployed (2008–12)  | + 1,100  |
| • Percent change (2008–12)        | + 57.9 % |
| Unemployment rate (2008)          | 6.1 %    |
| Unemployment rate (2012)          | 9.0 %    |

Labor Force: Employed, Unemployed & Unemployment Rate (Milpitas, June data)<sup>4</sup>



1. U.S. Census Bureau, Local Employment Dynamics (Avg, quarterly employment: Q1 2010–Q1 2011)  
 2. California Employment Development Dept., WARD data (2012)  
 3. NOVA Management Information Systems (2012)  
 4. California Employment Development Dept., Labor Market Information Division (2012; June data)  
 5. U.S. Census Bureau, American Community Survey (2008–10)

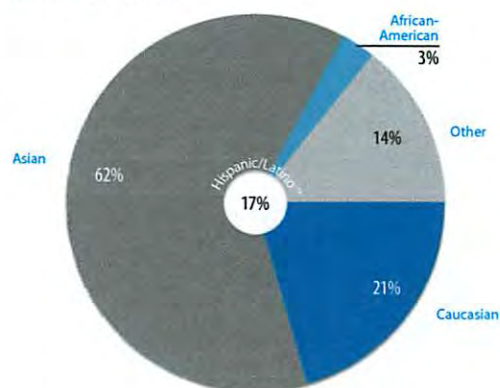


Demographic, social, and economic information and the respective changes over time. When data is not city-specific, it is provided at a broader geographic level and noted as such.

## Demographic Characteristics<sup>5</sup>

|                                                        |             |
|--------------------------------------------------------|-------------|
| Population (2002) <sup>6</sup>                         | 62,572      |
| Population (2012) <sup>6</sup>                         | 66,966      |
| • Change in population (2002–12)                       | + 4,394     |
| • Average annual growth rate (2002–12)                 | + 1.4 %     |
| Estimated daytime population (2009) <sup>8</sup>       | 74,395      |
| Working-age population (16+)                           | 53,107      |
| Median age                                             | 36.1        |
| Share of population under age 18                       | 23 %        |
| Share of population 65 and older                       | 10 %        |
| Gender ratio [Male : Female]                           | 1.00 : 0.96 |
| Hispanic/Latino ethnicity ( <i>unrelated to race</i> ) | 17 %        |

Racial Distribution<sup>5</sup>

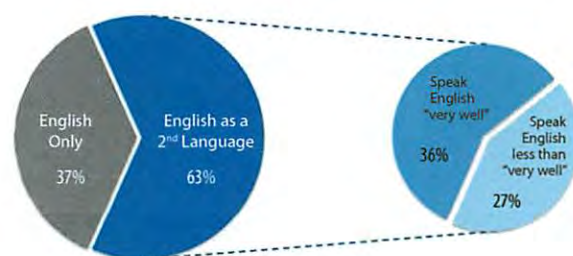


\* Other includes "Decline to state," "Native American," and "Two or more races."  
 \*\* Hispanic/Latino ethnicity is independent of race.

## Social Characteristics<sup>5</sup>

|                                                                    |       |
|--------------------------------------------------------------------|-------|
| Educational attainment (cumulative share of population 25+):       |       |
| • High school diploma or equivalent and higher                     | 86 %  |
| • Bachelor's degree and higher                                     | 40 %  |
| • Graduate/Professional degree and higher                          | 14 %  |
| Individuals with a disability (population aged 21–64) <sup>9</sup> | 1,838 |
| • Share of these individuals employed                              | 30 %  |
| Foreign-born (share of total population)                           | 50 %  |
| • Share of these individuals entering U.S. 2000 or later           | 29 %  |

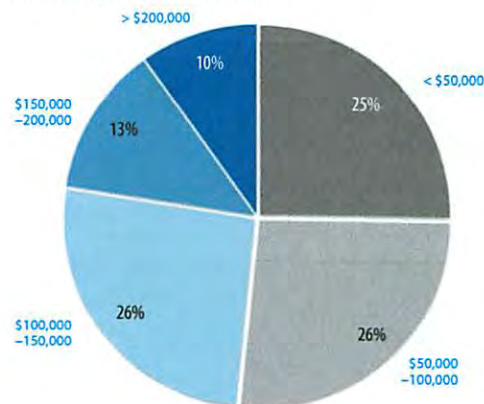
Language Spoken at Home<sup>5</sup>



## Economic Characteristics<sup>5</sup>

|                                                                  |           |
|------------------------------------------------------------------|-----------|
| Total households                                                 | 18,564    |
| Median household income                                          | \$ 96,599 |
| Average household size                                           | 3.4       |
| Median income by gender:                                         |           |
| • Male full-time, year-round workers                             | \$ 62,647 |
| • Female full-time, year-round workers                           | \$ 47,761 |
| Per capita income                                                | \$ 31,335 |
| Poverty status:                                                  |           |
| • Federal poverty guideline (family of four, 2012) <sup>10</sup> | \$ 23,050 |
| • Share of families below poverty line                           | 4 %       |
| • Share of individuals below poverty line                        | 5 %       |
| San Francisco-Oakland-San José: Combined MSAs <sup>11</sup>      |           |
| • Change in Consumer Price Index (2008–12)                       | + 6.5 %   |

Household Income Distribution<sup>5</sup>



6. California Department of Finance (2012)  
 7. U.S. Census Bureau, Estimated Daytime Population (2009)  
 8. U.S. Census Bureau, Census 2000  
 9. U.S. Department of Health and Human Services (2012)  
 10. U.S. Bureau of Labor Statistics (Benchmark: 1982–84 = 100)



# Developing a skilled workforce for Silicon Valley

## About NOVA

NOVA is a nonprofit, federally funded employment and training agency that provides customer-focused workforce development services to job seekers and businesses throughout northern Santa Clara County. We work closely with local businesses, educational institutions, training providers, community-based organizations, and government to ensure that our programs provide opportunities that build the knowledge, skills and attitudes necessary to address the unique workforce needs of Silicon Valley.

*Services to job seekers and businesses include:*

- One-stop resource center for job seekers
- Job-search & interviewing workshops
- Labor market research
- Youth@Work online job-listing site
- Pre-layoff assistance & outplacement services
- Staffing & recruitment
- Employee training & retention services
- Professional development programs

NOVA is directed by the NOVA Workforce Board, which works on behalf of a seven-city consortium composed of Cupertino, Los Altos, Milpitas, Mountain View, Palo Alto, Santa Clara, and Sunnyvale.

## Purpose Statement

The purpose of NOVA is to support the mobility of the workforce by easing workers' transitions from opportunity to opportunity throughout the cycles of their careers. To advance transitions with economic sustainability, NOVA provides:

- *advocacy for necessary infrastructure to support workers while unemployed between opportunities;*
- *navigation tools for the new labor market;*
- *just-in-time labor market information about the skills in demand;*
- *skill building and enhancements to match market demand; and*
- *interconnected support system for multiple career pathways for youth.*

## Contact Info

Visit NOVA at [www.novaworks.org](http://www.novaworks.org) or contact us at 408-730-7232 or [info@novaworks.org](mailto:info@novaworks.org) to find out more about what we do or to learn how you can contribute to **developing a skilled workforce for Silicon Valley.**



**nova** | WORKFORCE  
DEVELOPMENT

505 West Olive Avenue, Suite 550  
Sunnyvale, CA 94086  
408-730-7232  
[www.novaworks.org](http://www.novaworks.org)

**Appendix B:**  
**CBRE Office Market Reports: 4Q2016-1Q2015**



## Silicon Valley Office, Q1 2015

# Construction positions market for another record year



**Vacancy Rate**  
8.2%



**Lease Rate**  
\$3.93 PSF



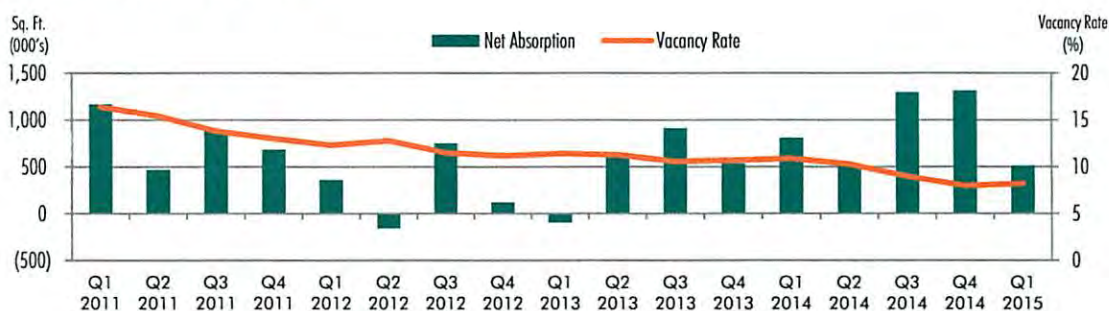
**Net Absorption**  
512K SF



**Under Construction**  
8.1 MSF

Figure 1: Total Vacancy vs. Net Absorption

\*Arrows indicate change from previous quarter.



Source: CBRE Research, Q1 2015.

Following a record year in 2014, Silicon Valley is looking to roll that success into 2015 with 512,235 sq. ft. of positive net absorption in the first quarter. Leasing activity declined 50.7% from Q4 2014, but topped 2.0 million sq. ft., a 39.8% increase from Q1 2014. There were 4 leases over 50,000 sq. ft. for a total of 903,655 sq. ft., a drop from 8 leases for over 2.7 million sq. ft. in Q4 2014.

Class A accounted for 435,793 sq. ft. of positive net absorption, most of which came from pre-leased construction completions at 690 Middlefield Rd, Mountain View (340,000 sq. ft.) and 260 California Ave, Palo Alto (25,972 sq. ft.). Another large contribution to absorption came from a 107,155 sq. ft. lease by Blue Coat in Sunnyvale. Santa Clara had significant negative absorption, because Webex's (now Cisco) 161,449 sq. ft. lease at 3979 Freedom Circle expired. Only 25,543 sq. ft. has been leased at that address since

Despite positive net absorption due to pre-leased construction completions, vacancy rose 20 basis points (bps) to 8.2%. Several large vacancies hit the market in Santa Clara, pushing local vacancy to 10.5%. Overall market vacancy is still 12.8% below the most recent peak of 21.0% in Q4 2009 and is down 270 bps year-over-year. Although vacancy rose slightly quarter-over-quarter, average asking rates climbed 2.9% to \$3.93 overall, driven by a 6.7% increase in Palo Alto and a 4.8% increase in the surging West Valley, where vacancy fell 80 bps to 3.8% overall.

There is currently 8.1 million sq. ft. of office under construction in the Silicon Valley, of which 73.2% million sq. ft. is pre-leased or user-owned. 44.9% of construction is slated for completion in 2015, which will result in 2.2 million sq. ft. of net absorption in 2015, putting the Silicon Valley market in position to continue the positive growth seen in the last 5 years.



Figure 2: Total Office Market Statistics

| Submarket                           | Net Rentable Area | Total Vacancy % | Total Availability % | Average Asking Rate (\$/SF) | Q1 Net Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|----------------------|-----------------------------|-------------------|--------------------|
| San Jose - Downtown                 | 10,412,214        | 13.8            | 16.1                 | 2.56                        | (26,931)          | (26,931)           |
| Class A - CBD                       | 4,262,390         | 13.1            | 14.9                 | 3.32                        | (596)             | (596)              |
| San Jose - North                    | 9,368,065         | 14.2            | 18.4                 | 2.76                        | 34,816            | 34,816             |
| Class A                             | 6,106,640         | 11.8            | 15.1                 | 2.98                        | 33,869            | 33,869             |
| San Jose - South <sup>1</sup>       | 2,006,573         | 12.8            | 13.4                 | 1.78                        | 4,376             | 4,376              |
| Class A                             | 625,786           | 21.6            | 21.6                 | 2.27                        | 0                 | 0                  |
| West Valley <sup>2</sup>            | 5,011,218         | 3.8             | 6.2                  | 2.91                        | 36,307            | 36,307             |
| Class A                             | 1,449,340         | 4.9             | 8.9                  | 4.17                        | 47,560            | 47,560             |
| Milpitas/IBP                        | 1,345,211         | 6.6             | 6.9                  | 1.48                        | 6,415             | 6,415              |
| Class A                             | 319,655           | 15.5            | 16.3                 | 2.10                        | (1,383)           | (1,383)            |
| Cupertino                           | 4,026,993         | 0.8             | 2.6                  | 4.14                        | 2,321             | 2,321              |
| Class A                             | 2,635,222         | 0.1             | 2.1                  | 4.58                        | 0                 | 0                  |
| Santa Clara                         | 10,478,562        | 10.5            | 12.4                 | 3.39                        | (12,581)          | (12,581)           |
| Class A                             | 6,478,125         | 12.6            | 14.2                 | 3.86                        | (103,273)         | (103,273)          |
| Sunnyvale                           | 7,413,659         | 4.1             | 7.6                  | 4.54                        | 73,901            | 73,901             |
| Class A                             | 6,155,000         | 4.1             | 6.0                  | 4.84                        | 79,577            | 79,577             |
| Mountain View/Los Altos             | 6,890,693         | 1.3             | 2.3                  | 6.51                        | 376,090           | 376,090            |
| Class A                             | 4,169,953         | 0.7             | 1.5                  | 7.12                        | 378,978           | 378,978            |
| Palo Alto                           | 6,931,984         | 5.6             | 6.5                  | 7.53                        | 3,735             | 3,735              |
| Class A                             | 3,200,850         | 5.9             | 6.3                  | 8.75                        | (3,807)           | (3,807)            |
| Fremont                             | 2,122,399         | 8.9             | 10.3                 | 1.69                        | 13,786            | 13,786             |
| Class A                             | 542,736           | 7.3             | 9.7                  | 2.04                        | 4,868             | 4,868              |
| <b>Silicon Valley Office Market</b> | <b>66,007,571</b> | <b>8.2</b>      | <b>10.4</b>          | <b>3.93</b>                 | <b>512,235</b>    | <b>512,235</b>     |
| <b>Class A</b>                      | <b>36,356,129</b> | <b>7.9</b>      | <b>9.8</b>           | <b>4.60</b>                 | <b>435,793</b>    | <b>435,793</b>     |

Source: CBRE Research, Q1 2015.

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South Submarkets

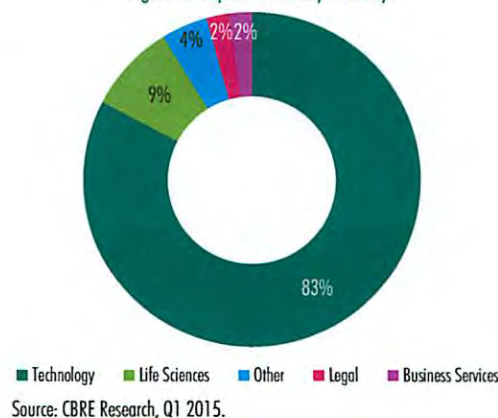
<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

Figure 3: Top Leases / Top Sales

| Lease (Tenant)     | Address                          | Total SF |
|--------------------|----------------------------------|----------|
| Confidential       | 505 Mathilda Ave, Sunnyvale      | 424,000  |
| Confidential       | Stevens Creek Blvd, Cupertino    | 275,000  |
| Blue Coat Systems  | 384 Santa Trinita Ave, Sunnyvale | 107,155  |
| Sale (Buyer)       | Address                          | Total SF |
| PNC                | 160 W. Santa Clara St, San Jose  | 212,181  |
| New York Life      | 2665 N. First St, San Jose       | 130,723  |
| Wayzata Investment | 2150 N. First St, San Jose       | 123,714  |

Source: CBRE Research, Q1 2015.

Figure 4: Top 25 Leases by Industry





### LEASE RATES

Asking rates increased for the eighteenth consecutive quarter to \$3.93, a 3.8% increase quarter-over-quarter, and the highest rate since Q2 2001. Class A asking rates rose to \$4.60, a 3.6% increase quarter-over-quarter. The largest increases came in Palo Alto, where overall rates rose 6.7% to \$7.53, and West Valley, which rose 4.8% to \$2.91. San Jose CBD rose 4.4% overall to \$2.82 as Class A asking rates increased to \$3.32.

### NET ABSORPTION

Q1 2015 generated 512,235 sq. ft. of net absorption, marking the eighth consecutive quarter of positive net absorption. Class A accounted for 435,793 sq. ft. of the total net absorption, with 376,090 sq. ft. in Mountain View/Los Altos, mostly from 690 Middlefield Rd. Sunnyvale had 73,901 sq. ft. of positive net absorption. Santa Clara has a notable 103,273 sq. ft. of negative net absorption in Class A.

### VACANCY & AVAILABILITY

Market-wide vacancy rose 20 bps to 8.2% and availability rose 10 bps to 10.4% quarter-over-quarter. Most of the market remained relatively flat except for Santa Clara's 160 bps increase and Sunnyvale's 100 bps decrease to 4.1%, the lowest it has been since 2001. Mountain View/Los Altos vacancy fell 70 bps to 1.3% and Cupertino fell 20 bps to 0.8%, the lowest marks since Q3 2000 for each submarket.

### CONSTRUCTION COMPLETIONS

Two office projects completed this quarter, including 340,000 sq. ft. at 690 Middlefield Rd in Mountain View and 25,972 sq. ft. at 260 California Ave in Palo Alto. There is currently 8.1 million sq. ft. under construction in the Silicon Valley with another 12.1 million sq. ft. approved in the pipeline. 73.2% of construction is pre-leased and 44.9% scheduled for completion in 2015. Construction activity remains high as tenant demand continues at an elevated level.

Figure 5: Lease Rates

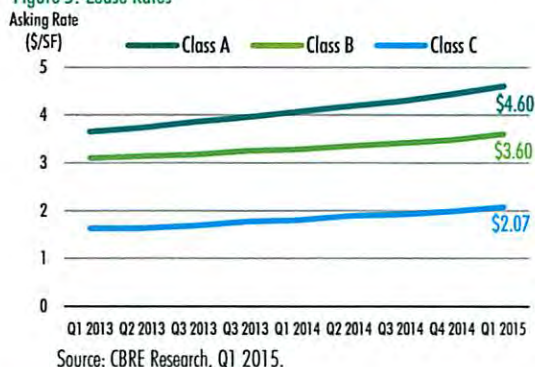


Figure 6: Net Absorption

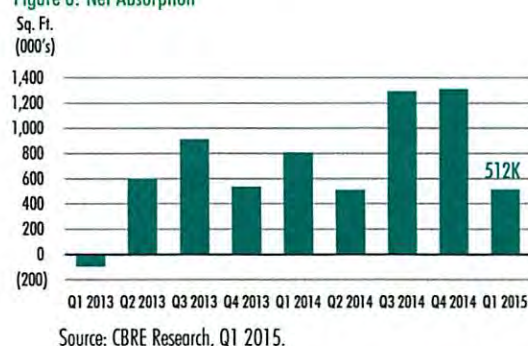
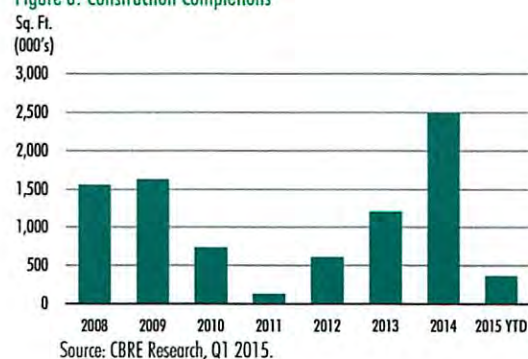
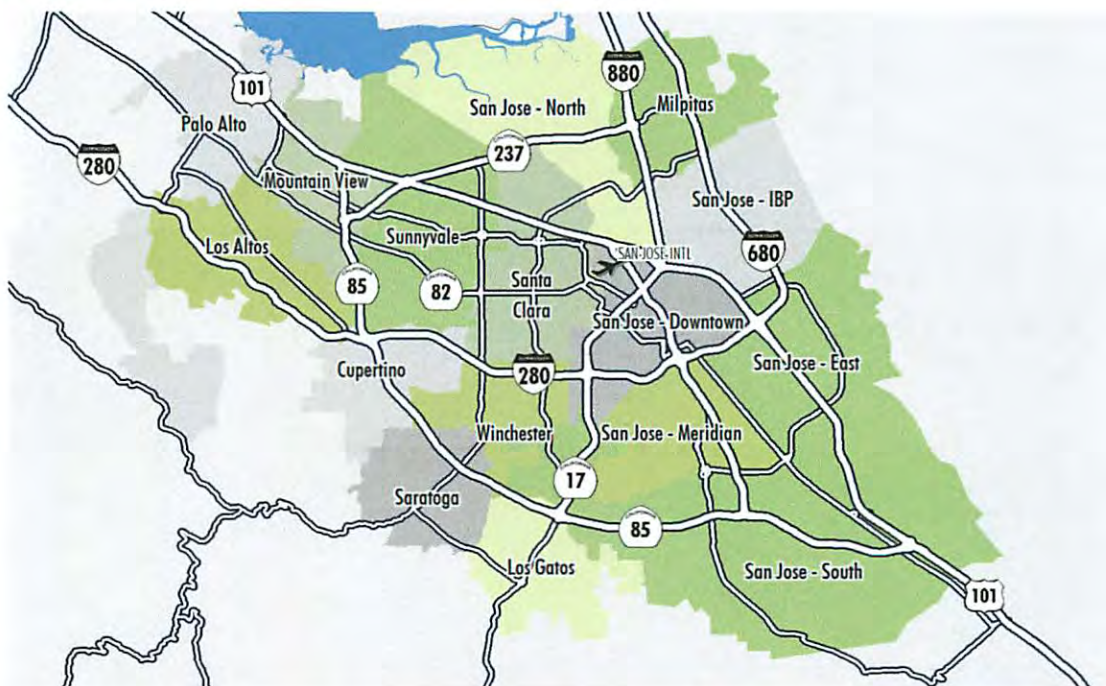


Figure 7: Vacancy & Availability



Figure 8: Construction Completions



**SUBMARKET MAP**

**CONTACT**

**Diana Beck**  
*Researcher*  
 +1 408 467 7547  
[diana.beck@cbre.com](mailto:diana.beck@cbre.com)

**Will Schmidt**  
*Researcher*  
 +1 408 467 7544  
[will.schmidt@cbre.com](mailto:will.schmidt@cbre.com)

**Sam Cimino**  
*Researcher*  
 +1 408 467 7545  
[samuel.cimino@cbre.com](mailto:samuel.cimino@cbre.com)

**Wen Sun**  
*Senior Research Analyst*  
 +1 408 467 7516  
[wen.sun@cbre.com](mailto:wen.sun@cbre.com)

**CBRE OFFICE**

Silicon Valley  
 225 W. Santa Clara Street, 10th Floor  
 San Jose, CA 95113

**DEFINITIONS**

*Average Asking Rate* Direct Monthly Lease Rates, Full Service Gross. *Availability* All existing space being marketed for lease. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy. *CBD* Central Business District in downtown San Jose.

**SURVEY CRITERIA**

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in Silicon Valley, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

To learn more about CBRE Global Research, or to access additional research reports, please visit the Global Research Gateway at [www.cbre.com/researchgateway](http://www.cbre.com/researchgateway).

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## Silicon Valley Office, Q1 2015

Figure 1: Statistics and Transactions

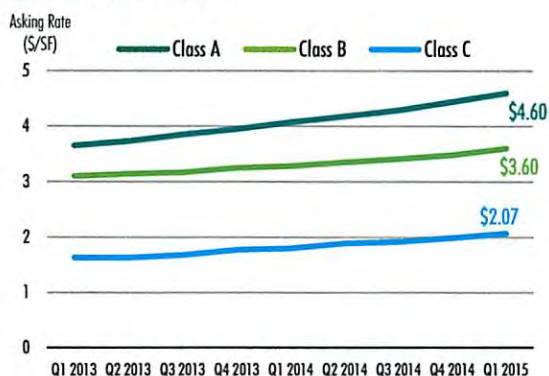
| Submarket                  | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>1</sup> (\$/SF) | Q1 Net Absorption | Q1 Gross Absorption | YTD Net Absorption |
|----------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|------------------------------------------|-------------------|---------------------|--------------------|
| San Jose - Downtown        | 10,412,214        | 13.8            | 1,441,046        | 16.1                 | 1,579,752              | 101,677                  | 2.56                                     | (26,931)          | 117,839             | (26,931)           |
| Metro                      | 2,742,577         | 5.9             | 160,804          | 8.7                  | 237,720                | 1,753                    | 1.83                                     | 6,782             | 20,583              | 6,782              |
| CBD                        | 7,669,637         | 16.7            | 1,280,242        | 18.8                 | 1,342,032              | 99,924                   | 2.82                                     | (33,713)          | 97,256              | (33,713)           |
| Class A                    | 4,262,390         | 13.1            | 559,489          | 14.9                 | 572,290                | 63,862                   | 3.32                                     | (596)             | 28,952              | (596)              |
| Class B                    | 2,867,724         | 22.2            | 637,859          | 25.2                 | 686,848                | 36,062                   | 2.26                                     | (33,117)          | 68,304              | (33,117)           |
| Class C                    | 539,523           | 15.4            | 82,894           | 15.4                 | 82,894                 | 0                        | 1.79                                     | 0                 | 0                   | 0                  |
| San Jose - North           | 9,368,065         | 14.2            | 1,329,847        | 18.4                 | 1,537,712              | 184,807                  | 2.76                                     | 34,816            | 171,715             | 34,816             |
| Class A                    | 6,106,640         | 11.8            | 720,569          | 15.1                 | 775,092                | 147,807                  | 2.98                                     | 33,869            | 99,121              | 33,869             |
| Class B                    | 2,328,186         | 22.4            | 520,750          | 30.3                 | 668,362                | 37,000                   | 2.51                                     | (8,781)           | 53,713              | (8,781)            |
| Class C                    | 933,239           | 9.5             | 88,528           | 10.1                 | 94,258                 | 0                        | 1.99                                     | 9,728             | 18,881              | 9,728              |
| San Jose - South           | 2,006,573         | 12.8            | 257,739          | 13.4                 | 267,258                | 620                      | 1.78                                     | 4,376             | 10,022              | 4,376              |
| Class A                    | 625,786           | 21.6            | 135,159          | 21.6                 | 135,159                | 0                        | 2.27                                     | 0                 | 0                   | 0                  |
| Class B                    | 632,548           | 5.2             | 33,087           | 5.4                  | 33,868                 | 0                        | 1.71                                     | (3,519)           | 1,602               | (3,519)            |
| Class C                    | 748,239           | 12.0            | 89,493           | 13.2                 | 89,231                 | 620                      | 1.42                                     | 7,895             | 8,420               | 7,895              |
| West Valley                | 5,011,218         | 3.8             | 188,346          | 6.2                  | 278,494                | 32,801                   | 2.91                                     | 36,307            | 178,780             | 36,307             |
| Class A                    | 1,449,340         | 4.9             | 71,141           | 8.9                  | 117,790                | 11,459                   | 4.17                                     | 47,560            | 106,237             | 47,560             |
| Class B                    | 1,683,106         | 2.9             | 49,354           | 4.2                  | 54,540                 | 15,794                   | 2.89                                     | 2,084             | 36,252              | 2,084              |
| Class C                    | 1,878,772         | 3.6             | 67,851           | 5.9                  | 106,164                | 5,548                    | 1.95                                     | (13,337)          | 36,291              | (13,337)           |
| IBP/Milpitas               | 1,345,211         | 6.6             | 89,259           | 6.9                  | 90,785                 | 2,599                    | 1.48                                     | 6,415             | 27,564              | 6,415              |
| Class A                    | 319,655           | 15.5            | 49,544           | 16.3                 | 49,544                 | 2,599                    | 2.10                                     | (1,383)           | 3,261               | (1,383)            |
| Class B                    | 399,578           | 4.6             | 18,376           | 5.0                  | 19,902                 | 0                        | 1.48                                     | 7,798             | 17,635              | 7,798              |
| Class C                    | 625,978           | 3.4             | 21,339           | 3.4                  | 21,339                 | 0                        | 1.17                                     | 0                 | 6,668               | 0                  |
| Cupertino                  | 4,026,993         | 0.8             | 32,797           | 2.6                  | 106,234                | 0                        | 4.14                                     | 2,321             | 314,594             | 2,321              |
| Class A                    | 2,635,222         | 0.1             | 2,030            | 2.1                  | 55,255                 | 0                        | 4.58                                     | 0                 | 284,238             | 0                  |
| Class B                    | 1,370,183         | 2.2             | 30,767           | 3.7                  | 50,979                 | 0                        | 3.32                                     | 2,321             | 30,356              | 2,321              |
| Class C                    | 21,588            | 0.0             | 0                | 0.0                  | 0                      | 0                        | 2.43                                     | 0                 | 0                   | 0                  |
| Santa Clara                | 10,478,562        | 10.5            | 1,102,217        | 12.4                 | 1,174,763              | 122,973                  | 3.39                                     | (12,581)          | 311,971             | (12,581)           |
| Class A                    | 6,478,125         | 12.6            | 813,279          | 14.2                 | 827,096                | 94,430                   | 3.86                                     | (103,273)         | 162,444             | (103,273)          |
| Class B                    | 2,116,258         | 9.6             | 202,769          | 13.0                 | 246,430                | 28,543                   | 2.94                                     | 77,753            | 138,297             | 77,753             |
| Class C                    | 1,884,179         | 4.6             | 86,169           | 5.4                  | 101,237                | 0                        | 2.26                                     | 12,939            | 11,230              | 12,939             |
| Sunnyvale                  | 7,413,659         | 4.1             | 305,167          | 7.6                  | 414,731                | 149,600                  | 4.54                                     | 73,901            | 565,150             | 73,901             |
| Class A                    | 6,155,000         | 4.1             | 251,096          | 6.0                  | 223,895                | 147,307                  | 4.84                                     | 79,577            | 547,857             | 79,577             |
| Class B                    | 624,515           | 6.4             | 40,274           | 25.8                 | 161,140                | 0                        | 3.54                                     | (3,980)           | 3,650               | (3,980)            |
| Class C                    | 634,144           | 2.2             | 13,797           | 5.0                  | 29,696                 | 2,293                    | 2.61                                     | (1,696)           | 13,643              | (1,696)            |
| Mountain View/Los Altos    | 6,890,693         | 1.3             | 92,391           | 2.3                  | 110,023                | 45,666                   | 6.51                                     | 376,090           | 134,811             | 376,090            |
| Class A                    | 4,169,953         | 0.7             | 30,306           | 1.5                  | 26,046                 | 37,336                   | 7.12                                     | 378,978           | 57,397              | 378,978            |
| Class B                    | 2,495,961         | 2.2             | 55,440           | 3.4                  | 77,332                 | 8,330                    | 5.70                                     | (291)             | 73,366              | (291)              |
| Class C                    | 224,779           | 3.0             | 6,645            | 3.0                  | 6,645                  | 0                        | 4.34                                     | (2,597)           | 4,048               | (2,597)            |
| Palo Alto                  | 6,931,984         | 5.6             | 388,476          | 6.5                  | 335,651                | 112,048                  | 7.53                                     | 3,735             | 288,775             | 3,735              |
| Class A                    | 3,200,850         | 5.9             | 187,769          | 6.3                  | 135,597                | 65,700                   | 8.75                                     | (3,807)           | 168,453             | (3,807)            |
| Class B                    | 3,279,036         | 6.1             | 199,382          | 7.5                  | 198,729                | 46,348                   | 6.70                                     | (6,973)           | 99,405              | (6,973)            |
| Class C                    | 452,098           | 0.3             | 1,325            | 0.3                  | 1,325                  | 0                        | 4.95                                     | 14,515            | 20,917              | 14,515             |
| Fremont                    | 2,122,399         | 8.9             | 189,509          | 10.3                 | 203,436                | 15,712                   | 1.69                                     | 13,786            | 41,995              | 13,786             |
| Class A                    | 542,736           | 7.3             | 39,454           | 9.7                  | 38,281                 | 14,614                   | 2.04                                     | 4,868             | 12,236              | 4,868              |
| Class B                    | 988,515           | 13.5            | 133,320          | 14.7                 | 145,030                | 0                        | 1.65                                     | 6,044             | 19,107              | 6,044              |
| Class C                    | 591,148           | 2.8             | 16,735           | 3.6                  | 20,125                 | 1,098                    | 1.43                                     | 2,874             | 10,652              | 2,874              |
| <b>Total Office Market</b> | <b>66,007,571</b> | <b>8.2</b>      | <b>5,416,794</b> | <b>10.4</b>          | <b>6,098,839</b>       | <b>768,503</b>           | <b>3.93</b>                              | <b>512,235</b>    | <b>2,163,216</b>    | <b>512,235</b>     |
| <b>Class A</b>             | <b>36,356,129</b> | <b>7.9</b>      | <b>2,865,581</b> | <b>9.8</b>           | <b>2,961,790</b>       | <b>585,114</b>           | <b>4.60</b>                              | <b>435,793</b>    | <b>1,470,196</b>    | <b>435,793</b>     |
| <b>Class B</b>             | <b>20,021,115</b> | <b>10.0</b>     | <b>1,999,178</b> | <b>13.3</b>          | <b>2,497,876</b>       | <b>173,830</b>           | <b>3.60</b>                              | <b>51,667</b>     | <b>557,064</b>      | <b>51,667</b>      |
| <b>Class C</b>             | <b>9,630,327</b>  | <b>5.7</b>      | <b>552,035</b>   | <b>6.7</b>           | <b>639,173</b>         | <b>9,559</b>             | <b>2.07</b>                              | <b>24,775</b>     | <b>135,956</b>      | <b>24,775</b>      |

Source: CBRE Research, Q1 2015.

<sup>1</sup>Monthly Direct Lease Rates, Full Service Gross

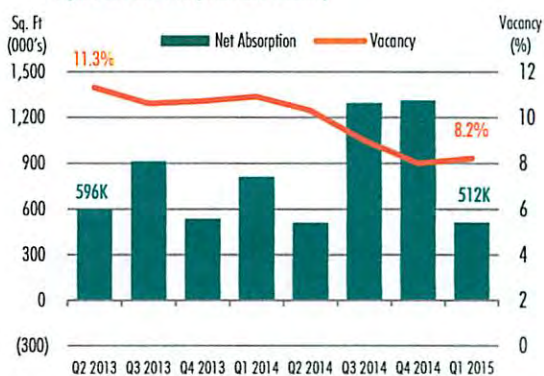


Figure 2: Average Asking Rates



Source: CBRE Research, Q1 2015.

Figure 3: Net Absorption and Vacancy



Source: CBRE Research, Q1 2015.

Figure 4: Significant Lease Transactions of the Quarter

| Lessee               | Address                             | Total SF | Class | Lease Type |
|----------------------|-------------------------------------|----------|-------|------------|
| Confidential         | 505 Mathilda Ave, Sunnyvale         | 424,000  | A     | Sublease   |
| Confidential         | Stevens Creek Blvd, Cupertino       | 275,000  | A     | New Lease  |
| Blue Coat Systems    | 384 Santa Trinita Ave, Sunnyvale    | 107,155  | A     | New Lease  |
| Jazz Pharmaceuticals | 3170 Porter Dr, Palo Alto           | 96,562   | A     | New Lease  |
| Hitachi America      | 3315 Scott Blvd, Santa Clara        | 41,252   | A     | New Lease  |
| FriendFinder         | 910 E. Hamilton Ave, Campbell       | 29,767   | A     | New Lease  |
| Endicia              | 274-278 Castro St, Mountain View    | 28,821   | B     | Sublease   |
| White & Case         | 3000 El Camino Real, Palo Alto      | 28,500   | A     | Renewal    |
| Arrow Electronics    | 1732 N. First St, San Jose          | 27,867   | A     | New Lease  |
| Hortonworks          | 2755 Great America Way, Santa Clara | 27,723   | A     | New Lease  |

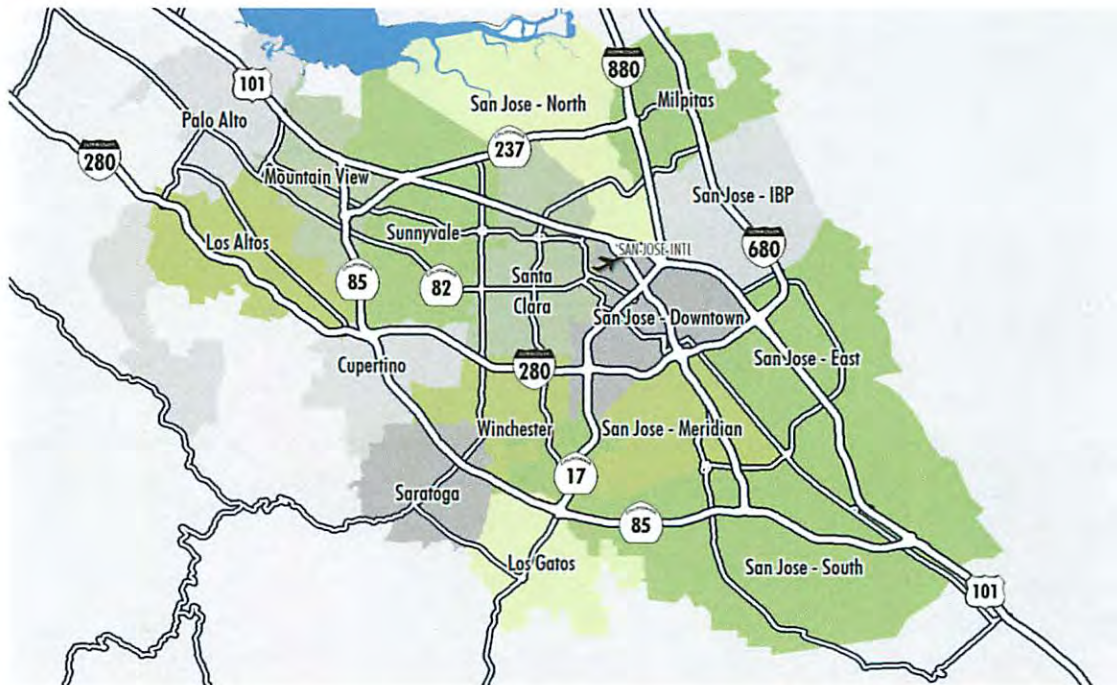
Source: CBRE Research, Q1 2015.

Figure 5: Significant Sale Transactions of the Quarter

| Buyer                       | Address                        | Total SF | Class | Type       |
|-----------------------------|--------------------------------|----------|-------|------------|
| PNC                         | 160 W. Santa Clara St, San Jos | 212,181  | A     | Investment |
| New York Life               | 2665 N. First St, San Jose     | 130,723  | B     | Investment |
| Wayzata Investment Partners | 2150 N. First St, San Jose     | 123,714  | A     | Investment |
| Healthcare Realty Trust     | 39141 Civic Center Dr, Fremont | 110,000  | A     | Investment |

Source: CBRE Research, Q1 2015.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.

**SUBMARKET MAP**

**CONTACT**

**Diana Beck**  
*Researcher*  
 +1 408 467 7547  
[diana.beck@cbre.com](mailto:diana.beck@cbre.com)

**Will Schmidt**  
*Researcher*  
 +1 408 467 7544  
[will.schmidt@cbre.com](mailto:will.schmidt@cbre.com)

**Sam Cimino**  
*Researcher*  
 +1 408 467 7545  
[samuel.cimino@cbre.com](mailto:samuel.cimino@cbre.com)

**Wen Sun**  
*Senior Research Analyst*  
 +1 408 467 7516  
[wen.sun@cbre.com](mailto:wen.sun@cbre.com)

**CBRE OFFICE**

Silicon Valley  
 225 W. Santa Clara Street, 10th Floor  
 San Jose, CA 95113

**DEFINITIONS**

*Average Asking Rate* Direct Monthly Lease Rates, Full Service Gross. *Availability* All existing space being marketed for lease. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy. *CBD* Central Business District in downtown San Jose.

**SURVEY CRITERIA**

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in Silicon Valley, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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## Silicon Valley Office, Q4 2014

# Highest net absorption rate since 2000



**Vacancy Rate**  
8.0%



**Lease Rate**  
\$3.78 PSF



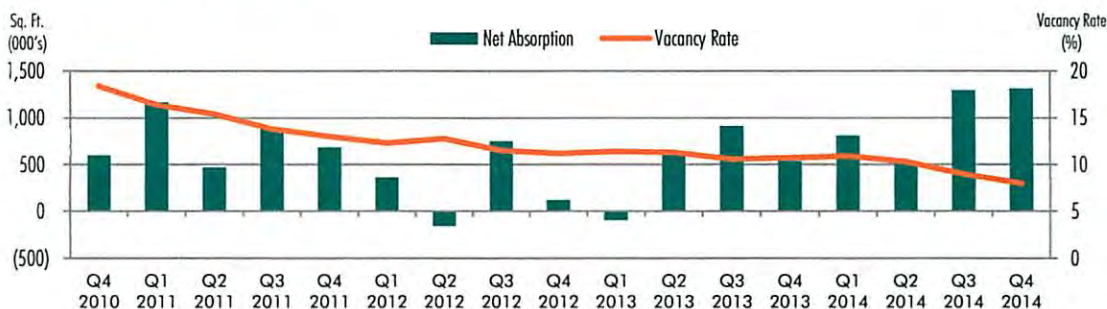
**Net Absorption**  
1.3 MSF



**Under Construction**  
8.6 MSF

Figure 1: Total Vacancy vs. Net Absorption

\*Arrows indicate change from previous quarter.



Source: CBRE Research, Q4 2014.

The market absorbed 3.9 million sq. ft. in 2014, or 6.0% of the total product, the highest rate since 6.2% in 2000. The fourth quarter closed out 2014 with the largest single quarter occupancy gain since Q4 2003. Class A product accounted for 997,482 sq. ft. of positive net absorption, including large contributions from pre-leased construction completions at 625-685 Clyde Ave in Mountain View (385,000 sq. ft.) and 815 11th Ave in Sunnyvale (232,000 sq. ft.), as well as leases by Service Now and TSMC totaling 462,513 sq. ft. in Santa Clara.

Vacancy fell 100 basis points (bps) to 8.0%, the lowest rate in since Q4 2000. Santa Clara experienced the largest drop in vacancy, falling 280 bps quarter-over-quarter and 620 bps year-over-year. Nine submarkets had a reduction in vacancy of at least 50 bps.

Average asking rates in the Silicon Valley rose every quarter over the past 4 years to \$3.78, up

3.3% for the quarter and 11.5% for the year. The largest increase occurred in North San Jose, which grew 5.9% quarter-over-quarter to \$2.68.

Overall, leasing activity picked up as gross absorption nearly doubled from Q3 2014. This quarter was dominated by large leases, with 10 this quarter over 50,000 sq. ft. nearly doubling the amount from the third quarter. Total sales activity by square footage increased more than 170%, including over 1.1 million sq. ft. of investment sales.

There was a total of 687,251 sq. ft. in construction completions this quarter. 8.6 million sq. ft. is currently under construction in the Silicon Valley, with 4.1 million sq. ft. slated for completion in 2015. With 73% of construction projects pre-leased or user-owned, and office tenant demand remaining at a consistently high level, all signs point to continued growth during the next year.



Figure 2: Total Office Market Statistics

| Submarket                           | Net Rentable Area | Total Vacancy % | Total Availability % | Average Asking Rate (\$/SF) | Q4 Net Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|----------------------|-----------------------------|-------------------|--------------------|
| San Jose - Downtown                 | 10,412,214        | 13.2            | 15.0                 | 2.47                        | 80,677            | 416,617            |
| Class A - CBD                       | 4,262,390         | 12.4            | 15.3                 | 3.18                        | (25,353)          | 163,501            |
| San Jose - North                    | 9,368,065         | 13.8            | 17.5                 | 2.68                        | 222,050           | 3,237              |
| Class A                             | 6,106,640         | 11.4            | 13.8                 | 2.87                        | 38,733            | (90,310)           |
| San Jose - South <sup>1</sup>       | 2,006,573         | 13.7            | 14.2                 | 1.76                        | (6,542)           | 27,680             |
| Class A                             | 625,786           | 21.6            | 21.6                 | 2.22                        | (14,880)          | (14,880)           |
| West Valley <sup>2</sup>            | 5,039,898         | 4.6             | 6.7                  | 2.77                        | 25,331            | 127,180            |
| Class A                             | 1,449,340         | 8.7             | 12.5                 | 4.03                        | 5,053             | 38,609             |
| Milpitas/IBP                        | 1,345,211         | 7.1             | 8.0                  | 1.44                        | 12,261            | 65,560             |
| Class A                             | 319,655           | 15.1            | 16.4                 | 2.07                        | 7,134             | 40,888             |
| Cupertino                           | 4,026,993         | 1.0             | 1.5                  | 4.01                        | 9,267             | (4,695)            |
| Class A                             | 2,635,222         | 0.1             | 0.1                  | 4.45                        | -                 | 3,089              |
| Santa Clara                         | 10,516,787        | 8.9             | 14.7                 | 3.31                        | 308,689           | 1,158,693          |
| Class A                             | 6,478,125         | 10.7            | 15.4                 | 3.77                        | 316,159           | 1,122,051          |
| Sunnyvale                           | 7,447,659         | 5.1             | 5.2                  | 4.45                        | 185,305           | 1,511,369          |
| Class A                             | 6,189,000         | 5.3             | 5.3                  | 4.74                        | 203,169           | 1,537,815          |
| Mountain View/Los Altos             | 6,550,693         | 2.0             | 3.2                  | 6.32                        | 456,400           | 515,667            |
| Class A                             | 3,829,953         | 1.8             | 3.1                  | 6.93                        | 458,481           | 465,654            |
| Palo Alto                           | 6,884,257         | 4.2             | 6.2                  | 7.06                        | (3,776)           | 42,737             |
| Class A                             | 3,068,118         | 2.5             | 4.3                  | 8.55                        | 8,986             | 62,445             |
| Fremont                             | 2,122,399         | 9.7             | 11.1                 | 1.69                        | 20,503            | 49,308             |
| Class A                             | 542,736           | 8.2             | 10.7                 | 2.04                        | -                 | 848                |
| <b>Silicon Valley Office Market</b> | <b>65,720,749</b> | <b>8.0</b>      | <b>10.3</b>          | <b>3.78</b>                 | <b>1,310,165</b>  | <b>3,923,043</b>   |
| <b>Class A</b>                      | <b>35,917,397</b> | <b>7.7</b>      | <b>9.8</b>           | <b>4.44</b>                 | <b>997,482</b>    | <b>3,338,355</b>   |

Source: CBRE Research, Q4 2014.

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South Submarkets

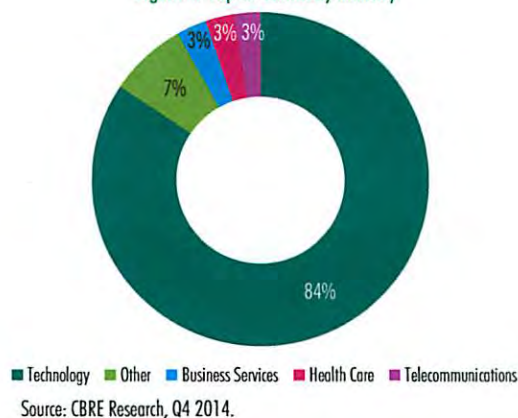
<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

Figure 3: Top Leases / Top Sales

| Lease (Tenant)      | Address                     | Total SF  |
|---------------------|-----------------------------|-----------|
| Confidential        | 1152 Bordeaux Dr, Sunnyvale | 1,944,132 |
| Service Now         | 2215 Lawson Ln, Santa Clara | 306,900   |
| TSMC                | 2851 Junction Ave, San Jose | 155,613   |
| Sale (Buyer)        | Address                     | Total SF  |
| Ellis Partners, LLC | 1901 Bascom Ave, Campbell   | 351,249   |
| KBS Realty Advisors | 10 Almaden Blvd, San Jose   | 309,255   |
| Lennar Corporation  | 3689 Kifer Rd, Santa Clara  | 188,000   |

Source: CBRE Research, Q4 2014.

Figure 4: Top 25 Leases by Industry





### LEASE RATES

Asking rates increased for the seventeenth consecutive quarter, as the overall asking lease rate increased 3.3% to \$3.78, the highest mark since Q2 2001. Class A asking rates rose to \$4.44, a 3.5% increase quarter-over-quarter. The largest increases came in North San Jose, where overall rates rose 5.9% to \$2.68, and Santa Clara, which rose 4.6% to \$3.31. San Jose CBD rose 1.9% overall to \$2.70 as Class A asking rates increased to \$3.18.

### NET ABSORPTION

Net absorption for the fourth quarter topped 1.3 million sq. ft., the seventh straight quarter of positive net absorption and the highest total since Q4 2003. Much of the absorption was driven by several construction completions as well as a number of new Class A leases, including vacancies filled at 2215-2225 Lawson Ln, Santa Clara and 2851 Junction Ave, Santa Clara. Class A accounted for over 76% of the net absorption in Q4 2014.

### VACANCY & AVAILABILITY

Market wide vacancy fell 100 bps to 8% and availability fell 130 bps to 10.3%, the lowest marks since Q4 2000 and Q3 2007, respectively. The largest decreases in vacancy and availability occurred in Santa Clara. Vacancy fell 280 bps to 8.9% and availability fell 330 bps to 14.7%. Another significant vacancy decrease includes a 260 bps drop in North San Jose as vacancy fell for a third consecutive quarter.

### CONSTRUCTION COMPLETIONS

4 total office construction projects completed this quarter, including 434,052 sq. ft. in Mountain View, 21,199 sq. ft. in Los Altos, and 232,000 sq. ft. in Sunnyvale. There is currently 8.6 M sq. ft. under construction with another 7.6 M sq. ft. approved, 4.1 million sq. ft. of which is scheduled to finish within the next year. Construction activity will continue to remain high as tenant demand remains at an elevated level.

Figure 5: Lease Rates



Figure 6: Net Absorption

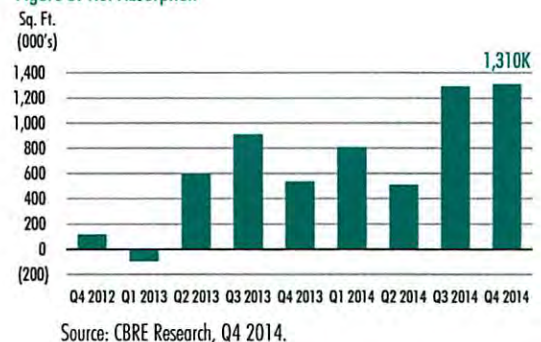


Figure 7: Vacancy & Availability

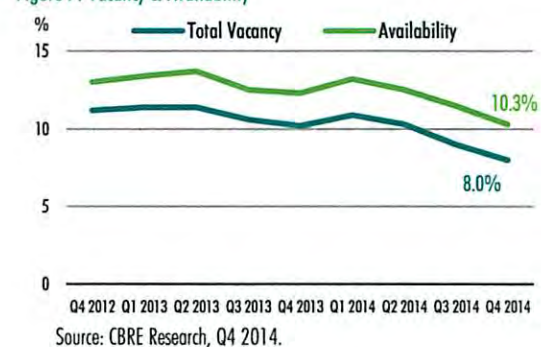
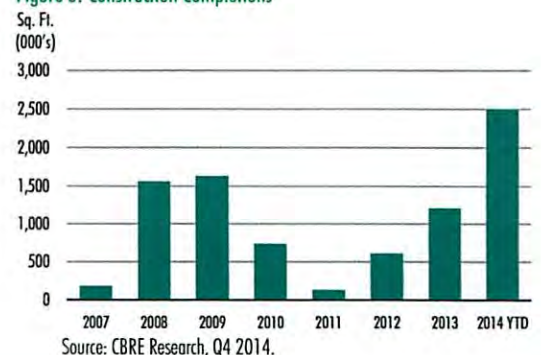


Figure 8: Construction Completions





# Silicon Valley Office, Q4 2014

Figure 1: Statistics and Transactions

| Submarket                  | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>1</sup> (\$/SF) | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|----------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|------------------------------------------|-------------------|---------------------|--------------------|
| San Jose - Downtown        | 10,412,214        | 13.2            | 1,369,500        | 15.0                 | 1,506,911              | 50,881                   | 2.47                                     | 80,677            | 297,002             | 416,617            |
| Metro                      | 2,742,577         | 6.3             | 171,538          | 6.8                  | 183,918                | 1,753                    | 1.82                                     | 44,297            | 57,010              | 75,691             |
| CBD                        | 7,669,637         | 15.6            | 1,197,962        | 17.9                 | 1,322,993              | 49,128                   | 2.70                                     | 36,380            | 239,992             | 340,926            |
| Class A                    | 4,262,390         | 12.4            | 530,635          | 15.3                 | 610,814                | 39,577                   | 3.18                                     | (25,353)          | 135,368             | 163,501            |
| Class B                    | 2,867,724         | 20.4            | 584,433          | 22.0                 | 622,136                | 9,551                    | 2.16                                     | 61,733            | 104,624             | 138,171            |
| Class C                    | 539,523           | 15.4            | 82,894           | 16.7                 | 90,043                 | 0                        | 1.75                                     | 0                 | 0                   | 39,254             |
| San Jose - North           | 9,368,065         | 13.8            | 1,293,472        | 17.5                 | 1,451,153              | 185,118                  | 2.68                                     | 222,050           | 416,495             | 3,237              |
| Class A                    | 6,106,640         | 11.4            | 693,259          | 13.8                 | 695,535                | 146,599                  | 2.87                                     | 38,733            | 185,437             | (90,310)           |
| Class B                    | 2,328,186         | 21.7            | 506,213          | 29.3                 | 644,119                | 38,519                   | 2.46                                     | 163,908           | 211,271             | 81,614             |
| Class C                    | 933,239           | 10.1            | 94,000           | 11.9                 | 111,499                | 0                        | 1.95                                     | 19,409            | 19,787              | 11,933             |
| San Jose - South           | 2,006,573         | 13.7            | 275,491          | 14.2                 | 281,696                | 3,543                    | 1.76                                     | (6,542)           | 13,148              | 27,680             |
| Class A                    | 625,786           | 21.6            | 135,159          | 21.6                 | 135,159                | 0                        | 2.22                                     | (14,880)          | 0                   | (14,880)           |
| Class B                    | 632,548           | 4.7             | 29,568           | 5.4                  | 34,211                 | 0                        | 1.71                                     | 6,026             | 5,760               | 39,518             |
| Class C                    | 748,239           | 14.8            | 110,764          | 15.5                 | 112,326                | 3,543                    | 1.42                                     | 2,312             | 7,388               | 3,042              |
| West Valley                | 5,039,898         | 4.6             | 232,195          | 6.7                  | 286,679                | 49,835                   | 2.77                                     | 25,331            | 260,140             | 127,180            |
| Class A                    | 1,449,340         | 8.7             | 126,243          | 12.5                 | 149,077                | 32,381                   | 4.03                                     | 5,053             | 96,220              | 38,609             |
| Class B                    | 1,683,106         | 3.1             | 51,438           | 5.5                  | 78,606                 | 14,470                   | 2.73                                     | 19,805            | 94,633              | 65,378             |
| Class C                    | 1,907,452         | 2.9             | 54,514           | 3.2                  | 58,996                 | 2,984                    | 1.86                                     | 473               | 69,287              | 23,193             |
| IBP/Milpitas               | 1,345,211         | 7.1             | 95,674           | 8.0                  | 97,200                 | 10,791                   | 1.44                                     | 12,261            | 24,299              | 65,560             |
| Class A                    | 319,655           | 15.1            | 48,161           | 16.4                 | 48,161                 | 4,123                    | 2.07                                     | 7,134             | 19,172              | 40,888             |
| Class B                    | 399,578           | 6.6             | 26,174           | 6.9                  | 27,700                 | 0                        | 1.44                                     | 1,841             | 1,841               | 7,561              |
| Class C                    | 625,978           | 3.4             | 21,339           | 4.5                  | 21,339                 | 6,668                    | 1.12                                     | 3,286             | 3,286               | 17,111             |
| Cupertino                  | 4,026,993         | 1.0             | 39,568           | 1.5                  | 54,417                 | 5,902                    | 4.01                                     | 9,267             | 40,540              | (4,695)            |
| Class A                    | 2,635,222         | 0.1             | 2,030            | 0.1                  | 2,030                  | 0                        | 4.45                                     | 0                 | 0                   | 3,089              |
| Class B                    | 1,370,183         | 2.7             | 37,538           | 4.3                  | 52,387                 | 5,902                    | 3.20                                     | 9,267             | 39,359              | (7,784)            |
| Class C                    | 21,588            | 0.0             | 0                | 0.0                  | 0                      | 0                        | 2.35                                     | 0                 | 1,181               | 0                  |
| Santa Clara                | 10,516,787        | 8.9             | 935,796          | 14.7                 | 1,386,127              | 159,302                  | 3.31                                     | 308,689           | 585,457             | 1,158,693          |
| Class A                    | 6,478,125         | 10.7            | 693,985          | 15.4                 | 902,793                | 97,073                   | 3.77                                     | 316,159           | 440,055             | 1,122,051          |
| Class B                    | 2,154,483         | 6.6             | 142,703          | 20.1                 | 371,886                | 62,229                   | 2.88                                     | (11,512)          | 133,902             | 8,265              |
| Class C                    | 1,884,179         | 5.3             | 99,108           | 5.9                  | 111,448                | 0                        | 2.21                                     | 4,042             | 11,500              | 28,377             |
| Sunnyvale                  | 7,447,659         | 5.1             | 378,074          | 5.2                  | 355,408                | 33,000                   | 4.45                                     | 185,305           | 2,090,150           | 1,511,369          |
| Class A                    | 6,189,000         | 5.3             | 329,679          | 5.3                  | 296,679                | 33,000                   | 4.74                                     | 203,169           | 2,070,528           | 1,537,815          |
| Class B                    | 624,515           | 5.8             | 36,294           | 5.8                  | 36,294                 | 0                        | 3.49                                     | (15,807)          | 16,524              | (31,085)           |
| Class C                    | 634,144           | 1.9             | 12,101           | 3.5                  | 22,435                 | 0                        | 2.55                                     | (2,057)           | 3,098               | 4,639              |
| Mountain View/Los Altos    | 6,550,693         | 2.0             | 134,076          | 3.2                  | 160,263                | 52,347                   | 6.32                                     | 456,400           | 239,303             | 515,667            |
| Class A                    | 3,829,953         | 1.8             | 67,055           | 3.1                  | 71,021                 | 46,506                   | 6.93                                     | 458,481           | 156,619             | 465,654            |
| Class B                    | 2,495,961         | 2.5             | 62,973           | 3.4                  | 79,314                 | 5,841                    | 5.58                                     | (15,002)          | 65,452              | 45,744             |
| Class C                    | 224,779           | 1.8             | 4,048            | 4.4                  | 9,928                  | 0                        | 4.26                                     | 12,921            | 17,232              | 4,269              |
| Palo Alto                  | 6,884,257         | 4.2             | 285,451          | 6.2                  | 343,809                | 82,994                   | 7.06                                     | (3,776)           | 197,030             | 42,737             |
| Class A                    | 3,068,118         | 2.5             | 77,202           | 4.3                  | 97,701                 | 34,605                   | 8.55                                     | 8,986             | 39,534              | 62,445             |
| Class B                    | 3,307,126         | 5.8             | 192,409          | 7.3                  | 195,368                | 45,789                   | 6.35                                     | (5,287)           | 144,846             | (14,737)           |
| Class C                    | 509,013           | 3.1             | 15,840           | 10.5                 | 50,740                 | 2,600                    | 3.85                                     | (7,475)           | 12,650              | (4,971)            |
| Fremont                    | 2,122,399         | 9.7             | 206,620          | 11.1                 | 235,427                | 1,098                    | 1.69                                     | 20,503            | 32,904              | 49,308             |
| Class A                    | 542,736           | 8.2             | 44,322           | 10.7                 | 57,988                 | 0                        | 2.04                                     | 0                 | 5,350               | 848                |
| Class B                    | 988,515           | 14.4            | 142,689          | 16.0                 | 157,830                | 0                        | 1.65                                     | 17,808            | 20,385              | 30,062             |
| Class C                    | 591,148           | 3.3             | 19,609           | 3.5                  | 19,609                 | 1,098                    | 1.43                                     | 2,695             | 7,169               | 18,398             |
| <b>Total Office Market</b> | <b>65,720,749</b> | <b>8.0</b>      | <b>5,245,917</b> | <b>10.3</b>          | <b>6,159,090</b>       | <b>634,811</b>           | <b>3.78</b>                              | <b>1,310,165</b>  | <b>4,196,468</b>    | <b>3,923,043</b>   |
| Class A                    | 35,917,397        | 7.7             | 2,753,475        | 9.8                  | 3,072,703              | 433,864                  | 4.44                                     | 997,482           | 3,148,283           | 3,338,355          |
| Class B                    | 20,087,430        | 9.5             | 1,902,560        | 12.8                 | 2,394,794              | 184,054                  | 3.48                                     | 252,679           | 870,664             | 384,781            |
| Class C                    | 9,715,922         | 6.1             | 589,882          | 7.3                  | 691,593                | 16,893                   | 1.99                                     | 60,004            | 177,521             | 199,907            |

Source: CBRE Research, Q4 2014.

<sup>1</sup>Monthly Direct Lease Rates, Full Service Gross

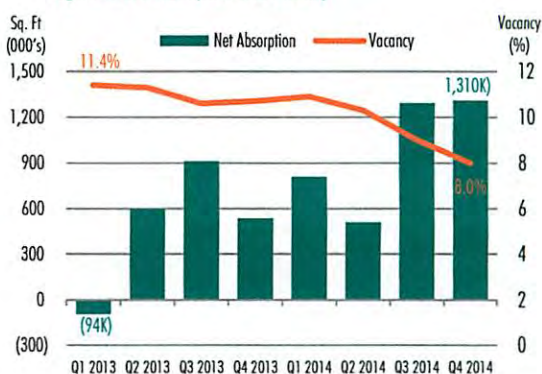


Figure 2: Average Asking Rates



Source: CBRE Research, Q4 2014.

Figure 3: Net Absorption and Vacancy



Source: CBRE Research, Q4 2014.

Figure 4: Significant Lease Transactions of the Quarter

| Lessee                        | Address                            | Total SF  | Class | Lease Type |
|-------------------------------|------------------------------------|-----------|-------|------------|
| Confidential                  | 1152 Bordeaux Dr, Sunnyvale        | 1,944,132 | A     | New Lease  |
| Service Now                   | 2215 Lawson Ln, Santa Clara        | 306,900   | A     | New Lease  |
| TSMC                          | 2851 Junction Ave, San Jose        | 155,613   | B     | New Lease  |
| LinkedIn                      | 4440 El Camino Real, Los Altos     | 96,562    | A     | New Lease  |
| Santa Clara University        | 455 El Camino Real, Santa Clara    | 75,598    | A     | New Lease  |
| Equinix                       | 1188 Arques Ave, Sunnyvale         | 71,241    | A     | Renewal    |
| Morrison & Foerster           | 755 Page Mill Rd, Palo Alto        | 70,244    | B     | New Lease  |
| Folio Architects              | 4633 Old Ironsides Dr, Santa Clara | 50,000    | B     | New Lease  |
| Heritage Commerce Corporation | 150 Almaden Blvd, San Jose         | 36,772    | A     | Renewal    |
| Invensense, Inc.              | 1745 Technology Dr, San Jose       | 29,357    | A     | New Lease  |

Source: CBRE Research, Q4 2014.

Figure 5: Significant Sale Transactions of the Quarter

| Buyer               | Address                      | Total SF | Class | Type       |
|---------------------|------------------------------|----------|-------|------------|
| Ellis Partners, LLC | 1901 Bascom Ave, Campbell    | 351,249  | A     | Investment |
| KBS Realty Advisors | 10 Almaden Blvd, San Jose    | 309,255  | A     | Investment |
| Lennar Corporation  | 3689 Kifer Rd, Santa Clara   | 188,000  | B     | Investment |
| Wealthcap           | 303 Bryant St, Mountain View | 56,250   | A     | Investment |

Source: CBRE Research, Q4 2014.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.



# Silicon Valley, Office Statistics & Transactions

Q4 2013

CBRE Global Research and Consulting

| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | Annual Net Absorption |
|-------------------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|-----------------------|
| <b>San Jose - Downtown</b>          | <b>10,414,087</b> | <b>17.2%</b>    | <b>1,789,984</b> | <b>19.8%</b>         | <b>1,922,722</b>       | <b>139,714</b>           | <b>\$2.19</b>        | <b>121,605</b>    | <b>316,606</b>      | <b>159,520</b>        |
| Metro <sup>1</sup>                  | 2,742,577         | 9.2%            | 250,987          | 13.1%                | 276,778                | 83,278                   | \$1.71               | 25,665            | 58,450              | 26,790                |
| <b>CBD</b>                          | <b>7,671,510</b>  | <b>20.1%</b>    | <b>1,538,997</b> | <b>22.2%</b>         | <b>1,645,944</b>       | <b>56,436</b>            | <b>\$2.36</b>        | <b>95,940</b>     | <b>258,156</b>      | <b>132,730</b>        |
| Class A                             | 4,261,826         | 16.3%           | 694,245          | 18.9%                | 786,269                | 20,857                   | \$2.71               | 96,049            | 197,252             | 61,569                |
| Class B                             | 2,870,161         | 25.2%           | 722,604          | 26.9%                | 737,527                | 35,579                   | \$1.97               | (14,312)          | 46,701              | 38,168                |
| Class C                             | 539,523           | 22.6%           | 122,148          | 22.6%                | 122,148                | 0                        | \$1.70               | 14,203            | 14,203              | 32,993                |
| <b>San Jose - North</b>             | <b>9,271,739</b>  | <b>14.1%</b>    | <b>1,309,061</b> | <b>20.8%</b>         | <b>1,820,520</b>       | <b>104,206</b>           | <b>\$2.34</b>        | <b>154,487</b>    | <b>368,325</b>      | <b>255,356</b>        |
| Class A                             | 6,106,640         | 9.9%            | 605,774          | 16.5%                | 926,386                | 82,406                   | \$2.53               | 203,668           | 249,011             | 315,635               |
| Class B                             | 2,231,860         | 26.8%           | 597,354          | 36.0%                | 785,624                | 17,291                   | \$2.10               | (39,977)          | 117,161             | (38,992)              |
| Class C                             | 933,239           | 11.4%           | 105,933          | 12.1%                | 108,510                | 4,509                    | \$1.65               | (9,204)           | 2,153               | (21,287)              |
| <b>San Jose - South<sup>2</sup></b> | <b>1,988,077</b>  | <b>15.2%</b>    | <b>302,644</b>   | <b>15.6%</b>         | <b>302,017</b>         | <b>8,455</b>             | <b>\$1.70</b>        | <b>7,835</b>      | <b>21,782</b>       | <b>19,743</b>         |
| Class A                             | 625,786           | 19.2%           | 120,279          | 19.2%                | 120,279                | 0                        | \$2.17               | 1,034             | 1,034               | (8,966)               |
| Class B                             | 632,548           | 10.9%           | 69,086           | 11.1%                | 70,436                 | 0                        | \$1.65               | (4,609)           | 3,260               | 17,359                |
| Class C                             | 729,743           | 15.5%           | 113,279          | 16.4%                | 111,302                | 8,455                    | \$1.34               | 11,410            | 17,488              | 11,350                |
| <b>West Valley<sup>3</sup></b>      | <b>5,039,898</b>  | <b>7.5%</b>     | <b>376,246</b>   | <b>8.9%</b>          | <b>408,365</b>         | <b>42,618</b>            | <b>\$2.50</b>        | <b>45,824</b>     | <b>221,015</b>      | <b>57,388</b>         |
| Class A                             | 1,449,340         | 12.4%           | 179,318          | 14.7%                | 178,758                | 33,622                   | \$3.59               | 32,749            | 83,583              | 11,759                |
| Class B                             | 1,683,106         | 7.0%            | 118,570          | 8.5%                 | 143,100                | 0                        | \$2.56               | (675)             | 89,520              | 5,289                 |
| Class C                             | 1,907,452         | 4.1%            | 78,358           | 5.0%                 | 86,507                 | 8,996                    | \$1.63               | 13,750            | 47,912              | 40,340                |
| <b>IBP/Milpitas</b>                 | <b>1,345,211</b>  | <b>12.0%</b>    | <b>161,234</b>   | <b>12.7%</b>         | <b>152,968</b>         | <b>17,760</b>            | <b>\$1.37</b>        | <b>(10,174)</b>   | <b>27,184</b>       | <b>12,183</b>         |
| Class A                             | 319,655           | 27.9%           | 89,049           | 28.7%                | 80,783                 | 11,092                   | \$1.85               | (3,563)           | 20,707              | (8,263)               |
| Class B                             | 399,578           | 8.4%            | 33,735           | 8.4%                 | 33,735                 | 0                        | \$1.40               | (3,621)           | 5,714               | 34,042                |
| Class C                             | 625,978           | 6.1%            | 38,450           | 7.2%                 | 38,450                 | 6,668                    | \$1.10               | (2,990)           | 763                 | (13,596)              |
| <b>Santa Clara</b>                  | <b>9,855,880</b>  | <b>15.1%</b>    | <b>1,487,828</b> | <b>16.3%</b>         | <b>1,480,030</b>       | <b>127,068</b>           | <b>\$2.76</b>        | <b>47,481</b>     | <b>257,015</b>      | <b>452,215</b>        |
| Class A                             | 5,889,790         | 20.5%           | 1,205,967        | 22.4%                | 1,194,183              | 125,632                  | \$3.10               | 118,787           | 151,811             | 429,548               |
| Class B                             | 2,006,601         | 7.7%            | 154,376          | 7.9%                 | 157,785                | 0                        | \$2.60               | (68,069)          | 82,217              | 21,024                |
| Class C                             | 1,959,489         | 6.5%            | 127,485          | 6.6%                 | 128,062                | 1,436                    | \$1.90               | (3,237)           | 22,987              | 1,643                 |
| <b>Cupertino</b>                    | <b>4,026,993</b>  | <b>0.9%</b>     | <b>35,439</b>    | <b>1.8%</b>          | <b>74,200</b>          | <b>0</b>                 | <b>\$3.85</b>        | <b>34,906</b>     | <b>52,120</b>       | <b>632</b>            |
| Class A                             | 2,635,222         | 0.2%            | 5,119            | 1.0%                 | 25,883                 | 0                        | \$4.25               | 10,426            | 13,095              | (5,119)               |
| Class B                             | 1,370,183         | 2.2%            | 30,320           | 3.5%                 | 48,317                 | 0                        | \$3.10               | 24,480            | 37,885              | 5,751                 |
| Class C                             | 21,588            | 0.0%            | 0                | 0.0%                 | 0                      | 0                        | \$2.02               | 0                 | 1,140               | 0                     |
| <b>Sunnyvale</b>                    | <b>6,111,101</b>  | <b>9.0%</b>     | <b>552,885</b>   | <b>10.0%</b>         | <b>564,873</b>         | <b>44,145</b>            | <b>\$4.01</b>        | <b>6,182</b>      | <b>25,944</b>       | <b>94,659</b>         |
| Class A                             | 4,852,442         | 10.9%           | 530,936          | 11.8%                | 530,707                | 43,945                   | \$4.35               | 0                 | 0                   | 40,412                |
| Class B                             | 624,515           | 0.8%            | 5,209            | 1.7%                 | 10,128                 | 200                      | \$3.01               | (812)             | 14,157              | 31,287                |
| Class C                             | 634,144           | 2.6%            | 16,740           | 3.8%                 | 24,038                 | 0                        | \$2.35               | 6,994             | 11,787              | 22,960                |
| <b>Mountain View/Los Altos</b>      | <b>5,982,880</b>  | <b>2.5%</b>     | <b>147,790</b>   | <b>3.5%</b>          | <b>199,397</b>         | <b>9,938</b>             | <b>\$5.68</b>        | <b>114,471</b>    | <b>288,293</b>      | <b>744,072</b>        |
| Class A                             | 3,265,387         | 0.9%            | 30,756           | 1.8%                 | 50,542                 | 8,872                    | \$6.25               | 90,390            | 134,621             | 729,985               |
| Class B                             | 2,492,714         | 4.4%            | 108,717          | 5.7%                 | 140,538                | 1,066                    | \$5.10               | 18,492            | 88,328              | 10,509                |
| Class C                             | 224,779           | 3.7%            | 8,317            | 3.7%                 | 8,317                  | 0                        | \$3.75               | 5,589             | 14,427              | 3,578                 |
| <b>Palo Alto</b>                    | <b>6,801,360</b>  | <b>4.6%</b>     | <b>313,839</b>   | <b>5.3%</b>          | <b>265,071</b>         | <b>77,755</b>            | <b>\$6.81</b>        | <b>(2,613)</b>    | <b>425,228</b>      | <b>83,133</b>         |
| Class A                             | 2,990,963         | 4.1%            | 123,703          | 4.9%                 | 87,240                 | 59,899                   | \$8.20               | 28,939            | 230,199             | 154,258               |
| Class B                             | 3,280,384         | 5.5%            | 179,267          | 6.1%                 | 166,962                | 17,856                   | \$6.15               | (36,956)          | 187,145             | (65,236)              |
| Class C                             | 530,013           | 2.1%            | 10,869           | 2.1%                 | 10,869                 | 0                        | \$3.05               | 5,404             | 7,884               | (5,889)               |
| <b>Fremont</b>                      | <b>2,062,399</b>  | <b>13.0%</b>    | <b>268,370</b>   | <b>13.8%</b>         | <b>285,349</b>         | <b>0</b>                 | <b>\$1.68</b>        | <b>15,349</b>     | <b>37,430</b>       | <b>69,986</b>         |
| Class A                             | 542,736           | 8.3%            | 45,170           | 9.0%                 | 48,960                 | 0                        | \$2.00               | (3,688)           | 5,223               | 10,388                |
| Class B                             | 928,515           | 19.9%           | 185,193          | 21.4%                | 198,382                | 0                        | \$1.65               | 14,674            | 24,081              | 40,732                |
| Class C                             | 591,148           | 6.4%            | 38,007           | 6.4%                 | 38,007                 | 0                        | \$1.43               | 4,363             | 8,126               | 18,866                |
| <b>Silicon Valley Office Market</b> | <b>62,899,625</b> | <b>10.7%</b>    | <b>6,745,320</b> | <b>12.8%</b>         | <b>7,475,512</b>       | <b>571,659</b>           | <b>\$3.39</b>        | <b>535,353</b>    | <b>2,040,942</b>    | <b>1,948,887</b>      |
| Class A                             | 33,350,219        | 10.9%           | 3,635,016        | 13.3%                | 4,034,690              | 386,325                  | \$3.95               | 574,791           | 1,142,916           | 1,731,206             |
| Class B                             | 19,755,670        | 11.7%           | 2,320,391        | 14.1%                | 2,619,879              | 149,381                  | \$3.25               | (76,920)          | 749,716             | 147,320               |
| Class C                             | 9,793,736         | 8.1%            | 789,913          | 8.7%                 | 820,943                | 35,953                   | \$1.77               | 37,482            | 148,310             | 70,361                |

<sup>1</sup> Metro is comprised of buildings within Downtown and outside of CBD

<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\*Direct Monthly Lease Rates, Full Service Gross





Chart #1: Lease Rates

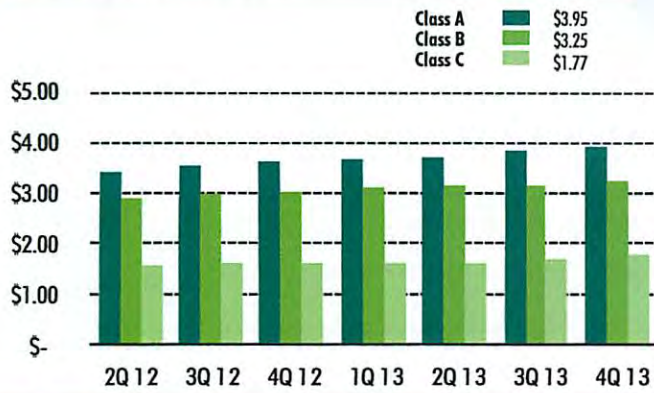


Chart #2: Net Absorption &amp; Vacancy

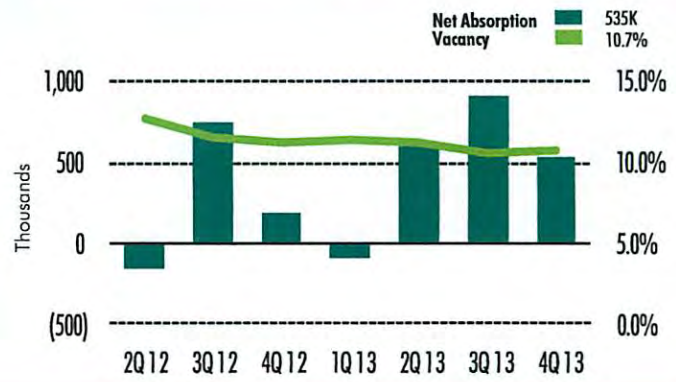


Table 1: Significant Lease Transactions of the Quarter

| Lessee                         | Address                                  | Total SF | Class | Type      |
|--------------------------------|------------------------------------------|----------|-------|-----------|
| Fenwick & West                 | 400 Castro St, Mountain View             | 128,781  | A     | Renewal   |
| Cavium Networks                | 2315 N First St, San Jose                | 110,881  | A     | New Lease |
| Akamai                         | 3333 Scott Blvd, Santa Clara             | 76,146   | A     | New Lease |
| Ernst & Young                  | 303 Almaden Blvd, San Jose               | 73,229   | A     | Renewal   |
| Virident Systems, Inc.         | 1745 Technology Dr, San Jose             | 67,861   | A     | New Lease |
| Morgan Lewis                   | 1400 Page Mill Rd, Palo Alto             | 60,000   | A     | New Lease |
| Roku, Inc.                     | 12900 Saratoga & 18764 Cox Ave, Saratoga | 56,852   | B     | Renewal   |
| Morgan Lewis                   | 3000 El Camino Real, Palo Alto           | 53,164   | A     | Renewal   |
| Apigee                         | 10 Almaden Blvd, San Jose                | 41,151   | A     | New Lease |
| NTT Innovation Institute, Inc. | 1950 University Ave, East Palo Alto      | 28,207   | A     | New Lease |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                                | Address                        | Total SF | Class | Type     |
|--------------------------------------|--------------------------------|----------|-------|----------|
| USAA Real Estate Company             | America Center, San Jose       | 430,852  | A     | Investor |
| Principal Real Estate Investors, LLC | 225 W Santa Clara St, San Jose | 349,318  | A     | Investor |
| LaSalle Investment Management        | 60 S Market St, San Jose       | 232,500  | A     | Investor |
| Invesco                              | 525 Almanor Ave, Sunnyvale     | 166,300  | A     | Investor |

Table 3: Significant Construction Projects

| Project                      | City           | Total SF | % Pre-Committed |
|------------------------------|----------------|----------|-----------------|
| 555 N Mathilda (LinkedIn)    | Sunnyvale      | 657,230  | 100%            |
| Samsung HQ                   | North San Jose | 650,000  | 100%            |
| Santa Clara Gateway Phase II | Santa Clara    | 465,643  | 35%             |
| 625-685 Clyde Dr             | Mountain View  | 385,730  | 100%            |
| Moffett Towers Phase II      | Sunnyvale      | 357,000  | 100%            |
| 690 E Middlefield Rd         | Mountain View  | 340,913  | 100%            |
| 5403 Stevens Creek Blvd      | Santa Clara    | 300,000  | 100%            |
| Technology Corners           | Sunnyvale      | 232,000  | 100%            |



# Silicon Valley, Office Statistics & Transactions

Q4 2012

CBRE Global Research and Consulting

| Submarket                           | NRA               | Total<br>Vacancy<br>% | Total<br>Vacant SF | Total<br>Availability<br>% | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rate* | Q4 Net<br>Absorption | Q4 Gross<br>Absorption | Annual Net<br>Absorption |
|-------------------------------------|-------------------|-----------------------|--------------------|----------------------------|------------------------------|--------------------------------|----------------------------|----------------------|------------------------|--------------------------|
| <b>San Jose - Downtown</b>          | <b>10,282,648</b> | <b>19.5%</b>          | <b>1,999,993</b>   | <b>21.3%</b>               | <b>2,136,350</b>             | <b>51,208</b>                  | <b>\$2.02</b>              | <b>78,288</b>        | <b>153,436</b>         | <b>22,051</b>            |
| Metro <sup>1</sup>                  | 2,659,076         | 10.3%                 | 274,607            | 11.4%                      | 267,508                      | 7,099                          | \$1.46                     | 27,247               | 56,547                 | 26,495                   |
| <b>CBD</b>                          | <b>7,623,572</b>  | <b>22.6%</b>          | <b>1,725,386</b>   | <b>24.7%</b>               | <b>1,839,874</b>             | <b>44,109</b>                  | <b>\$2.21</b>              | <b>51,041</b>        | <b>96,889</b>          | <b>(4,444)</b>           |
| Class A                             | 4,350,888         | 19.4%                 | 844,273            | 20.9%                      | 891,635                      | 16,700                         | \$2.51                     | 44,096               | 55,793                 | 36,005                   |
| Class B                             | 2,733,161         | 26.1%                 | 712,252            | 29.2%                      | 771,062                      | 27,409                         | \$1.89                     | 8,135                | 41,096                 | (26,625)                 |
| Class C                             | 539,523           | 31.3%                 | 168,861            | 32.8%                      | 177,177                      | 0                              | \$1.45                     | (1,190)              | 0                      | (13,824)                 |
| <b>San Jose - North</b>             | <b>8,947,004</b>  | <b>15.8%</b>          | <b>1,415,186</b>   | <b>18.4%</b>               | <b>1,453,458</b>             | <b>188,812</b>                 | <b>\$2.09</b>              | <b>(154,056)</b>     | <b>219,138</b>         | <b>(84,053)</b>          |
| Class A                             | 6,114,448         | 15.2%                 | 932,100            | 18.5%                      | 949,201                      | 183,295                        | \$2.27                     | (27,702)             | 68,385                 | (631)                    |
| Class B                             | 1,902,242         | 20.9%                 | 398,440            | 22.1%                      | 414,698                      | 5,517                          | \$1.83                     | (116,604)            | 150,753                | (87,820)                 |
| Class C                             | 930,314           | 9.1%                  | 84,646             | 9.6%                       | 89,559                       | 0                              | \$1.46                     | (9,750)              | 0                      | 4,398                    |
| <b>San Jose - South<sup>2</sup></b> | <b>1,988,077</b>  | <b>16.6%</b>          | <b>330,461</b>     | <b>17.1%</b>               | <b>340,502</b>               | <b>0</b>                       | <b>\$1.68</b>              | <b>(126,043)</b>     | <b>12,385</b>          | <b>(54,530)</b>          |
| Class A                             | 625,786           | 18.7%                 | 116,779            | 19.2%                      | 120,279                      | 0                              | \$2.11                     | (116,779)            | 0                      | (95,171)                 |
| Class B                             | 632,548           | 13.7%                 | 86,445             | 14.7%                      | 92,986                       | 0                              | \$1.65                     | 8,210                | 8,210                  | 9,597                    |
| Class C                             | 729,743           | 17.4%                 | 127,237            | 17.4%                      | 127,237                      | 0                              | \$1.34                     | (17,474)             | 4,175                  | 31,044                   |
| <b>West Valley<sup>3</sup></b>      | <b>5,059,493</b>  | <b>9.5%</b>           | <b>482,028</b>     | <b>12.8%</b>               | <b>599,341</b>               | <b>47,590</b>                  | <b>\$2.14</b>              | <b>(34,020)</b>      | <b>122,089</b>         | <b>90,678</b>            |
| Class A                             | 1,803,573         | 11.6%                 | 208,506            | 18.8%                      | 311,408                      | 27,969                         | \$3.03                     | (22,544)             | 49,926                 | 86,177                   |
| Class B                             | 905,844           | 8.4%                  | 75,885             | 11.9%                      | 102,737                      | 5,040                          | \$2.21                     | 10,889               | 23,124                 | (9,445)                  |
| Class C                             | 2,350,076         | 8.4%                  | 197,637            | 8.5%                       | 185,196                      | 14,581                         | \$1.43                     | (22,365)             | 49,039                 | 13,946                   |
| <b>IBP/Milpitas</b>                 | <b>1,345,211</b>  | <b>13.4%</b>          | <b>180,743</b>     | <b>13.8%</b>               | <b>185,743</b>               | <b>0</b>                       | <b>\$1.37</b>              | <b>28,431</b>        | <b>68,324</b>          | <b>38,403</b>            |
| Class A                             | 319,655           | 27.6%                 | 88,112             | 27.6%                      | 88,112                       | 0                              | \$1.85                     | 28,616               | 28,616                 | 35,631                   |
| Class B                             | 399,578           | 17.0%                 | 67,777             | 18.2%                      | 72,777                       | 0                              | \$1.40                     | 266                  | 33,074                 | 7,744                    |
| Class C                             | 625,978           | 4.0%                  | 24,854             | 4.0%                       | 24,854                       | 0                              | \$1.10                     | (451)                | 6,634                  | (4,972)                  |
| <b>Santa Clara</b>                  | <b>8,883,899</b>  | <b>12.6%</b>          | <b>1,116,726</b>   | <b>15.9%</b>               | <b>1,259,689</b>             | <b>148,647</b>                 | <b>\$2.43</b>              | <b>124,129</b>       | <b>420,118</b>         | <b>288,235</b>           |
| Class A                             | 4,875,842         | 13.5%                 | 657,570            | 18.7%                      | 777,171                      | 135,764                        | \$2.78                     | 49,186               | 193,277                | 312,288                  |
| Class B                             | 2,048,653         | 13.1%                 | 268,467            | 14.9%                      | 298,746                      | 5,966                          | \$2.25                     | 72,524               | 168,368                | (58,305)                 |
| Class C                             | 1,959,404         | 9.7%                  | 190,689            | 9.7%                       | 183,772                      | 6,917                          | \$1.73                     | 2,419                | 58,473                 | 34,252                   |
| <b>Cupertino</b>                    | <b>4,026,993</b>  | <b>1.1%</b>           | <b>45,734</b>      | <b>1.4%</b>                | <b>47,431</b>                | <b>9,663</b>                   | <b>\$3.72</b>              | <b>16,499</b>        | <b>40,837</b>          | <b>44,191</b>            |
| Class A                             | 2,635,222         | 0.0%                  | 0                  | 0.1%                       | 1,962                        | 0                              | \$4.05                     | 14,363               | 17,710                 | 12,885                   |
| Class B                             | 1,370,183         | 3.3%                  | 45,734             | 4.0%                       | 45,469                       | 9,663                          | \$3.10                     | 2,136                | 23,127                 | 30,087                   |
| Class C                             | 21,588            | 0.0%                  | 0                  | 0.0%                       | 0                            | 0                              | \$2.02                     | 0                    | 0                      | 1,219                    |
| <b>Sunnyvale</b>                    | <b>5,991,971</b>  | <b>4.8%</b>           | <b>289,977</b>     | <b>7.0%</b>                | <b>400,297</b>               | <b>18,230</b>                  | <b>\$3.86</b>              | <b>176,282</b>       | <b>222,423</b>         | <b>541,967</b>           |
| Class A                             | 4,736,262         | 4.5%                  | 213,781            | 7.0%                       | 317,733                      | 16,048                         | \$4.19                     | 25,834               | 40,651                 | 503,423                  |
| Class B                             | 624,515           | 5.8%                  | 36,496             | 6.0%                       | 37,562                       | 0                              | \$2.95                     | 121,615              | 136,814                | 821                      |
| Class C                             | 631,194           | 6.3%                  | 39,700             | 7.5%                       | 45,002                       | 2,182                          | \$2.33                     | 28,833               | 44,958                 | 37,723                   |
| <b>Mountain View/Los Altos</b>      | <b>5,232,684</b>  | <b>4.5%</b>           | <b>235,623</b>     | <b>4.6%</b>                | <b>210,868</b>               | <b>27,945</b>                  | <b>\$5.15</b>              | <b>18,122</b>        | <b>158,816</b>         | <b>41,636</b>            |
| Class A                             | 2,561,355         | 2.2%                  | 56,709             | 2.3%                       | 38,358                       | 19,367                         | \$5.72                     | (24,093)             | 134,621                | (22,756)                 |
| Class B                             | 2,456,465         | 6.8%                  | 167,019            | 6.9%                       | 160,615                      | 8,578                          | \$4.71                     | 40,616               | 130,739                | 68,384                   |
| Class C                             | 214,864           | 5.5%                  | 11,895             | 5.5%                       | 11,895                       | 0                              | \$3.40                     | 1,599                | 14,427                 | (3,992)                  |
| <b>Palo Alto</b>                    | <b>6,772,633</b>  | <b>5.6%</b>           | <b>378,068</b>     | <b>6.5%</b>                | <b>386,458</b>               | <b>50,499</b>                  | <b>\$6.30</b>              | <b>(5,604)</b>       | <b>206,650</b>         | <b>101,880</b>           |
| Class A                             | 2,966,975         | 8.6%                  | 254,209            | 8.6%                       | 208,681                      | 46,457                         | \$7.70                     | (9,547)              | 83,327                 | (3,584)                  |
| Class B                             | 3,275,645         | 3.6%                  | 118,879            | 5.2%                       | 165,139                      | 4,042                          | \$5.50                     | (6,117)              | 107,251                | 70,669                   |
| Class C                             | 530,013           | 0.9%                  | 4,980              | 2.4%                       | 12,638                       | 0                              | \$3.45                     | 10,060               | 16,072                 | 34,795                   |
| <b>Fremont</b>                      | <b>2,117,505</b>  | <b>16.0%</b>          | <b>338,696</b>     | <b>16.6%</b>               | <b>342,058</b>               | <b>9,424</b>                   | <b>\$1.63</b>              | <b>(3,614)</b>       | <b>102,711</b>         | <b>40,053</b>            |
| Class A                             | 542,736           | 10.2%                 | 55,558             | 11.0%                      | 59,619                       | 0                              | \$2.00                     | (3,434)              | 0                      | 35,553                   |
| Class B                             | 983,621           | 23.0%                 | 226,265            | 23.9%                      | 225,566                      | 9,424                          | \$1.65                     | (8,747)              | 75,049                 | (12,669)                 |
| Class C                             | 591,148           | 9.6%                  | 56,873             | 9.6%                       | 56,873                       | 0                              | \$1.25                     | 8,567                | 27,662                 | 17,169                   |
| <b>Silicon Valley Office Market</b> | <b>60,648,118</b> | <b>11.2%</b>          | <b>6,813,235</b>   | <b>13.0%</b>               | <b>7,362,195</b>             | <b>552,018</b>                 | <b>\$3.10</b>              | <b>118,414</b>       | <b>1,713,893</b>       | <b>1,070,511</b>         |
| Class A                             | 31,943,174        | 10.7%                 | 3,432,297          | 13.3%                      | 3,788,859                    | 445,600                        | \$3.62                     | (42,004)             | 426,081                | 905,526                  |
| Class B                             | 18,486,216        | 12.8%                 | 2,363,836          | 14.2%                      | 2,548,295                    | 75,639                         | \$3.03                     | 145,975              | 1,056,112              | (14,907)                 |
| Class C                             | 10,218,728        | 10.0%                 | 1,017,102          | 10.3%                      | 1,025,041                    | 30,779                         | \$1.62                     | 14,443               | 231,700                | 179,892                  |

<sup>1</sup> Metro is comprised of buildings within Downtown and outside of CBD

<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\*Direct Monthly Lease Rates, Full Service Gross





Chart #1: Lease Rates

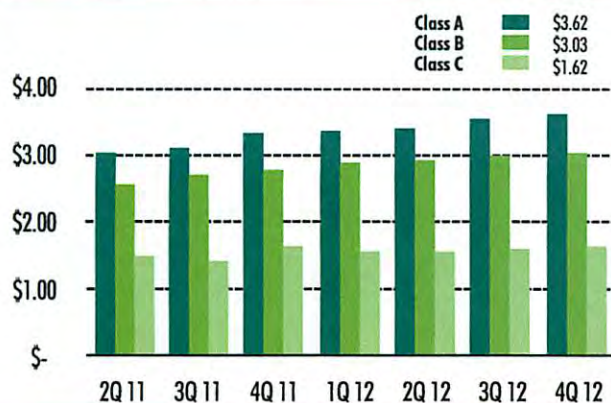


Chart #2: Net Absorption &amp; Vacancy

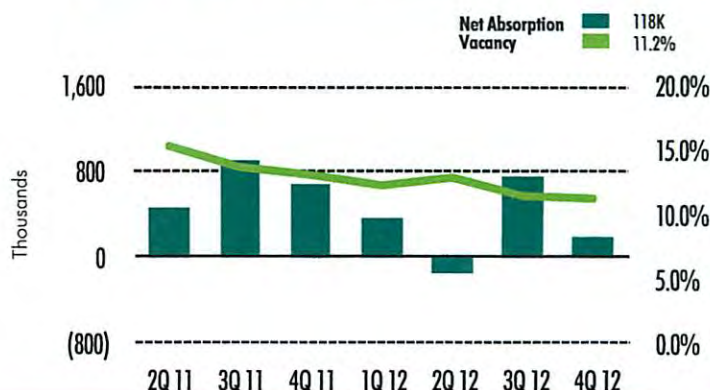


Table 1: Significant Lease Transactions of the Quarter

| Lessee                        | Address                             | Total SF | Class | Type      |
|-------------------------------|-------------------------------------|----------|-------|-----------|
| Global Foundries U.S., Inc.   | 2755 Great America Way, Santa Clara | 136,630  | A     | New Lease |
| Apple                         | 410 N Mary Ave, Sunnyvale           | 116,586  | B     | New Lease |
| SurveyMonkey                  | 101 Lytton Ave, Palo Alto           | 58,000   | A     | New Lease |
| KNO, Inc.                     | 5155 Old Ironsides Dr, Santa Clara  | 30,400   | B     | New Lease |
| Entropic Communications, Inc. | 2560 N First St, San Jose           | 29,179   | B     | New Lease |
| Inphi Corporation             | 2953 Bunker Hill Ln, Santa Clara    | 28,957   | B     | New Lease |
| Semtech Corporation           | 2580 N First St, San Jose           | 24,283   | B     | Renewal   |
| AppSense                      | 100 Mathilda Pl, Sunnyvale          | 22,465   | A     | New Lease |
| Malware Bytes                 | 10 Almaden Blvd, San Jose           | 21,924   | A     | New Lease |
| Palantir Technologies, Inc.   | 181 Lytton Ave, Palo Alto           | 15,724   | B     | New Lease |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                 | Address                        | Total SF | Class | Type          |
|-----------------------|--------------------------------|----------|-------|---------------|
| Kilroy                | 555 Mathilda Ave, Sunnyvale    | 662,000  | A     | Investor Sale |
| CBRE Global Investors | 50 W San Fernando St, San Jose | 325,984  | A     | Investor Sale |
| Dinapoli              | 160 W Santa Clara St, San Jose | 202,973  | A     | Investor Sale |
| TMG                   | 2851 Junction Ave, San Jose    | 152,432  | B     | Investor Sale |

Table 3: Significant Construction

| Project                 | City          | Total SF | % Pre-Committed |
|-------------------------|---------------|----------|-----------------|
| Santa Clara Gateway     | Santa Clara   | 879,000  | 66%             |
| 3333 Scott Blvd         | Santa Clara   | 459,647  | 0%              |
| Moffett Towers Phase II | Sunnyvale     | 357,000  | 100%            |
| 5403 Stevens Creek Blvd | Sunnyvale     | 187,500  | 0%              |
| 580 N Mary Ave          | Sunnyvale     | 125,000  | 0%              |
| Oakmead Tower           | Sunnyvale     | 100,000  | 0%              |
| 590 Middlefield Rd      | Mountain View | 99,800   | 100%            |



# MarketView

## Silicon Valley Office Report

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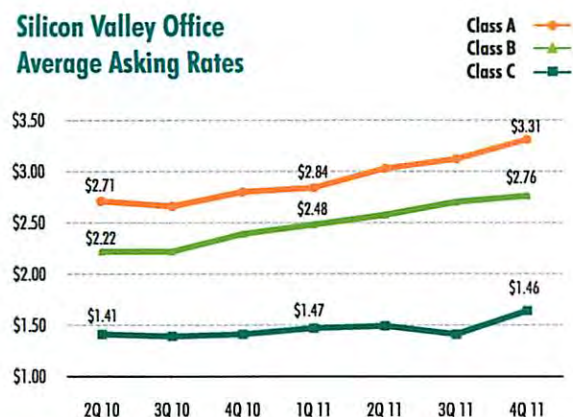
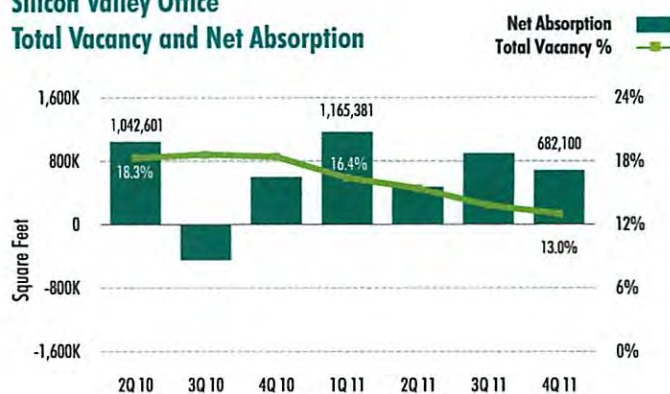
| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| <b>San Jose - Downtown</b>          | <b>10,529,812</b> | <b>20.5%</b>    | <b>2,163,770</b> | <b>22.2%</b>         | <b>2,260,855</b>       | <b>70,947</b>            | <b>\$1.52</b>        | <b>(1,174)</b>    | <b>163,899</b>      | <b>(84,686)</b>    |
| CBD <sup>1</sup>                    | 7,889,446         | 23.6%           | 1,862,668        | 25.3%                | 1,928,806              | 69,737                   | \$2.12               | (15,940)          | 125,464             | (111,692)          |
| Class A                             | 4,329,877         | 22.1%           | 957,840          | 22.9%                | 969,907                | 20,527                   | \$2.35               | 46,041            | 48,181              | (13,725)           |
| Class B                             | 3,023,126         | 24.8%           | 749,791          | 28.0%                | 797,149                | 49,210                   | \$1.89               | (25,078)          | 63,856              | 2,016              |
| Class C                             | 536,443           | 28.9%           | 155,037          | 30.2%                | 161,750                | 0                        | \$1.57               | (36,903)          | 13,427              | (99,983)           |
| <b>San Jose - North</b>             | <b>8,931,884</b>  | <b>15.2%</b>    | <b>1,358,553</b> | <b>18.8%</b>         | <b>1,463,503</b>       | <b>227,731</b>           | <b>\$1.83</b>        | <b>282,149</b>    | <b>477,691</b>      | <b>709,871</b>     |
| Class A                             | 6,106,082         | 15.5%           | 943,998          | 17.9%                | 912,172                | 191,417                  | \$1.98               | 232,422           | 375,379             | 759,709            |
| Class B                             | 1,895,488         | 16.5%           | 313,544          | 25.3%                | 444,066                | 36,314                   | \$1.61               | 56,176            | 102,312             | (46,635)           |
| Class C                             | 930,314           | 10.9%           | 101,011          | 11.5%                | 107,265                | 0                        | \$1.30               | (6,449)           | 0                   | (3,203)            |
| <b>San Jose - South<sup>2</sup></b> | <b>1,956,153</b>  | <b>12.2%</b>    | <b>239,261</b>   | <b>12.4%</b>         | <b>240,888</b>         | <b>2,200</b>             | <b>\$1.60</b>        | <b>2,708</b>      | <b>18,948</b>       | <b>(16,137)</b>    |
| Class A                             | 605,790           | 3.6%            | 21,608           | 3.6%                 | 21,608                 | 0                        | \$1.91               | 0                 | 0                   | 5,550              |
| Class B                             | 632,548           | 15.2%           | 96,042           | 15.5%                | 96,042                 | 2,200                    | \$1.63               | 5,674             | 12,723              | (5,126)            |
| Class C                             | 717,815           | 16.9%           | 121,611          | 17.2%                | 123,238                | 0                        | \$1.32               | (2,966)           | 6,225               | (16,561)           |
| <b>West Valley<sup>3</sup></b>      | <b>5,090,182</b>  | <b>11.6%</b>    | <b>590,550</b>   | <b>12.6%</b>         | <b>628,027</b>         | <b>13,363</b>            | <b>\$1.96</b>        | <b>70,766</b>     | <b>240,842</b>      | <b>153,941</b>     |
| Class A                             | 1,803,573         | 16.6%           | 298,968          | 18.3%                | 323,878                | 6,417                    | \$2.71               | (12,903)          | 80,873              | 17,771             |
| Class B                             | 936,533           | 8.5%            | 79,999           | 10.1%                | 89,457                 | 5,389                    | \$1.92               | 41,209            | 77,416              | 51,558             |
| Class C                             | 2,350,076         | 9.0%            | 211,583          | 9.2%                 | 214,692                | 1,557                    | \$1.39               | 42,460            | 82,553              | 84,612             |
| <b>IBP/Milpitas</b>                 | <b>1,296,285</b>  | <b>16.6%</b>    | <b>214,588</b>   | <b>16.7%</b>         | <b>214,317</b>         | <b>2,750</b>             | <b>\$1.29</b>        | <b>20,456</b>     | <b>29,108</b>       | <b>5,385</b>       |
| Class A                             | 319,655           | 38.7%           | 123,743          | 39.5%                | 123,472                | 2,750                    | \$1.70               | 20,923            | 26,075              | 4,887              |
| Class B                             | 350,652           | 18.1%           | 63,581           | 18.1%                | 63,581                 | 0                        | \$1.29               | 3,033             | 3,033               | 8,273              |
| Class C                             | 625,978           | 4.4%            | 27,264           | 4.4%                 | 27,264                 | 0                        | \$1.09               | (3,500)           | 0                   | (7,775)            |
| <b>Santa Clara</b>                  | <b>8,480,687</b>  | <b>14.7%</b>    | <b>1,247,509</b> | <b>15.5%</b>         | <b>969,213</b>         | <b>346,230</b>           | <b>\$2.14</b>        | <b>31,963</b>     | <b>241,338</b>      | <b>185,866</b>     |
| Class A                             | 4,495,130         | 16.3%           | 732,492          | 16.6%                | 443,373                | 302,140                  | \$2.50               | (38,853)          | 82,099              | 121,847            |
| Class B                             | 2,112,137         | 12.8%           | 271,301          | 14.6%                | 298,614                | 10,282                   | \$1.95               | 71,303            | 128,277             | 139,159            |
| Class C                             | 1,873,420         | 13.0%           | 243,716          | 13.9%                | 227,226                | 33,808                   | \$1.50               | (487)             | 30,962              | (75,140)           |
| <b>Cupertino</b>                    | <b>3,935,488</b>  | <b>1.8%</b>     | <b>70,907</b>    | <b>2.4%</b>          | <b>75,160</b>          | <b>21,187</b>            | <b>\$3.36</b>        | <b>49,776</b>     | <b>204,581</b>      | <b>225,971</b>     |
| Class A                             | 2,635,222         | 0.5%            | 12,885           | 0.5%                 | 9,085                  | 3,800                    | \$3.67               | 14,251            | 42,750              | 94,354             |
| Class B                             | 1,278,678         | 4.4%            | 56,803           | 6.4%                 | 64,856                 | 17,387                   | \$2.76               | 35,525            | 161,831             | 129,030            |
| Class C                             | 21,588            | 5.6%            | 1,219            | 5.6%                 | 1,219                  | 0                        | \$1.94               | 0                 | 0                   | 2,587              |
| <b>Sunnyvale</b>                    | <b>5,810,730</b>  | <b>14.4%</b>    | <b>837,654</b>   | <b>16.1%</b>         | <b>849,269</b>         | <b>87,540</b>            | <b>\$3.14</b>        | <b>266,719</b>    | <b>338,182</b>      | <b>1,652,243</b>   |
| Class A                             | 4,555,021         | 15.7%           | 717,204          | 17.7%                | 717,204                | 87,540                   | \$3.37               | 265,031           | 266,551             | 1,549,713          |
| Class B                             | 624,515           | 6.2%            | 38,837           | 6.5%                 | 40,288                 | 0                        | \$2.61               | (4,635)           | 52,194              | 81,754             |
| Class C                             | 631,194           | 12.9%           | 81,613           | 14.5%                | 91,777                 | 0                        | \$2.01               | 6,323             | 19,437              | 20,776             |
| <b>Mountain View/Los Altos</b>      | <b>5,162,797</b>  | <b>5.4%</b>     | <b>278,478</b>   | <b>7.1%</b>          | <b>347,785</b>         | <b>17,297</b>            | <b>\$4.89</b>        | <b>(18,803)</b>   | <b>234,048</b>      | <b>204,280</b>     |
| Class A                             | 2,548,159         | 0.8%            | 20,757           | 3.5%                 | 85,005                 | 3,500                    | \$5.51               | 12,540            | 134,621             | 152,671            |
| Class B                             | 2,434,774         | 10.3%           | 249,818          | 11.0%                | 254,877                | 13,797                   | \$4.37               | (34,057)          | 70,550              | 51,577             |
| Class C                             | 179,864           | 4.4%            | 7,903            | 4.4%                 | 7,903                  | 0                        | \$3.11               | 2,714             | 14,427              | 32                 |
| <b>Palo Alto**</b>                  | <b>6,741,833</b>  | <b>6.7%</b>     | <b>449,448</b>   | <b>7.3%</b>          | <b>408,577</b>         | <b>85,167</b>            | <b>\$6.08</b>        | <b>(44,293)</b>   | <b>194,547</b>      | <b>192,337</b>     |
| Class A                             | 2,936,475         | 7.5%            | 220,125          | 7.5%                 | 160,065                | 60,060                   | \$7.70               | (24,965)          | 50,586              | 21,966             |
| Class B                             | 3,275,345         | 5.8%            | 189,548          | 6.5%                 | 189,016                | 25,107                   | \$5.05               | (8,353)           | 121,489             | 165,246            |
| Class C                             | 530,013           | 7.5%            | 39,775           | 11.2%                | 59,496                 | 0                        | \$3.45               | (10,975)          | 22,472              | 5,125              |
| <b>Fremont</b>                      | <b>2,153,102</b>  | <b>17.7%</b>    | <b>380,149</b>   | <b>18.5%</b>         | <b>393,143</b>         | <b>5,074</b>             | <b>\$1.62</b>        | <b>21,833</b>     | <b>76,171</b>       | <b>13,087</b>      |
| Class A                             | 542,736           | 16.8%           | 91,111           | 17.7%                | 92,899                 | 3,391                    | \$2.00               | 21,608            | 30,656              | 42,419             |
| Class B                             | 985,533           | 21.7%           | 213,596          | 22.0%                | 214,673                | 1,683                    | \$1.65               | 1,947             | 40,661              | (36,251)           |
| Class C                             | 624,833           | 12.1%           | 75,442           | 13.7%                | 85,571                 | 0                        | \$1.25               | (1,722)           | 4,854               | 6,919              |
| <b>Silicon Valley Office Market</b> | <b>60,088,953</b> | <b>13.0%</b>    | <b>7,830,867</b> | <b>14.5%</b>         | <b>7,850,737</b>       | <b>879,486</b>           | <b>\$2.83</b>        | <b>682,100</b>    | <b>2,219,355</b>    | <b>3,242,158</b>   |
| Class A                             | 31,288,152        | 13.3%           | 4,151,137        | 14.6%                | 3,889,074              | 681,542                  | \$3.31               | 536,895           | 1,164,208           | 2,754,212          |
| Class B                             | 18,684,380        | 13.3%           | 2,475,692        | 15.4%                | 2,710,727              | 161,369                  | \$2.76               | 173,757           | 870,456             | 592,334            |
| Class C                             | 10,116,421        | 11.9%           | 1,204,038        | 12.8%                | 1,250,936              | 36,575                   | \$1.46               | (28,552)          | 184,691             | (104,388)          |

<sup>1</sup> CBD is comprised of buildings within the San Jose - Downtown submarket<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\* Direct Monthly Lease Rates, Full Service Gross

\*\* NRA base changes were made to more accurately reflect the market



Silicon Valley Office  
Average Asking RatesSilicon Valley Office  
Total Vacancy and Net Absorption

## Significant Lease Transactions of the Quarter

| Lessee                              | Address                             | Total SF | Class | Type      |
|-------------------------------------|-------------------------------------|----------|-------|-----------|
| Synopsys, Inc.                      | 690 E Middlefield Rd, Mountain View | 340,000  | A     | New Lease |
| Flextronics                         | 6201 America Center Dr, San Jose    | 130,455  | A     | New Lease |
| Magma Design                        | 1650 Technology Dr, San Jose        | 109,453  | A     | New Lease |
| Omniceil, Inc.                      | 590 Middlefield Rd, Mountain View   | 99,800   | B     | New Lease |
| Financial Engines, Inc.             | 1040 Enterprise Way, Sunnyvale      | 80,995   | A     | New Lease |
| Motorola                            | 1000 Enterprise Way, Sunnyvale      | 80,669   | A     | Expansion |
| Confidential                        | 1160 Enterprise Way, Sunnyvale      | 56,882   | A     | Expansion |
| Paul Hastings Janofsky & Walker LLP | 1117 California Ave, Palo Alto      | 43,000   | A     | Renewal   |
| Blakely, Sokoloff, Taylor & Zafman  | 1279 Oakmead Pkwy, Sunnyvale        | 41,114   | B     | Renewal   |
| SimonMed Imaging Professional Corp. | 14651 S Bascom Ave, Los Gatos       | 37,000   | B     | New Lease |

## Significant Sale Transactions of the Quarter

| Buyer                    | Address                                     | Total SF | Class | Type     |
|--------------------------|---------------------------------------------|----------|-------|----------|
| American Realty Advisors | 20300 & 20330 Stevens Creek Blvd, Cupertino | 300,285  | A     | Investor |
| Confidential             | 1861 Landings Dr, Mountain View             | 272,594  | B     | Investor |
| Boston Properties, Inc.  | 2440 W El Camino Real, Mountain View        | 133,500  | A     | Investor |

## Significant Construction

| Project                | City          | Total SF | % Pre-Committed |
|------------------------|---------------|----------|-----------------|
| Juniper                | Sunnyvale     | 636,000  | 100%            |
| Great America & 237    | Santa Clara   | 430,000  | 0%              |
| Network Appliance      | Sunnyvale     | 175,000  | 100%            |
| 2200 Lawson Ln, Bldg A | Santa Clara   | 153,450  | 0%              |
| 590 Middlefield Rd     | Mountain View | 99,800   | 100%            |
| 265 Lytton Ave         | Palo Alto     | 30,500   | 100%            |
| 278 University Ave     | Palo Alto     | 23,752   | 0%              |
| 317-323 University Ave | Palo Alto     | 15,799   | 0%              |



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CBRE  
225 W Santa Clara Street  
10<sup>th</sup> Floor  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
www.cbre.com/siliconvalley  
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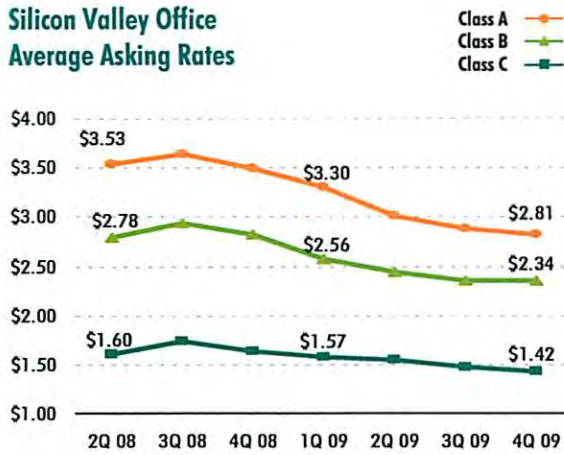
| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| <b>San Jose - Downtown</b>          | <b>10,556,812</b> | <b>20.5%</b>    | <b>2,165,028</b>  | <b>23.1%</b>         | <b>2,337,837</b>       | <b>105,362</b>           | <b>\$1.68</b>        | <b>244,178</b>    | <b>404,858</b>      | <b>190,118</b>     |
| CBD <sup>1</sup>                    | 7,916,446         | 23.2%           | 1,836,920         | 26.3%                | 1,975,751              | 103,950                  | \$1.96               | 268,447           | 371,072             | 186,138            |
| Class A                             | 4,329,877         | 23.6%           | 1,022,611         | 28.6%                | 1,212,112              | 25,409                   | \$2.37               | 232,293           | 299,331             | 139,952            |
| Class B                             | 3,038,126         | 25.0%           | 759,255           | 25.9%                | 708,585                | 78,541                   | \$1.51               | 17,735            | 52,369              | 36,936             |
| Class C                             | 548,443           | 10.0%           | 55,054            | 10.0%                | 55,054                 | 0                        | \$1.16               | 18,419            | 19,372              | 9,250              |
| <b>San Jose - North</b>             | <b>9,492,884</b>  | <b>21.6%</b>    | <b>2,052,806</b>  | <b>23.1%</b>         | <b>2,038,685</b>       | <b>152,875</b>           | <b>\$1.75</b>        | <b>(90,215)</b>   | <b>143,339</b>      | <b>463,900</b>     |
| Class A                             | 6,667,082         | 25.3%           | 1,688,089         | 27.2%                | 1,668,586              | 145,169                  | \$1.89               | (93,084)          | 86,218              | 422,459            |
| Class B                             | 1,895,488         | 14.1%           | 266,909           | 14.8%                | 272,291                | 7,706                    | \$1.53               | 9,155             | 53,238              | 37,232             |
| Class C                             | 930,314           | 10.5%           | 97,808            | 10.5%                | 97,808                 | 0                        | \$1.19               | (6,286)           | 3,883               | 4,209              |
| <b>San Jose - South<sup>2</sup></b> | <b>1,951,929</b>  | <b>11.4%</b>    | <b>223,124</b>    | <b>11.4%</b>         | <b>223,124</b>         | <b>0</b>                 | <b>\$1.38</b>        | <b>(5,181)</b>    | <b>28,238</b>       | <b>(30,242)</b>    |
| Class A                             | 605,790           | 4.5%            | 27,158            | 4.5%                 | 27,158                 | 0                        | \$1.65               | (2,377)           | 0                   | (2,377)            |
| Class B                             | 632,548           | 14.4%           | 90,916            | 14.4%                | 90,916                 | 0                        | \$1.39               | (7,815)           | 13,822              | (27,754)           |
| Class C                             | 713,591           | 14.7%           | 105,050           | 14.7%                | 105,050                | 0                        | \$1.14               | 5,011             | 14,416              | (111)              |
| <b>West Valley<sup>3</sup></b>      | <b>5,090,182</b>  | <b>15.1%</b>    | <b>769,814</b>    | <b>16.2%</b>         | <b>789,399</b>         | <b>36,672</b>            | <b>\$1.82</b>        | <b>52,218</b>     | <b>221,205</b>      | <b>184,861</b>     |
| Class A                             | 1,803,573         | 18.6%           | 335,368           | 20.2%                | 344,065                | 20,027                   | \$2.51               | 36,052            | 79,463              | 141,325            |
| Class B                             | 906,533           | 15.3%           | 138,251           | 15.3%                | 127,278                | 11,656                   | \$1.82               | 30,341            | 106,083             | 30,427             |
| Class C                             | 2,380,076         | 12.4%           | 296,195           | 13.6%                | 318,056                | 4,989                    | \$1.29               | (14,175)          | 35,659              | 13,109             |
| <b>IBP/Milpitas</b>                 | <b>1,296,285</b>  | <b>17.0%</b>    | <b>219,973</b>    | <b>19.4%</b>         | <b>237,046</b>         | <b>14,314</b>            | <b>\$1.24</b>        | <b>5,778</b>      | <b>7,613</b>        | <b>(70,751)</b>    |
| Class A                             | 319,655           | 40.2%           | 128,630           | 49.5%                | 143,813                | 14,314                   | \$1.60               | 6,608             | 4,894               | (38,133)           |
| Class B                             | 350,652           | 20.5%           | 71,854            | 20.5%                | 71,854                 | 0                        | \$1.19               | 1,164             | 2,329               | (30,452)           |
| Class C                             | 625,978           | 3.1%            | 19,489            | 3.4%                 | 21,379                 | 0                        | \$1.09               | (1,994)           | 390                 | (2,166)            |
| <b>Santa Clara</b>                  | <b>8,475,747</b>  | <b>18.7%</b>    | <b>1,586,666</b>  | <b>22.2%</b>         | <b>1,372,066</b>       | <b>506,317</b>           | <b>\$1.79</b>        | <b>116,951</b>    | <b>329,481</b>      | <b>43,233</b>      |
| Class A                             | 4,495,130         | 20.7%           | 930,798           | 26.5%                | 717,469                | 472,580                  | \$2.04               | 76,502            | 197,766             | (19,516)           |
| Class B                             | 2,112,137         | 19.0%           | 400,507           | 20.5%                | 401,611                | 30,617                   | \$1.65               | 51,157            | 105,061             | 96,986             |
| Class C                             | 1,868,480         | 13.7%           | 255,361           | 13.7%                | 252,986                | 3,120                    | \$1.35               | (10,708)          | 26,654              | (34,237)           |
| <b>Cupertino</b>                    | <b>3,935,488</b>  | <b>7.5%</b>     | <b>296,878</b>    | <b>8.4%</b>          | <b>240,112</b>         | <b>92,358</b>            | <b>\$2.89</b>        | <b>160,938</b>    | <b>322,532</b>      | <b>135,064</b>     |
| Class A                             | 2,635,222         | 4.1%            | 107,239           | 5.2%                 | 57,234                 | 79,458                   | \$3.21               | 82,419            | 224,695             | 24,329             |
| Class B                             | 1,278,678         | 14.5%           | 185,833           | 15.0%                | 179,072                | 12,900                   | \$2.25               | 79,738            | 97,837              | 114,541            |
| Class C                             | 21,588            | 17.6%           | 3,806             | 17.6%                | 3,806                  | 0                        | \$1.33               | (1,219)           | 0                   | (3,806)            |
| <b>Sunnyvale</b>                    | <b>5,653,770</b>  | <b>43.2%</b>    | <b>2,442,527</b>  | <b>43.2%</b>         | <b>2,180,786</b>       | <b>261,741</b>           | <b>\$2.51</b>        | <b>227,637</b>    | <b>454,198</b>      | <b>271,519</b>     |
| Class A                             | 4,398,061         | 50.5%           | 2,219,547         | 50.5%                | 1,957,806              | 261,741                  | \$2.71               | 220,952           | 399,477             | 213,747            |
| Class B                             | 624,515           | 19.3%           | 120,591           | 19.3%                | 120,591                | 0                        | \$2.00               | 22,436            | 34,625              | 55,909             |
| Class C                             | 631,194           | 16.2%           | 102,389           | 16.2%                | 102,389                | 0                        | \$1.65               | (15,751)          | 20,096              | 1,863              |
| <b>Mountain View/Los Altos</b>      | <b>5,232,237</b>  | <b>10.5%</b>    | <b>547,247</b>    | <b>11.0%</b>         | <b>544,027</b>         | <b>29,462</b>            | <b>\$3.24</b>        | <b>(130,717)</b>  | <b>81,425</b>       | <b>39,993</b>      |
| Class A                             | 2,678,681         | 7.4%            | 199,475           | 8.4%                 | 201,534                | 22,149                   | \$3.85               | (103,889)         | 20,688              | 501                |
| Class B                             | 2,351,772         | 14.5%           | 339,837           | 14.5%                | 334,558                | 7,313                    | \$2.65               | (25,085)          | 60,737              | 23,840             |
| Class C                             | 201,784           | 3.9%            | 7,935             | 3.9%                 | 7,935                  | 0                        | \$2.00               | (1,743)           | 0                   | 15,652             |
| <b>Palo Alto</b>                    | <b>9,493,140</b>  | <b>9.9%</b>     | <b>935,395</b>    | <b>13.3%</b>         | <b>974,353</b>         | <b>291,972</b>           | <b>\$4.64</b>        | <b>29,882</b>     | <b>238,653</b>      | <b>295,864</b>     |
| Class A                             | 3,216,979         | 7.5%            | 242,091           | 11.6%                | 209,796                | 163,158                  | \$6.00               | (6,141)           | 119,114             | 203,341            |
| Class B                             | 5,629,664         | 11.5%           | 646,354           | 15.0%                | 718,617                | 127,804                  | \$4.00               | 43,287            | 113,280             | 85,558             |
| Class C                             | 646,497           | 7.3%            | 46,950            | 7.3%                 | 45,940                 | 1,010                    | \$3.40               | (7,264)           | 6,259               | 6,965              |
| <b>Fremont</b>                      | <b>2,153,102</b>  | <b>19.1%</b>    | <b>410,806</b>    | <b>20.0%</b>         | <b>414,651</b>         | <b>16,644</b>            | <b>\$1.68</b>        | <b>(15,299)</b>   | <b>56,200</b>       | <b>(29,622)</b>    |
| Class A                             | 542,736           | 26.7%           | 145,013           | 27.5%                | 134,269                | 14,961                   | \$1.95               | 1,970             | 8,944               | 19,382             |
| Class B                             | 985,533           | 18.2%           | 179,025           | 19.8%                | 193,614                | 1,683                    | \$1.65               | (2,414)           | 27,075              | (28,311)           |
| Class C                             | 624,833           | 13.9%           | 86,768            | 13.9%                | 86,768                 | 0                        | \$1.50               | (14,855)          | 20,181              | (20,693)           |
| <b>Silicon Valley Office Market</b> | <b>63,331,576</b> | <b>18.4%</b>    | <b>11,650,264</b> | <b>20.3%</b>         | <b>11,352,086</b>      | <b>1,507,717</b>         | <b>\$2.44</b>        | <b>596,170</b>    | <b>2,287,742</b>    | <b>1,493,937</b>   |
| Class A                             | 32,103,218        | 22.0%           | 7,053,475         | 24.7%                | 6,701,298              | 1,218,966                | \$2.80               | 451,305           | 1,440,590           | 1,099,734          |
| Class B                             | 20,940,697        | 16.3%           | 3,403,897         | 17.7%                | 3,428,022              | 279,632                  | \$2.39               | 209,069           | 677,931             | 404,311            |
| Class C                             | 10,287,661        | 11.6%           | 1,192,892         | 12.0%                | 1,222,766              | 9,119                    | \$1.41               | (64,204)          | 169,221             | (10,108)           |

<sup>1</sup> CBD is comprised of buildings within the San Jose - Downtown submarket<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

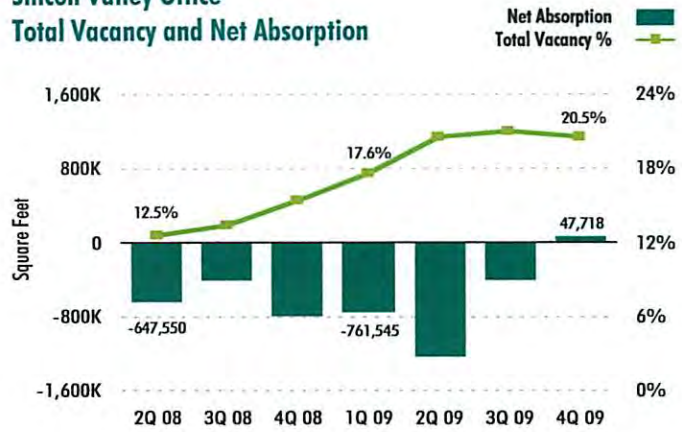
\* Direct Monthly Lease Rates, Full Service Gross



## Silicon Valley Office Average Asking Rates



## Silicon Valley Office Total Vacancy and Net Absorption



## Significant Lease Transactions of the Quarter

| Lessee             | Address                         | Total SF | Class | Type      |
|--------------------|---------------------------------|----------|-------|-----------|
| Juniper Networks   | 1184 N Mathilda Ave, Sunnyvale  | 424,740  | A     | Renewal   |
| Rambus             | 1040 Enterprise Way, Sunnyvale  | 125,000  | A     | Direct    |
| Cortina            | 1376 Bordeaux Dr, Sunnyvale     | 61,921   | A     | Direct    |
| Trend Micro, Inc.  | 10101 N De Anza Blvd, Cupertino | 53,225   | A     | Renewal   |
| Namco              | 1740 Technology Dr, San Jose    | 30,652   | A     | Expansion |
| Hensel Phelps      | 1732 N First St, San Jose       | 27,867   | A     | Renewal   |
| Gartner Technology | 1650 Technology Dr, San Jose    | 23,722   | A     | Sublease  |
| Motorola           | 809 11th Ave, Sunnyvale         | 21,610   | A     | Expansion |
| TrialPay           | 303 Bryant St, Mountain View    | 17,589   | A     | Sublease  |
| URS                | 100 W San Fernando St, San Jose | 16,838   | A     | Direct    |

## Significant Sale Transactions of the Quarter

| Buyer                               | Address                                   | Total SF | Class | Type     |
|-------------------------------------|-------------------------------------------|----------|-------|----------|
| Lane Partners/Walton Street Capital | 20300-20330 Stevens Creek Blvd, Cupertino | 300,041  | A     | Investor |

## Significant Construction

| Project      | City      | Total SF | % Pre-Committed |
|--------------|-----------|----------|-----------------|
| @First       | San Jose  | 561,000  | 100%            |
| 657 Alma St. | Palo Alto | 15,861   | 0%              |
|              |           | 576,861  |                 |





# MarketView

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Fourth Quarter 2009

| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| <b>San Jose - Downtown</b>          | <b>10,525,492</b> | <b>22.5%</b>    | <b>2,365,442</b>  | <b>23.1%</b>         | <b>2,268,469</b>       | <b>158,646</b>           | <b>\$1.96</b>        | <b>(93,198)</b>   | <b>134,528</b>      | <b>(381,848)</b>   |
| CBD <sup>1</sup>                    | 7,896,626         | 25.7%           | 2,030,867         | 26.2%                | 1,915,673              | 156,867                  | \$2.12               | (78,873)          | 117,471             | (323,894)          |
| Class A                             | 4,597,842         | 26.6%           | 1,222,246         | 26.6%                | 1,188,262              | 33,984                   | \$2.55               | (69,215)          | 18,916              | (116,481)          |
| Class B                             | 2,748,161         | 27.3%           | 750,427           | 28.0%                | 669,217                | 98,910                   | \$1.60               | (9,358)           | 98,555              | (189,203)          |
| Class C                             | 550,623           | 10.6%           | 58,194            | 14.9%                | 58,194                 | 23,973                   | \$1.11               | (300)             | 0                   | (18,210)           |
| <b>San Jose - North</b>             | <b>9,297,459</b>  | <b>23.6%</b>    | <b>2,190,705</b>  | <b>26.8%</b>         | <b>2,290,662</b>       | <b>199,530</b>           | <b>\$1.95</b>        | <b>(92,835)</b>   | <b>185,218</b>      | <b>(397,279)</b>   |
| Class A                             | 6,110,609         | 25.9%           | 1,581,977         | 30.7%                | 1,740,884              | 132,768                  | \$2.19               | (27,998)          | 112,935             | (257,479)          |
| Class B                             | 2,153,536         | 20.6%           | 442,771           | 20.9%                | 383,821                | 66,762                   | \$1.65               | (67,287)          | 48,250              | (111,135)          |
| Class C                             | 1,033,314         | 16.1%           | 165,957           | 16.1%                | 165,957                | 0                        | \$1.15               | 2,450             | 24,033              | (28,665)           |
| <b>San Jose - South<sup>2</sup></b> | <b>1,972,617</b>  | <b>10.3%</b>    | <b>202,554</b>    | <b>10.3%</b>         | <b>200,362</b>         | <b>2,192</b>             | <b>\$1.49</b>        | <b>(10,471)</b>   | <b>13,566</b>       | <b>(101,937)</b>   |
| Class A                             | 605,790           | 4.1%            | 24,781            | 4.1%                 | 24,781                 | 0                        | \$1.80               | 0                 | 0                   | (9,801)            |
| Class B                             | 632,548           | 10.3%           | 65,354            | 10.3%                | 63,162                 | 2,192                    | \$1.49               | 1,219             | 5,582               | (34,021)           |
| Class C                             | 734,279           | 15.3%           | 112,419           | 15.3%                | 112,419                | 0                        | \$1.23               | (11,690)          | 7,984               | (58,115)           |
| <b>West Valley<sup>3</sup></b>      | <b>4,914,270</b>  | <b>19.5%</b>    | <b>956,874</b>    | <b>19.6%</b>         | <b>903,370</b>         | <b>59,561</b>            | <b>\$1.79</b>        | <b>40,288</b>     | <b>176,667</b>      | <b>(130,275)</b>   |
| Class A                             | 1,643,573         | 29.1%           | 478,892           | 29.2%                | 454,032                | 26,412                   | \$2.47               | 24,386            | 80,229              | (42,471)           |
| Class B                             | 901,094           | 18.7%           | 168,678           | 19.1%                | 141,963                | 30,582                   | \$1.79               | (8,099)           | 27,963              | (68,798)           |
| Class C                             | 2,369,603         | 13.1%           | 309,304           | 13.1%                | 307,375                | 2,567                    | \$1.31               | 24,001            | 68,475              | (19,006)           |
| <b>IBP/Milpitas</b>                 | <b>1,296,285</b>  | <b>11.1%</b>    | <b>143,769</b>    | <b>13.7%</b>         | <b>145,996</b>         | <b>31,612</b>            | <b>\$1.33</b>        | <b>10,469</b>     | <b>21,297</b>       | <b>(65,600)</b>    |
| Class A                             | 319,655           | 25.7%           | 82,207            | 25.7%                | 53,432                 | 28,775                   | \$1.75               | 7,380             | 12,412              | (49,639)           |
| Class B                             | 350,652           | 11.8%           | 41,402            | 21.5%                | 72,404                 | 2,837                    | \$1.25               | 2,060             | 4,660               | (6,741)            |
| Class C                             | 625,978           | 3.2%            | 20,160            | 3.2%                 | 20,160                 | 0                        | \$1.15               | 1,029             | 4,225               | (9,220)            |
| <b>Santa Clara</b>                  | <b>8,958,651</b>  | <b>21.2%</b>    | <b>1,895,327</b>  | <b>23.0%</b>         | <b>1,501,630</b>       | <b>557,160</b>           | <b>\$1.89</b>        | <b>(107,915)</b>  | <b>95,508</b>       | <b>(858,459)</b>   |
| Class A                             | 4,514,528         | 20.5%           | 927,440           | 23.3%                | 604,310                | 446,483                  | \$2.20               | (97,098)          | 35,824              | (502,684)          |
| Class B                             | 2,510,643         | 29.7%           | 744,817           | 31.3%                | 689,557                | 95,370                   | \$1.70               | 9,508             | 47,330              | (240,448)          |
| Class C                             | 1,933,480         | 11.5%           | 223,070           | 11.5%                | 207,763                | 15,307                   | \$1.43               | (20,325)          | 12,354              | (115,327)          |
| <b>Cupertino</b>                    | <b>3,793,967</b>  | <b>13.7%</b>    | <b>519,680</b>    | <b>13.7%</b>         | <b>440,691</b>         | <b>79,989</b>            | <b>\$2.77</b>        | <b>51,303</b>     | <b>87,397</b>       | <b>(71,482)</b>    |
| Class A                             | 2,598,856         | 9.5%            | 246,555           | 9.5%                 | 189,539                | 57,016                   | \$2.97               | 55,624            | 55,991              | (16,485)           |
| Class B                             | 1,173,523         | 23.3%           | 273,125           | 23.4%                | 251,152                | 22,973                   | \$2.35               | (4,421)           | 27,763              | (54,997)           |
| Class C                             | 21,588            | 0.0%            | 0                 | 0.0%                 | 0                      | 0                        | \$1.33               | 100               | 3,643               | 0                  |
| <b>Sunnyvale</b>                    | <b>5,252,367</b>  | <b>48.9%</b>    | <b>2,567,742</b>  | <b>49.1%</b>         | <b>2,233,895</b>       | <b>344,749</b>           | <b>\$2.36</b>        | <b>241,092</b>    | <b>693,270</b>      | <b>149,922</b>     |
| Class A                             | 3,949,809         | 57.9%           | 2,286,990         | 57.9%                | 1,949,439              | 337,551                  | \$2.55               | 244,823           | 669,564             | 210,701            |
| Class B                             | 671,364           | 26.3%           | 176,500           | 27.7%                | 178,608                | 7,198                    | \$1.93               | 0                 | 11,750              | (36,804)           |
| Class C                             | 631,194           | 16.5%           | 104,252           | 16.8%                | 105,848                | 0                        | \$1.65               | (3,731)           | 11,956              | (23,975)           |
| <b>Mountain View/Los Altos</b>      | <b>5,151,664</b>  | <b>12.9%</b>    | <b>665,382</b>    | <b>13.0%</b>         | <b>516,093</b>         | <b>155,515</b>           | <b>\$2.68</b>        | <b>(77,303)</b>   | <b>127,333</b>      | <b>(327,906)</b>   |
| Class A                             | 2,568,108         | 10.4%           | 267,976           | 10.7%                | 153,274                | 120,928                  | \$3.01               | (54,583)          | 61,458              | (136,357)          |
| Class B                             | 2,381,772         | 15.7%           | 373,819           | 15.7%                | 342,972                | 30,847                   | \$2.43               | (36,296)          | 51,699              | (179,440)          |
| Class C                             | 201,784           | 11.7%           | 23,587            | 11.7%                | 19,847                 | 3,740                    | \$1.32               | 13,576            | 14,176              | (12,109)           |
| <b>Palo Alto</b>                    | <b>9,654,486</b>  | <b>10.6%</b>    | <b>1,020,240</b>  | <b>12.2%</b>         | <b>525,668</b>         | <b>652,368</b>           | <b>\$4.45</b>        | <b>78,866</b>     | <b>181,625</b>      | <b>(119,886)</b>   |
| Class A                             | 3,585,569         | 13.2%           | 473,293           | 17.1%                | 212,533                | 401,586                  | \$5.55               | 63,160            | 81,888              | 111,406            |
| Class B                             | 5,422,420         | 9.1%            | 493,032           | 9.4%                 | 258,585                | 250,782                  | \$3.85               | 10,681            | 80,170              | (211,402)          |
| Class C                             | 646,497           | 8.3%            | 53,915            | 8.4%                 | 54,550                 | 0                        | \$3.35               | 5,025             | 19,567              | (19,890)           |
| <b>Fremont</b>                      | <b>2,153,102</b>  | <b>18.0%</b>    | <b>388,004</b>    | <b>18.0%</b>         | <b>375,060</b>         | <b>13,264</b>            | <b>\$1.85</b>        | <b>7,422</b>      | <b>56,126</b>       | <b>(61,850)</b>    |
| Class A                             | 542,736           | 30.3%           | 164,395           | 30.3%                | 162,462                | 1,933                    | \$2.25               | (10,997)          | 5,345               | (33,464)           |
| Class B                             | 985,533           | 16.0%           | 157,534           | 16.0%                | 149,571                | 7,963                    | \$1.85               | (9,425)           | 18,413              | (23,255)           |
| Class C                             | 624,833           | 10.6%           | 66,075            | 10.6%                | 63,027                 | 3,368                    | \$1.50               | 27,844            | 32,368              | (5,131)            |
| <b>Silicon Valley Office Market</b> | <b>62,970,360</b> | <b>20.5%</b>    | <b>12,915,719</b> | <b>21.7%</b>         | <b>11,401,896</b>      | <b>2,254,586</b>         | <b>\$2.42</b>        | <b>47,718</b>     | <b>1,772,535</b>    | <b>(2,366,600)</b> |
| Class A                             | 31,447,507        | 24.7%           | 7,758,932         | 26.5%                | 6,755,128              | 1,587,436                | \$2.81               | 134,955           | 1,134,562           | (844,934)          |
| Class B                             | 21,066,297        | 18.5%           | 3,903,910         | 19.1%                | 3,415,684              | 618,195                  | \$2.34               | (119,088)         | 433,881             | (1,190,992)        |
| Class C                             | 10,456,556        | 12.0%           | 1,252,877         | 12.2%                | 1,231,084              | 48,955                   | \$1.42               | 31,851            | 204,092             | (330,674)          |

<sup>1</sup> CBD is comprised of buildings within the San Jose - Downtown submarket

<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\* Direct Monthly Lease Rates, Full Service Gross



## Silicon Valley Office Report

www.cbre.com/research

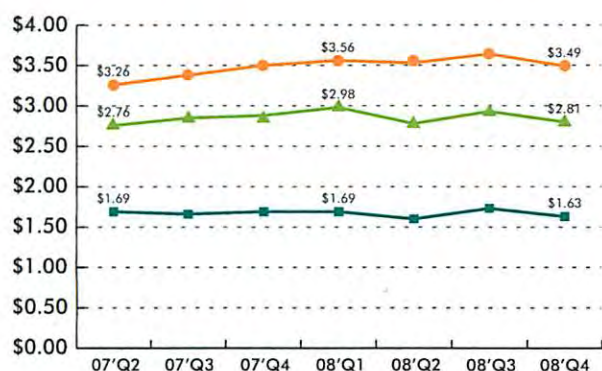
Fourth Quarter 2008

| Submarket                               | NRA               | Total<br>Vacancy<br>Rate | Total<br>Vacant<br>SF | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rate | Q4 Net<br>Absorption | 4Q Gross<br>Absorption | Y-T-D Net<br>Absorption |
|-----------------------------------------|-------------------|--------------------------|-----------------------|-------------------------------|------------------------------|--------------------------------|---------------------------|----------------------|------------------------|-------------------------|
| <b>San Jose - Central</b>               | <b>10,014,460</b> | <b>16.8%</b>             | <b>1,685,462</b>      | <b>17.3%</b>                  | <b>1,679,594</b>             | <b>54,054</b>                  | <b>\$2.37</b>             | <b>(54,813)</b>      | <b>116,261</b>         | <b>(429,452)</b>        |
| <b>CBD</b>                              | <b>7,628,197</b>  | <b>18.3%</b>             | <b>1,393,385</b>      | <b>18.8%</b>                  | <b>1,382,327</b>             | <b>54,054</b>                  | <b>\$2.43</b>             | <b>(59,594)</b>      | <b>68,272</b>          | <b>(415,017)</b>        |
| Class A                                 | 4,455,309         | 18.0%                    | 801,633               | 18.1%                         | 800,280                      | 7,119                          | \$2.83                    | (30,858)             | 34,467                 | (345,322)               |
| Class B                                 | 2,709,238         | 20.8%                    | 563,768               | 22.2%                         | 554,063                      | 46,935                         | \$1.97                    | (28,240)             | 33,805                 | (47,903)                |
| Class C                                 | 463,650           | 6.0%                     | 27,984                | 6.0%                          | 27,984                       | 0                              | \$1.32                    | (496)                | 0                      | (21,792)                |
| <b>San Jose - North</b>                 | <b>8,819,359</b>  | <b>16.2%</b>             | <b>1,428,942</b>      | <b>16.5%</b>                  | <b>1,255,158</b>             | <b>200,791</b>                 | <b>\$2.36</b>             | <b>(287,858)</b>     | <b>180,994</b>         | <b>(493,833)</b>        |
| Class A                                 | 5,593,951         | 15.8%                    | 883,828               | 16.3%                         | 770,512                      | 140,323                        | \$2.67                    | (300,771)            | 95,834                 | (451,680)               |
| Class B                                 | 2,053,972         | 17.7%                    | 363,161               | 17.7%                         | 313,657                      | 49,504                         | \$2.07                    | 42,372               | 79,575                 | 37,256                  |
| Class C                                 | 1,171,436         | 15.5%                    | 181,953               | 15.5%                         | 170,989                      | 10,964                         | \$1.40                    | (29,459)             | 5,585                  | (79,409)                |
| <b>San Jose - South</b>                 | <b>2,171,910</b>  | <b>4.4%</b>              | <b>96,271</b>         | <b>5.4%</b>                   | <b>117,212</b>               | <b>0</b>                       | <b>\$1.77</b>             | <b>31,600</b>        | <b>44,994</b>          | <b>65,582</b>           |
| Class A                                 | 605,790           | 2.5%                     | 14,980                | 2.5%                          | 14,980                       | 0                              | \$2.31                    | 0                    | 0                      | 0                       |
| Class B                                 | 689,548           | 3.4%                     | 23,222                | 3.9%                          | 26,831                       | 0                              | \$1.79                    | 37,534               | 39,963                 | 80,324                  |
| Class C                                 | 876,572           | 6.6%                     | 58,069                | 8.6%                          | 75,401                       | 0                              | \$1.39                    | (5,934)              | 5,031                  | (14,742)                |
| <b>West Valley</b>                      | <b>4,828,580</b>  | <b>17.3%</b>             | <b>833,009</b>        | <b>18.3%</b>                  | <b>813,854</b>               | <b>71,923</b>                  | <b>\$2.14</b>             | <b>(69,544)</b>      | <b>112,789</b>         | <b>(235,909)</b>        |
| Class A                                 | 1,555,653         | 25.1%                    | 391,147               | 26.7%                         | 386,698                      | 28,324                         | \$2.99                    | (68,580)             | 51,676                 | (169,907)               |
| Class B                                 | 863,483           | 15.8%                    | 136,430               | 16.5%                         | 103,096                      | 39,141                         | \$2.22                    | (17,046)             | 18,325                 | (19,075)                |
| Class C                                 | 2,409,444         | 12.7%                    | 305,432               | 13.6%                         | 324,060                      | 4,458                          | \$1.56                    | 16,082               | 42,788                 | (46,927)                |
| <b>IBP/Milpitas</b>                     | <b>1,180,573</b>  | <b>6.2%</b>              | <b>73,669</b>         | <b>7.5%</b>                   | <b>84,233</b>                | <b>4,145</b>                   | <b>\$1.58</b>             | <b>(31,833)</b>      | <b>21,868</b>          | <b>(10,070)</b>         |
| Class A                                 | 319,655           | 13.8%                    | 44,177                | 13.8%                         | 44,177                       | 0                              | \$2.08                    | (28,787)             | 21,368                 | (45,244)                |
| Class B                                 | 339,456           | 5.9%                     | 19,952                | 10.2%                         | 31,824                       | 2,837                          | \$1.60                    | 0                    | 500                    | 22,970                  |
| Class C                                 | 521,462           | 1.8%                     | 9,540                 | 1.8%                          | 8,232                        | 1,308                          | \$1.27                    | (3,046)              | 0                      | 12,204                  |
| <b>Santa Clara</b>                      | <b>8,624,166</b>  | <b>13.1%</b>             | <b>1,130,490</b>      | <b>14.0%</b>                  | <b>1,077,867</b>             | <b>128,700</b>                 | <b>\$2.45</b>             | <b>(95,669)</b>      | <b>244,591</b>         | <b>(367,554)</b>        |
| Class A                                 | 4,195,310         | 10.5%                    | 439,325               | 11.5%                         | 421,545                      | 59,423                         | \$2.95                    | (23,164)             | 173,393                | (114,907)               |
| Class B                                 | 2,555,643         | 22.5%                    | 576,102               | 23.7%                         | 555,640                      | 50,371                         | \$2.25                    | (85,108)             | 46,080                 | (241,098)               |
| Class C                                 | 1,873,213         | 6.1%                     | 115,063               | 6.4%                          | 100,682                      | 18,906                         | \$1.61                    | 12,603               | 25,118                 | (11,549)                |
| <b>Cupertino</b>                        | <b>3,805,203</b>  | <b>9.8%</b>              | <b>372,078</b>        | <b>9.9%</b>                   | <b>273,222</b>               | <b>103,303</b>                 | <b>\$3.25</b>             | <b>18,107</b>        | <b>81,922</b>          | <b>(186,995)</b>        |
| Class A                                 | 2,518,227         | 5.8%                     | 145,858               | 5.8%                          | 62,298                       | 83,560                         | \$3.57                    | 44,872               | 62,170                 | (1,241)                 |
| Class B                                 | 1,246,575         | 18.0%                    | 224,488               | 18.4%                         | 209,192                      | 19,743                         | \$2.65                    | (25,033)             | 17,991                 | (186,253)               |
| Class C                                 | 40,401            | 4.3%                     | 1,732                 | 4.3%                          | 1,732                        | 0                              | \$1.78                    | (1,732)              | 1,761                  | 499                     |
| <b>Sunnyvale</b>                        | <b>4,598,806</b>  | <b>44.3%</b>             | <b>2,034,989</b>      | <b>44.3%</b>                  | <b>1,696,839</b>             | <b>338,150</b>                 | <b>\$3.07</b>             | <b>(31,393)</b>      | <b>48,001</b>          | <b>149,450</b>          |
| Class A                                 | 3,238,486         | 55.7%                    | 1,804,490             | 55.7%                         | 1,467,749                    | 336,741                        | \$3.47                    | (39,454)             | 5,726                  | 22,513                  |
| Class B                                 | 686,406           | 20.9%                    | 143,132               | 20.9%                         | 143,132                      | 0                              | \$2.49                    | 15,414               | 32,465                 | 108,571                 |
| Class C                                 | 673,914           | 13.0%                    | 87,367                | 13.0%                         | 85,958                       | 1,409                          | \$1.71                    | (7,353)              | 9,810                  | 18,366                  |
| <b>Mountain View/Los Altos</b>          | <b>5,111,475</b>  | <b>7.5%</b>              | <b>382,957</b>        | <b>7.6%</b>                   | <b>344,531</b>               | <b>41,396</b>                  | <b>\$3.50</b>             | <b>(24,694)</b>      | <b>97,513</b>          | <b>2,061</b>            |
| Class A                                 | 2,511,858         | 4.6%                     | 115,051               | 4.6%                          | 99,741                       | 15,310                         | \$4.02                    | (26,116)             | 5,320                  | 15,215                  |
| Class B                                 | 2,430,833         | 10.5%                    | 256,428               | 10.7%                         | 233,312                      | 26,086                         | \$3.06                    | 1,322                | 90,588                 | (24,634)                |
| Class C                                 | 168,784           | 6.8%                     | 11,478                | 6.8%                          | 11,478                       | 0                              | \$1.99                    | 100                  | 1,605                  | 11,480                  |
| <b>Palo Alto</b>                        | <b>8,391,754</b>  | <b>9.4%</b>              | <b>790,913</b>        | <b>11.3%</b>                  | <b>503,030</b>               | <b>449,020</b>                 | <b>\$5.60</b>             | <b>(237,192)</b>     | <b>142,426</b>         | <b>(365,637)</b>        |
| Class A                                 | 3,734,789         | 13.3%                    | 495,547               | 13.8%                         | 191,293                      | 322,835                        | \$6.50                    | (249,587)            | 82,021                 | (284,682)               |
| Class B                                 | 4,088,771         | 6.4%                     | 262,856               | 9.5%                          | 263,667                      | 126,185                        | \$4.95                    | 1,195                | 44,690                 | (55,625)                |
| Class C                                 | 568,194           | 5.7%                     | 32,510                | 8.5%                          | 48,070                       | 0                              | \$4.29                    | 11,200               | 15,715                 | (25,330)                |
| <b>Fremont</b>                          | <b>2,153,102</b>  | <b>15.4%</b>             | <b>330,532</b>        | <b>17.4%</b>                  | <b>344,171</b>               | <b>30,877</b>                  | <b>\$1.90</b>             | <b>(21,740)</b>      | <b>14,884</b>          | <b>(62,980)</b>         |
| Class A                                 | 542,736           | 24.6%                    | 133,378               | 25.5%                         | 125,788                      | 12,681                         | \$2.25                    | (13,915)             | 7,364                  | (12,303)                |
| Class B                                 | 985,533           | 13.8%                    | 136,210               | 14.4%                         | 129,127                      | 12,642                         | \$1.95                    | 814                  | 6,220                  | (29,794)                |
| Class C                                 | 624,833           | 9.8%                     | 60,944                | 15.2%                         | 89,256                       | 5,554                          | \$1.50                    | (8,639)              | 1,300                  | (20,883)                |
| <b>Silicon Valley<br/>Office Market</b> | <b>59,699,388</b> | <b>15.3%</b>             | <b>9,159,312</b>      | <b>16.1%</b>                  | <b>8,189,711</b>             | <b>1,422,359</b>               | <b>\$2.94</b>             | <b>(805,029)</b>     | <b>1,106,243</b>       | <b>(1,935,337)</b>      |
| Class A                                 | 29,456,804        | 17.9%                    | 5,269,414             | 18.3%                         | 4,385,061                    | 1,006,316                      | \$3.49                    | (736,360)            | 539,339                | (1,387,558)             |
| Class B                                 | 19,773,409        | 14.6%                    | 2,890,908             | 15.8%                         | 2,748,700                    | 373,444                        | \$2.81                    | (45,910)             | 443,679                | (347,455)               |
| Class C                                 | 10,469,175        | 9.5%                     | 998,990               | 10.5%                         | 1,055,950                    | 42,599                         | \$1.63                    | (22,759)             | 123,225                | (200,324)               |



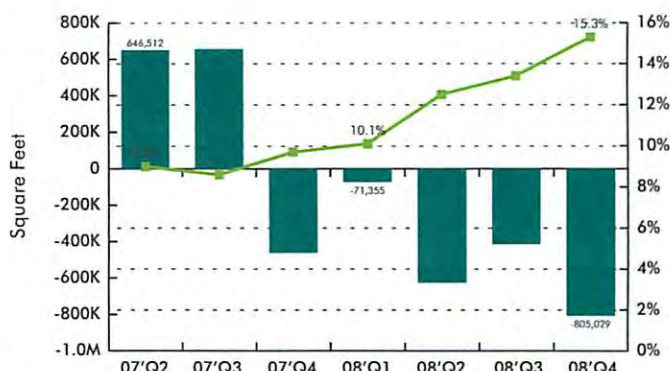
## Silicon Valley Average Asking Rates

Class A  
Class B  
Class C



## Silicon Valley Vacancy and Net Absorption

Net Absorption  
Historical Vacancy



## Significant Lease Transactions of the Quarter

| Lessee                          | Address                              | Square Feet | Class | Type              |
|---------------------------------|--------------------------------------|-------------|-------|-------------------|
| Citrix                          | 4555 Great America Pkwy, Santa Clara | 51,593      | A     | Sublease          |
| Morgan Lewis                    | 3000 El Camino Real, Palo Alto       | 67,715      | A     | Renewal/Expansion |
| Aeris Communications            | 2033 Gateway Pl, San Jose            | 23,233      | A     | Direct            |
| Osram Opto Semiconductors       | 1150 Kifer Rd, Sunnyvale             | 22,698      | B     | Direct            |
| Alfa Tech Consulting            | 97 E Brokaw Rd, San Jose             | 19,722      | B     | Renewal           |
| Palo Alto Medical Foundation    | 2350 W El Camino Real, Mountain View | 18,295      | B     | Direct            |
| Global Knowledge                | 5201 Great America Pkwy, Santa Clara | 15,838      | A     | Renewal           |
| Bank of America                 | 560 S Winchester Blvd, San Jose      | 13,533      | A     | Renewal           |
| Johanson & Yau Accountancy Corp | 160 W Santa Clara St, San Jose       | 10,774      | A     | Renewal           |
| Numonyx, Inc.                   | 2550 N First St, San Jose            | 10,450      | B     | Direct            |

## Significant Construction

| Project                          | City      | Total SF  | %Pre-Committed |
|----------------------------------|-----------|-----------|----------------|
| Moffett Tower                    | Sunnyvale | 676,513   | 0              |
| The Office at Downtown Sunnyvale | Sunnyvale | 336,699   | 0              |
| 300 Park Ave, RiverPark Tower II | San Jose  | 319,000   | 0              |
| University Plaza                 | Palo Alto | 183,178   | 0              |
| 10900 N Tantau                   | Cupertino | 102,540   | 0              |
| 300 Santana Row                  | San Jose  | 65,000    | 0              |
| 325 Lytton Ave.                  | Palo Alto | 32,575    | 0              |
|                                  |           | 1,715,505 |                |



# Silicon Valley Market

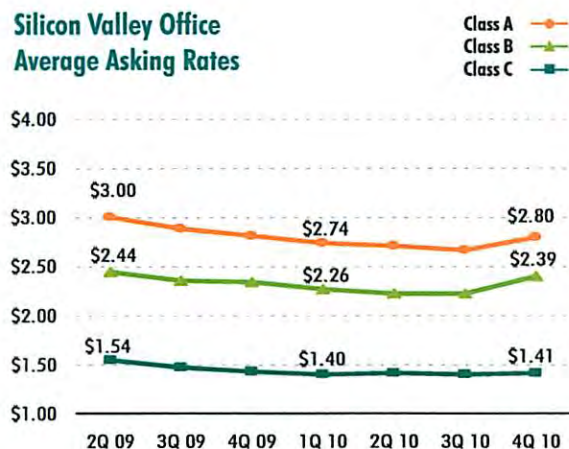
## OFFICE REPORT

FOURTH QUARTER 2007

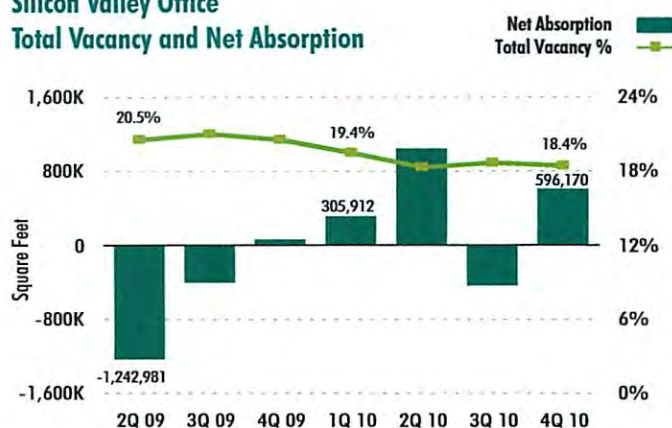
| Submarkets                              | NRA               | Total<br>Vacancy<br>Rate | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4<br>Net<br>Absorption | Q4<br>Gross<br>Absorption | Y-T-D<br>Net<br>Absorption | Under<br>Construction |
|-----------------------------------------|-------------------|--------------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|-------------------------|---------------------------|----------------------------|-----------------------|
| <b>San Jose - Central</b>               | <b>10,031,411</b> | <b>13.0%</b>             | <b>13.7%</b>                  | <b>1,296,699</b>             | <b>79,178</b>                  | <b>\$2.24</b>              | <b>(51,836)</b>         | <b>211,048</b>            | <b>562,245</b>             | <b>319,000</b>        |
| <b>CBD</b>                              | <b>7,653,232</b>  | <b>13.6%</b>             | <b>14.4%</b>                  | <b>1,026,795</b>             | <b>73,272</b>                  | <b>\$2.51</b>              | <b>(6,373)</b>          | <b>112,107</b>            | <b>562,078</b>             | <b>319,000</b>        |
| Class A                                 | 4,480,344         | 10.3%                    | 10.5%                         | 431,475                      | 38,321                         | \$2.93                     | (22,266)                | 53,999                    | 476,263                    | 319,000               |
| Class B                                 | 2,709,238         | 19.9%                    | 21.1%                         | 543,804                      | 28,441                         | \$2.01                     | 33,833                  | 56,258                    | 110,745                    | 0                     |
| Class C                                 | 463,650           | 8.6%                     | 12.5%                         | 51,516                       | 6,510                          | \$1.32                     | (17,940)                | 1,850                     | (24,930)                   | 0                     |
| <b>San Jose - North</b>                 | <b>8,661,912</b>  | <b>11.1%</b>             | <b>14.6%</b>                  | <b>1,064,454</b>             | <b>196,912</b>                 | <b>\$2.59</b>              | <b>(147,561)</b>        | <b>142,192</b>            | <b>(162,171)</b>           | <b>0</b>              |
| Class A                                 | 5,589,765         | 7.7%                     | 12.3%                         | 544,426                      | 141,160                        | \$2.97                     | (115,279)               | 49,035                    | (95,141)                   | 0                     |
| Class B                                 | 1,900,711         | 21.7%                    | 23.0%                         | 392,546                      | 43,785                         | \$2.18                     | (46,742)                | 69,699                    | (89,889)                   | 0                     |
| Class C                                 | 1,171,436         | 9.7%                     | 11.9%                         | 127,482                      | 11,967                         | \$1.47                     | 14,460                  | 23,458                    | 22,859                     | 0                     |
| <b>San Jose - South</b>                 | <b>2,175,737</b>  | <b>8.7%</b>              | <b>9.3%</b>                   | <b>176,057</b>               | <b>25,312</b>                  | <b>\$1.91</b>              | <b>(77,662)</b>         | <b>46,924</b>             | <b>(144,324)</b>           | <b>0</b>              |
| Class A                                 | 605,790           | 2.5%                     | 2.5%                          | 14,980                       | 0                              | \$2.53                     | 0                       | 0                         | (11,416)                   | 0                     |
| Class B                                 | 693,375           | 17.1%                    | 17.7%                         | 98,481                       | 23,946                         | \$1.92                     | (65,929)                | 36,463                    | (107,598)                  | 0                     |
| Class C                                 | 876,572           | 6.4%                     | 7.3%                          | 62,596                       | 1,366                          | \$1.47                     | (11,733)                | 10,461                    | (21,986)                   | 0                     |
| <b>West Valley</b>                      | <b>4,796,863</b>  | <b>12.4%</b>             | <b>13.0%</b>                  | <b>541,316</b>               | <b>79,950</b>                  | <b>\$2.38</b>              | <b>(74,426)</b>         | <b>179,872</b>            | <b>(110,089)</b>           | <b>0</b>              |
| Class A                                 | 1,540,554         | 14.6%                    | 15.6%                         | 203,834                      | 36,112                         | \$3.15                     | (46,123)                | 68,369                    | (46,225)                   | 0                     |
| Class B                                 | 848,590           | 13.1%                    | 13.5%                         | 106,078                      | 8,348                          | \$2.31                     | 4,627                   | 74,977                    | 3,480                      | 0                     |
| Class C                                 | 2,407,719         | 10.7%                    | 11.1%                         | 231,404                      | 35,490                         | \$1.67                     | (32,930)                | 36,526                    | (67,344)                   | 0                     |
| <b>IBP/Milpitas</b>                     | <b>1,193,036</b>  | <b>8.0%</b>              | <b>9.3%</b>                   | <b>105,000</b>               | <b>6,486</b>                   | <b>\$1.66</b>              | <b>26,197</b>           | <b>45,202</b>             | <b>32,426</b>              | <b>0</b>              |
| Class A                                 | 356,618           | 9.2%                     | 9.2%                          | 27,663                       | 5,178                          | \$2.19                     | (13,759)                | 3,534                     | (7,778)                    | 0                     |
| Class B                                 | 332,756           | 10.9%                    | 15.7%                         | 52,222                       | 0                              | \$1.68                     | 40,227                  | 26,414                    | 24,966                     | 0                     |
| Class C                                 | 503,662           | 5.2%                     | 5.2%                          | 25,115                       | 1,308                          | \$1.27                     | (271)                   | 15,254                    | 15,238                     | 0                     |
| <b>Santa Clara</b>                      | <b>8,811,504</b>  | <b>10.4%</b>             | <b>11.9%</b>                  | <b>815,255</b>               | <b>231,076</b>                 | <b>\$2.59</b>              | <b>48,607</b>           | <b>153,886</b>            | <b>(5,095)</b>             | <b>0</b>              |
| Class A                                 | 4,532,738         | 9.5%                     | 10.1%                         | 293,765                      | 166,238                        | \$3.21                     | 918                     | 50,854                    | (15,827)                   | 0                     |
| Class B                                 | 2,329,119         | 14.9%                    | 19.0%                         | 382,819                      | 60,551                         | \$2.23                     | 60,042                  | 72,307                    | (12,447)                   | 0                     |
| Class C                                 | 1,949,647         | 7.0%                     | 7.3%                          | 138,671                      | 4,287                          | \$1.56                     | (12,353)                | 30,725                    | 23,179                     | 0                     |
| <b>Cupertino</b>                        | <b>3,745,533</b>  | <b>3.2%</b>              | <b>3.4%</b>                   | <b>41,516</b>                | <b>84,947</b>                  | <b>\$3.12</b>              | <b>(45,019)</b>         | <b>57,143</b>             | <b>(14,397)</b>            | <b>59670</b>          |
| Class A                                 | 2,458,557         | 3.5%                     | 3.5%                          | 1,050                        | 84,947                         | \$3.41                     | (60,200)                | 15,432                    | (37,551)                   | 59670                 |
| Class B                                 | 1,246,575         | 2.6%                     | 3.1%                          | 38,235                       | 0                              | \$2.58                     | 14,472                  | 34,686                    | 19,346                     | 0                     |
| Class C                                 | 40,401            | 5.5%                     | 5.5%                          | 2,231                        | 0                              | \$1.78                     | 709                     | 7,025                     | 3,808                      | 0                     |
| <b>Sunnyvale</b>                        | <b>3,085,684</b>  | <b>16.9%</b>             | <b>17.7%</b>                  | <b>239,838</b>               | <b>305,061</b>                 | <b>\$2.67</b>              | <b>(39,334)</b>         | <b>60,025</b>             | <b>(17,513)</b>            | <b>1,190,442</b>      |
| Class A                                 | 2,078,532         | 19.0%                    | 19.0%                         | 89,796                       | 305,061                        | \$3.05                     | (23,093)                | 0                         | (33,827)                   | 1,190,442             |
| Class B                                 | 289,797           | 6.9%                     | 7.4%                          | 21,348                       | 0                              | \$2.20                     | 3,653                   | 9,894                     | 16,491                     | 0                     |
| Class C                                 | 717,355           | 14.7%                    | 17.9%                         | 128,694                      | 0                              | \$1.77                     | (19,894)                | 50,131                    | (177)                      | 0                     |
| <b>Mountain View/Los Altos</b>          | <b>5,094,209</b>  | <b>7.3%</b>              | <b>7.8%</b>                   | <b>347,614</b>               | <b>44,882</b>                  | <b>\$3.45</b>              | <b>(28,771)</b>         | <b>106,534</b>            | <b>104,823</b>             | <b>0</b>              |
| Class A                                 | 2,511,858         | 5.2%                     | 5.4%                          | 106,289                      | 28,747                         | \$3.92                     | (4,883)                 | 36,939                    | 58,124                     | 0                     |
| Class B                                 | 2,413,567         | 9.0%                     | 9.8%                          | 217,095                      | 16,135                         | \$3.06                     | (27,742)                | 65,141                    | 51,060                     | 0                     |
| Class C                                 | 168,784           | 13.6%                    | 14.4%                         | 24,230                       | 0                              | \$2.09                     | 3,854                   | 4,454                     | (4,361)                    | 0                     |
| <b>Palo Alto</b>                        | <b>8,121,196</b>  | <b>4.1%</b>              | <b>5.3%</b>                   | <b>351,985</b>               | <b>78,910</b>                  | <b>\$5.57</b>              | <b>(57,330)</b>         | <b>345,224</b>            | <b>670,027</b>             | <b>153,917</b>        |
| Class A                                 | 3,431,981         | 4.0%                     | 4.7%                          | 88,125                       | 72,008                         | \$6.50                     | (56,089)                | 76,955                    | 527,141                    | 109,075               |
| Class B                                 | 4,121,021         | 4.6%                     | 6.2%                          | 249,819                      | 6,552                          | \$5.00                     | (12,735)                | 256,775                   | 127,456                    | 44,842                |
| Class C                                 | 568,194           | 1.3%                     | 2.5%                          | 14,041                       | 350                            | \$4.02                     | 11,494                  | 11,494                    | 15,430                     | 0                     |
| <b>Fremont</b>                          | <b>2,428,815</b>  | <b>10.7%</b>             | <b>13.0%</b>                  | <b>236,851</b>               | <b>77,976</b>                  | <b>\$2.24</b>              | <b>(11,616)</b>         | <b>30,472</b>             | <b>(71,474)</b>            | <b>0</b>              |
| Class A                                 | 521,645           | 19.2%                    | 19.2%                         | 85,926                       | 14,149                         | \$2.46                     | 21,934                  | 21,934                    | (7,003)                    | 0                     |
| Class B                                 | 1,053,533         | 10.3%                    | 15.2%                         | 103,530                      | 57,109                         | \$2.07                     | (3,876)                 | 7,301                     | (22,871)                   | 0                     |
| Class C                                 | 853,637           | 6.2%                     | 6.3%                          | 47,395                       | 6,718                          | \$1.76                     | (29,674)                | 1,237                     | (41,600)                   | 0                     |
| <b>Silicon Valley<br/>Office Market</b> | <b>58,145,900</b> | <b>9.7%</b>              | <b>11.1%</b>                  | <b>5,216,585</b>             | <b>1,210,690</b>               | <b>\$2.96</b>              | <b>(458,751)</b>        | <b>1,311,553</b>          | <b>844,458</b>             | <b>1,723,029</b>      |
| Class A                                 | 28,293,422        | 8.6%                     | 9.8%                          | 1,887,329                    | 891,921                        | \$3.50                     | (337,579)               | 378,801                   | 825,349                    | 1,678,187             |
| Class B                                 | 19,048,910        | 12.2%                    | 13.9%                         | 2,399,014                    | 250,773                        | \$2.88                     | (29,692)                | 729,947                   | 81,725                     | 44,842                |
| Class C                                 | 10,803,568        | 8.3%                     | 9.2%                          | 930,242                      | 67,996                         | \$1.69                     | (91,480)                | 202,805                   | (62,616)                   | 0                     |



### Silicon Valley Office Average Asking Rates



### Silicon Valley Office Total Vacancy and Net Absorption



### Significant Lease Transactions of the Quarter

| Lessee                                  | Address                              | Total SF | Class | Type              |
|-----------------------------------------|--------------------------------------|----------|-------|-------------------|
| Broadcom                                | 100, 150, 190 Mathilda Pl, Sunnyvale | 257,184  | A     | Renewal/Expansion |
| Price Waterhouse Coopers                | 488 Almaden Blvd, San Jose           | 209,151  | A     | Direct            |
| LAB 126                                 | 10201 Torre Ave, Cupertino           | 88,580   | B     | Direct            |
| Apple                                   | 20300 Stevens Creek Blvd, Cupertino  | 79,432   | A     | Direct            |
| Tellabs Operations, Inc.                | 4555 Great America Pkwy, Santa Clara | 74,453   | A     | Expansion         |
| Arista Networks                         | 5450 Great America Pkwy, Santa Clara | 66,137   | A     | Sublease          |
| Sonic Solutions                         | 455 El Camino Real, Santa Clara      | 45,550   | A     | Renewal           |
| Plaxo Inc.                              | 1050 Enterprise Wy, Sunnyvale        | 40,448   | A     | Direct            |
| SuVolta, Inc.                           | 130 Knowles Blvd, Los Gatos          | 33,720   | B     | Direct            |
| Sheppard, Mullin, Richter & Hampton LLP | 379 Lytton Ave, Palo Alto            | 29,705   | A     | Direct            |

### Significant Sale Transactions of the Quarter

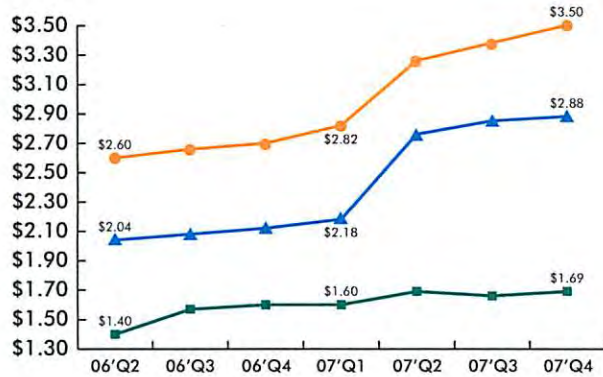
| Buyer              | Address                             | Total SF  | Class | Type     |
|--------------------|-------------------------------------|-----------|-------|----------|
| Apple              | HP Cupertino                        | 1,453,828 | N/A   | User     |
| Seagate Technology | 10200 South De Anza Blvd, Cupertino | 142,276   | A     | User     |
| Seagate Properties | 2465 Latham St, Mountain View       | 43,377    | A     | Investor |

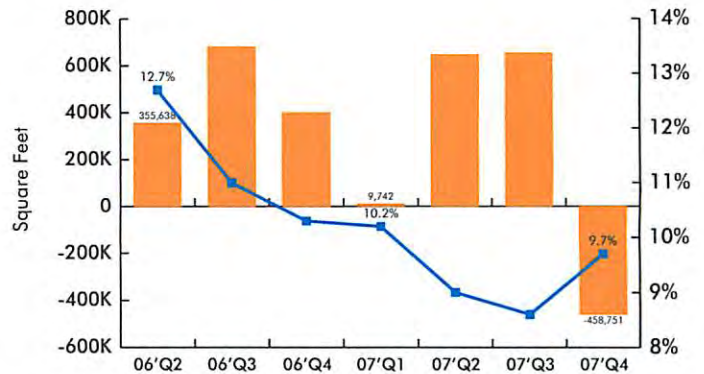
### Significant Construction

| Project                | City      | Total SF | % Pre-Committed |
|------------------------|-----------|----------|-----------------|
| Network Appliance Inc. | Sunnyvale | 175,000  | 100%            |
| 245 Lytton Ave         | Palo Alto | 30,500   | 0%              |



**SILICON VALLEY  
OFFICE PROPERTY LEASE RATES**

 Class A  
Class B  
Class C

**SILICON VALLEY  
VACANCY AND NET ABSORPTION**

 Net Absorption  
Historical Vacancy

**Significant Transactions of the Quarter**
**Sale Transactions**

| Address              | City          | Buyer                | Total SF |
|----------------------|---------------|----------------------|----------|
| 150 Almaden Blvd     | San Jose      | BPG Properties, Ltd. | 652,872  |
| 100 Mathilda Place   | Sunnyvale     | JP Morgan            | 468,710  |
| 1801 Page Mill Rd.   | Palo Alto     | Lionstone            | 199,100  |
| 20 S Santa Cruz      | Los Gatos     | D&K Holdings, LLC    | 43,367   |
| 399 W El Camino Real | Mountain View | The Swig Company     | 24,865   |

**Lease Transactions**

| Address                  | City       | Lessee                | Total SF |
|--------------------------|------------|-----------------------|----------|
| 2450 Watson Ct.          | Palo Alto  | Stanford University   | 70,000   |
| 910 E Hamilton Avenue    | Campbell   | Move, Inc.            | 29,767   |
| 2560 N First Street      | San Jose   | MCI Communications    | 29,179   |
| 160 W Santa Clara Street | San Jose   | CUIAB                 | 23,804   |
| 1150 Kifer Rd.           | Sunnyvale  | Motorola, Inc.        | 23,284   |
| 160 Scott Drive          | Menlo Park | Latham Watkins        | 21,360   |
| 75 E Santa Clara Street  | San Jose   | Global Netoptex, Inc. | 20,401   |
| 60 S. Market             | San Jose   | Burr, Pilger, Mayer   | 17,108   |

**Significant Construction**

| Address                               | City      | Total SF |
|---------------------------------------|-----------|----------|
| Moffett Tower                         | Sunnyvale | 900,600  |
| 339 W. San Carlos, RiverPark Tower II | San Jose  | 319,000  |
| 525 Almanor                           | Sunnyvale | 166,000  |
| 1376-1380 Bordeaux Dr.                | Sunnyvale | 123,842  |
| 2450 Watson Ct                        | Palo Alto | 77,956   |
| 10495 N. De Anza Blvd.                | Cupertino | 59,670   |
| 250-260 Homer Ave                     | Palo Alto | 34,342   |
| 325 Lytton                            | Palo Alto | 31,119   |

**SILICON VALLEY**

CB Richard Ellis, Inc.  
225 West Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)

**PALO ALTO**

CB Richard Ellis, Inc.  
Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
main: 650.494.5100  
fax: 650.494.5102  
[www.cbre.com/paloalto](http://www.cbre.com/paloalto)

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## SILICON VALLEY SUBMARKET MAP



## MARKET AREA DESCRIPTIONS

- Campbell consists of 1.9 million square feet (3.3%) of the office market NRA.
- Cupertino consists of 3.7 million square feet (6.4%) of the office market NRA.
- Central San Jose consists of 10.0 million square feet (17.3%) of the office market NRA.
- E. San Jose consists of 0.1 million square feet (0.2%) of the office market NRA.
- I.B.P. consists of 0.2 million square feet (0.3%) of the office market NRA.
- Los Altos consists of 0.8 million square feet (1.5%) of the office market NRA.
- Los Gatos consists of 1.1 million square feet (1.8%) of the office market NRA.
- Meridian consists of 1.0 million square feet (1.7%) of the office market NRA.
- Milpitas consists of 1.0 million square feet (1.7%) of the office market NRA.
- Mountain View consists of 4.3 million square feet (7.3%) of the office market NRA.
- N. San Jose consists of 8.7 million square feet (14.9%) of the office market NRA.
- Palo Alto consists of 8.1 million square feet (14.0%) of the office market NRA.
- S. San Jose consists of 1.1 million square feet (1.9%) of the office market NRA.
- Santa Clara consists of 8.8 million square feet (15.2%) of the office market NRA.
- Saratoga\* consists of 0.2 million square feet (0.4%) of the office market NRA.
- Sunnyvale consists of 3.1 million square feet (5.3%) of the office market NRA.
- Winchester\* consists of 1.6 million square feet (2.7%) of the office market NRA.
- Fremont consists of 2.4 million square feet (4.2%) of the office market NRA.

## LOCAL OFFICES

## SAN FRANCISCO

PENINSULA  
950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

## OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

## PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA 94588  
1.925.251.4600

## SAN FRANCISCO

DOWNTOWN  
101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

## SILICON VALLEY

225 W. Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
1.408.453.7400

## PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.494.5100

## WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

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## AVAILABLE SQUARE FEET

Vacant Square Feet plus space that is marketed as available but not currently vacant, plus sublease space.

## AVAILABILITY RATE

Available Square Feet divided by the NRA.

## AVERAGE ASKING DIRECT LEASE RATE

The rate determined by multiplying the asking full service lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

## FULL SERVICE LEASES

Includes all lease types whereby the Landlord assumes responsibility for all of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

## MARKET COVERAGE

Includes office buildings 10,000 square feet and larger located within defined submarkets. It excludes medical office buildings and government owned office buildings.

## NET ABSORPTION

The change in Occupied Square Feet from one period to the next.

## NET RENTABLE AREA (NRA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

## OCCUPIED SQUARE FEET

NRA not considered vacant.

## UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by foundation work.

## VACANCY RATE

Vacant Square Feet divided by the NRA.

## VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available. Includes sublease space.

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# MarketView

## Silicon Valley Office

FOURTH QUARTER 2007

The Silicon Valley Office market ended 2007 with the first signs of a slowdown in overall activity. After bucking the national trend for most of 2007, the Silicon Valley witnessed reduced levels of sale and lease activity during the fourth quarter. Uncertain economic conditions have resulted in reduced levels of investor confidence. Future government assistance programs in the sub-prime credit markets may improve confidence in the near future but concerns remain over the length of the expected economic slowdown.

*Overall 2007 was a very strong year with Class A space contributing 825,349 square feet of positive net absorption and single digit vacancy and availability levels. However, reduced levels of corporate growth and increased available space produced slightly negative results to close the year.*

After seven consecutive quarters of positive net absorption, the market experienced its first decline with 458,751 square feet of negative absorption, reducing YTD positive absorption to 844,458 square feet. The market continues to report tight levels of vacancy and available space after increasing 110 basis points each to 9.7% and 11.1% in the fourth quarter, but declining 60 bps and 20 bps overall this year. After a record year of job growth and business expansion, at year end many corporations opted to stay in their current positions, leading to reduced overall activity.

The North San Jose market was the most stagnant, with negative net absorption of 147,561 square feet. Vacancy and availability rose 230 and 460 basis points, respectively. West Valley and South San

Jose were the other primary contributors to negative absorption levels with a combined 152,088 square feet of negative absorption. Major leasing deals of the quarter included Stanford University leasing 70,000 square feet in Palo Alto, Move, Inc. occupying 29,767 square feet in Campbell, and MCI Communications taking 29,179 square feet in San Jose. The most noteworthy sale transactions in the market included BPG Properties 652,872 square foot purchase of Park Center Plaza in downtown San Jose, JP Morgan's 468,710 square foot purchase of 100 Mathilda in Sunnyvale, and Lionstone's 199,100 square foot purchase at 1801 Page Mill Road in Palo Alto.

Overall 2007 was a very strong year with Class A space contributing 825,349 square feet of positive net absorption and single digit vacancy and availability levels. However,

reduced levels of corporate growth and increased available space produced slightly negative results to close the year. After successfully weathering a hazy national economic landscape with twelve consecutive positive quarters of growth, we are beginning to see a modest retraction. Market asking rates have increased 26% in 2007 and are expected to continue to grow, albeit at a more stable pace. As evidence of strong demand for Class A space, construction activity is pushing forward while infusing the market with desirable space.

## QUICK STATS

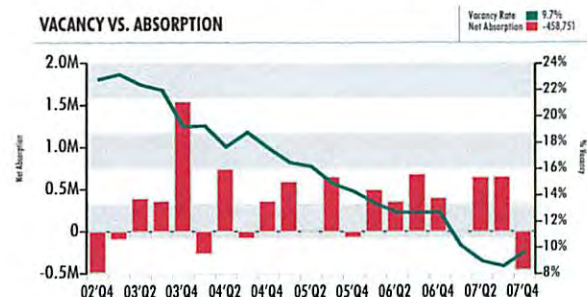
|                          |         | Change from last |
|--------------------------|---------|------------------|
|                          | Current | Yr. Qtr.         |
| Vacancy                  | 9.7%    | ↓ ↑              |
| Lease Rates              | \$2.96  | ↑ ↑              |
| Net Absorption*          | -458.8K | ↓ ↓              |
| Construction Completions | 164K    | ↔ ↑              |

\* The Quick Stats shows six trend indicators over the specified time period and do not represent a positive or negative value. E.g. absorption could be negative, but still represent a positive trend over a specific period.

## HOT TOPICS

- Availability increased by 110 basis points to 11.1%
- Negative net absorption for the first time in seven quarters
- > 840,000 square feet of positive net absorption in 2007
- Available sublease space increased 2.2% to 18.9%
- Thirteenth consecutive quarter of asking rate increases

## VACANCY VS. ABSORPTION



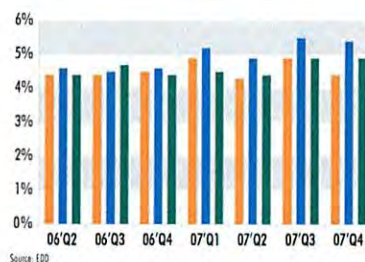
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| SUBMARKET                           | NET RENTABLE AREA | TOTAL VACANCY RATE | TOTAL AVAILABILITY RATE | AVG. ASKING RATE |               | Q4 NET ABSORPTION | YTD NET ABSORPTION |
|-------------------------------------|-------------------|--------------------|-------------------------|------------------|---------------|-------------------|--------------------|
|                                     |                   |                    |                         | CLASS A          | CLASS B       |                   |                    |
| Central San Jose                    | 10,031,411        | 13.0%              | 13.7%                   | \$2.71           | \$2.01        | (51,836)          | 562,245            |
| North San Jose                      | 8,661,912         | 11.1%              | 14.8%                   | \$2.97           | \$2.18        | (147,561)         | (162,171)          |
| South San Jose                      | 2,175,737         | 8.7%               | 9.3%                    | \$2.53           | \$1.92        | (77,662)          | (144,324)          |
| West Valley                         | 4,796,863         | 12.4%              | 13.0%                   | \$3.15           | \$2.31        | (74,426)          | (110,089)          |
| San Jose IBP / Milpitas             | 1,193,036         | 8.0%               | 9.3%                    | \$2.19           | \$1.68        | 26,197            | 32,426             |
| Santa Clara                         | 8,811,504         | 10.4%              | 11.9%                   | \$3.21           | \$2.23        | 48,607            | (5,095)            |
| Cupertino                           | 3,745,533         | 3.2%               | 3.4%                    | \$3.41           | \$2.58        | (45,019)          | (14,397)           |
| Sunnyvale                           | 3,085,684         | 16.9%              | 17.7%                   | \$3.05           | \$2.20        | (39,334)          | (17,513)           |
| Mt. View / Los Altos                | 5,094,209         | 7.3%               | 7.8%                    | \$3.92           | \$3.06        | (28,771)          | 104,823            |
| Palo Alto                           | 8,121,196         | 4.1%               | 5.3%                    | \$6.50           | \$5.00        | (57,330)          | 670,027            |
| Fremont                             | 2,428,815         | 10.7%              | 13.0%                   | \$2.46           | \$2.07        | (11,616)          | (71,474)           |
| <b>SILICON VALLEY OFFICE MARKET</b> | <b>58,145,900</b> | <b>9.7%</b>        | <b>11.1%</b>            | <b>\$3.50</b>    | <b>\$2.88</b> | <b>(458,751)</b>  | <b>844,458</b>     |

## UNEMPLOYMENT RATES



Source: BLS

National real GDP increased at an annual rate of 4.9% in the third quarter according to the Bureau of Economic Analysis. The acceleration of GDP in the third quarter reflected positively in exports, these were offset by a negative contribution from residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased in the third quarter. Silicon Valley venture capital investment remained stable throughout the third quarter closing with 287 deals valued at over \$2.48 billion. Silicon Valley accounted for 35% of venture capital investment nationwide. The total number of jobs in the South Bay grew by 6,900 to bring the unemployment rate to 4.9%. The California unemployment rate decreased 10 basis points to 5.4% with non-farm payrolls increasing by 7,300. The national unemployment rate decreased 50 basis points to 4.4%.

## VACANCY/AVAILABILITY



Office vacancy increased 110 basis points to 9.7% in the fourth quarter, while availability increased 110 basis points to 11.1%. Vacancy and availability rates have fallen significantly in 2007 by 60 and 20 basis points, respectively. Santa Clara experienced the strongest declines with a 60 basis point decrease in availability to 11.9% and vacancy falling 50 basis points to 10.4%. Due to new space at the Guadalupe Corporate Center, availability rose in the North San Jose submarket by 460 basis points to 14.6%, with vacancy rising 230 basis points to 11.1%. South San Jose vacancy increased 350 basis points after a large number of spaces came onto the market. Overall, Class A vacancy and availability increased to 8.6% from 6.9% and 9.8% from 7.8%. Class B vacancy increased only slightly to 12.2%, as Class C raised 80 basis points to 8.3%. Available sublease space increased 2.2% to over 1.2 million square feet, accounting for 18.8% of all available space.

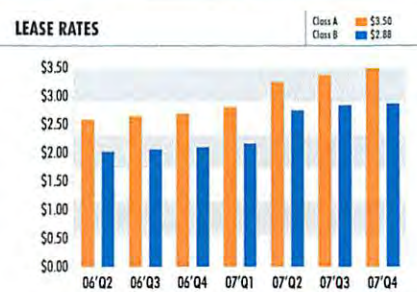
## NET ABSORPTION



The Silicon Valley office market experienced negative net absorption of 458,751 square feet for the first time since the end of 2005. Yet despite this downturn, 2007 was a thriving year with 844,458 square feet of net absorption. Upbeat activity is primarily attributed to the Santa Clara and IBP/Milpitas submarkets that posted 48,607 and 26,197 square feet of net absorption, respectively. North and South San Jose witnessed a combined 225,223 square feet of negative net absorption. Sunnyvale also saw a large decline with negative 39,334 square feet, followed by the West Valley with 74,426 square feet of negative net absorption. All other major submarkets posted minimal negative absorption. Class A space accounted for the majority of negative net absorption with (337,579) square feet, with Class B exhibiting less activity by posting (29,692) square feet. Although high-end space remains the most enticing, affordability has become increasingly important as the economic conditions remain uncertain. Continued increases in asking rates are pushing cost conscious companies into lower-end space.

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## LEASE RATES



Lease rates in the Silicon Valley office market increased for the thirteenth consecutive quarter, with overall average asking lease rates increasing to \$2.96 and reaching their highest point since early 2001. Representing the summit of the market, Palo Alto jumped 8.8% to \$5.57 full service. Sunnyvale also witnessed strong increases, particularly in the Class A sector, increasing 4% to \$3.05. Overall Class A asking rates increased by 3.6% to \$3.50. Other notable activity came from the Central Business District, where Class A rates increased \$0.6 to \$2.93. Other submarkets remained stable with rates compressed.

## CONSTRUCTION ACTIVITY

The Moffett Towers office park in Sunnyvale is under construction and will offer three buildings totaling 900,600 square feet of office space. The estimated completion date is early 2008, with Phase II beginning shortly. RiverPark Tower II has begun construction and will offer 319,000 square feet of Class A space downtown. A large project at 525 Almonor in Sunnyvale will offer 166,000 square feet. Bordeaux Center is now under construction and will offer 123,842 square feet in Sunnyvale. In addition, 10495 N. De Anza Blvd. in Cupertino is under construction and will offer 59,670 square feet of space. Palo Alto has three projects underway, including a 77,956 square foot development at 2450 Watson Avenue, and two other locations with approximately 35,000 square feet of net rentable area.

## MARKET OUTLOOK

As the year comes to a close, the Silicon Valley has begun to see reduced demand for high-end space. Competitive asking rates are expected to continue in 2008, but at more stable levels as significant Class A construction projects (such as the multi-tenant Moffett Towers) become available.

Concerns over the residential market have ultimately affected confidence and sentiment in the commercial arena, but the Silicon Valley continues to separate itself from the rest of the nation and post actual rental growth. However, it is expected that commercial lenders will become even more selective in seeking prospective borrowers and properties in 2008. Despite being a dynamic destination for venture capital investment, corporate expansion, and continued job growth, it is expected that 2008 will present additional challenges in the Silicon Valley commercial market.





### MARKET AREA DESCRIPTIONS

- Campbell\* consists of 1.8 million square feet (3.5%) of the office market NRA.
- Cupertino consists of 2.6 million square feet (4.8%) of the office market NRA.
- Central San Jose consists of 9.9 million square feet (18.7%) of the office market NRA.
- E. San Jose consists of 0.0 million square feet (0.0%) of the office market NRA.
- I.B.P consists of 1.1 million square feet (2.0%) of the office market NRA.
- Los Altos consists of 0.7 million square feet (1.4%) of the office market NRA.
- Los Gatos\* consists of 0.8 million square feet (1.5%) of the office market NRA.
- Meridian consists of 0.9 million square feet (1.7%) of the office market NRA.
- Milpitas consists of 0.9 million square feet (1.7%) of the office market NRA.
- Mountain View consists of 4.0 million square feet (7.6%) of the office market NRA.
- N. San Jose consists of 8.5 million square feet (16.0%) of the office market NRA.
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- Saratoga\* consists of 0.2 million square feet (0.4%) of the office market NRA.
- Sunnyvale consists of 2.9 million square feet (5.5%) of the office market NRA.
- Winchester\* consists of 1.6 million square feet (3.0%) of the office market NRA.
- Fremont consists of 2.2 million square feet (4.1%) of the office market NRA.

## LOCAL OFFICES

|                                                                                                                    |                                                                                                                       |                                                                                                  |                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>SAN FRANCISCO</b><br><b>PENINSULA</b><br>950 Tower Lane<br>Suite 870<br>Foster City, CA 94404<br>1.650.577.2900 | <b>OAKLAND</b><br>555 12th Street<br>Suite 900<br>Oakland, CA 94610<br>1.510.874.1900                                 | <b>PLEASANTON</b><br>5000 Hayward Road<br>Suite 180<br>Pleasanton, CA<br>94588<br>1.925.251.4600 | <b>SAN FRANCISCO</b><br><b>DOWNTOWN</b><br>101 California Street<br>4th Floor<br>San Francisco, CA 94111<br>1.415.772.0123 |
| <b>SILICON VALLEY</b><br>225 W. Santa Clara Street<br>Suite 1050<br>San Jose, CA 95113<br>1.408.453.7400           | <b>PALO ALTO</b><br>Two Palo Alto Square<br>3000 El Camino Real<br>Suite 100<br>Palo Alto, CA 94306<br>1.650.494.5100 |                                                                                                  |                                                                                                                            |



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**AVAILABLE SQUARE FEET**

Vacant Square Feet plus space that is marketed as available but not currently vacant, plus sublease space.

### AVAILABILITY RATE

Available Square Feet divided by the NRA.

**AVERAGE ASKING DIRECT LEASE RATE**

**AVERAGE ASKING DIRECT LEASE RATE**  
The rate determined by multiplying the asking full-service lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

## FULL SERVICE LEASES

**FULL SERVICE LEASES**  
Includes all lease types whereby the Landlord assumes responsibility for all of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

## MARKET COVERAGE

**MARKET COVERAGE**  
Includes office buildings 10,000 square feet and larger located within defined submarkets. It excludes medical office buildings and government owned office buildings.

### NET ABSORPTION

**NET ABSORPTION**  
The change in Occupied Square Feet from one period to the next.

## NET RENTABLE AREA (NRA)

**NET RENTABLE AREA (NRA)**  
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

## OCCUPIED SQUARE FEET

NRA not considered vacant.

UNDER CONSTRUCTION

**UNDER CONSTRUCTION**  
Buildings which have begun construction as evidenced by site excavation or foundation work.

### VACANCY RATE

Vacant Square Feet divided by the NRA.

## VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available. Includes sublease space.

## QUICK STATS

|                          | Current | Change from last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Vacancy                  | 10.3%   | ↓                | ↓    |
| Lease Rates              | \$2.35  | ↑                | ↑    |
| Net Absorption*          | 398.7K  | ↑                | ↓    |
| Construction Completions | 0       | ↔↔↔              | ↔↔↔  |

\* The Quick Start arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g., absorption could be negative, but still represent a positive trend over a specific period.)

## HOT TOPICS

- Nearly two million square feet of positive absorption in 2006
- Lease rates at highest level in more than four years
- Lowest vacancy rate in 5 ½ years
- Ninth consecutive quarter of declining vacancy
- North San Jose closed the year with significant absorption

**CBRE**  
CB RICHARD ELLIS

# RE MarketView ELLIS Silicon Valley Office

FOURTH QUARTER 2006

The Silicon Valley Office market ended 2006 with positive absorption, strong and steady lease rates and its ninth consecutive quarter of lower vacancy—the lowest in 5 ½ years. The market experienced positive absorption throughout 2006, ending the year with over 1.9 million square feet in occupancy gains. Healthy levels of absorption pushed vacancy down 400 basis points this year to end at 10.3%. Market rates have remained competitive and are now at the highest level they have been in over four years, with continued spikes anticipated in 2007.

The North San Jose market was especially active this quarter with 473,939 square feet of positive absorption. CBRE was involved in the submarket's three largest leasing transactions this quarter. These transactions included the Micron Technology deal of 264,964 square feet, Sony occupying 155,917, and Magma leasing

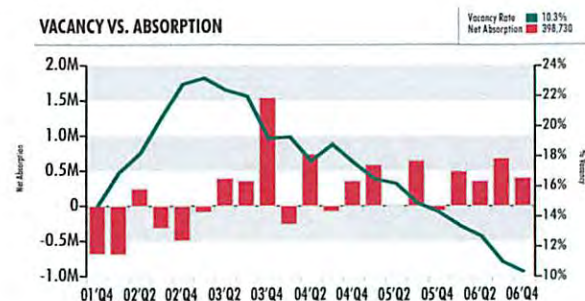
109,722, all occurring in North San Jose.

Improving market conditions fueled by high levels of investment activity and continued job growth saw the Silicon Valley Office market improve dramatically through 2006. Strong investment sales continued, with the most significant deals of the quarter being Pollock Financial's 127,757 square foot purchase of 1230-1290 Oakmead Parkway and Behringer Harvard's 55,562 square foot acquisition of 4440 El Camino Real.

**5 ½ years.** The Silicon Valley office market remains a primary target for investment and lease activity, with a record flow of capital coming from institutional investors. With falling vacancy rates and rental rate increases, the office sector is demonstrating strong fundamentals that should continue through 2007.

*The Silicon Valley office market ended 2006 with positive absorption, strong and steady lease rates and its ninth consecutive quarter of lower vacancy – the lowest in 5 ½ years.*

### VACANCY VS. ABSORPTION



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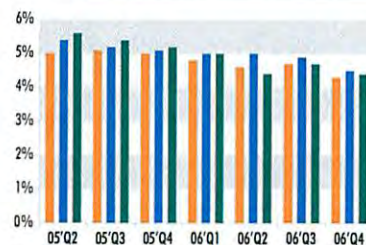
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| SUBMARKET                            | NET RENTABLE AREA | TOTAL VACANCY RATE | TOTAL AVAILABILITY RATE | AVG. ASKING RATE |               | Q4 NET ABSORPTION | YTD NET ABSORPTION |
|--------------------------------------|-------------------|--------------------|-------------------------|------------------|---------------|-------------------|--------------------|
|                                      |                   |                    |                         | CLASS A          | CLASS B       |                   |                    |
| Central San Jose                     | 9,954,795         | 18.6%              | 19.9%                   | \$2.53           | \$1.93        | (47,013)          | 141,936            |
| North San Jose                       | 9,204,895         | 8.6%               | 9.4%                    | \$2.17           | \$1.73        | 473,939           | 645,967            |
| South San Jose                       | 2,145,381         | 2.3%               | 2.3%                    | \$2.07           | \$1.65        | (10,737)          | 58,698             |
| West Valley                          | 4,810,066         | 10.1%              | 12.4%                   | \$2.89           | \$2.15        | 805               | (29,131)           |
| San Jose IBP / Milpitas              | 1,180,217         | 11.3%              | 11.9%                   | \$1.93           | \$1.49        | (23,038)          | (49,499)           |
| Santa Clara                          | 8,305,882         | 11.1%              | 11.8%                   | \$2.45           | \$1.83        | 36,060            | 286,520            |
| Cupertino                            | 3,714,972         | 3.5%               | 3.8%                    | \$2.93           | \$2.23        | 30,167            | 306,770            |
| Sunnyvale                            | 3,085,684         | 13.5%              | 18.0%                   | \$2.55           | \$1.92        | (45,579)          | 150,571            |
| Mt. View / Los Altos                 | 5,103,209         | 9.5%               | 10.2%                   | \$3.39           | \$2.57        | (47,080)          | 319,324            |
| Palo Alto                            | 7,057,648         | 5.8%               | 6.1%                    | \$4.75           | \$4.25        | 47,992            | 181,756            |
| Fremont                              | 2,425,741         | 8.8%               | 9.3%                    | \$2.42           | \$2.04        | (16,786)          | (82,333)           |
| <b>SILICON VALLEY OFFICE MARKET*</b> | <b>56,988,490</b> | <b>10.3%</b>       | <b>11.3%</b>            | <b>\$2.70</b>    | <b>\$2.12</b> | <b>398,730</b>    | <b>1,930,579</b>   |

\* NRA changes were made this quarter to more accurately reflect the competitive leasing market in Silicon Valley.

### UNEMPLOYMENT RATES



Source: DOD

The economy grew at an annual rate of 2.0% in the third quarter, a 20 basis points decrease from the preliminary estimates and 60 basis points less than in the second quarter. The deceleration in third-quarter GDP growth primarily reflected an acceleration in imports and a larger decrease in residential fixed investment and government spending. However, corporate venture capital investment is reported to be stable, hitting the six billion dollar mark for the third consecutive quarter. Biotech and life sciences sectors remain as the focus, with telecommunications, energy, and industrial sectors on the rise. In the third quarter, Silicon Valley led the rest of the nation with 34.9% of total year to date venture capital funding, a slight decrease of 1% from the same period in 2005. The labor force in Santa Clara County increased by 8,900 from September to November, and approximately 9,000 jobs were added in Santa Clara County in the same period, helping to drop the unemployment rate to 4.4%. The unemployment for California slid to 4.5% in November and the national unemployment rate down to 4.3% during the same period.

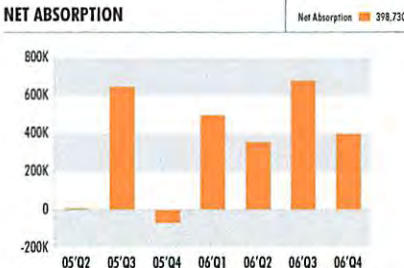
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### VACANCY/AVAILABILITY



Office vacancy dropped 70 basis points to 10.3% in the fourth quarter, while availability declined 60 basis points this quarter to 11.3%. Vacancy fell 400 basis points in 2006, with availability rates down 360 basis points during the same period. Of the major submarkets in the Class A sector, North San Jose and Cupertino experienced the largest declines of the quarter. North San Jose Class A vacancy dropped a remarkable 780 basis points to 5.6%. Cupertino experienced a 160 basis point drop in Class A vacancy to one of the market's lowest levels at 3.0%. Overall, Class B vacancy increased by 80 basis points in the fourth quarter to 12.4%, but was down 270 basis points over the year. Available sublease space is now at 1,316,543 square feet, accounting for 25.6% of all available space.

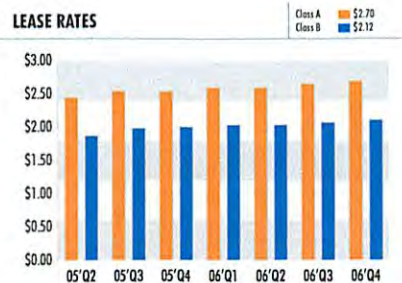
### NET ABSORPTION



The Silicon Valley office market experienced an exceptional year, with net absorption of 1,930,579 square feet in 2006, the highest level in three years. Led by the Class A sector, the market experienced fourth quarter net absorption of 398,730 square feet. North San Jose alone accounted for 473,939 square feet in positive absorption. Santa Clara witnessed 36,060 square feet of positive absorption. This was the fourth consecutive quarter of positive absorption, indicating a thriving market economy.

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### LEASE RATES



Lease rates in the Silicon Valley office market increased for the ninth straight quarter, with overall average asking lease rates now at \$2.35. Lease rates are currently at their highest point in four years. In the fourth quarter Sunnyvale experienced an increase of \$0.10 in Class A rates and Cupertino rose \$0.07 in Class A, while other submarkets remained steady. Aside from Palo Alto, the Mountain View/Los Altos submarket posted the highest overall lease rate in Silicon Valley at \$3.04. Silicon Valley Class A lease rates have increased 5.8% for the year to \$2.70 per square foot. Class B rates are up \$0.11 to \$2.12 and Class C rates experienced a \$0.19 increase in 2006 to \$1.60.

### CONSTRUCTION ACTIVITY

The Moffett Towers office park in Sunnyvale is under construction and will offer three buildings totaling 900,600 square feet of office space. The estimated completion date is October, 2007. A project at 200 North Almaden in San Jose is under construction and will offer 15,986 square feet of space. Palo Alto has two projects underway, a 65,000 square foot project at 2300 East Bayshore and a 34,474 square foot project at 250-260 Homer Avenue.

### MARKET OUTLOOK

The office sector in Silicon Valley is currently one of the best performing segments of all real estate investments, with continued job and economic growth in the Valley expected to continue to drive down vacancy rates further in 2007. The combination of expansion among existing firms combined with new start-up ventures has resulted in job growth and increased demand for office space. Increases in institutional capital investment have led to rising levels of absorption and higher asking rates. Expect 2007 to foster continued rising costs of construction and increases in sales activity, with historically low vacancy levels and balanced escalations in rent.

**Appendix C:**  
**CBRE R&D Market Reports: 4Q2006-1Q2015**



## Silicon Valley R&amp;D, Q4 2014

# Lease rates rise against dwindling supply



Vacancy Rate  
9.1%



Lease Rate  
\$1.81 PSF



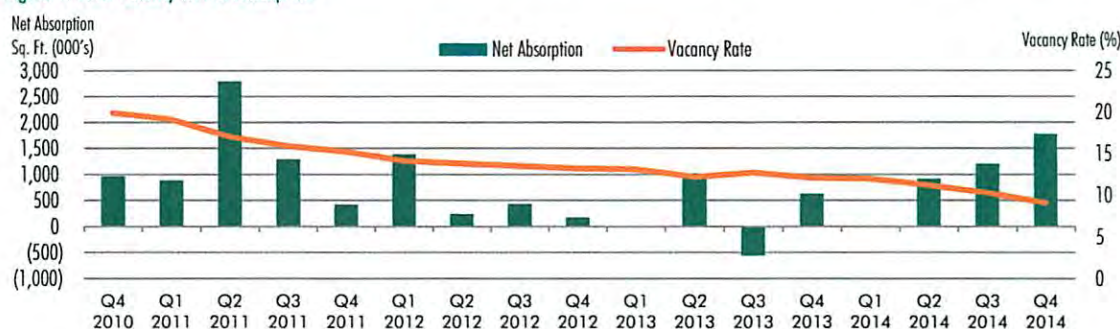
Net Absorption  
1.8 MSF



Under Construction  
0 SF

Figure 1: Total Vacancy vs. Net Absorption

\*Arrows indicate change from previous quarter.



Source: CBRE Research, Q4 2014.

The Silicon Valley R&D market rode a wave of historic tenant demand to an excellent year end performance, posting strong numbers in every measurable category. R&D closed the fourth quarter with 1,766,931 sq. ft. of positive net absorption, the highest total of the past fifteen quarters. Additionally, every submarket posted positive net absorption on the year for the first time in three years. Vacancy continues to decline, with every submarket witnessing a reduction for the second consecutive quarter.

Of the 1.8 million sq. ft. of positive net absorption, 25.3% occurred in Fremont, which continues to perform as one of the top R&D submarkets. Despite a lack of headline-grabbing deals, Fremont saw 14 new leases over 10,000 sq. ft., as well as two user sales exceeding 50,000 sq. ft. In addition to Fremont, five other submarkets posted occupancy gains of over 100,000 sq. ft, demonstrating the overall strength of the market.

The average asking rate for Silicon Valley rose \$0.05 on the quarter, marking the sixteenth

consecutive quarter with increased rates. At \$1.81 NNN, R&D asking rates have reached their highest total since the fourth quarter of 2001. Every submarket, with the exception of South San Jose, saw an increase in asking rates. Santa Clara's average asking rate rose \$0.05 to \$1.81, matching the overall rate for the Silicon Valley. Lease rates project to continue rising as available supply dwindles.

R&D sales activity remains strong, keeping pace with the robust totals of recent quarters. Both users and investors are eager to take advantage of the hot market, with 3.5 million sq. ft. of R&D product changing hands during the fourth quarter, pushing the yearly total to over 13 million sq. ft.

The Silicon Valley R&D market performed at a high level in 2014, picking up steam every quarter. With lease rates climbing, vacancy falling and strong Office/R&D tenant demand, 2015 is poised to continue where 2014 left off: marching towards the record setting numbers of the dot-com era.



Figure 2: Total R&D Market Statistics

| Submarket             | Net Rentable Area  | Total Vacancy % | Total Availability % | Avg. Asking Rate* (\$/SF) | Q4 Net Absorption | YTD Net Absorption |
|-----------------------|--------------------|-----------------|----------------------|---------------------------|-------------------|--------------------|
| San Jose - Downtown   | 773,601            | 0.9%            | 1.2%                 | \$1.11                    | (7,100)           | 68,601             |
| Meridian              | 360,672            | 0.0%            | 0.0%                 | \$1.11                    | 0                 | 0                  |
| San Jose - North      | 23,366,770         | 11.7%           | 15.3%                | \$1.74                    | 374,776           | 978,302            |
| IBP                   | 9,812,137          | 7.3%            | 8.3%                 | \$0.99                    | 44,501            | 255,799            |
| San Jose - East       | 472,658            | 3.9%            | 3.9%                 | \$0.90                    | (6,034)           | (4,372)            |
| San Jose - South      | 9,802,825          | 18.3%           | 22.3%                | \$0.96                    | 150,909           | 39,317             |
| Milpitas              | 11,362,492         | 9.8%            | 12.4%                | \$1.09                    | 150,918           | 380,370            |
| Santa Clara           | 20,028,303         | 11.5%           | 14.4%                | \$1.81                    | 282,735           | 179,454            |
| Campbell              | 1,201,641          | 7.9%            | 8.6%                 | \$1.68                    | 10,221            | 20,362             |
| Los Gatos             | 658,627            | 0.0%            | 0.0%                 | \$1.57                    | 29,127            | 0                  |
| Cupertino             | 4,762,869          | 0.0%            | 0.0%                 | \$2.67                    | 2,442             | 6,064              |
| Sunnyvale             | 21,806,778         | 6.7%            | 8.9%                 | \$2.07                    | 33,234            | 352,194            |
| Mountain View         | 12,589,752         | 1.2%            | 1.8%                 | \$2.46                    | 65,816            | 230,910            |
| Los Altos             | 12,326             | 0.0%            | 0.0%                 | \$2.38                    | 0                 | 0                  |
| Palo Alto             | 10,683,133         | 1.1%            | 1.3%                 | \$4.75                    | 208,617           | 498,078            |
| Fremont/Newark        | 23,239,394         | 13.9%           | 17.9%                | \$0.86                    | 426,769           | 806,511            |
| <b>Silicon Valley</b> | <b>150,933,978</b> | <b>9.1%</b>     | <b>11.6%</b>         | <b>\$1.81</b>             | <b>1,766,931</b>  | <b>3,811,590</b>   |

Source: CBRE Research, Q4 2014.

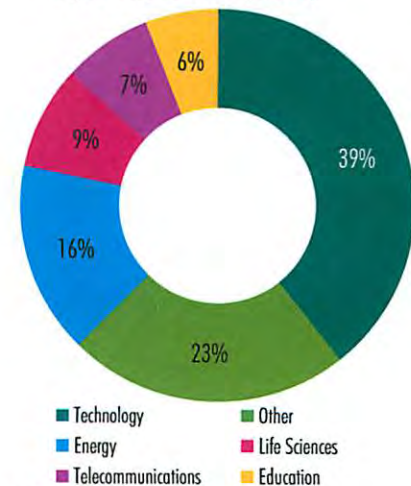
\* Direct Monthly Lease Rates, Triple Net (NNN)

Figure 3: Top Leases / Top Sales

| Lease (Tenant)  | City        | Total SF |
|-----------------|-------------|----------|
| Confidential    | Palo Alto   | 96,422   |
| ASML            | San Jose    | 92,842   |
| Miasole Hi-Tech | Sunnyvale   | 92,820   |
| Mediatek USA    | San Jose    | 81,046   |
| Sale (Buyer)    | City        | Total SF |
| MetLife         | San Jose    | 418,830  |
| CrowsNest       | Fremont     | 371,761  |
| Prudential      | Santa Clara | 359,000  |
| CBREI           | Sunnyvale   | 261,000  |

Source: CBRE Research, Q4 2014.

Figure 4: Top 25 Leases by Industry



Source: CBRE Research, Q4 2014.

### LEASE RATES

The average asking rate for Silicon Valley rose \$.05 on the quarter, marking the sixteenth consecutive quarter with increased rates. At \$1.81 NNN, R&D asking rates have reached their highest total since the fourth quarter of 2001. Every submarket, with the exception of South San Jose, saw an increase in asking rates. Santa Clara's average asking rate rose \$.05 to \$1.81, matching the overall rate for the Silicon Valley. Lease rates project to continue rising as available supply dwindles.

### NET ABSORPTION

The Silicon Valley R&D market posted 1.6M sq. ft. of occupancy gains in the fourth quarter. This marked the fifth consecutive quarter of positive net absorption. Every submarket experienced positive net absorption, with four exceeding 200K sq. ft. The Fremont submarket saw occupancy gains of over 400K sq. ft., the largest of any submarket. Despite a lack of headline-grabbing deals, Fremont saw 14 new leases over 10K sq. ft., as well as two user sales exceeding 50K sq. ft.

### VACANCY & AVAILABILITY

Overall vacancy dropped 100 basis points (bps) in the fourth quarter, surpassing the vacancy decrease from the previous quarter. This marks the lowest rate since the dot-com era, and a 1,140 bps drop since the most recent peak in the third quarter of 2010. Five submarkets experienced vacancy declines of over 100 bps. South San Jose led the way with a reduction of 240 points, followed by the Fremont/Newark submarket, with a reduction of 190 bps.

### CONSTRUCTION COMPLETIONS

The R&D market saw one completion on the quarter, a 20,219 sq. ft. building at 2690 Scott Blvd in Santa Clara. There are currently no R&D buildings under construction in the Valley, but National Avenue Investors LLC has been approved for 145,906 sq. ft. on 600 National Ave in Mountain View, and hopes to start construction this summer. Additionally, Herman Christensen is planning 500,000 sq. ft. of R&D product on Paseo Padre in Fremont.

Figure 5: Lease Rates



Source: CBRE Research, Q4 2014.

Figure 6: Net Absorption



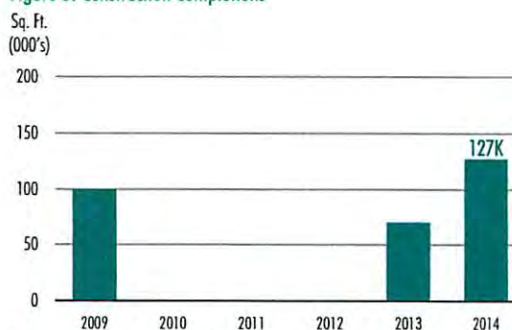
Source: CBRE Research, Q4 2014.

Figure 7: Vacancy & Availability



Source: CBRE Research, Q4 2014.

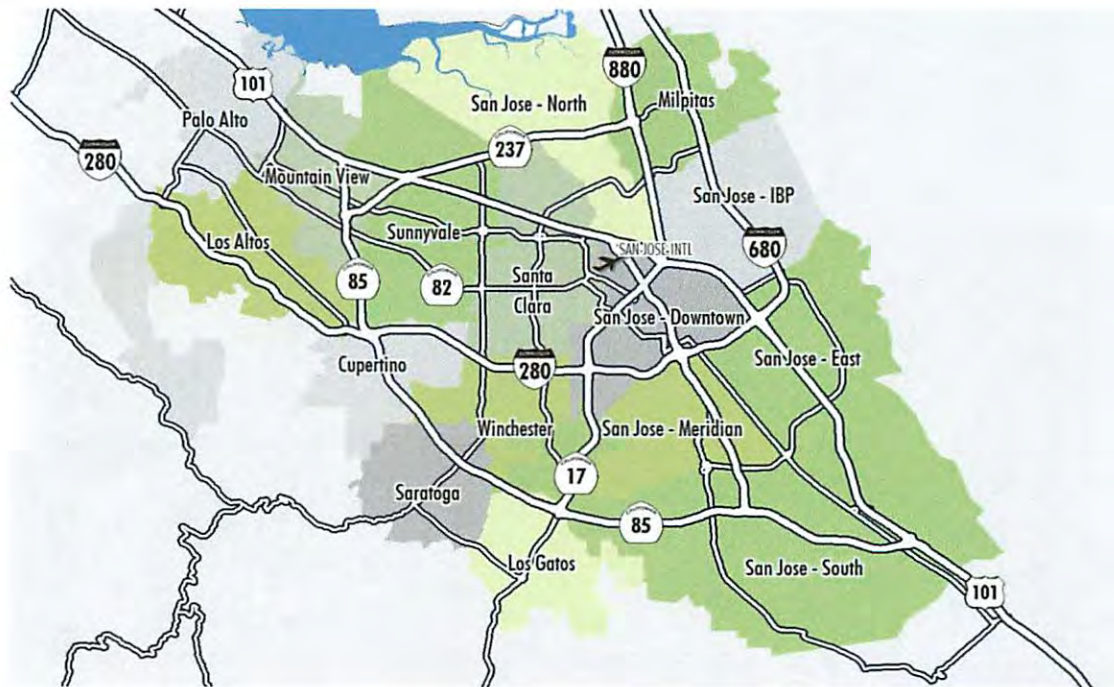
Figure 8: Construction Completions



Source: CBRE Research, Q4 2014.



**SUBMARKET MAP**



**CONTACT**

**Will Schmidt**  
*Researcher*  
 +1 408 467 7544  
[will.schmidt@cbre.com](mailto:will.schmidt@cbre.com)

**Diana Beck**  
*Researcher*  
 +1 408 467 7547  
[diana.beck@cbre.com](mailto:diana.beck@cbre.com)

**Sam Cimino**  
*Researcher*  
 +1 408 467 7545  
[samuel.cimino@cbre.com](mailto:samuel.cimino@cbre.com)

**Wen Sun**  
*Senior Research Analyst*  
 +1 408 467 7516  
[wen.sun@cbre.com](mailto:wen.sun@cbre.com)

**CBRE OFFICE**

Silicon Valley  
 225 W. Santa Clara Street, 10th Floor  
 San Jose, CA 95113

**DEFINITIONS**

*Average Asking Rate* Direct Monthly Lease Rates, Full Service Gross. *Availability* All existing space being marketed for lease. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy. *CBD* Central Business District in downtown San Jose.

**SURVEY CRITERIA**

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 7,500+ sq. ft. in Silicon Valley, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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## Silicon Valley R&D, Q1 2015

Figure 1: Statistics and Transactions

| Submarket                            | NRA                | Total Vacancy % <sup>1</sup> | Total Vacant SF   | Total Availability % <sup>2</sup> | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>3</sup> (\$) | Q1 Net Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|------------------------------|-------------------|-----------------------------------|------------------------|--------------------------|---------------------------------------|-------------------|--------------------|
| San Jose - Downtown/IBP              | 10,521,056         | 5.6                          | 585,774           | 9.1                               | 756,561                | 199,894                  | 1.02                                  | (1,151)           | (1,151)            |
| San Jose - North                     | 23,872,647         | 12.0                         | 2,873,704         | 14.7                              | 3,068,742              | 431,220                  | 1.82                                  | (15,030)          | (15,030)           |
| San Jose - South <sup>4</sup>        | 10,675,970         | 18.6                         | 1,987,217         | 21.3                              | 2,269,088              | 2,880                    | 0.99                                  | (51,660)          | (51,660)           |
| Milpitas                             | 11,674,473         | 10.6                         | 1,235,431         | 12.0                              | 1,190,542              | 211,458                  | 1.12                                  | (114,472)         | (114,472)          |
| Santa Clara                          | 19,960,055         | 10.7                         | 2,143,672         | 15.0                              | 2,501,420              | 494,845                  | 1.90                                  | 222,623           | 222,623            |
| West Valley <sup>5</sup>             | 6,590,137          | 1.5                          | 99,151            | 1.9                               | 93,621                 | 30,190                   | 2.39                                  | (4,655)           | (4,655)            |
| Sunnyvale                            | 21,797,146         | 6.4                          | 1,397,402         | 8.8                               | 1,726,192              | 184,302                  | 2.15                                  | (92,391)          | (92,391)           |
| Mountain View/Los Altos              | 12,500,560         | 2.1                          | 257,327           | 3.0                               | 247,981                | 133,221                  | 2.59                                  | (92,798)          | (92,798)           |
| Palo Alto                            | 10,594,870         | 1.2                          | 131,672           | 2.1                               | 120,668                | 104,033                  | 5.25                                  | (19,219)          | (19,219)           |
| Fremont/Newark                       | 23,168,052         | 12.9                         | 2,984,674         | 17.1                              | 3,663,257              | 294,989                  | 0.89                                  | 324,374           | 324,374            |
| <b>Silicon Valley R&amp;D Market</b> | <b>151,354,966</b> | <b>9.0</b>                   | <b>13,696,024</b> | <b>11.7</b>                       | <b>15,638,072</b>      | <b>2,087,032</b>         | <b>1.90</b>                           | <b>155,621</b>    | <b>155,621</b>     |

Source: CBRE Research, Q1 2015.

<sup>1</sup> Total Vacancy Rate = Direct Vacancy + Sublease Vacancy

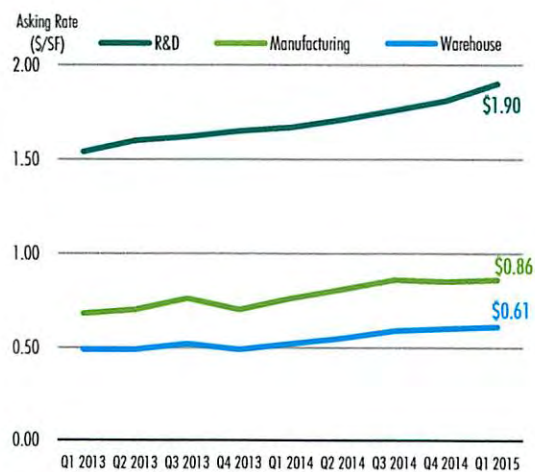
<sup>2</sup> Total Availability Rate = All existing space being marketed for lease

<sup>3</sup> Monthly Direct Lease Rates, NNN

<sup>4</sup> San Jose-South is comprised of the Meridian, San Jose East and San Jose South submarkets

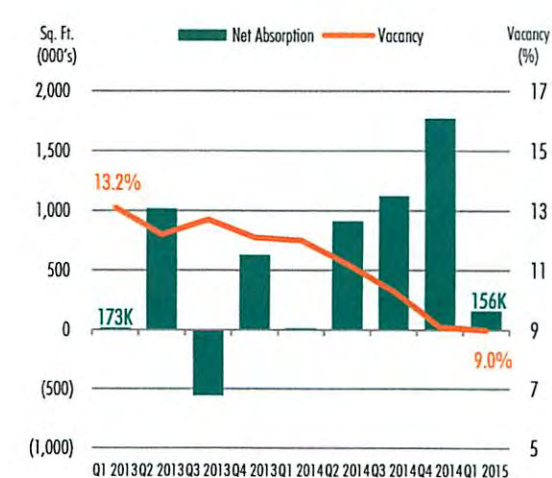
<sup>5</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

Figure 2: Average Asking Rates



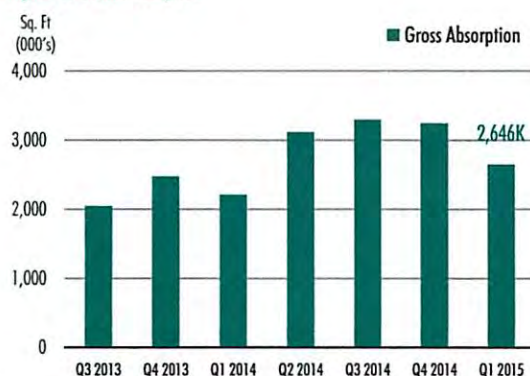
Source: CBRE Research, Q1 2015.

Figure 3: Net Absorption and Vacancy

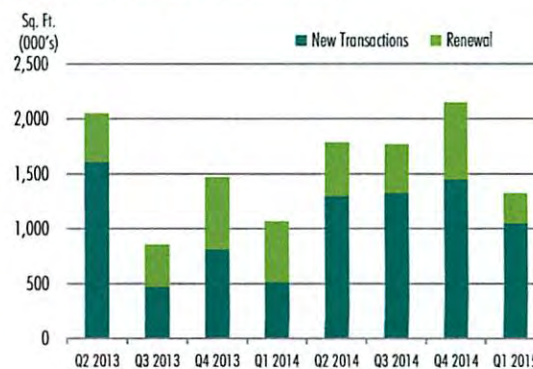


Source: CBRE Research, Q1 2015.



**Figure 4: Gross Absorption**


Source: CBRE Research, Q1 2015.

**Figure 5: Renewal vs. New Transaction Activity\***


Source: CBRE Research, Q1 2015.

\* Leases over 25,000 sq. ft.

**Figure 6: Significant Lease Transactions of the Quarter**

| Lessee                      | Address                                | Total SF | Lease Type |
|-----------------------------|----------------------------------------|----------|------------|
| Tibco Software              | 3301 Hillview Ave, Palo Alto           | 292,013  | New Lease  |
| Silevo                      | 47700 Kato Rd & 1055 Page Ave, Fremont | 199,352  | New Lease  |
| MapR                        | 350 Holger Wy, San Jose                | 96,710   | Sublease   |
| ABB, Inc.                   | 3055 Orchard Dr, San Jose              | 94,170   | New Lease  |
| F5 Networks                 | 3545 First St, San Jose                | 79,838   | New Lease  |
| AOSense                     | 929 Arques Ave, Sunnyvale              | 58,688   | Sublease   |
| Elixir Medical              | 920 McCarthy Blvd, Milpitas            | 53,666   | New Lease  |
| DeVry Education Group       | 5883 Rue Ferrari St, San Jose          | 48,802   | New Lease  |
| Imagine Communications Corp | 390 W Java Dr, Sunnyvale               | 48,480   | Renewal    |
| Plexus Corporation          | 431 Kato Terrace, Fremont              | 45,930   | Renewal    |

Source: CBRE Research, Q1 2015.

**Figure 7: Significant Sale Transactions of the Quarter**

| Buyer                           | Address                                              | Total SF  | Type       |
|---------------------------------|------------------------------------------------------|-----------|------------|
| Global Logistics Properties/GIC | IndCor Portfolio                                     | 2,229,399 | Investment |
| Select Income REIT              | Cole Corporate Income Trust Silicon Valley Portfolio | 501,293   | Investment |
| The Irvine Company              | 3900-3990 Freedom Cir, Santa Clara                   | 455,303   | Investment |
| Westport Capital Partners       | Lifescan Campus, Milpitas                            | 394,742   | Investment |
| Carlyle Group                   | 200-250 Hacienda Ave, Campbell                       | 317,091   | Investment |
| Morgan Stanley                  | 3301-3307 Hillview Ave, Palo Alto                    | 292,013   | Investment |
| Westcore                        | 2701 Orchard Pkwy, San Jose                          | 207,006   | Investment |
| Lennar Corporation              | 1390-1400 Kifer Rd, Sunnyvale                        | 165,497   | Investment |

Source: CBRE Research, Q1 2015.

## Silicon Valley R&D, Q4 2014

Figure 1: Statistics and Transactions

| Submarket                            | NRA                | Total Vacancy % <sup>1</sup> | Total Vacant SF   | Total Availability % <sup>2</sup> | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>3</sup> (\$/SF) | Q4 Net Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|------------------------------|-------------------|-----------------------------------|------------------------|--------------------------|------------------------------------------|-------------------|--------------------|
| San Jose - Downtown/IBP              | 10,585,738         | 6.8%                         | 719,975           | 7.8%                              | 792,696                | 32,801                   | \$1.00                                   | 37,401            | 324,400            |
| San Jose- North                      | 23,366,770         | 11.7%                        | 2,732,660         | 15.3%                             | 3,034,193              | 547,835                  | \$1.74                                   | 374,776           | 978,302            |
| San Jose - South <sup>4</sup>        | 10,636,155         | 17.0%                        | 1,809,116         | 20.7%                             | 2,184,906              | 22,000                   | \$0.96                                   | 144,875           | 34,945             |
| Milpitas                             | 11,362,492         | 9.8%                         | 1,109,077         | 12.4%                             | 1,278,479              | 129,210                  | \$1.09                                   | 150,918           | 380,370            |
| Santa Clara                          | 20,028,303         | 11.5%                        | 2,307,412         | 14.4%                             | 2,600,544              | 275,602                  | \$1.81                                   | 282,735           | 179,454            |
| West Valley <sup>5</sup>             | 6,623,137          | 1.4%                         | 94,496            | 1.6%                              | 97,825                 | 5,530                    | \$2.38                                   | 41,790            | 26,426             |
| Sunnyvale                            | 21,806,778         | 6.7%                         | 1,456,132         | 8.9%                              | 1,842,012              | 94,827                   | \$2.07                                   | 33,234            | 352,194            |
| Mountain View/Los Altos              | 12,602,078         | 1.2%                         | 157,078           | 1.8%                              | 82,667                 | 144,565                  | \$2.46                                   | 65,816            | 230,910            |
| Palo Alto                            | 10,683,133         | 1.1%                         | 112,453           | 1.3%                              | 41,601                 | 92,852                   | \$4.75                                   | 208,617           | 498,078            |
| Fremont/Newark                       | 23,239,394         | 13.9%                        | 3,232,445         | 17.9%                             | 3,911,266              | 243,629                  | \$0.86                                   | 426,769           | 806,511            |
| <b>Silicon Valley R&amp;D Market</b> | <b>150,933,978</b> | <b>9.1%</b>                  | <b>13,730,844</b> | <b>11.6%</b>                      | <b>15,866,189</b>      | <b>1,588,851</b>         | <b>\$1.81</b>                            | <b>1,766,931</b>  | <b>3,811,590</b>   |

Source: CBRE Research, Q4 2014.

<sup>1</sup> Total Vacancy Rate = Direct Vacancy + Sublease Vacancy

<sup>2</sup> Total Availability Rate = All existing space being marketed for lease

<sup>3</sup> Monthly Direct Lease Rates, Full Service Gross

<sup>4</sup> San Jose-South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>5</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

Figure 2: Average Asking Rates

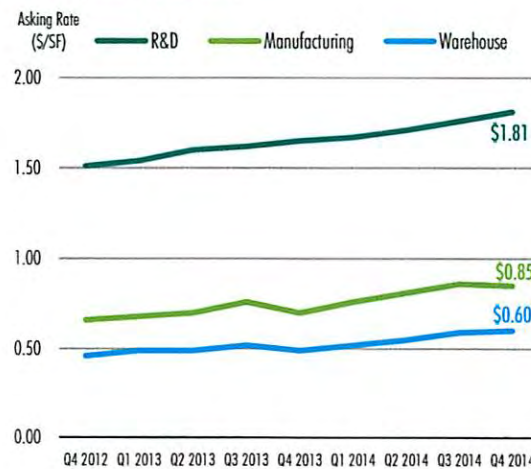
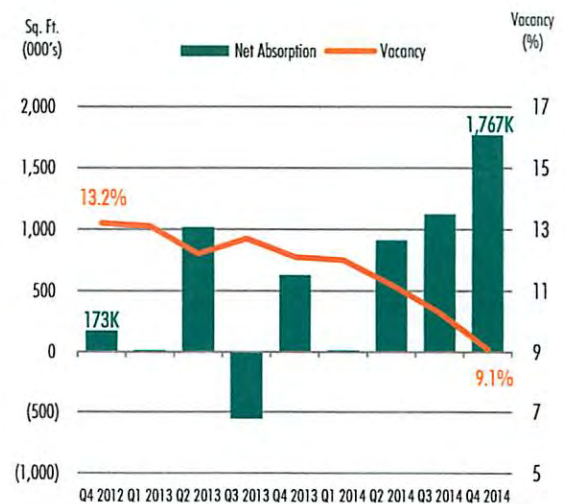
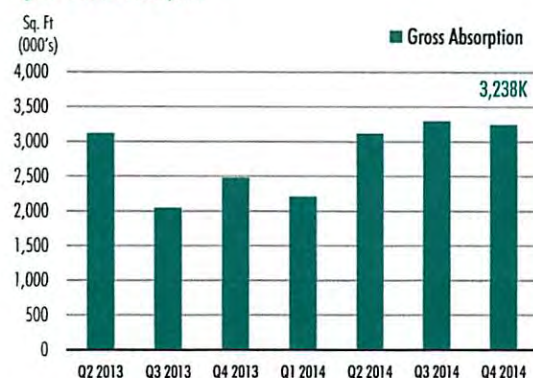


Figure 3: Net Absorption and Vacancy





**Figure 4: Gross Absorption**


Source: CBRE Research, Q4 2014.

**Figure 5: Renewal vs. New Transaction Activity**


Source: CBRE Research, Q4 2014.

**Figure 6: Significant Lease Transactions of the Quarter**

| Lessee                              | Address                                  | Total SF | Lease Type |
|-------------------------------------|------------------------------------------|----------|------------|
| Confidential                        | 4001-4015 Miranda Ave, Palo Alto         | 96,422   | New Lease  |
| ASML                                | 399 Trimble Rd, San Jose                 | 92,842   | New Lease  |
| Miasole Hi-Tech                     | 435 Oakmead Pkwy, Sunnyvale              | 92,820   | Renewal    |
| Mediatek USA                        | 2840 Junction Ave, San Jose              | 81,046   | New Lease  |
| International Technology University | 2711 First St, San Jose                  | 76,568   | New Lease  |
| Intermatix Corporation              | 46400-46410, 46430 Fremont Blvd, Fremont | 75,765   | Renewal    |
| Ralph's Furniture                   | 980 Walsh Ave, Santa Clara               | 65,000   | New Lease  |
| Lam Research                        | 45365 Northport Loop, Fremont            | 64,218   | New Lease  |
| Aoptix                              | 675 Campbell Technology Pkwy, Campbell   | 61,400   | New Lease  |
| Solar Junction                      | 401 Charcot Ave, San Jose                | 56,610   | New Lease  |

Source: CBRE Research, Q4 2014.

**Figure 7: Significant Sale Transactions of the Quarter**

| Buyer                   | Address                                 | Total SF | Type       |
|-------------------------|-----------------------------------------|----------|------------|
| MetLife                 | 2305 Mission College Blvd, Santa Clara  | 418,830  | Investment |
| CrowsNest               | 45540 E Northport Loop, Fremont         | 371,761  | Investment |
| Prudential              | 2305 Mission College Blvd, Santa Clara  | 359,000  | Investment |
| CBREI                   | 1320 Bordeaux Dr, Sunnyvale             | 261,000  | Investment |
| Kilroy Realty Corp      | 1310 Chesapeake Terr, Sunnyvale         | 259,147  | Investment |
| Lane Partners LLC       | 501 Macara Ave, Sunnyvale/Mountain View | 200,492* | Investment |
| Kinship Capital         | 5301 Patrick Henry Dr, Santa Clara      | 126,000  | Investment |
| PS Business Parks, Inc. | 828 Charcot Ave, San Jose               | 119,828  | Investment |

Source: CBRE Research, Q4 2014.

\*Portfolio Sale: 146,000 Sq. Ft. R&amp;D

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.



# Silicon Valley, R&D Statistics & Transactions

Q4 2013

CBRE Global Research and Consulting

| Submarket                            | NRA                | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| San Jose – Downtown/IBP              | 10,569,967         | 10.9%           | 1,152,646         | 12.4%                | 1,281,261              | 32,801                   | \$0.90               | 227,738           | 348,985             | 127,670            |
| San Jose – North                     | 22,765,017         | 15.7%           | 3,571,007         | 17.5%                | 3,553,318              | 420,049                  | \$1.55               | 188,420           | 436,088             | 468,708            |
| San Jose – South*                    | 10,625,285         | 18.6%           | 1,978,512         | 23.6%                | 2,482,347              | 22,000                   | \$0.86               | (40,880)          | 75,763              | (263,982)          |
| Milpitas                             | 11,391,742         | 13.8%           | 1,570,225         | 15.9%                | 1,643,759              | 171,781                  | \$1.00               | 68,157            | 213,649             | 425,201            |
| Santa Clara                          | 19,804,373         | 12.6%           | 2,502,337         | 14.8%                | 2,631,241              | 301,207                  | \$1.65               | 83,269            | 414,849             | 245,973            |
| West Valley*                         | 6,590,137          | 1.8%            | 118,480           | 2.0%                 | 121,393                | 7,921                    | \$2.35               | (23,042)          | 87,266              | 13,430             |
| Sunnyvale                            | 21,911,197         | 8.1%            | 1,765,628         | 9.6%                 | 1,806,050              | 304,517                  | \$1.90               | 9,500             | 194,176             | (324,573)          |
| Mountain View/Los Altos              | 12,504,668         | 3.7%            | 465,668           | 5.5%                 | 460,062                | 221,954                  | \$2.25               | 129,515           | 282,326             | 28,671             |
| Palo Alto                            | 10,127,971         | 5.7%            | 574,312           | 5.8%                 | 156,912                | 431,057                  | \$4.45               | 7,075             | 48,755              | (120,817)          |
| Fremont/Newark                       | 23,494,529         | 18.7%           | 4,393,381         | 21.3%                | 4,506,361              | 499,449                  | \$0.77               | (20,782)          | 422,967             | 502,319            |
| <b>Silicon Valley R&amp;D Market</b> | <b>149,784,886</b> | <b>12.1%</b>    | <b>18,092,196</b> | <b>14.1%</b>         | <b>18,642,704</b>      | <b>2,412,736</b>         | <b>\$1.65</b>        | <b>628,970</b>    | <b>2,524,824</b>    | <b>1,102,600</b>   |

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

Chart #1: Lease Rates

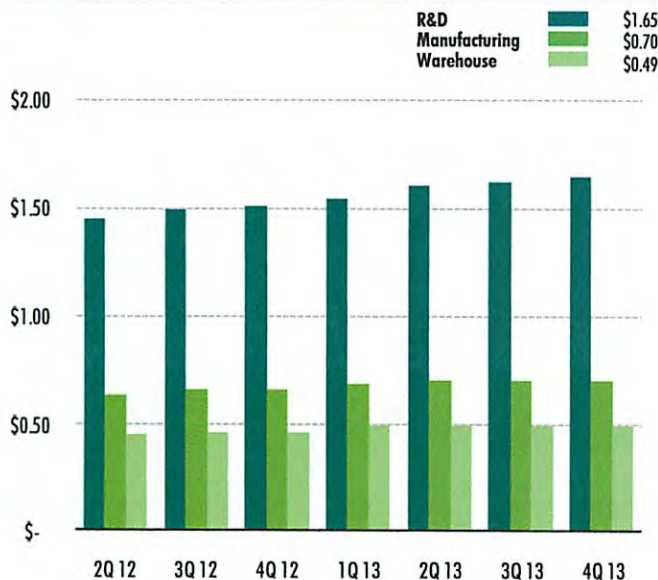


Chart #2: Net Absorption & Vacancy

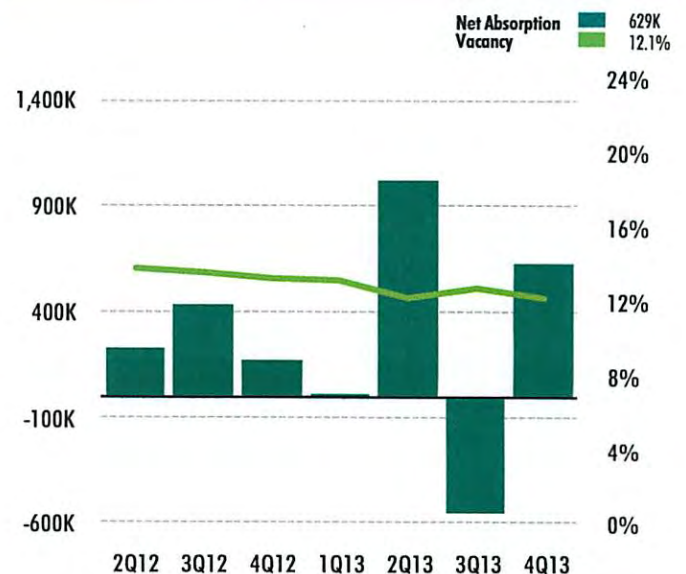
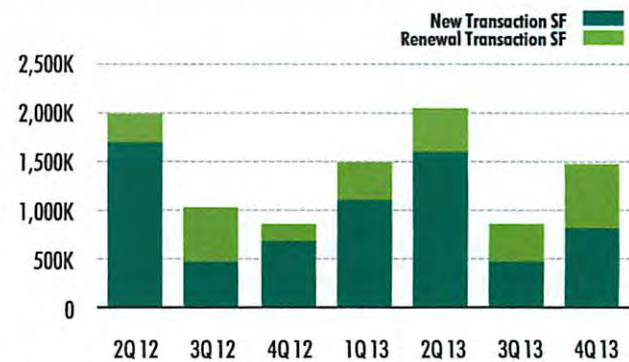




Chart #3: Gross Absorption



Chart #4: Renewal vs. New Transaction Activity\*



\* In transactions over 25,000 SF

Table 1: Significant Lease Transactions of the Quarter

| Lessee               | Address                          | Total SF | Type              |
|----------------------|----------------------------------|----------|-------------------|
| Intermolecular, Inc. | 3011 N First St, San Jose        | 146,159  | Renewal           |
| Arris                | 2450-2500 Walsh Ave, Santa Clara | 131,680  | Renewal/Expansion |
| Micron               | 540 & 570 Alder Dr, Milpitas     | 97,962   | New Lease         |
| Allierre Corporation | 1980 Concourse Dr, San Jose      | 85,367   | Renewal           |
| Aptina               | 2600 Zanker Rd, San Jose         | 68,252   | New Lease         |
| Shoretel             | 960 Stewart Dr, Sunnyvale        | 63,781   | Renewal           |
| Lumasense & Luxtron  | 3301 Leonard Ct, Santa Clara     | 63,417   | Renewal           |
| Tessera              | 3025 Orchard Pkwy, San Jose      | 60,704   | Renewal           |
| Green Circuits       | 1130 Ringwood Ct, San Jose       | 58,760   | New Lease         |
| Avnet                | 2580 Junction Ave, San Jose      | 51,985   | New Lease         |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                             | Address                                                     | Total SF | Type     |
|-----------------------------------|-------------------------------------------------------------|----------|----------|
| MWest                             | Equity Portfolio (3 business parks), San Jose               | 825,098  | Investor |
| Lane Partners/PIMCO               | Deutsche Asset & Wealth Mgmt Portfolio, Sunnyvale           | 508,945  | Investor |
| Brookfield                        | Rio Robles Technology Park, San Jose                        | 459,859  | Investor |
| Pearlmark Real Estate Partners    | 2305 Mission College Blvd, Santa Clara                      | 359,000  | Investor |
| Embarcadero Capital Partners      | 2100-2190 Gold St, San Jose                                 | 305,224  | Investor |
| Select Income REIT                | 51, 77, 145 Rio Robles & 3939 N 1st St, San Jose            | 250,731  | Investor |
| Downtown Properties Holdings, LLC | 10100 N Tantau, Cupertino & 5425 Stevens Creek, Santa Clara | 220,762  | Investor |
| TA Associates                     | Montague Square, San Jose                                   | 214,450  | Investor |
| Cole Real Estate Investments      | 3250-3270 Jay St, Santa Clara                               | 148,704  | Investor |
| South Bay Development             | 3011 N 1st St, San Jose                                     | 146,159  | Investor |



# Silicon Valley, R&D Statistics & Transactions

Q4 2012

CBRE Global Research and Consulting

| Submarket                            | NRA                | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| San Jose – Downtown/IBP              | 10,569,126         | 12.1%           | 1,280,076         | 12.7%                | 1,235,515              | 104,750                  | \$0.89               | 220,767           | 253,265             | 791,491            |
| San Jose – North                     | 25,228,440         | 16.1%           | 4,051,015         | 18.9%                | 4,426,703              | 345,037                  | \$1.35               | (8,633)           | 291,543             | (204,471)          |
| San Jose – South*                    | 10,562,022         | 16.3%           | 1,719,895         | 18.1%                | 1,660,237              | 247,161                  | \$0.86               | (7,095)           | 69,858              | 105,769            |
| Milpitas                             | 11,279,521         | 18.2%           | 2,052,595         | 18.8%                | 1,990,682              | 125,512                  | \$0.86               | (135,322)         | 186,968             | 111,052            |
| Santa Clara                          | 20,483,314         | 14.6%           | 2,984,759         | 16.6%                | 3,057,972              | 349,692                  | \$1.42               | 171,807           | 508,040             | 200,440            |
| West Valley*                         | 6,590,137          | 2.5%            | 166,947           | 2.6%                 | 134,998                | 35,213                   | \$2.22               | (21,040)          | 30,605              | 22,732             |
| Sunnyvale                            | 22,443,002         | 7.6%            | 1,707,254         | 8.7%                 | 1,729,650              | 232,621                  | \$1.72               | 193,067           | 491,461             | 658,549            |
| Mountain View/Los Altos              | 12,405,242         | 4.2%            | 523,863           | 4.8%                 | 486,600                | 113,148                  | \$2.04               | 41,217            | 248,991             | 253,384            |
| Palo Alto                            | 10,095,689         | 4.5%            | 453,495           | 5.5%                 | 184,181                | 367,904                  | \$4.38               | (334,692)         | 330,679             | 43,397             |
| Fremont/Newark                       | 23,521,740         | 22.3%           | 5,238,011         | 23.4%                | 5,237,744              | 269,314                  | \$0.73               | 53,066            | 596,762             | 245,960            |
| <b>Silicon Valley R&amp;D Market</b> | <b>153,178,233</b> | <b>13.2%</b>    | <b>20,177,910</b> | <b>14.6%</b>         | <b>20,144,282</b>      | <b>2,190,352</b>         | <b>\$1.51</b>        | <b>173,142</b>    | <b>3,008,172</b>    | <b>2,228,303</b>   |

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

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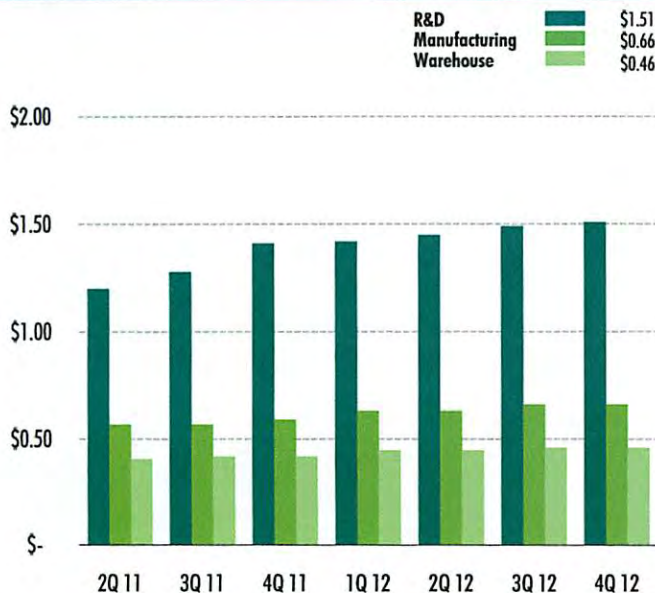


Chart #2: Net Absorption & Vacancy

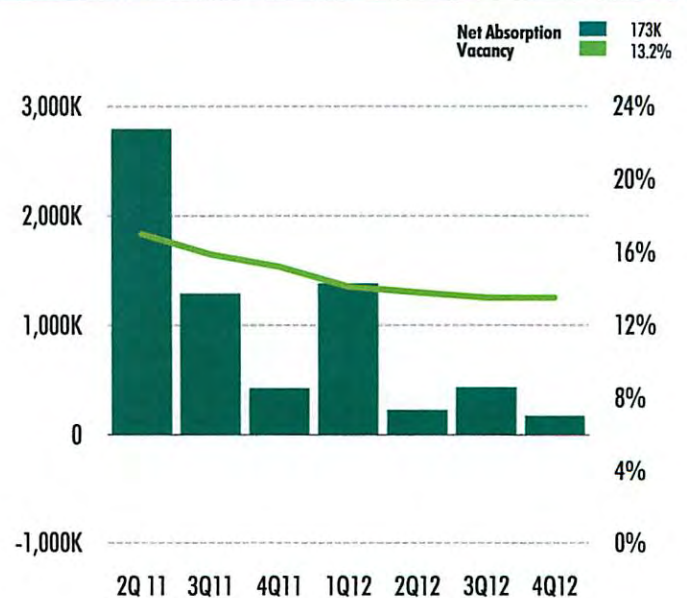
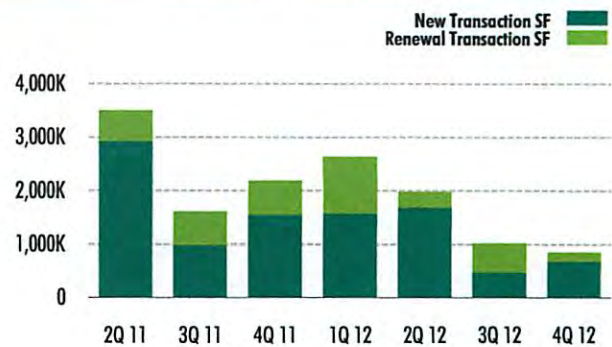




Chart #3: Gross Absorption



Chart #4: Renewal vs. New Transaction Activity\*



\* In transactions over 25,000 SF

Table 1: Significant Lease Transactions of the Quarter

| Lessee                | Address                              | Total SF | Type      |
|-----------------------|--------------------------------------|----------|-----------|
| ServiceNow            | 3250-3270 Jay St, Santa Clara        | 148,704  | New Lease |
| ARM                   | 150 Rose Orchard Wy, San Jose        | 92,448   | Renewal   |
| Conceptus             | 1011 McCarthy Blvd, Milpitas         | 74,044   | New Lease |
| Apple, Inc.           | 5425 Stevens Creek Blvd, Santa Clara | 59,384   | New Lease |
| Aver Information      | 440 Mission Ct, Fremont              | 54,892   | New Lease |
| Apple, Inc.           | 928 E Arques Ave, Sunnyvale          | 51,450   | New Lease |
| Samsung Semiconductor | 215 Devcon Dr, San Jose              | 51,151   | New Lease |
| National Instruments  | 4600 Patrick Henry Dr, Santa Clara   | 50,138   | New Lease |
| ASML US, Inc.         | 4201 Burton Dr, Santa Clara          | 49,232   | New Lease |
| VSS Monitoring        | 920 Deguigne Dr, Sunnyvale           | 45,724   | New Lease |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                   | Address                                              | Total SF  | Type          |
|-------------------------|------------------------------------------------------|-----------|---------------|
| Divco/TPG & Berg Family | Multiple Buildings Throughout Valley                 | 7,625,320 | Investor Sale |
| LBA Realty              | W Plumeria, Orchard, N First & E Tasman, San Jose    | 486,603   | Investor Sale |
| KBS Realty Advisors     | Palo Alto Tech Center (aka The Harbor), Palo Alto    | 265,000   | Investor Sale |
| TA Associates           | 2560, 2570, 2580 & 2590 Orchard Pkwy, San Jose       | 258,048   | Investor Sale |
| Bixby Land Company      | 375 W Trimble Rd, San Jose                           | 234,123   | Investor Sale |
| Westport Capital        | 1010, 1020 & 1060 Rincon, San Jose                   | 201,661   | Investor Sale |
| Ridge Capital           | 145 Rio Robles St, San Jose                          | 185,704   | Investor Sale |
| Prologis                | 225 Charcot Ave, San Jose                            | 166,640   | Investor Sale |
| Jay Paul Company        | 441 Moffett Park, 1221 Crossman, 480 Java, Sunnyvale | 151,077   | Investor Sale |
| Zoll Circulation        | 2000 Ringwood Ave, Santa Clara                       | 124,000   | User Sale     |

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# MarketView

## Silicon Valley R&D

www.cbre.com/research

Fourth Quarter 2011

### Quick Stats

|                          | Current | Change from Last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Total Vacancy            | 15.2%   | ↓                | ↓    |
| Direct Lease Rate        | \$1.41  | ↑                | ↑    |
| Net Absorption           | 422,330 | ↓                | ↓    |
| Construction Completions | 0       | ↔                | ↔    |

\*The arrows indicate a trend and do not represent a positive or negative value for the underlying statistic (e.g. Net Absorption could be negative, but still represent a positive trend over the time period.)

### Hot Topics

- Fifth consecutive quarter of positive net absorption
- Vacancy rates down 70 basis points over the quarter
- 3.8 MSF of gross absorption
- Fourth consecutive quarter of rising average asking rates to \$1.41 NNN

During the first three quarters of 2011, the Silicon Valley R&D market witnessed dynamic post recession transaction activity. The tech industry was the main driver behind the extremely active quarters that took the Valley's absorption levels above those seen in the R&D market since late 2005. Although the fourth quarter closed out the year with positive fundamentals, as expected, the levels were below the marks set in the first three quarters. Landlord and investor confidence carried over as investor/developer sales accounted for eight of the top ten sales. The positive end to 2011 bodes well for the upcoming year as R&D leasing and sale activity are expected to remain stable during the uncertainty in the national economy.

Net absorption on the quarter was positive with occupancy gains totaling 422,330 SF, increasing the net absorption to over 5.3 MSF for the year. LinkedIn signed the largest lease on the quarter as they renewed and expanded into a total of 303,000 SF at 2019 and 2025-2061 Stierlin Ct in Britannia Shoreline Technology Park. Other top leases on the quarter included Apple Inc, taking down nearly 325,000 SF at multiple properties in Sunnyvale and Microsemi signing on 179,000 SF in San Jose. A leading technology company was the top user sale on the quarter, acquiring 187,380 SF with their purchase of 1545-1585 Charleston Rd in Mountain View. Occupancy numbers in North San Jose struggled to post positive consecutive quarters this year; however, the submarket closed out the final quarter on a positive note with over

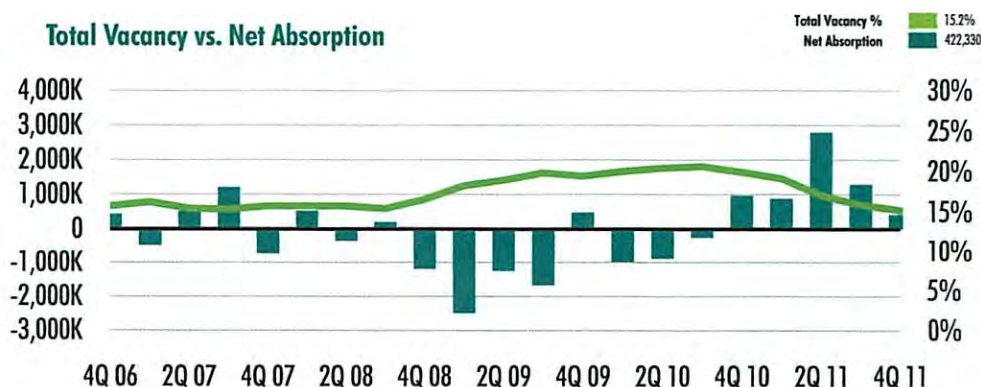
340,000 SF of positive absorption, nearly doubling year-to-date numbers. The two major tenants contributing to these positive numbers were Microsemi and A10 Networks, as they both signed large leases in the North San Jose submarket.

This marks the fifth consecutive quarter of decreasing vacancy rates, down 70 basis points to 15.2% quarter-over-quarter. The North San Jose submarket posted the most significant decrease, down 220 basis points from last quarter. However, countering this was the Downtown/I.B.P. submarket as it reduced its overall occupancy by over 104,000 SF; increasing its vacancy rate by 100 basis points quarter-over-quarter. Downtown/I.B.P., along with Sunnyvale and Palo Alto were the only three submarkets with elevated vacancies.

Average asking rates increased for the fourth consecutive quarter, up 10.2% quarter-over-quarter to \$1.41 NNN; rates this high have not been witnessed in the Valley since fourth quarter of 2008. Seven of the ten submarkets witnessed increasing rates over the quarter, while all others remained flat. Looking into 2012, rates are expected to increase at a similar pace as many prominent tenants are still seeking space.

Closing out 2011 at positive yet less aggressive levels than earlier this year may be an indicator of a stabilizing market. Moving forward into 2012, the overall Silicon Valley R&D market is expected to yield similar results to 2011 as demand for space is anticipated to remain strong.

### Total Vacancy vs. Net Absorption





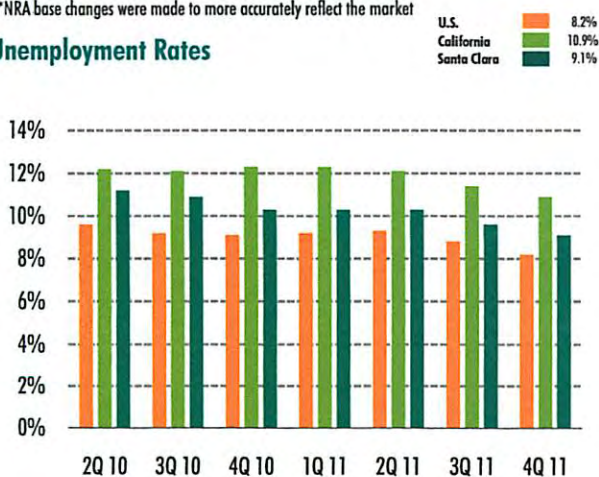
## Market Statistics

| Submarket                 | Net Rentable Area  | Total Vacancy % | Total Availability % | Average Asking Rate | Q4 Net Absorption | YTD Net Absorption | Under Construction |
|---------------------------|--------------------|-----------------|----------------------|---------------------|-------------------|--------------------|--------------------|
| San Jose Downtown         | 771,479            | 0%              | 0.3%                 | \$1.00              | 0                 | (9,484)            | 0                  |
| Meridian                  | 282,900            | 12.2%           | 12.2%                | \$1.07              | (1,227)           | 10,479             | 0                  |
| San Jose - North          | 25,263,941         | 16.4%           | 17.9%                | \$1.12              | 340,383           | 676,882            | 0                  |
| IBP                       | 9,795,525          | 21.2%           | 22.9%                | \$0.68              | (104,271)         | 59,328             | 0                  |
| San Jose - East           | 472,658            | 5.9%            | 5.9%                 | \$0.90              | 2,292             | (4,158)            | 0                  |
| San Jose - South          | 9,647,058          | 18.1%           | 19.5%                | \$0.86              | 106,597           | 429,124            | 0                  |
| Milpitas                  | 11,919,158         | 19.0%           | 21.4%                | \$0.86              | 48,361            | 375,395            | 0                  |
| Santa Clara               | 20,565,396         | 16.9%           | 17.5%                | \$1.35              | 46,539            | 29,360             | 0                  |
| Campbell                  | 1,201,552          | 14.3%           | 14.3%                | \$1.37              | 14,185            | 64,988             | 0                  |
| Los Gatos                 | 658,627            | 2.2%            | 2.6%                 | \$1.32              | 12,664            | (14,114)           | 0                  |
| Cupertino                 | 4,729,869          | 0.3%            | 2.4%                 | \$2.36              | 0                 | 315,436            | 0                  |
| Sunnyvale                 | 22,482,110         | 11.2%           | 13.7%                | \$1.51              | (26,859)          | 537,834            | 0                  |
| Mountain View             | 12,395,915         | 6.3%            | 7.0%                 | \$1.97              | (33,847)          | 1,108,318          | 0                  |
| Los Altos                 | 12,326             | 0%              | 0%                   | \$1.80              | 0                 | 0                  | 0                  |
| Palo Alto**               | 10,091,298         | 5.1%            | 7.0%                 | \$4.37              | (28,936)          | 903,208            | 0                  |
| <b>Santa Clara County</b> | <b>130,289,812</b> | <b>13.6%</b>    | <b>15.2%</b>         | <b>\$1.54</b>       | <b>375,881</b>    | <b>4,482,596</b>   | <b>0</b>           |
| Fremont/Newark            | 23,308,978         | 23.7%           | 24.0%                | \$0.69              | 46,449            | 902,569            | 0                  |
| <b>Silicon Valley</b>     | <b>153,598,790</b> | <b>15.2%</b>    | <b>16.5%</b>         | <b>\$1.41</b>       | <b>422,330</b>    | <b>5,385,165</b>   | <b>0</b>           |

\* Direct Monthly Lease Rates, Triple Net (NNN)

\*\*NRA base changes were made to more accurately reflect the market

## Unemployment Rates

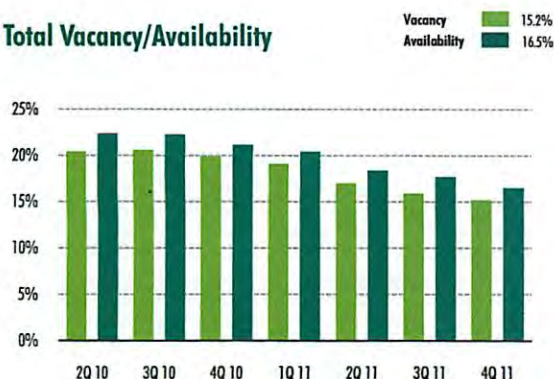


Source: EDD

The unemployment rate for Santa Clara County dropped to 9.1% in the fourth quarter, representing a 50 basis point decrease over the last three months, and a 120 basis point decrease from this time last year. The California Employment Development Department reported that since October of this year employment rose by 3,600 jobs in Santa Clara County. According to the San Jose-Sunnyvale-Santa Clara MSA report for November, the professional and business services industry netted an increase of 16,800 jobs, with scientific and technical services posting the largest growth. The information sector was the hardest hit, as it witnessed a 40% decline annually, down 800 jobs. The past year, however, showed an overall improvement in job development as the United States unemployment rates, decreased 60 basis points to 8.2%, casting a positive outlook for future job growth.

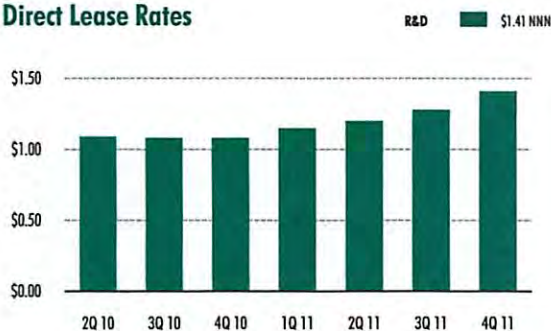


## Total Vacancy/Availability



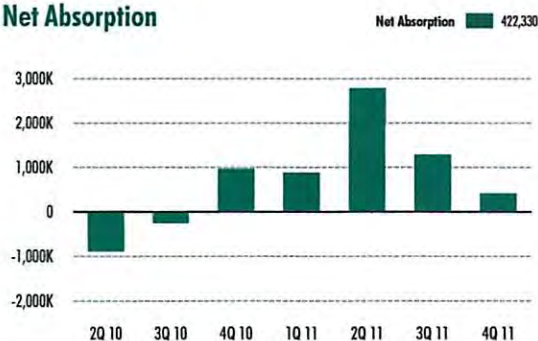
This quarter represented the fifth consecutive quarter of declining vacancy rates, down 70 basis points to 15.2%. Availability rates decreased for the sixth consecutive quarter to 16.5%, representing a 120 basis point decrease. Seven of the ten markets had declines in their overall vacancy, contributing to the overall positive movement. North San Jose showed the largest drop in rates, down 220 basis points in vacancy and 260 basis points in availability. The submarket witnessed high leasing activity on the quarter as Microsemi, A10 Networks, eBay and Kovio all took space upwards of 61,000 SF. Since the fourth quarter of 2010, the overall Silicon Valley R&D market witnessed a 470 basis point drop in availability and vacancy.

## Direct Lease Rates



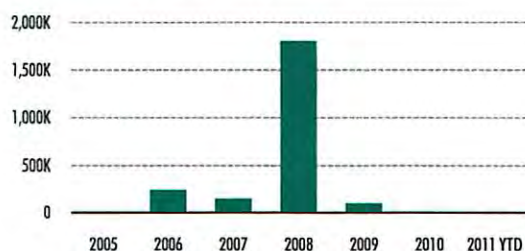
Average asking rates continued to climb for the fourth consecutive quarter, up by 10.2% this quarter and up 30.6% from a year ago. The overall Silicon Valley R&D market posted average asking rates of \$1.41 NNN; rates this high have not been witnessed in the Valley since third quarter of 2008. Seven of the ten submarkets witnessed increasing rates over the quarter. Palo Alto saw the largest spike in its rates, increasing \$1.42 or 48.2% over the quarter to \$4.37 NNN. Santa Clara, North San Jose and Milpitas also contributed large gains, posting increases over 3.5%. Looking into 2012, rates are expected to increase at a similar pace as levels of demand are sustained.

## Net Absorption



The Silicon Valley R&D market posted positive net absorption for the fifth consecutive quarter. Net absorption totaled over 422,000 SF, with six of the ten submarkets witnessing an increase in their overall occupancy. These levels were less aggressive than marks set by the first three quarters of the year; however still maintained positive fundamentals within the market. Apple, Inc. and Microsemi contributed a significant portion of the positive absorption on the quarter as both signed new leases on large blocks of space in Sunnyvale and North San Jose. Although net absorption decreased quarter-over-quarter, year-to-date numbers have increased by 6.5 MSF from the fourth quarter of 2010.

## Construction Completions



The construction pipeline remains dry in the Silicon Valley R&D market due to an ample supply of available space within the Valley. It has been two years since the last new development hit the R&D market, and as for the near future, little change is expected. However, with elevated demand and decreasing vacancy, specifically in the northern submarkets, there is increasing potential for new projects. As growth continues in the tech industry, and the supply of large spaces continues to dwindle, companies may begin to look at built-to-suit options. Progression on these projects, however, may be slowed until the 2012 presidential elections are over, and financial market volatility has settled.



- Downtown consists of 0.8 million square feet (0.5%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 25.3 million square feet (16.4%) of the R&D market NRA.
- I.B.P consists of 9.8 million square feet (6.4%) of the R&D market NRA.
- E. San Jose consists of 0.5 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.6 million square feet (6.2%) of the R&D market NRA.
- Milpitas consists of 11.9 million square feet (7.7%) of the R&D market NRA.
- Santa Clara consists of 20.6 million square feet (13.4%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.5%) of the R&D market NRA.
- Cupertino consists of 4.7 million square feet (3.1%) of the R&D market NRA.
- Sunnyvale consists of 22.5 million square feet (14.6%) of the R&D market NRA.
- Mountain View consists of 12.4 million square feet (8.1%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 10.1 million square feet (6.6%) of the R&D market NRA.
- Fremont consists of 19.9 million square feet (13.0%) of the R&D market NRA.
- Newark consists of 3.4 million square feet (2.2%) of the R&D market NRA.

A map of the San Antonio area and surrounding regions. Major highways are shown in orange, including I-35, I-10, I-83, and I-17. The map includes labels for cities such as San Antonio, Austin, El Paso, and San Marcos. The Gulf of Mexico is visible to the south. A scale bar in miles (0, 25, 50) and a north arrow are located in the bottom left corner.

**SAN FRANCISCO  
PENINSULA**  
950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

**SILICON VALLEY**  
225 W. Santa Clara Street  
10th Floor  
San Jose, CA 95113  
1.408.453.7400

**OAKLAND**  
555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

**PALO ALTO**  
Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.949.5100

**PLEASANTON**  
5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

**WALNUT CREEK**  
2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

**SAN FRANCISCO  
DOWNTOWN**  
101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

Available square feet which is either physically vacant or immediately available, includes sublease space.



# MarketView

## Silicon Valley R&D Report

www.cbcre.com/research

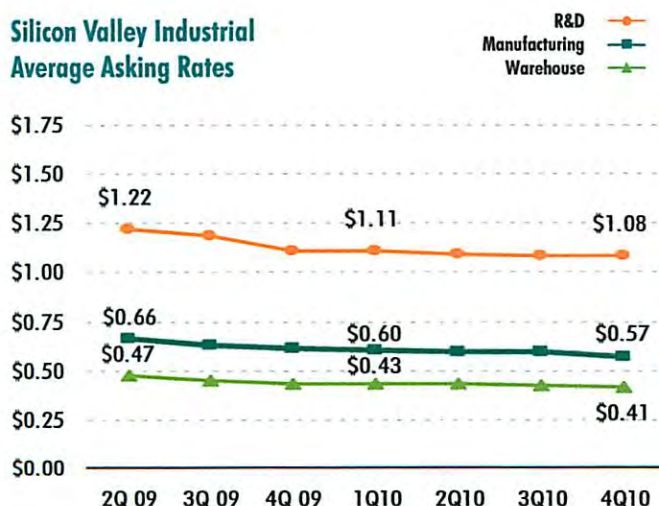
Fourth Quarter 2010

| Submarket                            | NRA                | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| San Jose – Downtown/IBP              | 10,621,162         | 20.7%           | 2,203,454         | 21.5%                | 2,062,560              | 226,050                  | \$0.70               | (107,637)         | 251,490             | 220,509            |
| San Jose – North                     | 25,687,957         | 21.2%           | 5,435,648         | 22.4%                | 5,189,771              | 573,239                  | \$0.95               | 768,276           | 1,298,532           | (82,265)           |
| San Jose – South <sup>1</sup>        | 10,402,370         | 22.7%           | 2,358,835         | 22.8%                | 2,131,337              | 240,998                  | \$0.87               | 305,475           | 339,883             | 136,913            |
| Milpitas                             | 12,481,583         | 24.4%           | 3,047,312         | 26.8%                | 2,540,753              | 808,556                  | \$0.75               | (88,278)          | 131,615             | 20,658             |
| Santa Clara                          | 20,750,507         | 18.4%           | 3,814,331         | 19.6%                | 3,768,029              | 307,449                  | \$1.15               | 91,445            | 335,683             | (134,583)          |
| West Valley <sup>2</sup>             | 6,590,048          | 9.1%            | 597,693           | 10.0%                | 620,999                | 36,432                   | \$1.98               | 112,030           | 128,509             | 37,470             |
| Sunnyvale                            | 22,562,644         | 13.7%           | 3,099,994         | 16.0%                | 3,284,643              | 326,724                  | \$1.26               | 141,672           | 737,814             | 200,353            |
| Mountain View/Los Altos              | 12,643,185         | 16.9%           | 2,130,963         | 18.0%                | 1,613,156              | 667,270                  | \$1.63               | (184,584)         | 176,093             | (175,854)          |
| Palo Alto                            | 8,166,092          | 15.4%           | 1,257,257         | 16.1%                | 1,142,049              | 168,121                  | \$1.65               | 136,079           | 270,761             | (797,692)          |
| Fremont/Newark                       | 23,121,067         | 28.1%           | 6,490,961         | 29.2%                | 6,490,623              | 262,407                  | \$0.67               | (209,093)         | 401,592             | (487,614)          |
| <b>Silicon Valley R&amp;D Market</b> | <b>153,026,615</b> | <b>19.9%</b>    | <b>30,436,448</b> | <b>21.2%</b>         | <b>28,843,920</b>      | <b>3,617,246</b>         | <b>\$1.08</b>        | <b>965,385</b>    | <b>4,071,972</b>    | <b>(1,169,742)</b> |

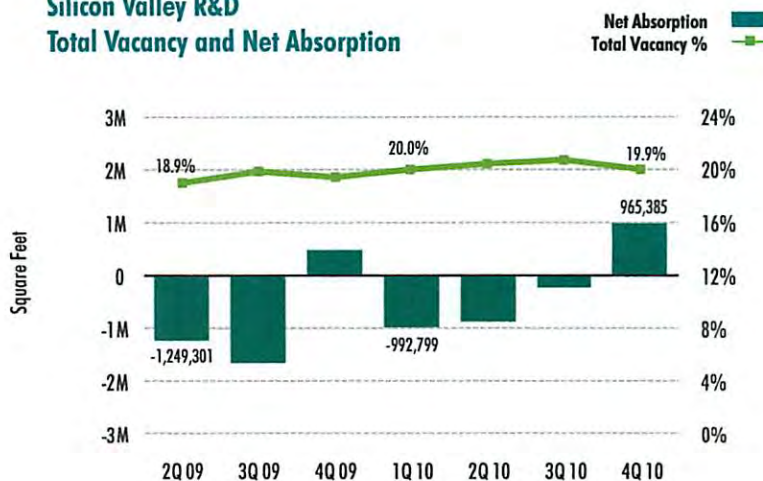
<sup>1</sup> San Jose – South is comprised of the Meridian, San Jose East and San Jose South submarkets<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

### Silicon Valley Industrial Average Asking Rates

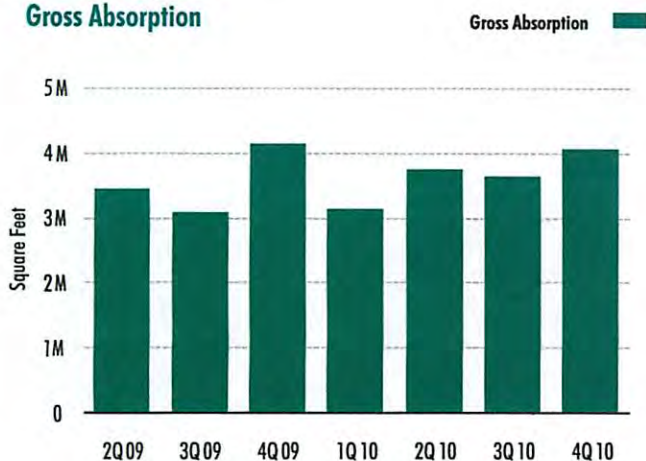


### Silicon Valley R&D Total Vacancy and Net Absorption

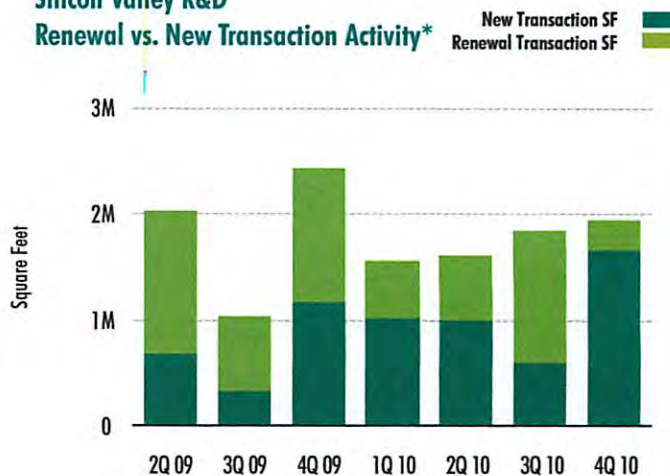




## Silicon Valley R&D Gross Absorption



## Silicon Valley R&D Renewal vs. New Transaction Activity\*



\* In transactions over 25,000 sq. ft.

## Significant Lease Transactions of the Quarter

| Lessee                 | Address                                     | Total SF | Type        |
|------------------------|---------------------------------------------|----------|-------------|
| Stion Corporation      | 6331 San Ignacio Ave, San Jose              | 264,719  | Direct      |
| SunPower               | 51-145 Rio Robles St, San Jose              | 185,704  | Direct      |
| Trimble Navigation     | 935 Stewart Dr & 510 Deguigne Dr, Sunnyvale | 138,874  | Renewal/Exp |
| Alta Devices           | 545 Oakmead Pkwy, Sunnyvale                 | 115,000  | Direct      |
| Palo Alto Networks     | 3300 Olcott St, Santa Clara                 | 105,664  | Direct      |
| Broadcom               | 3100 First St, San Jose                     | 100,362  | Direct      |
| Stanford               | 3165 Porter Dr, Palo Alto                   | 91,644   | Sublease    |
| Olympus America Inc    | 2400 Ringwood Ave, San Jose                 | 80,000   | Renewal     |
| F5 Networks            | 90 Rio Robles St, San Jose                  | 53,889   | Direct      |
| TriQuint Semiconductor | 3099 Orchard Dr, San Jose                   | 51,505   | Direct      |

## Significant Sale Transactions of the Quarter

| Buyer               | Address                                                        | Total SF | Type     |
|---------------------|----------------------------------------------------------------|----------|----------|
| Maxim               | 160 Rio Robles St, San Jose                                    | 434,653  | User     |
| Lane Partners       | 120-175 San Gabriel Dr, 177 Wolfe Rd & 707 Kifer Rd, Sunnyvale | 270,024  | Investor |
| Menlo Equities, LLC | 510 Cottonwood Dr, Milpitas                                    | 180,667  | Investor |
| Bixby Land Company  | 4211 Starboard Dr, Fremont                                     | 129,808  | Investor |
| Kurdex Corporation  | 217 Humboldt Ct, Sunnyvale                                     | 60,030   | User     |



# MarketView

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Fourth Quarter 2009

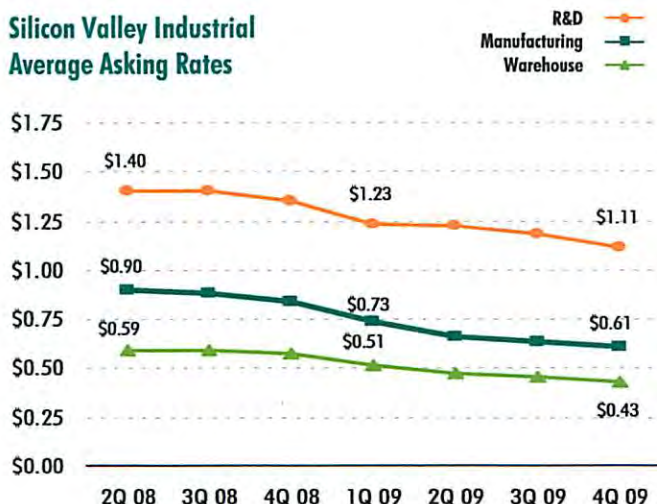
| Submarket                            | NRA                | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | Y-T-D Net Absorption |
|--------------------------------------|--------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|----------------------|
| San Jose – Downtown/IBP              | 10,904,115         | 21.3%           | 2,324,188         | 21.7%                | 2,156,411              | 212,220                  | \$0.70               | 20,624            | 227,146             | (515,932)            |
| San Jose – North                     | 25,347,678         | 19.7%           | 4,997,677         | 23.3%                | 5,261,523              | 642,295                  | \$0.95               | 217,803           | 738,688             | (656,893)            |
| San Jose – South <sup>1</sup>        | 10,550,141         | 24.8%           | 2,611,529         | 25.6%                | 2,440,617              | 265,440                  | \$0.90               | (90,547)          | 241,798             | (306,002)            |
| Milpitas                             | 12,499,875         | 25.1%           | 3,136,650         | 25.3%                | 2,399,360              | 767,258                  | \$0.85               | (29,940)          | 161,016             | (461,369)            |
| Santa Clara                          | 21,043,691         | 16.5%           | 3,473,241         | 17.5%                | 3,363,707              | 322,640                  | \$1.16               | (55,369)          | 449,452             | (767,459)            |
| West Valley <sup>2</sup>             | 6,619,242          | 8.9%            | 586,956           | 9.5%                 | 519,900                | 107,245                  | \$1.98               | (10,163)          | 146,557             | (22,680)             |
| Sunnyvale                            | 22,766,463         | 16.3%           | 3,711,621         | 17.8%                | 3,375,062              | 695,754                  | \$1.32               | (190,109)         | 849,336             | (943,519)            |
| Mountain View/Los Altos              | 12,893,232         | 17.4%           | 2,249,524         | 18.8%                | 1,481,232              | 940,343                  | \$1.63               | 64,672            | 177,761             | (728,331)            |
| Palo Alto                            | 7,442,125          | 6.8%            | 503,065           | 6.8%                 | 270,244                | 234,204                  | \$1.86               | 162,704           | 265,000             | (110,468)            |
| Fremont/Newark                       | 23,336,889         | 26.6%           | 6,216,846         | 28.5%                | 6,059,854              | 587,823                  | \$0.68               | 387,168           | 897,858             | (409,736)            |
| <b>Silicon Valley R&amp;D Market</b> | <b>153,403,451</b> | <b>19.4%</b>    | <b>29,811,297</b> | <b>20.9%</b>         | <b>27,327,910</b>      | <b>4,775,222</b>         | <b>\$1.11</b>        | <b>476,843</b>    | <b>4,154,612</b>    | <b>(4,922,389)</b>   |

<sup>1</sup> San Jose – South is comprised of the Meridian, San Jose East and San Jose South submarkets

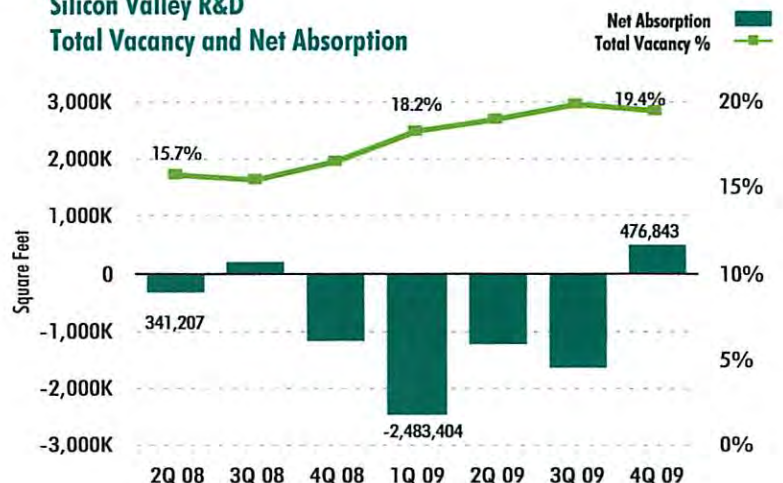
<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

## Silicon Valley Industrial Average Asking Rates



## Silicon Valley R&D Total Vacancy and Net Absorption





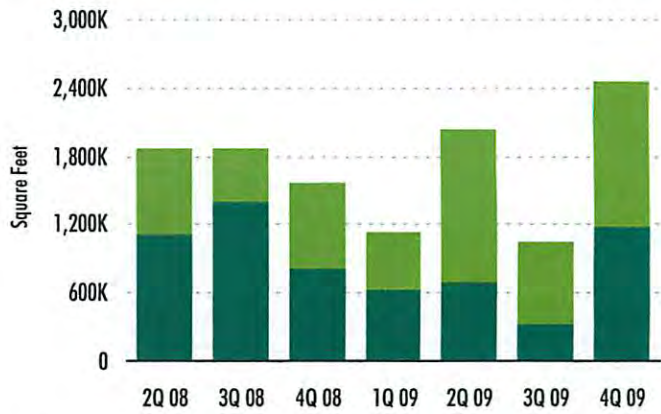
## Silicon Valley R&D Gross Absorption

Gross Absorption



## Silicon Valley R&D Renewal vs. New Transaction Activity\*

New Transaction SF  
Renewal Transaction SF



\* In transactions over 25,000 sq. ft.

## Significant Lease Transactions of the Quarter

| Lessee                  | Address                                | Total SF | Product Type | Type        |
|-------------------------|----------------------------------------|----------|--------------|-------------|
| Facebook                | 1050 Page Mill Rd, Palo Alto           | 265,000  | R&D          | Sublease    |
| Harmonic, Inc.          | 4300 N First St, San Jose              | 188,332  | R&D          | Direct      |
| Harris Stratex Networks | 5200 Great America Pkwy, Santa Clara   | 128,540  | R&D          | Direct      |
| Accuray                 | 1310 - 1320 Chesapeake Terr, Sunnyvale | 113,616  | R&D          | Renewal/Exp |
| Morpho Detection, Inc.  | 7151 Gateway Blvd, Newark              | 111,926  | R&D          | Renewal     |
| TSMC                    | 2585 - 2895 Junction Ave, San Jose     | 110,590  | R&D          | Renewal     |
| Photon Dynamics, Inc.   | 5970 Optical Ct, San Jose              | 109,800  | R&D          | Renewal     |
| Western Digital         | 1250 Reliance Wy, Fremont              | 101,882  | R&D          | Sublease    |
| Aruba Networks          | 1344 Crossman Ave, Sunnyvale           | 98,836   | R&D          | Renewal/Exp |
| Ultratech, Inc.         | 3050 Zanker Rd, San Jose               | 97,910   | R&D          | Renewal     |

## Significant Sale Transactions of the Quarter

| Buyer                      | Address                                              | Total SF | Product Type | Type       |
|----------------------------|------------------------------------------------------|----------|--------------|------------|
| Mentor Graphics            | 46859 - 46885 Bayside Pkwy, Fremont                  | 196,000  | R&D          | User       |
| Digital Realty Trust, Inc. | 1350 - 1380 Duane Ave & 3080 Raymond St, Santa Clara | 185,000  | R&D          | Investment |
| Micrel                     | 2180 Fortune Dr, San Jose                            | 57,000   | R&D          | User       |
| GSI Technology, Inc.       | 1213 Elko Dr, Sunnyvale                              | 44,277   | R&D          | User       |
| SVOTek                     | 44141 - 44153 S Grimmer Blvd, Fremont                | 21,791   | R&D          | User       |

## Significant Construction

| Project        | City    | Total SF | % Pre Committed |
|----------------|---------|----------|-----------------|
| Solyndra Fab 2 | Fremont | 606,000  | 100%            |

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CB Richard Ellis, Inc.  
225 W Santa Clara Street  
10<sup>th</sup> Floor  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)

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## Quick Stats

|                          | Current | Change from last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Total Vacancy            | 19.4%   | ↑                | ↓    |
| Direct Lease Rate        | \$1.11  | ↓                | ↓    |
| Net Absorption           | 476,843 | ↑                | ↑    |
| Construction Completions | 0       | ↔                | ↔    |

\*The arrows indicate a trend and do not represent a positive or negative value for the underlying statistic (e.g. Net Absorption could be negative, but still represent a positive trend over the time period.)

## Hot Topics

- Market-wide vacancy decreases 40 basis points to 19.4%
- Positive net absorption for the first time since 3Q 08
- > 4.1 million SF of gross absorption
- Average asking rates decrease ~ 6%

The close of the fourth quarter showed signs of improvement as the Silicon Valley R&D market posted positive absorption for the first time in over a year. Activity in both sales and leasing was healthier compared to past quarters. However, although signs of stabilization are beginning to appear, recovery is expected to remain slow and moderate at best as unemployment will likely remain at an elevated level through 2010. That being said, it appears that the economy has hit bottom and the coming year may bring a return of positive market fundamentals to the Silicon Valley.

Positive net absorption totaled approximately 476,843 SF in the fourth quarter and vacancy declined for the first time since the third quarter of 2008 by decreasing 40 basis points to 19.4%. There were only a few large blocks of vacant space to hit the market this quarter and only one topped 100,000 SF. The largest vacant space to hit the market was due to Abbott Labs vacating approximately 117,000 SF at 5301 Patrick Henry in Santa Clara. Over the past year the majority of large vacant buildings have been delivered to the market; however, there are still a few significant vacancies that have yet to hit the market. For instance, KLA Tencor and Atmel could potentially deliver over 725,000 SF of vacant space within the first half of 2010.

The trend of consolidations and renewals continued well into the fourth quarter of 2009 as six of the top 10 lease transactions were renewals. Nevertheless, there were still significant direct and sublease

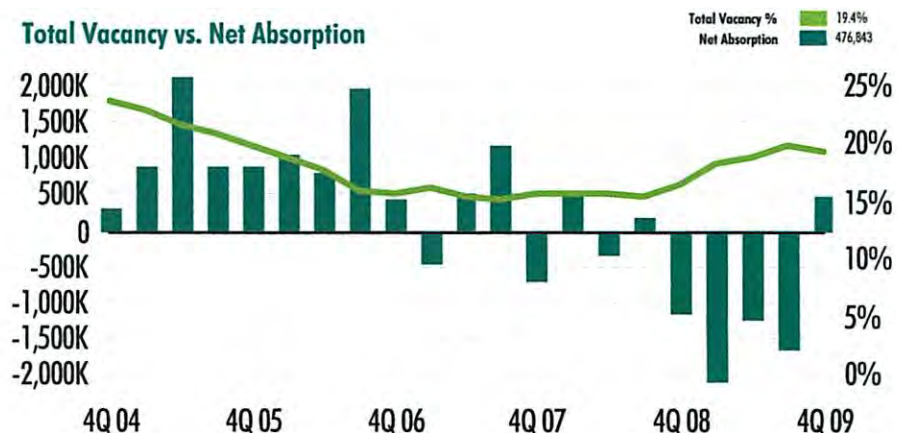
transactions signed in December confirming that companies are beginning to regain confidence in the economy as well as take advantage of potentially short lived rock bottom rental rates for premium R&D space. Facebook recently expanded its Palo Alto footprint by subleasing 265,000 SF at 1050 Page Mill Rd and Harmonic Inc. recently consolidated its Sunnyvale headquarters to approximately 188,000 SF at 4300 N. First St. in San Jose. The previously owned Cisco building had been vacant for the past eight years.

Digital Realty Trust, Inc purchased two buildings in Santa Clara; it was the lone investment sale in the fourth quarter. The combined buildings total 185,000 SF and were 100% leased at the time of purchase.

Asking lease rates fell moderately as they dropped a nominal 6% to \$1.11 NNN on average. This is the lowest average asking rates have been since 2007. Asking rates will likely continue to remain low until there is a consistent decrease in vacancy.

Decreasing vacancy and positive absorption levels are some encouraging signs of things to come. The large amount of vacant space that hit the market in 2009 has been noteworthy, yet overall tenant demand is at its highest point since 2007. Although we may still be some time away from a significant recovery, the modest improvement in market fundamentals is positive news after enduring one of the toughest years of the decade.

## Total Vacancy vs. Net Absorption



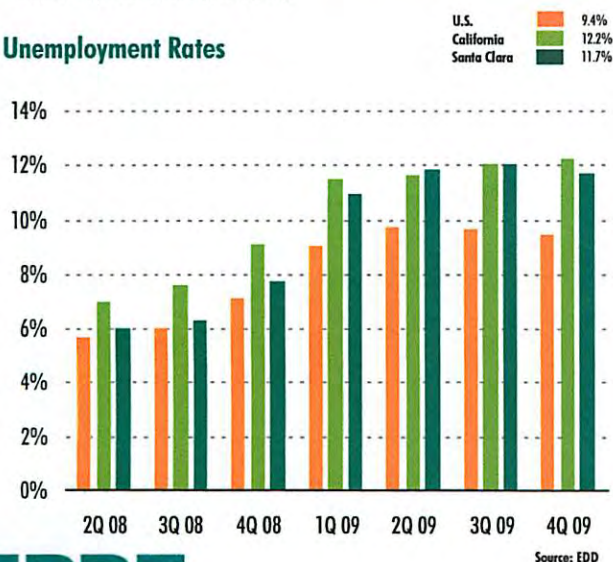


## Market Statistics

| Submarket                 | Net Rentable Area  | Total Vacancy % | Total Availability % | Average Asking Rate | Q4 Net Absorption | YTD Net Absorption | Under Construction |
|---------------------------|--------------------|-----------------|----------------------|---------------------|-------------------|--------------------|--------------------|
| San Jose Downtown         | 771,479            | 5.4%            | 5.4%                 | \$1.00              | (116)             | (14,040)           | 0                  |
| Meridian                  | 266,600            | 12.5%           | 12.5%                | \$1.11              | 0                 | 39,031             | 0                  |
| San Jose - North          | 25,347,678         | 19.7%           | 23.3%                | \$0.95              | 217,803           | (656,893)          | 0                  |
| IBP                       | 10,132,636         | 22.5%           | 23.0%                | \$0.68              | 20,740            | (501,892)          | 0                  |
| San Jose - East           | 472,658            | 7.7%            | 7.7%                 | \$0.99              | 1,128             | (13,414)           | 0                  |
| San Jose - South          | 9,810,883          | 25.9%           | 26.9%                | \$0.89              | (91,675)          | (331,619)          | 0                  |
| Milpitas                  | 12,499,875         | 25.1%           | 25.3%                | \$0.85              | (29,940)          | (461,369)          | 0                  |
| Santa Clara               | 21,043,691         | 16.5%           | 17.5%                | \$1.16              | (55,369)          | (767,459)          | 0                  |
| Campbell                  | 1,196,098          | 27.4%           | 27.4%                | \$1.29              | (6,939)           | (29,490)           | 0                  |
| Los Gatos                 | 658,627            | 12.7%           | 12.7%                | \$1.26              | (11,565)          | (7,609)            | 0                  |
| Cupertino                 | 4,764,517          | 3.7%            | 4.5%                 | \$2.25              | 8,341             | 14,419             | 0                  |
| Sunnyvale                 | 22,766,463         | 16.3%           | 17.8%                | \$1.32              | (190,109)         | (943,519)          | 0                  |
| Mountain View             | 12,880,906         | 17.5%           | 18.8%                | \$1.63              | 64,672            | (728,331)          | 0                  |
| Los Altos                 | 12,326             | 0.0%            | 0.0%                 | \$1.63              | 0                 | 0                  | 0                  |
| Palo Alto                 | 7,442,125          | 6.8%            | 6.8%                 | \$1.86              | 162,704           | (110,468)          | 0                  |
| <b>Santa Clara County</b> | <b>130,066,562</b> | <b>18.1%</b>    | <b>19.6%</b>         | <b>\$1.19</b>       | <b>89,675</b>     | <b>(4,512,653)</b> | <b>0</b>           |
| Fremont/Newark            | 23,336,889         | 26.6%           | 28.5%                | \$0.68              | 387,168           | (409,736)          | 606,000            |
| <b>Silicon Valley</b>     | <b>153,403,451</b> | <b>19.4%</b>    | <b>20.9%</b>         | <b>\$1.11</b>       | <b>476,843</b>    | <b>(4,922,389)</b> | <b>606,000</b>     |

\* Direct Monthly Lease Rates, Triple Net (NNN)

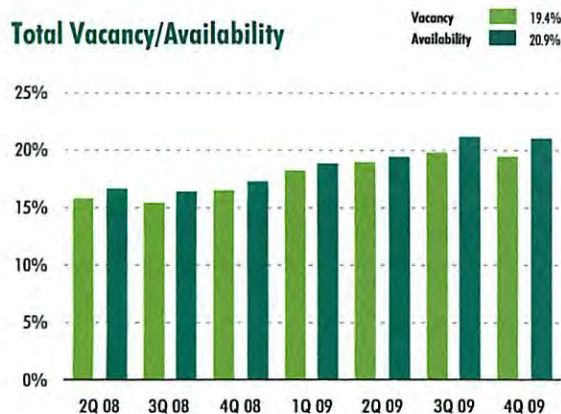
## Unemployment Rates



The unemployment rate for Santa Clara County decreased over the quarter to 11.7%; this marks a 30 basis point decrease from last quarter and a 400 basis point increase from this time last year. The California Employment Development Department reported that over the last year Santa Clara County has lost 42,700 jobs. Manufacturing was hit the hardest as it shed 13,700 jobs, primarily within computer and electronic products. However, employment in the local public schools sector grew the most as this sector gained 1,300 jobs. In addition, private health care and social assistance also grew as these sectors gained 1,000 jobs respectively. The unemployment rate for the state also remained at an elevated level. California's unemployment rate increased 20 basis points to 12.2%, the highest since current record-keeping began in 1976. From September to November, California shed 78,100 jobs and year-over-year job losses total 883,600. The national unemployment witnessed a moderate decrease as it dropped 20 basis points from Q3'09 figures to 9.4%.

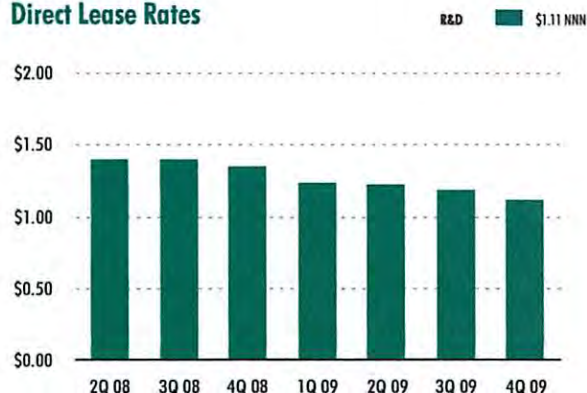


## Total Vacancy/Availability



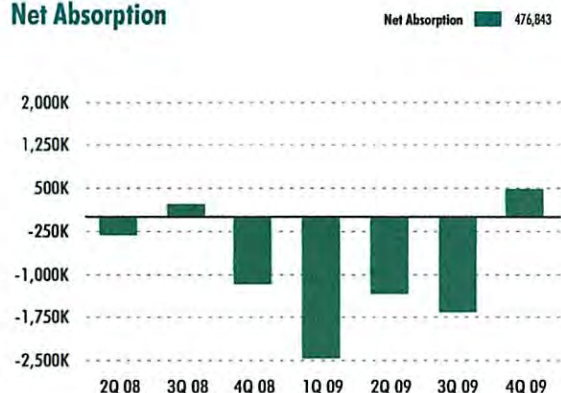
The average vacancy and availability rates for the Silicon Valley R&D market decreased 40 and 20 basis points from last quarter to 19.4% and 20.9%, respectively, the first decrease in either category since the third quarter of 2008. The largest decrease in vacancy occurred in Fremont, which experienced a 220 basis point decrease from last quarter to 23.5%. A large contributor to this drop in vacancy was the user sale of three buildings from TMG Partners to Mentor Graphics for 196,000 SF. North San Jose also experienced declining vacancy as it dropped 90 basis points from last quarter to 19.7%, due in large part to Harmonic Inc. leasing 188,000 SF at 4300 N First St. Downtown/IBP, Mountain View, and Palo Alto were the other submarkets that saw declining vacancy rates.

## Direct Lease Rates



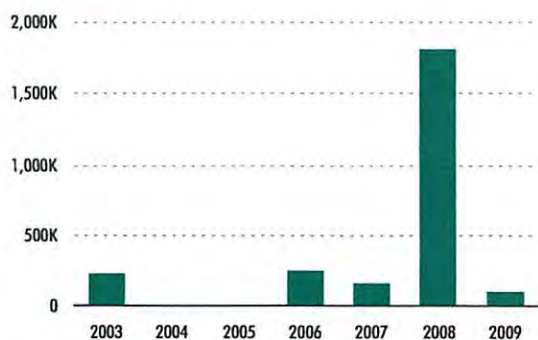
Average asking lease rates in the Silicon Valley R&D market decreased \$0.07 over the quarter to \$1.11 NNN; this marks a 6% decrease from last quarter and an 18% decrease from this time last year. The Palo Alto submarket experienced the steepest decline, dropping \$0.24 to \$1.86 NNN; an 11% decrease from last quarter. Fremont/Newark and South San Jose submarkets also experienced steep declines, dropping \$0.07 and \$0.09 respectively to \$0.68 NNN and \$0.89 NNN; a 9% decrease compared to last quarter. Furthermore, North San Jose average asking rates also dropped \$0.08 to \$0.95 NNN; this marks an 8% decrease from third quarter rates. Over the course of 2009, the market witnessed numerous declines in average asking rates across the board with the steepest drops recorded in the first three quarters of the year. This trend of decreasing rents may continue, but at a slower pace.

## Net Absorption



The Silicon Valley R&D market posted 476,843 SF of net absorption in the fourth quarter. The Fremont/Newark submarket posted the greatest amount of positive absorption as the market absorbed over 387,000 SF of vacant space over the quarter. Western Digital subleased 101,882 SF on 1250 Reliance Wy. Following Fremont/Newark, North San Jose posted over 217,000 SF of positive absorption. In addition, Palo Alto ended the year with positive absorption greater than 162,000 SF. Facebook subleased 265,000 SF at 1050 Page Mill Rd. Sunnyvale was the hardest hit with 190,109 SF of negative net absorption; a large contributor was Synplicity vacating approximately 67,000 SF at 600 W California Ave.

## Construction Completions



Solyndra continues its construction in Fremont on the 606,000 SF project located near its current facility on Kato Rd. Solyndra currently estimates the construction will employ over 3,000 people, and the ongoing operation will create an additional 1,000 jobs. Overall in 2009, there was only 100,000 SF of construction completions. Of the 100,000 SF of new product delivered to the market in 2009, 100% remains vacant. With unemployment at elevated levels most developers/investors do not have any incentive to initiate new projects in the R&D sector.



## MarketView Silicon Valley R&D

### Market Area Descriptions

- Downtown consists of 0.8 million square feet (0.5%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 25.3 million square feet (16.5%) of the R&D market NRA.
- I.B.P consists of 10.1 million square feet (6.6%) of the R&D market NRA.
- E. San Jose consists of 0.5 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.8 million square feet (6.4%) of the R&D market NRA.
- Milpitas consists of 12.5 million square feet (8.1%) of the R&D market NRA.
- Santa Clara consists of 21.1 million square feet (13.7%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.4%) of the R&D market NRA.
- Cupertino consists of 4.8 million square feet (3.1%) of the R&D market NRA.
- Sunnyvale consists of 22.8 million square feet (14.8%) of the R&D market NRA.
- Mountain View consists of 12.9 million square feet (8.4%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 7.4 million square feet (5.0%) of the R&D market NRA.
- Fremont consists of 19.8 million square feet (12.9%) of the R&D market NRA.
- Newark consists of 3.5 million square feet (2.3%) of the R&D market NRA.

### Silicon Valley Submarket Map



### Local Offices

#### SAN FRANCISCO PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

#### OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

#### PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

#### SAN FRANCISCO DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

#### SILICON VALLEY

225 W. Santa Clara Street  
10th Floor  
San Jose, CA 95113  
1.408.453.7400

#### PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.949.5100

#### WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

#### Available Square Feet

Vacant Square Feet plus space that is marketed as available but not currently vacant, includes sublease space.

#### Availability Rate

Available Square Feet divided by the NRA.

#### Average Asking Lease Rate

The rate determined by multiplying the asking triple net lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

#### Triple Net (NNN) Lease

A lease in which the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, including both fixed and variable expenses.

#### Market Coverage

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

#### Net Absorption

The change in Occupied Square Feet from one period to the next.

#### Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

#### Occupied Square Feet

Building area not considered vacant.

#### Under Construction

Buildings which have begun construction as evidenced by foundation work.

#### Vacancy Rate

Vacant Square Feet divided by the NRA.

#### Vacant Square Feet

Available square feet which is either physically vacant or immediately available, includes sublease space.

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# MarketView

## Silicon Valley R&D

www.cbre.com/research

Fourth Quarter 2008

### Quick Stats

|                          | Current | Change from last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Vacancy                  | 16.5%   | ↑                | ↑    |
| Lease Rates              | \$1.35  | ↑                | ↓    |
| Net Absorption*          | (1.1M)  | ↓                | ↓    |
| Construction Completions | 196.5K  | ↑                | ↑    |

\* The Quick Stats arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g. absorption could be negative, but still represent a positive trend over a specific period)

### Hot Topics

- YTD negative net absorption of 805,671 sq. ft.
- Vacancy stands at 16.5%, the highest rate seen since Q2'06
- Santa Clara experienced positive absorption >47,000 sq. ft.
- >196,000 sq. ft. of construction completed in Fremont and Palo Alto

The Silicon Valley R&D market felt the impact of a weakening economy in the fourth quarter as negative absorption exceeded 1.1 million sq. ft. The commercial real estate market is finally beginning to feel the effects of the layoffs, bankruptcies and economic uncertainty in the U.S. However, that being said, Silicon Valley still remains a favored market as it has proven to be resilient compared to surrounding competitive markets.

Gross absorption fell below three million sq. ft. for the second time since 2006, while vacancy rates increased 110 basis points to 16.5%; the highest rate seen in Silicon Valley since the second quarter of 2006. Despite increasing vacancy the Silicon Valley still saw many large lease transactions from companies such as TSMC North America, Ausra Solar, Synaptics, and Aurora Networks, all over 60,000 sq. ft.

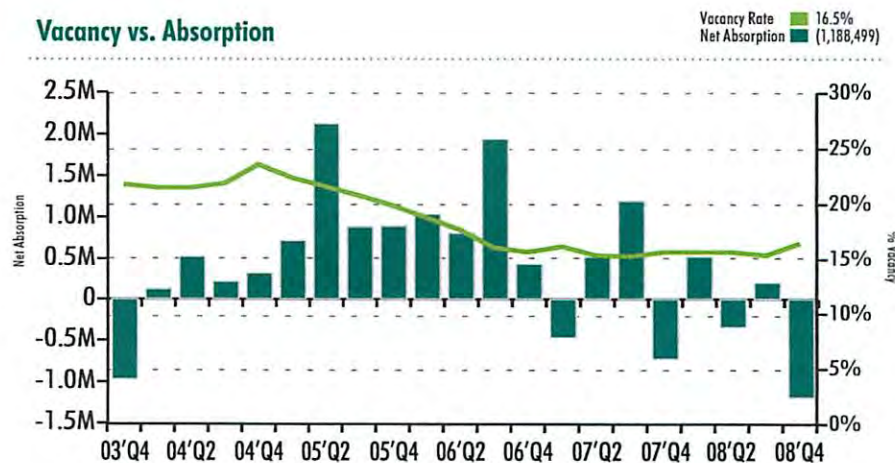
Investment sales have slowed considerably over the last two quarters as buyers remain cautious of current financial market turmoil. There were only four investment sales recorded during the fourth quarter, all of which were scattered across the Silicon Valley from Fremont to Cupertino. Favorably located properties that can boast high tenancy with long term leases appear to be garnering attention from well qualified buyers. Among the largest investment sale transactions this quarter, Google topped the list by purchasing the Mountain View

Life Sciences Portfolio totaling over 238,000 sq. ft. The portfolio consists of four properties and the project was 100% leased at the time of purchase. Levy Fremont Boulevard purchased 3 buildings totaling 181,560 sq. ft. located at 48401 – 48481 Fremont Blvd. The buildings were 28% leased at the time of purchase. Also, Apple topped the list of the largest user sale transactions by purchasing 293,407 sq. ft. from Hewlett Packard.

Average asking rates dropped 4% to \$1.35 NNN, marking the first decline in average rates since the fourth quarter of 2004. Landlords have begun offering tenants more concessions such as tenant improvements and free rent in order to prevent a sudden decline in asking rates. With vacancy and availability rates rising it is expected that the Silicon Valley will continue to see increased pressure on rates and reduced activity levels for the next few quarters or until demand rebounds.

Increasing unemployment and the effects of the recession appear to have finally caught up with the Silicon Valley R&D market. It is predicted that large blocks of sublease space will hit the market in the near future as a result of companies contracting or going out of business. However, as demand for technology based product continues and venture capital spending maintains respectable levels, the Silicon Valley R&D sector will continue to fare well compared to similar markets.

### Vacancy vs. Absorption

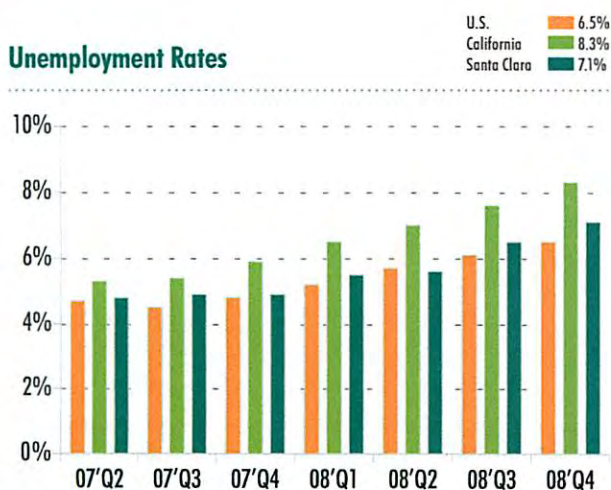




## Market Statistics

| Submarket                 | Net Rentable Area  | Total Vacancy Rate | Total Availability Rate | Avg. Asking Rate | Q4 Net Absorption  | YTD Net Absorption | Construction |
|---------------------------|--------------------|--------------------|-------------------------|------------------|--------------------|--------------------|--------------|
| San Jose Downtown         | 1,814,252          | 2.6%               | 2.6%                    | \$1.10           | 2,600              | (10,000)           | 0            |
| Meridian                  | 295,234            | 24.5%              | 24.5%                   | \$1.11           | 0                  | (21,181)           | 0            |
| North San Jose            | 24,564,166         | 18.2%              | 19.2%                   | \$1.09           | (236,247)          | 221,316            | 0            |
| I.B.P.                    | 10,193,854         | 17.9%              | 18.5%                   | \$0.79           | (60,882)           | (312,581)          | 0            |
| East San Jose             | 435,258            | 5.3%               | 6.1%                    | \$0.99           | 6,000              | (3,027)            | 0            |
| South San Jose            | 9,843,676          | 23.6%              | 23.6%                   | \$1.17           | 1,298              | 514,407            | 0            |
| Milpitas                  | 12,531,324         | 21.5%              | 22.4%                   | \$1.03           | (273,307)          | (59,278)           | 0            |
| Santa Clara               | 21,328,989         | 12.1%              | 12.2%                   | \$1.50           | 47,817             | 156,040            | 0            |
| Campbell                  | 1,176,741          | 25.3%              | 25.3%                   | \$1.75           | (38,561)           | (124,100)          | 0            |
| Los Gatos                 | 673,627            | 11.3%              | 11.3%                   | \$1.75           | (16,964)           | (24,761)           | 0            |
| Cupertino                 | 4,817,265          | 4.0%               | 4.3%                    | \$2.25           | 1,000              | 95,038             | 0            |
| Sunnyvale                 | 23,357,683         | 11.4%              | 12.7%                   | \$1.59           | (71,741)           | 8,532              | 0            |
| Mountain View             | 12,941,154         | 13.2%              | 15.1%                   | \$1.92           | (243,052)          | (427,175)          | 0            |
| Los Altos                 | 12,326             | 0.0%               | 0.0%                    | \$1.75           | 0                  | 0                  | 0            |
| Palo Alto                 | 7,750,607          | 5.1%               | 6.4%                    | \$2.75           | (142,838)          | (284,648)          | 0            |
| <b>Santa Clara County</b> | <b>131,736,156</b> | <b>14.7%</b>       | <b>15.5%</b>            | <b>\$1.45</b>    | <b>(1,024,877)</b> | <b>(271,418)</b>   | <b>0</b>     |
| Fremont/Newark            | 22,920,477         | 26.5%              | 26.8%                   | \$0.78           | (163,622)          | (534,253)          | 0            |
| <b>Silicon Valley</b>     | <b>154,656,633</b> | <b>16.5%</b>       | <b>17.2%</b>            | <b>\$1.35</b>    | <b>(1,188,499)</b> | <b>(805,671)</b>   | <b>0</b>     |

## Unemployment Rates

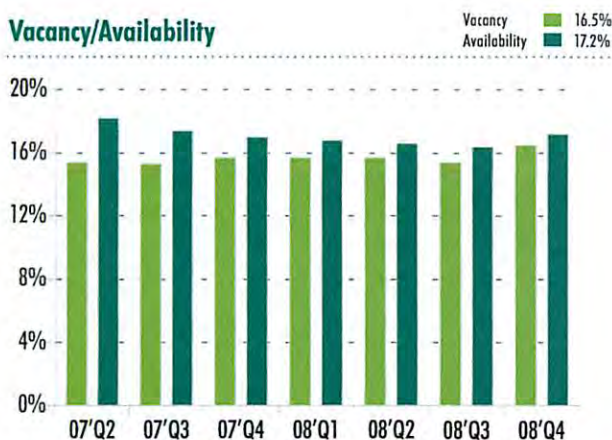


Source: EDD

National real GDP decreased at an annual rate of 0.5% in the third quarter of 2008 according to estimates released by the Bureau of Economic Analysis. The decrease in real GDP reflected negative contributions from residential fixed investment, personal consumption expenditures, and equipment and software. These were slightly offset by positive contributions to real GDP from private inventory investment, nonresidential structures, exports, federal government spending, and state and local government spending. The Santa Clara county labor force has decreased by 3,100 since October to 884,700; directly translating to the unemployment rate increasing 20 basis points to 7.1%. The unemployment rate for California increased to 8.3% from 7.5% and the national unemployment rate increased 50 basis points to 6.5%.



## Vacancy/Availability



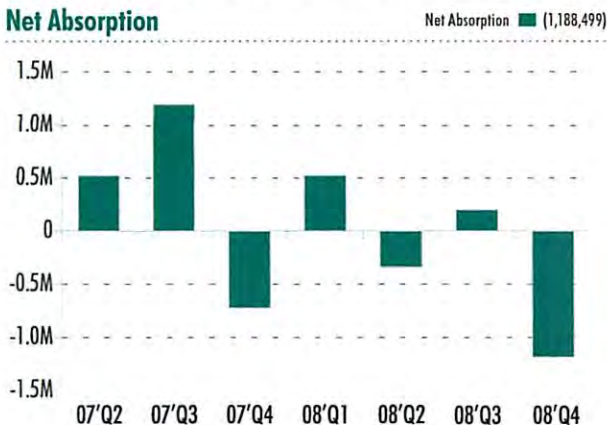
The average vacancy rate for the Silicon Valley R&D market increased 110 basis points from last quarter to 16.5%, the highest vacancy rate seen since the second quarter of 2006. The largest increase in vacancy occurred in Mountain View which experienced a 380 basis point increase from last quarter to 13.2%. Google's decision to sublease three buildings was a large contributor to this spike in vacancy. Palo Alto also experienced an increase in vacancy rising 280 basis points to 5.1% due in large part to Beckman Coulter adding 222,025 sq. ft. of sublease space at 1050 Page Mill Rd. In contrast, the Santa Clara submarket experienced the largest decrease in vacancy by declining 40 basis points to 12.1% due to several large transactions.

## Lease Rates



Average asking lease rates in the Silicon Valley R&D decreased \$0.05 over the quarter to \$1.35 NNN; this marks a 4% decrease in the last quarter. North San Jose average asking rates experienced the steepest decline, dropping \$0.11 to \$1.09 NNN; a 10% decrease compared to last quarter. Milpitas average asking rates also declined by dropping \$0.07 to \$1.03 NNN; marking a 10% decrease from third quarter rates. Fremont and Newark remain the most affordable at \$0.79 and \$0.73 NNN respectively. As transaction velocity declines expect landlords to offer more concessions in hopes of keeping rents up.

## Net Absorption



The Silicon Valley R&D market recorded negative net absorption posting 1,188,499 sq. ft. in the fourth quarter. Santa Clara saw the highest positive net absorption with 47,817 sq. ft. Transactions with Aurora Networks for 61,358 sq. ft. and ZillionTV for 57,649 sq. ft. were major contributors to this submarket. In contrast, Milpitas and Mountain View experienced the largest negative net gains this quarter posting negative 273,307 sq. ft. and 243,052 sq. ft. respectively. North San Jose also experienced significant negative net absorption of 236,247 sq. ft.

## New Construction



Given the existing availabilities of R&D product in the market, investors and landlords do not have an incentive to initiate new projects in the R&D sector at this time. However, construction at 6750 Dumbarton Circle located along Highway 84 reached completion and delivered approximately 118,535 sq. ft. to the Fremont submarket. The two-story Peery Arrillaga project is 100% vacant and ready for occupancy. Construction at 3420 Hillview Ave in Palo Alto also reached completion and delivered 78,000 sq. ft. to the Palo Alto market. The single story structure is 100% fully leased to SAP.



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#### Availability Rate

Available Square Feet divided by the NRA.

#### Average Asking Direct Lease Rate

The rate determined by multiplying the asking full service lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

#### Full Service Leases

Includes all types whereby the Landlord assumes responsibility for most or all of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

#### Market Coverage

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

#### Net Absorption

The change in Occupied Square Feet from one period to the next.

#### Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

#### Occupied Square Feet

Building Area not considered vacant.

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Buildings which have begun construction as evidenced by foundation work.

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Available square feet which is either physically vacant or immediately available, includes sublease space.

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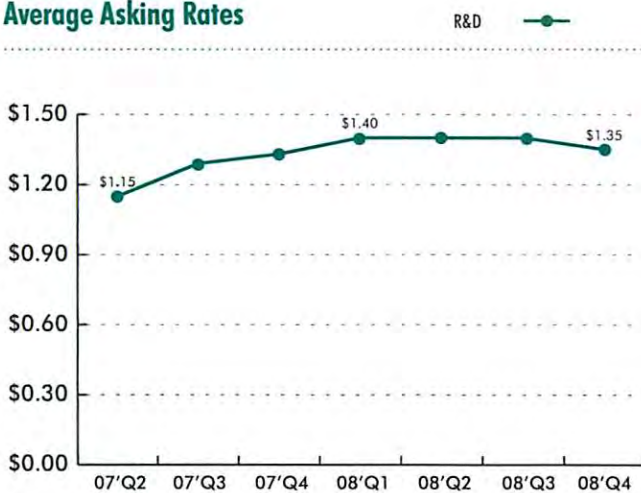
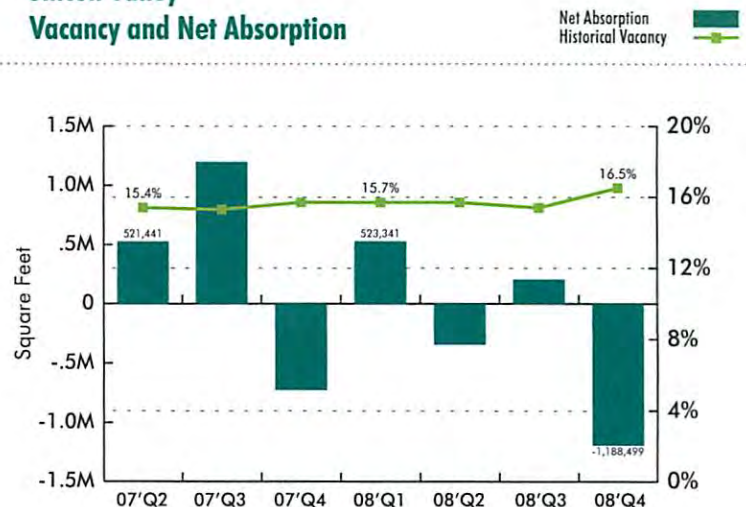
## Silicon Valley R&amp;D Report

www.cbre.com/research

Fourth Quarter 2008

| Submarkets                           | NRA                | Total<br>Vacancy<br>Rate | Total<br>Vacant<br>SF | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4 Net<br>Absorption | Q4 Gross<br>Absorption | Y-T-D<br>Absorption |
|--------------------------------------|--------------------|--------------------------|-----------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|----------------------|------------------------|---------------------|
| San Jose – Downtown/IBP              | 12,008,106         | 15.6%                    | 1,876,446             | 16.1%                         | 1,756,497                    | 181,556                        | \$0.84                     | (58,282)             | 136,634                | (322,581)           |
| San Jose – North                     | 24,564,166         | 18.2%                    | 4,480,662             | 19.2%                         | 4,407,725                    | 299,556                        | \$1.09                     | (236,247)            | 366,634                | 221,316             |
| San Jose - Meridian/East/<br>South   | 10,574,168         | 22.9%                    | 2,417,018             | 22.9%                         | 1,841,417                    | 579,249                        | \$1.16                     | 7,298                | 36,634                 | 490,199             |
| Milpitas                             | 12,531,324         | 21.5%                    | 2,698,168             | 22.4%                         | 2,075,219                    | 734,161                        | \$1.03                     | (273,307)            | 35,132                 | (59,278)            |
| Santa Clara                          | 21,328,989         | 12.1%                    | 2,577,196             | 12.2%                         | 2,223,277                    | 377,720                        | \$1.50                     | 47,817               | 386,572                | 156,040             |
| West Valley*                         | 6,679,959          | 8.4%                     | 564,276               | 8.7%                          | 498,459                      | 84,361                         | \$2.11                     | (54,525)             | 313,440                | (53,823)            |
| Sunnyvale                            | 23,357,683         | 11.4%                    | 2,666,634             | 12.7%                         | 2,527,334                    | 432,924                        | \$1.59                     | (71,741)             | 386,527                | 8,532               |
| Mountain View                        | 12,941,154         | 13.2%                    | 1,708,596             | 15.1%                         | 951,875                      | 1,003,814                      | \$1.92                     | (243,052)            | 316,140                | (427,175)           |
| Palo Alto                            | 7,750,607          | 5.1%                     | 398,395               | 6.4%                          | 143,897                      | 348,328                        | \$2.75                     | (142,838)            | 46,298                 | (284,648)           |
| Fremont/Newark                       | 22,920,477         | 26.5%                    | 6,084,625             | 26.8%                         | 5,554,741                    | 597,251                        | \$0.78                     | (163,622)            | 438,861                | (534,253)           |
| <b>Silicon Valley R&amp;D Market</b> | <b>154,656,633</b> | <b>16.5%</b>             | <b>25,472,016</b>     | <b>17.2%</b>                  | <b>21,980,441</b>            | <b>4,638,920</b>               | <b>\$1.35</b>              | <b>(1,188,499)</b>   | <b>2,462,872</b>       | <b>(805,671)</b>    |

\* West Valley is comprised of the Los Gatos, Campbell, Cupertino and Los Altos Markets

Silicon Valley  
Average Asking RatesSilicon Valley  
Vacancy and Net Absorption



**Significant Lease Transactions of the Quarter**

| Lessee                   | Address                            | Total SF | Product Type | Type     |
|--------------------------|------------------------------------|----------|--------------|----------|
| TSMC North America       | 2585 - 2595 Junction Ave, San Jose | 110,590  | R&D          | Renewal  |
| Ausra Solar              | 303 Ravendale Dr, Mt. View         | 67,000   | R&D          | Direct   |
| Synaptics                | 2251 Lawson Ln, San Jose           | 62,500   | R&D          | Direct   |
| Aurora Networks          | 5400 Betsy Ross Dr, Santa Clara    | 61,358   | R&D          | Direct   |
| Payment Processing, Inc. | 8200 Central Ave, Newark           | 59,020   | R&D          | Renewal  |
| Conceptus                | 331 E Evelyn Ave, Mt. View         | 58,242   | R&D          | Renewal  |
| ZillionTV                | 1170 Kifer Rd, Santa Clara         | 57,649   | R&D          | Sublease |
| FM Industries            | 221 - 231 E Warren Ave, Fremont    | 57,360   | R&D          | Renewal  |
| General Electric Capital | 2300 - 2320 Owen St, Santa Clara   | 46,621   | R&D          | Direct   |
| Silicon Labs             | 940 Stewart Dr, Sunnyvale          | 44,702   | R&D          | Direct   |

**Significant Sale Transactions of the Quarter**

| Buyer                              | Address                                    | Total SF | Product Type | Type     |
|------------------------------------|--------------------------------------------|----------|--------------|----------|
| Apple                              | 19333 Vallco Pkwy, Cupertino               | 293,407  | R&D          | User     |
| Google                             | Mt. View Life Sciences Portfolio, Mt. View | 238,809  | R&D          | Investor |
| Levy Fremont Boulevard I & II, LLC | 48401 Fremont Blvd, Fremont                | 181,560  | R&D          | Investor |
| KBS Realty                         | 350 E Plumeria Dr, San Jose                | 142,700  | R&D          | Investor |
| Menlo Equities Associates          | 18880 Homestead Rd, Cupertino              | 101,373  | R&D          | Investor |
| Intuitive Surgical                 | 1450 Kifer Rd, Sunnyvale                   | 78,181   | R&D          | User     |



### QUICK STATS

|                          | Current | Yr. | Qtr. |
|--------------------------|---------|-----|------|
| Vacancy                  | 15.7%   | ↔   | ↑    |
| Lease Rates              | \$1.33  | ↑   | ↑    |
| Net Absorption*          | -723.8K | ↓   | ↓    |
| Construction Completions | 0       | ↓   | ↔    |

\* The Quick Stats arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g. absorption could be negative, but still represent a positive trend over a specific period)

### HOT TOPICS

- YTD net absorption of positive 520,120 square feet.
- Eighth consecutive quarter of increased average asking rates and highest annual average asking rates since 2002.
- Four consecutive quarters of > three million square feet in gross absorption.
- Over 214,000 square feet of construction expected to reach completion in 2008.

The Silicon Valley R&D market continued its stabilization through the end of 2007, providing a positive outlook as market fundamentals tightened further. Investors remain cautiously optimistic leasing demand will continue to accelerate, but at a more modest pace. Vacancy levels inched up to 15.7% as the market posted 723,787 square feet of negative net absorption; lowering the year-to-date total to over a half a million square feet of positive net absorption.

Gross absorption eclipsed three million square feet for the fourth consecutive quarter and stands above 14.9 million square feet for 2007; all due to large lease transactions from valley stalwarts such as Cisco, Google, Yahoo, and Netgear. New construction is also taking place in Silicon Valley with over 214,000 square feet of new R&D space expected to be delivered to the market in 2008.

Venture capital spending totaled over \$2.48 billion invested in Silicon Valley for the year, which is the highest amount invested outside of 1999 and 2000. Leasing activity is expected to strengthen as tenant demand for quality R&D product continues. As a result landlords will be offering fewer concessions to new tenants.

Investors took a back seat in the fourth quarter with large investment and user sales on the decline.

Evidence suggests investors are remaining cautiously optimistic that demand will soon pick-up. Cohen Asset Management topped the list of large transactions this quarter by purchasing two buildings for 148,763 square feet on 39700 Eureka Drive in Newark, for a total of \$19 million.

Average asking rates for the Silicon Valley R&D market increased for the eighth consecutive quarter. With

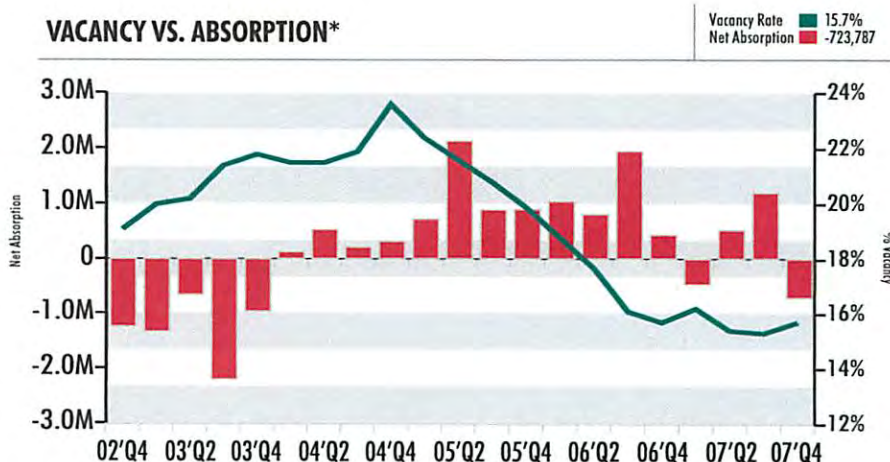
vacancy holding under 16% rates are expected to remain stable. It is still uncertain whether tenants will absorb enough space to encourage significant rent growth in the upcoming quarters; however, average rents are currently at a five year high of \$1.33 NNN.

Overall, 2007 marked a record setting year, posting a record number of transactions, increased leasing rates, and falling vacancy levels all fueled by investors and burgeoning demand; but, the near term appears to be stabilizing as

activity has decelerated and the national economy is at the heels of a transitioning real estate market. However, investors remain optimistic and anticipate a positive trend through 2008, but at a more modest pace to what has been a resilient market.

*Average asking rates for the Silicon Valley R&D market increased for the eighth consecutive quarter. With vacancy holding under 16% rates are expected to remain stable.*

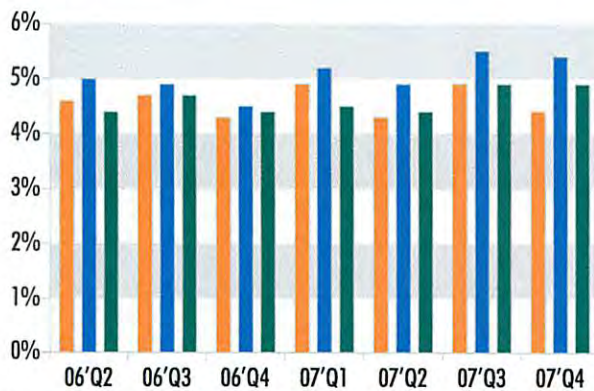
### VACANCY VS. ABSORPTION\*





| SUBMARKET                                | NET<br>RENTABLE<br>AREA | TOTAL<br>VACANCY RATE | TOTAL<br>AVAILABILITY<br>RATE | AVG. ASKING<br>RATE | Q4 NET<br>ABSORPTION | YTD NET<br>ABSORPTION | CONSTRUCTION   |
|------------------------------------------|-------------------------|-----------------------|-------------------------------|---------------------|----------------------|-----------------------|----------------|
| San Jose Downtown                        | 1,814,252               | 2.1%                  | 2.8%                          | \$1.15              | 163,958              | 188,957               | 0              |
| Meridian                                 | 295,234                 | 17.3%                 | 17.3%                         | \$1.18              | 0                    | (51,022)              | 0              |
| North San Jose                           | 25,167,832              | 19.2%                 | 20.1%                         | \$1.20              | (211,617)            | 261,681               | 0              |
| I.B.P.                                   | 10,168,338              | 15.2%                 | 16.0%                         | \$0.82              | (75,264)             | 180,418               | 0              |
| East San Jose                            | 446,258                 | 4.5%                  | 4.9%                          | \$1.03              | 532                  | 7,805                 | 0              |
| South San Jose                           | 9,635,101               | 26.0%                 | 27.1%                         | \$1.22              | (140,464)            | (269,640)             | 0              |
| Milpitas                                 | 12,297,445              | 20.1%                 | 20.6%                         | \$1.10              | 375,166              | (238,338)             | 0              |
| Santa Clara                              | 21,900,401              | 12.9%                 | 13.7%                         | \$1.43              | (328,491)            | 90,415                | 0              |
| Campbell                                 | 1,174,280               | 12.6%                 | 24.7%                         | \$1.75              | (28,672)             | (15,667)              | 0              |
| Los Gatos                                | 673,627                 | 8.0%                  | 10.5%                         | \$1.75              | (13,251)             | (6,216)               | 0              |
| Cupertino                                | 4,679,178               | 7.0%                  | 7.5%                          | \$1.75              | (202,412)            | (162,175)             | 0              |
| Sunnyvale                                | 23,824,673              | 12.5%                 | 12.9%                         | \$1.50              | 88,329               | 453,443               | 0              |
| Mountain View                            | 12,874,141              | 6.6%                  | 10.6%                         | \$1.73              | (27,694)             | 85,197                | 0              |
| Los Altos                                | 12,326                  | 0.0%                  | 0.0%                          | \$1.75              | 0                    | 0                     | 0              |
| Palo Alto                                | 7,659,965               | 3.7%                  | 7.5%                          | \$2.75              | (189,037)            | (103,606)             | 78,000         |
| <b>Santa Clara County</b>                | <b>132,623,051</b>      | <b>14.3%</b>          | <b>15.6%</b>                  | <b>\$1.35</b>       | <b>(588,917)</b>     | <b>421,252</b>        | <b>0</b>       |
| Fremont / Newark                         | 22,576,867              | 25.1%                 | 26.5%                         | \$0.80              | (134,870)            | 98,868                | 136,730        |
| <b>SILICON VALLEY<br/>R&amp;D MARKET</b> | <b>155,199,918</b>      | <b>15.7%</b>          | <b>17.0%</b>                  | <b>\$1.33</b>       | <b>(723,787)</b>     | <b>520,120</b>        | <b>214,730</b> |

## UNEMPLOYMENT RATES



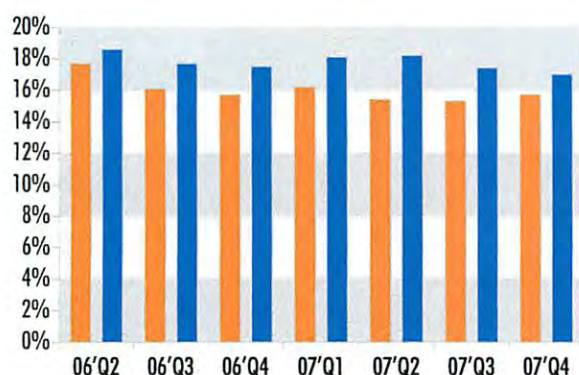
Source: EDD

National real GDP increased at an annual rate of 4.9% in the third quarter according to the Bureau of Economic Analysis. The acceleration of GDP in the third quarter reflected positively in exports, these were offset by a negative contribution from residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased in the third quarter. Silicon Valley venture capital investment remained stable throughout the third quarter closing with 287 deals valued at over \$2.48 billion. Silicon Valley accounted for 35% of venture capital investment nationwide. The total number of jobs in the South Bay grew by 6,900 to bring the unemployment rate to 4.9%. The California unemployment rate decreased 10 basis points to 5.4% with non-farm payrolls increasing by 7,300. The national unemployment rate decreased 50 basis points to 4.4%.



## VACANCY/AVAILABILITY

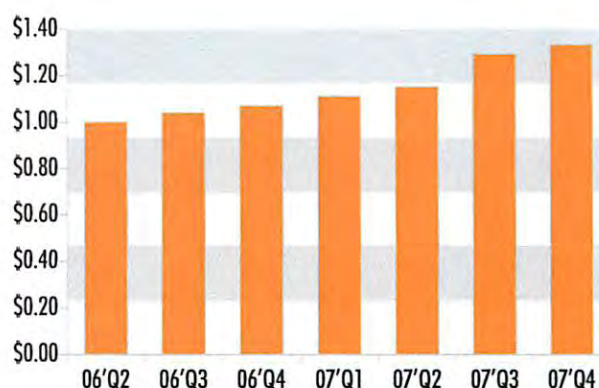
Vacancy 15.7%  
Availability 17.0%



The average vacancy rate for the Silicon Valley R&D market increased 40 basis points to 15.7%. Milpitas experienced the largest drop in vacancy dipping 300 basis points to 20.1% due in large part to Cisco Systems leasing 471,607 square feet on 115 N McCarthy Blvd. Vacancy for the Downtown/IBP submarket dropped 130 basis points from the previous quarter to 13.2%. In contrast, the Santa Clara and the West Valley submarkets posted the largest increases in vacancy rates. The West Valley submarket vacancy rate increased 370 basis points to 8.1%, and Santa Clara jumped up 140 basis points to 12.9%.

## LEASE RATES

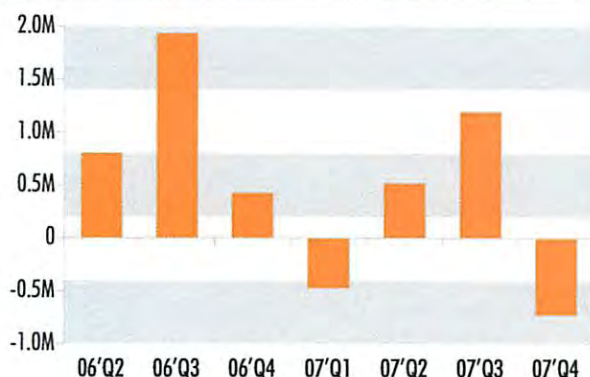
R&D \$1.33



Average asking lease rates for Silicon Valley R&D product continued to increase for the eighth consecutive quarter, to \$1.33 NNN, an increase of 2.3% from the previous quarter, and 24.5% from the same time last year. Mountain View, Sunnyvale, and West Valley submarkets all experienced dramatic increases. Mountain View and West Valley reported asking rates were up 5% and 6% respectively. Expect lease rates to continue a steady climb as leasing activity strengthens.

## NET ABSORPTION

Net Absorption -723,787



Although the Silicon Valley R&D market posted negative net absorption in the fourth quarter, absorption for the year stood at 520,120 square feet marking the fourth consecutive year of positive absorption. Milpitas saw the largest gain in absorption at 375,166 square feet, an aggressive recovery after recording negative net absorption in the third quarter. The San Jose Downtown/I.B.P submarkets also posted positive absorption of 88,694 square feet due in part to large lease transactions from 2Wire and Vocera Communications.

## CONSTRUCTION ACTIVITY

Construction on the Fremont Tech Center is currently underway and is projected to deliver approximately 137,000 square feet and will include ten R&D buildings ranging in size from 5,000 to 30,000 square feet. Fremont could be considered a good option for tenants looking for quality R&D space in the near future due to favorable rates and location in a tightening R&D market. Construction has also broken ground at 3412 Hillview in Palo Alto. The single tenant structure is expected to deliver 78,000 square feet and is already 100% fully leased to SAP.

## MARKET OUTLOOK

The Silicon Valley R&D market has posted another solid year of healthy leasing activity and will look to continue this trend in 2008. Although investment deals may decelerate, leasing activity will remain stable as venture capital spending continues to fuel the market, keeping R&D product in high demand. As vacancy rates decline and the market tightens further in 2008, tenants will see consistent rental rates with few concessions in quality R&D product. The trends indicate the Silicon Valley R&D market will remain resilient and should look positive in 2008.



## SILICON VALLEY SUBMARKET MAP



## MARKET AREA DESCRIPTIONS

- Downtown consists of 1.8 million square feet (1.2%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 25.1 million square feet (16.2%) of the R&D market NRA.
- I.B.P. consists of 10.2 million square feet (6.6%) of the R&D market NRA.
- E. San Jose consists of 0.4 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.6 million square feet (6.2%) of the R&D market NRA.
- Milpitas consists of 12.3 million square feet (7.9%) of the R&D market NRA.
- Santa Clara consists of 21.9 million square feet (14.1%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.4%) of the R&D market NRA.
- Cupertino consists of 4.7 million square feet (3.0%) of the R&D market NRA.
- Sunnyvale consists of 23.8 million square feet (15.4%) of the R&D market NRA.
- Mountain View consists of 12.9 million square feet (8.3%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 7.7 million square feet (4.9%) of the R&D market NRA.
- Fremont consists of 19.1 million square feet (12.3%) of the R&D market NRA.
- Newark consists of 3.5 million square feet (2.3%) of the R&D market NRA.

## LOCAL OFFICES

SAN FRANCISCO  
PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

## OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

## PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

SAN FRANCISCO  
DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

## SILICON VALLEY

225 W. Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
1.408.453.7400

## PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.494.5100

## WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

## AVAILABILITY RATE

Available Square Feet divided by the NRA.

## AVAILABLE SQUARE FEET

Vacant Square Feet plus space that is available but not currently vacant, plus sublease space.

## AVERAGE ASKING DIRECT LEASE RATE

The rate determined by multiplying the asking triple-net lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

## MARKET COVERAGE

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

## NET ABSORPTION

The change in Occupied Square Feet from one period to the next.

## NET LEASES

Includes all lease types whereby the Tenant assumes responsibility for most, or all, of the operating expenses and taxes for the property.

## NET RENTABLE AREA (NRA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

## OCCUPIED SQUARE FEET

NRA not considered vacant.

## UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by foundation work.

## VACANCY RATE

Vacant Square Feet divided by the NRA.

## VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available. Includes sublease space.

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# Silicon Valley Market

## R&D REPORT

FOURTH QUARTER 2007

| Submarkets                           | NRA                | Total<br>Vacancy<br>Rate | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4<br>Net<br>Absorption | Q4<br>Gross<br>Absorption | Y-T-D<br>Net<br>Absorption |
|--------------------------------------|--------------------|--------------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|-------------------------|---------------------------|----------------------------|
| San Jose – Downtown/IBP              | 11,982,590         | 13.2%                    | 14.0%                         | 1,436,633                    | 244,320                        | \$0.87                     | 88,694                  | 305,134                   | 369,375                    |
| San Jose – North                     | 25,167,832         | 19.2%                    | 20.0%                         | 4,478,858                    | 567,781                        | \$1.20                     | (211,617)               | 463,074                   | 261,681                    |
| San Jose - Meridian/East/South       | 10,376,593         | 24.8%                    | 25.8%                         | 2,157,748                    | 523,635                        | \$1.21                     | (139,932)               | 82,619                    | (312,857)                  |
| Milpitas                             | 12,297,445         | 20.1%                    | 20.6%                         | 1,998,136                    | 533,952                        | \$1.10                     | 375,166                 | 621,265                   | (238,338)                  |
| Santa Clara                          | 21,900,401         | 12.9%                    | 13.7%                         | 2,489,005                    | 505,483                        | \$1.43                     | (328,491)               | 563,971                   | 90,415                     |
| West Valley*                         | 6,539,411          | 8.1%                     | 10.9%                         | 643,052                      | 67,028                         | \$1.75                     | (244,335)               | 21,025                    | (184,058)                  |
| Sunnyvale                            | 23,824,673         | 12.5%                    | 12.9%                         | 2,729,470                    | 354,433                        | \$1.50                     | 88,329                  | 615,734                   | 453,443                    |
| Mountain View                        | 12,874,141         | 6.6%                     | 10.6%                         | 1,040,114                    | 319,108                        | \$1.73                     | (27,694)                | 212,517                   | 85,197                     |
| Palo Alto                            | 7,659,965          | 3.7%                     | 7.5%                          | 223,650                      | 354,353                        | \$2.75                     | (189,037)               | 122,670                   | (103,606)                  |
| Fremont/Newark                       | 22,576,867         | 23.9%                    | 23.9%                         | 5,282,630                    | 390,532                        | \$0.80                     | (134,870)               | 487,950                   | 98,868                     |
| <b>Silicon Valley R&amp;D Market</b> | <b>155,199,918</b> | <b>15.7%</b>             | <b>17.0%</b>                  | <b>22,479,296</b>            | <b>3,860,625</b>               | <b>\$1.33</b>              | <b>(723,787)</b>        | <b>3,495,959</b>          | <b>520,120</b>             |

\* West Valley is comprised of the Los Gatos, Campbell, Cupertino and Los Altos markets.

### Significant Transactions of the Quarter

#### Lease Transactions

| Address                 | City        | Tenant                   | Total SF | Type |
|-------------------------|-------------|--------------------------|----------|------|
| 115 N McCarthy Blvd     | Milpitas    | Cisco                    | 471,607  | New  |
| 401 Kato Terr           | Fremont     | All Quality and Services | 72,536   | New  |
| 600 W California Ave    | Sunnyvale   | Synplicity               | 66,212   | Rnwl |
| 5425 Stevens Creek Blvd | Santa Clara | LiveOps, Inc.            | 59,384   | New  |
| 929 E Arques Ave        | Sunnyvale   | Maxim                    | 58,688   | New  |
| 1768 Automation Pkwy    | San Jose    | 2Wire, Inc.              | 53,741   | New  |
| 4050 Starboard Dr       | Fremont     | Flash Electronics        | 52,232   | Rnwl |
| 525 Race St             | San Jose    | Vocera Communications    | 46,395   | New  |
| 940 - 980 Mission Ct    | Fremont     | VIA Technologies         | 36,348   | New  |
| 965 E Arques Ave        | Sunnyvale   | Innovalight              | 35,537   | New  |

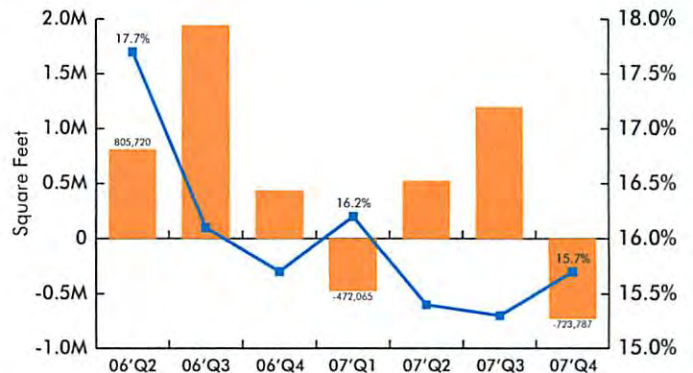


### SILICON VALLEY R&D PROPERTY LEASE RATES

Lease Rates



### SILICON VALLEY VACANCY AND NET ABSORPTION

Net Absorption  
Historical Vacancy

### Sale Transactions

| Address                  | City        | Buyer                  | Total SF | Type |
|--------------------------|-------------|------------------------|----------|------|
| 39700 Eureka Dr          | Newark      | Cohen Asset Management | 148,763  | Inv  |
| 1980 - 1998 Concourse Dr | San Jose    | Fox Creek Fund LLC     | 85,367   | Inv  |
| 1015 - 1025 E Brokaw Rd  | San Jose    | Dollinger Properties   | 83,800   | Inv  |
| 3745 - 3775 N First St   | San Jose    | DR Stephens            | 67,582   | Inv  |
| 430 - 438 W Maude Ave    | Sunnyvale   | Trinity Baptist Church | 60,000   | User |
| 220 Humboldt Ct          | Sunnyvale   | Batton                 | 50,760   | Inv  |
| 1306 - 1310 Orleans Dr   | Sunnyvale   | Orchard Commercial     | 50,256   | Inv  |
| 455 Deguigne Dr          | Sunnyvale   | Westcore Properties    | 46,104   | Inv  |
| 550 - 576 Sycamore Dr    | Milpitas    | DR Stephens & Co LLC   | 40,455   | Inv  |
| 3200 - 3226 Scott Blvd   | Santa Clara | Devcon Construction    | 36,000   | Inv  |

### Significant Construction

| Address                            | City      | Building NRA | Developer |
|------------------------------------|-----------|--------------|-----------|
| Fremont Tech Center - 10 Buildings | Fremont   | 136,730      | Opus      |
| 3412 Hillview Ave                  | Palo Alto | 78,000       | Devcon    |

#### SILICON VALLEY

CB Richard Ellis, Inc.  
225 West Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)

#### PALO ALTO

CB Richard Ellis, Inc.  
Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
main: 650.494.5100  
fax: 650.494.5102  
[www.cbre.com/paloalto](http://www.cbre.com/paloalto)

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### QUICK STATS

|                          | Current | Yr. | Qtr. |
|--------------------------|---------|-----|------|
| Vacancy                  | 15.7%   | ↓   | ↓    |
| Lease Rates              | \$1.07  | ↑   | ↑    |
| Net Absorption*          | 431.2K  | ↓   | ↓    |
| Construction Completions | 37,470  | ↑   | ↑    |

\* The Quick Stats arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g., absorption could be negative, but still represent a positive trend over a specific period.)

### HOT TOPICS

- Third consecutive year of positive net absorption
- Both vacancy and availability dropped for the ninth consecutive quarter
- The market posted the lowest vacancy rate in over four years
- Average asking rates increased more than 9% in 2006

The Silicon Valley's R&D market posted another solid year in 2006. Thanks largely to high-tech giants Google, Apple Computer and Yahoo! expanding and gobbling up properties in Mountain View, Cupertino and Santa Clara, the market saw gross activity reach almost 12 million square feet in 2006. The future for high-tech companies in the area is bright, exhibited by the consistent level of venture capital funding being pumped into the Silicon Valley. Investment sales also drove the market in 2006, marked by enormous acquisitions by RREEF, Hines REIT and JER/Lane in multiple cities. These factors resulted in a third year of positive net absorption, falling vacancies and significant rent growth as the supply of available space decreased throughout the year.

The R&D market showed mixed results in the fourth quarter, posting over two million square feet of gross absorption, yet only 431,219 square feet of net absorption. Leasing activity was still robust, but due to a substantial amount of vacant space

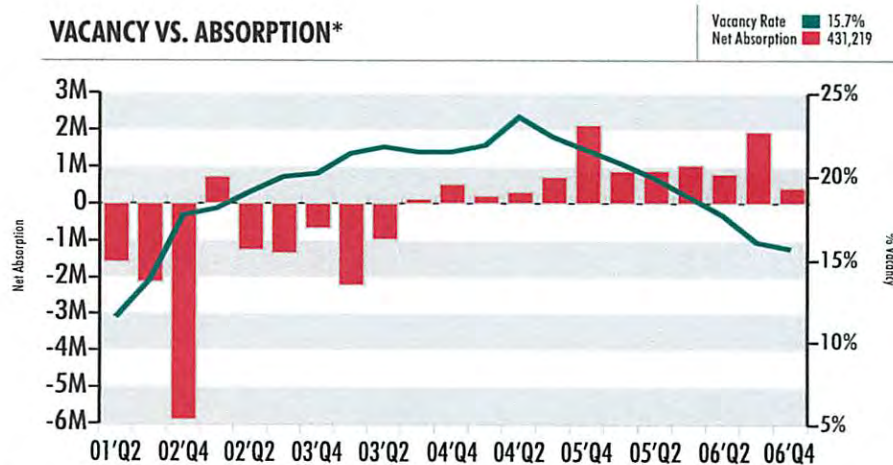
made available in previous quarters occupancy gains this quarter were not as strong as predicted. Overall, vacancy rates dropped 417 basis points in 2006 to 15.7% as net absorption hit another high of 4.2 million square feet and average asking rate increased 9.2% to \$1.07 NNN. Sublease space now stands at 17.5%, up 182 basis points in the quarter but down 294 basis points for the year.

Despite six buildings becoming vacant in the Pacific Research Center in Newark, market-wide activity levels were still strong enough to offset the half million square feet of vacant biotech space owned by BioMed. Milpitas led the rest of the market in activity, posting 411,451 square feet of gross absorption. Significant lease transactions in the fourth quarter

included Interwoven leasing 110,000 square feet in North San Jose, Greater Bay Bank inking 107,332 square feet in the McCarthy Center and Spectra taking 93,324 square feet in Milpitas.

*Thanks largely to high-tech giants Google, Apple Computer and Yahoo! expanding and gobbling up properties in Mountain View, Cupertino and Santa Clara, the market saw the gross activity reach almost 12 million square feet in 2006*

### VACANCY VS. ABSORPTION\*



\* Silicon Valley industrial base reflects reclassifications and NRA changes in Q3 & Q4 2004

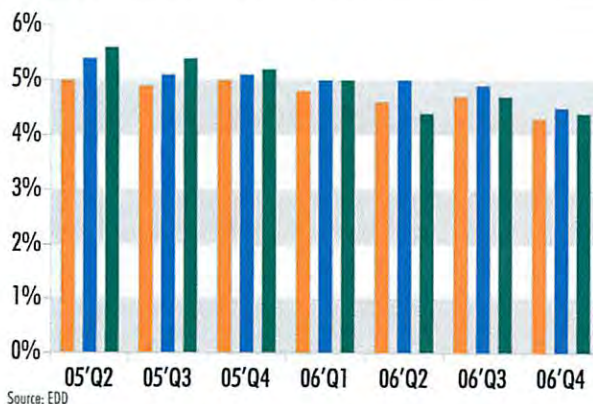


| SUBMARKET                                  | NET<br>RENTABLE<br>AREA | TOTAL<br>VACANCY RATE | TOTAL<br>AVAILABILITY<br>RATE | AVG. ASKING<br>RATE | Q4 NET<br>ABSORPTION | YTD NET<br>ABSORPTION | CONSTRUCTION*  |
|--------------------------------------------|-------------------------|-----------------------|-------------------------------|---------------------|----------------------|-----------------------|----------------|
| San Jose Downtown                          | 1,812,241               | 12.5%                 | 12.5%                         | \$1.17              | 1,000                | (49,663)              | 0              |
| Meridian                                   | 295,234                 | 0.0%                  | 0.0%                          | -                   | 0                    | 4,370                 | 0              |
| North San Jose                             | 24,821,007              | 19.2%                 | 20.1%                         | \$0.96              | (76,061)             | 546,230               | 0              |
| I.B.P.                                     | 10,461,601              | 18.9%                 | 19.1%                         | \$0.74              | 46,589               | (243,118)             | 0              |
| East San Jose                              | 446,258                 | 6.2%                  | 6.6%                          | \$1.02              | (7,896)              | (7,273)               | 0              |
| South San Jose                             | 9,286,108               | 22.3%                 | 27.7%                         | \$1.12              | 61,353               | (22,201)              | 0              |
| Milpitas                                   | 12,263,128              | 20.4%                 | 23.3%                         | \$0.87              | 253,926              | 788,375               | 127,986        |
| Santa Clara                                | 22,751,196              | 12.9%                 | 13.5%                         | \$1.05              | 7,383                | 1,519,831             | 0              |
| Campbell                                   | 1,160,431               | 8.3%                  | 10.9%                         | \$1.33              | 113,423              | 191,998               | 0              |
| Los Gatos                                  | 673,627                 | 4.7%                  | 7.1%                          | \$1.28              | (10,194)             | (9,412)               | 0              |
| Cupertino                                  | 4,569,979               | 3.6%                  | 6.0%                          | \$1.40              | (12,748)             | 80,198                | 0              |
| Sunnyvale                                  | 23,785,095              | 12.9%                 | 14.3%                         | \$1.04              | 80,724               | 694,448               | 0              |
| Mountain View                              | 13,036,759              | 10.7%                 | 11.3%                         | \$1.20              | 147,358              | 450,516               | 0              |
| Los Altos                                  | 12,326                  | 0.0%                  | 0.0%                          | -                   | 0                    | 0                     | 0              |
| Palo Alto                                  | 9,643,930               | 2.2%                  | 2.2%                          | \$2.15              | 43,690               | 92,718                | 0              |
| <b>Santa Clara County</b>                  | <b>135,018,920</b>      | <b>14.4%</b>          | <b>15.8%</b>                  | <b>\$1.14</b>       | <b>648,547</b>       | <b>4,037,017</b>      | <b>127,986</b> |
| Fremont / Newark                           | 22,329,841              | 23.7%                 | 28.2%                         | \$0.73              | (217,328)            | 174,069               | 0              |
| <b>SILICON VALLEY<br/>R&amp;D MARKET**</b> | <b>157,348,761</b>      | <b>15.7%</b>          | <b>17.5%</b>                  | <b>\$1.07</b>       | <b>431,219</b>       | <b>4,211,086</b>      | <b>127,986</b> |

\* Six months or less to completion.

\*\* The Silicon Valley R&D base underwent a reconciliation in Q3 & Q4 2004. The decrease in the base reflects reclassifications, NRA changes, and the rezoning of industrial properties. Absorption calculations were adjusted accordingly, and accurately represent changes in occupancy.

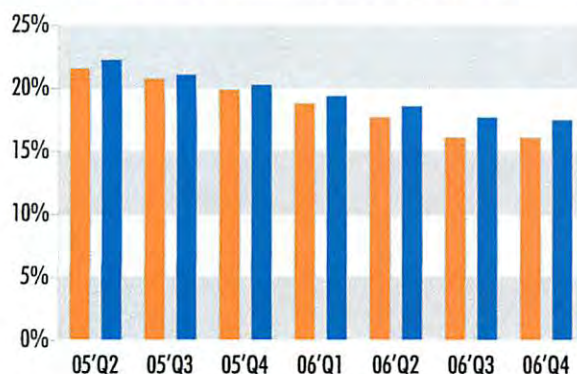
## UNEMPLOYMENT RATES



The economy grew at an annual rate of 2.0% in the third quarter, a 20 basis points decrease from the preliminary estimates and 60 basis points less than in the second quarter. The deceleration in third-quarter GDP growth primarily reflected an acceleration in imports and a larger decrease in residential fixed investment and government spending. However, corporate venture capital investment is reported to be stable, hitting the six billion dollar mark for the third consecutive quarter. Biotech and life sciences sectors remain as the focus, with telecommunications, energy, and industrial sectors on the rise. In the third quarter, Silicon Valley led the rest of the nation with 34.9% of total year to date venture capital funding, a slight decrease of 1% from the same period in 2005. The labor force in Santa Clara County increased by 8,900 from September to November, and approximately 9,000 jobs were added in Santa Clara County in the same period, helping to drop the unemployment rate to 4.4%. The unemployment for California slid to 4.5% in November and the national unemployment rate down to 4.3% during the same period.

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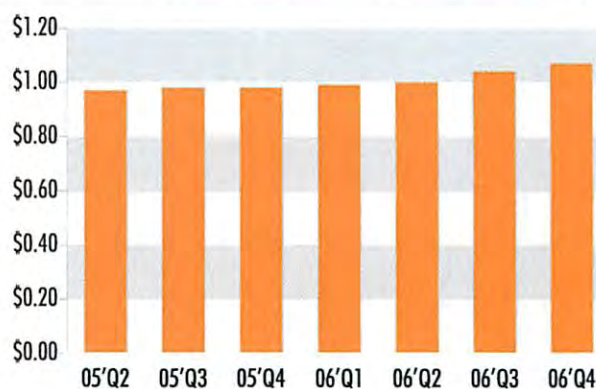


**VACANCY/AVAILABILITY**Vacancy 15.7%  
Availability 17.5%

The availability rate for Silicon Valley dropped to 17.5% this quarter, whereas vacancy decreased 36 basis points to 15.7%. The vacancy rate dropped 416 basis points over the year. Palo Alto remains the tightest submarket, posting a 90 basis point drop in vacancy during the year to close the quarter at 2.2%. The Milpitas submarket showed the most improvement this quarter, posting a 180 basis point drop in vacancy. Overall, Campbell, Santa Clara, Milpitas and Mountain View led the rest of the market in 2006, with 1420, 920, 880, and 500 basis points drops in vacancy, respectively. Due to the space coming on the market in the former Sun campus, Newark still lags behind the rest of the market, with nearly 60% of R&D space remaining available. The volume of sublease space on the market dropped 1.6 million square feet in 2006, and now represents 17.5% of all available space.

**LEASE RATES**

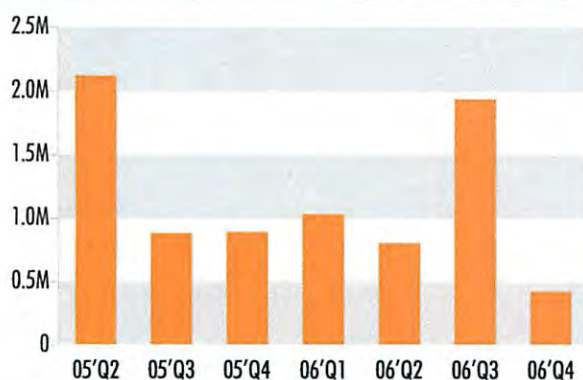
R&amp;D \$1.07



The overall average asking rate increased to \$1.07 this quarter, and is up 9.2% in the past year. The majority of submarkets saw significant improvement in rates over the year, a direct result of improved market conditions. Palo Alto still had the highest asking rate, largely due to desirable location and limited space available on the market. Additionally, lease rate escalations of 4% have been installed in the majority of recent transactions.

**NET ABSORPTION**

Net Absorption 431,219



The Silicon Valley R&D market posted positive absorption for the third consecutive year, with the market experiencing 431,219 square feet of positive absorption in the fourth quarter. Occupancy gains took a slight hit due to a substantial amount of newly vacated space. Milpitas had the most significant positive absorption with 253,926 square feet, while Newark experienced over half a million square feet of negative net absorption.

**CONSTRUCTION ACTIVITY**

The McGlinchy Center was completed in the fourth quarter, delivering two buildings consisting of 24 condominiums ranging from 576 to 2,279 square feet in West Valley. A new Venture Commerce project of 12 buildings is currently under construction in Milpitas. Upon completion in March 2007, 32 condominiums and four free standing buildings will be delivered. eBay also started the construction of its own campus in North San Jose.

**MARKET OUTLOOK**

The combination of expansion from existing corporations and growth from new companies made 2006 a very successful year for Silicon Valley. High-tech corporations became the dominant player in committing to acquire vast amount of properties and land to own or construct their own campuses. The investment market also thrived as investors sought income growth through value added properties and investment development opportunities. As the market tightens further in 2007, landlords will capture more negotiating leverage from tenants due to shrinking supplies, and significant rental rate increases are expected for the upcoming year.



## SILICON VALLEY SUBMARKET MAP



## MARKET AREA DESCRIPTIONS

- Downtown consists of 1.8 million square feet (1.2%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 24.8 million square feet (16.2%) of the R&D market NRA.
- I.B.P consists of 10.5 million square feet (6.8%) of the R&D market NRA.
- E. San Jose consists of 0.4 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.3 million square feet (6.0%) of the R&D market NRA.
- Milpitas consists of 9.3 million square feet (6.0%) of the R&D market NRA.
- Santa Clara consists of 22.7 million square feet (14.8%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.4%) of the R&D market NRA.
- Cupertino consists of 4.6 million square feet (3.0%) of the R&D market NRA.
- Sunnyvale consists of 23.8 million square feet (15.5%) of the R&D market NRA.
- Mountain View consists of 13.0 million square feet (8.5%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 9.6 million square feet (6.3%) of the R&D market NRA.
- Fremont consists of 18.6 million square feet (12.1%) of the R&D market NRA.
- Newark consists of 3.0 million square feet (2.0%) of the R&D market NRA.

## LOCAL OFFICES

SAN FRANCISCO  
PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

## OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

## PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

SAN FRANCISCO  
DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

## SILICON VALLEY

225 W. Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
1.408.453.7400

## PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.494.5100

## AVAILABILITY RATE

Available Square Feet divided by the NRA.

## AVAILABLE SQUARE FEET

Vacant Square Feet plus space that is available but not currently vacant, plus sublease space.

## AVERAGE ASKING DIRECT LEASE RATE

The rate determined by multiplying the asking triple-net lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

## MARKET COVERAGE

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

## NET ABSORPTION

The change in Occupied Square Feet from one period to the next.

## NET LEASES

Includes all lease types whereby the Tenant assumes responsibility for most, or all, of the operating expenses and taxes for the property.

## NET RENTABLE AREA (NRA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

## OCCUPIED SQUARE FEET

NRA not considered vacant.

## UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

## VACANCY RATE

Vacant Square Feet divided by the NRA.

## VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available. Includes sublease space.

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# Silicon Valley Market

## R&D REPORT

FOURTH QUARTER 2006

| Submarkets                           | NRA                | Total<br>Vacancy<br>Rate | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4<br>Net<br>Absorption | Q4<br>Gross<br>Absorption | Y-T-D<br>Net<br>Absorption |
|--------------------------------------|--------------------|--------------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|-------------------------|---------------------------|----------------------------|
| San Jose – Downtown/IBP              | 12,273,842         | 18.0%                    | 18.1%                         | 1,719,335                    | 484,667                        | \$0.80                     | 47,589                  | 96,726                    | (292,781)                  |
| San Jose – North                     | 24,821,007         | 19.2%                    | 20.1%                         | 4,494,698                    | 501,958                        | \$0.96                     | (76,061)                | 245,297                   | 546,230                    |
| San Jose - Meridian/East/South       | 10,027,600         | 20.9%                    | 26.0%                         | 1,809,167                    | 796,011                        | \$1.12                     | 53,457                  | 70,828                    | (25,104)                   |
| Milpitas                             | 12,263,128         | 20.4%                    | 23.3%                         | 2,416,845                    | 443,693                        | \$0.87                     | 253,926                 | 411,451                   | 788,375                    |
| Santa Clara                          | 22,751,196         | 12.9%                    | 13.5%                         | 2,550,185                    | 511,809                        | \$1.05                     | 7,383                   | 253,002                   | 1,519,831                  |
| West Valley*                         | 6,416,363          | 4.5%                     | 7.0%                          | 380,127                      | 67,650                         | \$1.37                     | 90,481                  | 123,842                   | 262,784                    |
| Sunnyvale                            | 23,785,095         | 12.9%                    | 14.3%                         | 2,924,241                    | 487,404                        | \$1.04                     | 80,724                  | 249,096                   | 694,448                    |
| Mountain View                        | 13,036,759         | 10.7%                    | 11.3%                         | 1,098,255                    | 380,818                        | \$1.20                     | 147,358                 | 221,581                   | 450,516                    |
| Palo Alto                            | 9,643,930          | 2.2%                     | 2.2%                          | 78,966                       | 135,460                        | \$2.15                     | 43,690                  | 43,690                    | 92,718                     |
| Fremont/Newark                       | 22,329,841         | 23.7%                    | 28.2%                         | 5,083,138                    | 1,027,977                      | \$0.73                     | (217,328)               | 367,319                   | 174,069                    |
| <b>Silicon Valley R&amp;D Market</b> | <b>157,348,761</b> | <b>15.7%</b>             | <b>17.5%</b>                  | <b>22,554,957</b>            | <b>4,837,447</b>               | <b>\$1.07</b>              | <b>431,219</b>          | <b>2,082,832</b>          | <b>4,211,086</b>           |

\* West Valley is comprised of the Los Gatos, Campbell, Cupertino and Los Altos markets.

### Significant Transactions of the Quarter

#### Lease Transactions

| Address                   | City          | Tenant                 | Total SF |
|---------------------------|---------------|------------------------|----------|
| 160 Tasman Dr             | San Jose      | Interwoven             | 110,000  |
| 920 & 940 McCarthy Blvd   | Milpitas      | Greater Bay Bank       | 107,332  |
| 250-280 Bernardo Ave      | Mountain View | AVID Technology        | 106,460  |
| 525 Sycamore Dr           | Milpitas      | Spectra Laboratories   | 93,324   |
| 640 McCarthy Blvd         | Milpitas      | Infineon Technologies  | 62,874   |
| 47100 Bayside Pkwy        | Fremont       | Virage Logic           | 61,454   |
| 3165-3175 Winchester Blvd | Campbell      | Baraccuda Networks     | 61,424   |
| 2308 Zanker Rd            | San Jose      | Mos Plastics           | 54,375   |
| 1315 Chesapeake Terr      | Sunnyvale     | Accuray Inc.           | 52,992   |
| 160 Gibraltar Ct          | Sunnyvale     | Juniper Networks       | 50,311   |
| 5353 Betsy Ross Dr        | Santa Clara   | Atheros Communications | 50,200   |



**Sale Transactions**

| Address                                                                                                                                                             | City                                      | Buyer                               | Total SF |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------|----------|
| 1701 Ridder Park, 1701-1733, 1745-1751 Fox, 48501-48531 Warm Springs, 890-894 Ross, 3033 Scott, 207-209 Java, 200-250 Hacienda, 1315 & 1353 Dell, 2202-2270 N First | Fremont, San Jose, Sunnyvale, Santa Clara | Hines Interests Limited Partnership | 726,331  |
| 310-324 Mary, 884-919 Hermosa, 345 & 477 Potrero                                                                                                                    | Sunnyvale                                 | Archon Group                        | 468,323  |
| Results Way Corporate Park                                                                                                                                          | Cupertino                                 | Embarcadero Capital                 | 373,402  |
| 110-180 Rose Orchard Wy                                                                                                                                             | San Jose                                  | Rockpoint Group                     | 310,000  |
| 1623 & 804 Buckeye, 1656 & 1708 McCarthy, 575 Cottonwood                                                                                                            | Milpitas                                  | The Carlyle Group                   | 272,690  |
| 2233-2245 Samaritan Dr                                                                                                                                              | San Jose                                  | Summerhill Homes                    | 235,983  |
| 1310 & 1320 Ridder Park Dr                                                                                                                                          | San Jose                                  | Embarcadero Capital                 | 216,714  |
| 2217-2219, 2221-2223 Oakland Rd                                                                                                                                     | San Jose                                  | South Bay Development Company       | 140,240  |
| 1290-1300 Terra Bella Ave                                                                                                                                           | Mountain View                             | Embarcadero Capital                 | 112,819  |
| 680 Vaqueros Ave, 755 N Mathilda Ave                                                                                                                                | Sunnyvale                                 | ING Clarion                         | 105,000  |
| 1331 California Cir                                                                                                                                                 | Milpitas                                  | South Bay Development Company       | 100,026  |
| 6835 Via Del Oro                                                                                                                                                    | San Jose                                  | D.R. Stephens Co.                   | 99,576   |
| 48761 Kato Rd                                                                                                                                                       | Fremont                                   | Keating Family Property, LLC        | 91,275   |
| 880 Fox Dr                                                                                                                                                          | San Jose                                  | CN Fox, LLC                         | 85,891   |
| 2222 Qume Dr                                                                                                                                                        | San Jose                                  | Beckton Dickinson & Co              | 81,500   |
| 1525 McCarthy Blvd                                                                                                                                                  | Milpitas                                  | David Soo Investment Trust          | 75,744   |
| 675 Almanor Ave                                                                                                                                                     | Sunnyvale                                 | Dollinger Properties                | 59,284   |

**Under Construction**

| Address                 | City     | Total SF |
|-------------------------|----------|----------|
| Venture Commerce Center | Milpitas | 127,986  |

CB Richard Ellis, Inc.  
 225 West Santa Clara Street  
 Suite 1050  
 San Jose, CA 95113  
 main: 408.453.7400  
 fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)

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**Appendix D:**  
**CBRE Available Class A Office space and Available Irvine Park (McCarthy Ranch)**

## Irvine Park Stats

|              | SQUARE FOOTAGE & AVAILABILITY |                  |                |               |                |               | ASKING LEASE RATES |               |               |
|--------------|-------------------------------|------------------|----------------|---------------|----------------|---------------|--------------------|---------------|---------------|
| CITY         | BLDGS                         | BLDG SF          | AVAIL SF       | % AVAIL       | VACANT SF      | % VACANT      | AVG DIR RATE       | LOW           | HIGH          |
| 110448080    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452034    | 1                             | 63,440           | 0              | 0.00%         | 0              | 0.00%         | \$1.25             | \$1.25        | \$1.25        |
| 110452035    | 1                             | 63,222           | 0              | 0.00%         | 0              | 0.00%         | \$0.00             | \$0.00        | \$0.00        |
| 110452036    | 1                             | 53,666           | 0              | 0.00%         | 0              | 0.00%         | \$0.00             | \$0.00        | \$0.00        |
| 110452037    | 1                             | 53,666           | 12,831         | 23.91%        | 12,831         | 23.91%        | \$1.50             | \$1.50        | \$1.50        |
| 110452120    | 1                             | 53,284           | 13,262         | 24.89%        | 13,262         | 24.89%        | \$1.50             | \$1.50        | \$1.50        |
| 110452121    | 1                             | 62,874           | 31,437         | 50.00%        | 31,437         | 50.00%        | \$1.50             | \$1.50        | \$1.50        |
| 110452138    | 1                             | 43,694           | 32,770         | 75.00%        | 32,770         | 75.00%        | \$1.50             | \$1.50        | \$1.50        |
| 110452473    | 1                             | 62,874           | 32,092         | 51.04%        | 17,838         | 28.37%        | \$1.50             | \$1.50        | \$1.50        |
| 110452475    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452476    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452477    | 1                             | 62,874           | 0              | 0.00%         | 0              | 0.00%         | \$0.00             | \$0.00        | \$0.00        |
| 110452478    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452480    | 1                             | 53,284           | 26,642         | 50.00%        | 26,642         | 50.00%        | \$1.50             | \$1.50        | \$1.50        |
| 110452481    | 1                             | 62,874           | 62,874         | 100.00%       | 62,874         | 100.00%       | \$1.50             | \$1.50        | \$1.50        |
| 110452482    | 1                             | 44,096           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452483    | 1                             | 53,666           | 0              | 0.00%         | 0              | 0.00%         | \$1.25             | \$1.25        | \$1.25        |
| 110452484    | 1                             | 53,666           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452486    | 1                             | 53,284           | 21,733         | 40.79%        | 21,733         | 40.79%        | \$1.50             | \$1.50        | \$1.50        |
| Milpitas     | 19                            | 1,053,600        | 233,641        | 22.18%        | 219,387        | 20.82%        | \$1.50             | \$0.90        | \$1.50        |
| <b>TOTAL</b> | <b>19</b>                     | <b>1,053,600</b> | <b>233,641</b> | <b>22.18%</b> | <b>219,387</b> | <b>20.82%</b> | <b>\$1.50</b>      | <b>\$0.90</b> | <b>\$1.50</b> |

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## Class A Office Space For Lease in Milpitas

### Property Information

### Available Space Information

1



**1533 California Cir  
Milpitas, CA 95035  
Floor: 1 Suite: BLDG**

**Bldg / Site Size:** 26,976 SF / 0.53 acres  
**Property Dev Type:** General Office  
**Property Status:** Existing  
**Property ID:** 110446434

**Avail SF:**  
**Min Avail SF:**  
**Max Contig SF:**  
**Avail Date:**  
**Space Type:**  
**Vacant:**  
**Sublease:**

26,976  
12,550  
26,976  
  
ReLet  
Yes  
No

**Lease Rate:** \$1.30 NNN  
**Tls:**  
**NNN Charges:** \$0.41/sf  
**Parking Cost:**

**Term:**  
**For Sale:** No

**Listing:** CBRE Thomas Taylor 408/453-7417  
**Notes:** Brand New Nexterior Upgrades; Dramatic, Modernized two-story Lobby with Pendant Lighting; High-End Market Ready Second Floor; Great Glass Line, Open Floor Plan; Building Signage visible from 880; Second floor upgraded to Class A standards.

2



**Hillview Executive Park  
830 Hillview Ct  
Milpitas, CA 95035-4550  
Floor: 1 Suite: 245**

**Bldg / Site Size:** 36,963 SF / 7.46 acres  
**Property Dev Type:** General Office  
**Property Status:** Existing  
**Property ID:** 110446695

**Avail SF:**  
**Min Avail SF:**  
**Max Contig SF:**  
**Avail Date:**  
**Space Type:**  
**Vacant:**  
**Sublease:**

1,926  
1,926  
1,926  
  
ReLet  
Yes  
No

**Lease Rate:** \$1.75 FSG  
**Tls:**  
**NNN, CAM:**  
**Parking Cost:**

**Term:**  
**For Sale:** No

**Listing:** Newmark Cornish & Carey Tom Todd 408/727-9600  
**Notes:**

3



**Hillview Executive Park  
830 Hillview Ct  
Milpitas, CA 95035-4550  
Floor: 2 Suite: 210**

**Bldg / Site Size:** 36,963 SF / 7.46 acres  
**Property Dev Type:** General Office  
**Property Status:** Existing  
**Property ID:** 110446695

**Avail SF:**  
**Min Avail SF:**  
**Max Contig SF:**  
**Avail Date:**  
**Space Type:**  
**Vacant:**  
**Sublease:**

1,924  
1,924  
1,924  
06/08/09  
ReLet  
Yes  
No

**Lease Rate:** \$1.75 FSG  
**Tls:**  
**NNN, CAM:**  
**Parking Cost:**

**Term:**  
**For Sale:** No

**Listing:** Newmark Cornish & Carey Tom Todd 408/727-9600  
**Notes:**

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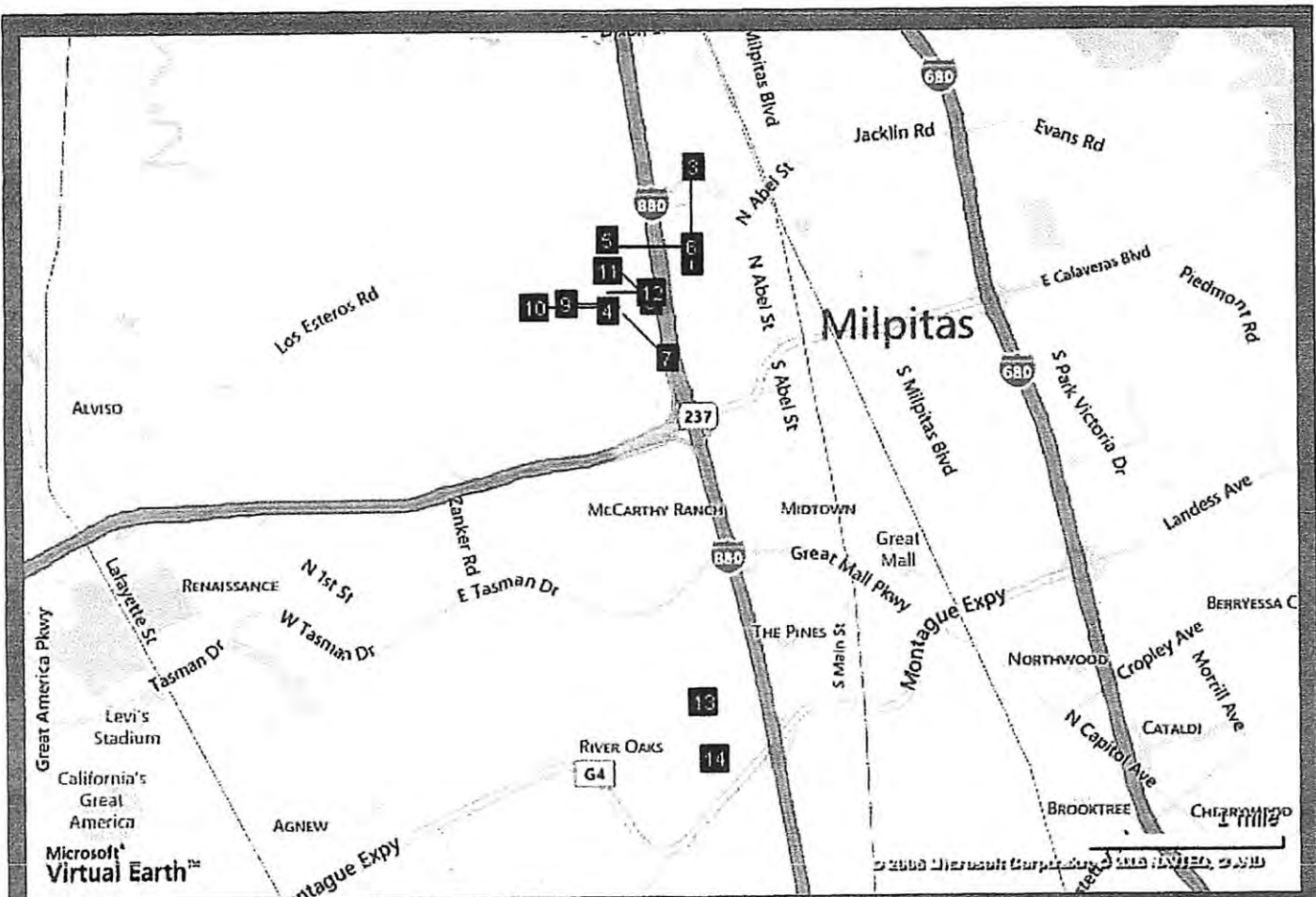
## Class A Office Space For Lease in Milpitas

| Property Information |                                                                                    |                                | Available Space Information |                  |                          |                                                                                                                                                                                                                                                                    |
|----------------------|------------------------------------------------------------------------------------|--------------------------------|-----------------------------|------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4                    |    | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>2,521</b>     | <b>Lease Rate:</b>       | <b>\$1.95 FSG</b>                                                                                                                                                                                                                                                  |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>2,521</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>2,521</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 150</b>     | <b>Avail Date:</b>          |                  | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>Yes</b>       | <b>Listing:</b>          | <b>CBRE Paul Schmidt 408/453-7426</b>                                                                                                                                                                                                                              |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>No</b>        | <b>Notes:</b>            | <b>Centrally Located in Milpitas; Easy Access to Highway 237, Calaveras Blvd and I-680; Retail and Hotel Amenities; Ample On-Site Parking; High Ceiling Main Lobby With Stone Floor; Comcast Business Services.</b>                                                |
|                      |                                                                                    | <b>Property ID:</b>            |                             |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |
| 5                    |    | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>2,599</b>     | <b>Lease Rate:</b>       | <b>TBD (Type: FSG)</b>                                                                                                                                                                                                                                             |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>2,599</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>2,599</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 260</b>     | <b>Avail Date:</b>          |                  | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>No</b>        | <b>Sublease Listing:</b> | <b>CBRE Paul Lyles 408/453-7443</b>                                                                                                                                                                                                                                |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>Yes</b>       | <b>Notes:</b>            | <b>Centrally Located; Easy Access to Highway 237, Calaveras Blvd and I-680; Retail and Hotel Within Walking Distance; Ample On-Site Parking; High Ceiling Main Lobby With Stone Floor.</b>                                                                         |
|                      |                                                                                    | <b>Property ID:</b>            | <b>Sublease Exp Date:</b>   |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |
| 6                    |    | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>9,789</b>     | <b>Lease Rate:</b>       | <b>\$1.95 FSG</b>                                                                                                                                                                                                                                                  |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>9,789</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>9,789</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 300</b>     | <b>Avail Date:</b>          | <b>Immediate</b> | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>Yes</b>       | <b>Listing:</b>          | <b>CBRE Mark Schmidt 408/453-7440</b>                                                                                                                                                                                                                              |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>No</b>        | <b>Notes:</b>            | <b>Main lobby entrance; Two large conference rooms; Seven privates; Break room; Large open area; Divisible; Reception area; Access to Highway 237, Calaveras Boulevard and I-680; Rich landscaping with tree shaded areas; Comcast Business Services available</b> |
|                      |                                                                                    | <b>Property ID:</b>            |                             |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |
| 7                    |  | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>4,156</b>     | <b>Lease Rate:</b>       | <b>\$1.95 FSG</b>                                                                                                                                                                                                                                                  |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>4,156</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>4,156</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 310</b>     | <b>Avail Date:</b>          |                  | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>Yes</b>       | <b>Listing:</b>          | <b>CBRE Mark Schmidt 408/453-7440</b>                                                                                                                                                                                                                              |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>No</b>        | <b>Notes:</b>            | <b>Centrally located in Milpitas; Easy access to 237, Calaveras Blvd, and 680; Nearby amenities; Ample on-site parking; High ceiling main lobby w/ stone floor; Rich landscaping w/ tree shaded areas; Comcast business services available.</b>                    |
|                      |                                                                                    | <b>Property ID:</b>            |                             |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |

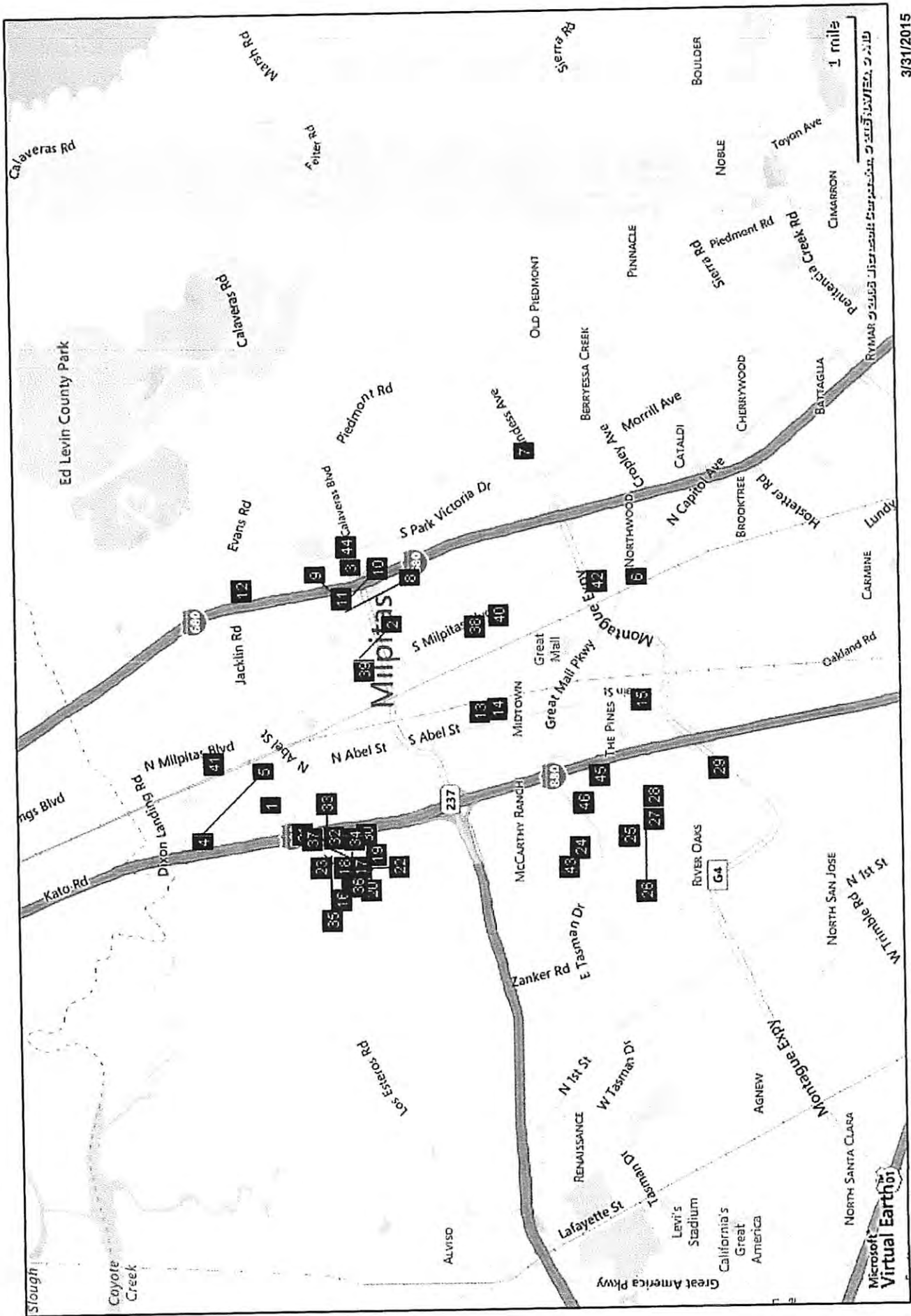
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**Appendix E:**  
**CBRE For Sale and Absorption Reports**





|    | Address               | City     | Property Info                      | Sale Info                        |
|----|-----------------------|----------|------------------------------------|----------------------------------|
| 1  | 1144-1158 Cadillac Ct | Milpitas | 12,638 SF Class B Office Building  | Sale Price: \$435,000            |
| 2  | 354-372 Fairview Way  | Milpitas | 15,513 SF Class B Office Building  | Sale Price: \$288,800            |
| 3  | 354-372 Fairview Way  | Milpitas | 15,513 SF Class B Office Building  | Sale Price: \$425,000            |
| 4  | McCarthy Blvd         | Milpitas | 124,040 SF Class B Office Building | Sale Price: an undisclosed price |
| 5  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 6  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 7  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 8  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 9  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 10 | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 11 | McCarthy Blvd         | Milpitas | 124,040 SF Class B Office Building | Sale Price: an undisclosed price |
| 12 | McCarthy Blvd         | Milpitas | 124,040 SF Class B Office Building | Sale Price: an undisclosed price |
| 13 | 1708 McCarthy Blvd    | Milpitas | 47,363 SF Class B Office Building  | Sale Price: \$12,000,000         |
| 14 | 1851 McCarthy Blvd    | Milpitas | 46,159 SF Class B Office Building  | Sale Price: \$8,299,999          |



## Availability and Vacancy Analysis

### Grand Totals

|  | Bldgs | Existing<br>Rentable<br>Bldg Area | Direct SF<br>Vacant | Vacant<br>Rate % | Direct w/<br>Sublet SF<br>Vacant | Vacant<br>% with<br>Sublet | Total SF<br>Available | Direct SF<br>Available | Sublet SF<br>Available | Max SF<br>Contig | Avg<br>Rate |
|--|-------|-----------------------------------|---------------------|------------------|----------------------------------|----------------------------|-----------------------|------------------------|------------------------|------------------|-------------|
|  | 46    | 1,851,428                         | 501,422             | 27.1%            | 537,805                          | 29.0%                      | 843,223               | 731,009                | 112,214                | 151,428          | \$19.40/fs  |



### Building Absorption Report

| Building                                                                   | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                            |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 1144-1158 Cadillac Ct<br>Building C<br>Milpitas, CA 95035<br>12,638 SF RBA | Current | 10,963            | 0                | 0      | 0     | 1,780          | 0      | 1,780   | 1,780            | 0      | 1,780 | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 4Q | 9,183             | 1,780            | 0      | 1,780 | 0              | 0      | 0       | 0                | 0      | 0     | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 3Q | 9,183             | 0                | 0      | 0     | (1,780)        | 0      | (1,780) | 0                | 0      | 0     | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 2Q | 10,963            | 0                | 0      | 0     | (1,675)        | 0      | (1,675) | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 4Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 3Q | 12,638            | 1,765            | 0      | 1,765 | 0              | 0      | 0       | 1,765            | 0      | 1,765 | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 2Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2013 1Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2012 4Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2012 3Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2012 2Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA            | Current | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 4Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 3Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 2Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 1Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 4Q | 61,157            | 0                | 0      | 0     | (826)          | 0      | (826)   | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 3Q | 61,983            | 3,344            | 0      | 3,344 | 3,390          | 0      | 3,390   | 3,390            | 0      | 3,390 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 2Q | 58,593            | 0                | 0      | 0     | (1,080)        | 0      | (1,080) | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 1Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 4Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 3Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 2Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
| 1181 E Calaveras Blvd<br>Milpitas, CA 95035<br>7,379 SF RBA                | Current | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 4Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 3Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 2Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 4Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 3Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 2Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 1Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 4Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 3Q | 1,190             | 0                | 0      | 0     | 1,189          | 0      | 1,189   | 1,189            | 0      | 1,189 | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 2Q | 1                 | 1,189            | 0      | 1,189 | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |

### Building Absorption Report

| Building                                                                        | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|-------------|-------------|
|                                                                                 |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total  | Direct       | Sublet      | Total       |
| 1521 California Cir<br>California Circle<br>Milpitas, CA 95035<br>24,892 SF RBA | Current | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 12,446            | 0                | 0      | 0      | 0              | 12,446 | 12,446   | 0                | 12,446 | 12,446 | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 0                 | 0                | 12,437 | 12,437 | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
|                                                                                 | 2012 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
| 1533 California Cir<br>California Circle<br>Milpitas, CA 95035<br>26,976 SF RBA | Current | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 13,488            | 0                | 0      | 0      | 13,488         | 0      | 13,488   | 13,488           | 0      | 13,488 | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 0                 | 0                | 0      | 0      | (13,488)       | 0      | (13,488) | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 2Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 4Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 3Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 2Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 1Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 4Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 3Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 2Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 1Q | 3,905             | 0                | 0      | 0      | (5,785)        | 0      | (5,785)  | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2012 4Q | 9,690             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -           |
|                                                                                 | 2012 3Q | 9,690             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -           |
|                                                                                 | 2012 2Q | 9,690             | 0                | 0      | 0      | 300            | 0      | 300      | 300              | 0      | 300    | \$39.00/nnn  | -           | \$39.00/nnn |

# Building Absorption Report

| Building                                                                                | Quarter | Total Occupied SF | Leasing Activity |        |         | Net Absorption |         |         | Gross Absorption |        |            | Average Rate |            |            |
|-----------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|---------|----------------|---------|---------|------------------|--------|------------|--------------|------------|------------|
|                                                                                         |         |                   | Leasing Activity |        | Total   | Net Absorption |         | Total   | Gross Absorption |        | Total      | Average Rate |            |            |
|                                                                                         |         |                   | Direct           | Sublet |         | Direct         | Sublet  |         | Direct           | Sublet |            | Direct       | Sublet     | Total      |
| 1750-1798 Clear Lake Ave<br>Parktown Office Bldg<br>Milpitas, CA 95035<br>18,670 SF RBA | Current | 17,746            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | 0          | \$15.00/mg   | -          | \$15.00/mg |
|                                                                                         | 2014 4Q | 17,746            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | 0          | \$15.00/mg   | -          | \$15.00/mg |
|                                                                                         | 2014 3Q | 17,746            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | 0          | \$15.00/mg   | -          | \$15.00/mg |
|                                                                                         | 2014 2Q | 17,746            | 0                | 0      | 0       | (924)          | (924)   | 0       | 0                | 0      | 0          | \$15.00/mg   | -          | \$15.00/mg |
|                                                                                         | 2014 1Q | 18,670            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | 0          | \$15.00/fs   | -          | \$15.00/fs |
|                                                                                         | 2013 4Q | 18,670            | 959              | 0      | 959     | 959            | 0       | 959     | 959              | 0      | 959        | \$15.00/fs   | -          | \$15.00/fs |
|                                                                                         | 2013 3Q | 17,711            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | 0          | \$15.00/fs   | -          | \$15.00/fs |
|                                                                                         | 2013 2Q | 17,711            | 549              | 0      | 549     | 549            | 0       | 549     | 549              | 0      | 549        | \$15.92/fs   | -          | \$15.92/fs |
|                                                                                         | 2013 1Q | 17,162            | 0                | 0      | 0       | 1,540          | 1,540   | 0       | 1,540            | 1,540  | 0          | \$15.00/fs   | -          | \$15.00/fs |
|                                                                                         | 2012 4Q | 15,622            | 2,089            | 0      | 2,089   | 0              | 0       | 0       | 0                | 0      | 0          | \$14.35/fs   | -          | \$14.35/fs |
| 2012 3Q                                                                                 | 15,622  | 0                 | 0                | 0      | (2,629) | (2,629)        | 0       | 0       | 0                | 0      | \$14.35/fs | -            | \$14.35/fs |            |
| 2012 2Q                                                                                 | 18,251  | 0                 | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | \$14.28/fs | -            | \$14.28/fs |            |
| 830 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>73,926 SF RBA                        | Current | 70,076            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | 0          | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2014 4Q | 70,076            | 3,710            | 0      | 3,710   | 3,710          | 0       | 3,710   | 3,710            | 0      | 3,710      | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2014 3Q | 66,366            | 4,074            | 0      | 4,074   | 9,122          | 0       | 9,122   | 9,122            | 0      | 9,122      | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2014 2Q | 57,244            | 5,972            | 0      | 5,972   | (2,271)        | 0       | (2,271) | 924              | 0      | 924        | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2014 1Q | 59,515            | 1,718            | 0      | 1,718   | (487)          | 0       | (487)   | 1,718            | 0      | 1,718      | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2013 4Q | 60,002            | 1,718            | 0      | 1,718   | 0              | 0       | 0       | 0                | 0      | 0          | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2013 3Q | 60,002            | 1,203            | 0      | 1,203   | 1,203          | 0       | 1,203   | 1,203            | 0      | 1,203      | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2013 2Q | 58,799            | 0                | 0      | 0       | (1,203)        | 0       | (1,203) | 0                | 0      | 0          | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2013 1Q | 60,002            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | 0          | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2012 4Q | 60,002            | 1,203            | 0      | 1,203   | 1,203          | 0       | 1,203   | 1,203            | 0      | 1,203      | \$21.00/fs   | -          | \$21.00/fs |
| 2012 3Q                                                                                 | 58,799  | 0                 | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0      | \$21.00/fs | -            | \$21.00/fs |            |
| 2012 2Q                                                                                 | 58,799  | 0                 | 0                | 0      | (9,616) | (9,616)        | 0       | (9,616) | 0                | 0      | \$21.00/fs | -            | \$21.00/fs |            |
| 860 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>56,087 SF RBA                        | Current | 37,383            | 0                | 0      | 0       | 0              | (2,599) | (2,599) | 0                | 0      | 0          | \$23.40/fs   | -          | \$23.40/fs |
|                                                                                         | 2014 4Q | 39,982            | 5,170            | 0      | 5,170   | 1,903          | 0       | 1,903   | 5,170            | 0      | 5,170      | \$23.40/fs   | -          | \$23.40/fs |
|                                                                                         | 2014 3Q | 38,079            | 9,469            | 0      | 9,469   | 5,297          | 0       | 5,297   | 9,469            | 0      | 9,469      | \$22.57/fs   | -          | \$22.57/fs |
|                                                                                         | 2014 2Q | 32,782            | 7,836            | 0      | 7,836   | 7,836          | 0       | 7,836   | 7,836            | 0      | 7,836      | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2014 1Q | 24,946            | 0                | 0      | 0       | (9,345)        | 0       | (9,345) | 0                | 0      | 0          | \$18.75/fs   | -          | \$18.75/fs |
|                                                                                         | 2013 4Q | 34,291            | 0                | 0      | 0       | 3,986          | 0       | 3,986   | 3,986            | 0      | 3,986      | \$19.08/fs   | -          | \$19.08/fs |
|                                                                                         | 2013 3Q | 30,305            | 4,846            | 0      | 4,846   | 860            | 0       | 860     | 4,846            | 0      | 4,846      | \$18.47/fs   | -          | \$18.47/fs |
|                                                                                         | 2013 2Q | 29,445            | 0                | 0      | 0       | 998            | 0       | 998     | 998              | 0      | 998        | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2013 1Q | 28,447            | 10,675           | 0      | 10,675  | 7,813          | 0       | 7,813   | 10,720           | 0      | 10,720     | \$21.00/fs   | -          | \$21.00/fs |
|                                                                                         | 2012 4Q | 20,634            | 11,320           | 0      | 11,320  | 12,952         | 0       | 12,952  | 12,952           | 0      | 12,952     | \$21.00/fs   | -          | \$21.00/fs |
| 2012 3Q                                                                                 | 7,682   | 0                 | 0                | 0      | (5,982) | 0              | (5,982) | 3,986   | 0                | 3,986  | \$21.00/fs | -            | \$21.00/fs |            |
| 2012 2Q                                                                                 | 13,664  | 3,986             | 0                | 3,986  | (435)   | 0              | (435)   | 0       | 0                | 0      | \$20.84/fs | -            | \$20.84/fs |            |



### Building Absorption Report

| Building                                                                                   | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |         | Gross Absorption |        |        | Average Rate |        |             |
|--------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|---------|------------------|--------|--------|--------------|--------|-------------|
|                                                                                            |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total   | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 890 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>56,087 SF RBA                           | Current | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 39,612            | 0                | 0      | 0      | 3,357          | 0      | 3,357   | 6,183            | 0      | 6,183  | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 4Q | 36,255            | 6,183            | 0      | 6,183  | (5,364)        | 0      | (5,364) | 0                | 0      | 0      | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 3Q | 41,619            | 4,123            | 0      | 4,123  | (4,210)        | 0      | (4,210) | 4,123            | 0      | 4,123  | \$19.35/fs   | -      | \$19.35/fs  |
|                                                                                            | 2013 2Q | 45,829            | 1,998            | 0      | 1,998  | (2,125)        | 0      | (2,125) | 1,998            | 0      | 1,998  | \$22.04/fs   | -      | \$22.04/fs  |
|                                                                                            | 2013 1Q | 47,954            | 0                | 0      | 0      | (3,200)        | 0      | (3,200) | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 51,154            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 51,154            | 0                | 0      | 0      | 10,924         | 0      | 10,924  | 10,924           | 0      | 10,924 | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 40,230            | 10,924           | 0      | 10,924 | 36,721         | 0      | 36,721  | 36,721           | 0      | 36,721 | \$16.49/fs   | -      | \$16.49/fs  |
| 920 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>44,652 SF RBA                           | Current | 37,529            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 37,529            | 3,286            | 0      | 3,286  | 3,286          | 0      | 3,286   | 3,286            | 0      | 3,286  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 34,243            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 34,243            | 0                | 0      | 0      | 1,634          | 0      | 1,634   | 1,634            | 0      | 1,634  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 32,609            | 1,634            | 0      | 1,634  | 12,529         | 0      | 12,529  | 12,529           | 0      | 12,529 | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 4Q | 20,080            | 12,529           | 0      | 12,529 | (9,590)        | 0      | (9,590) | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 3Q | 29,670            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 2Q | 29,670            | 0                | 0      | 0      | 3,783          | 0      | 3,783   | 3,783            | 0      | 3,783  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 1Q | 25,887            | 3,738            | 0      | 3,738  | (4,916)        | 0      | (4,916) | 3,783            | 0      | 3,783  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 30,803            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 30,803            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 30,803            | 1,375            | 0      | 1,375  | (8,691)        | 0      | (8,691) | 1,375            | 0      | 1,375  | \$21.00/fs   | -      | \$21.00/fs  |
| 1120-1158 Jacklin Rd<br>Jacklin Professional Center<br>Milpitas, CA 95035<br>14,021 SF RBA | Current | 11,828            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 4Q | 11,828            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 3Q | 11,828            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 2Q | 11,828            | 0                | 0      | 0      | (2,193)        | 0      | (2,193) | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 1Q | 14,021            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 4Q | 14,021            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 3Q | 14,021            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 2Q | 14,021            | 0                | 0      | 0      | 1,578          | 0      | 1,578   | 1,578            | 0      | 1,578  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 1Q | 12,443            | 1,578            | 0      | 1,578  | 0              | 0      | 0       | 3,736            | 0      | 3,736  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 4Q | 12,443            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 3Q | 12,443            | 0                | 0      | 0      | 3,736          | 0      | 3,736   | 3,736            | 0      | 3,736  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 2Q | 8,707             | 3,736            | 0      | 3,736  | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |

# Building Absorption Report

| Building                                                                          | Quarter | Total Occupied SF |        |       | Leasing Activity |        |       | Net Absorption |        |       | Gross Absorption |        |       | Average Rate |        |       |
|-----------------------------------------------------------------------------------|---------|-------------------|--------|-------|------------------|--------|-------|----------------|--------|-------|------------------|--------|-------|--------------|--------|-------|
|                                                                                   |         | Direct            | Sublet | Total | Direct           | Sublet | Total | Direct         | Sublet | Total | Direct           | Sublet | Total | Direct       | Sublet | Total |
| 529 S Main St<br>Milpitas, CA 95035<br>6,005 SF RBA                               | Current | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 4Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 3Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 2Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 1Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 4Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 3Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 2Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 1Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2012 4Q | 6,005             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | -            | -      | -     |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA | Current | 10,749            | 0      | 0     | 0                | 0      | 0     | 1,100          | 0      | 1,100 | 1,100            | 0      | 1,100 | \$21.60/mg   | -      | -     |
|                                                                                   | 2014 4Q | 9,649             | 1,100  | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.90/fts  | -      | -     |
|                                                                                   | 2014 3Q | 9,649             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.90/fts  | -      | -     |
|                                                                                   | 2014 2Q | 9,649             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$40.20/fts  | -      | -     |
|                                                                                   | 2014 1Q | 9,649             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 2,300            | 0      | 2,300 | \$22.20/fts  | -      | -     |
|                                                                                   | 2013 4Q | 7,349             | 1,100  | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 1,100            | 0      | 1,100 | \$22.20/fts  | -      | -     |
|                                                                                   | 2013 3Q | 7,949             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 250              | 0      | 250   | \$22.20/fts  | -      | -     |
|                                                                                   | 2013 2Q | 7,699             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$22.20/fts  | -      | -     |
|                                                                                   | 2013 1Q | 10,749            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.00/mg   | -      | -     |
|                                                                                   | 2012 4Q | 10,749            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.00/mg   | -      | -     |
| 1633-1649 S Main St<br>Bldg B<br>Milpitas, CA<br>34,985 SF RBA                    | Current | 31,527            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$18.00/mg   | -      | -     |
|                                                                                   | 2014 4Q | 31,527            | 0      | 0     | 0                | 0      | 0     | 1,285          | 0      | 1,285 | 1,285            | 0      | 1,285 | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 3Q | 30,242            | 6,085  | 0     | 0                | 0      | 0     | 2,788          | 0      | 2,788 | 4,800            | 0      | 4,800 | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 2Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 1Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$14.40/mg   | -      | -     |
|                                                                                   | 2013 4Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.88/mg   | -      | -     |
|                                                                                   | 2013 3Q | 32,254            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fts  | -      | -     |
|                                                                                   | 2013 2Q | 33,539            | 2,496  | 0     | 0                | 0      | 0     | 2,496          | 0      | 2,496 | 2,496            | 0      | 2,496 | \$10.20/fts  | -      | -     |
|                                                                                   | 2013 1Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.96/fts  | -      | -     |
|                                                                                   | 2012 4Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fts  | -      | -     |
| McCarthy Blvd<br>Bldg 1<br>Milpitas, CA 95035<br>124,040 SF RBA                   | Current | 0                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | -            | -      | -     |
|                                                                                   | 2012 2Q | 33,539            | 1,285  | 0     | 0                | 0      | 0     | 3,781          | 0      | 3,781 | 3,781            | 0      | 3,781 | \$15.00/fts  | -      | -     |
|                                                                                   | 2012 3Q | 33,539            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fts  | -      | -     |
|                                                                                   | 2012 4Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fts  | -      | -     |
|                                                                                   | 2013 1Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$10.20/fts  | -      | -     |
|                                                                                   | 2013 2Q | 33,539            | 2,496  | 0     | 0                | 0      | 0     | 2,496          | 0      | 2,496 | 2,496            | 0      | 2,496 | \$10.20/fts  | -      | -     |
|                                                                                   | 2013 3Q | 32,254            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.52/fts  | -      | -     |
|                                                                                   | 2013 4Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.88/mg   | -      | -     |
|                                                                                   | 2014 1Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 2Q | 30,242            | 6,085  | 0     | 0                | 0      | 0     | 2,788          | 0      | 2,788 | 4,800            | 0      | 4,800 | \$14.40/mg   | -      | -     |

### Building Absorption Report

| Building                                                                              | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |       | Gross Absorption |        |       | Average Rate |             |             |
|---------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|-------|------------------|--------|-------|--------------|-------------|-------------|
|                                                                                       |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total | Direct           | Sublet | Total | Direct       | Sublet      | Total       |
| McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>124,040 SF RBA                       | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 3<br>Milpitas, CA 95035<br>124,040 SF RBA                       | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 4<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 5<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 6<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 7<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| 1011 McCarthy Blvd<br>Murphy Crossing - Bldg 2<br>Milpitas, CA 95035<br>74,026 SF RBA | Current | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 4Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 3Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 2Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2014 1Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2013 4Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
|                                                                                       | 2013 3Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
|                                                                                       | 2013 2Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2013 1Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 4Q | 74,026            | 72,580           | 0      | 72,580 | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 3Q | 74,026            | 72,580           | 0      | 72,580 | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 2Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |



### Building Absorption Report

| Building                                                   | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |           | Gross Absorption |        |        | Average Rate |            |             |
|------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|-----------|------------------|--------|--------|--------------|------------|-------------|
|                                                            |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total     | Direct           | Sublet | Total  | Direct       | Sublet     | Total       |
| 1501 McCarthy Blvd<br>Milpitas, CA 95035<br>132,179 SF RBA | Current | 0                 | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$22.20/nnn  | -          | \$22.20/nnn |
|                                                            | 2014 4Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$19.80/nnn  | -          | \$19.80/nnn |
|                                                            | 2014 3Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$19.80/nnn  | -          | \$19.80/nnn |
|                                                            | 2014 2Q | 0                 | 0                | 0      | 0     | (3,359)        | 0      | (3,359)   | 0                | 0      | 0      | \$19.80/nnn  | -          | \$19.80/nnn |
|                                                            | 2014 1Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 4Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 3Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 2Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 1Q | 3,359             | 0                | 0      | 0     | (128,820)      | 0      | (128,820) | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2012 4Q | 132,179           | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2012 3Q | 132,179           | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2012 2Q | 132,179           | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
| 1525 McCarthy Blvd<br>Milpitas, CA 95035<br>76,284 SF RBA  | Current | 76,284            | 0                | 0      | 0     | 3,206          | 0      | 3,206     | 3,206            | 0      | 3,206  | \$22.20/fs   | -          | \$22.20/fs  |
|                                                            | 2014 4Q | 73,078            | 3,206            | 0      | 3,206 | 3,163          | 0      | 3,163     | 3,163            | 0      | 3,163  | \$22.20/fs   | -          | \$22.20/fs  |
|                                                            | 2014 3Q | 69,915            | 3,163            | 0      | 3,163 | 1,982          | 0      | 1,982     | 1,982            | 0      | 1,982  | \$21.00/fs   | -          | \$21.00/fs  |
|                                                            | 2014 2Q | 67,933            | 1,982            | 0      | 1,982 | 2,932          | 0      | 2,932     | 2,932            | 0      | 2,932  | \$21.00/fs   | -          | \$21.00/fs  |
|                                                            | 2014 1Q | 65,001            | 0                | 0      | 0     | (1,982)        | 0      | (1,982)   | 0                | 0      | 0      | \$20.65/fs   | -          | \$20.65/fs  |
|                                                            | 2013 4Q | 66,983            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2013 3Q | 66,983            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2013 2Q | 66,983            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2013 1Q | 66,983            | 0                | 0      | 0     | (1,626)        | 0      | (1,626)   | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2012 4Q | 68,609            | 0                | 0      | 0     | (6,369)        | 0      | (6,369)   | 0                | 0      | 0      | \$20.49/fs   | -          | \$20.49/fs  |
|                                                            | 2012 3Q | 74,978            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$18.00/fs   | -          | \$18.00/fs  |
|                                                            | 2012 2Q | 74,978            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$18.00/fs   | -          | \$18.00/fs  |
| 1551 McCarthy Blvd<br>Milpitas, CA 95035<br>48,926 SF RBA  | Current | 45,451            | 1,991            | 0      | 1,991 | (1,991)        | 0      | (1,991)   | 0                | 0      | 0      | \$22.20/mg   | -          | \$22.20/mg  |
|                                                            | 2014 4Q | 47,442            | 1,841            | 0      | 1,841 | 1,841          | 0      | 1,841     | 1,841            | 0      | 1,841  | \$22.20/mg   | -          | \$22.20/mg  |
|                                                            | 2014 3Q | 45,601            | 0                | 0      | 0     | (3,325)        | 0      | (3,325)   | 0                | 0      | 0      | \$22.20/mg   | -          | \$22.20/mg  |
|                                                            | 2014 2Q | 48,926            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$18.42/mg   | -          | \$18.42/mg  |
|                                                            | 2014 1Q | 48,926            | 8,091            | 0      | 8,091 | 6,065          | 0      | 6,065     | 8,091            | 0      | 8,091  | \$18.42/mg   | -          | \$18.42/mg  |
|                                                            | 2013 4Q | 42,861            | 800              | 0      | 800   | 0              | 0      | 0         | 4,164            | 0      | 4,164  | \$18.38/mg   | -          | \$18.38/mg  |
|                                                            | 2013 3Q | 42,861            | 3,364            | 0      | 3,364 | 0              | 0      | 0         | 0                | 0      | 0      | \$18.00/mg   | -          | \$18.00/mg  |
|                                                            | 2013 2Q | 42,861            | 9,884            | 0      | 9,884 | 7,878          | 0      | 7,878     | 9,884            | 0      | 9,884  | \$16.80/mg   | -          | \$16.80/mg  |
|                                                            | 2013 1Q | 34,983            | 908              | 0      | 908   | (4,449)        | 0      | (4,449)   | 908              | 0      | 908    | \$16.80/mg   | -          | \$16.80/mg  |
|                                                            | 2012 4Q | 39,432            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$16.80/mg   | -          | \$16.80/mg  |
|                                                            | 2012 3Q | 39,432            | 5,909            | 0      | 5,909 | 1,227          | 4,782  | 6,009     | 5,889            | 4,782  | 10,671 | \$18.67/mg   | -          | \$18.67/mg  |
|                                                            | 2012 2Q | 33,423            | 1,991            | 0      | 1,991 | 1,991          | 0      | 1,991     | 1,991            | 0      | 1,991  | \$12.32/mg   | \$11.88/fs | \$12.32/mg  |

### Building Absorption Report

| Building                                                               | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |          |         | Gross Absorption |        |        | Average Rate |            |             |
|------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|----------|---------|------------------|--------|--------|--------------|------------|-------------|
|                                                                        |         |                   | Direct           | Sublet | Total  | Direct         | Sublet   | Total   | Direct           | Sublet | Total  | Direct       | Sublet     | Total       |
| 1656 McCarthy Blvd<br>Milpitas, CA 95035<br>80,060 SF RBA              | Current | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 4Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 3Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 2Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 1Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 4Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 3Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 2Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 1Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2012 4Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2012 3Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2012 2Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
| 1900 McCarthy Blvd<br>1900 Bldg<br>Milpitas, CA 95035<br>76,616 SF RBA | Current | 73,865            | 0                | 0      | 0      | 0              | 4,123    | 4,123   | 0                | 4,123  | 4,123  | \$25.80/fs   | -          | \$25.80/fs  |
|                                                                        | 2014 4Q | 69,742            | 0                | 0      | 0      | 2,337          | 5,828    | 8,165   | 2,337            | 5,828  | 8,165  | \$25.80/fs   | \$18.00/fs | \$21.12/fs  |
|                                                                        | 2014 3Q | 61,577            | 6,975            | 0      | 6,975  | (30)           | 0        | (30)    | 4,638            | 0      | 4,638  | \$23.40/fs   | \$18.66/fs | \$21.00/fs  |
|                                                                        | 2014 2Q | 61,607            | 0                | 5,828  | 5,828  | 0              | 1,141    | 1,141   | 0                | 5,264  | 5,264  | \$23.40/fs   | \$19.32/fs | \$20.34/fs  |
|                                                                        | 2014 1Q | 60,466            | 0                | 5,264  | 5,264  | 0              | 0        | 0       | 0                | 0      | 0      | \$23.40/fs   | \$18.69/fs | \$20.17/fs  |
|                                                                        | 2013 4Q | 60,466            | 3,657            | 0      | 3,657  | 7,304          | 0        | 7,304   | 9,611            | 0      | 9,611  | \$23.15/fs   | \$18.69/fs | \$20.65/fs  |
|                                                                        | 2013 3Q | 53,162            | 19,894           | 0      | 19,894 | 17,380         | (11,092) | 6,288   | 18,194           | 0      | 18,194 | \$21.80/fs   | \$18.69/fs | \$20.45/fs  |
|                                                                        | 2013 2Q | 46,874            | 4,254            | 0      | 4,254  | (8,789)        | 0        | (8,789) | 0                | 0      | 0      | \$21.00/fs   | -          | \$21.00/fs  |
|                                                                        | 2013 1Q | 55,663            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | \$21.00/fs   | -          | \$21.00/fs  |
|                                                                        | 2012 4Q | 55,663            | 5,591            | 0      | 5,591  | 5,598          | 0        | 5,598   | 5,598            | 0      | 5,598  | \$20.62/fs   | -          | \$20.62/fs  |
|                                                                        | 2012 3Q | 50,065            | 0                | 0      | 0      | 12,981         | 0        | 12,981  | 12,981           | 0      | 12,981 | \$19.20/fs   | -          | \$19.20/fs  |
|                                                                        | 2012 2Q | 37,084            | 14,339           | 0      | 14,339 | (9,620)        | 0        | (9,620) | 1,358            | 0      | 1,358  | \$19.20/fs   | -          | \$19.20/fs  |
| 490 N McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>53,666 SF RBA   | Current | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 4Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 3Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 2Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 12,831           | 0      | 12,831 | -            | -          | -           |
|                                                                        | 2014 1Q | 53,666            | 12,831           | 0      | 12,831 | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 4Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 3Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 2Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 1Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                        | 2012 4Q | 53,666            | 0                | 0      | 0      | 39,664         | 0        | 39,664  | 39,664           | 0      | 39,664 | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                        | 2012 3Q | 14,002            | 12,854           | 0      | 12,854 | 0              | 0        | 0       | 0                | 0      | 0      | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                        | 2012 2Q | 14,002            | 26,833           | 0      | 26,833 | 0              | 0        | 0       | 0                | 0      | 0      | \$15.00/nnn  | -          | \$15.00/nnn |

# Building Absorption Report

| Building                                                              | Quarter | Leasing Activity  |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |             |       |
|-----------------------------------------------------------------------|---------|-------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|-------------|-------|
|                                                                       |         | Total Occupied SF | Direct | Sublet | Total          | Direct | Sublet   | Total            | Direct | Sublet | Direct       | Sublet      | Total |
| 680 N McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>62,874 SF RBA  | Current | 48,620            | 0      | 0      | 0              | 0      | (14,254) | 0                | 0      | 0      | \$10.80/nnn  | \$9.47/nnn  | -     |
|                                                                       | 2014 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2014 3Q | 62,874            | 15,126 | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2014 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2014 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2013 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2013 3Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2013 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/nnn  | \$12.00/nnn | -     |
|                                                                       | 2013 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/nnn  | \$12.00/nnn | -     |
|                                                                       | 2012 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/nnn  | \$12.00/nnn | -     |
| 820 N McCarthy Blvd<br>Bldg 11<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 4Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 3Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 2Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 1Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 4Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 3Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 2Q | 53,284            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 1Q | 53,284            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2012 4Q | 53,284            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
| 840 N McCarthy Blvd<br>Bldg 12<br>Milpitas, CA 95035<br>62,874 SF RBA | Current | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 3Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 3Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2012 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |



# Building Absorption Report

| Building                                                              | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |        | Gross Absorption |        |        | Average Rate |        |             |
|-----------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|--------|------------------|--------|--------|--------------|--------|-------------|
|                                                                       |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total  | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 860 N McCarthy Blvd<br>Bldg 13<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 26,642            | 0                | 0      | 0      | 26,642         | 0      | 26,642 | 26,642           | 0      | 26,642 | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
| 880 N McCarthy Blvd<br>Bldg 15<br>Milpitas, CA 95035<br>62,674 SF RBA | 2012 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | Current | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
| 890 N McCarthy Blvd<br>Bldg 16<br>Milpitas, CA 95035<br>43,694 SF RBA | 2013 1Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | 2012 2Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | Current | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                       | 2014 4Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                       | 2014 3Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                       | 2014 2Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2014 1Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 4Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 3Q | 32,740            | 10,954           | 0      | 10,954 | 10,954         | 0      | 10,954 | 10,954           | 0      | 10,954 | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 2Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |

### Building Absorption Report

| Building                                                                   | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |        | Gross Absorption |        |        | Average Rate |        |             |
|----------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|--------|------------------|--------|--------|--------------|--------|-------------|
|                                                                            |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total  | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 920 N McCarthy Blvd<br>Bldg 17<br>Milpitas, CA 95035<br>53,666 SF RBA      | Current | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 4Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 3Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 2Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 1Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2013 4Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2013 3Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2013 2Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2013 1Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2012 4Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2012 3Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2012 2Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
| 673 Milpitas Blvd<br>Milpitas, CA 95035<br>44,550 SF RBA                   | Current | 44,550            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                            | 2014 4Q | 44,550            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                            | 2014 3Q | 44,550            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                            | 2014 2Q | 44,550            | 0                | 0      | 0     | 22,404         | 0      | 22,404 | 22,404           | 0      | 22,404 | -            | -      | -           |
|                                                                            | 2014 1Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                            | 2013 4Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2013 3Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2013 2Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2013 1Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2012 4Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2012 3Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2012 2Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
| 100 N Milpitas Blvd<br>Shapell Bldg<br>Milpitas, CA 95035<br>39,518 SF RBA | Current | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 4Q | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 3Q | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 2Q | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 1Q | 36,112            | 0                | 0      | 0     | 3,726          | 0      | 3,726  | 3,726            | 0      | 3,726  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 4Q | 32,386            | 3,726            | 0      | 3,726 | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 3Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 2Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 1Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2012 4Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2012 3Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2012 2Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |

### Building Absorption Report

| Building                                                                       | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |        |             |
|--------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|--------|-------------|
|                                                                                |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 691 S Milpitas Blvd<br>Project #5 Bldg<br>Milpitas, CA 95035<br>104,000 SF RBA | Current | 55,084            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 4Q | 55,084            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 3Q | 55,084            | 0                | 0      | 0      | 0              | 0      | 0        | 12,952           | 0      | 12,952 | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 2Q | 55,084            | 12,952           | 0      | 12,952 | 10,355         | 0      | 10,355   | 10,355           | 0      | 10,355 | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2014 1Q | 44,729            | 10,355           | 0      | 10,355 | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2013 4Q | 44,729            | 0                | 0      | 0      | (37,754)       | 0      | (37,754) | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 3Q | 82,483            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 2Q | 82,483            | 0                | 0      | 0      | 414            | 0      | 414      | 6,285            | 0      | 6,285  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 1Q | 82,069            | 6,254            | 0      | 6,254  | 0              | 0      | 0        | 0                | 0      | 0      | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 4Q | 82,069            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 3Q | 82,069            | 0                | 0      | 0      | (5,987)        | 0      | (5,987)  | 0                | 0      | 0      | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 2Q | 88,056            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -      | -           |
| 1346-1376 Minnis Cir<br>Milpitas, CA 95035<br>19,533 SF RBA                    | Current | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 4Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 3Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 2Q | 14,733            | 0                | 0      | 0      | 2,400          | 0      | 2,400    | 2,400            | 0      | 2,400  | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 1Q | 12,333            | 2,400            | 0      | 2,400  | 0              | 0      | 0        | 0                | 0      | 0      | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 4Q | 12,333            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 3Q | 12,333            | 0                | 0      | 0      | (2,400)        | 0      | (2,400)  | 0                | 0      | 0      | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 2Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2013 1Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 4Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 3Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 2Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
| 720 Montague Expy<br>Milpitas, CA 95035<br>39,976 SF RBA                       | Current | 30,294            | 0                | 0      | 0      | (1,722)        | 0      | (1,722)  | 0                | 0      | 0      | \$10.20/mg   | -      | \$10.20/mg  |
|                                                                                | 2014 4Q | 32,016            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2014 3Q | 32,016            | 0                | 0      | 0      | 700            | 0      | 700      | 700              | 0      | 700    | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2014 2Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2014 1Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 4Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 3Q | 31,316            | 2,800            | 0      | 2,800  | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 2Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 1Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2012 4Q | 31,316            | 0                | 0      | 0      | 7,078          | 0      | 7,078    | 9,878            | 0      | 9,878  | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2012 3Q | 24,238            | 9,849            | 0      | 9,849  | 0              | 0      | 0        | 0                | 0      | 0      | \$8.59/nnn   | -      | \$8.59/nnn  |
|                                                                                | 2012 2Q | 24,238            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$8.59/nnn   | -      | \$8.59/nnn  |



### Building Absorption Report

| Building                                                                                    | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|-------------|-------------|
|                                                                                             |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total  | Direct       | Sublet      | Total       |
| 911-915 Murphy Ranch Rd<br>Bldg 5<br>Milpitas, CA 95035<br>92,220 SF RBA                    | Current | 2,310             | 0                | 0      | 0      | 0              | 2,310  | 2,310    | 0                | 2,310  | 2,310  | -            | -           | -           |
|                                                                                             | 2014 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -           |
|                                                                                             | 2014 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                             | 2014 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                             | 2014 1Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                             | 2013 4Q | 0                 | 0                | 0      | 0      | (70,380)       | 17,791 | (52,589) | 0                | 17,791 | 17,791 | -            | -           | -           |
|                                                                                             | 2013 3Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2013 2Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2013 1Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2012 4Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2012 3Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2012 2Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
| 40 N Park Victoria Dr<br>Park Victoria Medical Center<br>Milpitas, CA 95035<br>7,114 SF RBA | Current | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 4Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 3Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 2Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 1Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 4Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 3Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 2Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 1Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2012 4Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2012 3Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2012 2Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
| 501 Sycamore Dr<br>Milpitas, CA 95035<br>71,472 SF RBA                                      | Current | 37,622            | 0                | 0      | 0      | (78)           | 0      | (78)     | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 4Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 3Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 2Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 1Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 4Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 3Q | 37,700            | 0                | 0      | 0      | 35,937         | 0      | 35,937   | 35,949           | 0      | 35,949 | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 2Q | 1,763             | 0                | 0      | 0      | 1,763          | 0      | 1,763    | 1,763            | 0      | 1,763  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 1Q | 0                 | 35,937           | 0      | 35,937 | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2012 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | -           | \$10.80/nnn |
|                                                                                             | 2012 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | -           | \$10.80/nnn |
|                                                                                             | 2012 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.20/nnn  | -           | \$10.20/nnn |

### Building Absorption Report

| Building                                                               | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |       | Average Rate |        |             |
|------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|-------|--------------|--------|-------------|
|                                                                        |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 694-700 Tasman Dr<br>Building 9<br>Milpitas, CA 95035<br>38,318 SF RBA | Current | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 4Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 3Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 2Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 1Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$17.40/nnn  | -      | \$17.40/nnn |
|                                                                        | 2013 4Q | 26,384            | 0                | 0      | 0      | (11,934)       | 0      | (11,934) | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                        | 2013 3Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2013 2Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2013 1Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2012 4Q | 38,318            | 11,949           | 0      | 11,949 | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2012 3Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2012 2Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |

**Grand Totals:**

| Quarter | Existing Inventory |           | Delivered Inventory |     | Tot. Occupied SF | Leasing Activity |        |         | Net Absorption |          |           | Gross Absorption |        |        | Average Rate |            |            |
|---------|--------------------|-----------|---------------------|-----|------------------|------------------|--------|---------|----------------|----------|-----------|------------------|--------|--------|--------------|------------|------------|
|         | # of Bldgs         | RBA       | # of Bldgs          | RBA |                  | Direct           | Sublet | Total   | Direct         | Sublet   | Total     | Direct           | Sublet | Total  | Direct       | Sublet     | Total      |
| Current | 38                 | 1,851,428 | 0                   | 0   | 1,313,623        | 1,991            | 0      | 1,991   | 28,937         | (10,420) | 18,517    | 32,728           | 6,433  | 39,161 | \$19.71/fs   | \$16.35/fs | \$19.40/fs |
| 2014 4Q | 38                 | 1,851,428 | 0                   | 0   | 1,295,106        | 20,093           | 0      | 20,093  | 16,240         | 5,828    | 22,068    | 34,633           | 5,828  | 40,461 | \$19.14/fs   | \$18.00/fs | \$19.05/fs |
| 2014 3Q | 38                 | 1,851,428 | 0                   | 0   | 1,273,038        | 38,807           | 0      | 38,807  | 13,251         | 0        | 13,251    | 40,148           | 0      | 40,148 | \$18.69/fs   | \$20.14/fs | \$18.87/fs |
| 2014 2Q | 38                 | 1,851,428 | 0                   | 0   | 1,259,787        | 34,827           | 5,828  | 40,655  | 39,927         | 1,141    | 41,068    | 66,116           | 5,264  | 71,380 | \$18.59/fs   | \$21.07/fs | \$18.91/fs |
| 2014 1Q | 38                 | 1,851,428 | 0                   | 0   | 1,218,719        | 37,029           | 5,264  | 42,293  | 16,163         | 0        | 16,163    | 34,547           | 0      | 34,547 | \$15.57/fs   | \$21.07/fs | \$16.23/fs |
| 2013 4Q | 38                 | 1,851,428 | 0                   | 0   | 1,202,556        | 30,672           | 0      | 30,672  | (118,045)      | 17,791   | (100,254) | 30,774           | 17,791 | 48,565 | \$16.52/fs   | \$18.69/fs | \$16.56/fs |
| 2013 3Q | 38                 | 1,851,428 | 0                   | 0   | 1,302,810        | 52,293           | 0      | 52,293  | 29,362         | (11,092) | 18,270    | 69,720           | 0      | 69,720 | \$16.53/fs   | \$12.08/fs | \$16.15/fs |
| 2013 2Q | 38                 | 1,851,428 | 0                   | 0   | 1,284,540        | 16,685           | 2,496  | 19,181  | 716            | 2,496    | 3,212     | 26,838           | 2,496  | 29,334 | \$17.05/fs   | \$10.51/fs | \$16.59/fs |
| 2013 1Q | 38                 | 1,851,428 | 0                   | 0   | 1,281,328        | 60,550           | 0      | 60,550  | (131,955)      | 0        | (131,955) | 35,635           | 0      | 35,635 | \$16.74/fs   | \$5.88/fs  | \$16.05/fs |
| 2012 4Q | 38                 | 1,851,428 | 0                   | 0   | 1,413,283        | 104,732          | 0      | 104,732 | 60,126         | 9,950    | 70,076    | 69,295           | 12,446 | 81,741 | \$16.55/fs   | \$5.88/fs  | \$15.88/fs |
| 2012 3Q | 38                 | 1,851,428 | 0                   | 0   | 1,343,207        | 101,192          | 12,437 | 113,629 | 1,971          | 4,782    | 6,753     | 38,705           | 4,782  | 43,487 | \$16.68/fs   | \$7.94/fs  | \$15.96/fs |
| 2012 2Q | 38                 | 1,851,428 | 0                   | 0   | 1,336,454        | 65,658           | 0      | 65,658  | 14,431         | 0        | 14,431    | 45,526           | 0      | 45,526 | \$17.26/fs   | \$8.23/fs  | \$16.52/fs |

### Building Historical Vacancy Report

| Building                                                                   | Period  | SF Vacant |        |       | % Vacant |        |        | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|--------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                            |         | Direct    | Sublet | Total | Direct   | Sublet | Total  | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 1144-1158 Cadillac Ct<br>Building C<br>Milpitas, CA 95035<br>12,638 SF RBA | Current | 1,675     | 0      | 1,675 | 13.3%    | 0.0%   | 13.3%  | 1,675               | 0      | 1,675 | 13.3%              | 0.0%   | 13.3% | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 4Q | 3,455     | 0      | 3,455 | 27.3%    | 0.0%   | 27.3%  | 3,455               | 0      | 3,455 | 27.3%              | 0.0%   | 27.3% | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 3Q | 3,455     | 0      | 3,455 | 27.3%    | 0.0%   | 27.3%  | 3,455               | 0      | 3,455 | 27.3%              | 0.0%   | 27.3% | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 2Q | 1,675     | 0      | 1,675 | 13.3%    | 0.0%   | 13.3%  | 1,675               | 0      | 1,675 | 13.3%              | 0.0%   | 13.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA            | Current | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 3Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 2Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 1Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 3Q | 1,080     | 0      | 1,080 | 1.7%     | 0.0%   | 1.7%   | 1,080               | 0      | 1,080 | 1.7%               | 0.0%   | 1.7%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 2Q | 4,470     | 0      | 4,470 | 7.1%     | 0.0%   | 7.1%   | 4,470               | 0      | 4,470 | 7.1%               | 0.0%   | 7.1%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 1Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 4Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 3Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 2Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
| 1181 E Calaveras Blvd<br>Milpitas, CA 95035<br>7,379 SF RBA                | Current | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 4Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 3Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 2Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 4Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 3Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 2Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 1Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 4Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 3Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 2Q | 7,378     | 0      | 7,378 | 100.0%   | 0.0%   | 100.0% | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |



### Building Historical Vacancy Report

| Building                                                                        | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|-------------|-------------|
|                                                                                 |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet      | Total       |
| 1521 California Cir<br>California Circle<br>Milpitas, CA 95035<br>24,892 SF RBA | Current | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 12,446    | 12,446 | 24,892 | 50.0%    | 50.0%  | 100.0% | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
|                                                                                 | 2012 2Q | 12,446    | 12,446 | 24,892 | 50.0%    | 50.0%  | 100.0% | 12,446              | 12,446 | 24,892 | 50.0%              | 50.0%  | 100.0% | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
| 1533 California Cir<br>California Circle<br>Milpitas, CA 95035<br>26,976 SF RBA | Current | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 26,976    | 0      | 26,976 | 100.0%   | 0.0%   | 100.0% | 26,976              | 0      | 26,976 | 100.0%             | 0.0%   | 100.0% | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 26,976    | 0      | 26,976 | 100.0%   | 0.0%   | 100.0% | 26,976              | 0      | 26,976 | 100.0%             | 0.0%   | 100.0% | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 2Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 4Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 3Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 2Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 1Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 4Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 3Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 2Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 1Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2012 4Q | 800       | 0      | 800    | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800    | 7.6%               | 0.0%   | 7.6%   | -            | -           | -           |
|                                                                                 | 2012 3Q | 800       | 0      | 800    | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800    | 7.6%               | 0.0%   | 7.6%   | -            | -           | -           |
|                                                                                 | 2012 2Q | 800       | 0      | 800    | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800    | 7.6%               | 0.0%   | 7.6%   | \$39.00/nnn  | -           | \$39.00/nnn |

### Building Historical Vacancy Report

| Building                                                                                | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |            |
|-----------------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|------------|
|                                                                                         |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total      |
| 1750-1798 Clear Lake Ave<br>Parktown Office Bldg<br>Milpitas, CA 95035<br>18,670 SF RBA | Current | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 4Q | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 3Q | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 2Q | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2013 3Q | 959       | 0      | 959    | 5.1%     | 0.0%   | 5.1%  | 959                 | 0      | 959    | 5.1%               | 0.0%   | 5.1%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2013 2Q | 959       | 0      | 959    | 5.1%     | 0.0%   | 5.1%  | 959                 | 0      | 959    | 5.1%               | 0.0%   | 5.1%  | \$15.92/fs   | -      | \$15.92/fs |
|                                                                                         | 2013 1Q | 1,508     | 0      | 1,508  | 8.1%     | 0.0%   | 8.1%  | 1,508               | 0      | 1,508  | 8.1%               | 0.0%   | 8.1%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2012 4Q | 3,048     | 0      | 3,048  | 16.3%    | 0.0%   | 16.3% | 3,048               | 0      | 3,048  | 16.3%              | 0.0%   | 16.3% | \$14.35/fs   | -      | \$14.35/fs |
|                                                                                         | 2012 3Q | 3,048     | 0      | 3,048  | 16.3%    | 0.0%   | 16.3% | 3,048               | 0      | 3,048  | 16.3%              | 0.0%   | 16.3% | \$14.35/fs   | -      | \$14.35/fs |
|                                                                                         | 2012 2Q | 419       | 0      | 419    | 2.2%     | 0.0%   | 2.2%  | 419                 | 0      | 419    | 2.2%               | 0.0%   | 2.2%  | \$14.28/fs   | -      | \$14.28/fs |
| 830 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>73,926 SF RBA                        | Current | 3,850     | 0      | 3,850  | 5.2%     | 0.0%   | 5.2%  | 3,850               | 0      | 3,850  | 5.2%               | 0.0%   | 5.2%  | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 4Q | 3,850     | 0      | 3,850  | 5.2%     | 0.0%   | 5.2%  | 3,850               | 0      | 3,850  | 5.2%               | 0.0%   | 5.2%  | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 3Q | 7,560     | 0      | 7,560  | 10.2%    | 0.0%   | 10.2% | 7,560               | 0      | 7,560  | 10.2%              | 0.0%   | 10.2% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 2Q | 16,682    | 0      | 16,682 | 22.6%    | 0.0%   | 22.6% | 11,634              | 0      | 11,634 | 15.7%              | 0.0%   | 15.7% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 1Q | 14,411    | 0      | 14,411 | 19.5%    | 0.0%   | 19.5% | 14,411              | 0      | 14,411 | 19.5%              | 0.0%   | 19.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 4Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 12,206              | 0      | 12,206 | 16.5%              | 0.0%   | 16.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 3Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 13,924              | 0      | 13,924 | 18.8%              | 0.0%   | 18.8% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 2Q | 15,127    | 0      | 15,127 | 20.5%    | 0.0%   | 20.5% | 15,127              | 0      | 15,127 | 20.5%              | 0.0%   | 20.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 1Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 13,924              | 0      | 13,924 | 18.8%              | 0.0%   | 18.8% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 4Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 13,924              | 0      | 13,924 | 18.8%              | 0.0%   | 18.8% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 3Q | 15,127    | 0      | 15,127 | 20.5%    | 0.0%   | 20.5% | 15,127              | 0      | 15,127 | 20.5%              | 0.0%   | 20.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 2Q | 15,127    | 0      | 15,127 | 20.5%    | 0.0%   | 20.5% | 15,127              | 0      | 15,127 | 20.5%              | 0.0%   | 20.5% | \$21.00/fs   | -      | \$21.00/fs |
| 860 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>56,087 SF RBA                        | Current | 16,105    | 2,599  | 18,704 | 28.7%    | 4.6%   | 33.3% | 16,105              | 2,599  | 18,704 | 28.7%              | 4.6%   | 33.3% | \$23.40/fs   | -      | \$23.40/fs |
|                                                                                         | 2014 4Q | 16,105    | 0      | 16,105 | 28.7%    | 0.0%   | 28.7% | 16,105              | 0      | 16,105 | 28.7%              | 0.0%   | 28.7% | \$23.40/fs   | -      | \$23.40/fs |
|                                                                                         | 2014 3Q | 18,008    | 0      | 18,008 | 32.1%    | 0.0%   | 32.1% | 18,008              | 0      | 18,008 | 32.1%              | 0.0%   | 32.1% | \$22.57/fs   | -      | \$22.57/fs |
|                                                                                         | 2014 2Q | 23,305    | 0      | 23,305 | 41.6%    | 0.0%   | 41.6% | 23,305              | 0      | 23,305 | 41.6%              | 0.0%   | 41.6% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 1Q | 31,141    | 0      | 31,141 | 55.5%    | 0.0%   | 55.5% | 31,141              | 0      | 31,141 | 55.5%              | 0.0%   | 55.5% | \$18.75/fs   | -      | \$18.75/fs |
|                                                                                         | 2013 4Q | 21,796    | 0      | 21,796 | 38.9%    | 0.0%   | 38.9% | 21,796              | 0      | 21,796 | 38.9%              | 0.0%   | 38.9% | \$19.08/fs   | -      | \$19.08/fs |
|                                                                                         | 2013 3Q | 25,782    | 0      | 25,782 | 46.0%    | 0.0%   | 46.0% | 21,796              | 0      | 21,796 | 38.9%              | 0.0%   | 38.9% | \$18.47/fs   | -      | \$18.47/fs |
|                                                                                         | 2013 2Q | 26,642    | 0      | 26,642 | 47.5%    | 0.0%   | 47.5% | 26,642              | 0      | 26,642 | 47.5%              | 0.0%   | 47.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 1Q | 27,640    | 0      | 27,640 | 49.3%    | 0.0%   | 49.3% | 27,640              | 0      | 27,640 | 49.3%              | 0.0%   | 49.3% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 4Q | 35,453    | 0      | 35,453 | 63.2%    | 0.0%   | 63.2% | 35,453              | 0      | 35,453 | 63.2%              | 0.0%   | 63.2% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 3Q | 48,405    | 0      | 48,405 | 86.3%    | 0.0%   | 86.3% | 48,405              | 0      | 48,405 | 86.3%              | 0.0%   | 86.3% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 2Q | 42,423    | 0      | 42,423 | 75.6%    | 0.0%   | 75.6% | 35,916              | 0      | 35,916 | 64.0%              | 0.0%   | 64.0% | \$20.84/fs   | -      | \$20.84/fs |

### Building Historical Vacancy Report

| Building                                                                                   | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                            |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 890 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>56,087 SF RBA                           | Current | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 4Q | 19,832    | 0      | 19,832 | 35.4%    | 0.0%   | 35.4% | 13,649              | 0      | 13,649 | 24.3%              | 0.0%   | 24.3% | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 3Q | 14,468    | 0      | 14,468 | 25.8%    | 0.0%   | 25.8% | 14,468              | 0      | 14,468 | 25.8%              | 0.0%   | 25.8% | \$19.35/fs   | -      | \$19.35/fs  |
|                                                                                            | 2013 2Q | 10,258    | 0      | 10,258 | 18.3%    | 0.0%   | 18.3% | 10,258              | 0      | 10,258 | 18.3%              | 0.0%   | 18.3% | \$22.04/fs   | -      | \$22.04/fs  |
|                                                                                            | 2013 1Q | 8,133     | 0      | 8,133  | 14.5%    | 0.0%   | 14.5% | 8,133               | 0      | 8,133  | 14.5%              | 0.0%   | 14.5% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 4,933     | 0      | 4,933  | 8.8%     | 0.0%   | 8.8%  | 4,933               | 0      | 4,933  | 8.8%               | 0.0%   | 8.8%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 4,933     | 0      | 4,933  | 8.8%     | 0.0%   | 8.8%  | 4,933               | 0      | 4,933  | 8.8%               | 0.0%   | 8.8%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 15,857    | 0      | 15,857 | 28.3%    | 0.0%   | 28.3% | 4,933               | 0      | 4,933  | 8.8%               | 0.0%   | 8.8%  | \$16.49/fs   | -      | \$16.49/fs  |
| 920 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>44,652 SF RBA                           | Current | 7,123     | 0      | 7,123  | 16.0%    | 0.0%   | 16.0% | 7,123               | 0      | 7,123  | 16.0%              | 0.0%   | 16.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 7,123     | 0      | 7,123  | 16.0%    | 0.0%   | 16.0% | 7,123               | 0      | 7,123  | 16.0%              | 0.0%   | 16.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 10,409    | 0      | 10,409 | 23.3%    | 0.0%   | 23.3% | 10,409              | 0      | 10,409 | 23.3%              | 0.0%   | 23.3% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 10,409    | 0      | 10,409 | 23.3%    | 0.0%   | 23.3% | 10,409              | 0      | 10,409 | 23.3%              | 0.0%   | 23.3% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 12,043    | 0      | 12,043 | 27.0%    | 0.0%   | 27.0% | 10,409              | 0      | 10,409 | 23.3%              | 0.0%   | 23.3% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 4Q | 24,572    | 0      | 24,572 | 55.0%    | 0.0%   | 55.0% | 12,043              | 0      | 12,043 | 27.0%              | 0.0%   | 27.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 3Q | 14,982    | 0      | 14,982 | 33.6%    | 0.0%   | 33.6% | 14,982              | 0      | 14,982 | 33.6%              | 0.0%   | 33.6% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 2Q | 14,982    | 0      | 14,982 | 33.6%    | 0.0%   | 33.6% | 14,982              | 0      | 14,982 | 33.6%              | 0.0%   | 33.6% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 1Q | 18,765    | 0      | 18,765 | 42.0%    | 0.0%   | 42.0% | 14,982              | 0      | 14,982 | 33.6%              | 0.0%   | 33.6% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 13,849    | 0      | 13,849 | 31.0%    | 0.0%   | 31.0% | 13,849              | 0      | 13,849 | 31.0%              | 0.0%   | 31.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 13,849    | 0      | 13,849 | 31.0%    | 0.0%   | 31.0% | 13,849              | 0      | 13,849 | 31.0%              | 0.0%   | 31.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 13,849    | 0      | 13,849 | 31.0%    | 0.0%   | 31.0% | 13,849              | 0      | 13,849 | 31.0%              | 0.0%   | 31.0% | \$21.00/fs   | -      | \$21.00/fs  |
| 1120-1158 Jacklin Rd<br>Jacklin Professional Center<br>Milpitas, CA 95035<br>14,021 SF RBA | Current | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 4Q | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 3Q | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 2Q | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 1Q | 1,578     | 0      | 1,578  | 11.3%    | 0.0%   | 11.3% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 4Q | 1,578     | 0      | 1,578  | 11.3%    | 0.0%   | 11.3% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 3Q | 1,578     | 0      | 1,578  | 11.3%    | 0.0%   | 11.3% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 2Q | 5,314     | 0      | 5,314  | 37.9%    | 0.0%   | 37.9% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |



### Building Historical Vacancy Report

| Building                                                                          | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |            |             |
|-----------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|------------|-------------|
|                                                                                   |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet     | Total       |
| 529 S Main St<br>Milpitas, CA 95035<br>6,005 SF RBA                               | Current | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 4Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 3Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 2Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 1Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 4Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 3Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 2Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 1Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | -            | -          | -           |
|                                                                                   | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                                   | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                                   | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA | Current | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.60/mg   | -          | \$21.60/mg  |
|                                                                                   | 2014 4Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.90/fs   | -          | \$21.90/fs  |
|                                                                                   | 2014 3Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$21.90/fs   | -          | \$21.90/fs  |
|                                                                                   | 2014 2Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$40.20/fs   | -          | \$40.20/fs  |
|                                                                                   | 2014 1Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 4Q | 3,400     | 0      | 3,400 | 31.6%    | 0.0%   | 31.6% | 3,400               | 0      | 3,400 | 31.6%              | 0.0%   | 31.6% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 3Q | 2,800     | 0      | 2,800 | 26.0%    | 0.0%   | 26.0% | 2,800               | 0      | 2,800 | 26.0%              | 0.0%   | 26.0% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 2Q | 3,050     | 0      | 3,050 | 28.4%    | 0.0%   | 28.4% | 3,050               | 0      | 3,050 | 28.4%              | 0.0%   | 28.4% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -          | \$21.00/mg  |
|                                                                                   | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -          | \$21.00/mg  |
|                                                                                   | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -          | \$21.00/mg  |
|                                                                                   | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
| 1633-1649 S Main St<br>Bldg B<br>Milpitas, CA<br>34,985 SF RBA                    | Current | 3,458     | 0      | 3,458 | 9.9%     | 0.0%   | 9.9%  | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$18.00/mg   | -          | \$18.00/mg  |
|                                                                                   | 2014 4Q | 3,458     | 0      | 3,458 | 9.9%     | 0.0%   | 9.9%  | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2014 3Q | 3,458     | 0      | 3,458 | 9.9%     | 0.0%   | 9.9%  | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2014 2Q | 4,743     | 0      | 4,743 | 13.6%    | 0.0%   | 13.6% | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2014 1Q | 7,531     | 0      | 7,531 | 21.5%    | 0.0%   | 21.5% | 7,531               | 0      | 7,531 | 21.5%              | 0.0%   | 21.5% | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2013 4Q | 7,531     | 0      | 7,531 | 21.5%    | 0.0%   | 21.5% | 7,531               | 0      | 7,531 | 21.5%              | 0.0%   | 21.5% | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2013 3Q | 2,731     | 0      | 2,731 | 7.8%     | 0.0%   | 7.8%  | 2,731               | 0      | 2,731 | 7.8%               | 0.0%   | 7.8%  | \$11.88/mg   | -          | \$11.88/mg  |
|                                                                                   | 2013 2Q | 1,446     | 0      | 1,446 | 4.1%     | 0.0%   | 4.1%  | 1,446               | 0      | 1,446 | 4.1%               | 0.0%   | 4.1%  | \$13.80/fs   | \$10.20/fs | \$11.52/fs  |
|                                                                                   | 2013 1Q | 1,446     | 2,496  | 3,942 | 4.1%     | 7.1%   | 11.3% | 1,446               | 2,496  | 3,942 | 4.1%               | 7.1%   | 11.3% | \$15.00/fs   | \$10.20/fs | \$11.96/fs  |
|                                                                                   | 2012 4Q | 1,446     | 2,496  | 3,942 | 4.1%     | 7.1%   | 11.3% | 1,446               | 2,496  | 3,942 | 4.1%               | 7.1%   | 11.3% | \$15.00/fs   | \$10.20/fs | \$11.96/fs  |
|                                                                                   | 2012 3Q | 1,446     | 0      | 1,446 | 4.1%     | 0.0%   | 4.1%  | 1,446               | 0      | 1,446 | 4.1%               | 0.0%   | 4.1%  | \$15.00/fs   | -          | \$15.00/fs  |
|                                                                                   | 2012 2Q | 1,446     | 0      | 1,446 | 4.1%     | 0.0%   | 4.1%  | 1,446               | 0      | 1,446 | 4.1%               | 0.0%   | 4.1%  | \$15.00/fs   | -          | \$15.00/fs  |

# Building Historical Vacancy Report

| Building                                                        | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |       |
|-----------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------|
|                                                                 |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total |
| McCarthy Blvd<br>Bldg 1<br>Milpitas, CA 95035<br>124,040 SF RBA | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>124,040 SF RBA | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 3<br>Milpitas, CA 95035<br>124,040 SF RBA | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 4<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 5<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 6<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 7<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |

### Building Historical Vacancy Report

| Building                                                                              | Period  | SF Vacant |        |         | % Vacant |        |        | SF Vacant Available |        |         | % Vacant Available |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------------|---------|-----------|--------|---------|----------|--------|--------|---------------------|--------|---------|--------------------|--------|--------|--------------|-------------|-------------|
|                                                                                       |         | Direct    | Sublet | Total   | Direct   | Sublet | Total  | Direct              | Sublet | Total   | Direct             | Sublet | Total  | Direct       | Sublet      | Total       |
| 1011 McCarthy Blvd<br>Murphy Crossing - Bldg 2<br>Milpitas, CA 95035<br>74,026 SF RBA | Current | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2014 1Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2013 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | -           | -           |
|                                                                                       | 2013 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | -           | -           |
|                                                                                       | 2013 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2013 1Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
| 1501 McCarthy Blvd<br>Milpitas, CA 95035<br>132,179 SF RBA                            | Current | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$22.20/nnn  | -           | \$22.20/nnn |
|                                                                                       | 2014 4Q | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$19.80/nnn  | -           | \$19.80/nnn |
|                                                                                       | 2014 3Q | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$19.80/nnn  | -           | \$19.80/nnn |
|                                                                                       | 2014 2Q | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$19.80/nnn  | -           | \$19.80/nnn |
|                                                                                       | 2014 1Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 4Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 3Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 2Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 1Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2012 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2012 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2012 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$9.00/nnn   | -           | \$9.00/nnn  |
| 1525 McCarthy Blvd<br>Milpitas, CA 95035<br>76,284 SF RBA                             | Current | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.20/fs   | -           | \$22.20/fs  |
|                                                                                       | 2014 4Q | 3,206     | 0      | 3,206   | 4.2%     | 0.0%   | 4.2%   | 3,206               | 0      | 3,206   | 4.2%               | 0.0%   | 4.2%   | \$22.20/fs   | -           | \$22.20/fs  |
|                                                                                       | 2014 3Q | 6,369     | 0      | 6,369   | 8.3%     | 0.0%   | 8.3%   | 3,206               | 0      | 3,206   | 4.2%               | 0.0%   | 4.2%   | \$21.00/fs   | -           | \$21.00/fs  |
|                                                                                       | 2014 2Q | 8,351     | 0      | 8,351   | 10.9%    | 0.0%   | 10.9%  | 6,369               | 0      | 6,369   | 8.3%               | 0.0%   | 8.3%   | \$21.00/fs   | -           | \$21.00/fs  |
|                                                                                       | 2014 1Q | 11,283    | 0      | 11,283  | 14.8%    | 0.0%   | 14.8%  | 11,283              | 0      | 11,283  | 14.8%              | 0.0%   | 14.8%  | \$20.65/fs   | -           | \$20.65/fs  |
|                                                                                       | 2013 4Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2013 3Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2013 2Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2013 1Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2012 4Q | 7,675     | 0      | 7,675   | 10.1%    | 0.0%   | 10.1%  | 7,675               | 0      | 7,675   | 10.1%              | 0.0%   | 10.1%  | \$20.49/fs   | -           | \$20.49/fs  |
|                                                                                       | 2012 3Q | 1,306     | 0      | 1,306   | 1.7%     | 0.0%   | 1.7%   | 1,306               | 0      | 1,306   | 1.7%               | 0.0%   | 1.7%   | \$18.00/fs   | -           | \$18.00/fs  |
|                                                                                       | 2012 2Q | 1,306     | 0      | 1,306   | 1.7%     | 0.0%   | 1.7%   | 1,306               | 0      | 1,306   | 1.7%               | 0.0%   | 1.7%   | \$18.00/fs   | -           | \$18.00/fs  |



### Building Historical Vacancy Report

| Building                                                               | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |            |            |
|------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|------------|------------|
|                                                                        |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet     | Total      |
| 1551 McCarthy Blvd<br>Milpitas, CA 95035<br>48,926 SF RBA              | Current | 3,475     | 0      | 3,475  | 7.1%     | 0.0%   | 7.1%  | 1,484               | 0      | 1,484  | 3.0%               | 0.0%   | 3.0%  | \$22.20/mg   | -          | \$22.20/mg |
|                                                                        | 2014 4Q | 1,484     | 0      | 1,484  | 3.0%     | 0.0%   | 3.0%  | 1,484               | 0      | 1,484  | 3.0%               | 0.0%   | 3.0%  | \$22.20/mg   | -          | \$22.20/mg |
|                                                                        | 2014 3Q | 3,325     | 0      | 3,325  | 6.8%     | 0.0%   | 6.8%  | 3,325               | 0      | 3,325  | 6.8%               | 0.0%   | 6.8%  | \$22.20/mg   | -          | \$22.20/mg |
|                                                                        | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.42/mg   | -          | \$18.42/mg |
|                                                                        | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.42/mg   | -          | \$18.42/mg |
|                                                                        | 2013 4Q | 6,065     | 0      | 6,065  | 12.4%    | 0.0%   | 12.4% | 6,065               | 0      | 6,065  | 12.4%              | 0.0%   | 12.4% | \$18.38/mg   | -          | \$18.38/mg |
|                                                                        | 2013 3Q | 6,065     | 0      | 6,065  | 12.4%    | 0.0%   | 12.4% | 2,701               | 0      | 2,701  | 5.5%               | 0.0%   | 5.5%  | \$18.00/mg   | -          | \$18.00/mg |
|                                                                        | 2013 2Q | 6,065     | 0      | 6,065  | 12.4%    | 0.0%   | 12.4% | 6,065               | 0      | 6,065  | 12.4%              | 0.0%   | 12.4% | \$16.80/mg   | -          | \$16.80/mg |
|                                                                        | 2013 1Q | 13,943    | 0      | 13,943 | 28.5%    | 0.0%   | 28.5% | 13,943              | 0      | 13,943 | 28.5%              | 0.0%   | 28.5% | \$16.80/mg   | -          | \$16.80/mg |
|                                                                        | 2012 4Q | 9,494     | 0      | 9,494  | 19.4%    | 0.0%   | 19.4% | 9,494               | 0      | 9,494  | 19.4%              | 0.0%   | 19.4% | \$16.80/mg   | -          | \$16.80/mg |
|                                                                        | 2012 3Q | 9,494     | 0      | 9,494  | 19.4%    | 0.0%   | 19.4% | 9,494               | 0      | 9,494  | 19.4%              | 0.0%   | 19.4% | \$18.67/mg   | -          | \$18.67/mg |
|                                                                        | 2012 2Q | 10,721    | 4,782  | 15,503 | 21.9%    | 9.8%   | 31.7% | 10,721              | 4,782  | 15,503 | 21.9%              | 9.8%   | 31.7% | \$12.32/mg   | \$11.88/fs | \$12.32/mg |
| 1656 McCarthy Blvd<br>Milpitas, CA 95035<br>80,060 SF RBA              | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
| 1900 McCarthy Blvd<br>1900 Bldg<br>Milpitas, CA 95035<br>76,616 SF RBA | Current | 2,751     | 0      | 2,751  | 3.6%     | 0.0%   | 3.6%  | 2,751               | 0      | 2,751  | 3.6%               | 0.0%   | 3.6%  | \$25.80/fs   | -          | \$25.80/fs |
|                                                                        | 2014 4Q | 2,751     | 4,123  | 6,874  | 3.6%     | 5.4%   | 9.0%  | 2,751               | 4,123  | 6,874  | 3.6%               | 5.4%   | 9.0%  | \$25.80/fs   | \$18.00/fs | \$21.12/fs |
|                                                                        | 2014 3Q | 5,088     | 9,951  | 15,039 | 6.6%     | 13.0%  | 19.6% | 2,751               | 9,951  | 12,702 | 3.6%               | 13.0%  | 16.6% | \$23.40/fs   | \$18.66/fs | \$21.00/fs |
|                                                                        | 2014 2Q | 5,058     | 9,951  | 15,009 | 6.6%     | 13.0%  | 19.6% | 5,058               | 9,951  | 15,009 | 6.6%               | 13.0%  | 19.6% | \$23.40/fs   | \$19.32/fs | \$20.34/fs |
|                                                                        | 2014 1Q | 5,058     | 11,092 | 16,150 | 6.6%     | 14.5%  | 21.1% | 5,058               | 11,092 | 16,150 | 6.6%               | 14.5%  | 21.1% | \$23.40/fs   | \$18.69/fs | \$20.17/fs |
|                                                                        | 2013 4Q | 5,058     | 11,092 | 16,150 | 6.6%     | 14.5%  | 21.1% | 5,058               | 11,092 | 16,150 | 6.6%               | 14.5%  | 21.1% | \$23.15/fs   | \$18.69/fs | \$20.65/fs |
|                                                                        | 2013 3Q | 12,362    | 11,092 | 23,454 | 16.1%    | 14.5%  | 30.6% | 6,408               | 11,092 | 17,500 | 8.4%               | 14.5%  | 22.8% | \$21.80/fs   | \$18.69/fs | \$20.45/fs |
|                                                                        | 2013 2Q | 29,742    | 0      | 29,742 | 38.8%    | 0.0%   | 38.8% | 13,578              | 0      | 13,578 | 17.7%              | 0.0%   | 17.7% | \$21.00/fs   | -          | \$21.00/fs |
|                                                                        | 2013 1Q | 20,953    | 0      | 20,953 | 27.3%    | 0.0%   | 27.3% | 20,953              | 0      | 20,953 | 27.3%              | 0.0%   | 27.3% | \$21.00/fs   | -          | \$21.00/fs |
|                                                                        | 2012 4Q | 20,953    | 0      | 20,953 | 27.3%    | 0.0%   | 27.3% | 20,953              | 0      | 20,953 | 27.3%              | 0.0%   | 27.3% | \$20.62/fs   | -          | \$20.62/fs |
|                                                                        | 2012 3Q | 26,551    | 0      | 26,551 | 34.7%    | 0.0%   | 34.7% | 26,551              | 0      | 26,551 | 34.7%              | 0.0%   | 34.7% | \$19.20/fs   | -          | \$19.20/fs |
|                                                                        | 2012 2Q | 39,532    | 0      | 39,532 | 51.6%    | 0.0%   | 51.6% | 26,551              | 0      | 26,551 | 34.7%              | 0.0%   | 34.7% | \$19.20/fs   | -          | \$19.20/fs |

### Building Historical Vacancy Report

| Building                                                              | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |            |             |
|-----------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|------------|-------------|
|                                                                       |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet     | Total       |
| 490 N McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>53,666 SF RBA  | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                       | 2012 3Q | 39,664    | 0      | 39,664 | 73.9%    | 0.0%   | 73.9% | 12,831              | 0      | 12,831 | 23.9%              | 0.0%   | 23.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                       | 2012 2Q | 39,664    | 0      | 39,664 | 73.9%    | 0.0%   | 73.9% | 12,831              | 0      | 12,831 | 23.9%              | 0.0%   | 23.9% | \$15.00/nnn  | -          | \$15.00/nnn |
| 680 N McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>62,874 SF RBA  | Current | 0         | 14,254 | 14,254 | 0.0%     | 22.7%  | 22.7% | 0                   | 14,254 | 14,254 | 0.0%               | 22.7%  | 22.7% | \$10.80/nnn  | \$7.80/nnn | \$9.47/nnn  |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -          | \$12.00/nnn |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -          | \$12.00/nnn |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -          | \$12.00/nnn |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
| 820 N McCarthy Blvd<br>Bldg 11<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 4Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 3Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 2Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 1Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2013 4Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2013 3Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$11.40/nnn  | -          | \$11.40/nnn |

### Building Historical Vacancy Report

| Building                                                              | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|-----------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                       |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 840 N McCarthy Blvd<br>Bldg 12<br>Milpitas, CA 95035<br>62,874 SF RBA | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
| 860 N McCarthy Blvd<br>Bldg 13<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 26,642    | 0      | 26,642 | 50.0%    | 0.0%   | 50.0%  | 26,642              | 0      | 26,642 | 50.0%              | 0.0%   | 50.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$15.00/nnn  | -      | \$15.00/nnn |
| 880 N McCarthy Blvd<br>Bldg 15<br>Milpitas, CA 95035<br>62,674 SF RBA | Current | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | 2012 2Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$15.00/nnn  | -      | \$15.00/nnn |



### Building Historical Vacancy Report

| Building                                                              | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|-----------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                       |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 890 N McCarthy Blvd<br>Bldg 16<br>Milpitas, CA 95035<br>43,694 SF RBA | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 3Q | 10,954    | 0      | 10,954 | 25.1%    | 0.0%   | 25.1% | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 2Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$15.00/nnn  | -      | \$15.00/nnn |
| 920 N McCarthy Blvd<br>Bldg 17<br>Milpitas, CA 95035<br>53,666 SF RBA | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/nnn  | -      | \$15.00/nnn |
| 673 Milpitas Blvd<br>Milpitas, CA 95035<br>44,550 SF RBA              | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 1Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | -            | -      | -           |
|                                                                       | 2013 4Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2013 3Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2013 2Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2013 1Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2012 4Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2012 3Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2012 2Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |

### Building Historical Vacancy Report

| Building                                                                       | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 100 N Milpitas Blvd<br>Shapell Bldg<br>Milpitas, CA 95035<br>39,518 SF RBA     | Current | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 4Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 3Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 2Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 1Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 4Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 3Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 2Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 1Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2012 4Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2012 3Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2012 2Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
| 691 S Milpitas Blvd<br>Project #5 Bldg<br>Milpitas, CA 95035<br>104,000 SF RBA | Current | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 4Q | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 3Q | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 2Q | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2014 1Q | 59,271    | 0      | 59,271 | 57.0%    | 0.0%   | 57.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2013 4Q | 59,271    | 0      | 59,271 | 57.0%    | 0.0%   | 57.0% | 59,271              | 0      | 59,271 | 57.0%              | 0.0%   | 57.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 3Q | 21,517    | 0      | 21,517 | 20.7%    | 0.0%   | 20.7% | 21,517              | 0      | 21,517 | 20.7%              | 0.0%   | 20.7% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 2Q | 21,517    | 0      | 21,517 | 20.7%    | 0.0%   | 20.7% | 21,517              | 0      | 21,517 | 20.7%              | 0.0%   | 20.7% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 1Q | 21,931    | 0      | 21,931 | 21.1%    | 0.0%   | 21.1% | 15,646              | 0      | 15,646 | 15.0%              | 0.0%   | 15.0% | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 4Q | 21,931    | 0      | 21,931 | 21.1%    | 0.0%   | 21.1% | 21,931              | 0      | 21,931 | 21.1%              | 0.0%   | 21.1% | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 3Q | 21,931    | 0      | 21,931 | 21.1%    | 0.0%   | 21.1% | 21,931              | 0      | 21,931 | 21.1%              | 0.0%   | 21.1% | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 2Q | 15,944    | 0      | 15,944 | 15.3%    | 0.0%   | 15.3% | 15,944              | 0      | 15,944 | 15.3%              | 0.0%   | 15.3% | -            | -      | -           |
| 1346-1376 Minnis Cir<br>Milpitas, CA 95035<br>19,533 SF RBA                    | Current | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 4Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 3Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 2Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 1Q | 7,200     | 0      | 7,200  | 36.9%    | 0.0%   | 36.9% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 4Q | 7,200     | 0      | 7,200  | 36.9%    | 0.0%   | 36.9% | 7,200               | 0      | 7,200  | 36.9%              | 0.0%   | 36.9% | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 3Q | 7,200     | 0      | 7,200  | 36.9%    | 0.0%   | 36.9% | 7,200               | 0      | 7,200  | 36.9%              | 0.0%   | 36.9% | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 2Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2013 1Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 4Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 3Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 2Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |

### Building Historical Vacancy Report

| Building                                                                                                                | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |             |             |
|-------------------------------------------------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|-------|--------------|-------------|-------------|
|                                                                                                                         |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet      | Total       |
| <b>720 Montague Expy</b><br><b>Milpitas, CA 95035</b><br><b>39,976 SF RBA</b>                                           | Current | 9,682     | 0      | 9,682  | 24.2%    | 0.0%   | 24.2%  | 9,682               | 0      | 9,682  | 24.2%              | 0.0%   | 24.2% | \$10.20/mg   | -           | \$10.20/mg  |
|                                                                                                                         | 2014 4Q | 7,960     | 0      | 7,960  | 19.9%    | 0.0%   | 19.9%  | 7,960               | 0      | 7,960  | 19.9%              | 0.0%   | 19.9% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2014 3Q | 7,960     | 0      | 7,960  | 19.9%    | 0.0%   | 19.9%  | 7,960               | 0      | 7,960  | 19.9%              | 0.0%   | 19.9% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2014 2Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2014 1Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 4Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 3Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 2Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 1Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2012 4Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2012 3Q | 15,738    | 0      | 15,738 | 39.4%    | 0.0%   | 39.4%  | 5,860               | 0      | 5,860  | 14.7%              | 0.0%   | 14.7% | \$8.59/nnn   | -           | \$8.59/nnn  |
|                                                                                                                         | 2012 2Q | 15,738    | 0      | 15,738 | 39.4%    | 0.0%   | 39.4%  | 15,738              | 0      | 15,738 | 39.4%              | 0.0%   | 39.4% | \$8.59/nnn   | -           | \$8.59/nnn  |
| <b>911-915 Murphy Ranch Rd</b><br><b>Bldg 5</b><br><b>Milpitas, CA 95035</b><br><b>92,220 SF RBA</b>                    | Current | 70,380    | 19,530 | 89,910 | 76.3%    | 21.2%  | 97.5%  | 70,380              | 19,530 | 89,910 | 76.3%              | 21.2%  | 97.5% | -            | -           | -           |
|                                                                                                                         | 2014 4Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | -           | -           |
|                                                                                                                         | 2014 3Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                                                         | 2014 2Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                                                         | 2014 1Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                                                         | 2013 4Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | -           | -           |
|                                                                                                                         | 2013 3Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2013 2Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2013 1Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 39,631 | 39,631 | 0.0%               | 43.0%  | 43.0% | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2012 4Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2012 3Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2012 2Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
| <b>40 N Park Victoria Dr</b><br><b>Park Victoria Medical Center</b><br><b>Milpitas, CA 95035</b><br><b>7,114 SF RBA</b> | Current | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 4Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 3Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 2Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 1Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 4Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 3Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 2Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 1Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2012 4Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2012 3Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2012 2Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |



### Building Historical Vacancy Report

| Building                                                               | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                        |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 501 Sycamore Dr<br>Milpitas, CA 95035<br>71,472 SF RBA                 | Current | 33,850    | 0      | 33,850 | 47.4%    | 0.0%   | 47.4%  | 33,850              | 0      | 33,850 | 47.4%              | 0.0%   | 47.4%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 4Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 3Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 2Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 1Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 4Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 3Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 2Q | 69,709    | 0      | 69,709 | 97.5%    | 0.0%   | 97.5%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 1Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2012 4Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 71,472              | 0      | 71,472 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                        | 2012 3Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 71,472              | 0      | 71,472 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                        | 2012 2Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 71,472              | 0      | 71,472 | 100.0%             | 0.0%   | 100.0% | \$10.20/nnn  | -      | \$10.20/nnn |
|                                                                        |         |           |        |        |          |        |        |                     |        |        |                    |        |        |              |        |             |
| 694-700 Tasman Dr<br>Building 9<br>Milpitas, CA 95035<br>38,318 SF RBA | Current | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 4Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 3Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 2Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 1Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$17.40/nnn  | -      | \$17.40/nnn |
|                                                                        | 2013 4Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                        | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        |         |           |        |        |          |        |        |                     |        |        |                    |        |        |              |        |             |
|                                                                        |         |           |        |        |          |        |        |                     |        |        |                    |        |        |              |        |             |
|                                                                        |         |           |        |        |          |        |        |                     |        |        |                    |        |        |              |        |             |

### Building Historical Vacancy Report

| Period  | Properties | RBA       | SF Vacant |        |         | % Vacant |        |       | SF Vacant Available |        |         | % Vacant Available |        |       | Average Rate |            |            |
|---------|------------|-----------|-----------|--------|---------|----------|--------|-------|---------------------|--------|---------|--------------------|--------|-------|--------------|------------|------------|
|         |            |           | Direct    | Sublet | Total   | Direct   | Sublet | Total | Direct              | Sublet | Total   | Direct             | Sublet | Total | Direct       | Sublet     | Avg Rate   |
| Current | 46         | 2,719,708 | 501,422   | 36,383 | 537,805 | 18.4%    | 1.3%   | 19.8% | 499,431             | 36,383 | 535,814 | 18.4%              | 1.3%   | 19.7% | \$19.71/fs   | \$16.35/fs | \$19.40/fs |
| 2014 4Q | 38         | 1,851,428 | 530,359   | 25,963 | 556,322 | 28.6%    | 1.4%   | 30.0% | 529,259             | 4,123  | 533,382 | 28.6%              | 0.2%   | 28.8% | \$19.14/fs   | \$18.00/fs | \$19.05/fs |
| 2014 3Q | 38         | 1,851,428 | 546,599   | 31,791 | 578,390 | 29.5%    | 1.7%   | 31.2% | 541,099             | 9,951  | 551,050 | 29.2%              | 0.5%   | 29.8% | \$18.69/fs   | \$20.14/fs | \$18.87/fs |
| 2014 2Q | 38         | 1,851,428 | 559,850   | 31,791 | 591,641 | 30.2%    | 1.7%   | 32.0% | 551,535             | 9,951  | 561,486 | 29.8%              | 0.5%   | 30.3% | \$18.59/fs   | \$21.07/fs | \$18.91/fs |
| 2014 1Q | 38         | 1,851,428 | 599,777   | 32,932 | 632,709 | 32.4%    | 1.8%   | 34.2% | 585,388             | 11,092 | 596,480 | 31.6%              | 0.6%   | 32.2% | \$15.57/fs   | \$21.07/fs | \$16.23/fs |
| 2013 4Q | 38         | 1,851,428 | 615,940   | 32,932 | 648,872 | 33.3%    | 1.8%   | 35.0% | 595,510             | 11,092 | 606,602 | 32.2%              | 0.6%   | 32.8% | \$16.52/fs   | \$18.69/fs | \$16.56/fs |
| 2013 3Q | 38         | 1,851,428 | 497,895   | 50,723 | 548,618 | 26.9%    | 2.7%   | 29.6% | 473,637             | 11,092 | 484,729 | 25.6%              | 0.6%   | 26.2% | \$16.53/fs   | \$12.08/fs | \$16.15/fs |
| 2013 2Q | 38         | 1,851,428 | 527,257   | 39,631 | 566,888 | 28.5%    | 2.1%   | 30.6% | 475,156             | 0      | 475,156 | 25.7%              | 0.0%   | 25.7% | \$17.05/fs   | \$10.51/fs | \$16.59/fs |
| 2013 1Q | 38         | 1,851,428 | 527,973   | 42,127 | 570,100 | 28.5%    | 2.3%   | 30.8% | 480,205             | 42,127 | 522,332 | 25.9%              | 2.3%   | 28.2% | \$16.74/fs   | \$5.88/fs  | \$16.05/fs |
| 2012 4Q | 38         | 1,851,428 | 396,018   | 42,127 | 438,145 | 21.4%    | 2.3%   | 23.7% | 396,018             | 2,496  | 398,514 | 21.4%              | 0.1%   | 21.5% | \$16.55/fs   | \$5.88/fs  | \$15.88/fs |
| 2012 3Q | 38         | 1,851,428 | 456,144   | 52,077 | 508,221 | 24.6%    | 2.8%   | 27.5% | 419,433             | 0      | 419,433 | 22.7%              | 0.0%   | 22.7% | \$16.68/fs   | \$7.94/fs  | \$15.96/fs |
| 2012 2Q | 38         | 1,851,428 | 458,115   | 56,859 | 514,974 | 24.7%    | 3.1%   | 27.8% | 395,945             | 17,228 | 413,173 | 21.4%              | 0.9%   | 22.3% | \$17.26/fs   | \$8.23/fs  | \$16.52/fs |

# Leasing Activity Report

3/24/2015 to 03/31/2015

| Building Address        | RBA           | SF Leased       | Rent Paid/yr    | Leasing Company / Phone                             | Tenant Name      |
|-------------------------|---------------|-----------------|-----------------|-----------------------------------------------------|------------------|
| Building/Park Name      | Typical Floor | Sign Date       | Space Use/Type  | Leasing Company Brokers                             | Transaction Type |
| Submarket               | Building Type | Move Date       | Mailing Suite   | Tenant Rep / Phone                                  |                  |
| City                    | Class         | Expiration Date | Leased Floor #s | Tenant Rep Brokers                                  |                  |
| 1551 McCarthy Blvd      | 48,926 SF     | 1,991 SF        | \$22.20/mg(est) | CBRE / (408) 453-7400                               | -                |
| Oak Creek Business Park | 24,463 SF     | 03/25/2015      | Office/DIRECT   | Christopher Shepherd, Nick Whitstone, Scott Prosser | Move In          |
| Milpitas                | Office        | 04/24/2015      | 208             | -                                                   |                  |
| Milpitas, CA 95035      | B             | -               | 2               | -                                                   |                  |



***DRAFT***

**Serra Center**  
**Retail Market Highlights**  
as of June 5, 2015

**Prepared for 200 Serra Way LLC**

c/o Gary Wong, ArcheSpace GWSC

Prepared By:

Wayne Okubo, CDP, CSM, CLS, CMD, CRX, CPM®  
Okubo Real Estate  
BRE #01019710

And

WesTerra Investments LLC  
1563 Solano Ave #188  
Berkeley, CA 94706

## **Retail Market Highlights**

1. The City of Milpitas has a tremendous amount of prominent retail centers including the Great Mall (1.4 million square feet), McCarthy Ranch (435,000 square feet), Milpitas Town Center and Milpitas Square with 99 Ranch as its anchor. Additionally, it is approximately 9 miles from regional shopping centers Santana Row in San Jose and Valley Fair Mall in Santa Clara.
2. According to CoStar, the vacancy rate has been reduced from over 34% to just over 17% during the last three years while increasing the inventory by 500,000 square feet. It should be noted that these high vacancy levels are not sustainable by property owners nor will they allow financial institutions to underwrite new projects.
3. Although there has been absorption of new retail space, there also is a large persistent vacancy in older strip shopping centers, where despite offering very competitive rental rates, tenants remain disinterested in them as stated in the DTZ Santa Clara County Retail Report attached as Appendix A.
4. This report states that the retail market is being dictated by dual trends of consumer frugality and by e-commerce which leads to the expansion of luxury chains and discount chains while the mid-priced hard goods market is moving toward, and in many cases is being replaced by, food concepts (groceries and restaurants) and service concepts.
5. Despite the fact that this is the strongest real estate market since the 2008 recession across all property types, this trend is evident in three pending retail projects in Milpitas. The 600 Barber Lane high-rise residential project that was to have included 149,000sf of multi-story retail is currently listed as "off market". The Pacific Mall Silicon Valley project, which was to have converted a portion of the existing McCarthy Ranch retail center into a 240-room hotel and 285,000sf of retail condominium space is also on hold. And in the mixed-use residential/retail property recently sold by Integral Partners to Lyon Communities, the amount of retail has been reduced from 75,000 to 57,000sf and the stated use has been identified as a grocery store.
6. The rental rate over the last three (3) years has increased from \$24 per square foot to almost \$28 per square foot. For the Serra Center project to be successful, it will need to achieve retail rents of approximately \$30 per square foot NNN.
7. Serra Center has excellent street visibility and access. If retail is to be successful here, it is recommended that the area be kept to about 10-15% of the overall square footage of the project and that the center be designed primarily for food uses (60-70%) and the remainder as convenience/service uses such as dry cleaners, beauty shops, mail service centers with a lifestyle and convenience orientation.

**Appendix A:**

**DTZ Retail Market Summary; Santa Clara County  
First Quarter 2015**



## SANTA CLARA COUNTY

# Retail Market Summary

First Quarter • 2015

**DTZ Retail**  
Terranomics

### SANTA CLARA COUNTY RETAIL

#### Economic Indicators

|                              | Q1 14 | Q1 15 | 12-Month Forecast |
|------------------------------|-------|-------|-------------------|
| Santa Clara Co. Employment   | 880K  | 974K  | ▲                 |
| Santa Clara Co. Unemployment | 6.1%  | 4.3%  | ▼                 |
| U.S. Unemployment            | 6.6%  | 5.5%  | ▼                 |

#### Market Indicators

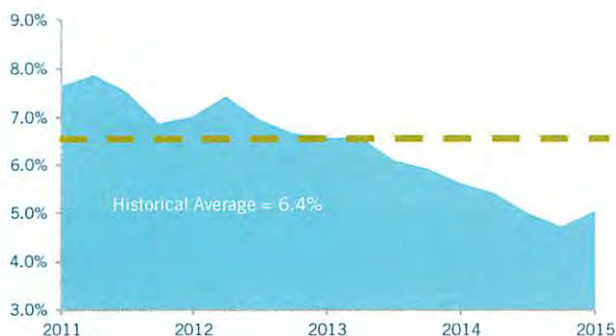
|                           | Q1 14   | Q1 15   | 12-Month Forecast |
|---------------------------|---------|---------|-------------------|
| Overall Vacancy           | 5.6%    | 5.0%    | ▼                 |
| Net Absorption SF         | 257K    | -68K    | ▲                 |
| Under Construction SF     | 520K    | 322K    | ▲                 |
| Average Asking Rent (NNN) | \$26.94 | \$27.85 | ▲                 |

#### Net Absorption/Asking Rent (NNN)

NET ABSORPTION 1Q TRAILING AVERAGE



#### Overall Vacancy



#### Lack of Class A Space = Growth Slowdown

At the close of Q1 2015, shopping center vacancy in Santa Clara County stood at 5.0%, down from the 5.6% rate of a year ago but a slight increase from the 4.7% rate posted three months ago. This increase comes almost solely from the San Jose (Downtown/South/Campbell/Los Gatos) submarket, where vacancy ticked up from 3.9% to 4.9% in Q1 as -139,000 square feet (SF) of space was returned to market. Of all the region's trade areas, only the San Jose market posted significant declines in Q1. Occupancy growth was modestly positive in Sunnyvale/Cupertino, Santa Clara and Morgan Hill/Gilroy. It was essentially flat (+/- 10,000 SF) in Palo Alto/Mountain View/Los Altos, Milpitas/North San Jose. But all told, the region's shopping center market saw occupancy decline by -68,000 SF in Q1.

This quarter's occupancy decline, however, is less the beginning of a new trend than an aberration. We tracked 59,000 SF of new space that was delivered in Q1, nearly all of which was occupied upon completion. We are also currently tracking 322,000 SF of product in the development pipeline. This space is slated for delivery through later this year and roughly half of it already has tenants in place. We anticipate that 80% or more of this space will be accounted for by the time it is completed and that lease up times will be short for the remainder of this product. Tenant demand remains robust, particularly for new Class A/B+ space.

There is just roughly 2.0 million square feet (MSF) of retail space available in Santa Clara County but about 90% of this is concentrated in local Class B-/C centers. Tenant demand continues to be impacted by two primary forces; consumer frugality and e-commerce. Frugality has meant that retail expansion has been driven by the extremes of the economic spectrum; the luxury chains and the discount chains. In terms of sheer numbers most of the action has been driven by the discounters and dollar stores who continue to expand aggressively though some off-price concepts and categories are now starting to reach saturation levels. The rise of e-commerce has meant that many of the same mid-priced hard goods chains that have been squeezed by frugality are also in the process of shifting their models towards omni-channel growth (I.E. closing weaker locations while aggressively expanding their e-commerce capabilities). Bricks and mortar growth is increasingly being driven by retail concepts that don't compete with e-commerce; food concepts (grocery and restaurants) and service concepts. But one thing has, so



# Retail Market Summary

First Quarter • 2015

far, remained a constant with the lion's share of retail concepts expanding their store counts and that is demand for Class A/B+ product. The challenge is that there is little Class A/B+ vacancy, which is why growth totals fell in Q1. Limited availability is hampering growth and deal activity; we tracked just 202,000 SF of gross absorption in Q1. Last year, the market averaged 423,000 SF of quarterly deal activity. So far, space users have continued to demonstrate that they are willing to pay top dollar for Class A/B+ product but that they are also willing to forego deals if the only options available to them are in Class B-/C centers (even if those projects are offering comparative bargains).

Space users have continued to demonstrate that they are willing to pay top dollar for Class A/B+ product and that they aren't interested in bargains at the lesser space...

The current average asking rent in the region is \$27.85 per square foot (PSF) on an annual triple net basis. This metric has increased by just 3.3% over the past year but is somewhat misleading. Premium shop space in new centers is now regularly leasing for \$72.00 PSF or more, and trophy center rents have climbed by more than 10.0% in the past year. The overall metrics have been weighed down by low asking rates in Class C projects, where the leasing environment remains extremely competitive. This isn't likely to change any time soon; occupancy gains from new construction will result in positive growth tallies for Q2 though overall vacancy levels won't change much. Rental rate growth will continue to be aggressive for quality space while the leasing environment for older Class B-/C centers will remain competitive.

## Outlook

- Despite this quarter's slick uptick in vacancy, demand is up everywhere. Residential growth, low employment and top national income stats are helping to drive significant retailer interest in Santa Clara County.
- The Palo Alto/Mountain View/Los Altos submarket is the regions tightest with just 3.3% vacancy.
- The San Jose market posted occupancy declines in Q1 they were limited to Class B-/C space. Demand remains hot in both Downtown and the Stevens Creek Boulevard Corridor.

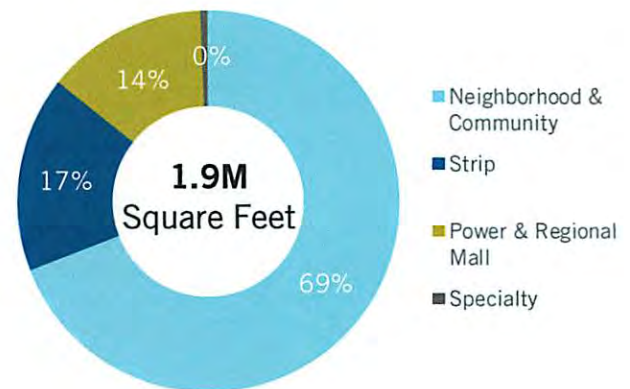
## Average Asking Rate by Market (NNN)

SANTA CLARA COUNTY RETAIL RENTS INFLUENCED BY TECH BOOM



## Availabilities by Center Type

SPACE PREDOMINANTLY IN NEIGHBORHOOD &amp; COMMUNITY CENTERS



## Average Asking Rate by Type (NNN)

STRIP CENTERS SEE RISE IN RENTS FOR Q1





# SANTA CLARA COUNTY

# Retail Market Summary

First Quarter • 2015

|                                        | INVENTORY         | SUBLEASE<br>AVAILABLE<br>SPACE | DIRECT<br>AVAILABLE<br>SPACE | TOTAL<br>AVAILABLE<br>SPACE | VACANCY<br>RATE | Q1-15 NET<br>ABSORPTION | YTD NET<br>ABSORPTION | AVERAGE<br>ASKING<br>RENT NNN |
|----------------------------------------|-------------------|--------------------------------|------------------------------|-----------------------------|-----------------|-------------------------|-----------------------|-------------------------------|
| <b>Submarket</b>                       |                   |                                |                              |                             |                 |                         |                       |                               |
| San Jose (DT/South)/Campbell/Los Gatos | 18,527,673        | 846,119                        | 62,286                       | 908,405                     | 4.9%            | (138,526)               | (138,526)             | \$30.00                       |
| Sunnyvale/Cupertino                    | 4,612,272         | 158,072                        | 6,246                        | 164,318                     | 3.6%            | 19,949                  | 19,949                | \$35.66                       |
| Santa Clara                            | 2,530,509         | 77,550                         | 33,350                       | 110,900                     | 4.4%            | 14,900                  | 14,900                | \$32.16                       |
| Palo Alto/Mountain View/Los Altos      | 2,713,079         | 89,255                         | 0                            | 89,255                      | 3.3%            | (407)                   | (407)                 | \$31.56                       |
| Milpitas/North San Jose                | 4,876,107         | 260,651                        | 2,940                        | 263,591                     | 5.4%            | 6,176                   | 6,176                 | \$27.62                       |
| Morgan Hill/Gilroy                     | 4,718,147         | 375,370                        | 0                            | 375,370                     | 8.0%            | 29,847                  | 29,847                | \$18.66                       |
| <b>Shopping Centers by Type</b>        |                   |                                |                              |                             |                 |                         |                       |                               |
| Neighborhood & Community               | 26,192,769        | 1,271,218                      | 82,357                       | 1,353,575                   | 5.2%            | (22,396)                | (22,396)              | \$27.57                       |
| Strip                                  | 5,824,612         | 318,428                        | 6,246                        | 324,674                     | 5.6%            | (8,748)                 | (8,748)               | \$28.77                       |
| Power & Regional                       | 5,166,201         | 247,312                        | 20,645                       | 267,957                     | 5.2%            | (33,272)                | (33,272)              | \$28.75                       |
| Specialty                              | 1,690,438         | 11,305                         | 0                            | 11,305                      | 0.7%            | (3,900)                 | (3,900)               | N/A                           |
| <b>TOTAL</b>                           | <b>38,874,020</b> | <b>1,848,263</b>               | <b>109,248</b>               | <b>1,957,511</b>            | <b>5.0%</b>     | <b>(68,316)</b>         | <b>(68,316)</b>       | <b>\$27.85</b>                |

## Key Lease Transactions Q1 15

| PROPERTY         | SF      | TENANT              | TRANSACTION TYPE | CITY        |
|------------------|---------|---------------------|------------------|-------------|
| 1600 Monterey Rd | 100,088 | Walmart             | New Lease        | Santa Clara |
| 20580 Homestead  | 38,413  | Ross Dress for Less | New Lease        | Cupertino   |
| 1322 Mary S.     | 23,200  | Zanotto's           | New Lease        | San Jose    |
| 8595 Monterey    | 16,637  | Sunbelt Rentals     | New Lease        | Gilroy      |

## Key Investment Sale Transactions Q1 15

| PROPERTY            | SF      | BUYER                           | SALE PRICE    | MARKET        |
|---------------------|---------|---------------------------------|---------------|---------------|
| Village Oaks        | 175,000 | DS Village Oaks, LP             | \$111,000,000 | San Jose      |
| San Antonio Center  | 368,912 | Federal Realty Investment Trust | \$49,760,000  | Mountain View |
| Cambrian Park Plaza | 170,427 | Weingarten Realty Investors     | \$49,000,000  | San Jose      |



# Retail Market Summary

First Quarter • 2015

## Retail Submarkets

Santa Clara County



## About DTZ

DTZ is a global leader in commercial real estate services providing occupiers, tenants and investors around the world with a full spectrum of property solutions. The company's core capabilities include agency leasing, tenant representation, corporate and global occupier services, property management, facilities management, facilities services, capital markets, investment and asset management, valuation, research, consulting, and project and development management. DTZ provides property management for 1.9 billion square feet, or 171 million square meters, and facilities management for 1.3 billion square feet, or 124 million square meters. The company completed \$63 billion in transaction volume globally in 2014 on behalf of institutional, corporate, government and private clients. Headquartered in Chicago, DTZ has more than 28,000 employees who operate across more than 260 offices in 50 countries and represent the company's culture of excellence, client advocacy, integrity and collaboration. For further information, visit: [www.dtz.com](http://www.dtz.com) or follow us on Twitter @DTZ.

### Garrick Brown

VP of Research, West Region  
Garrick.Brown@dtz.com

201 California Street  
Suite 800  
San Francisco, CA 94111  
Tel: 916.329.1558  
Fax: 415.956.3381

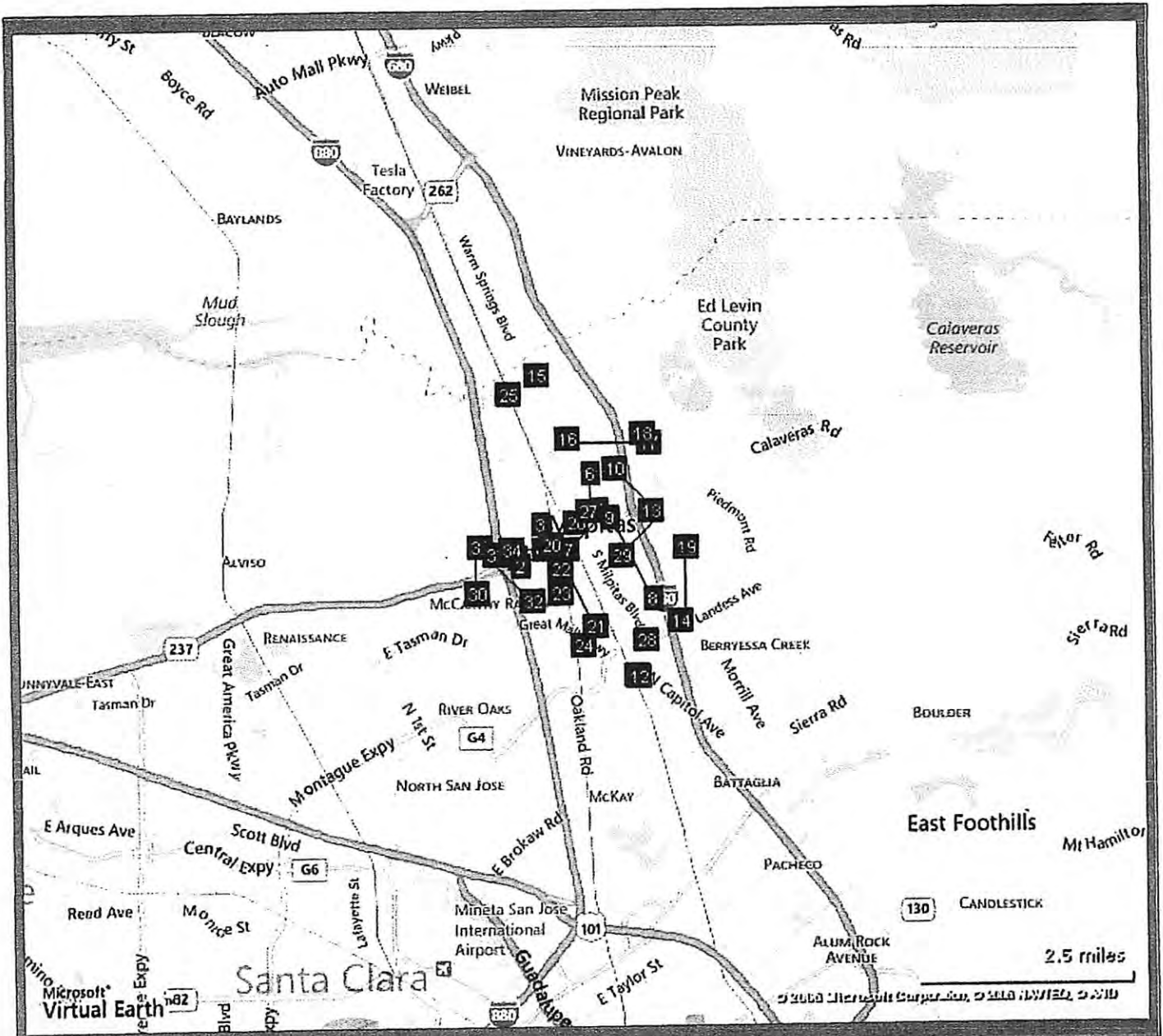
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**Appendix B:**

**Costar Retail Listing Information  
as of March 31, 2015**





1



**55-79 S Abbott Ave**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

**Building Type: Retail**  
**Status: Built 1969**  
**Building Size: 9,364 SF**  
**Land Area: 0.91 AC**  
**Stories: 1**  
**Expenses: 2014 Tax @ \$0.47/sf; 2012 Ops @ \$2.52/sf**

**Space Avail: 1,100 SF**  
**Max Contig: 1,100 SF**  
**Smallest Space: 1,100 SF**  
**Rent/SF/Yr: \$24.00**  
**% Leased: 88.3%**



|                                                                                                                |                                                                                       |                                                                                                                                                                                                               |                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| <p>301-315 S Abbott Ave<br/>Milpitas, CA 95035<br/>SWC of Calaveras and Hwy<br/>880<br/>Milpitas Submarket</p> |  | <p>Building Type: Retail//Strip Ctr)<br/>Status: Built 1990, Renov May 2007<br/>Building Size: 11,965 SF<br/>Land Area: 1.18 AC<br/>Stories: 1<br/>Expenses: 2012 Ops @ \$4.80/sf</p>                         | <p>Space Avail: 1,331 SF<br/>Max Config: 1,331 SF<br/>Smallest Space: 1,331 SF<br/>Rent/SF/Yr: \$33.00<br/>% Leased: 88.9%</p>           |
| <p>200 N Abel St<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>                      |  | <p>Building Type: Retail//Storefront Retail//Office<br/>Status: Built 1987<br/>Building Size: 3,660 SF<br/>Land Area: 0.69 AC<br/>Stories: 1<br/>Expenses: 2009 Tax @ \$6.32/sf</p>                           | <p>Space Avail: 1,330 SF<br/>Max Config: 1,330 SF<br/>Smallest Space: 1,330 SF<br/>Rent/SF/Yr: \$27.00-\$30.00<br/>% Leased: 63.7%</p>   |
| <p>122-148 Calaveras Blvd<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>             |  | <p>Building Type: Retail//Freestanding (Strip Ctr)<br/>Status: Built 1977<br/>Building Size: 10,000 SF<br/>Land Area: 0.98 AC<br/>Stories: 1<br/>Expenses: 2014 Tax @ \$1.96/sf</p>                           | <p>Space Avail: 1,015 SF<br/>Max Config: 1,015 SF<br/>Smallest Space: 1,015 SF<br/>Rent/SF/Yr: \$19.80<br/>% Leased: 100%</p>            |
| <p>595-649 E Calaveras Ave<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>            |   | <p>Building Type: Retail//Freestanding (Community Ctr)<br/>Status: Built 1961<br/>Building Size: 48,109 SF<br/>Land Area: 46 AC<br/>Stories: 1<br/>Expenses: 2012 Tax @ \$2.50/sf, 2012 Ops @ \$7.68/sf</p>   | <p>Space Avail: 19,093 SF<br/>Max Config: 11,400 SF<br/>Smallest Space: 1,400 SF<br/>Rent/SF/Yr: \$24.00-\$39.00<br/>% Leased: 84.0%</p> |
| <p>521-581 E Calaveras Blvd<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>           |    | <p>Building Type: Retail//Freestanding<br/>Status: Built 2000<br/>Building Size: 63,063 SF<br/>Land Area: 22.42 AC<br/>Stories: 1<br/>Expenses: 2012 Tax @ \$2.50/sf, 2012 Ops @ \$7.68/sf</p>                | <p>Space Avail: 1,906 SF<br/>Max Config: 1,080 SF<br/>Smallest Space: 826 SF<br/>Rent/SF/Yr: \$24.00-\$39.00<br/>% Leased: 97.0%</p>     |
| <p>749 E Calaveras Blvd<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>               |    | <p>Building Type: Retail//Freestanding<br/>Status: Built 1982, Renov Jun 2007<br/>Building Size: 75,060 SF<br/>Land Area: 6.91 AC<br/>Stories: 1<br/>Expenses: 2014 Tax @ \$1.88/sf, 2012 Ops @ \$7.68/sf</p> | <p>Space Avail: 73,709 SF<br/>Max Config: 73,709 SF<br/>Smallest Space: 18,750 SF<br/>Rent/SF/Yr: \$24.00-\$39.00<br/>% Leased: 1.8%</p> |

|    |                                                                                     |                                                                                                                                                   |                                                                                                                                                                                                                                                                                             |                                                                                                                                                                |
|----|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8  |    | <b>750-752 E Calaveras Blvd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                            | Building Type: <b>Retail/Storefront Retail/Office</b><br>Status: <b>Built 1980, Renov 1995</b><br>Building Size: <b>25,000 SF</b><br>Land Area: <b>1 AC</b><br>Stories: <b>2</b><br>Expenses: <b>2014 Tax @ \$2.03/sf; 2009 Ops @ \$7.08/sf</b>                                             | Space Avail: <b>4,200 SF</b><br>Max Contig: <b>2,400 SF</b><br>Smallest Space: <b>1,800 SF</b><br>Rent/SF/Yr: <b>\$33.00-\$36.00</b><br>% Leased: <b>83.2%</b> |
| 9  |    | <b>757-767 E Calaveras Blvd</b><br><b>Big 5</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>            | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1989</b><br>Building Size: <b>14,045 SF</b><br>Land Area: <b>1.13 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$1.57/sf; 2012 Ops @ \$7.68/sf</b>                                                                  | Space Avail: <b>3,850 SF</b><br>Max Contig: <b>1,981 SF</b><br>Smallest Space: <b>1,869 SF</b><br>Rent/SF/Yr: <b>\$24.00-\$39.00</b><br>% Leased: <b>72.6%</b> |
| 10 |    | <b>1301 E Calaveras Blvd</b><br><b>Victorian Square</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>    | Building Type: <b>Retail/Storefront Retail/Office</b><br>Status: <b>Built 1979</b><br>Building Size: <b>7,737 SF</b><br>Land Area: <b>0.69 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2012 Tax @ \$3.38/sf; 2012 Ops @ \$6.96/sf</b>                                                       | Space Avail: <b>3,478 SF</b><br>Max Contig: <b>3,478 SF</b><br>Smallest Space: <b>1,000 SF</b><br>Rent/SF/Yr: <b>\$30.00</b><br>% Leased: <b>55.1%</b>         |
| 14 |  | <b>774-880 E Capitol Ave</b><br><b>Bldg B</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>              | Building Type: <b>Class B Office</b><br>Status: <b>Built Sep 2008</b><br>Building Size: <b>10,490 SF</b><br>Typical Floor Size: <b>5,245 SF</b><br>Stories: <b>2</b><br>Expenses: <b>2009 Tax @ \$2.57/sf</b>                                                                               | Space Avail: <b>6,585 SF</b><br>Max Contig: <b>4,585 SF</b><br>Smallest Space: <b>800 SF</b><br>Rent/SF/Yr: <b>\$25.20-\$42.00</b><br>% Leased: <b>37.2%</b>   |
| 12 |  | <b>888 E Capitol Ave</b><br><b>Bldg A</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                  | Building Type: <b>Class B Office/Medical</b><br>Status: <b>Built Aug 2008</b><br>Building Size: <b>2,035 SF</b><br>Typical Floor Size: <b>2,035 SF</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$3.39/sf</b>                                                                        | Space Avail: <b>2,035 SF</b><br>Max Contig: <b>2,035 SF</b><br>Smallest Space: <b>2,035 SF</b><br>Rent/SF/Yr: <b>\$42.00</b><br>% Leased: <b>0%</b>            |
| 13 |  | <b>49-91 Dempsey Rd</b><br><b>Calaveras Dempsey Retail</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b> | Building Type: <b>Retail/Freestanding (Strip Ctr)</b><br>Status: <b>Built 1987</b><br>Building Size: <b>11,027 SF</b><br>Land Area: <b>0.98 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$4.08/sf, 2011 Est Tax @ \$3.80/sf; 2014 Ops @ \$10.08/sf, 2012 Est Ops @ \$5.04/sf</b> | Space Avail: <b>2,110 SF</b><br>Max Contig: <b>2,110 SF</b><br>Smallest Space: <b>2,110 SF</b><br>Rent/SF/Yr: <b>Withheld</b><br>% Leased: <b>80.9%</b>        |

|    |                                                                                     |                                                                                                                                                            |                                                                                                                                                                                                                                  |                                                                                                                                                                |
|----|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 |    | <b>1400-1426 Dempsey Rd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                         | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1987</b><br>Building Size: <b>16,228 SF</b><br>Land Area: <b>1.26 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$3.28/sf; 2013 Ops @ \$4.08/sf</b>       | Space Avail: <b>2,554 SF</b><br>Max Contig: <b>1,514 SF</b><br>Smallest Space: <b>1,040 SF</b><br>Rent/SF/Yr: <b>\$22.80-\$23.40</b><br>% Leased: <b>93.6%</b> |
| 15 |    | <b>127-141 E Dixon Rd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                           | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1965</b><br>Building Size: <b>5,652 SF</b><br>Land Area: <b>0.51 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$2.22/sf</b>                              | Space Avail: <b>1,850 SF</b><br>Max Contig: <b>1,000 SF</b><br>Smallest Space: <b>850 SF</b><br>Rent/SF/Yr: <b>\$22.68-\$24.00</b><br>% Leased: <b>67.3%</b>   |
| 16 |    | <b>275-473 Jacklin Rd</b><br><b>Foothill Square Shopping Center</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b> | Building Type: <b>Retail/(Neighborhood Ctr)</b><br>Status: <b>Built 1988</b><br>Building Size: <b>78,404 SF</b><br>Land Area: <b>2.56 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$0.51/sf; 2011 Ops @ \$5.64/sf</b> | Space Avail: <b>41,947 SF</b><br>Max Contig: <b>36,022 SF</b><br>Smallest Space: <b>900 SF</b><br>Rent/SF/Yr: <b>\$18.00-\$27.00</b><br>% Leased: <b>92.4%</b> |
| 17 |  | <b>487-495 Jacklin Rd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                           | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1988</b><br>Building Size: <b>5,399 SF</b><br>Land Area: <b>2.61 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$4.19/sf; 2011 Ops @ \$5.64/sf</b>        | Space Avail: <b>3,063 SF</b><br>Max Contig: <b>3,063 SF</b><br>Smallest Space: <b>3,063 SF</b><br>Rent/SF/Yr: <b>\$21.00</b><br>% Leased: <b>43.3%</b>         |
| 18 |  | <b>1301-1369 Jacklin Rd</b><br><b>Milpitas, CA</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                               | Building Type: <b>Retail/Freestanding (Strip Ctr)</b><br>Status: <b>Built 1988</b><br>Building Size: <b>18,629 SF</b><br>Land Area: <b>1.51 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$2.81/sf</b>                 | Space Avail: <b>3,563 SF</b><br>Max Contig: <b>1,500 SF</b><br>Smallest Space: <b>841 SF</b><br>Rent/SF/Yr: <b>\$18.00</b><br>% Leased: <b>80.9%</b>           |
| 19 |  | <b>1455-1487 Landess Ave</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                        | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1989</b><br>Building Size: <b>10,000 SF</b><br>Land Area: <b>1.05 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$4.39/sf</b>                             | Space Avail: <b>3,700 SF</b><br>Max Contig: <b>3,700 SF</b><br>Smallest Space: <b>1,500 SF</b><br>Rent/SF/Yr: <b>\$36.00-\$42.00</b><br>% Leased: <b>63.0%</b> |



|    |                                                                                     |                                                                                                                                                                                  |                                                                                                                                                                                                                                                                  |                                                                                                                                                            |
|----|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20 |    | <b>81-91 S Main St</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                                                    | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1968</b><br>Building Size: <b>4,190 SF</b><br>Land Area: <b>0.40 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2013 Tax @ \$2.12/sf; 2013 Est Ops @ \$1.68/sf</b>                                    | Space Avail: <b>1,172 SF</b><br>Max Contig: <b>1,172 SF</b><br>Smallest Space: <b>1,172 SF</b><br>Rent/SF/Yr: <b>\$15.00</b><br>% Leased: <b>72.0%</b>     |
| 21 |    | <b>134-158 S Main St</b><br><b>Central Plaza</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Serra Way &amp; Calaveras Blvd</b><br><b>Milpitas Submarket</b> | Building Type: <b>Retail</b><br>Status: <b>Built 1962</b><br>Building Size: <b>8,400 SF</b><br>Land Area: <b>1.04 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2013 Tax @ \$4.32/sf, 2011 Est Tax @ \$0.50/sf; 2013 Ops @ \$1.44/sf, 2011 Est Ops @ \$4.32/sf</b> | Space Avail: <b>1,200 SF</b><br>Max Contig: <b>1,200 SF</b><br>Smallest Space: <b>1,200 SF</b><br>Rent/SF/Yr: <b>\$19.20</b><br>% Leased: <b>85.7%</b>     |
| 22 |    | <b>372-396 S Main St</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                                                  | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1964</b><br>Building Size: <b>7,500 SF</b><br>Land Area: <b>0.71 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$1.55/sf</b>                                                              | Space Avail: <b>1,421 SF</b><br>Max Contig: <b>800 SF</b><br>Smallest Space: <b>621 SF</b><br>Rent/SF/Yr: <b>\$24.00-\$29.04</b><br>% Leased: <b>81.1%</b> |
| 23 |  | <b>621-643 S Main St</b><br><b>Villa Milpitas Center</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Near Curtis Ave</b><br><b>Milpitas Submarket</b>        | Building Type: <b>Retail/(Strip Ctr)</b><br>Status: <b>Built 1975</b><br>Building Size: <b>10,749 SF</b><br>Land Area: <b>0.72 AC</b><br>Stories: <b>2</b><br>Expenses: <b>2014 Tax @ \$2.01/sf</b>                                                              | Space Avail: <b>1,450 SF</b><br>Max Contig: <b>1,450 SF</b><br>Smallest Space: <b>1,450 SF</b><br>Rent/SF/Yr: <b>\$21.60</b><br>% Leased: <b>100%</b>      |
| 24 |  | <b>McCandless Dr @ Great Mall Pkwy</b><br><b>The District at Milpitas</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Great Mall Pkwy @ McCandless Dr.</b>   | Building Type: <b>Class A Multi-Family/Apartments</b><br>Status: <b>Proposed, breaks ground Jul 2015</b><br>Building Size: <b>500,000 SF</b><br>Land Area: <b>-</b><br>Stories: <b>6</b><br>Expenses: <b>2012 Tax @ \$33.68/Unit</b>                             | Space Avail: <b>80,000 SF</b><br>Max Contig: <b>80,000 SF</b><br>Smallest Space: <b>80,000 SF</b><br>Rent/SF/Yr: <b>Withheld</b><br>% Leased: <b>0%</b>    |
| 25 |  | <b>1774-1838 Milmont Dr</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                                               | Building Type: <b>Retail/(Strip Ctr)</b><br>Status: <b>Built 1991</b><br>Building Size: <b>19,375 SF</b><br>Land Area: <b>1.86 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$3.65/sf; 2013 Ops @ \$4.68/sf</b>                                        | Space Avail: <b>687 SF</b><br>Max Contig: <b>687 SF</b><br>Smallest Space: <b>687 SF</b><br>Rent/SF/Yr: <b>\$22.80</b><br>% Leased: <b>96.5%</b>           |

26



**15-85 N Milpitas Blvd**  
**City Square**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Storefront**  
 (Neighborhood Ctr)

Status: **Built 1983**  
 Building Size: **81,238 SF**  
 Land Area: **8.37 AC**  
 Stories: **1**

Expenses: **2014 Tax @ \$1.41/sf; 2011 Ops @ \$6.27/sf**

Space Avail: **4,640 SF**  
 Max Contig: **2,940 SF**  
 Smallest Space: **1,700 SF**  
 Rent/SF/Yr: **\$24.00-\$28.20**  
 % Leased: **97.9%**

27



**136-148 N Milpitas Blvd**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**

Status: **Built 1986**  
 Building Size: **8,417 SF**  
 Land Area: **22.42 AC**  
 Stories: **1**

Expenses: **2012 Tax @ \$3.15/sf; 2012 Ops @ \$9.67/sf**

Space Avail: **1,300 SF**  
 Max Contig: **1,300 SF**  
 Smallest Space: **1,300 SF**  
 Rent/SF/Yr: **\$24.00-\$39.00**  
 % Leased: **84.6%**

28



**985 Montague Expy**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Class C Warehouse**

Status: **Built 1967**  
 Building Size: **9,760 SF**  
 Land Area: **4.60 AC**  
 Stories: **1**

Expenses: **2009 Tax @ \$4.95/sf**

Space Avail: **9,760 SF**  
 Max Contig: **9,760 SF**  
 Smallest Space: **9,760 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **0%**

29



**102-118 S Park Victoria Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**

Status: **Built 1978**  
 Building Size: **6,646 SF**  
 Land Area: **5.95 AC**  
 Stories: **1**

Expenses: **2012 Tax @ \$0.58/sf; 2012 Ops @ \$2.40/sf**

Space Avail: **1,275 SF**  
 Max Contig: **1,275 SF**  
 Smallest Space: **1,275 SF**  
 Rent/SF/Yr: **\$24.00**  
 % Leased: **80.8%**

30



**15-63 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Storefront**

Status: **Built 1994**  
 Building Size: **97,250 SF**  
 Land Area: **6.67 AC**  
 Stories: **1**

Expenses: **2011 Tax @ \$4.25/sf**

Space Avail: **46,000 SF**  
 Max Contig: **25,000 SF**  
 Smallest Space: **21,000 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **100%**

31



**111-251 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Hwy 880 & State Hwy 237**  
**Milpitas Submarket**

Building Type: **Retail/(Power Ctr)**

Status: **Built 1994**  
 Building Size: **141,870 SF**  
 Land Area: **15.25 AC**  
 Stories: **1**

Expenses: **2011 Tax @ \$2.99/sf; 2010 Est Ops @ \$2.18/sf**

Space Avail: **42,704 SF**  
 Max Contig: **42,704 SF**  
 Smallest Space: **42,704 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **69.9%**

32



**120-158 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**  
 Status: **Built 1996**  
 Building Size: **75,803 SF**  
 Land Area: **8.47 AC**  
 Stories: **1**  
 Expenses: **2014 Tax @ \$2.17/sf; 2009 Ops @ \$1.88/sf**

Space Avail: **20,250 SF**  
 Max Contig: **20,250 SF**  
 Smallest Space: **20,250 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **73.3%**

33



**198-252 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail**  
 Status: **Built 1996**  
 Building Size: **23,658 SF**  
 Land Area: **0.23 AC**  
 Stories: **1**  
 Expenses: **2014 Tax @ \$0.43/sf**

Space Avail: **5,000 SF**  
 Max Contig: **5,000 SF**  
 Smallest Space: **5,000 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **78.9%**

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**41 Serra Way**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**  
 Status: **Built 1999**  
 Building Size: **6,712 SF**  
 Land Area: **0.65 AC**  
 Stories: **1**  
 Expenses: **2009 Tax @ \$1.79/sf**

Space Avail: **2,037 SF**  
 Max Contig: **2,037 SF**  
 Smallest Space: **2,037 SF**  
 Rent/SF/Yr: **\$28.20**  
 % Leased: **69.7%**



## Availability and Vacancy Analysis

### Grand Totals

|  | Bldgs | Existing<br>Rentable<br>Bldg Area | Direct SF<br>Vacant | Vacant<br>Rate % | Direct w/<br>Sublet SF<br>Vacant | Vacant<br>% with<br>Sublet | Total SF<br>Available | Direct SF<br>Available | Sublet SF<br>Available | Max SF<br>Contig | Avg<br>Rate |
|--|-------|-----------------------------------|---------------------|------------------|----------------------------------|----------------------------|-----------------------|------------------------|------------------------|------------------|-------------|
|  | 34    | 927,435                           | 240,724             | 26.0%            | 243,664                          | 26.3%                      | 317,315               | 314,375                | 2,940                  | 73,709           | \$27.69/nnn |

# Building Absorption Report

| Building                                                    | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|-------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                             |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 55-79 S Abbott Ave<br>Milpitas, CA 95035<br>9,364 SF RBA    | Current | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 4Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 3Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 2Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 1Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 4Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 3Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 2Q | 8,264             | 2,200            | 0      | 2,200 | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 1Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 4Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
| 301-315 S Abbott Ave<br>Milpitas, CA 95035<br>11,965 SF RBA | 2012 3Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 2Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | Current | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 4Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 3Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 2Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 1Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 4Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 3Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 2Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
| 200 N Abel St<br>Milpitas, CA 95035<br>3,660 SF RBA         | 2013 1Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2012 4Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                             | 2012 3Q | 10,634            | 1,069            | 0      | 1,069 | 1,069          | 0      | 1,069   | 1,069            | 0      | 1,069 | \$25.66/nnn  | -      | \$25.66/nnn |
|                                                             | 2012 2Q | 9,565             | 0                | 0      | 0     | (2,400)        | 0      | (2,400) | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | Current | 2,330             | 0                | 0      | 0     | (1,330)        | 0      | (1,330) | 0                | 0      | 0     | \$28.50/nnn  | -      | \$28.50/nnn |
|                                                             | 2014 4Q | 3,660             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2014 3Q | 3,660             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2014 2Q | 3,660             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2014 1Q | 3,660             | 0                | 0      | 0     | 1,330          | 0      | 1,330   | 1,330            | 0      | 1,330 | -            | -      | -           |
|                                                             | 2013 4Q | 2,330             | 1,330            | 0      | 1,330 | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 2013 3Q                                                     | 2,330   | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2013 2Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2013 1Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 4Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 3Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 2Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 1Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |

### Building Absorption Report

| Building                                                        | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|-----------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                 |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 122-148 Calaveras Blvd<br>Milpitas, CA 95035<br>10,000 SF RBA   | Current | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 4Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 3Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 2Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2014 1Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 4Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 3Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 2Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 1Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2012 4Q | 10,000            | 2,900            | 0      | 2,900 | 2,900          | 0      | 2,900   | 2,900            | 0      | 2,900 | -            | -      | -           |
|                                                                 | 2012 3Q | 7,100             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2012 2Q | 7,100             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 595-649 E Calaveras Ave<br>Milpitas, CA 95035<br>48,109 SF RBA  | Current | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 3Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 2Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 1Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 4Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 3Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 2Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA | Current | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 61,157            | 0                | 0      | 0     | (826)          | 0      | (826)   | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 3Q | 61,983            | 3,344            | 0      | 3,344 | 3,390          | 0      | 3,390   | 3,390            | 0      | 3,390 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 2Q | 58,593            | 0                | 0      | 0     | (1,080)        | 0      | (1,080) | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 1Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 4Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 3Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 2Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |



### Building Absorption Report

| Building                                                                 | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                          |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 749 E Calaveras Blvd<br>Milpitas, CA 95035<br>75,060 SF RBA              | Current | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 4Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 3Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 2Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 1Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 4Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 3Q | 1,351             | 0                | 0      | 0     | 1,351          | 0      | 1,351   | 1,351            | 0      | 1,351 | -            | -      | -           |
|                                                                          | 2012 2Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 750-752 E Calaveras Blvd<br>Milpitas, CA 95035<br>25,000 SF RBA          | Current | 20,800            | 0                | 0      | 0     | (2,400)        | 0      | (2,400) | 0                | 0      | 0     | \$34.29/nnn  | -      | \$34.29/nnn |
|                                                                          | 2014 4Q | 23,200            | 600              | 0      | 600   | 2,035          | 0      | 2,035   | 2,035            | 0      | 2,035 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 3Q | 21,165            | 2,635            | 0      | 2,635 | (1,200)        | 0      | (1,200) | 1,200            | 0      | 1,200 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 2Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 1Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 4Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 3Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 2Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2013 1Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 4Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 3Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 2Q | 22,365            | 3,600            | 0      | 3,600 | 3,600          | 0      | 3,600   | 3,600            | 0      | 3,600 | \$25.63/nnn  | -      | \$25.63/nnn |
| 757-767 E Calaveras Blvd<br>Big 5<br>Milpitas, CA 95035<br>14,045 SF RBA | Current | 10,195            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 10,195            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 10,195            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 10,195            | 0                | 0      | 0     | 112            | 0      | 112     | 112              | 0      | 112   | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 10,083            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 4Q | 10,083            | 0                | 0      | 0     | (1,981)        | 0      | (1,981) | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 3Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 2Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 1Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 4Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 3Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 2Q | 12,064            | 0                | 0      | 0     | (1,981)        | 0      | (1,981) | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |

### Building Absorption Report

| Building                                                                        | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|---------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                                 |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 1301 E Calaveras Blvd<br>Victorian Square<br>Milpitas, CA 95035<br>7,737 SF RBA | Current | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 4Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 3Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 2Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 1Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 4Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 3Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 2Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 1Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 4Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 3Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 2Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 4Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 3Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 2Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 1Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 4Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 3Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 2Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 1Q | 3,905             | 0                | 0      | 0     | (5,785)        | 0      | (5,785) | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2012 4Q | 9,690             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 3Q | 9,690             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 2Q | 9,690             | 0                | 0      | 0     | 300            | 0      | 300     | 300              | 0      | 300   | \$39.00/nnn  | -      | \$39.00/nnn |
| 888 E Capitol Ave<br>Bldg A<br>Milpitas, CA 95035<br>2,035 SF RBA               | Current | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 4Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 3Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 2Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 1Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 4Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 3Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 2Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 1Q | 0                 | 0                | 0      | 0     | (2,035)        | 0      | (2,035) | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 4Q | 2,035             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 3Q | 2,035             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 2Q | 2,035             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |

### Building Absorption Report

| Building                                                                            | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |             |             |
|-------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|-------------|-------------|
|                                                                                     |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet      | Total       |
| 49-91 Dempsey Rd<br>Calaveras Dempsey Retail<br>Milpitas, CA 95035<br>11,027 SF RBA | Current | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2014 4Q | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 3Q | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 2Q | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 1Q | 8,917             | 1,803            | 0      | 1,803 | 1,803          | 0      | 1,803   | 1,803            | 0      | 1,803 | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 4Q | 7,114             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 3Q | 7,114             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 2Q | 7,114             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 1Q | 7,114             | 1,185            | 0      | 1,185 | 1,185          | 0      | 1,185   | 1,185            | 0      | 1,185 | \$21.16/nnn  | -           | \$21.16/nnn |
|                                                                                     | 2012 4Q | 5,929             | 693              | 0      | 693   | 2,809          | 0      | 2,809   | 2,809            | 0      | 2,809 | \$21.28/nnn  | -           | \$21.28/nnn |
|                                                                                     | 2012 3Q | 3,120             | 2,116            | 0      | 2,116 | 0              | 0      | 0       | 0                | 0      | 0     | \$21.43/nnn  | -           | \$21.43/nnn |
|                                                                                     | 2012 2Q | 3,120             | 0                | 0      | 0     | (1,751)        | 0      | (1,751) | 0                | 0      | 0     | \$21.43/nnn  | -           | \$21.43/nnn |
| 1400-1426 Dempsey Rd<br>Milpitas, CA 95035<br>16,228 SF RBA                         | Current | 15,188            | 0                | 0      | 0     | (1,040)        | 0      | (1,040) | 0                | 0      | 0     | \$23.04/nnn  | -           | \$23.04/nnn |
|                                                                                     | 2014 4Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 3Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 2Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 1Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 4Q | 16,228            | 1,725            | 0      | 1,725 | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 3Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 2Q | 16,228            | 4,005            | 0      | 4,005 | 0              | 0      | 0       | 2,965            | 0      | 2,965 | -            | -           | -           |
|                                                                                     | 2013 1Q | 16,228            | 1,725            | 0      | 1,725 | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2012 4Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2012 3Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2012 2Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
| 127-141 E Dixon Rd<br>Milpitas, CA 95035<br>5,652 SF RBA                            | Current | 3,802             | 0                | 0      | 0     | (850)          | 0      | (850)   | 0                | 0      | 0     | \$23.39/nnn  | -           | \$23.39/nnn |
|                                                                                     | 2014 4Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -           | \$24.00/nnn |
|                                                                                     | 2014 3Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 2Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 1Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 4Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 3Q | 4,652             | 0                | 0      | 0     | (1,000)        | 0      | (1,000) | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 2Q | 5,652             | 0                | 0      | 0     | 0              | 900    | 900     | 0                | 900    | 900   | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2013 1Q | 4,752             | 0                | 0      | 0     | 0              | (900)  | (900)   | 0                | 0      | 0     | \$17.04/nnn  | \$17.04/nnn | \$17.04/nnn |
|                                                                                     | 2012 4Q | 5,652             | 900              | 0      | 900   | 900            | 0      | 900     | 900              | 0      | 900   | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 3Q | 4,752             | 0                | 0      | 0     | (900)          | 0      | (900)   | 0                | 0      | 0     | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 2Q | 5,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |



### Building Absorption Report

| Building                                                                                     | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                                              |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 275-473 Jacklin Rd<br>Foothill Square Shopping Center<br>Milpitas, CA 95035<br>78,404 SF RBA | Current | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 4Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 3Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 2Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 1Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 4Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 3Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 2Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2013 1Q | 72,479            | 0                | 0      | 0     | (900)          | 0      | (900)   | 0                | 0      | 0     | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2012 4Q | 73,379            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 3Q | 73,379            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 2Q | 73,379            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.39/nnn  | -      | \$23.39/nnn |
| 487-495 Jacklin Rd<br>Milpitas, CA 95035<br>5,399 SF RBA                                     | Current | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 4Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 3Q | 2,336             | 4,841            | 0      | 4,841 | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 2Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 1Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 4Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 3Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 2Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 1Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 4Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 3Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 2Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
| 1301-1369 Jacklin Rd<br>Milpitas, CA<br>18,629 SF RBA                                        | Current | 15,066            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 4Q | 15,066            | 0                | 0      | 0     | (1,222)        | 0      | (1,222) | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 3Q | 16,288            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 2Q | 16,288            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 1Q | 16,288            | 0                | 0      | 0     | (1,500)        | 0      | (1,500) | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 4Q | 17,788            | 0                | 0      | 0     | 1,062          | 0      | 1,062   | 1,062            | 0      | 1,062 | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 3Q | 16,726            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 2Q | 16,726            | 0                | 0      | 0     | (841)          | 0      | (841)   | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 1Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 4Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 3Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 2Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |

# Building Absorption Report

| Building                                                                 |         | Quarter | Total Occupied SF | Leasing Activity |        |         | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |
|--------------------------------------------------------------------------|---------|---------|-------------------|------------------|--------|---------|----------------|--------|---------|------------------|--------|-------|--------------|--------|
|                                                                          |         |         |                   | Direct           | Sublet | Total   | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet |
| 1455-1487 Landess Ave<br>Milpitas, CA 95035<br>10,000 SF RBA             | Current | 6,300   | 0                 | 0                | 0      | 0       | (2,200)        | 0      | (2,200) | 0                | 0      | 0     | \$39.57/nnn  | -      |
|                                                                          | 2014 4Q | 8,500   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      |
|                                                                          | 2014 3Q | 8,500   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      |
|                                                                          | 2014 2Q | 8,500   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      |
|                                                                          | 2014 1Q | 8,500   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      |
|                                                                          | 2013 4Q | 8,500   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      |
|                                                                          | 2013 3Q | 10,000  | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2013 2Q | 10,000  | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2013 1Q | 10,000  | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 4Q | 10,000  | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 3Q | 10,000  | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 2Q | 10,000  | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
| 81-91 S Main St<br>Milpitas, CA 95035<br>4,190 SF RBA                    | Current | 3,018   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2014 4Q | 3,018   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2014 3Q | 2,718   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2014 2Q | 2,718   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2014 1Q | 2,718   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2013 4Q | 2,718   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2013 3Q | 2,718   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2013 2Q | 2,718   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2013 1Q | 2,718   | 951               | 0                | 0      | (1,472) | 0              | 0      | (1,472) | 0                | 0      | 0     | \$15.00/nnn  | -      |
|                                                                          | 2012 4Q | 4,190   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 3Q | 4,190   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 2Q | 4,190   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 1Q | 4,190   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
| 134-158 S Main St<br>Central Plaza<br>Milpitas, CA 95035<br>8,400 SF RBA | Current | 7,200   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -      |
|                                                                          | 2014 4Q | 7,200   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -      |
|                                                                          | 2014 3Q | 7,200   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -      |
|                                                                          | 2014 2Q | 7,200   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$18.60/nnn  | -      |
|                                                                          | 2014 1Q | 7,200   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      |
|                                                                          | 2013 4Q | 7,200   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      |
|                                                                          | 2013 3Q | 7,200   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$17.88/mg   | -      |
|                                                                          | 2013 2Q | 8,400   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | \$17.88/mg   | -      |
|                                                                          | 2013 1Q | 8,400   | 1,200             | 0                | 0      | 1,200   | 0              | 0      | 1,200   | 0                | 0      | 0     | \$17.88/mg   | -      |
|                                                                          | 2012 4Q | 8,400   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 3Q | 8,400   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 2Q | 8,400   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |
|                                                                          | 2012 1Q | 8,400   | 0                 | 0                | 0      | 0       | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      |

### Building Absorption Report

| Building                                                                                                | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|---------------------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                                                         |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 372-396 S Main St<br>Milpitas, CA 95035<br>7,500 SF RBA                                                 | Current | 6,079             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 4Q | 6,079             | 0                | 0      | 0     | (621)          | 0      | (621)   | 0                | 0      | 0     | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 3Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 2Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 1Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 4Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 3Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 2Q | 6,700             | 0                | 0      | 0     | (800)          | 0      | (800)   | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 1Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                                         | 2012 4Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                                         | 2012 3Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                                         | 2012 2Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA                       | Current | 10,749            | 0                | 0      | 0     | 1,100          | 0      | 1,100   | 1,100            | 0      | 1,100 | \$21.60/mg   | -      | \$21.60/mg  |
|                                                                                                         | 2014 4Q | 9,649             | 1,100            | 0      | 1,100 | 0              | 0      | 0       | 0                | 0      | 0     | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 3Q | 9,649             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 2Q | 9,649             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$40.20/fs   | -      | \$40.20/fs  |
|                                                                                                         | 2014 1Q | 9,649             | 0                | 0      | 0     | 2,300          | 0      | 2,300   | 2,300            | 0      | 2,300 | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 4Q | 7,349             | 1,100            | 0      | 1,100 | (600)          | 0      | (600)   | 1,100            | 0      | 1,100 | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 3Q | 7,949             | 0                | 0      | 0     | 250            | 0      | 250     | 250              | 0      | 250   | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 2Q | 7,699             | 0                | 0      | 0     | (3,050)        | 0      | (3,050) | 0                | 0      | 0     | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 1Q | 10,749            | 1,460            | 0      | 1,460 | 0              | 0      | 0       | 1,460            | 0      | 1,460 | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 4Q | 10,749            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 3Q | 10,749            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 2Q | 10,749            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| McCandless Dr @ Great Mall<br>Pkway<br>The District at Milpitas<br>Milpitas, CA 95035<br>500,000 SF RBA | Current | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 1774-1838 Milmont Dr<br>Milpitas, CA 95035<br>19,375 SF RBA                                             | Current | 18,688            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -      | \$22.80/nnn |
|                                                                                                         | 2014 4Q | 18,688            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -      | \$22.80/nnn |
|                                                                                                         | 2014 3Q | 18,688            | 0                | 0      | 0     | 366            | 0      | 366     | 1,053            | 0      | 1,053 | \$22.80/nnn  | -      | \$22.80/nnn |
|                                                                                                         | 2014 2Q | 18,322            | 2,213            | 0      | 2,213 | 1,160          | 0      | 1,160   | 1,160            | 0      | 1,160 | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2014 1Q | 17,162            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 4Q | 17,162            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 3Q | 17,162            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 2Q | 17,162            | 1,218            | 0      | 1,218 | 1,218          | 0      | 1,218   | 1,218            | 0      | 1,218 | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 1Q | 15,944            | 3,431            | 0      | 3,431 | 0              | 0      | 0       | 3,431            | 0      | 3,431 | \$20.85/nnn  | -      | \$20.85/nnn |
|                                                                                                         | 2012 4Q | 15,944            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$20.70/nnn  | -      | \$20.70/nnn |
|                                                                                                         | 2012 3Q | 15,944            | 687              | 0      | 687   | (531)          | 0      | (531)   | 687              | 0      | 687   | \$21.35/nnn  | -      | \$21.35/nnn |
|                                                                                                         | 2012 2Q | 16,475            | 987              | 0      | 987   | 993            | 0      | 993     | 993              | 0      | 993   | \$24.60/nnn  | -      | \$24.60/nnn |



### Building Absorption Report

| Building                                                                    | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |         |         | Gross Absorption |        |       | Average Rate |             |             |
|-----------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|---------|---------|------------------|--------|-------|--------------|-------------|-------------|
|                                                                             |         |                   | Direct           | Sublet | Total | Direct         | Sublet  | Total   | Direct           | Sublet | Total | Direct       | Sublet      | Total       |
| 15-85 N Milpitas Blvd<br>City Square<br>Milpitas, CA 95035<br>81,238 SF RBA | Current | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 4Q | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 3Q | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 2Q | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 1Q | 76,598            | 0                | 0      | 0     | (1,700)        | 0       | (1,700) | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2013 4Q | 78,298            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 3Q | 78,298            | 1,200            | 0      | 1,200 | 0              | 0       | 0       | 1,200            | 0      | 1,200 | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 2Q | 78,298            | 0                | 0      | 0     | 1,400          | 0       | 1,400   | 1,400            | 0      | 1,400 | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 1Q | 76,898            | 1,400            | 0      | 1,400 | 0              | (2,940) | (2,940) | 0                | 0      | 0     | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2012 4Q | 79,838            | 0                | 0      | 0     | 3,600          | 0       | 3,600   | 5,000            | 0      | 5,000 | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                             | 2012 3Q | 76,238            | 5,000            | 0      | 5,000 | 0              | 0       | 0       | 0                | 0      | 0     | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                             | 2012 2Q | 76,238            | 5,000            | 0      | 5,000 | 0              | 0       | 0       | 0                | 0      | 0     | \$27.00/nnn  | -           | \$27.00/nnn |
| 136-148 N Milpitas Blvd<br>Milpitas, CA 95035<br>8,417 SF RBA               | Current | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 4Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 3Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 2Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 1Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 4Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 3Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 2Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 1Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 4Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 3Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 2Q | 7,117             | 0                | 0      | 0     | (1,300)        | 0       | (1,300) | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
| 985 Montague Expy<br>Milpitas, CA 95035<br>9,760 SF RBA                     | Current | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 4Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 3Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 2Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 1Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 4Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 3Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 2Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 1Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2012 4Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2012 3Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2012 2Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |

## Building Absorption Report

[illegible]

### Building Absorption Report

| Building                                                | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |         | Gross Absorption |        |        | Average Rate |        |             |
|---------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|---------|------------------|--------|--------|--------------|--------|-------------|
|                                                         |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total   | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 120-158 Ranch Dr<br>Milpitas, CA 95035<br>75,803 SF RBA | Current | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 4Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 3Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 2Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 1Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 4Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 3Q | 55,553            | 0                | 0      | 0      | 43,485         | 0      | 43,485  | 43,485           | 0      | 43,485 | -            | -      | -           |
|                                                         | 2013 2Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 1Q | 12,068            | 43,485           | 0      | 43,485 | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 4Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 3Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 2Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
| 198-252 Ranch Dr<br>Milpitas, CA 95035<br>23,658 SF RBA | Current | 18,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 4Q | 18,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 3Q | 18,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 2Q | 18,658            | 0                | 0      | 0      | (5,000)        | 0      | (5,000) | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 1Q | 23,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 4Q | 23,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 3Q | 23,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2013 2Q | 23,658            | 1,920            | 0      | 1,920  | 1,920          | 0      | 1,920   | 1,920            | 0      | 1,920  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2013 1Q | 21,738            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2012 4Q | 21,738            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2012 3Q | 21,738            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2012 2Q | 21,738            | 0                | 0      | 0      | (1,920)        | 0      | (1,920) | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
| 41 Serra Way<br>Milpitas, CA 95035<br>6,712 SF RBA      | Current | 4,675             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                         | 2014 4Q | 4,675             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                         | 2014 3Q | 4,675             | 0                | 0      | 0      | (2,037)        | 0      | (2,037) | 0                | 0      | 0      | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                         | 2014 2Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 1Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 4Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 3Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 2Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 1Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 4Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 3Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 2Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |



# Building Absorption Report

Grand Totals:

| Quarter | Existing Inventory |         | Delivered Inventory |     | Tot. Occupied SF | Leasing Activity |        |        | Net Absorption |         |          | Gross Absorption |        |        | Average Rate |             |             |
|---------|--------------------|---------|---------------------|-----|------------------|------------------|--------|--------|----------------|---------|----------|------------------|--------|--------|--------------|-------------|-------------|
|         | # of Bldgs         | RBA     | # of Bldgs          | RBA |                  | Direct           | Sublet | Total  | Direct         | Sublet  | Total    | Direct           | Sublet | Total  | Direct       | Sublet      | Total       |
| Current | 33                 | 927,435 | 0                   | 0   | 683,771          | 0                | 0      | 0      | (7,995)        | 0       | (7,995)  | 1,100            | 0      | 1,100  | \$27.75/nnn  | \$24.00/nnn | \$27.69/nnn |
| 2014 4Q | 33                 | 927,435 | 0                   | 0   | 691,766          | 1,700            | 0      | 1,700  | 492            | 0       | 492      | 2,335            | 0      | 2,335  | \$27.42/nnn  | \$24.00/nnn | \$27.36/nnn |
| 2014 3Q | 33                 | 927,435 | 0                   | 0   | 691,274          | 7,476            | 0      | 7,476  | (2,871)        | 0       | (2,871)  | 2,253            | 0      | 2,253  | \$27.46/nnn  | \$24.00/nnn | \$27.40/nnn |
| 2014 2Q | 33                 | 927,435 | 0                   | 0   | 694,145          | 2,213            | 0      | 2,213  | (3,728)        | 0       | (3,728)  | 1,272            | 0      | 1,272  | \$27.34/nnn  | \$24.00/nnn | \$27.28/nnn |
| 2014 1Q | 33                 | 927,435 | 0                   | 0   | 697,873          | 1,803            | 0      | 1,803  | 2,233          | 0       | 2,233    | 5,433            | 0      | 5,433  | \$24.00/nnn  | \$24.00/nnn | \$24.00/nnn |
| 2013 4Q | 33                 | 927,435 | 0                   | 0   | 695,640          | 4,155            | 0      | 4,155  | (3,845)        | 0       | (3,845)  | 2,162            | 0      | 2,162  | \$23.35/nnn  | \$24.00/nnn | \$23.38/nnn |
| 2013 3Q | 33                 | 927,435 | 0                   | 0   | 699,485          | 6,744            | 0      | 6,744  | 65,925         | 0       | 65,925   | 69,360           | 0      | 69,360 | \$23.44/nnn  | \$24.00/nnn | \$23.46/nnn |
| 2013 2Q | 33                 | 927,435 | 0                   | 0   | 633,560          | 53,143           | 0      | 53,143 | 23,767         | 900     | 24,667   | 32,503           | 900    | 33,403 | \$27.26/nnn  | \$24.00/nnn | \$27.08/nnn |
| 2013 1Q | 33                 | 927,435 | 0                   | 0   | 608,893          | 54,837           | 0      | 54,837 | (9,007)        | (3,840) | (12,847) | 7,276            | 0      | 7,276  | \$27.02/nnn  | \$22.37/nnn | \$26.72/nnn |
| 2012 4Q | 33                 | 927,435 | 0                   | 0   | 621,740          | 47,978           | 0      | 47,978 | 10,209         | 0       | 10,209   | 11,609           | 0      | 11,609 | \$24.03/nnn  | -           | \$24.03/nnn |
| 2012 3Q | 33                 | 927,435 | 0                   | 0   | 611,531          | 9,872            | 0      | 9,872  | 1,989          | 0       | 1,989    | 4,107            | 0      | 4,107  | \$23.96/nnn  | -           | \$23.96/nnn |
| 2012 2Q | 33                 | 927,435 | 0                   | 0   | 609,542          | 9,587            | 0      | 9,587  | (1,039)        | 0       | (1,039)  | 8,313            | 0      | 8,313  | \$24.05/nnn  | -           | \$24.05/nnn |

### Building Historical Vacancy Report

| Building                                                    | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|-------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                             |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 55-79 S Abbott Ave<br>Milpitas, CA 95035<br>9,364 SF RBA    | Current | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 4Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 3Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 2Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 1Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 4Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 3Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 2Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 1Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 4Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 3Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 2Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
| 301-315 S Abbott Ave<br>Milpitas, CA 95035<br>11,965 SF RBA | Current | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 4Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 3Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 2Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 1Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 4Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 3Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 2Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 1Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2012 4Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                             | 2012 3Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$25.66/nnn  | -      | \$25.66/nnn |
|                                                             | 2012 2Q | 2,400     | 0      | 2,400 | 20.1%    | 0.0%   | 20.1% | 2,400               | 0      | 2,400 | 20.1%              | 0.0%   | 20.1% | \$24.00/nnn  | -      | \$24.00/nnn |
| 200 N Abel St<br>Milpitas, CA 95035<br>3,660 SF RBA         | Current | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | \$28.50/nnn  | -      | \$28.50/nnn |
|                                                             | 2014 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2014 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2013 4Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2013 3Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2013 2Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2013 1Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2012 4Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2012 3Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2012 2Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |

### Building Historical Vacancy Report

| Building                                                        | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|-----------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                 |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 122-148 Calaveras Blvd<br>Milpitas, CA 95035<br>10,000 SF RBA   | Current | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2012 3Q | 2,900     | 0      | 2,900 | 29.0%    | 0.0%   | 29.0% | 2,900               | 0      | 2,900 | 29.0%              | 0.0%   | 29.0% | -            | -      | -           |
|                                                                 | 2012 2Q | 2,900     | 0      | 2,900 | 29.0%    | 0.0%   | 29.0% | 2,900               | 0      | 2,900 | 29.0%              | 0.0%   | 29.0% | -            | -      | -           |
| 595-649 E Calaveras Ave<br>Milpitas, CA 95035<br>48,109 SF RBA  | Current | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 3Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 2Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 1Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 4Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 3Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 2Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA | Current | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 3Q | 1,080     | 0      | 1,080 | 1.7%     | 0.0%   | 1.7%  | 1,080               | 0      | 1,080 | 1.7%               | 0.0%   | 1.7%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 2Q | 4,470     | 0      | 4,470 | 7.1%     | 0.0%   | 7.1%  | 4,470               | 0      | 4,470 | 7.1%               | 0.0%   | 7.1%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 1Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 4Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 3Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 2Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |



### Building Historical Vacancy Report

| Building                                                                 | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|--------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                          |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 749 E Calaveras Blvd<br>Milpitas, CA 95035<br>75,060 SF RBA              | Current | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 4Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 3Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 2Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 1Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2012 4Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2012 3Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2012 2Q | 75,060    | 0      | 75,060 | 100.0%   | 0.0%   | 100.0% | 75,060              | 0      | 75,060 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
| 750-752 E Calaveras Blvd<br>Milpitas, CA 95035<br>25,000 SF RBA          | Current | 4,200     | 0      | 4,200  | 16.8%    | 0.0%   | 16.8%  | 4,200               | 0      | 4,200  | 16.8%              | 0.0%   | 16.8%  | \$34.29/nnn  | -      | \$34.29/nnn |
|                                                                          | 2014 4Q | 1,800     | 0      | 1,800  | 7.2%     | 0.0%   | 7.2%   | 1,800               | 0      | 1,800  | 7.2%               | 0.0%   | 7.2%   | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 3Q | 3,835     | 0      | 3,835  | 15.3%    | 0.0%   | 15.3%  | 2,400               | 0      | 2,400  | 9.6%               | 0.0%   | 9.6%   | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 2Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 1Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 4Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 3Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 2Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2013 1Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 4Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 3Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 2Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$25.63/nnn  | -      | \$25.63/nnn |
| 757-767 E Calaveras Blvd<br>Big 5<br>Milpitas, CA 95035<br>14,045 SF RBA | Current | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 3,962     | 0      | 3,962  | 28.2%    | 0.0%   | 28.2%  | 3,962               | 0      | 3,962  | 28.2%              | 0.0%   | 28.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 4Q | 3,962     | 0      | 3,962  | 28.2%    | 0.0%   | 28.2%  | 3,962               | 0      | 3,962  | 28.2%              | 0.0%   | 28.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 3Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 2Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 1Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 4Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 3Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 2Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |

### Building Historical Vacancy Report

| Building                                                                        | Period  | SF Vacant |        |       | % Vacant |        |        | SF Vacant Available |        |       | % Vacant Available |        |        | Average Rate |        |             |
|---------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|--------|---------------------|--------|-------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                                 |         | Direct    | Sublet | Total | Direct   | Sublet | Total  | Direct              | Sublet | Total | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 1301 E Calaveras Blvd<br>Victorian Square<br>Milpitas, CA 95035<br>7,737 SF RBA | Current | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 4Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 3Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 2Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 1Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 4Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 3Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 2Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 1Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 4Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 3Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 2Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 4Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 3Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 2Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 1Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 4Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 3Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 2Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 1Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2012 4Q | 800       | 0      | 800   | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800   | 7.6%               | 0.0%   | 7.6%   | -            | -      | -           |
|                                                                                 | 2012 3Q | 800       | 0      | 800   | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800   | 7.6%               | 0.0%   | 7.6%   | -            | -      | -           |
|                                                                                 | 2012 2Q | 800       | 0      | 800   | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800   | 7.6%               | 0.0%   | 7.6%   | \$39.00/nnn  | -      | \$39.00/nnn |
| 888 E Capitol Ave<br>Bldg A<br>Milpitas, CA 95035<br>2,035 SF RBA               | Current | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 4Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 3Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 2Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 1Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 4Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 3Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 2Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 1Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                                 | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                                 | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |

### Building Historical Vacancy Report

| Building                                                                            | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |             |             |
|-------------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|-------------|-------------|
|                                                                                     |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet      | Total       |
| 49-91 Dempsey Rd<br>Calaveras Dempsey Retail<br>Milpitas, CA 95035<br>11,027 SF RBA | Current | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | -            | -           | -           |
|                                                                                     | 2014 4Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 3Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 2Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 1Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 4Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 3Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 2Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 1Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$21.16/nnn  | -           | \$21.16/nnn |
|                                                                                     | 2012 4Q | 5,098     | 0      | 5,098 | 46.2%    | 0.0%   | 46.2% | 5,098               | 0      | 5,098 | 46.2%              | 0.0%   | 46.2% | \$21.28/nnn  | -           | \$21.28/nnn |
|                                                                                     | 2012 3Q | 7,907     | 0      | 7,907 | 71.7%    | 0.0%   | 71.7% | 5,791               | 0      | 5,791 | 52.5%              | 0.0%   | 52.5% | \$21.43/nnn  | -           | \$21.43/nnn |
|                                                                                     | 2012 2Q | 7,907     | 0      | 7,907 | 71.7%    | 0.0%   | 71.7% | 7,907               | 0      | 7,907 | 71.7%              | 0.0%   | 71.7% | \$21.43/nnn  | -           | \$21.43/nnn |
| 1400-1426 Dempsey Rd<br>Milpitas, CA 95035<br>16,228 SF RBA                         | Current | 1,040     | 0      | 1,040 | 6.4%     | 0.0%   | 6.4%  | 1,040               | 0      | 1,040 | 6.4%               | 0.0%   | 6.4%  | \$23.04/nnn  | -           | \$23.04/nnn |
|                                                                                     | 2014 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
| 127-141 E Dixon Rd<br>Milpitas, CA 95035<br>5,652 SF RBA                            | Current | 1,850     | 0      | 1,850 | 32.7%    | 0.0%   | 32.7% | 1,850               | 0      | 1,850 | 32.7%              | 0.0%   | 32.7% | \$23.39/nnn  | -           | \$23.39/nnn |
|                                                                                     | 2014 4Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$24.00/nnn  | -           | \$24.00/nnn |
|                                                                                     | 2014 3Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 2Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 1Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 4Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 3Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2013 1Q | 0         | 900    | 900   | 0.0%     | 15.9%  | 15.9% | 0                   | 900    | 900   | 0.0%               | 15.9%  | 15.9% | \$17.04/nnn  | \$17.04/nnn | \$17.04/nnn |
|                                                                                     | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 3Q | 900       | 0      | 900   | 15.9%    | 0.0%   | 15.9% | 900                 | 0      | 900   | 15.9%              | 0.0%   | 15.9% | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |



### Building Historical Vacancy Report

| Building                                                                                     | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                              |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 275-473 Jacklin Rd<br>Foothill Square Shopping Center<br>Milpitas, CA 95035<br>78,404 SF RBA | Current | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 4Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 3Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 2Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 1Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 4Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 3Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 2Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2013 1Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2012 4Q | 5,025     | 0      | 5,025 | 6.4%     | 0.0%   | 6.4%  | 5,025               | 0      | 5,025 | 6.4%               | 0.0%   | 6.4%  | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 3Q | 5,025     | 0      | 5,025 | 6.4%     | 0.0%   | 6.4%  | 5,025               | 0      | 5,025 | 6.4%               | 0.0%   | 6.4%  | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 2Q | 5,025     | 0      | 5,025 | 6.4%     | 0.0%   | 6.4%  | 5,025               | 0      | 5,025 | 6.4%               | 0.0%   | 6.4%  | \$23.39/nnn  | -      | \$23.39/nnn |
| 487-495 Jacklin Rd<br>Milpitas, CA 95035<br>5,399 SF RBA                                     | Current | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 4Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 3Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 2Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 1Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 4Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 3Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 2Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 1Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 4Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 3Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 2Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
| 1301-1369 Jacklin Rd<br>Milpitas, CA<br>18,629 SF RBA                                        | Current | 3,563     | 0      | 3,563 | 19.1%    | 0.0%   | 19.1% | 3,563               | 0      | 3,563 | 19.1%              | 0.0%   | 19.1% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 4Q | 3,563     | 0      | 3,563 | 19.1%    | 0.0%   | 19.1% | 3,563               | 0      | 3,563 | 19.1%              | 0.0%   | 19.1% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 3Q | 2,341     | 0      | 2,341 | 12.6%    | 0.0%   | 12.6% | 2,341               | 0      | 2,341 | 12.6%              | 0.0%   | 12.6% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 2Q | 2,341     | 0      | 2,341 | 12.6%    | 0.0%   | 12.6% | 2,341               | 0      | 2,341 | 12.6%              | 0.0%   | 12.6% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 1Q | 2,341     | 0      | 2,341 | 12.6%    | 0.0%   | 12.6% | 2,341               | 0      | 2,341 | 12.6%              | 0.0%   | 12.6% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 4Q | 841       | 0      | 841   | 4.5%     | 0.0%   | 4.5%  | 841                 | 0      | 841   | 4.5%               | 0.0%   | 4.5%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 3Q | 1,903     | 0      | 1,903 | 10.2%    | 0.0%   | 10.2% | 1,903               | 0      | 1,903 | 10.2%              | 0.0%   | 10.2% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 2Q | 1,903     | 0      | 1,903 | 10.2%    | 0.0%   | 10.2% | 1,903               | 0      | 1,903 | 10.2%              | 0.0%   | 10.2% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 1Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 4Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 3Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 2Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |

### Building Historical Vacancy Report

| Building                                                                 | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                          |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 1455-1487 Landess Ave<br>Milpitas, CA 95035<br>10,000 SF RBA             | Current | 3,700     | 0      | 3,700 | 37.0%    | 0.0%   | 37.0% | 3,700               | 0      | 3,700 | 37.0%              | 0.0%   | 37.0% | \$39.57/nnn  | -      | \$39.57/nnn |
|                                                                          | 2014 4Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 3Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 2Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 1Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 4Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 81-91 S Main St<br>Milpitas, CA 95035<br>4,190 SF RBA                    | Current | 1,172     | 0      | 1,172 | 28.0%    | 0.0%   | 28.0% | 1,172               | 0      | 1,172 | 28.0%              | 0.0%   | 28.0% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 4Q | 1,172     | 0      | 1,172 | 28.0%    | 0.0%   | 28.0% | 1,172               | 0      | 1,172 | 28.0%              | 0.0%   | 28.0% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 3Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 2Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 1Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 4Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 3Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 2Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 1Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 134-158 S Main St<br>Central Plaza<br>Milpitas, CA 95035<br>8,400 SF RBA | Current | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 4Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 3Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 2Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 1Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$18.60/nnn  | -      | \$18.60/nnn |
|                                                                          | 2013 4Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                          | 2013 3Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                          | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.88/mg   | -      | \$17.88/mg  |
|                                                                          | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.88/mg   | -      | \$17.88/mg  |
|                                                                          | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |

### Building Historical Vacancy Report

| Building                                                                                                | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|---------------------------------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                                         |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 372-396 S Main St<br>Milpitas, CA 95035<br>7,500 SF RBA                                                 | Current | 1,421     | 0      | 1,421 | 18.9%    | 0.0%   | 18.9% | 1,421               | 0      | 1,421 | 18.9%              | 0.0%   | 18.9% | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 4Q | 1,421     | 0      | 1,421 | 18.9%    | 0.0%   | 18.9% | 1,421               | 0      | 1,421 | 18.9%              | 0.0%   | 18.9% | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 3Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 2Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 1Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 4Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 3Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 2Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA                       | Current | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.60/mg   | -      | \$21.60/mg  |
|                                                                                                         | 2014 4Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 3Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 2Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$40.20/fs   | -      | \$40.20/fs  |
|                                                                                                         | 2014 1Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 4Q | 3,400     | 0      | 3,400 | 31.6%    | 0.0%   | 31.6% | 3,400               | 0      | 3,400 | 31.6%              | 0.0%   | 31.6% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 3Q | 2,800     | 0      | 2,800 | 26.0%    | 0.0%   | 26.0% | 2,800               | 0      | 2,800 | 26.0%              | 0.0%   | 26.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 2Q | 3,050     | 0      | 3,050 | 28.4%    | 0.0%   | 28.4% | 3,050               | 0      | 3,050 | 28.4%              | 0.0%   | 28.4% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         |         | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -           |
| McCandless Dr @ Great Mall<br>Pkway<br>The District at Milpitas<br>Milpitas, CA 95035<br>500,000 SF RBA | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -           |



### Building Historical Vacancy Report

| Building                                                                                                | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |             |             |
|---------------------------------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|-------------|-------------|
|                                                                                                         |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet      | Total       |
| <b>1774-1838 Milmont Dr</b><br><b>Milpitas, CA 95035</b><br><b>19,375 SF RBA</b>                        | Current | 687       | 0      | 687   | 3.5%     | 0.0%   | 3.5%  | 687                 | 0      | 687   | 3.5%               | 0.0%   | 3.5%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                                         | 2014 4Q | 687       | 0      | 687   | 3.5%     | 0.0%   | 3.5%  | 687                 | 0      | 687   | 3.5%               | 0.0%   | 3.5%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                                         | 2014 3Q | 687       | 0      | 687   | 3.5%     | 0.0%   | 3.5%  | 687                 | 0      | 687   | 3.5%               | 0.0%   | 3.5%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                                         | 2014 2Q | 1,053     | 0      | 1,053 | 5.4%     | 0.0%   | 5.4%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                                                         | 2014 1Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                                                         | 2013 4Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                                                         | 2013 3Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                                                         | 2013 2Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                                                         | 2013 1Q | 3,431     | 0      | 3,431 | 17.7%    | 0.0%   | 17.7% | 3,431               | 0      | 3,431 | 17.7%              | 0.0%   | 17.7% | \$20.85/nnn  | -           | \$20.85/nnn |
|                                                                                                         | 2012 4Q | 3,431     | 0      | 3,431 | 17.7%    | 0.0%   | 17.7% | 3,431               | 0      | 3,431 | 17.7%              | 0.0%   | 17.7% | \$20.70/nnn  | -           | \$20.70/nnn |
|                                                                                                         | 2012 3Q | 3,431     | 0      | 3,431 | 17.7%    | 0.0%   | 17.7% | 3,431               | 0      | 3,431 | 17.7%              | 0.0%   | 17.7% | \$21.35/nnn  | -           | \$21.35/nnn |
|                                                                                                         | 2012 2Q | 2,900     | 0      | 2,900 | 15.0%    | 0.0%   | 15.0% | 2,900               | 0      | 2,900 | 15.0%              | 0.0%   | 15.0% | \$24.60/nnn  | -           | \$24.60/nnn |
| <b>15-85 N Milpitas Blvd</b><br><b>City Square</b><br><b>Milpitas, CA 95035</b><br><b>81,238 SF RBA</b> | Current | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                                                         | 2014 4Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                                                         | 2014 3Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                                                         | 2014 2Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                                                         | 2014 1Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                                                         | 2013 4Q | 0         | 2,940  | 2,940 | 0.0%     | 3.6%   | 3.6%  | 0                   | 2,940  | 2,940 | 0.0%               | 3.6%   | 3.6%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                                                         | 2013 3Q | 0         | 2,940  | 2,940 | 0.0%     | 3.6%   | 3.6%  | 0                   | 2,940  | 2,940 | 0.0%               | 3.6%   | 3.6%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                                                         | 2013 2Q | 0         | 2,940  | 2,940 | 0.0%     | 3.6%   | 3.6%  | 0                   | 2,940  | 2,940 | 0.0%               | 3.6%   | 3.6%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                                                         | 2013 1Q | 1,400     | 2,940  | 4,340 | 1.7%     | 3.6%   | 5.3%  | 1,400               | 2,940  | 4,340 | 1.7%               | 3.6%   | 5.3%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                                                         | 2012 4Q | 1,400     | 0      | 1,400 | 1.7%     | 0.0%   | 1.7%  | 1,400               | 0      | 1,400 | 1.7%               | 0.0%   | 1.7%  | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                                                         | 2012 3Q | 5,000     | 0      | 5,000 | 6.2%     | 0.0%   | 6.2%  | 5,000               | 0      | 5,000 | 6.2%               | 0.0%   | 6.2%  | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                                                         | 2012 2Q | 5,000     | 0      | 5,000 | 6.2%     | 0.0%   | 6.2%  | 5,000               | 0      | 5,000 | 6.2%               | 0.0%   | 6.2%  | \$27.00/nnn  | -           | \$27.00/nnn |
| <b>136-148 N Milpitas Blvd</b><br><b>Milpitas, CA 95035</b><br><b>8,417 SF RBA</b>                      | Current | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2014 4Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2014 3Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2014 2Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2014 1Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2013 4Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2013 3Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2013 2Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2013 1Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2012 4Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2012 3Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                                                         | 2012 2Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |

### Building Historical Vacancy Report

| Building                                                         | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                  |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 985 Montague Expy<br>Milpitas, CA 95035<br>9,760 SF RBA          | Current | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 4Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 3Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 2Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 1Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 4Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 3Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 2Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 1Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2012 4Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2012 3Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2012 2Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
| 102-118 S Park Victoria Dr<br>Milpitas, CA 95035<br>6,646 SF RBA | Current | 1,275     | 0      | 1,275  | 19.2%    | 0.0%   | 19.2%  | 1,275               | 0      | 1,275  | 19.2%              | 0.0%   | 19.2%  | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                  | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2012 2Q | 1,000     | 0      | 1,000  | 15.0%    | 0.0%   | 15.0%  | 1,000               | 0      | 1,000  | 15.0%              | 0.0%   | 15.0%  | \$27.00/nnn  | -      | \$27.00/nnn |
| 15-63 Ranch Dr<br>Milpitas, CA 95035<br>97,250 SF RBA            | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 2Q | 21,000    | 0      | 21,000 | 21.6%    | 0.0%   | 21.6%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 1Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | -            | -      | -           |
|                                                                  | 2012 4Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                  | 2012 3Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                  | 2012 2Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | \$15.00/nnn  | -      | \$15.00/nnn |

### Building Historical Vacancy Report

| Building                                                 | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                          |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 111-251 Ranch Dr<br>Milpitas, CA 95035<br>141,870 SF RBA | Current | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 42,704              | 0      | 42,704 | 30.1%              | 0.0%   | 30.1% | -            | -      | -           |
|                                                          | 2014 4Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2014 3Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2014 2Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2014 1Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 4Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 3Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 2Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 1Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
|                                                          | 2012 4Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
|                                                          | 2012 3Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
|                                                          | 2012 2Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
| 120-158 Ranch Dr<br>Milpitas, CA 95035<br>75,803 SF RBA  | Current | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 4Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 3Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 2Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 1Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 4Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 3Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 2Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 1Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2012 4Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 63,735              | 0      | 63,735 | 84.1%              | 0.0%   | 84.1% | -            | -      | -           |
|                                                          | 2012 3Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 63,735              | 0      | 63,735 | 84.1%              | 0.0%   | 84.1% | -            | -      | -           |
|                                                          | 2012 2Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 63,735              | 0      | 63,735 | 84.1%              | 0.0%   | 84.1% | -            | -      | -           |
| 198-252 Ranch Dr<br>Milpitas, CA 95035<br>23,658 SF RBA  | Current | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 4Q | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 3Q | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 2Q | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                          | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                          | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2013 1Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2012 4Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2012 3Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2012 2Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |



### Building Historical Vacancy Report

| Building                                           | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                    |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 41 Serra Way<br>Milpitas, CA 95035<br>6,712 SF RBA | Current | 2,037     | 0      | 2,037 | 30.3%    | 0.0%   | 30.3% | 2,037               | 0      | 2,037 | 30.3%              | 0.0%   | 30.3% | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                    | 2014 4Q | 2,037     | 0      | 2,037 | 30.3%    | 0.0%   | 30.3% | 2,037               | 0      | 2,037 | 30.3%              | 0.0%   | 30.3% | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                    | 2014 3Q | 2,037     | 0      | 2,037 | 30.3%    | 0.0%   | 30.3% | 2,037               | 0      | 2,037 | 30.3%              | 0.0%   | 30.3% | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                    | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |

### Building Historical Vacancy Report

| Period  | Properties | RBA       | SF Vacant |        |         | % Vacant |        |       | SF Vacant Available |        |         | % Vacant Available |        |       | Average Rate |             |             |
|---------|------------|-----------|-----------|--------|---------|----------|--------|-------|---------------------|--------|---------|--------------------|--------|-------|--------------|-------------|-------------|
|         |            |           | Direct    | Sublet | Total   | Direct   | Sublet | Total | Direct              | Sublet | Total   | Direct             | Sublet | Total | Direct       | Sublet      | Avg Rate    |
| Current | 34         | 1,427,435 | 240,724   | 2,940  | 243,664 | 16.9%    | 0.2%   | 17.1% | 216,974             | 2,940  | 219,914 | 15.2%              | 0.2%   | 15.4% | \$27.75/nnn  | \$24.00/nnn | \$27.69/nnn |
| 2014 4Q | 33         | 927,435   | 232,729   | 2,940  | 235,669 | 25.1%    | 0.3%   | 25.4% | 231,629             | 2,940  | 234,569 | 25.0%              | 0.3%   | 25.3% | \$27.42/nnn  | \$24.00/nnn | \$27.36/nnn |
| 2014 3Q | 33         | 927,435   | 233,221   | 2,940  | 236,161 | 25.1%    | 0.3%   | 25.5% | 231,786             | 2,940  | 234,726 | 25.0%              | 0.3%   | 25.3% | \$27.46/nnn  | \$24.00/nnn | \$27.40/nnn |
| 2014 2Q | 33         | 927,435   | 230,350   | 2,940  | 233,290 | 24.8%    | 0.3%   | 25.2% | 229,297             | 2,940  | 232,237 | 24.7%              | 0.3%   | 25.0% | \$27.34/nnn  | \$24.00/nnn | \$27.28/nnn |
| 2014 1Q | 33         | 927,435   | 226,622   | 2,940  | 229,562 | 24.4%    | 0.3%   | 24.8% | 226,622             | 2,940  | 229,562 | 24.4%              | 0.3%   | 24.8% | \$24.00/nnn  | \$24.00/nnn | \$24.00/nnn |
| 2013 4Q | 33         | 927,435   | 228,855   | 2,940  | 231,795 | 24.7%    | 0.3%   | 25.0% | 227,525             | 2,940  | 230,465 | 24.5%              | 0.3%   | 24.8% | \$23.35/nnn  | \$24.00/nnn | \$23.38/nnn |
| 2013 3Q | 33         | 927,435   | 225,010   | 2,940  | 227,950 | 24.3%    | 0.3%   | 24.6% | 225,010             | 2,940  | 227,950 | 24.3%              | 0.3%   | 24.6% | \$23.44/nnn  | \$24.00/nnn | \$23.46/nnn |
| 2013 2Q | 33         | 927,435   | 290,935   | 2,940  | 293,875 | 31.4%    | 0.3%   | 31.7% | 226,450             | 2,940  | 229,390 | 24.4%              | 0.3%   | 24.7% | \$27.26/nnn  | \$24.00/nnn | \$27.08/nnn |
| 2013 1Q | 33         | 927,435   | 314,702   | 3,840  | 318,542 | 33.9%    | 0.4%   | 34.3% | 271,217             | 3,840  | 275,057 | 29.2%              | 0.4%   | 29.7% | \$27.02/nnn  | \$22.37/nnn | \$26.72/nnn |
| 2012 4Q | 33         | 927,435   | 305,695   | 0      | 305,695 | 33.0%    | 0.0%   | 33.0% | 305,695             | 0      | 305,695 | 33.0%              | 0.0%   | 33.0% | \$24.03/nnn  | -           | \$24.03/nnn |
| 2012 3Q | 33         | 927,435   | 315,904   | 0      | 315,904 | 34.1%    | 0.0%   | 34.1% | 313,788             | 0      | 313,788 | 33.8%              | 0.0%   | 33.8% | \$23.96/nnn  | -           | \$23.96/nnn |
| 2012 2Q | 33         | 927,435   | 317,893   | 0      | 317,893 | 34.3%    | 0.0%   | 34.3% | 317,893             | 0      | 317,893 | 34.3%              | 0.0%   | 34.3% | \$24.05/nnn  | -           | \$24.05/nnn |











PERSPECTIVE RENDERING





PERSPECTIVE RENDERING 2



620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408.933.3477  
650.618.2694

**SERRA WAY**  
MILPITAS, CA 95035  
CLIENT MEETING - 08.12.15





PERSPECTIVE RENDERING

3



620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408.933.3477  
650.618.2694

**SERRA WAY**  
MILPITAS, CA 95035  
CLIENT MEETING - 08.12.15





PERSPECTIVE RENDERING 4





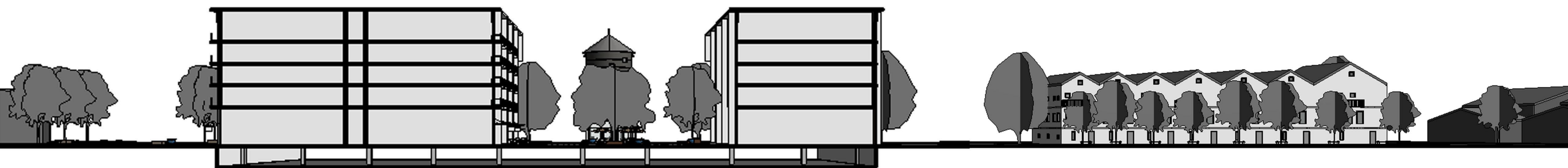
PERSPECTIVE RENDERING 5



620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408.933.3477  
650.618.2694

**SERRA WAY**  
MILPITAS, CA 95035  
CLIENT MEETING - 08.12.15





SECTION PERSPECTIVE RENDERING

6



620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408 933 3477  
650 618 2694

**SERRA WAY**  
MILPITAS, CA 95035

CLIENT MEETING - 08.12.15

***Draft* MEETING MINUTES  
CITY OF MILPITAS**

**Minutes of:** Regular Meeting of Milpitas City Council  
**Date:** Tuesday, September 1, 2015  
**Time:** 5:00 PM Closed Session  
7:00 PM Open Session  
**Location:** Council Chambers, Milpitas City Hall,  
455 East Calaveras Blvd., Milpitas

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**CALL TO ORDER**

Mayor Esteves called the meeting to order at 5:01 PM for Closed Session.

**PRESENT:** Mayor Esteves, Vice Mayor Montano, Councilmembers Barbadillo and Grilli

**ABSENT:** Councilmember Giordano

**CLOSED SESSION**

City Council convened in Closed Session to discuss existing cases of litigation and one case of anticipated litigation.

City Council then convened in Open Session at 7:00 PM.

**ANNOUNCEMENT**

No announcement out of closed session.

**PLEDGE**

Boy Scouts Troop No. 92 presented the flags and led the pledge of allegiance.

**INVOCATION**

Vice Mayor Montano read a passage from the bible to start the meeting.

**MEETING MINUTES**

Motion: to approve the minutes of August 18 and 24, 2015 City Council meetings

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

**SCHEDULE OF MEETINGS**

Motion: to approve Council Calendar/Schedule of Meetings for September 2015

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

**PUBLIC FORUM**

Rob Means, 1421 Yellowstone resident, talked about Personal Rapid Transit (PRT) and the potential costs to build and install.

Bob Nunez, Milpitas resident and School Board member, invited the City Council and all residents to go on Friday, September 18 to Levi Stadium in Santa Clara to watch the Milpitas High School football game. Tickets were available at the school district office.

Robert Marini, Milpitas resident, referred to a recent lawsuit about Proposition 218 and costs for utility services. Council must ask what were specific costs of service and thus, the fees charged.

Voltaire Montemayor, Milpitas resident, knew of everyone's concern for water. Highly combustible materials should be kept in the right place, he urged.

## ANNOUNCEMENTS

None.

## ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

Interim City Attorney Baum asked Councilmembers if they had any personal conflicts of interest or reportable campaign contributions. None were reported.

## APPROVAL OF AGENDA

Motion: to approve the meeting agenda

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## CONSENT CALENDAR

Motion: to approve the Consent Calendar (items noted with \*asterisk), as amended

Mayor Esteves asked to remove item no. 10 (Sports Center Fields project) and no. 12 (Main St. repavement construction) from consent.

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

### \* 3. Odor Report update

Received the update of the odor control report.

### \* 4. Youth Advisory Commission

Per Mayor's recommendation, approved the following on Youth Advisory Commission: Re-appointed Alan Pham and Clare Sern as regular members to terms that will expire in September of 2016. Re-appointed Jashandeep Chahal as Alternate No. 1, Ravit Sharma as Alternate No. 3 and Christie Maly as Alternate No. 4 to terms that will expire in September of 2016.

### \* 6. Repairs Needed for Six Storm Pump Stations

Approved the emergency repairs of six Storm Pump Stations for the not-to-exceed amount of \$557,086.00 and appropriate funds from the City's General Government CIP Fund to the Public Works Utilities Maintenance Repair and Maintenance budget. Received the report on emergency repairs of the Bellew Pump Station.

### \* 7. Year End Budget Adjustments for FY 2014-15

Approved three Fiscal Year 2014-15 year-end budget appropriations:

- 1) Increase Planning and Neighborhood Services Department by \$2,260. The City collected fees from developers to be used for a General Plan update. During the fiscal year, the Planning Department incurred expenditure to initiate the update by filing a notice for CEQA Document Declaration at the County Recorder's office. The source of funding for the budget appropriations is the Community Planning Fund.
- 2) Increase non-department budget by \$6,937 for rental fees of a fence for the McCandless property. The source of funding for the budget appropriations is the Transit Area Impact Fee Fund.
- 3) Increase non-department budget by \$2,495. The increased amount is related to audit fee incurred for the audit of projects funded by the Transportation Development Act grant. The source of funding for the budget appropriation is the Street Improvement Fund.

### \* 8. Resolution

Adopted Resolution No. 8499 approving the Annual Investment Policy for FY 2015-16.

### \* 9. Resolution

Adopted Resolution No. 8500 authorizing the examination of sales or transactions and use tax records.



- \*11. Water Meter Replacement      Approved and authorized the Director of Engineering/City Engineer to execute change order No. 2 for the Automated Water Meter - Phase 1, Project No. 7121 cumulatively not to exceed \$25,000.

## **PUBLIC HEARING**

1. Plastic Bag Ban Ordinance No. 287      Engineering staff Leslie Stobbe introduced two members of the Recycling and Source Reduction Advisory Commission (RSRAC), which had re-affirmed on April 28, 2105 its recommendation to City Council to adopt the proposed ordinance. Ms. Stobbe emphasized the primary reason was to reduce trash and debris in the waterways, creeks and streams throughout the City, and that would also help to meet statewide mandates on the City for its municipal stormwater discharge permit.

Mayor Esteves inquired about the 10 cents per bag charge for brown paper bags. Staff explained that was part of the ordinance and was designed to encourage use of cloth reusable bags that customers could bring from home. City staff would work with business owners on the requirement for tracking sales of single use paper bags by businesses.

Councilmember Barbadillo asked for comparative costs of paper bag to plastic bags. Ms. Stobbe replied that plastic bags could cost only pennies while paper bags could 10-14 cents per bag, though cooperative purchase was available to be cheaper for business.

Vice Mayor Montano asked about state legislation banning plastic bags that was adopted, and the ballot proposition in November 2016. She supported the fee of 10 cents per paper bag to encourage changing shoppers' behavior.

Councilmember Grilli inquired what the rationale was for exempting restaurants. Ms. Stobbe replied it was common in other cities to allow those. Milpitas had a high number rest and that the next action in some cities was to ban styrofoam take-out products in restaurants while allowing the plastic bags for the take-out food container.

Mayor Esteves asked Commissioners if they had any comments for the Council.

RSRAC Chair Eddie Inamdar noted that plastic bags floated in water ways and made the community dirty in addition to being non-compostible. He and the community wanted to keep Milpitas beautiful.

Mayor Esteves opened the public hearing.

Robert Marini, Milpitas resident, felt city was more concerned about plastic bags than getting a fine over incorrect charges for utilities. He did not favor a fee for shopping bags. It was imposing a service on the businesses to keep track of the data, too.

Andrea Ventura, of Clean Water Action with 50,000 members in the Bay Area including Milpitas, commented that plastic bags were "bad actor" trash, hurting wastewater systems. Another advantage of the ban was a fiscal one, helping ratepayers ultimately. The Council was acting sooner to help the pollution problem rather than waiting for the November 2016 ballot proposition. She remarked how well the ban was implemented in San Jose, where she lived.

Tim Howard, Milpitas resident and business owner, supported banning plastic bags to help with reducing trash. But, he strongly opposed the tally of the sale of paper bags to report to the City, especially by small businesses and storefronts. He requested that City Council exempt small businesses from the 10 cents per bag charge.

Alison Chan, from Save the Bay, a Bay Area organization with members in Milpitas, urged Council not to change the 10 cents per bag charge, as recommended. The fee for the paper bags does work to change behavior, she had seen in other communities.

Patty Sexton, Milpitas resident, was in support of banning plastic bags. She made a conscious effort not to use plastic single-use bags by re-using her cloth and synthetic material bags, including one distributed by the City. It helped the environment and beautified the City.

Chris Laffer, a Newark resident and member of Clean Water Action, worked to reduce trash throughout the Bay Area, especially those terrible plastic bags. He discussed the impacts of toxins in the water ways and effects on fish.

Michael Gardner, Fremont resident, shopped in Milpitas. He was willing and did buy the paper bags when needed. He was used to the change where he lived and encouraged having the same practice in Milpitas.

Voltaire Montemayor, Milpitas resident, shopped at WalMart and Grocery Outlet, where plastic bags were still available. He could be trained to change and would accept paper bags. He believed plastic bags were detrimental to the environment and general welfare. He had changed his mind.

Rob Means, Milpitas resident, said most corporations were driven by one single value: profit. They did not care about the environment, as discussed at this meeting. Corporations externalized costs while internalizing profits.

Carol Klein, 1421 Yellowstone resident, reported that where she shopped, some stores would give a credit of five cents or so when you bring your own bags. That was an incentive. Acting as a community was important to be kind and environmentally sensitive.

(1) Motion: to close the hearing, following comments from ten speakers

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of:

AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

Mayor Esteves asked staff more questions about the process for small businesses to track the bag sales. Ms. Stobbe responded they would report to the City annually and repeated that staff would work with those businesses on method to do so.

Councilmember Grilli said the purpose of the ordinance was to ban plastic bags, not to encourage sales of paper bags and to use re-usable cloth bags.

Councilmember Barbadillo asked if the Engineering staff talked to Economic about the impact to businesses. Economic Development Manager Edesa Bitbadal came forward to answer yes, that she had discussed this and how to communicate this change to businesses in the City, several tactics which she described.

Vice Mayor Montano thanked the City Manager for the explanation as to why businesses needed to track sales of the paper bags, in order to report to the state on efforts made towards the requirements for the City's stormwater permit and for waste reduction.

Councilmember Grilli felt removing the 10 cents fee for paper bags would weaken the ordinance, so she wanted to leave it in as an incentive for consumers to bring their own shopping bags from home.

Mayor Esteves stated that businesses were ready for this change and were expecting it, based on nearby cities. It was about time and he supported the ban last time it came before the City Council in Milpitas.

(2) Motion: to find as a Responsible Agency that the adoption of an ordinance to restrict single-use plastic bags in Milpitas is exempt from CEQA under CEQA Guidelines Section 15307 and 15308, and that City of Milpitas was a participating agency in the County-wide Environmental Impact Report analyzing the environmental impacts of an ordinance to restrict single-use carry-out bags

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

Interim City Attorney Gary Baud read aloud the title of Ordinance No. 287, “An Ordinance of the City Council of the City of Milpitas Adding Chapter 5 of Title III of the Milpitas Municipal Code Relating to Single-Use Bags.”

(3) Motion: to waive the first reading beyond the title of Ordinance No. 287

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

(4) Motion: to introduce Ordinance No. 287 restricting use of single-use carry-out bags

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## UNFINISHED BUSINESS

### 2. Overview of CalPERS

Mr. Ron Lind, a CalPERS Board member and Milpitas resident, provided an overview on the current status of the retirement program and its funding status. He discussed the financial health of the retirement fund with \$300 billion in assets and 2700 employees statewide. He described the value of defined benefits pension plans in public employment. PERS was always dealing with systemic risk in investment of its funds.

Mayor Esteves thanked him for his informative presentation to the Council.

Vice Mayor Montano thanked him and found it enlightening. She asked about the effect of China and the global economy on CalPERS. Mr. Lind responded about many factors that did influence the PERS funds, including those she’d mentioned.

Mayor Esteves asked if the City and PERS could do something about the ever-increasing rate of contribution for the City to pay. The collective bargaining process was involved in terms of how much employees contribute to PERS, Mr. Lind responded.

The Mayor invited comments from the audience.

Robert Marini, Milpitas resident, asked how much was in the Safety plan. Mayor Esteves replied with the various PERS formulas that employees have negotiated for retirement.

No vote was taken and the Mayor again thanked Mr. Lind for coming.



## REPORTS

### 5. Sister Cities Commission

Leslie Stobbe, City staff liaison to the Sister Cities Commission, introduced Commission Chair Dennis Grilli who then discussed activities and the workplan for Sister Cities. A new sister city in South Korea would be sought this year in the fall to add to the four current relationships now in place.

Commissioners recommended a change in the by-laws to have one voting member in a seat for a representative of a company with a corporate presence in Milpitas. This would be to a change to one existing seat on the Commission, not adding one. The goal was to seek help with fund raising activity and seeking corporate sponsors.

Vice Mayor Montano noticed he had not mentioned outreach for a Sister City in Latin America. Ms. Stobbe pointed out this was item no. 6 on the Commission work plan.

Mayor Esteves wanted to include city staff to be covered by any stipend for possible future travel. Staff replied in the past it was determined that that would not be allowed.

Next, the Mayor invited the public to speak.

Voltaire Montemayor, Milpitas resident, talked about visitors from foreign countries. It was an honor for Milpitas and the exchange of cultures.

Motion: to approve the FY 2015-16 Work Plan and approve one change to the By-laws of the Sister Cities Commission related to membership

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## AGREEMENTS

### 10. Bidder Package for Sports Center Fields

City Engineer Steve Machida came to the podium to brief the Council and the public on the Milpitas Sports Center playing field updates.

Mayor Esteves asked if work would be done by July 4, 2016 as stated in report, and staff said yes. He asked the City Engineer about various dates and steps in the schedule and plans. Primarily, the Mayor was concerned that work got done on time because there was no way that the City could not have use of the field for July 4<sup>th</sup> festivities.

Councilmember Grilli asked if there was any impact on the area for a skateboard park and staff said no, as that area would not be disturbed at all.

Mr. Machida stated that staff would come back to City Council in the next meeting or two with the project architect to show the community what was planned at the sports fields.

Motion: to authorize the City Engineer to issue a bidder pre-qualification package for the Milpitas Sports Center Sports Fields, Project No. 5104

Motion/Second: Councilmember Barbadillo/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0  
ABSENT: 1 (Giordano)

### 12. Main St. Reconstruction

Mayor Esteves asked Steven Machida to update the public on the project occurring along Main Street including the new trees. The Mayor asked staff about lights on the street or

adding to the project. Mr. Machida replied that staff had met with business owners this date to come up with a plan for attractive street lighting to go in along Main Street and to be prudent with underground lighting before any new street lights get installed.

Councilmember Grilli thanked the Mayor for bringing up this topic. Business improvement was needed all along Main Street so she was pleased with these efforts, including a plan for lighting.

Vice Mayor Montano mentioned that the Community Advisory Commission talked with an arborist about trees, and mentioned adding some trees to Main Street. Lights along the current project segment should match the style already installed along the more northern portion of Main (in the MidTown Plan area).

Councilmember Barbadillo asked about some of the financial details of the project, and the change order amount requested for approval here.

Mayor Esteves invited comments from the audience.

Voltaire Montemayor, Milpitas resident, lived close to the area and maybe it could extend further to the Milpitas Post building area, beyond the Milpitas Library.

Motion: to approve and authorize the Director of Engineering/City Engineer to execute contract change order No. 2 for \$250,000 for the Main Street Pavement Reconstruction, Projects No. 4277 and No. 3412

Motion/Second: Councilmember Grilli/Councilmember Barbadillo

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## **ADJOURNMENT**

Mayor Esteves adjourned the City Council meeting at 10:05 PM.

*Meeting minutes respectfully submitted by  
Mary Lavelle, City Clerk*

| August 2015 |    |    |    |    |    |    |
|-------------|----|----|----|----|----|----|
| S           | M  | T  | W  | T  | F  | S  |
|             | 2  | 3  | 4  | 5  | 6  | 7  |
| 8           | 9  | 10 | 11 | 12 | 13 | 14 |
| 15          | 16 | 17 | 18 | 19 | 20 | 21 |
| 22          | 23 | 24 | 25 | 26 | 27 | 28 |
| 29          | 30 | 31 |    |    |    |    |

| October 2015 |    |    |    |    |    |    |
|--------------|----|----|----|----|----|----|
| S            | M  | T  | W  | T  | F  | S  |
|              |    |    |    |    | 1  | 2  |
| 3            | 4  | 5  | 6  | 7  | 8  | 9  |
| 10           | 11 | 12 | 13 | 14 | 15 | 16 |
| 17           | 18 | 19 | 20 | 21 | 22 | 23 |
| 24           | 25 | 26 | 27 | 28 | 29 | 30 |
| 31           |    |    |    |    |    |    |

## MILPITAS CITY COUNCIL CALENDAR

### September 2015

| Sunday    | Monday                                                                                                                                                                                                                                                                     | Tuesday                                                                    | Wednesday                                                                                                              | Thursday                                                                                                                                                                                                                                        | Friday    | Saturday  |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
|           |                                                                                                                                                                                                                                                                            | <b>1</b><br><b>5:00 PM</b> -Closed Session<br><b>7:00 PM</b> -City Council | <b>2</b><br><b>7:30 AM</b> -Santa Clara VTA Northeast Group (JE)<br><b>7:00 PM</b> -Community Advisory Commission (CM) | <b>3</b><br><b>5:30 PM</b> -Santa Clara VTA Board of Directors (JE)<br><b>7:00 PM</b> -Bicycle Pedestrian Advisory Commission (CM)                                                                                                              | <b>4</b>  | <b>5</b>  |
| <b>6</b>  | <b>7</b><br><br><b>LABOR DAY</b><br>City Departments and Services Closed for Holiday                                                                                                      | <b>8</b>                                                                   | <b>9</b><br><b>5:30 PM</b> -Veterans Commission – Special Meeting (DG)<br><b>7:00 PM</b> -Planning Commission          | <b>10</b><br><b>4:00 PM</b> -Santa Clara VTA Policy Advisory Committee (CM)<br><b>4:30 PM</b> -Treatment Plant Advisory Committee (JE) (San Jose)<br><b>7:00 PM</b> -Cities Assoc of SCC (JE)<br><b>7:00 PM</b> -Youth Advisory Commission (DG) | <b>11</b> | <b>12</b> |
| <b>13</b> | <b>14</b><br><b>2:30 PM</b> -Milpitas Oversight Board at Community Center<br><b>4:00 PM</b> -Economic Development Commission (CM)<br><b>4:30 PM</b> -City Council Finance Subcommittee (JE / CM)<br><b>7:00 PM</b> -Parks, Recreation & Cultural Resources Commission (GB) | <b>15</b><br><b>6:00 PM</b> -Study Session<br><b>7:00 PM</b> -City Council | <b>16</b>                                                                                                              | <b>17</b><br><b>10:00 AM</b> -Santa Clara VTA Congestion Management Program & Planning Committee (JE)<br><b>7:00 PM</b> -Emergency Preparedness Commission (MG)<br><b>7:00 PM</b> -Bay Area Water Supply Conservation Agency (JE-Foster City)   | <b>18</b> | <b>19</b> |
| <b>20</b> | <b>21</b><br><b>7:00 PM</b> -Telecommunications Commission (GB)<br><b>7:00 PM</b> -Library Advisory Commission (CM)                                                                                                                                                        | <b>22</b>                                                                  | <b>23</b><br><b>5:30 PM</b> -Veterans Commission – Special Meeting (DG)<br><b>7:00 PM</b> -Planning Commission         | <b>24</b><br><b>5:30 PM</b> -Milpitas Chamber of Commerce Board (DG)<br><b>6:00 PM</b> -Sister Cities Commission (MG)                                                                                                                           | <b>25</b> | <b>26</b> |
| <b>27</b> | <b>28</b><br><b>7:00 PM</b> -Arts Commission (DG)                                                                                                                                                                                                                          | <b>29</b>                                                                  | <b>30</b><br><b>7:30 AM</b> -Santa Clara VTA Northeast Group (JE)                                                      |                                                                                                                                                                                                                                                 |           |           |



| September 2015 |    |    |    |    |    |    |
|----------------|----|----|----|----|----|----|
| S              | M  | T  | W  | T  | F  | S  |
|                |    | 1  | 2  | 3  | 4  | 5  |
| 6              | 7  | 8  | 9  | 10 | 11 | 12 |
| 13             | 14 | 15 | 16 | 17 | 18 | 19 |
| 20             | 21 | 22 | 23 | 24 | 25 | 26 |
| 27             | 28 | 29 | 30 |    |    |    |

| November 2015 |    |    |    |    |    |    |
|---------------|----|----|----|----|----|----|
| S             | M  | T  | W  | T  | F  | S  |
| 1             | 2  | 3  | 4  | 5  | 6  | 7  |
| 8             | 9  | 10 | 11 | 12 | 13 | 14 |
| 15            | 16 | 17 | 18 | 19 | 20 | 21 |
| 22            | 23 | 24 | 25 | 26 | 27 | 28 |
| 29            | 30 |    |    |    |    |    |

## MILPITAS CITY COUNCIL CALENDAR

### October 2015

| Sunday    | Monday                                                                                                                     | Tuesday                                                                                                               | Wednesday                                                                                  | Thursday                                                                                                                                                                                                       | Friday    | Saturday                                                                                           |
|-----------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------------|
|           |                                                                                                                            |                                                                                                                       |                                                                                            | <b>1</b><br>5:30 PM-Santa Clara VTA Board of Directors (JE)                                                                                                                                                    | <b>2</b>  | <b>3</b>                                                                                           |
| <b>4</b>  | <b>5</b><br>10:00 AM-SVRT Program Working Committee (JE)<br>7:00 PM-Parks, Recreation & Cultural Resources Commission (GB) | <b>6</b><br>5:30 PM-Joint Meeting City Council +Planning Commission<br>7:00 PM-City Council                           | <b>7</b><br>5:30 PM-Veterans Commission (DG)<br>7:00 PM-Community Advisory Commission (CM) | <b>8</b><br>4:00 PM-Santa Clara VTA Policy Advisory Committee (CM)<br>4:30 PM-Treatment Plant Advisory Committee (JE) (San Jose)<br>7:00 PM-Youth Advisory Commission (DG)<br>7:00 PM-Cities Assoc of SCC (JE) | <b>9</b>  | <b>10</b>                                                                                          |
| <b>11</b> | <b>12</b><br>4:00 PM-Economic Development Commission (CM)                                                                  | <b>13</b>                                                                                                             | <b>14</b><br>7:00 PM-Planning Commission                                                   | <b>15</b><br>12:00 PM-Santa Clara VTA Congestion Management Program & Planning Committee (JE)                                                                                                                  | <b>16</b> | <b>17</b><br>10:00 AM to 4:00 PM<br>Milpitas Veterans Commission - 3 <sup>rd</sup> Annual Car Show |
| <b>18</b> | <b>19</b><br>7:00 PM-Telecommunications Commission (GB)                                                                    | <b>20</b><br>6:00 PM-Closed Session<br>7:00 PM-City Council                                                           | <b>21</b>                                                                                  | <b>22</b><br>5:30 PM-Milpitas Chamber of Commerce Board (DG)<br>6:00 PM-Sister Cities Commission (MG)                                                                                                          | <b>23</b> | <b>24</b>                                                                                          |
| <b>25</b> | <b>26</b>                                                                                                                  | <b>27</b><br>1:30 PM-Senior Advisory Commission (JE)<br>6:00 PM-Recycling & Source Reduction Advisory Commission (GB) | <b>28</b><br>7:00 PM-Planning Commission                                                   | <b>29</b><br>12:00 PM-Terrace Gardens Board of Directors (DG)<br>1:30 PM-Santa Clara County Library District Joint Powers Authority (CM)                                                                       | <b>30</b> | <b>31</b><br> |

# CITY OF MILPITAS

## CONSOLIDATED ANNUAL PLAN PERFORMANCE EVALUATION REPORT (CAPER)

### JULY 1, 2014 - JUNE 30, 2015

#### EXECUTIVE SUMMARY

During fiscal year 2014-2015, the City of Milpitas received \$395,456 in Community Development Block Grant (CDBG) funds. A total of \$59,318.40 was allocated to 12 different public service providers. These public services include a variety of programs such as: 1) supportive services for domestic violence families, 2) senior legal aid, 3) supplemental supplies of food and clothes program, 4) homeless shelter and supportive services, 5) recreational assistance programs, 6) child advocacy, 7) family literacy program, 8) long-term care ombudsman services for senior in care facilities, 9) adult day care services, 10) fair housing services and 11) meals for home-bound seniors.

With regards to non-public service activities, Milpitas allocated \$257,046.40 to 4 different non-public service providers, these services will include: 1) funding for the modernization of elevators for a senior project, 2) home repairs and improvements for senior and physically, disabled persons, 3) Milpitas Single-Family Rehabilitation Loan Program and 4) apartment/home rehabilitation that includes weatherization, energy conservation, and code deficiency repairs.

The 15-day public review period on the Milpitas CAPER was advertised from August 21st to September 4th, 2015 for public review and comments. The Milpitas City Council held a public hearing on September 15, 2015. Any comments received prior to or during the City Council public hearing will be incorporated into the final document. Community Development Block Grant funds will be provided to all segments of Milpitas population including geographical areas with concentrated low-income households.

#### Certification of Discharge Policy

The City of Milpitas will be working with the State of California Department of Corrections and County of Santa Clara Department of Corrections to establish a comprehensive policy and strategy for the housing and placement of offenders in the community. The Discharge Placement Policy seeks to provide direct help and assist for the placement of prisoners released from jails, hospitals, and other facilities in order to prevent homelessness.

**Public Comments:** To be provided after City Council Public Hearing on Tuesday, September 15, 2015 at 7:00pm Milpitas City Hall at the City Council Chamber.

## Introduction

Pursuant to the Department of Housing and Urban Development (HUD) funding requirements and in conformance with 24 CFR Part 91.520 Performance Report, City of Milpitas has prepared and will be recommending for approval of its 2014-2015 Consolidated Annual Performance Evaluation Report (CAPER). The CAPER describes: 1) the City's low and moderate income housing and community development activities carried out during the past fiscal year 2014-2015, 2) the funding resources that were made available for low-income activities, and 3) the number of low-income households who received assistance with housing-related needs.

The CAPER also evaluates the City's overall progress in carrying out those priority projects that were identified in the approved Five Year (2012-2017) Consolidated Plan and One-Year Action Plan. To date, Milpitas has continued to meet its overall one-year goals and will be on target to meet its goals for the Five-Year Consolidated Plan.

## SUMMARY OF THE CONSOLIDATED PLAN ANNUAL PERFORMANCE REPORT

The CAPER'S Narrative Report consists of the following:

- Summary of Accomplishments
- Resources Made Available/Leveraging Resources
- Status of the Actions Taken during the Year to Implement the City's Goals and Objectives
- Affirmatively Furthering Fair Housing
- Accomplishments (Households and Persons Assisted)
- The City's Self-Evaluation on the Progress Made in Addressing and Identifying the Priority Needs and Objectives
- Citizens Comments and Public Review

## PUBLIC REVIEW OF THE CAPER

The CAPER was made available for public review and comments for a 15-day public review period from August 21, 2015 to September 4, 2015. Copies were sent out to CDBG Service Providers and all interested parties. Copies are also made available in the Milpitas Public Library, Public Information Counter at Milpitas City Hall and City's Website. The Milpitas City Council will hold a public hearing on the Draft CAPER on Tuesday, September 15, 2015 at Milpitas City Hall, 455 E. Calaveras Blvd. at 7:00 p.m. After the public hearing, public review comment period, a copy of the CAPER along with the Financial Summary Grantee Performance Report, Summary of Housing Accomplishments and Integrated Disbursement and Intonation System (IDIS) reports will be forwarded to the Department of Housing and Urban Development (HUD) by September 30, 2015. Public Notice of the CAPER public review, and comments period and the City Council's public hearing notice will be advertised in the Milpitas Post, along with letters to Public Service and Housing Providers and other interested parties (including a draft copy of the CAPER) will be mailed.



## GEOGRAPHIC DISTRIBUTION

The specific geographic areas in which the City of Milpitas provided direct assistance with CDBG funds during the fiscal year 2014-2015 contains an inclusive population. The rationale for allocating CDBG funds are based on financial, social and economic needs of several working class neighborhoods. Neighborhoods such as Sunnyhills, Selwyn, Shirley, Dempsey Road, Temple Drive and Adams Ave have high concentration of low income populations which have benefited from CDBG funds such as: Housing Rehabilitation Loan Program, Next Door Solution to Domestic Violence, YWCA Silicon Valley, Milpitas Food Pantry, Milpitas Recreation Assistance Program, Rebuilding Together, The Health Trust, Project Sentinel, Senior Adults Legal Assistance, HomeFirst, and Terrace Gardens Senior Housing Project.

## SUMMARY OF ACCOMPLISHMENTS

The City of Milpitas uses a variety of funds to support services and provide affordable and supportive housing activities during the past fiscal year. Milpitas received direct federal funds of \$395,456 for fiscal year 2014-2015 from the CDBG Program and \$9,706.06 in Program Income in form of the payments from the Housing Rehabilitation Program. The loan payments from the rehabilitation program serve as a revolving loan fund that will go back into the program. The total CDBG funding for FY 2014-2015 was approximately \$405,162.06.

Please note, as reported in the City's 14/15 Action Plan, it was estimated that the City's CDBG 20% Program Administration limit was \$88,698.00. This was based on an allocation of \$393,490 and anticipated program income of \$50,000.00. However, the City only received \$9,700 of program income. Therefore the maximum amount allowable for program administration is \$80,938. The City expended \$96,199.62, an overage of \$15,261. The City will reimburse the program account for the overage in administrative expenses.

Milpitas continues to support and encourage the Housing Authority of Santa Clara County efforts to increase Section 8 vouchers for Milpitas residents. To date, the Housing Authority has identified 615 Section 8 tenants in Milpitas and 1,892 residents on the waiting lists. Unfortunately, Milpitas has been informed by the Housing Authority of Santa Clara County that they do not have the funding to issue future Section 8 vouchers and the current waitlist is 8-10 years.

A summary of the Milpitas housing and community projects accomplishments is presented below:

- **Rebuilding Together Silicon Valley** provides funding to preserving affordable housing through home improvements. The home improvements are prioritized by the homes which is in need of safety, energy efficiency, accessibility and mobility repairs and upgrades for very low-income homeowners. The primary focus is also to correct code deficiencies that are safety hazards. Home improvements include: increasing accessibility, modifying homes to include wheelchair ramps, grab bars, and hand rails; and increasing energy efficiency through weather-stripping, appliance replacements, vent cleaning, compact fluorescent lights replacements and windows. Other home repairs and rehabilitation work includes electrical repairs roof repairs and replacements, interior and exterior painting yard cleanup, plumbing repairs, bathroom modifications flooring (linoleum, carpet tile), heating installation, indoor and outdoor lighting, fences for safety, doors, steps, and smoke and carbon monoxide alarms. Milpitas provided

\$94,563.20 in CDBG funds for this project. A total of 30 Milpitas homes benefited from this project the past year.

**Goal/Objective:** This accomplishments exceeded its goal of 25 homes and rehabilitated 30 low income homes.

- **San Jose Conservation Corporation** provided apartment rehabilitation which include weatherization, energy conservation and mitigating code deficiencies for very-low to low-income Milpitas households. The project also provides valuable, vocational education to at-risk, disadvantaged, young adults with the opportunity of hands-on training by working on the rehabilitation projects.

**Goal/Objective:** The goal was accomplished as they served six (6) residents.

- **Terrace Gardens Senior Housing** received funds to modernize three (3) elevators and upgrade electrical and mechanical components to meet state and local codes. A total 148 very low and low-income seniors benefited from this project the past year.

**Goal/Objective:** This goal was accomplished with the modernization and upgrade of elevators and its components.

- Milpitas Single-Family Rehabilitation Loan Program provides housing rehabilitation at a low-interest rate loan to very-low and low-income homeowners with the goal of preserving City's neighborhoods through the conservation of existing stocks. The loans are for eligible improvements identified through inspections. Rehabilitation addresses building codes issues, home improvements and other housing deficiencies and to ensure that the rehabilitation units are free of lead based paint. Program income is generated through repayments of loans; that money then is contributed back into the program enabling the program to continue. Milpitas provided \$351,521 (includes \$9,706.06 Program Income and \$50,000 for Rehabilitation Administration) in CDBG funds for this report. A total of 1 Milpitas homeowner benefited from this project the past year.

**Goal/Objective:** This goal was not accomplished as only 1 rehabilitation of a single family home was completed out an anticipated goal of 2. During FY 2014-2015, two homes were being rehabilitated in which only 1 was 100% completed, and the other as of June 30, 2015 was 99% completed, but still awaiting notice of completion.

### ***Affordable Housing Programs and Opportunities***

- **Housing Trust Silicon Valley** has raised approximately over \$84 million and have leveraged this amount to over \$1.88 billion to create 12,699 housing opportunities for families and individuals within Santa Clara County. To date, a total of fifty-five (55) loans in the amount of \$536, 620 were approved for Milpitas First-Time Homebuyer residents with low-interest rates from Housing Trust Silicon Valley.
- **Mobilehome Park Rent Control Ordinance** has allowed the continuance of affordable rent for the 527 Mobile home units located within four mobile home parks, which are regulated by the

1992 City's Rent Control Ordinance which guarantees long-term affordability. Seventy-two percent living in these mobile home parks are senior citizens over the age of 60-years-old.

- Milpitas continues to implement its Transit Area Specific and Mid-Town Specific Plans around the proposed new BART Station which is proposing a range of densities that would allow up to an additional 5,500 new dwelling units and 3,000 units from the Midtown Specific Plan.
- As required by State Planning Law, Milpitas hired a consultant, Bay Area Economic (BAE) to prepare its General Plan Housing Element (2015-2023) which identifies policies, goals and objectives to further affordable housing opportunities. It was approved by the State of California, Department of Housing and Community Development (HCD) and adopted by City Council on April 28, 2015. Milpitas next Housing Element will be due in January 2023.
- County of Santa Clara Fair Housing Task Force continues to participate in quarterly countywide Fair Housing Task Force meetings with other jurisdictions within Santa Clara County. The task force addresses a variety of issues from housing discrimination, foreclosures, redlining, and fair housing policies. Guest presenters are also invited to attend the meeting from special topics.

### ***Met or Exceed 3-5 Year Goals and Expectations for Affordable Housing***

Milpitas appears to be on target to meet and exceed its goals and expectations for affordable housing identified with the 2012-2017 Consolidated Plan:

- Milpitas currently has 1,248 affordable housing units with long-term affordability restriction agreements for very-low, low- and moderate-income households and senior citizens. The types of units include single family, attached townhomes and multi-family rental. An estimated additional affordable housing units with long-term restrictions agreements has submitted to the City of Milpitas for project review and approval. If approved, upon completion of construction, a total of 1,317 affordable housing units will be available for very low, low and moderate-income households.
- City of Milpitas may incentivize and encourage the development of affordable housing with either/or: wavier of certain development fees, park/open space fees, and/or consider a reduction in development standards to assist the project.
- Prior to the dissolution of Milpitas Redevelopment Agency (RDA), RDA provided funding required 20% housing set-aside funds for affordability housing inside and outside of the project areas. In the past years, RDA provided over \$50 million in assisting developers and first-time homebuyers through park fees or impact fees and low interest rate loans. However, with dissolution of RDA effective February 1, 2012, the ability to support and financial fixture affordable housing units will be extremely difficult.
- Milpitas has negotiated with developer of South Main Street Senior Lifestyles Project to provide 48 very-low income designated units of the total 389 units.
- The Housing Authority of Santa Clara County, HUD and the City has continued worked with the property owner of Sunnyhills Apartments to maintain the Section 8 contracts for the 151 units



at-risk of converting to market rate. The additional 151 Section 8 Program vouchers have been maintained for low-income tenants.

- Milpitas has updated its General Plan Housing Element (2015-2023) which will include policies, goals and objectives to support affordable housing opportunities.

### ***Met or Exceed 3-5 Year Goals and Expectations for Homelessness***

On January 27th and 28th, 2015, Santa Clara County administered a biennial point-in-time Homeless Census and Survey. The goal of the Homeless Census and Survey is to locate, identify, and eventually house the county's most vulnerable individuals into permanent supportive housing. A total of 112 unsheltered Milpitas residents were identified as homeless in 2015, this presents a 15% increase in homeless persons (95) from the previous homeless survey in 2013. Milpitas will continue to provide funding to address homeless issues throughout the city.

Milpitas will continue to support County of Santa Clara efforts to obtain homeless funds from the McKinney-Vento Act for Emergency Shelter Grants (ESG) to assist over 6,000 county residents identified as homeless in the 2015 homeless survey.

During the state-mandated Housing Element process Milpitas has amended its Zoning Ordinance to include the following:

- Modify Zoning Ordinance to allow transitional/supportive housing in MXD Zoning Districts.
- Modify Zoning Ordinance to allow manufactured homes in all zoning districts where residential developments are allowed.
- Milpitas will continue to provide funding to HomeFirst to provide shelter and support services for homeless Milpitas residents.

Milpitas is on target to meet its 3-5 year housing goals and expectation for homelessness.

### ***Met or Exceed 3-5 Year Goals and Expectations for Public Services***

Based on the variety of public services being provided Milpitas appears to be on target to meet or exceed its goals and expectations for public services identified within the five year Consolidated Plan.

#### ***Public Services Provided***

- **Catholic Charities Long Term Care Ombudsman Program** provides services to six (6) long-term care facilities through regular site visits by trained, certified community volunteers. Volunteers will respond to complaints, mediate fair resolution to problems, and advocate for quality of care and residents' rights to at least 68 frail, chronically-ill, elderly residents in those facilities. Milpitas provided \$5,000 in CDBG funds to this program. In total, 87 elderly residents benefited from this program during the past year.

**Goal/Objective:** This accomplishment has exceeded its goal, 87 Milpitas residents were served, in comparison to the anticipated 68 residents.

- **City of Milpitas' Recreation Assistance Program** provides monetary assistance to subsidize recreational programs to low and very low-income youths. The previous Milpitas Stay & Play After School and Camp Stay and Play Programs have been incorporated into the Milpitas Recreation Department Recreation Assistance Program. Milpitas provided \$5,000 in CDBG funds to this program. A total of 47 Low-income Milpitas youths participated in the program.

**Goal/Objective:** This accomplishment has exceeded the goal as 47 Milpitas youths were served, in comparison to the anticipated 40.

- **Child Advocates of Silicon Valley** provides court-appointed, foster care children to special advocates (CASA) to provide one-on-one consistent and permanent support, by remaining in the child's life during the whole duration of the child's time in the foster care system. The CASA provide consistent critical emotional and educational support due to the absentee and inconsistencies of the child's parent(s)/guardians/adults in his/her life. Milpitas provided \$5,000 in CDBG funds to fund 25-30 children.

**Goal/Objective:** This accomplishment has exceeded their goal by servicing 32 children. In addition recruited 311 CASA volunteers, trained 201 CASA volunteers, supported 564 CASAs to work with foster children, providing 7,406 hours of continuing education and over 54,000 hours of volunteer hours to the community.

- **HomeFirst** provides shelter and supportive services for homeless adults, youth, and families in Milpitas. Programs include housing and education services to help clients overcome barriers to housing and employment to encourage self-sufficiency. HomeFirst services ranges from emergency shelter to transitional programs permanent housing and after-care services. Milpitas provided \$5,000 in CDBG funds to this program. HomeFirst provided 574 personal nights days to 33 Milpitas residents.

**Goal/Objective:** This accomplishment has exceeded the goal as 33 unduplicated Milpitas Residents were served in comparison to the anticipated 20 residents. A total of 574 personal shelter days were also recorded.

- **Live Oak Adult Day Care Services** specializes in adult day care services for frail and dependent at-risk senior residents including: respite for family caregivers, provides nutritious meals, counseling, referrals, and case management to support family members in their efforts to maintain their dependent senior relative in the family home. Milpitas provided \$5,000 in CDBG funds to this program. A total of 5 Milpitas senior residents with 214 days of social adult day care service benefited from this program the past year.

**Goal/Objective:** This accomplishment has not met its goal, as only 5 unduplicated Milpitas Seniors were served instead of the anticipated 12. Live Oak stated difficulties and barriers in the location of the adult day services. The day services for Milpitas residents were located in Willow Glen of San Jose, leading families to lose interest in driving their elders far or arranging transportation. Live Oak's executive director is researching the feasibility of having a satellite program inside Milpitas to encourage and entice more Milpitas clients and participation.

- **Milpitas Food Pantry** is a locally-based organization that provides supplemental emergency supplies of food to low-income individuals and households and other household items such as clothes, toiletries and school supplies. The Milpitas Food Pantry collects, purchases and store food supplies to distribute. Milpitas provided \$9,318.40 in CDBG funds for this program. A total of 1,026 very low and low-income households (2,959 persons) benefited from this program during the past year.

**Goal/Objective:** This accomplishment has exceeded the goal. As 1,026 unduplicated Milpitas Residents were served in comparison to the anticipated 800-1,000 residents.

- **Milpitas Family Literacy Program** is located only at Title I elementary schools in the Milpitas Unified School District to teach low-income, pre-school aged children and their families (and often bilingual): book handling skills, reading out loud, and other kindergarten readiness strategies for parents and pre-school aged children. In addition the program provides free weekly book exchanges to encourage reading at home with his/her parents. Milpitas provided \$5,000 in CDBG funds for this program. A total of 35 families benefited from this program last year.

**Goal/Objective:** This accomplishment has met its goal, as 30 unduplicated Milpitas pre-school aged children and families were served or 60 individuals.

- **Next Door Solutions to Domestic Violence** provides shelter for up to 30 days for women and children victims of domestic violence in need of emergency shelter. Milpitas provided \$5,000 in CDBG funds to this project. Three (3) Milpitas residents benefited from the emergency shelter this past year and an additional sixty-three (63) were provided non-residential services such as: crisis counseling, support groups, individual therapy, legal assistance and advocacy in the past year.

**Goal/Objective:** This accomplishment was not met, as only three (3) residents were housed in emergency shelter instead of the anticipated five (5). The number was not met because only 1 family in Milpitas requested shelter.

- **Project Sentinel** provides fair housing education and landlord-tenant dispute resolution services along with mortgage default, delinquency and pre-purchase counseling to Milpitas residents. Public education and outreach activities for both fair housing and landlord-tenant services includes Rent Watch, rental housing advice column, distribution of brochures, radio and television public service announcements, presentations and workshops. Milpitas provided \$15,000 in CDBG administration funds to this project. This project benefits all Milpitas residents.

**Goal/Objective:** This accomplishment has exceeded the goal, as 73 referrals by Milpitas Residents were served.

- **Senior Adults Legal Assistance (SALA)** provides free legal services to Milpitas elderly citizens. SALA provides services by appointments only at 23 senior centers throughout Santa Clara County, one being the Milpitas Senior Center. SALA has served Milpitas seniors since 1979. SALA provides an on-site intake sessions twice a month. Five, half-hour session's appointments are available at each intake session for the elderly to meet with SALA representative. Home visits



are also available for those seniors who are home-bound or reside in nursing homes. Milpitas provided \$5,000 in CDBG funds to the program. A total of 49 senior citizens benefited from these services during the past year. SALA also conducted a community education seminar at the Milpitas Senior Center for senior citizens.

**Goal/Objective:** This accomplishment has exceeded the goal, as 49 unduplicated Milpitas Seniors were served, in comparison to the anticipated 38 seniors.

- **The Health Trust** provides nutritionally-balanced, home-delivered meals daily to six (6) unduplicated, home-bound seniors, as well as increasing social interaction and provide additional wellness checks. Milpitas provided \$5,000 in CDBG funds to this program. A total of 1,636 daily, nutritionally-balanced meals were delivered to six (6) Milpitas seniors in fiscal year 2014-2015.

**Goal/Objective:** This accomplishment has met its goal of 6 unduplicated Milpitas Residents.

- **YWCA of Silicon Valley** provides supportive services for domestic violence victims including: 24-hour tool of free bilingual (English/Spanish) crisis hotline, confidential emergency shelter, counseling, case management, individual and group therapy, support groups, children's art therapy, safety planning and domestic violence education. Milpitas provided \$5,000 in CDBG funds to the program. A total of 20 Milpitas households benefitted from these services during the past year.

**Goal/Objective:** This accomplishment fell short of the goal of assisting 30 Milpitas residents (24 instead of 30). YWCA surpassed its goal in providing direct supportive services and crisis counseling/information to survivors through referrals from the Milpitas Police Department as 110 individuals were assisted. City Staff has met with the sub-recipient in strategies to additional outreach and other further assistance as requested to increase the program awareness that may restrict the project from reaching 30.

## RESOURCES MADE AVAILABLE

Milpitas received \$405,162.06 (including \$9,706.06 of Program Income) in CDBG funds during FY 2014-2015 from housing and community development activities. Milpitas used these CDBG funds to carry out the activities identified in the Five-Year Consolidated Plan. All activities were carryout Citywide; there were no specific geographic concentration of resources. However, the specific geographic areas in which Milpitas have provided direct assistance with CDBG include low-income neighborhoods. The rationale for targeting these areas for allocating CDBG funds are based on financial, social, and economic needs of several working class neighborhoods.

On March 5th and April 15th, 2014, the Milpitas Community Advisory Commission (CAC) and City Council held public hearings to allocated \$395,456 of CDBG funds. The funds were used for a variety of public services, programs and activities.

### ***Leveraging Other Resources***

Milpitas has leverage other resources in support of affordable housing and community projects which includes:

- Provide land donation (\$12.4 million by Milpitas Housing Authority) to developer to construct South Main Senior Lifestyles apartments with 48 very low-income units for seniors.
- Participate in Countywide Fair Housing Task Force to address various housing issues throughout Santa Clara County.
- Participating in a Countywide Regional Countywide Housing Task Force to consider adoption housing nexus study and developer impact fees.

Provided over \$37 million in Capital Improvement Projects (CIP) on community and parks projects to enhance quality of life for Milpitas residents. The following listing identifies the financial resources that have been used to leverage funds within the City of Milpitas Capital Improvement Program 2015-2020 (CIP):

|                                          |             |
|------------------------------------------|-------------|
| City Building ADA Compliance Review      | \$50,000    |
| Sports Center Skate Park                 | \$1,650,000 |
| Alviso Adobe Renovation                  | \$6,474,272 |
| Murphy Park Picnic Playground Renovation | \$3,750,000 |
| Sports Center Sports Fields              | \$2,875,000 |
| Park Access Improvements and Resurfacing | \$600,000   |

The majority of the public service agencies have also leverage their funds with a variety of public, private funding sources including other foundations, corporations, and private donations. Milpitas CDBG application process requires applicants to explain their method and strategy of leveraging funds for their programs and activities. Milpitas will continue to seek creative and alternative methods to leverage its funds and continue to financially support a variety of housing and public services programs and activities.

## STATUS OF OTHER ACTIONS TAKEN DURING THE YEAR TO IMPLEMENT THE CITY'S GOALS AND OBJECTIVES

### *Existing Public Policy (On-Going Implementation)*

The City of Milpitas has approved and adopted four important documents which will have a major impact on the City's future housing policies: 1) The Midtown Specific Plan, 2) Milpitas General Plan Housing Element, 3) Milpitas Five-Year Consolidated Plan (2012-2017) and 4) Transit Area Specific Plan.

- **Midtown Specific Plan:** Milpitas continues to implement the Midtown Specific Plan. Overall, the plan calls for up to 4,000-5,000 new dwelling units, support retail development, new office developments at key locations, bicycle and pedestrian trails linking the areas together and new parks to serve residential development. Residential densities up to 60 dwelling units per acre will be accommodated with parking reductions for developments with 1/4 miles of the Transit-Oriented Development Overlay Zones. The Milpitas City Council adopted the Midtown Specific Plan in March 2002. To date, approximately 1,317 housing units have been approved or under construction within the Midtown Specific Plan Area.
- **Milpitas General Plan Housing Element (2015-2023):**As required by State of California Housing Element Law, City of Milpitas has certified and adopted its General Plan Housing Element, which

establishes goals, policies and objectives over the next eight years. Identifying adequate housing opportunity sites, appropriate densities to meet the Regional Housing Needs Determination (RHND) housing goals as determined by ABAG, affordable housing at-risk, governmental constraints and housing costs are several issues that will be addressed.

- **Consolidated Plan (2012-2017):** City of Milpitas submitted its Five-Year Consolidated Plan was approved by HUD in August 2012. The Consolidated Plan is a comprehensive planning document that identifies the City's overall needs for affordable housing and non-housing community development activities and outlines the strategy to address the identified needs. Staff is working on updating the next Consolidated Plan for 2018-2023.
- **Transit Area Specific Plan:** Preparation of a report for over 400 acres around the light rail and future Montague/Capital Bart station in Milpitas for specific types of land uses, streetscape, design guidelines, and high-density residential development within half mile of the light rail and BART stations. High-density residential development would allow up to 60 dwelling units per acre. The plan also allows for a bonus of 25% increased density with a use permit. In addition housing developers can apply for the State Density Bonus. If the use permit and density bonus are approved, a developer could potentially have up to 90 dwelling units permitted on approved sites. The Transit Area Specific Plan has the potential to provide 5,000 to 7,000 additional dwelling units in Milpitas. To date, Milpitas has approved or under construction eleven (11) applications for development within the Transit Area Specific Plan with over 3,200 new housing units.

Also, Milpitas has continued to demonstrate a commitment to providing a variety of affordable housing units to increase the City's housing supply through the use of the Density Bonus Ordinance, and first-time homebuyers program. Milpitas has and will continue to consistently negotiate with developers to provide a percentage of the units as affordable through the use of incentives such as reduction in development standards, waiver of developmental fees, and financial concessions.

Milpitas has also taken steps to streamline the permit processing procedures to expedite the approval of affordable housing projects. Milpitas in terms of the approval process has given these projects special priority for fast track approval. Milpitas policies as well as its financial commitment will continue to support, maintain and improve on affordable housing opportunities for its residents.

### ***Public Housing Improvement and Residents Initiatives***

Presently, there is no public housing within the City of Milpitas.

### ***Institutional Structure***

There are no weaknesses identified in the institutional structure.

### ***Actions Taken to Overcoming Gaps in Institutional Structures to Enhance Coordination***

Milpitas continues to work closely with the State, County, local jurisdictions, public and private agencies to provide and coordinate strategies and provide available resources within the community. The



Milpitas Housing Element serves as the guide to policies and principles in providing affordable, safe and decent housing to all segments of the population.

Also, Milpitas has prepared and submitted its updated Consolidated Plan (2012-2017) to identify its CDBG housing and community goals and objectives over the next five years. Milpitas continues to serve on the Housing Bond Advisory Committee within Santa Clara County to raise approximately \$20 million dollars to address the affordable housing and homeless support programs throughout the entire County.

Milpitas continues to participate in several countywide groups such as: Fair Housing Task Force, CDBG Coordination meetings, HOME Consortium, Regional Countywide Housing Task Force, and Homelessness Prevention over the next 10 years. Finally, Milpitas continues to support and encourage intergovernmental cooperation among the various public agencies and organizations to foster coordination and avoid the duplication of services and the effective use of financial resources. Projects such as the Countywide Homeless Survey, Fair Housing Report, Countywide Fair Housing Task Force, Housing Trust Fund, and Regional Countywide Housing Task Force are just a few examples of the City of Milpitas collaboration among the other jurisdictions in Santa Clara County.

### ***Lead Based Paint Hazard Reduction***

Milpitas has updated its information on lead-based paint hazard which will continue to be provided to all property owners and residents prior to any housing rehabilitation work being performed. If the property appears to have lead-based paint hazard, the property owner will be notified and further testing will be required to abate the problem. Milpitas has allocated \$50,000 of Single Family Rehabilitation Program Administration funds to implement compliance with the HUD Lead-Based Paint regulations.

Milpitas will continue to work with its Building Division and County of Santa Clara Environmental Health Department, as funding becomes available, in the design and implementation programs related to the detection, abatement, presentation and education of lead paint in the housing stock.

## **AFFIRMATIVELY FURTHERING FAIR HOUSING**

The state-mandated updated Housing Element (2015-2023) was submitted, certified, and approved by the Department of Housing and Community Development (HCD) and City of Milpitas' City Council pursuant to State Housing Element Law, the following updates will be incorporated into the document to further fair housing opportunities for lower income households:

- Milpitas Zoning Ordinance was amended to permit emergency shelters without discretionary review "by right" within certain zoning district. In the past, this use would require a discretionary review by Planning Commission and or City Council through the conditional use permit process which could be denied with opposition. Development standards will also be incorporated to promote and regulate orderly development.
- Milpitas Zoning Ordinance was amended to permit transitional and supportive housing without discretionary review "by right" within certain residential zoning districts. These uses will be subject to the same development standards and restrictions as other residential uses within the same zoning districts.

- Milpitas Zoning Ordinance was amended to permit single room occupancy units by discretionary review by Milpitas Planning Commission. These uses will also be subject to development standards to promote and regulate orderly development.
- Milpitas will review and consider updating any policies, ordinances or procedures to further allow reasonable accommodation for persons with disabilities in the application of housing opportunities.
- Milpitas' City Council directed that all new residential developments applications submitted after June 16, 2015 shall provide five percent (5%) of very-low or low-income residential units with a restriction of fifty-five (55) years or contribute an amount to the City equivalent to the five percent (5%) of the construction value or a combination of both.
- Milpitas continues to support Project Sentinel's fair housing services. Project Sentinel provides fair housing education, enforcement, tenant/landlord and dispute resolution services along with public education and outreach activities for both fair housing and tenant/landlord services for Milpitas residents.

In May 2011, the Milpitas City Council held a public hearing, reviewed and approved the updated Analysis of Impediments to Fair Housing Choice (AI) Report and its recommendations. The AI Report identified several impediments such as demographics, advertising, cases of housing discrimination, awareness of local fair housing services and public policies housing affordability will be addressed and implemented by Milpitas. The AI coincides with the update of the Consolidated Plan. Both documents will be updated by staff in the upcoming months.

The following actions have been taken during the past year to further implement the recommendations identified in the AI Report:

**Statistical Summary: 4th Quarter (April 1- June 30, 2015)**

Project Sentinel handled a total of 27 cases and did 6 outreach events, had 3 fair housing cases, 4 consultations on fair housing and 0 calls on Fair Housing. During this reporting period, Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:

- June 10, 2015 – Presentation for Atheist Community of San Jose | San Jose, CA: Senior Fair Housing Coordinator presented fair housing laws to Atheist Community of San Jose, in which 1 of the 25 attendees were resident of City of Milpitas. The presentation went over fair housing laws and focused particularly on religious discrimination against non-religious individuals and their rights.
- May 26, 2015 – Training for Apartment Owner's Association Members | San Jose, CA: Fair Housing Director did a 90 minute presentation on "Fair Housing is Good Business," to 38 members of the Apartment Owner's Association comprised of "mom and pop" owners who managed property throughout Northern and Central California. In addition an extensive question and answers were conducted with one member owning property in the City of Milpitas.

- May 18, 2015 – Training for Downtown Streets Team Staff | San Jose, CA: Fair Housing Coordinator led an hour-long housing presentation on fair housing laws and answering specific housing-related questions. The staff in attendance service all of Santa Clara County which includes the City of Milpitas.
- May 15, 2015 – Project Sentinel’s Fair Housing Symposium | Mountain View, CA: The symposium provide an opportunity for dialogue between individuals with diverse background and experience in housing and experiences in discrimination. The day long even attracted various fair housing advocates and stakeholders from all the bay area. Forty-two (42) attendees serviced Santa Clara County which includes City of Milpitas.
- April 8, 2014 – California Apartment Association Annual Northern California Expo | Santa Clara, CA: Fair Housing Staff tabled at the expo attended by various owners, managers and service providers which included those who had property in Milpitas. Fair housing brochures were passed out included handing out 300 additional brochures on familiar status discrimination and assistance animals.

#### **Statistical Summary: 3rd Quarter (January 1 – March 31, 2015)**

Project Sentinel handled a total of 21 cases, did 2 outreaches, 2 consultations on fair housing and had 1 fair housing call. During this reporting period, Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:

- March 17, 2015 – Training for San Andreas Regional Center | Campbell, CA: Fair housing coordinator conducted an in-depth presentation for service coordinators who provided supportive service to people with developmental disabilities. Service providers received training on familiar status, national origin, and source of income discrimination and instruction on disability discrimination and reasonable accommodations. The service providers provided services for residents in Milpitas.
- February 19, 2015 – Tabling at Milpitas Library | Milpitas, CA: Staff set up a resource table in the mail lobby and passed out fair housing brochures and informational handouts. In which, 10 residents visited the booth seeking more information with 4 signing up to receive information on upcoming fair housing workshops.
- February 19, 2014 – Brochures Distributions | Milpitas, CA: Staff delivered brochures at the Milpitas Senior Center, Milpitas Community Center, Milpitas City Hall, and at Peet’s Coffee Shop.
- January 24, 2015 – Rental Housing Network Presentation | San Jose, CA: Staff provided a fair housing presentation sponsored by the Rental Housing Network that provides tool and resources for small rental property in Silicon Valley. Thirty-eight providers attended, in which 2 are Milpitas residents.

#### **Statistical Summary: 2nd Quarter (October 1 - December 31, 2014)**

Project Sentinel handled a total of 5 outreaches, 12 cases and out of those 12 cases, 3 were fair housing with 2 consultations and 4 fair housing calls.



During this reporting period. Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:

- November 25, 2014 – Training for Housing Choices Coalition Staff | San Jose: Staff provided a fair housing presentation for a staff of 13. Housing Choices Coalition is a non-profit that works with individuals with developmental disabilities on housing-related issues.
- November 13, 2014 - Training for all MidPen Staff | San Jose: Approximately 175 staff servicing any of the MidPen properties including Milpitas had to attend training. The training was an overview of fair housing laws and details about protected classes and reasonable accommodations and modifications and HUD requirements about service animals and reasonable accommodations.
- November 10, 2014 – Outreach to Fremont Freelance Journalist with Indian Express and TriCity Voice | Fremont & Milpitas, CA: Fair housing coordinator met with freelance journalist who works for Indian Express and TriCity to collaborate on outreach to the Indian community. The journalist distributed brochures and translated to Hindi on print and social media platforms along with Hindu temples.
- November 4, 2014 – Fair Housing Workshop at Barbara Lee Senior Center | Milpitas, CA: Workshop was conducted at the senior center to provide overview of fair housing rights with 4 Milpitas residents attending the workshop. Staff distributed an additional 20 informational flyers on fair housing rights and Project Sentinel's services to staff and visitors at the senior center.
- October 26, 2014 – Make a Difference Day Community Health and Wellness Faire | Milpitas, CA: Staff delivered a short introduction of Project Sentinel's services and was available for question at a table staged near the Milpitas Lions Club, also in attendance was the mayor.
- October 23, 2014 – Housing Choices Workshop/Panel | San Jose, CA: Staff presented and sat on a panel about fair housing choices for parents of adult disabled children and how to help their children live independently. Attendees reside in Santa Clara County including those serving City of Milpitas.
- October 18, 2014 – Global Real Estate Investors Club | Milpitas, CA: Fair housing director conducted a 2 hour training on fair housing rights and responsibilities for members of the Global Real Estate Investors Club – primarily Chinese investment property owners who own properties throughout Silicon Valley.

**Statistical Summary: 1st Quarter (July 1 -September 30, 2014)**

Project Sentinel handled a total of 12 cases. The total cases handled out of the total of 12 cases: 1 fair housing case, 2 consultations and 3 housing calls related to fair housing. In addition 4 outreaches were done.

During this reporting period, Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:

- September 4, 2014 – Milpitas Library and Barbara Lee Senior Center | Milpitas, CA: Staff distributed fair housing brochures, day care brochures and familiar status leaflets to the Milpitas Main Library. Staff also tabled at the center including providing a workshop for the residents in attendance.
- August 25, 2014 – Outreach to Indian Community | Milpitas, CA: Met with freelance journalist who writes for TriCity and Indian Express to translate fair housing PSAs and advertisements. Journalist also provided a co-sponsored workshop for Milpitas residents.
- August 19, 2014 – Devries Senior Housing | Milpitas, CA: Staff provided an information workshop to describe Project Sentinel's housing services to staff and awaiting if they are interested in training.
- August 18, 2014 – Milpitas Community Center | Milpitas, CA: Staff provided a free fair housing informational workshop and/or set up table at the Milpitas Community Center.
- August 18, 2014 – St. John's the Baptist Catholic Church | Milpitas, CA: Staff spoke with a representative at St. John the Baptist Catholic Church about the possibility of doing a work shop and/or setting an informational table during one of their events.

#### **General Summary: Fair Housing Services and Community Outreach**

During the past program year, Project Sentinel provided the following fair housing and tenant/landlord dispute resolution services:

- Project Sentinel investigated a total of seventy-three (73) cases for the City of Milpitas. Of those 73, seven (7) were fair housing investigations that were more intensive and longer in duration.
- A total of 17 outreach sessions were held to benefit the general public regarding fair housing issues. Also, on-going advertising and continued outreach campaign to heighten public awareness of discrimination and fair housing services were provided.
- Housing and training seminars for tenants, owners, and managers were provided throughout Milpitas and documents were translated in languages commonly used in Milpitas i.e. Tagalog, Spanish, Vietnamese etc.

#### ***Other Policies to Further Fair Housing***

Milpitas continues to support and encourage developers to consider higher density residential projects through the use of the Density Bonus Ordinance as a mechanism to increase the affordable housing opportunities for low and moderate-income families.

Milpitas Planned Unit Development (PUD) permit process allows for higher density (20-40 dwelling units per acre), if the applicant can demonstrate a public benefit. Housing developers have used this permit process to increase the density on their high-density multi-family projects, offering affordable housing units as the public benefit.

Milpitas continue to implement its Midtown Specific Plan to accommodate densities up to 60 dwelling units per acre in specific locations with 1/4 mile of the two light rail transit stations proposed in Milpitas. The adopted Midtown Specific Plan will accommodate a range of 4,000-5,000 dwelling units of various housing types and styles. Milpitas continues to implement its Transit Area Specific Plan for those properties that are located within VTA mile of the transit stations, Santa Clara Valley Transportation Authority (VTA) light rail and Bay Area Rapid Transit (BART). Residential properties within this designated area will be classified as multi-family, high-density residential development with a transit-oriented overlay. Densities up to 75 dwelling units per acre will be allowed within this zoning district. With a use permit and state density bonus, developers can obtain up to 90 dwelling units per acre within certain designated area of the transit area. A total of approximately 400 acres around the light rail and Montague/Capital Bart station will be designated.

Milpitas has also provided funding to HomeFirst and Project Sentinel, which provides a renter education program that includes information about legal protection against discrimination. Milpitas programs such as single family housing rehabilitation, first-time homebuyers has actively pursued an affirmative action plan. In addition there are rehabilitation loans and first-time homebuyer loans to assist low and moderate-income households are available to all persons of the City of Milpitas.

Brochures, public handouts and other fair housing information (i.e. information on security deposits, tenant responsibilities, remedies for obtaining repairs, tenant/landlord mediation, how-to protect tenant rights etc.) are available at the Information Counter at Milpitas City Hall. Copies of all handout information are provided in Spanish, Chinese and others included Tagalog and Vietnamese.

The Planning and Building Departments will continue to enforce policies, ordinance and procedures to guarantee that all disabled and special needs persons has reasonable accommodations as it relates to housing developments. The best means to further the housing opportunities for its diverse population is to continue to provide housing programs in the City, which preserves and expands the existing housing stock especially for large families with children. The narrative within the Consolidated Plan illustrates that the City's use of CDBG and other funding resources were directed towards meeting this goal.

## CONTINUUM OF CARE NARRATIVE

Milpitas will continue to fund the operations of a variety of support services and programs to address the needs of homeless persons and the special needs of persons that may require supportive housing. The supportive services and programs include the following:

- **Catholic Charities Long-Term Care Ombudsman Program** which provides services to long-term care facilities through regular site visits by trained certified community volunteers. The visits include speaking to residents and also responding to complaints to mediate fair resolution to problems and advocate quality care for senior citizens (87 chronically ill elderly residents).

Other supportive services funded in the City of Milpitas includes:

- **Milpitas Food Pantry** served about 1,026 very low and low-income households through weekly food supplements and household items. In addition the Health Trust provides Meals on Wheels to 6 homebound seniors.



- Supportive housing programs includes funding for **HomeFirst**, which provides shelter and supportive services to homeless adults, youths and families (574 shelter nights for 33 Milpitas residents).
- **Next Door Solutions to Domestic Violence** and **YWCA Silicon Valley** which provides supportive services for victims of domestic violence and their children sheltered a total of 23. Also both organizations provided supportive non-residential services for 83 individuals and worked with 110 Milpitas residents through referrals from the Milpitas Police Department.
- The goals of funding these supportive services, programs and housing activities are to assist homeless and non-homeless persons (individuals and families) on making the transition to permanent housing and independent living. Milpitas will continue to implement its Continuum of Care Strategy and take appropriate actions to provide funding to address the needs of its homeless and non-homeless populations.

## ACCOMPLISHMENTS

### *Households and Persons Assisted*

This section identifies the number of households and persons assisted through the various programs, activities and projects during the past FY 2014-2015. Milpitas has used its CDBG funds and other available resources to serve a wide range of very low and low-income households with a combination of housing rehabilitation services and providing affordable housing alternatives. The following information below outlines the specific goals established by the Plan and the accomplishments for the various categories of assistance:

### *Programs and Services to Address the Needs of Homeless Persons and Special Needs*

- **Milpitas Food Pantry** provides monthly supplemental food supplies to 1,026 very and low-income families.
- **Live Oak Adult Day Services** provides adult day care serves for 5 frail and dependent at-risk seniors residents.
- **HomeFirst** provides shelter and supportive services to homeless men, women and families for emergency shelter and case management to find housing opportunities. Programs include housing, education, employment and self-sufficiency. A total of 574 nights of shelter have been provided to 33 Milpitas residents.
- **Housing Trust Silicon Valley** continues to work to provide over 1,049 families in securing permanent housing with the *Finally Home Security Deposited Grant Program* to end homelessness and help those at-risk of being homeless. The individuals that benefited from the program include seniors, minors, female-head of households, chronically homeless and those directed from the County's Housing 1000 clients.
- County of Santa Clara Housing Authority continues to work with County Housing Authority to maintain and support existing Section 8 vouchers for Milpitas residents.

### *Program and Services to Prevent Persons and Families from Becoming Homeless*

- Milpitas has provided \$405,162.06 for service programs, which provided food, shelter, clothing, and other assistance to homeless persons, which served 3,584 persons.
- Milpitas continues to monitor the Sunnyhills Apartments (151 units) and the other 180 Section 8 Program tenants to prevent the at-risk conversion to market-rate units and the displacement of existing low-income households. Milpitas will continue to work with the property owner and HUD to maintain its long-term affordability.

### ***Programs and Services to Address Homeless Persons, Including Those with Special Needs, to Transition to Independent Living***

- **Next Door Solution to Domestic Violence** and **YWCA Silicon Valley** provided comprehensive shelter services for 23 women and their children including over 83 individuals with counseling, support groups, individual and group therapy legal assistance with restraining orders and advocacy. In addition, provided supportive services to another 110 referrals from the Milpitas Police Department.

### ***Actions to Assist Non-Homeless Elderly Persons***

- Milpitas has funded several programs which provided assistance and services to the elderly population such as: **Rebuilding Together** provided 30 home improvements services to senior homeowners; **Senior Adults Legal Assistance** provided 49 free legal services to Milpitas elderly; **Project Sentinel** provided fair housing and mediation service; and **Milpitas Food Pantry** provided food for 1,026 households.
- **Catholic Charities Long Term Care Ombudsman Program** provided on-going care to six (6) long-term care facilities in Milpitas through regular site visits by trained certified community volunteers who provided quality care to 87 frail, chronically-ill, elderly residents in those facilities.
- **The Health Trust** provided daily, nutritionally-balanced meals on wheels, social interaction and additional wellness for 6 home-bound Milpitas seniors.
- **Live Oak Adult Day Care Services** provided adult day care services for frail and dependent at-risk senior residents, respite for family caregivers and provides nutritious meals and snacks. Services include counseling, referrals, and case management, support family members in their efforts to maintain their dependent senior relative in the family home. This program provided services for 5 Milpitas senior residents.
- **Terrace Gardens Senior Housing Renovations and Improvements** provided CDBG funding for the modernization and upgrade of three elevators at the senior property.
- In FY 14-15, the Senior Nutrition Program budget was \$171,235 for Santa Clara County. Milpitas contributes 50% of that cost of \$85,618. In the past year, 240 unduplicated Milpitas residents were served of the total of 411 participants countywide.

## ***Actions to Assist Persons with Physical or Mental Disabilities***

The City of Milpitas has committed General Funds, Capital Improvement Project (CIP) and CDBG funds for the following on-going projects (2015-2020):

- City Buildings ADA Compliance Review involves the review of all City Buildings constructed prior to 2000 to confirm compliance with access requirements in accordance with American with Disabilities Act, to identify any deficiencies and recommend improvements. The City of Milpitas has allocated \$50,000 for this project.
- Alviso Adobe Renovation provides new park improvement and restoration that include structural stabilization, seismic strengthening and improvement in walkaways, parking lot and picnic areas. The City of Milpitas has identified \$1,000,000 from the Park Fund.
- Murphy Park Picnic Playground Renovation provides for renovation improvements that increase the picnic area and ADA compliance assessment and improvements. The project will be funded \$3,750,000.
- Sports Center Sports Fields will include improvements and modification of lighting and bleachers to accommodation related fields and pathway improvements. An estimated \$2,875,000 is funded for this project through the Park Fund and the Midtown Park Fund
- Park Access Improvements and Resurfacing will provide for improvement and rehabilitation of vehicle, bike and pedestrian access for City parks. The project will be funded in the following year for about \$600,000.

A total of approximately \$13,275,000 has been allocated in the City of Milpitas' Capital Improvement Program (TIP) budget for the installation of these improvements and ADA compliance requirements.

## ***Actions to Assist Persons with Alcohol or Other Drug Related Problems***

Milpitas does not currently provide any funding for alcohol or other drug related problems as City Council has directed priorities for the funding.

## ***Actions to Taken to Improve Public Housing and Residents Initiatives***

There are no public housing units within the City of Milpitas.

## ***Actions to Address Obstacles to Meeting Undeserved Needs***

Milpitas has provided funding CDBG funding and set priorities to meet underserved individuals and families, especially that of youth. The following programs serve the needs of underserved youths:

- **Child Care Advocates** recruits, trains and support volunteers to court-appointed children in the foster care system to remain a constant supportive presence throughout the whole foster care process, some until they are adults. With the CDBG funding they were able to serve 32 Milpitas children.



- **City of Milpitas' Recreation Assistance Program** provides financial assistance to very-low and low-income Milpitas youths for recreational programs at 50% of the costs in which 47 youths received.
- **Milpitas Family Literacy Project** provides kindergarten readiness program to low income, and often bilingual families through teaching the families book handling skills, reading out loud, and other readiness strategies.

### ***Actions to Foster and Maintain Affordable Housing and Eliminating Barriers to Affordable Housing***

Milpitas continues to work with HUD and the property owners of Sunnyhills Apartments to maintain the long-term affordability of the 151 units at-risk of conversion to market rate units for very low and low-income persons. Milpitas has approximately 1,248 affordable housing units with long-term affordability restriction agreements, with an additional 56 affordable units approved with staff and developers.

Also, the Mobilehome Park Rent Control Ordinance conserves affordable rent to 527 mobile home units. Milpitas continues to work closely with Project Sentinel on eliminating barriers to affordable housing. Additional outreach efforts, including seminars and workshops have been held with local property owners/managers to discuss housing discrimination and flyers, advertising on cable television are made available to the public.

Project Sentinel (the City's Fair Housing provider) aims to eliminate fair housing barriers by publicizing and advertised their services through the City's cable TV, website and Information Counter in various languages, in addition through the newspaper outlets as Milpitas Post.

### ***Actions Taken to Reduce the Number of Persons Living Below the Poverty Level***

Milpitas has continued to fund a variety of supportive programs and activities that provides food, clothing, job training, counseling, rental assistance and crisis intervention to prevent individuals and families from becoming at-risk of being homeless.

**Milpitas Food Pantry** provided meals to supplement 1,026 low and moderate-income households.

Fair Housing and tenant-landlord mediation is provided through **Project Sentinel** and **Senior Adults Legal Services** in addressing fair housing issues and complaints regarding landlords. Landlords may increase rent above and beyond the means of many low and moderate income renters and preventing unnecessary evictions.

Milpitas has also continued to work with County of Santa Clara Social Services Agency to refer low-income families to programs such as Cal Work's poverty level. Santa Clara County has experienced a decline in all public assistance programs including Medi-Cal, Food Stamp, and Foster Care Cash Aid programs. A total of 464 Cal WORKS cases of the Santa Clara County are Milpitas households (2.7%).

### ***Actions Taken to Ensure Compliance with Program and Comprehensive Planning Requirements***

Milpitas consistently monitors its CDBG grantee sub-recipients and projects to ensure compliance with the program goals and objectives and comprehensive planning requirements. Monitoring includes review of quarterly reports to determine if goals are achieved, invoices and review of agency audits, financial records, and clientele files. Staff also conducts annual on-site monitoring. The Milpitas Community Advisory Commission (CAC) and City Council conducts annual public hearings on its Action Plan, CAPER, and the allocation of CDBG funds to provide the general public the opportunity to review and comment on the use of CDBG funds.

### ***Public Facilities and Improvement Needs***

Milpitas has committed General Funds with Capital Improvement Projects (CIP) funding to provide improvements on street infrastructure to drainage improvements for low and moderate-income neighborhoods. These improvements includes ADA compliance, infrastructure, public safety, pedestrian walkways, and urban runoff pollution program.

## **SELF-EVALUTION OF PROGRESS IN ADDRESSING IDENTIFIED NEEDS AND OBJECTIVES**

Milpitas appears to be on target to meet most of its anticipated objectives outlined with Five-Year Consolidated Plan. Public Service programs and supportive services have been carefully prioritized and funded to benefit an inclusive population of Milpitas. Housing, public services, seniors and homeless populations has been given special care and attention in addressing their need.

The two main goals and objectives, which the City is presently behind on meeting its schedule, are:

- 1) Assisting first-time homebuyers on participating in the Mortgage Credit Certificate Program and
- 2) The development of the Senior Housing Project.

The Mortgage Credit Certificate Program for first-time homebuyers continues to be extremely difficult to achieve based on the limited mortgage credit credits issued by the State of California to Santa Clara County. This program has been reduced by almost 80% countywide. This goal appears to be unattainable unless additional funds sources are available.

Milpitas has provided support and financial assistance for the three (3) 100% affordable project (Aspen Family Apartments - 100 units, Terrace Gardens – 148 units, and DeVries Place Senior Housing – 103 units). Milpitas also provides letters for support with these projects to the State of California Tax Credit Allocation Committee (TCAC).

Milpitas Public Facilities and Improvement needs has largely been funded through the City's Capital Improvement Program (CIP) budget, which addresses citywide problems such as infrastructure, parks, and other types of recreational activities.

In general, Milpitas appears to be well on its way on meeting or exceeding its goals and objectives that have been identified within the Consolidated Plan (2012-2017) and in process of updating its new Consolidated Plan for 2018-2023.

## **CITIZEN PARTICIPATION**

As outlined in the Milpitas Citizens Participation Plan, the Draft CAPER Report was prepared and made available to the public for review for 15 days from August 21st to September 4th, 2015. A public advisement notice was placed in the local Milpitas Post Newspaper advertising the availability of the CAPER Report on August 14, 2015. In addition, copies of the report were mailed to all organizations, grantees, and other people who have expressed an interest in the City's CDBG Program. Copies of the report were also available at the Milpitas Public Library and City of Milpitas information desk. The Milpitas City Council will hold a public hearing on September 15, 2015 at 7:00 p.m. at Milpitas City Hall to adopt the CAPER.

### ***Summary of Public Comments Received***

All public comments received by the City of Milpitas has been incorporated into the final CAPER to be forwarded to HUD by September 30, 2015.

### ***Public Comments***

To be provided after City Council Public Hearing.





## **The City of Milpitas**

### **Request for Proposals For FRAUD, WASTE, AND ABUSE COMPLAINT HOTLINE AND ONLINE REPORTING SERVICES**

Issued: September 16, 2015

## **SECTION 1**

### **GENERAL INFORMATION**

#### **Objectives**

The City of Milpitas ("the City") is requesting proposals from experienced and qualified consulting services to provide a telephone and web portal to accept anonymous and confidential reports of possible fraud, abuse, theft, ethics violations, or other possible misconduct against the City described in the Scope of Work set forth in this Request for Proposals (RFP).

#### **Background**

The City is located near the southern tip of San Francisco Bay, forty-five miles south of San Francisco. The City is on the eastern border of Santa Clara County's "Silicon Valley." With a population of approximately 70,000, Milpitas is a progressive community that is an integral part of the high tech Silicon Valley. The City features quality schools, conveniently located neighborhood parks and shopping centers and a population rich in diversity. Incorporated in 1954, Milpitas is a general law city operating under the City Council/City Manager form of government, with approximately 320 employees. The City is financially stable with an annual operating budget in excess of \$100 million. Additional information about the City of Milpitas can be obtained on the City's website at: <http://www.ci.milpitas.ca.gov>.

The City provides a full range of municipal services that include police, fire, water, streets, parks, engineering, planning and recreation services. The City has been challenged with structural budget deficits in recent years and has utilized strategies such as holding vacant positions unfunded, layoffs, furlough and reorganization to close the budget gap. The annual operating budget for fiscal year 2015-16 is approximately \$140 million, including funding for capital improvement projects.

In order to maintain the highest level of public trust as it relates to the stewardship of the public resources we have been empowered and entrusted to manage, the City is seeking an outside firm to provide a telephone and web portal to accept anonymous and confidential reports of possible fraud, abuse, theft, ethics violations, or other possible misconduct against the City.

The telephone and web portal shall be accessible by the general public as well as the City's approximately 450 employees. The City seeks to investigate any possible fraudulent, unethical, illegal, or dishonest activities against the City and pursue disciplinary or legal remedies where available on behalf of the City.

#### **Purpose**

The intent of this Request for Proposal (RFP) is to solicit proposals from qualified firms to establish, operate, and maintain a dedicated toll-free telephone hotline and internet based reporting system for employees and residents of City of Milpitas ("City") to anonymously report complaints of fraud, waste, abuse, and other wrongdoing in connection with City government.

The contract to be awarded will be for an initial period of three (3) years, with up to two (2) additional, one (1) year options to renew at the sole discretion of the City. Therefore, proposals should reflect the maximum five (5) year term of the contract.

#### **RFP Contact**

Questions regarding the RFP should be directed to:

City Manager's Office  
City of Milpitas  
455 E. Calaveras Blvd.  
Milpitas, CA 95035  
408-586-3051  
Email: [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov)

**Proposal Due Dates**

An electronic copy of the proposal must be received no later than **5:00 p.m. on October 23, 2015**. Proposals are to be sent to: [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov).

Proposals should be marked "**City of Milpitas Ethics Hotline Program RFP.**" Proposals received after 5:00 p.m. on October 23, 2015 will be disqualified.

**Anticipated Schedule for Consideration of RFP** *(The City reserves the right to amend the schedule below as necessary).*

| Action                                            | Date                                  |
|---------------------------------------------------|---------------------------------------|
| Issue RFP                                         | September 16, 2015                    |
| RFP circulation                                   | September 16 through October 23, 2015 |
| Proposals due                                     | October 23, 2015                      |
| Complete selection process (including interviews) | October 26 through November 6, 2015   |
| Contract award                                    | November 17, 2015                     |
| Sign and process contract                         | November 18, 2015                     |

**Incurred Costs**

The City is not liable for any costs or expenses incurred in the preparation of a response to this RFP. All costs in preparing and submitting a proposal shall be borne by the proposer.

**Proposal Withdrawal**

A proposer may withdraw a proposal without prejudice prior to the proposal due date by submitting a written request for withdrawal to the City Manager Office, [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov), in which event, the proposal will be unopened and deleted. No proposal received after the time specified or at any place other than that stated in the RFP and notice of the same will be considered.

**Retention and Use of Proposals**

The City reserves the right to retain all proposals, as well as any reports, data or other material prepared or assembled by a proposer and submitted to City in response to this RFP, and to use any idea in any proposal regardless of whether that proposal is selected.

**RFP Withdrawal or Modification; No Award**

The City reserves the right to modify or withdraw this RFP at any time. In addition, the City may, for any reason, decide not to award a contract as a result of this RFP.



### **Public Records Act**

Each proposer should be aware that although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City of Milpitas may not be in a position to establish that a proposal which a proposer submits is or contains a trade secret. A proposer submitting any information that it considers confidential or a trade secret, must label such information as "confidential." If a Public Records Act request is made for any information marked "confidential" by a proposer, the City will provide the proposer with reasonable notice to allow the proposer to seek protection from disclosure by a court of competent jurisdiction. In the event that the proposer directs the City not to disclose the information sought pursuant to a Public Records Act request, the proposer shall indemnify the City against any losses, including reasonable attorney's fees and expert costs, sustained by the City in connection with or any way arising from the non-disclosure of the requested information.

### **Contract Approval by City Council**

An agreement with the successful proposer shall not be binding unless and until it is approved by the City Council of the City of Milpitas and executed by authorized representatives of both parties. If a contract award is made to perform the services described in this RFP, the firm selected to provide such services will be retained by the City. The designated Project Manager for this project is Tom Williams, City Manager.

### **Competency and Responsibility**

The City reserves full discretion to determine the competence and responsibility, professionally and/or financially of proposers. Proposers will provide, in a timely manner, any and all information that the City deems necessary to make such decision.

### **Execution of Contract**

The proposer to whom award is made will be expected to execute a written contract with the City immediately after City Council's approval. The contract will be similar in form and substance to the sample professional services contract attached to this RFP as Appendix A. This sample contract is included as an example only and the City reserves the right to make modifications to the sample contract in its sole discretion.

### **Acceptance or Rejection and Negotiation of Proposal**

The City reserves the right to accept or reject any or all proposals, or to select more than one firm for this work as deemed appropriate by the City. After selection by the City, the contents of the submitted proposal will become a contractual obligation. Failure to agree to include the proposal as part of the contractual agreement will result in cancellation of the award. The City reserves the right to negotiate a modification to, or accept any part of the proposal, and may not be obligated in any way to accept those parts that do not meet with the approval of the City. The City also reserves the right to waive non-substantial irregularities in any proposal, and to make an award as the interest of the City may require. Final terms and conditions of the contract, including length, scope of services and compensation will be negotiated at the time of selection and will be subject to the approval of the City Manager and City Council.

### **Affidavit of Non-Collusion**

All proposers shall warrant and covenant that the proposal submitted is not made in the interest of, or on behalf of, any non-disclosed person, partnership, company, association, organization or corporation; that the proposal is genuine and non-collusive or sham; that the proposer has not

directly or indirectly colluded, conspired, connived, or agreed with any other proposer or anyone else to put in a sham proposal, or that another person or entity shall refrain from submitting a proposal under this RFP or otherwise; that the proposer has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix its proposal price or the proposal price of any other proposer, or to fix any overhead, profit, or cost element of the proposal price, or that of any other proposer, or to secure any advantage against the public body awarding the contract or anyone interested in the proposed contract; that all statements contained in the proposal are true; and further, that the proposer has not, directly or indirectly, submitted his or her proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any person, entity, corporation, partnership, company association, organization, proposal depository, or to any member or agent thereof to effectuate a collusive or sham proposal. An affidavit of non-collusion as required by this section shall accompany every proposal submitted in response to this RFP.

#### **Equal Opportunity**

The City of Milpitas requires all proposers to comply with equal opportunity policies. The City of Milpitas' programs, services, employment opportunities, and volunteer positions and contracts are open to all persons without regard to race, religion, color, national origin, sex, age, marital status, handicap, or political affiliation.

#### **Independent Contractor**

The selected proposer will be an independent contractor. All persons employed by a firm in accordance with a contract resulting from this RFP will be employees of the firm and not the City of Milpitas.

## **SECTION II**

### **SCOPE OF WORK**

#### **Services To Be Provided**

The City is seeking a firm demonstrating that they have the resources and capability to provide the materials and services as described herein: The following is a range of potential scopes of work. The actual scope of work will be defined and negotiated, based on the proposals. All firms must submit the documentation indicated below with their proposal. Failure to provide any of the required documentation may be cause for proposal to be deemed non-responsible and rejected.

The following criteria shall be met in order to be eligible for this contract:

Proposers must have a minimum of seven (7) years of experience providing fraud, waste, and abuse complaint hotline and online reporting services.

All proposals must be made on the basis of, and either meet or exceed, the requirements contained herein.

#### **Toll Free Hotline**

The Contractor shall provide a toll free hotline number that will be unique to the City and the number will be retained by or transferred to the City after completion or termination of the contracted service.

Calls to the hotline must be answered by a live intake representative 24 hours a day, 7 days a week, 365 days a year. The Contractor shall have sufficient staffing and technical capacity to answer multiple calls simultaneously.

The Contractor shall provide representatives who are fluent in a variety of languages, including English, Spanish and certain Asian languages in predominant use in the City.

In the rare event a complainant must leave a voicemail message, a live representative shall attempt to contact the complainant within thirty (30) minutes of the complainants voicemail, provided the complainant left contact information.

Complainants shall be given the option to remain anonymous. Where this option is selected, the anonymity of hotline complainants shall be protected. Calls will not be recorded and caller identification information will not be maintained.

The complainant shall be provided with an option to receive follow-up communication regarding his or her complaint.

The City shall be entitled to an unlimited number of calls to the toll free hotline.

All hotline complaints shall be entered into the Contractor's case management system within three (3) hours of its receipt of the complaint.



### **Online System**

The Contractor shall provide an internet-based reporting system through a secure website, customized for the City. The website shall include a standardized web form allowing the complainant to submit allegations through the website.

Allegations submitted via the website must be read and appropriately routed to the designated City contact(s) by the Contractor within thirty (30) minutes of the submission.

Complainants shall be provided with the option to receive follow-up communication regarding his or her complaint. Complainants shall be given the option to remain anonymous. Where this option is selected, the anonymity of online complainants shall be protected. IP addresses will not be tracked for complaints submitted via the website.

The City shall be entitled to an unlimited number of complaint submissions to the website.

All web-based complaints shall be entered into the Contractor's electronic case management system within three (3) hours of its receipt of the complaint.

Intake representatives shall be trained to capture sufficient information from complainants upon which to initiate an investigation into the complaints and to ask questions as appropriate to solicit this information. Intake representatives shall be trained in delivering excellent customer service and shall maintain a courteous and professional demeanor with complainants at all time. Intake representatives shall be trained in recognizing when a hotline or online complaint is a life-threatening emergency and shall inform the complainant to contact 911.

The Contractor shall provide a dedicated account representative as the single point of contact for any Contract issues. The representative shall be a senior staff member.

### **Integrated Case Management System**

All complaints, including hotline and web submitted complaints, shall be tracked in an integrated case management system. The Contractor shall provide an integrated Case Management System ("system") with the following specifications:

The system shall generate and deliver an electronic notification to the City of all new complaints, including a complaint summary, within three (3) hours of a new case being created in the system.

At a minimum, the complaint summary will include the date and time the complaint was submitted, the method the complaint was reported (via hotline or online), a detailed description of the nature of the complaint, and whether the complainant has selected the option for follow-up communication.

If so requested by the complainant, the complaint summary will be anonymous as to the identity of the complainant.

The system shall generate and deliver an electronic notification to the City of all subsequent and follow up communication between the Contractor and the complainant within three (3) hours of said communication being entered into the system.

The system shall track initial complaints and any subsequent follow-up contact with complainants on the same allegations.

The system shall allow a designation of a broad case type including but not limited to fraud, waste, and abuse, EEO related, or management issue.

The system shall allow the City to input and track complaints received directly by the City into the system.

The system shall automatically assign a unique case number to each new complaint. Case numbers shall be assigned in a systematic and serialized manner.

The system shall allow a system administrator from the City to assign specific cases to other users within the system for investigation.

The system shall allow the assigned City investigator to input investigative notes into the system.

The system shall provide the ability to set a reminder for needed actions for specific cases.

The system shall allow the City to have a minimum of one (1) system administrator with full system access and rights to the City's data and the ability to add new users and assign access rights and five (5) end users with varying levels of system access and rights.

The system shall provide for the indefinite storage of the City's complaint and investigative data in accordance with California record retention requirements for local governments.

The system shall provide a method for the City to communicate with intake representatives regarding specific cases, including providing follow-up information and questions to be shared with the complainants by the intake representative.

The system shall include the ability to reflect the status of a particular case, at a minimum allowing the case to be reflected as open or closed. The system shall allow for the creation and downloading of monthly, annual, and year to date reports of program activity. These reports shall be easily sortable by a variety of fields including date, nature of the complaint, and length of time from the initial complaint intake to when the case was reflected as closed in the system. These reports may be provided by the Contractor to the City electronically or run and downloaded by the City's system administrator. The system shall be searchable.

### **Marketing and Educational Materials**

The Contractor shall provide the City with communication tools and other materials to promote and advertise the hotline and website, including posters, business cards and brochures customized to the City for both employees and residents of the City.

### **Technical Support and Requirements**

The Contractor shall provide dedicated support from the client services team for program set up, system training, and on-going system maintenance.

The toll-free hotline must be accessible to persons with disabilities, including but not limited to individuals who use Text Telephone (TTY) and the Telecommunications Relay Service (TRS).

The website shall be accessible to persons with disabilities, including, but not limited to, accessible elements such as alt tags, long descriptions, and/or captions for photos, graphics, scanned images, and video. Documents posted on the website should be in HTML or a text-based format (even if posted in another format, such as Portable Document Format (PDF)), so they can be read by reader software. Online forms and tables should also be accessible.

The Contractor shall ensure the network security of all City data maintained in the system.

The Contractor shall maintain adequate capacity on its network during the Contract term to meet the City's usage needs.

#### Annual Meeting

The Contractor shall meet with the City a minimum of one time annually to provide a program overview, including trends, benchmarking against the Contractor's book of business, new program or system features, and any recommendations the Contractor believes the City should consider moving forward.



**SECTION III**  
**PROPOSAL FORM AND CONTENT**

**Proposal Submittal**

All pages of the proposal must be numbered consecutively. The proposal shall not exceed fifteen (15) pages in length. Resumes and licenses shall not count against this page limit. The proposal must be organized in accordance with the list of proposal contents.

**Proposal Form and Content**

Proposers must include the following items in their proposals addressing the scope of work in Section II. All items must fall within the maximum page count. Proposals and cost schedule shall be valid and binding for ninety (90) days following the proposal due date and will become part of the contract that is negotiated with the City.

A. **Letter of Transmittal**

Include a cover letter signed by a duly authorized representative of the firm. The cover letter must include name, address, telephone number and e-mail address of the Proposer submitting the proposal. In addition, the name, title, address, telephone number, fax number and e-mail address of the person or persons to contact who are authorized to represent the proposer and to whom correspondence should be directed should also be included. Additionally, the cover letter must include the following table containing the requested information:

|                                                                    |    |
|--------------------------------------------------------------------|----|
| Name and Title of Proposer                                         |    |
| Office address for Proposer                                        |    |
| Telephone Number and Email Address of Proposer                     |    |
| Name(s) and Title(s) of Proposer's Other Representative(s)         |    |
| Office address(es) for Other Representative(s)                     |    |
| Telephone Number(s) and Email Address(es) of Other Representatives |    |
| References (name, municipality, phone, email)                      | 1. |
|                                                                    | 2. |
|                                                                    | 3. |

B. Table of Contents

Include a clear identification of the submitted material by section and by page number.

C. Executive Summary

Introduce the proposal and summarize the key provisions of the proposal. Provide a statement describing why the proposer is qualified to perform this work, the name of the individual who would serve as the Principal Staff Member assigned to this engagement. It shall identify the legal form of the firm, and if a corporation, shall identify in which state the firm was incorporated. The Executive Summary shall be signed by a principal of the firm or other person authorized to act on behalf of the firm.

D. Statement of Understanding

Include a detailed statement of understanding and explanation of the proposer's approach in performing the services described in the Scope of Work, Section II of this RFP. This section should specify the type of data required from City staff necessary for the successful and timely completion of the project. If there are services listed in this RFP that the proposer will not be able to provide, describe those services in this section. Statement of Understanding should not exceed 5 pages.

E. Approach to Consulting Services

Provide a response to each of the following items:

1. Ability to meet and exceed requirements contained herein
  - a.) Specifically state your firm's ability to perform each task as listed in Section II of this RFP. Specifically list any deviations.
  - b.) Provide a sample, yet comprehensive draft timetable and describe how your firm would accomplish the work and satisfy the City's objectives described in the RFP.
  - c.) Provide a detailed implementation plan.
  - d.) Describe what information, documents, staff assistance, facilities or other resources your firm would require from the City to complete your work.
  - e.) Describe the type of training to be provided to staff.
  - f.) For the hotline services, indicate where your call center would be located.
  - g.) Provide a copy of a sample script questionnaire provided to hotline representatives.
  - h.) Provides copies of sample reports as required in Section II of this RFP.
2. Experience of firm and dedicated staff
  - a.) Provide a brief history of the organizational structure of your firm, demonstrating the qualifications of your firm.
  - b.) Identify the key personnel from your firm that would be assigned to this project. Include a brief description of their qualifications and job functions and years of related experience, and years with the firm. Provide detailed resumes that include successful contracts similar to the requirements contained herein.
  - c.) If two or more consultants will be assigned to this project, include a simple organization chart that clearly delineates communication/reporting relationship

among project staff. Designate the senior staff member who would become the City's primary contact.

- d.) Current/past performance in similar activities – provide a list of five (5) organizations, preferably public/government agencies, for which your company has provided services over the last seven (7) years. Include in your list: Client (contact person name, title, full address, email, and telephone number of a reference within each agency); period of contract; value of contract; services offered and result. The City may contact these agencies for references. *Failure to include references may be cause for rejection of proposal as non-responsive. Firm hereby releases listed references from all claims and liability for damages that may result from the information provided by the reference.*
- e.) List all private clients that could potentially pose a conflict of interest with your representing the City of Milpitas.
- f.) Indicate whether your firm has even been debarred by a public agency or have a contract terminated due to performance issues. Identify all situations in the last seven years in which you have been adverse as a consulting firm to public entities, either in legal or administrative matters.

3. Cost of Services

The selected firm will be required to provide a fee schedule reflecting the scope of services in Section II in this RFP. The proposed fee schedule must include a statement certifying that the firm will not engage in any activities on behalf of the City that would produce a direct or indirect financial gain for the firm, other than the agreed upon compensation.

- a.) Provide an hourly rate for all of the individuals who may be working with the City of Milpitas from the firm. In addition, please provide a rate for special services and/or additional materials.
- b.) Provide the fee and rates in a table format.

Define what type of work you would consider to be extra or specialized work and/or additional materials which would be billed in addition to basic services.

AWARD OF PROPOSAL. Award will be made to the Proposer offering the most advantageous proposal after consideration of all Evaluation Criteria set forth below. The criteria are not listed in any order of preferences. Proposals will be evaluated by a selection committee which may be comprised of City staff members, outside experts, and other interested individuals. All proposals received in accordance with the Evaluation Criteria and make recommendation to the full City Council for the award of the contract. The City of Milpitas reserves the right to establish weight factors that will be applied to the criteria depending upon order of importance. Weight factors and evaluation scores will not be released until after award of proposal. The City of Milpitas shall not be obligated to accept the lowest priced proposal, but will make an award in the best interests of the City of Milpitas after all factors have been evaluated.

AWARD EVALUATION CRITERIA. Evaluation Criteria that will be used to evaluate all proposals that are received are listed below:



1. Proposal submission - quality and completeness relative to the description given in the RFP. Concept and proposed solutions, including ability to assist the City in meeting its goals.
2. Proposer's experience – demonstrated competence and professional qualifications necessary for satisfactory performance of the work required by the City.
3. Background, related experience, adequacy and technical depth of the specific individuals assigned to this project.
4. Approach to Professional Services.
5. References.
6. Proposed compensation.

As reflected above, contract award will not be based solely on price, but on a combination of factors as determined to be in the best interest of the City. After evaluating the proposals and discussing them further with the finalists or the tentatively selected firm, the City reserves the right to further negotiate the proposed work and/or method and amount of compensation.

Discussions may, at the City of Milpitas's sole option, be conducted with responsible Proposers who submit proposals determined to be reasonably susceptible of being selected for an award. Discussions may be for the purpose of clarification to assure full understanding of, and responsiveness to, the solicitation requirements. Proposers shall be accorded fair and equal treatment with respect to any opportunity for discussion and written revision of proposals. Revisions may be permitted after submissions and before award for obtaining best and final proposals. In conducting discussions, the City of Milpitas will not disclose information derived from proposals submitted by competing Proposers. A Notification of Intent to Award may be sent to any Proposer selected. Award is contingent upon the successful negotiation of final contract terms. Negotiations shall be confidential and not subject to disclosure to competing Proposers unless an agreement is reached. If contract negotiations cannot be concluded successfully, the City of Milpitas may negotiate a contract with the next highest scoring Proposer or withdraw the RFP.

AWARD SELECTION PROCESS. Selection of qualified Proposers will be based the criteria listed below. Additional questions may be asked of Proposers and interviews may be conducted. Proposers will be notified of any additional required information or interviews after the written proposals have been evaluated. Interviews will be held with the most qualified respondents. The recommended proposals will be submitted to the City Council for contract approval. The Proposer selected will enter into a contract with the City of Milpitas.

The following evaluation criteria will be used by the Selection Committee to score and rank proposals for a short-list. Short-listed firms may be invited for an interview pursuant to the schedule indicated in this RFP.

| EVALUATION CRITERIA                                                                                                                                                                     | PERCENTAGE |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Proposal submission - quality and completeness relative to the description given in the RFP. Concept and proposed solutions, including ability to assist the City in meeting its goals. | 10         |
| Proposer's experience - experience and performance on comparable government engagements                                                                                                 | 20         |
| Background and related experience of the specific individuals assigned to serve Project Manager                                                                                         | 20         |
| Approach to Professional Services                                                                                                                                                       | 20         |
| References                                                                                                                                                                              | 10         |
| Proposed compensation.                                                                                                                                                                  | 20         |

The above percentages show the relative importance of individual criterion.

**DOCUMENTS TO BE RETURNED WITH PROPOSAL.** Failure to completely execute and submit the required documents before the Submittal Deadline may render a proposal non-responsive. The documents that must be returned by the Submittal Deadline are attached hereto.

**EXECUTION OF CONTRACT.** Time is of the essence of this contract. The Successful Proposer/Contractor shall execute the contract (in substantially the form provided in this RFP as Appendix A - "Sample Contract"), including but not limited to signing all necessary documents and submitting all required bonds and evidences of insurance, within ten (10) days after personal delivery of the notice or within fifteen (15) days after such notice has been deposited in the United States mail. One copy of the contract will be returned to the Contractor after the City of Milpitas executes the contract. In case of failure of the Contractor to execute and return the contract and all required documents within the time allowed, the City of Milpitas may, at its option, consider that the Proposer has abandoned the contract. After the contract has been executed, including the insurance documents, certificates, and bonds. Proposer agrees to commence work within ten- (10) working days after the date of the Notice to Proceed.

**NON-COLLUSION AFFIDAVIT.** Proposers are required to submit a Non-Collusion Affidavit with their Proposals.

**PROPOSAL SUBMITTAL DEADLINE.** The Proposal Submittal Deadline is **October 23, 2015**. It is the Proposer's responsibility to see that the proposal has sufficient time to be received by the City Manager's Office, [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov) before the Proposal Submittal Deadline.

## **SPECIAL PROVISIONS FOR SERVICES**

**BUSINESS LICENSE.** If the scope of work under this bid includes performing services or installation on City of Milpitas property, the SUCCESSFUL BIDDER must have a current City of Milpitas Business License. Inquiries regarding Business License may be directed to (Finance at 408-586-3100). Business Licenses are not required for materials or equipment shipped by U.S. mail or common carrier.

**CONFIDENTIAL OR PROPRIETARY INFORMATION OF THE CITY OF MILPITAS.** Contractor understands and agrees that, in the performance of the contracted work or services or in contemplation thereof, Contractor may have access to private or confidential information which may be owned or controlled by the City of Milpitas and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City of Milpitas. Contractor agrees that all information disclosed by the City of Milpitas to Contractor shall be held in confidence and used only in performance of contracted work or services. Contractor shall exercise the same standard or care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

**DAMAGE.** The contractor shall be held responsible for any breakage, loss of the City of Milpitas's equipment or supplies through negligence of the contractor or his employee while working on the City of Milpitas's premises. The contractor shall be responsible for restoring or replacing any equipment, facilities, etc. so damaged. The contractor shall immediately report to the City of Milpitas any damages to the premises resulting from services performed under this contract. Failure or refusal to restore or replace such damaged property will be a breach of this contract.

**INDEPENDENT CONTRACTOR.** Contractor or any agent or employee of Contractor shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by the City of Milpitas under contract. Contractor or any agent or employee of Contractor shall not have employee status with the City of Milpitas, nor be entitled to participate in any plans, arrangements, or distributions by the City of Milpitas pertaining to or in connection with any retirement, health or other benefits that the City of Milpitas may offer its employees. Contractor or any agent or employee of Contractor is liable for the acts and omissions of itself, its employees and its agents. Contractor shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to: FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Contractor's performing services and work, or any agent or employee of Contractor provided same. Nothing in this solicitation nor the contract awarded thereof shall be construed as creating an employment or agency relationship between the City of Milpitas and Contractor or any agent or employee of Contractor. Any terms in the contract awarded from this solicitation referring to direction from the City of Milpitas shall be construed as providing direction as to policy and the result of Contractor's work only, and not as to the means by which such a result is obtained. The City of Milpitas does not retain the right to control the means or the method by which Contractor performs work under the contract. It is expressly agreed by Contractor that in the performance of the services required under this contract, Contractor, and any of its subcontractors or employees, shall at all times be considered independent contractors and not agents of the City of Milpitas.



**INDEMNIFICATION.** Contractor shall indemnify, defend with counsel reasonably acceptable to the City of Milpitas, and hold harmless the City of Milpitas and its officials, officers, employees, agents, contractors, consultants, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Contractor or its employees, subcontractors, or agents, by acts for which they could be held strictly liable, or by the quality or character of their work. The foregoing obligation of Contractor shall not apply when (1) the injury, loss of life, damage to property, or violation of law arises wholly from the negligence or willful misconduct of the City of Milpitas or its officers, employees, agents, contractors, consultants, or volunteers and (2) the actions of Contractor or its employees, subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Contractor to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of Milpitas of insurance certificates and endorsements required under the contract awarded from this solicitation does not relieve Contractor from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause is a material element of the contract and shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply.

**INSURANCE REQUIREMENTS.** Within ten (10) consecutive calendar days of award of contract, Successful Proposer must furnish the City of Milpitas with the Certificates of Insurance proving coverage as specified in **Appendix A- Sample Contract**. Failure to furnish the required certificates within the time allowed will result in forfeiture of the Proposal Security.

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

**NON-COLLUSION AFFIDAVIT  
Consulting Services to perform Public Opinion Survey and Funding Options Strategy  
Services**

State of California  
County of Santa Clara ss.

\_\_\_\_\_ (Proposer's Name), being first duly sworn,  
deposes and says that he or she is \_\_\_\_\_  
(Position/Title/Owner) of \_\_\_\_\_ (Contractor Name)  
the party making the foregoing proposal that the proposal is not made in the interest of, or on  
behalf of, any undisclosed person, partnership, company, association, organization, or  
corporation; that the proposal is genuine and not collusive or sham; that the proposer has not  
directly or indirectly induced or solicited any other proposer to put in a false or sham proposal,  
and has not directly or indirectly colluded, conspired, connived, or agreed with any proposer or  
anyone else to put in a sham proposal, or that anyone shall refrain from bidding; that the  
proposer has not in any manner, directly or indirectly, sought by agreement, communication, or  
conference with anyone to fix the proposal price of the proposer or any other proposer, or to fix  
any overhead, profit, or cost element of the proposal price, or of that of any other proposer, or to  
secure any advantage against the public body awarding the contract of anyone interested in the  
proposed contract; that all statements contained in the proposal are true; and further, that the  
proposer has not , directly or indirectly, submitted his or her proposal price or any breakdown  
thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will  
not pay, any fee to any corporation, partnership, company association, organization, proposal  
depository, or to any member or agent thereof to effectuate a collusive or sham proposal.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signed at (Place)

\_\_\_\_\_  
Proposer Name  
(Person, Firm, Corp.)

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Address

\_\_\_\_\_  
Representative's Name

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Representative's Title

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

---

**PROPOSER'S STATEMENT  
REGARDING INSURANCE COVERAGE  
Consulting Services to perform Public Opinion Survey and Funding Options  
Strategy Services**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the Request For Proposals for Consulting Services to Perform Public Opinion Survey and Funding Options Strategy Services. Should the Proposer be awarded the contract for the work, Proposer further certifies that the Proposer can meet the specified requirements for insurance, and agrees to name the City of Milpitas as Additional Insured for the work specified.

---

Name of Proposer (Person, Firm, or Corporation)

---

Signature of Proposer's Authorized Representative

---

Name & Title of Authorized Representative

---

Date of Signing



**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

---

**WORKER'S COMPENSATION INSURANCE CERTIFICATE**  
**Consulting Services to perform Public Opinion Survey and Funding Options**  
**Strategy Services**

The Contractor shall execute the following form as required by the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

---

Name of Proposer (Person, Firm, or Corporation)

---

Signature of Proposer's Authorized Representative

---

Name & Title of Authorized Representative

---

Date of Signing

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

|                           |
|---------------------------|
| <b>LIST OF REFERENCES</b> |
|---------------------------|

**Proposer:** \_\_\_\_\_

- |    |                                 |                        |
|----|---------------------------------|------------------------|
| 1. |                                 |                        |
|    | Name of Agency                  | Agency Address         |
|    | Contact Name                    | Contact Title          |
|    | Contact Telephone #             | Contact e-mail Address |
|    | Contract Term and Dollar Amount | Type of Services       |
| 2. | Name of Agency                  | Agency Address         |
|    | Contact Name                    | Contact Title          |
|    | Contact Telephone #             | Contact e-mail Address |
|    | Contract Term and Dollar Amount | Type of Services       |
| 3. | Name of Agency                  | Agency Address         |
|    | Contact Name                    | Contact Title          |
|    | Contact Telephone #             | Contact e-mail Address |
|    | Contract Term and Dollar Amount | Type of Services       |

I hereby certify that I have performed the work listed above.

\_\_\_\_\_  
Signature of Proposer (Individual with Authorization to Bind the Firm in Contract)

APPENDIX A  
RFP SAMPLE AGREEMENT

**CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF MILPITAS AND  
[NAME OF CONSULTANT]**

THIS AGREEMENT for consulting services is made by and between the City of Milpitas ("City") and \_\_\_\_\_ ("Consultant") as of \_\_\_\_\_, 2015.

**AGREEMENT**

**Section 1. SERVICES.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in the Scope of Work attached as Exhibit A at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A, the Agreement shall prevail.

- 1.1 **Term of Services.** The term of this Agreement shall begin on the date first noted above and shall end on \_\_\_\_\_, the date of completion specified in Exhibit A, and Consultant shall complete all the work described in Exhibit A prior to that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as provided for in Section 8.
- 1.2 **Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which Consultant is engaged in the geographical area in which Consultant practices its profession. Consultant shall prepare all work products required by this Agreement in a substantial, first-class manner and shall conform to the standards of quality normally observed by a person practicing in Consultant's profession.
- 1.3 **Assignment of Personnel.** Consultant shall assign only competent personnel to perform services pursuant to this Agreement. Exhibit A shall name any specific personnel who shall be performing services. In the event that City, in its sole discretion, at any time during the term of this Agreement, desires the reassignment of any such persons, Consultant shall, immediately upon receiving notice from City of such desire of City, reassign such person or persons.
- 1.4 **Time.** Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Section 1.1 above and to complete Consultant's obligations hereunder.

**Section 2. COMPENSATION.** City hereby agrees to pay Consultant a guaranteed maximum price not to exceed \$ \_\_\_\_\_ for all services to be performed and reimbursable costs incurred under this Agreement. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.



Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Hourly rates for personnel performing services shall be as shown in Exhibit B. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

**2.1 Invoices.** Consultant shall submit invoices, not more often than once a month during the term of this Agreement, based on the cost for services performed and reimbursable costs incurred during the billing period. Invoices shall contain the following information:

- Serial identification of bills;
- The beginning and ending dates of the billing period;
- A Task Summary containing the original contract amount, the amount of prior billings, the total due this period, the balance available under the Agreement, and the percentage of completion, if applicable;
- At City's option, for each work item in each task, a copy of the applicable time entries or time sheets shall be submitted showing the name of the person doing the work, the hours spent by each person, a brief description of the work, and each reimbursable expense;
- The total number of hours of work performed under the Agreement by Consultant and each employee, agent, and subcontractor of Consultant performing services hereunder, as well as a separate notice when the total number of hours of work by Consultant and any individual employee, agent, or subcontractor of Consultant reaches or exceeds 800 hours, which shall include an estimate of the time necessary to complete the work described in Exhibit A;
- The Consultant's signature.

**2.2 Monthly Payment.** City shall make monthly payments, based on invoices received, for services satisfactorily performed, and for authorized reimbursable costs incurred. City shall have thirty (30) days from the receipt of an invoice that complies with all of the requirements above and is otherwise acceptable to the City to pay Consultant. In the event that an invoice is not acceptable to the City, said invoice shall be returned to Consultant within thirty (30) days of the City's receipt of the invoice with a detailed explanation of the deficiency. City's obligation to pay a returned invoice shall not arise earlier than thirty (30) days after resubmission of the corrected invoice.

**2.3 Total Payment.** City shall pay for the services to be rendered by Consultant pursuant to this Agreement. City shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. City shall make no payment for any extra, further, or additional service pursuant to this Agreement.

In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment. In the event that Consultant identifies additional work outside the scope of services specified in Exhibit A that may be required to complete

the work required under this Agreement, Consultant shall immediately notify the City and shall provide a written not-to-exceed price for performing this additional work.

- 2.4 **Hourly Fees.** Fees for work performed by Consultant on an hourly basis shall not exceed the amounts shown on Exhibit B.
- 2.5 **Reimbursable Expenses.** Reimbursable expenses are shown on Exhibit B, and shall not exceed \_\_\_\_\_ (\$\_\_\_\_\_). Expenses not listed in Exhibit B are not chargeable to City. Reimbursable expenses are included in the total not-to-exceed amount of compensation provided under this Agreement.
- 2.6 **Payment of Taxes.** Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any other applicable federal or state taxes.
- 2.7 **Payment upon Termination.** In the event that the City or Consultant terminates this Agreement pursuant to Section 8, the City shall compensate the Consultant for all outstanding costs and reimbursable expenses incurred for work satisfactorily completed as of the date of written notice of termination. Consultant shall maintain adequate logs and timesheets in order to verify costs incurred to that date. The City shall have no obligation to compensate Consultant for work not verified by logs or timesheets.
- 2.8 **Authorization to Perform Services.** The Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of a written Notice to Proceed from the City.

**Section 3. FACILITIES AND EQUIPMENT.** Except as set forth herein, Consultant shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to perform the services required by this Agreement. City shall make available to Consultant only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

City shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Consultant's use while consulting with City employees and reviewing records and the information in possession of the City. The location, quantity, and time of furnishing those facilities shall be in the sole discretion of City. In no event shall City be obligated to furnish any facility that may involve incurring any direct expense, including but not limited to computer, cellular telephone, long-distance telephone, or other communication charges, vehicles, and reproduction facilities.

If the performance of the work specified in Exhibit A requires destructive testing or other work within the City's public right-of-way, Consultant, or Consultant's subconsultant, shall obtain an encroachment permit from the City.

**Section 4. INSURANCE REQUIREMENTS.** Before beginning any work under this Agreement, Consultant shall procure "occurrence coverage" insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Consultant and its agents, representatives, employees, and subcontractors. Consultant shall provide proof satisfactory to City of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects to the City. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement and shall produce said policies to the City upon demand. The cost of such insurance shall be included in the Consultant's price. Consultant shall not allow

any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s) and provided evidence thereof to City. Verification of the required insurance shall be submitted and made part of this Agreement prior to execution.

- 4.1 Workers' Compensation.** Consultant shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per accident. In the alternative, Consultant may rely on a self-insurance program to meet those requirements, but only if the program of self-insurance complies fully with the provisions of the California Labor Code. Determination of whether a self-insurance program meets the standards of the Labor Code shall be solely in the discretion of the City Attorney. The insurer, if insurance is provided, or the Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against the City and its officers, officials, employees, and volunteers for loss arising from work performed under this Agreement.

An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.2 Commercial General and Automobile Liability Insurance.**

- 4.2.1 General requirements.** Consultant, at its own cost and expense, shall maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence, combined single limit coverage for risks associated with the work contemplated by this Agreement. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.
- 4.2.2 Minimum scope of coverage.** Commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (ed. 11/88) or Insurance Services Office form number GL 0002 (ed. 1/73) covering comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability. Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90) Code 1 ("any auto"). No endorsement shall be attached limiting the coverage.
- 4.2.3 Additional requirements.** Each of the following shall be included in the insurance coverage or added as an endorsement to the policy:



- a. City and its officers, employees, agents, contractors, consultants, and volunteers shall be covered as insureds with respect to each of the following: liability arising out of activities performed by or on behalf of Consultant, including the insured's general supervision of Consultant; products and completed operations of Consultant; premises owned, occupied, or used by Consultant; and automobiles owned, leased, or used by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to City or its officers, employees, agents, contractors, consultants, or volunteers.
- b. The insurance shall cover on an occurrence or an accident basis, and not on a claims-made basis.
- c. An endorsement must state that coverage is primary insurance with respect to the City and its officers, officials, employees, contractors, consultants, and volunteers, and that no insurance or self-insurance maintained by the City shall be called upon to contribute to a loss under the coverage.
- d. Any failure of CONSULTANT to comply with reporting provisions of the policy shall not affect coverage provided to CITY and its officers, employees, agents, and volunteers.
- e. An endorsement shall state that coverage shall not be suspended, voided, or canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3 Professional Liability Insurance.** If Consultant shall be performing licensed professional services, Consultant shall maintain for the period covered by this Agreement professional liability insurance for licensed professionals performing work pursuant to this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000) covering the licensed professionals' errors and omissions.

**4.3.1** Any deductible or self-insured retention shall not exceed \$150,000 per claim.

**4.3.2** An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3.3** The policy must contain a cross liability clause.

**4.3.4** The following provisions shall apply if the professional liability coverages are written on a claims-made form:

- a. The retroactive date of the policy must be shown and must be before the date of the Agreement.

- b. Insurance must be maintained and evidence of insurance must be provided for at least three years after completion of the Agreement or the work, unless waived in writing by the City.
- c. If coverage is canceled or not renewed and it is not replaced with another claims-made policy form with a retroactive date that precedes the date of this Agreement, Consultant must provide extended reporting coverage for a minimum of five years after completion of the Agreement or the work. The City shall have the right to exercise, at the Consultant's sole cost and expense, any extended reporting provisions of the policy, if the Consultant cancels or does not renew the coverage.
- d. A copy of the claim reporting requirements must be submitted to the City prior to the commencement of any work under this Agreement.

#### **4.4 Requirements for All Policies.**

- 4.4.1 **Acceptability of insurers.** All insurance required by this section is to be placed with insurers with a Bests' rating of no less than A.
- 4.4.2 **Verification of coverage.** Prior to beginning any work under this Agreement, Consultant shall furnish City with certificates of insurance and with original endorsements effecting coverage required herein. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The City reserves the right to require complete, certified copies of all required insurance policies at any time.
- 4.4.3 **Subcontractors.** Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.
- 4.4.4 **Deductibles and Self-Insured Retentions.** Consultant shall disclose to and obtain the approval of City for the self-insured retentions and deductibles before beginning any of the services or work called for by any term of this Agreement.

During the period covered by this Agreement, only upon the prior express written authorization of the City, Consultant may increase such deductibles or self-insured retentions with respect to City, its officers, employees, agents, contractors, consultants, and volunteers. The City may condition approval of an increase in deductible or self-insured retention levels with a requirement that Consultant procure a bond, guaranteeing payment of losses and related investigations, claim administration, and defense expenses that is satisfactory in all respects to the City.

- 4.4.5 **Notice of Reduction in Coverage.** In the event that any coverage required by this section is reduced, limited, or materially affected in any other manner, Consultant shall provide written notice to City at Consultant's earliest possible opportunity and in no case later than five days after Consultant is notified of the change in coverage.

**4.5 Remedies.** In addition to any other remedies City may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may, at its sole option exercise any of the following remedies, which are alternatives to other remedies City may have and are not the exclusive remedy for Consultant's breach:

- Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the Agreement;
- Order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof; and/or
- Declare Consultant in material breach of the Agreement and terminate the Agreement.

**4.6 Waiver.** The Risk Manager of the City has the authority to waive or vary any provision of Sections 4.2 through 4.5. Any such waiver or variation shall not be effective unless made in writing.

**Section 5. INDEMNIFICATION AND CONSULTANT'S RESPONSIBILITIES.** Consultant shall indemnify, defend with counsel reasonably acceptable to the City, and hold harmless the City and its officials, officers, employees, agents, contractors, consultants, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Consultant or its employees, subcontractors, or agents, by acts for which they could be held strictly liable, or by the quality or character of their work. The foregoing obligation of Consultant shall not apply when (1) the injury, loss of life, damage to property, or violation of law arises wholly from the negligence or willful misconduct of the City or its officers, employees, agents, contractors, consultants, or volunteers and (2) the actions of Consultant or its employees, subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.



## **Section 6. STATUS OF CONSULTANT.**

- 6.1 Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of City. City shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement and assignment of personnel pursuant to Subparagraph 1.3. Otherwise, City shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of City and entitlement to any contribution to be paid by City for employer contributions and/or employee contributions for PERS benefits.
- 6.2 Consultant No Agent.** Except as City may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

## **Section 7. LEGAL REQUIREMENTS.**

- 7.1 Governing Law.** The laws of the State of California shall govern this Agreement.
- 7.2 Compliance with Applicable Laws.** Consultant and any subcontractors shall comply with all laws applicable to the performance of the work hereunder.
- 7.3 Other Governmental Regulations.** To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.
- 7.4 Licenses and Permits.** Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions. Consultant represents and warrants to City that Consultant and its employees, agents, any subcontractors shall, at their sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions and to perform this Agreement. In addition to the foregoing, Consultant and any subcontractors shall obtain and maintain during the term of this Agreement valid business license from City.
- 7.5 Nondiscrimination and Equal Opportunity.** Consultant shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by Consultant under this

Agreement. Consultant shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of Consultant thereby.

Consultant shall include the provisions of this Subsection in any subcontract approved by the City or this Agreement.

## **Section 8. TERMINATION AND MODIFICATION.**

- 8.1 Termination.** City may terminate this Agreement at any time and without cause upon written notification to Consultant.

In the event of termination, Consultant shall be entitled to compensation for services performed prior to the effective date of termination as provided in Section 2. City, however, may condition payment of such compensation upon Consultant delivering to City any or all documents, photographs, computer software, video and audio tapes, and other materials provided to Consultant or prepared by or for Consultant or the City in connection with this Agreement.

- 8.2 Extension.** City may, in its sole and exclusive discretion, extend the end date of this Agreement beyond that provided for in Subsection 1.1. Any such extension shall require a written amendment to this Agreement, as provided for herein. Consultant understands and agrees that, if City grants such an extension, City shall have no obligation to provide Consultant with compensation beyond the maximum amount provided for in this Agreement. Similarly, unless authorized by the City, City shall have no obligation to reimburse Consultant for any otherwise reimbursable expenses incurred during the extension period.

- 8.3 Amendments.** The parties may amend this Agreement only by a writing signed by all the parties.

- 8.4 Assignment and Subcontracting.** City and Consultant recognize and agree that this Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's unique personal competence, experience, and specialized personal knowledge. Moreover, a substantial inducement to City for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the City. Consultant shall not subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors listed in the Consultant's proposal, without prior written approval of the City.

- 8.5 Survival.** All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating liability between City and Consultant shall survive the termination of this Agreement.

**8.6**     **Options upon Breach by Consultant.** If Consultant materially breaches any of the terms of this Agreement, City's remedies shall include, but not be limited to, any or all of the following:

**8.6.1**     Immediate cancellation of the Agreement;

**8.6.2**     Retention of the plans, specifications, drawings, reports, design documents, and any other work product prepared by Consultant pursuant to this Agreement prior to cancellation; and

**8.6.3**     Retention of a different consultant at Consultant's cost to complete the work described in Exhibit A not finished by Consultant.

## **Section 9.        KEEPING AND STATUS OF RECORDS.**

**9.1**     **Records Created as Part of Consultant's Performance.** All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that Consultant prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of the City. Consultant hereby agrees to deliver those documents to the City at any time upon demand of the City. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use. Failure by Consultant to deliver these documents to the City within the time period specified by the City shall be a material breach of this Agreement. City and Consultant agree that, until final approval by City, all data, plans, specifications, reports and other documents are preliminary drafts not kept by the City in the ordinary course of business and will not be disclosed to third parties without prior written consent of both parties.

**9.2**     **Consultant's Books and Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement.

**9.3**     **Inspection and Audit of Records.** Any records or documents that Section 9.2 of this Agreement requires Consultant to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds TEN THOUSAND DOLLARS (\$10,000.00), the Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement.

## **Section 10       MISCELLANEOUS PROVISIONS.**

**10.1**     **Attorneys' Fees.** If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing



party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.

- 10.2 Venue.** In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Santa Clara or in the United States District Court for the Northern District of California.
- 10.3 Severability.** If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.
- 10.4 No Implied Waiver of Breach.** The waiver of performance or any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.
- 10.5 Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the parties.
- 10.6 Use of Recycled Products.** Consultant shall prepare and submit all reports, written studies and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.
- 10.7 Conflict of Interest.** Consultant may serve other clients, but none whose activities within the corporate limits of City or whose business, regardless of location, would place Consultant in a "conflict of interest," as that term is defined in the Political Reform Act, codified at California Government Code Section 81000 *et seq.*

Consultant shall not employ any City official in the work performed pursuant to this Agreement. No officer or employee of City shall have any financial interest in this Agreement that would violate California Government Code Sections 1090 *et seq.*

Consultant hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of the City. If Consultant were an employee, agent, appointee, or official of the City in the previous twelve months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code §1090 *et seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for services performed pursuant to this Agreement, including reimbursement of expenses, and Consultant will be required to reimburse the City for any sums paid to the Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of Government Code § 1090 and, if applicable, may be disqualified from holding public office in the State of California.

Consultant certifies that it has not paid any direct or contingent fee, contribution, donation or consideration of any kind to any firm, organization, or person (other than a bona fide

employee of Consultant) in connection with procuring this Agreement, nor has Consultant agreed to employ or retain any firm, organization, or person in connection with the performance of this Agreement as a condition for obtaining this Agreement.

**10.8 Solicitation.** Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials.

**10.9 Contract Administration.** This Agreement shall be administered by \_\_\_\_\_ who is authorized to act for, and on behalf of, City. All correspondence shall be directed to or through the Contract Administrator or his or her designee.

**10.10 Notices.** Any written notice to Consultant shall be sent to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any written notice to City shall be sent to:

Thomas C. Williams  
City Manager's Office  
455 East Calaveras Boulevard  
Milpitas, California 95035

**10.11 Professional Seal.** Where applicable in the determination of the City, the first page of a technical report, first page of design specifications, and each page of construction drawings shall be stamped/sealed and signed by the licensed professional responsible for the report/design preparation.

**10.12 Integration.** This Agreement, including the exhibits, represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral.

**10.13 Exhibits.** All exhibits referenced in this Agreement are incorporated by reference herein.

CITY OF MILPITAS

CONSULTANT

\_\_\_\_\_  
Thomas C. Williams, City Manager

\_\_\_\_\_  
[Name and Title]

\_\_\_\_\_  
Taxpayer Identification Number

\_\_\_\_\_  
City of Milpitas Business License Number

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

## **List of Attachments for Unfinished Business – Item No. 03**

### **Janitorial Services**

#### **Attachments:**

- 03-A      Press Release
- 03-B      Wage Rate Analysis
- 03-C      Current Contract for Janitorial Services – Varsity
- 03-D      2013 RFP for Janitorial Services and Response from Varsity





*Press Release*  
*Office of Mayor Sam T. Liccardo*

**For Immediate Release:**  
Sept. 3, 2015

**Contact:**  
Ragan Henninger, (408) 535-4830

Interim PIO, Office of Mayor Sam Liccardo

## **South Bay Mayors Launch Minimum Wage Effort**

### *Leaders Back Study as First Step Towards Raising Minimum Wage Across Region*

San José, CA - Mayor Sam Liccardo was joined by the Mayors of Campbell, Palo Alto, Cupertino, Milpitas, Morgan Hill, Monte Sereno, and a representative from the City of Santa Clara today to announce the first steps towards potentially raising the minimum wage across Santa Clara County. To begin this joint venture, the Mayors backed a regional study of the long term economic impacts increasing the minimum wage would have on minimum wage earners, small businesses, and the unemployed.

"In this period of affluence, Santa Clara County leads the nation in job growth, yet ample evidence demonstrates a growing gap between rich and poor," said Mayor Sam Liccardo. "We have to do more to help those dependent on a minimum wage, but we need to proceed in a thoughtful manner that lifts the tide for all residents."

"Cities along the West Coast are passing a higher minimum wage to give their residents a chance to keep up with their rent. It's time we consider the impacts doing the same here in Santa Clara County," said Mayor Jeffrey Christina of Campbell.

The City of San José will take the lead on beginning the Request for Proposal process to hire a consultant to conduct the study. To ensure that the diverse opinions and expertise of Santa Clara County are represented, members of the South Bay Labor Council and the San Jose/Silicon Valley Chamber of Commerce will join other key stakeholders and subject matter experts in evaluating the RFP and selecting best qualified consultant(s) who will conduct the study.

"Perhaps nowhere more than this, where we all live in such close proximity to each other and where we share a regional economy are each city's actions likely to have effect on other cities," said Palo Alto Mayor Karen Holman. "I'm gratified this effort is commencing to work together to identify a minimum wage approach that can help address the gap between those who struggle to live here and those who flourish."

"The need is clear. The minimum wage must be increased so that our residents can live the comfortable lives they've strived so hard for," said Mayor Jose Esteves of Milpitas. "We also have to move forward in a pragmatic way that allows the small business in our region to continue to provide the jobs necessary to sustain our economic growth."

In addition to studying the economic impacts of raising the minimum wage, the study would also seek to assess the benefits of several other proposals including:

- A training wage for youth under 18
- An exemption for organizations employing person who were "hard-to-employ" such as parolees, the homeless, and emancipated foster youth.
- A "ramp-up" period for small business, such as employers with less than 15 employees or who earn below a predetermined threshold of gross revenue
- An exemption for the employment of immediate or extended family members

"The working poor in our region have been particularly hit by the large and growing income inequality gap, and the minimum wage is one of several tools we need. I support an objective economic study to understand the impact on jobs and business, followed by a common regional approach," said Cupertino Mayor Rod Sinks.

Today's event comes on the heels of San José's Rules and Open Government Committee's approval of a memo by Mayor Liccardo, and Councilmembers Chappie Jones and Manh Nguyen proposing the regional study of the possible effects of an minimum wage increase. The RFP proposal will next go to the full City Council for approval. In the past, the Cities Association has endorsed a regional approach to raising the minimum wage to avoid having different rules in different areas of the county.

"Too many times we've seen localities raise the minimum wage without carefully considering how it's increase effects all aspects of our economy," said Morgan Hill Mayor Steve Tate. "This is the first time a group of mayors have joined together and said that we need to do this collectively."

"A regional approach to raising the minimum wage is essential to providing equity when it comes to business growth throughout Santa Clara County. Different rules for different cities creates an uneven playing field that can be damaging to local economics. Today we've taken the first step towards ensuring all residents feel a positive impact from any minimum wage increase," said Mayor Walter Huff of Monte Sereno.

"Mountain View has been leading the effort for a regional approach and look forward to hearing where all our neighbors are on the issue," said Mayor John McAlister of Mountain View.

"Many cities throughout the County, including Santa Clara, have recognized the need for local government to step forward to increase the minimum wage. The next logical step is to work to create regional consistency for future increases to amplify our efforts and wage predictability for individuals and business," said Santa Clara Mayor Jamie Matthews.

###



# Janitorial Wage Rate Analysis 2015

| City of Milpitas Janitorial RFP Interested Parties                                     |       |                                   |                                 |                            |                           |                                                    |                                   |                                       |                                    |
|----------------------------------------------------------------------------------------|-------|-----------------------------------|---------------------------------|----------------------------|---------------------------|----------------------------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| City of Milpitas Janitorial RFP Interested Parties                                     |       |                                   |                                 |                            | Malls                     |                                                    | Nearby Businesses                 |                                       |                                    |
|                                                                                        | Steps | * Universal Building Services     | Crossroads Diversified Services | Olympic Cleaning Service   | * Great Mall - contracted | Stanford Mall - contracted with Trademark Staffing | SanDisk contracted with Medallion | Flextronics contracted with Medallion | Levi Stadium - contracted with ABM |
| Janitor                                                                                | 1     | \$9.50                            | \$9.00                          | \$11.50                    | \$9.40                    | \$10.00                                            | \$11.00                           | not available                         | \$9.00                             |
|                                                                                        | 2     | varies by experience              | varies by experience            | \$12.50                    | \$10.40                   | not available                                      | not available                     | up to \$14 DOE shifts                 | \$11.04                            |
|                                                                                        | 3     | up to \$16                        |                                 | up to \$16.50              | \$13.94                   | not available                                      | not available                     | not available                         | \$11.53                            |
|                                                                                        | 4     |                                   |                                 |                            |                           |                                                    |                                   |                                       | \$14.54                            |
|                                                                                        | 5     |                                   |                                 |                            |                           |                                                    |                                   |                                       | up to \$15                         |
| Currently Posted Janitor Job Opportunities for Business & Government Support Contracts |       |                                   |                                 |                            |                           |                                                    |                                   | 2015 Varsity Facility Services Data   |                                    |
|                                                                                        | Steps | Janico Building Services, Oakland | Kellymeyer, Livermore           | Simply Right, Redwood City | Staffmark, Fremont        | EAH, San Jose                                      |                                   | Contract Start Date 1/7/14            | Area 1L Rates                      |
| Janitor                                                                                | 1     | \$10.00                           | \$9.75                          | \$9.00                     | \$11.00                   | \$10.00                                            | New Employee                      | Start                                 | \$8.50                             |
|                                                                                        | 2     | \$10.75                           | not available                   | not available              | not available             | \$11.00                                            |                                   | Year 1                                | \$8.75                             |
|                                                                                        | 3     | \$11.50                           | not available                   | not available              | not available             | \$12.00                                            | Current Year                      | Year 2                                | \$9.00                             |
|                                                                                        | 4     | \$12.25                           |                                 |                            |                           | \$13.00                                            |                                   | Year 3                                | \$9.75                             |
|                                                                                        | 5     |                                   |                                 |                            |                           | up to \$15                                         |                                   | * Year 4                              | \$13.69                            |

\* Union can pay \$0.15 - \$0.25 on top of hourly.  
Added benefits after 3 years service

\* Master Wage Rate Area 1A/1B

## Custodians employed by each city

|           | City of    | Contracted |
|-----------|------------|------------|
| Custodian | * Fremont  | \$14.99    |
|           | **San Jose | \$17.03    |
|           |            |            |
|           |            |            |
|           |            |            |

\* Union can pay \$0.25 on top of hourly.

\*\* subject to the Living Wage Policy

## Composite Index of business within each city

|         | City          | Starting | Experienced (5+ years) |
|---------|---------------|----------|------------------------|
| Janitor | Fremont       | \$11.35  | \$14.94                |
|         | Santa Clara   | \$11.35  | \$14.94                |
|         | San Jose      | \$11.35  | \$14.94                |
|         | San Francisco | \$11.76  | \$15.48                |
|         | Oakland       | \$10.92  | \$14.37                |

Index of all businesses in all cities specified  
(salary.com, payscale.com, and Indeed.com/salary)



**EXHIBIT A - NOTICE OF EXERCISE OF OPTION TO EXTEND AGREEMENT**

|                                     |                                                                                          |
|-------------------------------------|------------------------------------------------------------------------------------------|
| <b>AGREEMENT TITLE and DATE:</b>    | City Wide Janitorial service at Twelve City of Milpitas Locations<br>1/07/14             |
| <b>CONTRACTOR Name and Address:</b> | Varsity Facility Services<br>Rob Ridge<br>11346 Sunco Drive, Suite 101<br>Rancho Cordova |
| <b>DATE OF OPTION:</b>              | 12/08/14                                                                                 |

*(date the notice is sent must be consistent with the time for exercise set forth in Agreement)*

Pursuant to the Terms and Conditions of the Agreement referenced above, the City of Milpitas hereby exercises its option to extend the term under the following provisions:

|                   |   |
|-------------------|---|
| <b>OPTION NO.</b> | 1 |
|-------------------|---|

**NEW OPTION TERM**

|             |                 |
|-------------|-----------------|
| Begin date: | January 7, 2015 |
| End date:   | January 6, 2016 |

☐ **CHANGES IN RATE OF COMPENSATION**

|                                                                 |  |
|-----------------------------------------------------------------|--|
| <b>Percentage change in CPI upon which adjustment is based:</b> |  |
|-----------------------------------------------------------------|--|

Pursuant to Section \_\_\_\_ of the Agreement the Rates of Compensation are hereby adjusted as follows:

*(use attachment if necessary)*

|                                                  |              |
|--------------------------------------------------|--------------|
| <b>MAXIMUM COMPENSATION for New Option Term:</b> | \$413,288.00 |
|--------------------------------------------------|--------------|

For the option term exercised by this Notice, City shall pay Contractor an amount not to exceed the amount set forth above for Contractor's services and reimbursable expenses, if any. The undersigned signing on behalf of the City of Milpitas hereby certifies that an unexpended appropriation is available for the term exercised by this Notice, and that funds are available as of the date of this signature.

CITY OF Milpitas  
a municipal corporation

By Chris Schroeder  
Name: Chris Schroeder  
Title: Purchasing Agent

Please also have your insurance agent submit a new insurance certificate and endorsements as per the attached "Exhibit A – Insurance Requirements". Please email the certificate and the endorsements directly to me at [cschroeder@ci.milpitas.ca.gov](mailto:cschroeder@ci.milpitas.ca.gov) . Please contact me at the number listed below if you have any questions.

The City of Milpitas wishes to thank you for your interest in doing business with the City.

Sincerely

A handwritten signature in black ink that reads "Chris Schroeder". The signature is written in a cursive style with a large, stylized "C" and "S".

Chris Schroeder  
Purchasing Agent  
City Of Milpitas  
408-687-1639

***\*\* Please forward this attachment to your insurance agent. \*\****

**CITY OF MILPITAS  
INSURANCE REQUIREMENTS**

Dear Agent:

Please provide the certificates and endorsements listed below and in the insurance requirements, Exhibit A, which are included in your client's contract with the City.

**All blanks in all endorsement forms must be filled in including policy numbers, effective dates and countersignature blanks. If you can't sign the counter signature, then just white it out. I can not accept an endorsement that is incomplete or has an unsigned counter signature.**

**On multi-page blanket policies or on multi-page insurance contract excerpts, please circle the specific clause that you feel addresses the requirement for each endorsement. Every page must have the policy number on it, even if you have to type it on.**

Please pay particular attention to the endorsements, items 1 thru 4 on page 2. Just so it is really clear, I need the following:

1. Basic Insurance Certificate
2. General Liability endorsements for:
  - Additional Insured naming **"The City of Milpitas, its officers, officials, employees, and volunteers"**
  - Primary and Non-Contributory
  - Waiver of Subrogation
  - 30 day notice of cancelation
3. Auto Liability endorsements for:
  - Additional Insured naming **"The City of Milpitas, its officers, officials, employees, and volunteers"**
  - Primary and Non-Contributory
  - Waiver of Subrogation
  - 30 day notice of cancelation
4. Workers Compensation
  - Waiver of Subrogation

---

Please email the certificates and endorsements directly to me at [cschroeder@ci.milpitas.ca.gov](mailto:cschroeder@ci.milpitas.ca.gov).

If you have any questions, please call me at the number listed below.

Sincerely

Chris Schroeder  
Purchasing Agent  
City of Milpitas  
408-687-1





**AMENDMENT NO. 1 TO THE AGREEMENT**  
**WITH**  
**VARSITY FACILITIES SERVICES**  
**FOR**  
**CITY WIDE JANITORIAL SERVICE**  
**AT**  
**TWELVE CITY OF MILPITAS LOCATIONS**

This Amendment is entered into this 4<sup>th</sup> day of February, 2014, by and between the City of Milpitas, a municipal corporation of the State of California (hereafter referred to as "CITY") and Varsity Facilities Service, an Idaho corporation registered to conduct business in the State of California; (hereafter referred to as "CONTRACTOR").

**RECITALS**

WHEREAS, the parties entered into an Agreement for City Wide Janitorial Service at Twelve City of Milpitas Locations on January 7, 2014 ("Agreement") for an initial amount of Four Hundred and Eight Thousand Two Hundred and Eight-Eight dollars (\$408,288.00) for the period from January 7, 2014 to January 6, 2015; and

WHEREAS, the parties desire to amend the Agreement to increase the compensation under the Agreement in the amount of Five Thousand Dollars (\$5,000.00) for each of the first two years under the Agreement for additional janitorial work not within the original scope of services of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree to further amend the Agreement as follows:

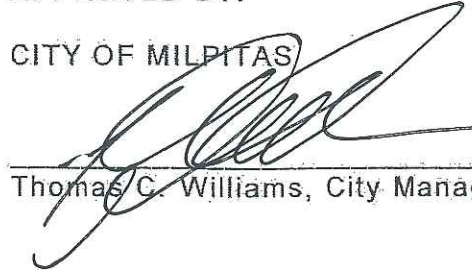
1. City agrees to pay Contractor for all services performed in accordance with the amended Agreement in the amounts not-to-exceed as follows:

|    |                     |              |
|----|---------------------|--------------|
| A. | 1/07/14 to 1/06/15: | \$413,288.00 |
| B. | 1/07/15 to 1/06/16: | \$413,288.00 |
| C. | 1/07/16 to 1/06/17: | \$408,288.00 |
| D. | 1/07/17 to 1/06/18: | \$408,288.00 |
| E. | 1/07/18 to 1/06/19: | \$408,288.00 |
2. CONTRACTOR agrees to continue to maintain and pay for all insurance policies as stated in "Exhibit C – Insurance Requirements General" throughout the term of the Agreement and shall provide the City with renewal certificate and endorsements of the insurance policy.
3. All other provisions of the amended Agreement not amended by this Amendment No. 2 shall remain in full force and effect.

This Amendment is executed as of the date written on page one above.

APPROVED BY:

CITY OF MILPITAS

  
Thomas C. Williams, City Manager

VARSITY FACILITIES SEERVICES

  
Name of Authorized Representative

  
Title of Authorized Representative

Approved As  
To Form:

  
Michael J. Ogaz, City Attorney

Approved As  
To Content:

 1.6.14  
Steve Erickson, Project manager



## CITY OF MILPITAS CONTRACT

Project: City Wide Janitorial Service at Twelve City of Milpitas Locations

RFP No: 2059

Annual Amount of Contract: \$408,288.00

THIS CONTRACT, made this 7th day of January, 2014, by and between the City of Milpitas, hereinafter referred to as the "City of Milpitas" and Varsity Facilities Services, an Idaho corporation registered in California, hereinafter referred to as "Contractor",

WITNESSETH:

A. WHEREAS, the City of Milpitas has caused specifications, drawings and other contract documents, hereinafter referred to as "Specifications", to be prepared for certain work on the referenced project; and

B. WHEREAS, said Specifications include:

- a. Notice of Request For Proposals
- a. Background
- b. Scope of Work
- c. Instructions To Proposer
- d. Terms and Conditions
- e. Special Provisions For Services
- f. Addenda
- g. Proposal Form
- h. References
- i. Non-Collusion Affidavit
- j. Proposer's Statement Regarding Insurance Coverage
- k. Worker's Compensation Insurance Certificate
- l. Proposer's Nondiscriminatory Employment Certificate
- m. Janitorial Specifications
- n. City Wide Janitorial Service Schedule
- o. Insurance Requirements – General
- p. Contractor's Proposal

C. WHEREAS, Contractor has offered to perform the proposed work in accordance with the terms of said Specifications as set forth by submission of the Contractor's Proposal;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained in said Specifications and Contractor's Proposal, which are made a part hereof as though fully set forth, Contractor hereby agrees to complete the work at the prices and on the terms and conditions therein contained, and the City of Milpitas hereby employs the Contractor and agrees to pay the Contractor the contract prices therein provided for the fulfillment of the work and the performance of the covenants therein set forth.

1. The initial term of this Contract is for one (1) year from January 7, 2014 to January 6, 2015 (the "Initial Term"), provided the City reserves the right at its sole discretion to extend this Contract on an annual basis for up to an additional four (4) years by providing written notice to Contractor

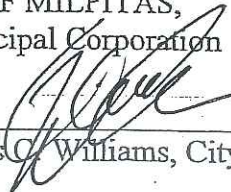


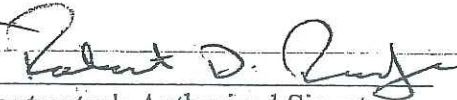
prior to the expiration of the then applicable term and in the form attached hereto as Exhibit D. Additionally, if City elects to exercise any of the annual option, City at its sole discretion may provide an annual increase not to exceed five percent (5%) based on the prior annual contract amount. City will make monthly payments within thirty (30) days of receipt of each approved invoice.

IN WITNESS WHEREOF, this contract has been executed on the day and year first above written.

CITY OF MILPITAS,  
A Municipal Corporation

VARSITY FACILITIES SERVICES

  
Thomas C. Williams, City Manager

  
Contractor's Authorized Signature

ROBERT D. DODGE  
Name of Authorized Representative

Regional V.P.  
Title of Authorized Representative

Business Tax Compliance: Certificate No. 36720

Federal Tax ID Number: 82-0292413

Approved As  
To Form:   
Michael J. Ogaz, City Attorney

Approved As  
To Content:  1-21-14  
Steve Erickson, City Project Manager

ATTEST:

By   
Mary Lavelle, City Clerk



**City of Milpitas  
NOTICE OF  
REQUEST FOR PROPOSALS  
No. 2059  
For  
City Wide Janitorial Service**



Notice is hereby given that sealed proposals will be received at the Purchasing Office, until November 22, 2013 at 2:00 PM local time, for furnishing all labor, supervision, methods and processes, implements, tools, machinery, equipment, transportation and materials for :

**City Wide Janitorial Service at Twelve City Locations**

in accordance with the City of Milpitas plans, specifications and contract documents.

**SUBMITTING THE BID:** (a) *The City of Milpitas prefers that bids be submitted electronically.* Electronic bids may be submitted through a secure mailbox at Public Purchase ([www.publicpurchase.com](http://www.publicpurchase.com)) until the date and time as indicated in this document. It is the sole responsibility of the supplier to ensure their bid reaches Public Purchase before the closing date and time. There is no cost to the supplier to submit City of Milpitas bids electronically via Public Purchase. (b) Electronic bids may require the uploading of electronic attachments. The submission of attachments containing embedded documents is prohibited. All documents should be attached as separate files. (c) **HARD COPY** - If the supplier chooses to submit the bid directly to the City in writing: The bid must be signed in ink, sealed, and delivered to the City of Milpitas Information Counter in the first floor lobby of City Hall at 455 E. Calaveras Blvd. Milpitas CA 95035 by the "Due Date and Time." The "Solicitation Number" and "Due Date" must appear on the outside of the envelope. It is the sole responsibility of the supplier to ensure their bid reaches The City of Milpitas Purchase Division before the closing date. Bids, modifications, or corrections received after the closing time on the "Due Date" will be considered late and will be returned unopened.

Solicitation Documents. Solicitation documents may be examined and obtained at no charge on the Public Purchase website, or by calling 408-687-1639.

Registration. All Bidders must register on Public Purchase. To receive registration instructions call the purchasing Agent at 408-586-3161 or email a request for registration instructions to [cschroeder@ci.milpitas.ca.gov](mailto:cschroeder@ci.milpitas.ca.gov).

Prevailing Wage. This is a Prevailing Wage job.

Bonding. No bonding is required.

MANDATORY Pre-Proposal Conference. A MANDATORY pre-proposal conference and job site bid walk will be held at 3:00 PM on November 6, 2013 at City Hall 455 E. Calaveras Blvd Milpitas, CA 95035-5411. Meet in the Committee Meeting Room just out side the elevator on the first floor. Parking is free anywhere around City Hall, even in "Permit Only" spaces.

Chris Schroeder

Purchasing Agent

City of Milpitas

Published: Milpitas Post – October 25, 2013





# **City of Milpitas**

**Request for Proposal No. 2059  
for  
CITY WIDE JANITORIAL SERVICE  
at  
TWELVE CITY OF MILPITAS LOCATIONS**

City of Milpitas  
Purchasing Division  
455 E. Calaveras Blvd.  
Milpitas, CA 95035  
(408) 687-1639  
Fax (408) 586-3170

|                   |                    |
|-------------------|--------------------|
| Date of Issuance: | 10/23/13           |
| Bid Deadline:     | 11/22/2013 2:00 PM |

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|           |                                                    |
|-----------|----------------------------------------------------|
| Exhibit A | "JANITORIAL SPECIFICATIONS"                        |
| Exhibit B | "JANITORIAL SERVICE SCHEDULE"                      |
| Exhibit C | "INSURANCE REQUIREMENTS – GENERAL"                 |
| Exhibit D | "NOTICE OF EXERCISE OF OPTION TO EXTEND AGREEMENT" |

**BACKGROUND.** The City of Milpitas is located near the southern tip of San Francisco Bay, forty-five miles south of San Francisco. With a population of approximately 68,000 Milpitas is a progressive community that is an integral part of the high tech Silicon Valley. Milpitas features quality schools, conveniently located neighborhood parks and shopping centers and a population rich in diversity

Incorporated in 1954, Milpitas is a general law city operating under the City Council/City Manager form of government, Milpitas is a creative, forward-thinking city providing quality police, fire, water, streets, parks, engineering, planning and recreation services. The City is financially secure with an annual budget in excess of \$114 million. The operating budget of \$94 million and the capital improvement budget of \$19 million include all City services administered by the City.

The City provides the full range of services normally associated with municipality, including fire, police, parks and recreation, planning, zoning and building, engineering, public works, utility service including water and sewer, and general administration. Solid waste collection is provided through a franchise arrangement with a local refuse collection service.

The City of Milpitas is seeking a qualified firm with a demonstrated ability to perform the tasks identified in this Request for Proposal (IFB) 2059. In summary, the successful bidder shall furnish labor, supervision, implements, tools, machinery, equipment, transportation, and material to perform the required work.

### **SCOPE OF WORK**

Provide comprehensive City Wide Janitorial Services at the following twelve specific locations.

| LOCATIONS                     | ADDRESS                | APROX. SQUARE FOOTAGE |
|-------------------------------|------------------------|-----------------------|
| City Hall Complex             | 455 E. Calaveras       | 96,000                |
| Sports Center/Teen Center     | 1325 E. Calaveras      | 28,619                |
| Main Fire Station             | 777 S. Main            | 2,800                 |
| Police Substation/Raceway (2) | 1210 Great Mall        | 4,200                 |
| Library Garage                | 120 N. Main St.        | 126,131               |
| Community Center              | 457 E. Calaveras Blvd. | 16,400                |
| Police Department             | 1275 N. Milpitas Blvd. | 57,400                |
| Public Works Department       | 1265 N. Milpitas Blvd. | 15,400                |
| Fire Department Trailer       | 777 S. Main St.        | 1,500                 |



|                          |                                          |       |
|--------------------------|------------------------------------------|-------|
| Jose Higuera Adobe Bldg. | Wessex Place off N. Park<br>Victoria Dr. | 1,200 |
| Senior Center            | 40 Milpitas Blvd.                        | 9,000 |
| Cracolice Bldg.          | 540 Able St.                             | 9,504 |

#### MINIMUM BASIC REQUIREMENTS

*It is recommended that each proposer carefully review the following, as any proposer that is unable to fulfill the minimum basic requirements will not be considered for evaluation.*

1. The contractor must have a **minimum of five (5) years of relevant experience** in contract City Wide Janitorial Service and must currently operate a branch facility located in Santa Clara County or within a distance acceptable to the Purchasing and the Public Works Departments.
2. The contractor shall be independent and, as such, the hiring, training, equipping, supervision, directing and discharging of their employees shall be the responsibility of the contractor. The payment of federal, state and local taxes and overtime wages shall also be the responsibility of the contractor.
3. The contractor must furnish all labor, cleaning materials (floor wax, wax stripper, gloves, scrubbing paper towels, stainless steel cleaner, carpet cleaner, window cleaner, restroom disinfectant, regular floor cleaner, and marble floor cleaner) and equipment (including, but not limited to, ladders, lifts, vacuum cleaners, extractors, floor machines, mops and buckets) required to perform interior/exterior City Wide Janitorial Service per building service schedules as specified within this document. The City will provide supplies such as (liquid hand soap, paper hand towels, toilet tissue, toilet seat covers, trash can liners, sanitary napkins, light bulbs and restroom deodorants).

Contractor shall track and report on a quarterly basis all cleaning chemicals supplied to the job. Detailed information shall be collected for each chemical including the manufacturer, product name and number, unit of measure (ounces, gallons, etc.) and total number of units.

The City of Milpitas reserves the right to amend the contract and provide all janitorial supplies.

4. The contractor must furnish, and all the employees (including coordinators and supervisors) must wear uniforms. All personnel must have a visible company name, logo, badge, etc., on their uniforms.

5. All front line employees of the winning bidder must have a background security check (**LifeScan**), and be a minimum of twenty-one (21) years of age and have a minimum of two (2) years janitorial experience and be fully trained in the custodial service trade.

**ONLY THE WINNING BIDDER MUST PROVIDE LIFESCAN DOCUMENTATION FOR EACH FRONT LINE EMPLOYEE, INCLUDING FIELD SUPERVISORS.**

6. The contractor shall maintain a current business license with the City of Milpitas. The proposers State contractor's license must not be currently under probation or suspension as set forth by the State of California, Department of Consumer Affairs.
7. Contractor must provide Steve Erickson, CIP Manager with an emergency telephone number where contractor may be reached at any time, 24 hours a day.
8. Contractor must respond to emergency calls relating to deficiency of service by correcting the deficiency within two hours of receipt of the call.
9. The contractor must furnish to City, prior to commencement of any services under this agreement, a list of all chemicals that the contractor anticipates bringing onto or using in any property belonging to the City, together with Material Safety Data Sheets for each chemical. Contractor must provide updated M.S.D.S. each anniversary of the execution of this contract or sooner when formulation or knowledge of hazards change.
10. Contractor accepts responsibility for determining that all necessary safeguards for protection of contractor's employees are available or will be furnished to employees. All work performed must conform to CAL-OSHA standards.
11. Contractors must attend the pre-proposal conference and job-site walk-through.

**Additional bid and/or contact requirements are contained in the following exhibits.**

**Exhibit A – Custodial Specifications**

**Exhibit B – City Wide Janitorial Services Schedule**

**NOTE:** The Custodial Specification and City Wide Janitorial Services Schedule are “suggested” and for discussion purposes only; Contractors are encouraged to submit how best to accomplish any and all tasks in the RFP.

**INSTRUCTIONS TO PROPOSER**

**ACCEPTANCE PERIOD.** Unless otherwise specified herein, proposals are firm for a period of ninety- (90) days.

**ADDENDA.** Addenda issued pursuant to this IFB, if any, will be posted on the Public Purchase website. However, it is the sole responsibility of the bidder to check the website and/or contact the



Purchasing Agent directly to determine that they have included all addenda in their proposal before submitting to the City. **Any proposal submitted that does not acknowledge on the form provided any questions answered on Public Purchase and/or every addenda issued may be considered non-responsive.**

AUTHORIZED SIGNATURES. Every proposal must be signed by the person or persons legally authorized to bind the Proposer to a contract for the execution of the work. Upon request of the City of Milpitas, any agent submitting a proposal on behalf of a Proposer shall provide a current power of attorney certifying the agent's authority to bind the Proposer. If an individual makes the proposal, his or her name, signature, and post office address must be shown. If a firm or partnership makes the proposal, the name and post office address of the firm or partnership and the signature of at least one of the general partners must be shown. If a corporation makes the proposal, the proposal shall show the name of the state under the laws of which the corporation is chartered, the name and post office address of the corporation and the title of the person signing on behalf of the corporation. Upon request of the City of Milpitas, the corporation shall provide a certified copy of the bylaws or resolution of the board of directors showing the authority of the officer signing the proposal to execute contracts on behalf of the corporation.

AWARD OF PROPOSAL. Award will be made to the Proposer offering the most advantageous proposal after consideration of all Evaluation Criteria set forth below. The criteria are not listed in any order of preferences. An Evaluation Committee will be established by the City of Milpitas. The Committee will evaluate all proposals received in accordance with the Evaluation Criteria. The City of Milpitas reserves the right to establish weight factors that will be applied to the criteria depending upon order of importance. Weight factors and evaluation scores will not be released until after award of proposal. The City of Milpitas shall not be obligated to accept the lowest priced proposal, but will make an award in the best interests of the City of Milpitas after all factors have been evaluated

AWARD EVALUATION CRITERIA. Evaluation Criteria that will be used to evaluate all proposals that are received are listed below:

1. Understanding of the work required by the City.
2. Quality and responsiveness of the proposal.
3. Demonstrated competence and professional qualifications necessary for satisfactory performance of the work required by the City.
4. References. Recent experience in successfully performing similar services for other municipalities or companies.
5. Proposal approach in completing the work.
6. Background and related experience of the specific management/supervisory individuals assigned to this project.
7. Proposed compensation.

The evaluation committee may also contact and evaluate the Proposer's references; contact any Proposer to clarify any response; contact any current users of a Proposer's services; solicit information from any available source concerning any aspect of a proposal; and seek and review any other information deemed pertinent to the evaluation process. The evaluation committee shall not be



obligated to accept the lowest priced proposal, but shall make an award in the best interests of the City of Milpitas.

Discussions may, at the City of Milpitas' sole option, be conducted with responsible Proposers who submit proposals determined to be reasonably susceptible of being selected for an award. Discussions may be for the purpose of clarification to assure full understanding of, and responsiveness to, the solicitation requirements. Proposers shall be accorded fair and equal treatment with respect to any opportunity for discussion and written revision of proposals. Revisions may be permitted after submissions and before award for obtaining best and final proposals. In conducting discussions, the City of Milpitas will not disclose information derived from proposals submitted by competing Proposers. A Notification of Intent to Award may be sent to any Proposer selected. Award is contingent upon the successful negotiation of final contract terms. Negotiations shall be confidential and not subject to disclosure to competing Proposers unless an agreement is reached. If contract negotiations cannot be concluded successfully, the City of Milpitas may negotiate a contract with the next highest scoring Proposer or withdraw the RFP.

**AWARD SELECTION PROCESS.** Selection of qualified Proposers will be based on the following: quality and completeness of submitted proposal; understanding of project objectives; project approach; experience and expertise with public agencies and similar types of efforts; and references. Additional questions may be asked of Proposers and interviews may be conducted. Proposers will be notified of any additional required information or interviews after the written proposals have been evaluated.

Interviews will be held with the most qualified respondents. The recommended proposals will be submitted to the (awarding authority) for contract approval. The Proposer selected will enter into a contract with the City of Milpitas.

#### **EXAMPLE OF A WEIGHTED EVALUATION**

| <b>EVALUATION CRITERIA</b>                                                                                                       | <b>PERCENTAGE</b> |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Understanding of the work required by the City.                                                                                  | 10                |
| Quality and responsiveness of the proposal.                                                                                      | 10                |
| Demonstrated competence and professional qualifications necessary for satisfactory performance of the work required by the City. | 10                |
| References. Recent experience in successfully performing similar services for other municipalities or companies.                 | 10                |
| Proposal approach to completing the work.                                                                                        | 10                |
| Background and related experience of the specific individuals assigned to this project.                                          | 10                |
| Proposed compensation.                                                                                                           | 40                |

The above percentages show the relative importance of individual criterion. The evaluation committee will use these criteria to score the proposals.

CANCELLATION OF SOLICITATION. The City of Milpitas may cancel this solicitation at any time.

COMPLIANCE WITH LAWS. All proposals shall comply with current federal, state, and other laws relative thereto.

CONTRACT DOCUMENTS, EXAMINATION OF. It is the responsibility of the Proposer to carefully thoroughly examine and be familiar with legal and procedural documents, general conditions, all forms, specifications, drawings, plans, and addenda (if any), hereinafter referred to as Contract Documents. Proposer shall satisfy himself as to the character, quantity, and quality of work to be performed and materials, labor, supervision, equipment and appurtenances necessary to perform the work as specified by the Contract Documents. The failure or neglect of the Proposer to examine the Contract Documents shall in no way relieve him from any obligations with respect to the solicitation or contract. The submission of a proposal shall constitute an acknowledgment upon which the City of Milpitas may rely that the Proposer has thoroughly examined and is familiar with the contract documents. The failure or neglect of a Proposer to receive or examine any of the contract documents shall in no way relieve him from any obligations with respect to the Proposal. No claim will be allowed for additional compensation that is based upon a lack of knowledge of any solicitation document.

DEFINITION OF TERMS. For the purposes of this RFP, the following definitions will be used:

- a. **Contractor.** The term "Contractor refers to the party entering into a contract with the City of Milpitas as a result of this solicitation. Same as Successful Proposer.
- b. **Evaluation Committee.** An independent committee established by the City of Milpitas to review, evaluate, and score the proposals, and to recommend award to the Proposer that submitted the proposal determined by the committee to be in the best interest of the City of Milpitas.
- c. **May.** Indicates something that is not mandatory but permissible.
- d. **Must/Shall.** Indicates a mandatory requirement. A proposal that fails to meet a mandatory requirement will be deemed non-responsive and not be considered for award.
- e. **Proposer.** Same as bidder. The person or firm making the offer.
- f. **Proposal.** The offer presented by the Proposer.
- g. **RFP.** Acronym for Request For Proposals.
- h. **Should.** Indicates something that is recommended but not mandatory. Failure to do what "should" be done will not result in rejection of your proposal.
- i. **Submittal Deadline.** The date and time on or before all proposals must be submitted.
- j. **Successful Proposer.** The person, contractor, or firm to whom the award is made.

DISQUALIFICATION OF PROPOSER. If there is reason to believe that collusion exists among the Proposers, the City of Milpitas may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-Proposal to a Proposer, or who has quoted prices on materials to



a Proposer, is not thereby disqualified from submitting a sub-Proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is interested in more than one Proposal for the same work will cause the rejection of all Proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the City of Milpitas may refuse to consider Proposals from participants in such collusion. Proposers shall submit as part of their Proposal documents the completed Non-Collusion Affidavit provided herein.

**DOCUMENTS TO BE RETURNED WITH PROPOSAL.** Failure to completely execute and submit the required documents before the Submittal Deadline may render a proposal non-responsive. The documents that must be returned by the Submittal Deadline are listed on the form entitled "**Proposal Documents to be Returned**" and attached hereto.

**EXECUTION OF CONTRACT.** Time is of the essence of this contract. The Successful Proposer/Contractor shall execute the contract, including but not limited to signing all necessary documents and submitting all required evidences of insurance, within ten (10) days after personal delivery of the notice or within fifteen (15) days after such notice has been deposited in the United States mail. One copy of the contract will be returned to the Contractor after the City of Milpitas executes the contract. In case of failure of the Contractor to execute and return the contract and all required documents within the time allowed, the City of Milpitas may, at its option, consider that the Proposer has abandoned the contract. After the contract has been executed, including the insurance documents and certificates. Proposer agrees to commence work within ten- (10) working days after the date of the Notice to Proceed,

**EXPERIENCE AND COMPETENCY.** The Successful Proposer shall be skilled and regularly engaged in the general class or type of work called for under the contract. **The Successful Proposer shall also have no less than 5 years' experience in the magnitude and character of the work proposal.** Each Proposer shall be set forth his experience on the form entitled Proposer's Experience and submit it with his proposal. It is the intention of the City of Milpitas to award a contract to a Proposer who furnishes satisfactory evidence that he/she has the requisite experience, ability, sufficient capital, and facilities to enable him to prosecute the work successfully and properly, and to complete it within the time specified in the contract. To determine the degree of responsibility to be credited to the Proposer, the City of Milpitas will weigh any evidence that the Proposer has performed satisfactorily other contracts of like nature, magnitude, and comparable difficulty and comparable rates of progress. In selecting the lowest responsive and responsible Proposer, consideration will be given not only to the financial standing but also to the general competency of the Proposer for the performance of the work specified in the contract documents.

**FIRM PRICE PERIOD.** Proposers' offer shall remain open and firm for a period of not less than ninety (90) calendar days from the Submittal Deadline.

**FORMATION OF CONTRACT.** Proposer's signed proposal and City of Milpitas' written acceptance shall constitute a binding contract.

**INDEPENDENT CONTRACTOR.** Contractor covenants that it presently has no interest, and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the services hereunder. Contractor further covenants that, in the performance of this contract, no subcontractor or person having such an interest shall be



employed. Contractor certifies that to the best of his knowledge, no one who has or will have any financial interest under this contract is an officer or employee of the City of Milpitas. It is expressly agreed by Contractor that in the performance of the services required under this contract, Contractor, and any of its employees, shall at times be considered independent Contractors and not agents of the City of Milpitas.

**INFORMED PROPOSER.** Proposers are expected to fully inform themselves as to the conditions, requirements, and specifications before submitting proposals. Failure to do so will be at Proposers' own risk and they cannot secure relief on the plea of error.

**INK OR TYPEWRITTEN.** All information, prices, notations, signatures, and corrections must be in ink or typewritten. Mistakes may be crossed out and corrections typed or printed adjacent to the mistake and initialed in ink by the person signing the proposal.

**INTERPRETATION OF CONTRACT DOCUMENTS.** If any person is in doubt as to the true meaning of any part of the specifications or other contract documents, or finds discrepancies or omissions in the specifications, he may submit to the City of Milpitas a written request for an interpretation or correction. Requests for interpretations shall be made in writing via Public Purchase. To insure fairness, no oral requests by telephone or in person shall be accepted.

**In Public Purchase just click on the title of the bid and the bid page will open up, then on the right hand side of the page under "Questions" click on [View/ Ask questions] and type in your question. Answers will be sent via e-mail notification to all registered bidders.**

**The cut off for asking questions is 2:00 PM November 20, 2013.**

Questions answered on Public Purchase are considered to be a part of or clarifications of the Request For Proposal and are considered to be addenda. From time to time the City may also issues separate addenda through Public Purchase and they shall also become a part of the Request for Proposal. It is the responsibility of each Proposer to ensure that they have registered on Public Purchase. To register on Public Purchase contact the Purchasing Agent directly at 408-687-1639. Any prospective Proposer who obtained a set of contract documents from anyone other than the City of Milpitas is responsible for contacting the City of Milpitas Purchasing Agent at the number listed above and registering on Public Purchase; this is the only way you can receive addenda and/or ask questions about the RFP. The same rules apply to technical and site related questions.

**NOMENCLATURES.** The terms Successful Proposer, Successful Contractor, and Contractor may be used interchangeably in these specifications and shall refer exclusively to the firm with whom the City of Milpitas enters into a contract because of this solicitation.

**NON-COLLUSION AFFIDAVIT.** Proposers are required to submit a Non-Collusion Affidavit with their Proposals.

**NOTICES.** Unless otherwise provided herein, all notices required hereunder shall be given by United States registered or certified mail, or other form of mail which offers proof of mailing, postage prepaid and addressed to the party at the address below.

Any written notice to Contractor shall be sent to:

Varsity Facility Services

Rob Ridge, Regional Vice President

11346 Sunco Drive, Suite 101

Rancho Cordova, CA 945742

Any written notice to City shall be sent to:

City of Milpitas

Purchasing Agent

455 E. Calaveras Blvd.

Milpitas, California 95035-5411

OFFERS OF MORE THAN ONE PRICE. Proposers are NOT allowed to submit more than one proposal.

OPENING OF PROPOSALS. All proposals, irrespective of irregularities or informalities, will be opened and the names of the Proposers will be publicly read aloud at the Submittal Deadline. *No other information will be released until after the award.* All interested persons are invited to be present at the opening and reading of proposals.

- a. Postponement of Opening. The City of Milpitas reserves the right to postpone the Submittal Deadline and opening of proposals any time before the date and time announced in the Request For Proposals or subsequent addenda.

PRICE DISCREPANCIES. In the event that there are unit price items in a proposal schedule and the "amount" indicated for a unit price of an item does not equal the product of the unit price and quantity listed, the unit price shall govern and the amount will be corrected accordingly. If there is more than one item in a proposal schedule, and the total indicated for the schedule does not agree with the sum of prices of the individual items, the prices given for the individual items shall govern and the total for the schedule will be corrected accordingly. The Proposer will be bound by said corrections.

PRICES. All Proposals shall give the prices proposed, both in writing and in figures, shall give all other information requested herein, and shall be signed by the Proposer's authorized representative. Proposal prices shall include everything necessary for the completion of construction or fulfillment of the contract including but not limited to furnishing all materials, equipment, tools, facilities and all management, superintendence, labor, services, taxes, licenses and permits required to complete the work in accordance with the contract documents, except as may be provided otherwise in the contract documents. The work and the proposal price shall also include providing the necessary safety precautions such as barricades, warning signs for protection of the public and any necessary "cleanup" that is required to restore the work site to a satisfactory condition. Any items shown on the plans or details or described in the specifications that are not specifically listed in the proposal item are to be considered included in the proposal item and no additional or special compensation will be allowed. In the event that there is more than one proposal item in the proposal schedule, the Proposer shall furnish



a price for all proposal items in the schedule, and failure to do so will render the proposal as non-responsive and may cause its rejection. The total amount of the proposal will be the sum of the total prices of all items in the proposal schedule.

#### PROPOSAL FORMS

- a. Forms. Proposals must be submitted on preprinted forms supplied by the Purchasing Office.
- b. HARD COPIES. One (1) original and five (5) copies must be submitted on or before the Submittal Deadline. Proposers shall submit one (1) original proposal marked "MASTER" the identical copies. Envelopes containing the original and the copies should be marked in accordance with the directions found elsewhere in these instructions.
- c. Discrepancies. If discrepancies are found between the copies, or between the original and copy or copies, the original "MASTER" will provide the basis for resolving such discrepancies. If one document is not clearly marked "MASTER", the City of Milpitas reserves the right to use the original as the Master. If no document can be identified as an original bearing original signatures, Proposer's proposal may be rejected at the discretion of the City of Milpitas.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

PROPOSAL CONTENT. Proposer must describe in detail how he will meet the requirements of this RFP, and may provide additional related information with his proposal. The proposal should be presented in a format that corresponds to, and references, the sections outlined in the Scope of Work, and should be presented in the order outlined below. Responses to each section and subsection should be labeled to indicate which item is being addressed. Proposals should be straightforward and concise and provide "layman" explanations of technical terms that are used. Emphasis should be concentrated on conforming to the RFP instructions, responding to the RFP requirements, and on providing a complete and clear description of the offer. If a complete response cannot be provided without referencing supporting documentation, you must provide such documentation with the proposal.

Firms interested in responding to this RFP, must submit the following information, in the order specified below:

1. Cover Letter. Submit a letter of introduction and executive summary of the proposal. The letter must contain the original signature of the person authorized by your firm to obligate your firm to perform the commitments contained in the proposal. Submission of the letter will constitute a representation that your firm is willing and able to perform the commitments contained in the proposal. The cover letter should describe the proposer and include all of the following:
  - 1.1 The official name of the proposer, as well as any fictitious business names.
  - 1.2 The proposer's organizational structure (e.g. corporation, partnership, limited liability company, etc.)
  - 1.3 The jurisdiction in which the proposer is organized and the date of such organization.



- 1.4 The address of the proposer's headquarters, and of any local office of the proposer involved in the proposal. Included in this section should be the representative the proposer has authorized to act on behalf of, and bind the proposer. The representative's addresses, e-mail, telephone and fax numbers provided in this section will be used for all notification regarding this RFP.
- 1.5 The proposer's Federal Tax Identification Number.
- 1.6 A representation that the proposer is in good standing in the State of California and has all necessary licenses, permits, approvals and authorizations necessary in order to perform all of the proposer's obligations in connection with this RFP and the Final Agreement.
- 1.7 An acceptance of all conditions and requirements contained in this RFP.
2. **Table of Contents.** A table of contents listing the individual sections of the proposal and their corresponding page numbers.
3. **Executive Summary.** A brief synopsis of the highlights of the proposal and the overall benefits of the proposal to the City.
4. **Proposal Approach.** A brief synopsis that includes a discussion of any and all methodologies or approaches to completing the work.
5. **Proposer-Qualifications and Experience.** A detailed summary of the capabilities of the proposer that pertain to this RFP. Describe the proposer's organization (including any and all affiliates and subsidiaries, whether located inside or outside of Santa Clara County). Describe plans to handle the additional business if awarded this contract, with details on additional personnel, organizational changes and equipment required.
6. **Key Personnel - Qualifications and Experience.** A complete list of and resumes for all key managerial and supervisory personnel associated with the proposal must be provided. For each person on the list, the following information must be included: (i) the person's relationship with the proposer, including job title and years of employment with the proposer; and assignment of work within your firm's work team; (ii) the role that the person will play in connection with this proposal; (iii) address, e-mail, telephone and fax numbers; (iv) the person's educational background; (v) the person's relevant experience. **This section of the proposal should include a written assurance that the key individuals listed and identified will be performing the work and will not be substituted with other personnel or reassigned to another project without the City's prior approval.** Submit no more than three pages of information for each person listed.
7. **References.** Complete reference information from a minimum of three institutions or agencies for which the proposer provides or has provided comparable services. Each such reference must include the name and location, annual dollars spent, the scope of

services performed, and the name, address, email, telephone and fax numbers of the person who may be contacted for reference information. Descriptions should be limited to one page for each project.

Proposals, which appear unrealistic in the terms of technical commitments, lack of technical competence, or are indicative of failure to comprehend the complexity and risk of this contract, may be rejected.

Proposer must include in his proposal a complete disclosure of any alleged significant prior or ongoing contract failures, any civil or criminal litigation or investigation pending which involves the Proposer or in which the Proposer has been judged guilty or liable. Failure to comply with the terms of this provision will disqualify any proposal. The City of Milpitas reserves the right to reject any proposal based upon the Proposer's prior history with the City of Milpitas or with any other party, which documents, without limitation, unsatisfactory performance, adversarial or contentious demeanor, significant failure(s) to meet contract milestones or other contractual failures.

The City of Milpitas is not liable for any costs incurred by Proposers before entering into a formal contract. Costs of developing the proposals or any other such expenses incurred by the Proposer in responding to the RFP, are entirely the responsibility of the Proposer, and shall not be reimbursed in any manner by the City of Milpitas.

PROPOSAL DEADLINE. Proposals may be submitted any time before the Submittal Deadline. Proposals that do not arrive by the Submittal Deadline will be late and will be returned to the Proposer unopened.

PROPOSAL MODIFICATIONS. Any Proposer who wishes to make modifications to a proposal already received by the City of Milpitas must withdraw his proposal in order to make the modifications. Withdrawals must be made in accordance with the terms and conditions of this solicitation (See: Withdrawal of Proposal). All modifications must be made in ink, properly initialed by Proposer's authorized representative, executed, and submitted in accordance with the terms and conditions of this solicitation. It is the responsibility of the Proposer to ensure that modified or withdrawn proposals are resubmitted before the Submittal Deadline.

PROPOSAL PRICES, NOTATIONS, AND MISTAKES. All prices and notations must be in ink or typewritten. Mistakes may be crossed out and corrections typed or printed adjacent to the mistake and initialed in ink by the person signing the Proposal. Offers shall be made separately on each item. Where there is a conflict between words and figures, words will govern.

PROPOSAL, REJECTION OF. The City of Milpitas reserves the right to reject any proposal, all proposals, or any part of any proposal presented and readvertise for proposals. The City reserves the right to cancel the solicitation and make no award. The City of Milpitas reserves the right to reject the proposal of any Bidder who previously failed to perform adequately for the City of Milpitas or any other governmental agency. The City of Milpitas expressly reserves the right to reject the proposal of any Bidder who is in default on the payment of taxes, licenses, or other monies due the City of Milpitas. The City accepts no liability for any cost incurred by any proposer in the preparation of a proposal. All costs associated with the preparation of a proposal shall be born solely by the proposer



PROPOSAL RESULTS. It is not the policy of the City of Milpitas to provide RFP results in response to telephone inquiries. A tabulation of the names of Proposers will be posted on the Purchasing page of the City website.

PROPOSAL SUBMITTAL. **HARD COPY** Proposals should be clearly labeled and submitted in a sealed envelope or box bearing the name of the Proposer, RFP number, and Submittal Deadline. Proposer's authorized representative must properly initial any erasures or alterations of any kind. Proposals that contain omissions or improper erasures or irregularities may be rejected. No oral, telegraphic, or telephonic proposals or modifications will be considered unless otherwise specified herein.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

PROPOSER IS SOLE POINT OF CONTACT. The Successful Proposer will be the sole point of contact. The City of Milpitas will look solely to the Successful Proposer for the performance of all contractual obligations which may result from an award based on this RFP, and the awarded Proposer shall not be relieved for the non-performance of any or all subcontractors.

QUALIFICATION OF PROPOSERS. Each Proposer shall be skilled and regularly engaged in the general class or type of work called for under the contract. It is the intention of the City of Milpitas to award a contract to a Proposer who furnishes satisfactory evidence that the Proposer has the requisite experience, ability, sufficient capital, facilities, and plant to enable the Proposer to prosecute the work successfully and properly, and to complete it within the time specified in the contract. To determine the degree of responsibility to be credited to the Proposer, the City of Milpitas will weigh any evidence that the Proposer has performed satisfactorily other contracts of like nature, magnitude and comparable difficulty and comparable rates of progress. In selecting the most advantageous proposal, consideration will be given to the general competency of the Proposer for the work specified in the contract documents.

QUESTIONS AND COMMENTS. Questions and comments regarding this solicitation must be submitted in writing on the Public Purchase website. Answers, if any, made by the City of Milpitas will be posted on the Public Purchase website. Questions submitted less than 48 hours before the due date and time will not be answered.

RULES FOR SUBMITTING PROPOSALS.

- a. **Submittal Deadline.** **HARD COPY** Proposals must arrive in the (Purchasing Office), 455 E. Calaveras Blvd., Milpitas, CA 95035-5411, by the Submittal Deadline shown in these specifications or subsequent addenda. Proposals may be submitted by hand, by courier, or any other method specified herein.
- b. **Responsibility.** Proposers are solely responsible for ensuring their proposal is received by the City of Milpitas in accordance with the solicitation requirements, before Submittal Deadline, and at the place specified. The City of Milpitas shall not be responsible for any delays in mail or by common carriers or by transmission errors or delays or mistaken delivery. Delivery of proposals shall be made at the office specified in the Request For Proposals (this solicitation). Deliveries made before the Submittal Deadline but to the wrong City of Milpitas office will be



considered non-responsive unless re-delivery is made to the office specified before the Submittal Deadline.

- c. **Extension of Submittal Deadline.** The City of Milpitas reserves the right to extend the Submittal Deadline when it is in the best interest of the City of Milpitas.
- d. **Facsimile Transmissions.** Proposals may NOT be submitted by facsimile, unless otherwise specified herein.
- e. **Forms.** To be considered for award, each proposal shall be made on forms furnished by the City of Milpitas.
- f. **Late Proposals.** The Submittal Deadline it IS FIRM. Proposals will NOT be accepted after the Submittal Deadline and will be returned to the Proposer unopened.
- g. **Signature.** To be considered for award, each proposal shall be signed by an authorized representative of the Proposer.
- h. **Sealed.** Proposals MUST BE submitted in a sealed envelope.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

**SIGNATURES.** An individual who is authorized to bind the Proposer must sign the proposal.

**SUBCONTRACTORS.** NO SUBCONTRACTORS MAY BE USED ON THIS JOB.

**BID SUBMITTAL DEADLINE.** The Bid Submittal Deadline is *November 22, 2013 at 2:00PM local time.* **HARD COPY** bids must be submitted in sealed envelopes and should be properly identified with the bid number and Bid Submittal Deadline. Hard Copy bids must arrive at the Information Counter located on the first floor of City Hall at 455 E. Calaveras Blvd., Milpitas, CA, 95035-5411, *before November 22, 2013 at 2:00 PM local time.* Telephone, telegraphic, facsimile, and late bids will not be accepted or considered. It is the Bidders' responsibility to see that their bids have sufficient time to be received by the Purchasing Office before the Bid Submittal Deadline.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

**TAXES.** Successful Proposer shall pay all federal, state and local taxes, levies, duties and assessments of every nature due in connection with any work under the contract and shall indemnify and hold harmless the City of Milpitas from any liability on account of any and all such taxes, levies, duties, assessments and deductions. Proposal prices shall include said taxes.

**TERMS OF THE OFFER.** The City of Milpitas reserves the right to negotiate final contract terms with any Proposer selected. The contract between the parties will consist of the RFP together with any modifications thereto, the awarded Proposer's proposal, and all modifications and clarifications that are submitted at the request of the City of Milpitas during the evaluation and negotiation process. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the final executed contract, the RFP, any modifications and clarifications to the awarded Proposer's proposal, and the awarded Proposer's proposal. Specific exceptions to this general rule may be noted in the final executed contract. Proposer understands and acknowledges that the representations above are material and important, and will be relied on by the City of Milpitas in evaluation of the proposal. Proposer

misrepresentation shall be treated as fraudulent concealment from the City of Milpitas of the facts relating to the proposal.

WAIVER OF INFORMALITIES. The City of Milpitas reserves the right to waive any informalities or minor irregularities or may reject any and all bids (anything herein contained to the contrary notwithstanding) if said rejection is in the best interests of the City.

WITHDRAWAL OF PROPOSAL. Proposers' authorized representative may withdraw Proposals only by written request received by the Purchasing Agent before the Proposal Submittal Deadline. After that time, Proposers may not withdraw their Proposals for a period of ninety- (90) days from the date of opening. At no time may the successful Proposer(s) withdraw his Proposal.



## TERMS AND CONDITIONS

ANTI-DISCRIMINATION. It is the policy of the City that in connection with all work performed under contract; there will be no discrimination against any prospective or active employee engaged in the work because of race, color, ancestry, national origin, religious creed, sex, age, or marital status. The contractor agrees to comply with applicable Federal and California laws including, but not limited to, the California Fair Employment Practice Act, beginning with Labor Code Section 1735. In addition, the contractor agrees to require like compliance by any subcontractor employed on the work.

ASSIGNMENT OF RIGHTS OR OBLIGATIONS. Except as noted hereunder, Successful Proposer may not assign, transfer or sell any rights or obligations resulting from this solicitation without first obtaining the specific written consent of the City of Milpitas.

ATTORNEY FEES. In the event a suit or action is instituted in connection with any controversy arising out of this contract, the prevailing party shall be entitled to receive, in addition to its costs, such sum as the court may adjudge reasonable as to attorney's fees and costs.

AUTHORITY OF THE CITY OF MILPITAS. Subject to the power and authority of the City of Milpitas as provided by law in this contract, the City of Milpitas shall in all cases determine the quantity, quality, and acceptability of the work, materials and supplies for which payment is to be made under this contract. The City of Milpitas shall decide the questions that may arise relative to the fulfillment of the contract or the obligations of the contractor hereunder.

CANCELLATION OF THE CONTRACT. *Without* CAUSE, the City of Milpitas may cancel this contract at any time with thirty (30) days written notice to the supplier/contractor. *with cause*, the City of Milpitas may cancel this contract at any time with ten (10) days written notice to the Proposer. Cancellation for cause shall be at the discretion of the City of Milpitas and shall be, but is not limited to, failure to supply the materials, equipment or service specified within the time allowed or within the terms, conditions or provisions of this contract. The successful Proposer may not cancel this contract without prior written consent of the City of Milpitas Purchasing Agent.

CHANGES IN WORK. The City of Milpitas may, at any time work is in progress, by written order and without notice to the sureties, make alterations in the terms of work as shown in the specifications, require the performance of extra work, decrease the quantity of work, or make such other changes as the City of Milpitas may find necessary or desirable. The Contractor shall not claim forfeiture of contract by reasons of such changes by the City of Milpitas. Changes in work and the amount of compensation to be paid to the Contractor for any extra work as so ordered shall be determined in accordance with the unit prices of contractor's proposal.

CONTRACT TERM. Contract term will be for one (1) year from January 1, 2014 to December 31, 2014 (the "Anniversary Date"). The City of Milpitas reserves the right to extend this contract for four (4) one (1) year options exercisable at the City's sole discretion, not to exceed five (5) years in total. The City may exercise the renewal option years by written notice to the Contractor by mail, fax or email, including a Purchase Order, sent no later than the last day of the current term. If a renewal option is exercised and/or a price increase is granted it will be transmitted to the Contractor using "Exhibit D – Notice of Exercise of Option to Extend Agreement".



COMPENSATION ADJUSTMENT. The stated rates are fixed for the year of the contract from January 1, 2014 to December 31, 2014 ("Anniversary Date"). "Annually each January 1<sup>st</sup> beginning in 2014 and each 12 months thereafter, rates may be negotiated by the Contractor and the City, provided Contractor submits written notice to the Purchasing Agent of Contractor's request to revise the rates ninety (90) calendar days prior to the anniversary date of this Agreement. In the event that there are significant changes in costs, the following price escalation clause may be implemented with proper documentation from the successful bidder. The calculation method described herein shall not change for the life of the agreement.

1. Price increases will only be considered upon presentation of documentation from the Contractor (e.g. invoices, sales receipts, price increase notices, including all costs associated with labor, overhead and general sales and administration) for the life of the agreement. Price changes related to these costs will only be considered annually at the time of renewal. Upon receipt of such notice, the City reserves the right to either:
  - A. Accept the escalation as competitive within the general market place at that time based on documented information submitted by the Contractor and published market indicators for the industry; or
  - B. Negotiate the escalation based on "A" above; or
  - C. Cancel any unused balance of the contract as of the effective date of the renewal option.
2. The City shall receive reduced pricing in each instance where the Contractor's costs have decreased. This reduced pricing shall be relative to the percent decrease in the Contractor's costs. In the event that the Contractor does not reduce the City's pricing when the Contractor's costs have decreased, the City reserves the right to deduct from any monies due to the Contractor the difference between the City's contract price and the reduced price for each purchase made during the period when the Contractor's costs decreased.
3. The City will monitor the United States Department of Labor Bureau of Labor Statistics, Producer Price Index, Category 5617, Series PCU56172, Janitorial Services, Base Year 2013 to determine whether or not a price adjustment is warranted.
4. No Price increase shall exceed 5%.
5. Purchasing has the sole authority to grant price adjustments for contract renewals. All communications regarding price adjustments shall be directed to:

City of Milpitas  
Purchasing Agent

455 E. Calaveras Blvd.  
Milpitas, CA 95035-5411

COMPLIANCE WITH OR DEVIATION FROM SPECIFICATIONS. Proposer hereby agrees that the material, equipment or service offered will meet all the requirements of the specifications in this solicitation unless deviations from them are clearly indicated in the Proposer's response. **Proposer may submit an attachment entitled "Exceptions to Specifications", which must be signed by Proposer's authorized representative. An explanation must be made for each item in which an exception is taken, giving in detail the extent of the exception, the reason for which it is taken, and the suggested change.** Proposals failing to comply with this requirement will be considered non-responsive. Submittal of brochure or other manufacturer literature is desirable but may not be a substitution for this requirement.

COMPLIANCE WITH LAWS. All Proposals shall comply with current federal, state, local and other laws relative thereto.

CONTRACT INCORPORATION. This contract embodies the entire contract between the City of Milpitas and the Contractor. The parties shall not be bound by or be liable for any statement, representation, promise, inducement or understanding of any kind or nature not set forth herein. No changes, amendments, or modifications of any of the terms or conditions of the contract shall be valid unless reduced to writing and signed by both parties. The complete contract shall include the entire contents of the RFP solicitation, all addenda, all of Proposer's successful submittal, supplemental agreements, change orders, and any and all written agreements which alter, amend or extend the contract.

CONTRACTOR RESPONSIBILITY.

1. Any work completed by the contractor that does not meet the quality standards as determined by the City, shall be re-done by the contractor at no cost to the City. In the event contractor's work repeatedly does not meet the quality standards, the Purchasing Agent and the Public Works Supervisor reserve the right to terminate contract without any cost to the City.
2. The contractor must, at all times, maintain adequate staffing to faithfully execute the contract. If it appears at any time the specifications of the contract are not being completed, the contractor will supply additional staff to successfully meet the terms of the contract. The City may request contractor to remove any janitor from its premises at any time it desires for any reason whatsoever, and the contractor shall provide immediate replacement.

DISPLACED JANITOR OPPORTUNITY ACT. This contract may be subject to the provisions of the Displaced Janitor Opportunity Act (DJOA) (California Labor Code §§ 1060 -1065) because it is a contract for janitorial or building maintenance services performed within the State of California entered into on or after January 1, 2002. Under this Act, as specified in detail in the provisions therein, a successor contractor shall retain, for a 60-day employment period, employees who have been employed by the terminated contractor for the preceding four months or longer at the site or sites covered by the successor service contract unless the successor contractor has reasonable and



substantiated cause not to hire a particular employee based on that employee's performance or conduct while working under the terminated contract.

Any janitorial contractor employing 25 or more individuals may be subject to the employee retention and reporting provisions of the DJOA. Pursuant to the Act the terminated contractor shall provide the name, date of hire, and job classification of each employee employed at the site(s) covered by the terminated service contract at the time of the contract termination. Such information shall be provided to the successor contractor (winning bidder) as soon as that new contractor has been selected.

EXPENDATURE. Estimated annual expenditure has been approximately \$500,000. This is an estimate only and represents our best evaluation based on past experience.

FORCE MAJEURE. If execution of this contract shall be delayed or suspended and if such failure arises out of causes beyond the control of and without fault or negligence of the Contractor, the Contractor shall notify the City of Milpitas, in writing, within twenty-four (24) hours, after the delay. Such causes may include but are not limited to acts of God, war, acts of a public enemy, acts of any governmental entity in its sovereign or contractual capacity, fires, floods, epidemics, strikes and unusually severe weather.

FORMATION OF CONTRACT. Proposer's signed Proposal and City of Milpitas' written acceptance shall constitute a binding contract.

INDEMNITY. The bidder must hold harmless and fully indemnify the City, its officers, employees and agents from all damages or claims for damages or loss, costs or expenses that may at any time arise out of the bidder's injury to persons or damage to property resulting directly or indirectly from performance of, or failure to perform acts, required by the contract documents, including, but not limited to, infringement or use of any copyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used in connection with this bid including the defense of any action arising there from.

LAWS GOVERNING CONTRACT. This contract shall be in accordance with the laws of the state of California. The parties stipulate that this contract was entered into in the county of Santa Clara, in the state of California. The parties further stipulate that the county of Santa Clara, California, is the only appropriate forum for any litigation resulting from a breach hereof or any questions risen here from.

LIQUIDATED DAMAGES. When the contractor fails to perform, as specified, the services required in this agreement, the City will have been damaged by that lack of performance. Since it is difficult to define the amount of damage caused, the contractor shall agree to the following liquidated damages:

1. If trained personnel do not report to the City's representative within two (2) hours of the start of any shift, the City will be damaged and liquidated damages of Five Hundred Dollars (\$500.00) per occurrence will be deducted from the monthly invoice. The contractor will be notified by telephone or FAX within 24-hours of failure to report and assessment of liquidated damages.



2. If the contractor fails to perform any contracted service or any part of a contracted service, the City will be damaged. The contractor will be notified by telephone or FAX within 24-hours of the failure to perform and performance will be required within 24-hours after receipt of such telephone call or FAX. If the contracted service or any part of the contracted service is not performed within the 24-hours of receipt of telephone call or FAX, the City will be damaged and liquidated damages of Five Hundred Dollars (\$500.00) per occurrence will be deducted from tile monthly invoice.

Notification of failure to perform, damage for lack of performance and liquidated damages of Twelve Hundred Dollars (\$500.00) per occurrence will continue to be deducted from the monthly invoice until the service is performed.

PROPRIETARY INFORMATION. The master copy of each proposal shall be retained for official files and will become public record after the award of a contract unless the proposal or specific parts of the proposal can be shown to be exempt by law. Each Proposer may clearly label part of a proposal as "CONFIDENTIAL" if the Proposer thereby agrees to indemnify and defend the City of Milpitas for honoring such a designation. The failure to so label any information that is released by the City of Milpitas shall constitute a complete waiver of all claims for damages caused by any release of the information. If a public records request for labeled information is received by the City of Milpitas, the City of Milpitas will notify the Proposer of the request and delay access to the material until seven working days after notification to the Proposer. Within that time delay, it will be the duty of the Proposer to act in protection of its labeled information. Failure to so act shall constitute a complete waiver.

RECYCLED PRODUCT PROCUREMENT. The City of Milpitas is committed to the conservation and protection of state and local resources therefore:

- a. For all paper materials of any kind delivered to the City, by a contractor, supplier, or consultant, whether in the form of a product such as a cup or a deliverable such as a report, shall use recycled paper that bears an imprint identifying the recycled content of the paper as not less than the 30% post consumer fiber as specified in Section 12209 of the Public Contract Code. A product such as a cup may have the identifying logo and/or language on the packaging, while a deliverable such as a report shall have the identifying logo on the first page. This shall apply for all paper materials delivered to the city whenever practicable.
- b. Contractors and consultants shall use both sides of paper sheets whenever practicable.

SEVERABILITY. If any provisions, or portion of any provision, of this contract are held invalid, illegal or unenforceable, they shall be severed from the contract and the remaining provisions shall be valid and enforceable.

SPECIFICATIONS, CHANGES TO. The parties shall not be bound by or be liable for any statement, representation, promise, inducement or understanding of any kind or nature not set forth herein or by written amendment. No changes, amendments, or modifications of any of the terms or conditions of the specification shall be valid unless reduced to writing and signed by both parties.

SPECIFICATIONS, DEFINITION. The term "specification" as used in this solicitation shall be interpreted to mean all the pages that make up this solicitation, including all Exhibits and Attachments.



## SPECIAL PROVISIONS FOR SERVICES

ACCESSIBILITY. The Contractor shall fully inform himself regarding any peculiarities and limitations of the spaces available for the installation of work under this contract. He shall exercise due and particular caution to determine that all parts of his work are made quickly and easily accessible.

BUSINESS LICENSE. If the scope of work under this bid includes performing services or installation on City of Milpitas property, the SUCCESSFUL BIDDER must have a current City of Milpitas Business License. Inquires regarding Business License may be directed to (Finance at 408-586-3100). Business Licenses are not required for materials or equipment shipped by U.S. mail or common carrier.

CLEANUP. During performance and upon completion of work on this project Contractor will remove all unused equipment and instruments of service, all excess or unsuitable material, trash, rubbish and debris, and legally dispose of same, unless otherwise directed by these specifications. Contractor shall leave entire area in a neat, clean, and acceptable condition as approved by the City of Milpitas.

CLEANUP COST. Proposer shall include in the proposal, all costs for cleanup during performance and upon completion of work on this project. Successful Proposer will remove all unused equipment and instruments of service, all excess or unsuitable material, trash, rubbish and debris, and legally dispose of same, unless otherwise directed by these specifications. Successful Proposer shall leave entire area in a neat, clean, and acceptable condition as approved by the City of Milpitas.

COOPERATION BETWEEN CONTRACTORS. The City of Milpitas reserves the rights to contract for and perform other or additional work on or near the work covered by these specifications. When separate contracts are let within the limits of any one project, each contractor shall conduct his work so as not to interfere with or hinder the progress or completion of the work being performed by other contractors. Contractors working on the same project shall cooperate with each other as directed. Each contractor involved shall assume all liability, financial or otherwise, in connection with his contract and shall protect and save harmless the City of Milpitas from any and all damages or claims that may arise because of inconvenience, delays, or loss experienced by him because of the presence and operations of other contractors working within the limits of the same project.

COORDINATION WITH AGENCIES. The Contractor shall coordinate his activities with the proper regulatory agencies and have their representative on site at the proper times.

DAMAGE. The contractor shall be held responsible for any breakage, loss of the City of Milpitas' equipment or supplies through negligence of the contractor or his employee while working on the City of Milpitas' premises. The contractor shall be responsible for restoring or replacing any equipment, facilities, etc. so damaged. The contractor shall immediately report to the City of Milpitas any damages to the premises resulting from services performed under this contract. Failure or refusal to restore or replace such damaged property will be a breach of this contract.

INSURANCE REQUIREMENTS. Within ten (10) consecutive calendar *days* of award of contract, Successful Proposer must furnish the City of Milpitas with the Certificates of Insurance proving



coverage as specified in **Exhibit C - Insurance Requirements – General**.

**LAWS - ADHERENCE TO ALL LOCAL, STATE, AND FEDERAL LAWS AND REQUIREMENTS.** The Contractor shall adhere to all applicable federal, state, and local laws, codes and ordinances, including, but not limited to, those promulgated by CAL-OSHA, FED-OSHA, EPA, the California State Department of Health Services, and the City of Milpitas Environmental Health Department.

**PRE-JOB START MEETING.** The contractor shall not commence work until a meeting between representatives of the contractor and the City of Milpitas is held. The meeting will be held at a time, date, and location later to be established.

**PREVAILING WAGE.** Resolution No. 5981 of the City of Milpitas requires that any contractor performing routine and recurring labor or services in excess of \$1,000.00 on behalf of the City of Milpitas, pay not less than general prevailing wage of per diem wages to all employees engaged to perform said labor or services.

However, the Department of Industrial Relations has not established a prevailing wage rate for work to be performed under this contract. Therefore, in order to comply with the terms of Resolution Number 5981, the City has conferred with the South Bay Labor Council and SEIU United Service Workers West Union and agreed that for this contract "prevailing wage" shall mean the wages paid in compliance with the SEIU United Service Workers West Northern California Maintenance Service Contract with Service Employees' International Union SEIU United Service Workers West as follows:

Area 1L Rates

Start: \$8.50

Year 1: \$8.75

Year 2: \$9.00

Year 3: \$9.75

Year 4 Master Wage Rate Area 1A/1B: \$13.69 (5/1/13 to 4/30/14)

It shall be mandatory upon the contractor to whom the contract is awarded to not pay less than the said prevailing wage rates to all workers employed in execution of the contract. The Contractor shall forfeit as a penalty to the City, the sum of Twenty-five dollars (\$25.00) for each worker(s) and for each working day such worker(s) is paid less than the above stipulated rates for any work done under or by virtue of this contract by him or her or by any employee under him or her.

**REPORTS.** The Contractor shall keep or cause to be kept an accurate record showing the names and occupation of all laborers, workers, or mechanics employed by him or her any employee under him or her in connection with the work and also showing the actual hours worked and actual wages paid to each of such workers, which record shall be open at all reasonable hours to the inspection of Steve Erickson, CIP Manager.

CERTIFIED PAYROLL . The wages paid by the Contractor shall be the current applicable prevailing wage rates and in accordance with the requirements specified in these Contract Documents. **Contractor shall submit copies of certified payrolls on a quarterly basis.**

PROTECTION OF PUBLIC. Adequate warning devices, barricades, guards, flagmen or other necessary precautions shall be taken by the Contractor to give advised and reasonable protection, safety and warning to persons and vehicular traffic concerned in the area.

REJECTION OF WORK. Contractor agrees that the City of Milpitas has the right to make all final determinations as to whether the work has been satisfactorily completed.

RIGHTS RESERVED. (a) Rejection of Work. Contractor agrees that the City of Milpitas has the right to make all final determinations as to whether the work has been satisfactorily completed. (b) Completion of Work. If Contractor fails to comply with the conditions of the contract, or fails to complete the required work or furnish the required materials within the time stipulated, the City of Milpitas reserves the right to purchase in the open market, or to complete the required work, at the expense of the Contractor, including but not limited to, by recourse to provisions of the performance bond if such bond is required under the conditions of this proposal.

SAFETY, FIRST AID REQUIREMENTS. Successful Contractor shall comply with the provisions of California Code of Regulations §§ 1502, 1512, et. seq. regarding safety and first aid kits on site.

SITE INSPECTION. Before submitting Proposals, Proposers must fully inform themselves of the conditions, requirements and specifications of the work or materials to be furnished. Failure to do so will be at Proposers' own risk and they cannot secure relief on the plea of error.

**IMPORTANT NOTICE –**

**PROPOSALS DOCUMENTS TO BE RETURNED**

The following forms must be completed and submitted on or before the Submittal Deadline.

- a. **Proposal Form (30, 31, 32, & 33)**
- b. **Experience Statement (34)**
- c. **Non-Collusion Affidavit (35)**
- d. **Proposer's Statement Regarding Insurance Coverage (38)**
- e. **Worker's Compensation Insurance Certificate (39)**
- f. **Contractor's Nondiscriminatory Employment Certificate (40, 41, & 42)**

Failures to complete, sign (where required), and return the above proposal documents with your proposal may render it non-responsive.





## Signature Pages and Acknowledgement of Addenda

### PROPOSAL FORM

RFP 2059

City Wide Janitorial Service

IF BIDDING ELECTRONICALLY ALL THREE PAGES OF THIS FORM MUST BE PRINTED OUT, COMPLETED AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM

To: City of Milpitas  
455 E. Calaveras Blvd.  
Milpitas, CA, 95035-5411

From: Varsity Facility Services  
Name of Bidder

1055 South 3600 West  
Mailing Address

Salt Lake City, UT 84104  
City, State & Zip

#### CONTRACTOR'S PROPOSAL

The undersigned Proposer agrees that he will contract with the City of Milpitas to provide all necessary labor, supervision, machinery, tools, apparatus etc. to do all the work and furnish all the materials specified in the contract in the manner and time therein prescribed, and that he will take in full payment the amount set forth hereon.

Request for Proposal No. 2059 for City Wide Janitorial Service, in its entirety, all Addenda, and the following documents by this reference are hereby made a part of this contract:

- a. Notice of Request For Proposals
- b. Background
- c. Scope of Work
- d. Instructions To Proposer
- e. Terms and Conditions
- f. Special Provisions For Services
- g. Addenda
- h. Proposal Form
- i. References
- j. Non-Collusion Affidavit
- k. Sample Contract
- l. Proposer's Statement Regarding Insurance Coverage
- m. Worker's Compensation Insurance Certificate
- n. Proposer's Nondiscriminatory Employment Certificate
- o. Janitorial Specifications
- p. City Wide Janitorial Service Schedule



## Janitorial Services Proposal

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- q. Insurance Requirements – General
- r. Contractor's Proposal

By checking the blank after questions and/or filling in the number after addenda, Proposer acknowledges receipt of questions (if any) N/A and Addenda Number(s) #1, #2, and    .



### **Addenda Acknowledgement**

This is to certify that Varsity was in receipt of all of the addenda uploaded to the PublicPurchase.com site and used the information in the preparation of this bid.





## Pricing

The following pricing is based on the recommendations specific to the City of Milpitas contained in Appendix A

The cost of all labor, material, and equipment necessary for the completion of the work itemized, even though not shown or specified, shall be included in the price for the various items shown hereon. The City of Milpitas reserves the right to increase or decrease the quantity of any item or omit items as may be deemed necessary, and the same shall in no way affect or make void the contract. When increases or decreases are made to the monthly service, appropriate additions or deductions from the contract total price will be negotiated.

|     | <u>MONTHLY SERVICES</u>                                        | <u>COST PER MONTH</u> |
|-----|----------------------------------------------------------------|-----------------------|
| 1.  | City Hall complex, 455 E. Calaveras Blvd.                      | \$ 7,837.00           |
| 2.  | Milpitas Sports Center/ Teen Center, 1235 E. Calaveras Blvd.   | \$ 5,779.00           |
| 3.  | Main Fire Station No. 1, 777 S. Main St.                       | \$ 487.00             |
| 4.  | Police Substation/Raceway, (2) Great Mall, 1210 Great Mall Dr. | \$ 1,044.00           |
| 5.  | Library Garage, 120 N. Main St.                                | \$ 1,770.00           |
| 6.  | Community Center, 457 E. Calaveras Blvd.                       | \$ 3,017.00           |
| 7.  | Police Department, 1275 N. Milpitas Blvd.                      | \$ 6,239.00           |
| 8.  | Public Works Department, 1265 N. Milpitas Blvd.                | \$ 2,139.00           |
| 9.  | Fire Department Trailer, 777 S. Main St.                       | \$ 178.00             |
| 10. | Jose Higuera Adobe Bldg., Wessex Place off N. Park Victoria    | \$ 632.00             |
| 11. | Senior Center, 40 Milpitas Blvd.                               | \$ 1,923.00           |
| 12. | Cracolico Bldg., 540 S. Able St.                               | \$ 1,990.00           |
|     | TOTAL MONTHLY                                                  | \$ 34,024.00          |
|     | TOTAL ANNUAL (Total Monthly X 12)                              | \$ 408,288.00         |



## Janitorial Services Proposal

| ADDITIONAL SERVICES |                                                                                     | COST PER HOUR |
|---------------------|-------------------------------------------------------------------------------------|---------------|
| 1.                  | Services during normal working hours on a weekday with no less than 24 hours notice | \$ 18.00      |
| 2.                  | Services outside normal work hours on a weekday with no less than 24 hours notice   | \$ 18.00      |
| 3.                  | Service with less than 24 hours notice during normal working hours on weekday       | \$ 18.00      |
| 4.                  | Service with less than 24 hours notice during outside working hours                 | \$ 18.00      |

Total Base Bid (Items 1 thru 12 Written in Figures) .....\$ 34,024.00

Total Base Bid Written in Words (Items 1 thru 12 Written in Figures)

Thirty-four Thousand and Twenty-four Dollars 00/100

Amount Written in Words. Where there is a discrepancy between words and figures, WORDS WILL GOVERN. Where there is a discrepancy between item unit price and extended total, UNIT PRICE WILL GOVERN.

IN ORDER FOR YOUR PROPOSAL TO BE CONSIDERED YOU MUST PROVIDE PRICING FOR ITEMS 1 THROUGH 12 ABOVE. FAILURE TO PRICE ANY ITEM SHALL RENDER YOUR QUOTE NON-RESPONSIVE.

ITEMS MAY NOT BE PRICED "IN PART" OR ALTERED IN ANY WAY.

Recycled Product Procurement: Be sure to add an attachment detailing the requirements of the Recycled Product Procurement section of the Terms and Conditions if applicable.

Please check your calculations before submitting your Proposal; the City of Milpitas will not be responsible for Proposer's miscalculations.

Varsity Facility Services  
Company Name  
1055 South 3600 West  
Mailing Address (PO Box or street)  
Salt Lake City, UT 84104  
City, State, and Zip Code  
*Craig D. Gilliam*  
Signature of Authorized Representative



## Janitorial Services Proposal

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Casey Gillan  
Name of Authorized Representative

Northwest Regional Manager  
Title of Authorized Representative

Corporation  
Type of Business (Corp, Partnership, Sole Proprietorship)

(801)972-3580      (801)335-0249  
Telephone Number      Facsimile Number



**REFERENCES**  
**RFP 2059**  
**City Wide Janitorial Service**

**IF BIDDING ELECTRONICALLY**  
**THIS FORM MUST BE PRINTED OUT, COMPLETED AND**  
**UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

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I hereby certify that I have a current and valid Contractor's License, in good standing, issued by the California State Department of Consumer Affairs and that the information below is a record of my experience in construction of a type similar in magnitude and character to that contemplated under this contract. **Additional numbered pages outlining this portion of the bid may be attached to this page.**

Varsity Facility Services  
Bidder Name

I declare under penalty of perjury that the foregoing is true and correct. Executed on 11/20/13 (date)  
at Salt Lake City, UT.

  
Signature of Authorized Bidder

| <u>Description</u>                        | <u>Yr</u> | <u>Amt</u> | <u>Customer</u>      | <u>Telephone</u> |
|-------------------------------------------|-----------|------------|----------------------|------------------|
| Janitorial Services, over 1,000,000 sq ft | 13        | **         | City of Fort Collins | ( 970 ) 221-6592 |
| Janitorial Services, 30+ County Bldgs     | 5         | **         | Maricopa County      | ( 602 ) 506-8796 |
| Janitorial Services, Municipal Bldgs      | 1.5       | **         | Salt Lake City Corp. | ( 801 ) 535-6651 |

\*\*We have non-disclosure agreements in place with many of our customers which prohibits us from providing this information.

*In accordance with Public Contract Code §7106, the following Affidavit must be executed by  
Proposer and submitted with proposal*

## **NON-COLLUSION AFFIDAVIT**

**RFP 2059**

**City Wide Janitorial Service**

**IF BIDDING ELECTRONICALLY THIS FORM MUST BE PRINTED OUT, COMPLETED  
AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

State of California

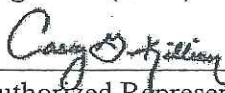
County of Santa Clara ss.

Casey Killian (Proposer's Name), being first duly sworn, deposes  
and says that he or she is Northwest Regional Manager (Position/Title/Owner)  
of Varsity Facility Services (Contractor Name) the party making the  
foregoing proposal that the proposal is not made in the interest of, or on behalf of, any undisclosed  
person, partnership, company, association, organization, or corporation; that the proposal is genuine  
and not collusive or sham; that the proposer has not directly or indirectly induced or solicited any  
other proposer to put in a false or sham proposal, and has not directly or indirectly colluded,  
conspired, connived, or agreed with any proposer or anyone else to put in a sham proposal, or that  
anyone shall refrain from bidding; that the proposer has not in any manner, directly or indirectly,  
sought by agreement, communication, or conference with anyone to fix the proposal price of the  
proposer or any other proposer, or to fix any overhead, profit, or cost element of the proposal price,  
or of that of any other proposer, or to secure any advantage against the public body awarding the  
contract of anyone interested in the proposed contract; that all statements contained in the proposal  
are true; and further, that the proposer has not, directly or indirectly, submitted his or her proposal  
price or any breakdown thereof, or the contents thereof, or divulged information or data relative  
thereto, or paid, and will not pay, any fee to any corporation, partnership, company association,  
organization, proposal depository, or to any member or agent thereof to effectuate a collusive or  
sham proposal."

11/20/13  
Date

Salt Lake City, UT  
(Signed at (Place))

Varsity Facility Services  
Proposer Name  
(Person, Firm, Corp.)

  
Authorized Representative

1055 South 3600 West  
Address

Casey Killian  
Representative's Name

Salt Lake City, UT 84104  
City, State, Zip

Northwest Regional Manager  
Representative's Title

**PROPOSER'S STATEMENT  
REGARDING INSURANCE COVERAGE**

**RFP 2059**

**City Wide Janitorial Service**

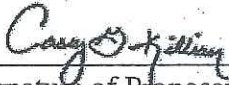
**IF BIDDING ELECTRONICALLY  
THIS FORM MUST BE PRINTED OUT, COMPLETED AND  
UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

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PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the Request For Proposals No. 2059, for City Wide Janitorial Service. Should the Proposer be awarded the contract for the work, Proposer further certifies that the Proposer can meet the specified requirements for insurance, and agrees to name the City of Milpitas as Additional Insured for the work specified.

Varsity Facility Services

Name of Proposer (Person, Firm, or Corporation)



Signature of Proposer's Authorized Representative

Casey Killian, Northwest Regional Manager

Name & Title of Authorized Representative

November 20, 2013

Date of Signing



# WORKER'S COMPENSATION INSURANCE CERTIFICATE

RFP 2059

City Wide Janitorial Service

**IF BIDDING ELECTRONICALLY THIS FORM MUST BE PRINTED OUT, COMPLETED  
AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

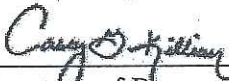
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The Contractor shall execute the following form as required by the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Varsity Facility Services

Name of Proposer (Person, Firm, or Corporation)



Signature of Proposer's Authorized Representative

Casey Killian, Northwest Regional Manager

Name & Title of Authorized Representative

November 20, 2013

Date of Signing

# CONTRACTOR'S NONDISCRIMINATORY EMPLOYMENT CERTIFICATE

RFP 2059

City Wide Janitorial Service

**IF BIDDING ELECTRONICALLY THIS FORM MUST BE PRINTED OUT, COMPLETED  
AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

## Certificate Generally

Consistent with a policy of nondiscrimination in employment on contracts of the City of Milpitas and in furtherance of the provisions of Section 1735 and 1777.6 of the California Labor Code a "contractor's obligation for nondiscriminatory employment certificate" as hereinafter set forth shall be attached and incorporated by reference as an indispensable and integral term of all RFQ specifications and contracts of the City of Milpitas for the construction, repair, or improvement of public works.

## Contents of Certificate

The Contractor's obligation for nondiscriminatory employment is as follows:

In performing the work of this contract, the Contractor agrees as follows:

1. The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, ancestry, sexual orientation, political affiliation or beliefs, sex, age, physical handicap, medical condition, marital status or pregnancy (as those terms are defined by the California Fair Employment and Housing Act -- Government Code Section 12900-12996), except where such discrimination is based on a bona fide occupational qualification.

2. The Contractor will take positive action or ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, national origin, ancestry, sexual orientation, political affiliation or beliefs, sex, age, physical handicap, medical condition, marital status or pregnancy (as those terms are defined by the California Fair Employment and Housing Act -- Government Code Section 12900-12996), except where such discrimination is based on a bona fide occupational qualification. Such action shall include but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City of Milpitas setting forth the provisions of this nondiscrimination clause.

3. The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, national origin, ancestry, sexual orientation, political affiliation or beliefs, sex, age, physical handicap, medical condition, marital status or pregnancy (as those terms are defined by the California Fair Employment and Housing Act -- Government Code



Section 12900-12996), except where such discrimination is based on a bona fide occupational qualification.

4. The Contractor will send to each labor union or representative of workers, with which the Contractor has a collective bargaining agreement or other contract or understanding, a notice to be provided by the City of Milpitas advising the said labor union or workers' representative of the Contractor's commitments under this provision, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

5. The Contractor will permit access to the Contractor's records of employment, employment advertisements, application forms, and other pertinent data and records by the City of Milpitas, the Fair Employment Practices Commission, or any other appropriate Agency of the State designated by the City of Milpitas for the purposes of investigation to ascertain compliance with the Contractor's Obligation for Nondiscriminatory Employment provisions of this contract, or Fair Employment Practices statute.

6. A finding of willful violation of the nondiscriminatory employment practices article of this contract or of the Fair Employment Practices Act shall be regarded by the City of Milpitas as a basis for determining that as to future contracts for which the Contractor may submit quotes, the Contractor is a "disqualified bidder" for being "non-responsible".

7. The City of Milpitas shall deem a finding of willful violation of the Fair Employment Practices Act to have occurred upon receipt of written notice from the Fair Employment Practices Commission that it has investigated and determined that the Contractor has violated the Fair Employment Practices Act and has issued an order under Labor Code Section 1426 or obtained an injunction under Labor Code Section 1429.

8. Upon receipt of any such written notice, the City of Milpitas shall notify the Contractor that unless he or she demonstrates to the satisfaction of the City of Milpitas within a stated period that the violation has been corrected, he or she shall be declared a "disqualified bidder" until such time as the Contractor can demonstrate that he or she has implemented remedial measures, satisfactory to the City of Milpitas, to eliminate the discriminatory employment practices which constituted the violation found by the Fair Employment Practices Commission.

9. Upon receipt from any person of a complaint of alleged discrimination under any City of Milpitas contract, the City of Milpitas Administrator shall ascertain whether probable cause for such complaint exists. If probable cause for the complaint is found, the Administrator shall request the City Council to hold a public hearing to determine the existence of a discriminatory practice in violation of this contract.

10. In addition to any other remedy or action provided by law or the terms of this contract, the Contractor agrees that, should the Council determine after a public hearing duly noticed to the Contractor that the Contractor has not complied with the nondiscriminatory employment practices provisions of this contract or has willfully violated such provisions, the City of Milpitas may, without liability of any kind, terminate, cancel, or suspend this contract, in whole or in part. In addition, upon such determination the Contractor shall, as a penalty to the City of Milpitas, forfeit a penalty of \$25.00 for each calendar day, or portion thereof, for each person who was denied



employment as a result of such noncompliance. Such monies shall be recovered from the Contractor. The City of Milpitas may deduct any such penalties from any monies due the Contractor from the City of Milpitas.

11. The Contractor certifies to the City of Milpitas that he or she has met or will meet the following standards for positive compliance, which shall be evaluated in each case by the City of Milpitas:

- a. The Contractor shall notify all supervisors and other personnel officers in writing of the content of the nondiscrimination provision and their responsibilities under it.
- b. The Contractor shall notify all sources of employee referrals (including unions, employment agencies, advertisements, Department of Employment) of the content of the nondiscrimination provision.
- c. The Contractor shall file a basic compliance report as required by the City of Milpitas. Willfully false statements made in such reports shall be punishable as provided by law. The compliance report shall also specify the sources of the work force and who has the responsibility for determining whom to hire, or whether or not to hire.
- d. The Contractor shall notify the City of Milpitas of opposition to the nondiscrimination provision by individuals, firms or organizations during the period of this contract.

12. Nothing contained in this Contractor's Obligation for Nondiscriminatory Employment Certificate shall be construed in any manner to prevent the City of Milpitas from pursuing any other remedies that may be available at law.

13. The Contractor certifies to the City of Milpitas that the Contractor will comply with the following requirements with regard to all subcontractors and suppliers:

- a. In the performance of the work under this contract, the Contractor will include the provisions of the foregoing paragraphs (1) through (8) in all subcontracts and in any supply contract to be performed within the State of California, so that such provisions will be equally binding upon each subcontractor and each supplier.
- b. The Contractor will take such action with respect to any subcontract or purchase order as the City of Milpitas may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigations with a subcontractor or supplier as a result of such direction by the City of Milpitas, the Contractor may request the City of Milpitas to enter into such litigation to protect the interests of the City of Milpitas.



Signature of Bidder's Authorized Representative

Casey Killian, Northwest Regional Manager

Name & Title of Authorized Representative

November 20, 2013

Date of Signing

# City of Milpitas

## EXHIBIT A

### City Wide Janitorial Specifications RFP 2059

#### SPECIFICATIONS

##### A. Scope of Work

The successful bidder shall furnish all labor, supervision, methods and processes, implements, tools, machinery, equipment, transportation and to provide janitorial services at the locations listed below.

| Building                  | Daily Hours | Detailing Hours | Service Days | Weekly Hrs | Approx. Sq. Ft. |
|---------------------------|-------------|-----------------|--------------|------------|-----------------|
| City Hall Complex         | 12          | 6               | 5            | 90         | 96,000          |
| Sports Center*            | 13          | 3               | 7            | 112        | 28,619          |
| Main Fire Station         | 1.5         | .25             | 5            | 8.75       | 2,800           |
| Police Substation/Raceway | 3           | .5              | 7            | 24.5       | 4,200           |
| Library Parking Garage    | 3           | .25             | 7            | 22.75      | 126,131         |
| Community Center*         | 6.5         | 1.5             | 7            | 56         | 16,400          |
| Police Department         | 8           | 2               | 7            | 70         | 57,400          |
| Public Works Department   | 5           | 1               | 5            | 30         | 15,400          |
| Fire Department Trailer   | 1           | .25             | 2            | 2.5        | 1,500           |
| Jose Higuera Adobe Bldg*  | 2           | .25             | 7            | 15.75      | 1,200           |
| Senior Center*            | 7           | 2               | 7            | 63         | 9,000           |
| Cracolice Bldg            | 3           | 2               | 7            | 35         | 9,504           |

**Utility hours should be added for all periodicals scheduled at all above sites.** Utility includes window washing, carpet cleaning, floor cleaning, and power washing City Hall exterior.

**Sports Center** – large gym & teen center – rented sporadically year round and heavily during the spring and summer including weekend rentals.

**Community Center** - rented year round including week end rentals.

**Jose Higuera Adobe Bldg** – rented sporadically in the fall and winter, heavily in the spring and summer, including weekends.

**Senior Center** – rented year round including weekend rentals.

**Cracolice Bldg.**- rented lightly year round, mostly weekend rentals.

Cleaning dates for these sites will be adjusted seasonally or based on rental activity, or lack there of. Contractor will be notified in advance of rental schedules and when to clean.



B. Work Schedule

Janitorial services for the Milpitas Sports Center are to be provided seven (7) days per week between the hours of 9 PM and 2:00 AM, weekend schedule may be changed due to scheduled activities. Janitorial services for the City Hall are to be provided five (5) days per week between the hours of 5:00 PM and 2:00 AM. Janitorial services for Fire Administration and the Police substation are to be provided five (5) days per week between the hours of 6 PM and 9:00 PM. The janitorial contractor will provide twenty-four (24) hour emergency response if requested, and will be allowed up to 2 hours to respond within the time of request. Contractor will provide all license and insurance as required by the State of California.

C. Holidays

There are 12 City holidays on which the contractor may need to provide service to city facilities, upon request from Steve Erickson, CIP Manager or the Public Works Hot Line, 408-586-2026. **Holiday work should be included in your basic cost.**

| <u>DATE</u>             |
|-------------------------|
| New Years Day           |
| Martin Luther King Jr.  |
| Lincoln's Birthday      |
| Presidents Day          |
| Memorial Day            |
| 4 <sup>th</sup> of July |
| Labor Day               |
| Veteran's Day           |
| Thanksgiving Day (2)    |
| Christmas Eve           |
| Christmas Day           |

D. Supplies and Equipment

1. The contractor shall furnish and keep in good working order all necessary tools and equipment such as, but not limited to cleaners, mops, brooms, buffers, ladders, hoses, vacuums, etc. All supplies and/or equipment used by the contractor must be approved by Steve Erickson, CIP Manager or his designee. Any non-complying equipment or supplies shall be changed out at the request of the Supervisor or his designee. Janitorial closets areas shall be kept clean and free of debris and odor at all times. All supplies and equipment shall be stored in a neat and orderly manner and in such a way as to prevent injury to City or contractor's employees. An equipment inventory is to be kept with the contractor's on-site supervisor.
2. The City shall provide the following products: toilet tissue; paper hand towels; toilet seat covers; trash can liners; liquid hand soap; sanitary napkins; light bulbs and all utilities including lights, power and water. Contractor shall fill all restroom dispensers daily.



E. Supervision

1. The Contractor will assign a supervisor to provide a minimum of three (3) site visits per week during all scheduled cleaning hours and special work assignments. This custodial supervisor or lead supervisor will be required to speak, read and understand English. Weekly janitorial supervisor's reports are to be submitted to Steve Erickson, CIP Manager or his designee noting any building deficiencies needing correction.
2. Site supervisor shall carry a cell phone or pager by which the City staff will be able to communicate with him/her. The staff may use the City phones to respond to work related issues.
3. The Contractor shall provide a list of all employee's, assigned to each work site. The list shall include name, address, and driver's license number. Also required will be the employee's work schedule and assignment. **All employees need to satisfactorily pass a City background screening. All employees must speak English.**

F. Training

The Contractor shall provide to its employees' environmental, health and safety training to ensure compliance with all federal, state and local laws or regulations.

G. Employee Conduct

Employees of the Contractor while performing work under this contract, WILL NOT:

1. Be accompanied in their work area by acquaintances, family members, assistants, or any other person unless such person is an on-duty authorized Contractor employee.
2. Remove any City property or personal property, equipment, monies, form or any other item from the Buildings.
3. Engage in horseplay or loud boisterous behavior.
4. Be under the influence of alcohol or drugs.
5. Gamble.
6. Smoke in any building.
7. Turn on or use any equipment other than City supplied or Contractor's, such as computers, typewriters, or radios, etc
8. Use any City telephone except those designated by the Building Services Superintendent or his/her designee for the purpose of business under this contract.
9. Open any desk, file cabinet or storage cabinet.
10. Remove any article from desks.
11. Consume any food or beverage, other than that brought with or purchased by the employee, and in only in areas designated as break or lunchrooms. Engage in non-work related conversations with City employees or visitors. Come to work late or leave work early.

H. Employee Removal

The Contractor shall remove from service on the premises of the City any employee of the Contractor who, in the opinion of the City, is not performing the services in a proper manner, or who is incompetent, disorderly, abusive, dangerous, or disruptive, or does not comply with rules and regulations of the City. Contractor shall in no way interpret such removal to require dismissal or other disciplinary action of the employee.

I. Employee Appearance and Identification

Contractor personnel shall present a neat appearance and be easily recognized as Contractor employees. The Contractor shall provide each employee with an identification badge and uniform. The badge shall include the employee's photograph, and Contractor's name. The uniform and identification shall be available prior to entering any City building and shall be worn at all times while working in the City. The uniform at a minimum shall be a uniform shirt with the Contractor's name or logo on it.

J. Reporting and Inspections

1. Building Control Log: The custodial supervisor and/or lead custodian will be responsible for maintaining a "Building Control Log" which will be the focal point for communications. The contractor's staff will be responsible for signing in daily on the log and sharing work related comments for analysis.
2. Status Reports: A report is to be given to Steve Erickson, CIP Manager or his designee daily if, and when, unusual circumstances arise; e.g., suspicious people are observed, lighting inoperable, etc.
3. Regular Inspections: The contractor's account manager and on-site supervisor will meet with Steve Erickson, CIP Manager or his designee as needed, to review work sites to ensure compliance with contract Specifications.

K. Work Performance

The Contractor will adhere to the highest quality standards of the janitorial profession and the City's cleaning standards as communicated by Steve Erickson, CIP Manager or his designee. Contractor shall immediately notify Steve Erickson, CIP Manager or his designee of any occurrence or condition that interferes with the full performance of the Contractor and confirm it in writing within 24 hours. Contractor shall provide additional staff to complete the work required in these specifications.

M. Special Assignments

The Contractor can expect to support special events during and outside of normal duty hours for special functions at the City facilities for open houses, rentals or dignitary visits, etc. The Contractor shall adjust the service schedule so that these services will be performed after the event. In cases where the work is out the normal work schedule, the Contractor shall quote all hourly rates per person for the special assignment.

N. Emergency Work

This agreement shall cover routine, requested and emergency janitorial work. Requested work shall be defined as any work beyond the general routine janitorial work outlined in

this agreement. Emergency work shall require a shortened response time of between two (2) and four (4) hours, depending on the nature of said work. The contractor shall have sufficient labor and call-out procedures to assume that staffing is available to allow for this type of unplanned requirement. The City of Milpitas will work closely with the contractor to help develop a specific procedure required to react to emergency Situations.

O. Security

Contractor will be required to have available the keys provided by the City at all times while providing service to the City. All doors are to be unlocked and locked as required by each building's specification. The contractor is responsible for after-hours security during performance of janitorial duties. All doors must be locked and shut during the performance of said duties. Lost keys or card-keys will be replaced by the contractor at the rate of \$50.00 per key or card-key, and the contractor will be financially responsible for all costs of re-keying any or all locks affected by lost keys in his/her control. City computers, fax machines, telephones, television sets and copiers are "OFF LIMITS" for use. Contractor will be financially responsible for any loss, damages, or accrued charges for any unauthorized usage this equipment.

P. Care of Facilities

The Contractor and all Contractors' employees shall regularly observe general conditions of all building areas and report problem areas to employee's supervisor. Contractor shall be responsible for the knowledge and use of all fire alarms and prevention equipment. In case of emergency, the Contractor's employees shall notify the City's Dispatch Center by dialing 911, then by calling or paging Steve Erickson, CIP Manager or his designee immediately. For non-emergency repairs, the contractor and all contractor's employees shall contract the Steve Erickson, CIP Manager or his designee or by leaving the information on the Facility Maintenance Hotline at (408) 586-2620.

Q. Custodial Services Tasks

See attached service description, EXHIBIT B.



**City of Milpitas**  
**City Wide Janitorial Service Schedule**  
**RFP 2059**

| <b>General Guidelines</b>                                       |            |             |              |              |             |
|-----------------------------------------------------------------|------------|-------------|--------------|--------------|-------------|
| <b>Service Description</b>                                      | <b>Dly</b> | <b>Wkly</b> | <b>Mthly</b> | <b>Qrtly</b> | <b>Yrly</b> |
| Check entire facility on arrival and correct any deficiencies   | X          |             |              |              |             |
| Report any occurrence that may be out of the ordinary           | X          |             |              |              |             |
| Keep all access doors locked while cleaning                     | X          |             |              |              |             |
| Lock all doors and leave only designated lights on              | X          |             |              |              |             |
| Keep custodial closets neat and orderly                         | X          |             |              |              |             |
| Gather waste from trash cans, place in specific dumpster        | X          |             |              |              |             |
| Clean trash receptacles, replace soiled liners in trash cans    | X          |             |              |              |             |
| Clean lobby door glass inside and out                           | X          |             |              |              |             |
| Clean all lobby entry way and exterior mats                     | X          |             |              |              |             |
| Clean receptionist counter tops and work area                   | X          |             |              |              |             |
| Wipe down drinking fountains                                    | X          |             |              |              |             |
| Clean stairwells                                                | X          |             |              |              |             |
| Spot clean all glass                                            | X          |             |              |              |             |
| Clean door hardware and frames inside and out                   | X          |             |              |              |             |
| Spot clean fingerprints on light switches and doors             | X          |             |              |              |             |
| Dust handrails                                                  | X          |             |              |              |             |
| Clean and polish door kick plates and thresholds.               |            | X           |              |              |             |
| Dust all cleared work surfaces and low partition walls          |            | X           |              |              |             |
| High dust all cleared horizontal surfaces                       |            | X           |              |              |             |
| Clean baseboards.                                               |            |             | X            |              |             |
| Clean and dust all overhead light fixtures                      |            |             | X            |              |             |
| Detail dust window ledges, blinds, picture frames and moldings. |            |             | X            |              |             |
| Clean lobby windows interior and exterior                       |            |             | X            |              |             |
| Vacuum upholstered furniture                                    |            |             | X            |              |             |
| Floor services for each area are in Floor sections on Page 2    |            |             |              |              |             |
| Kitchen floor mats                                              |            | X2          |              |              |             |

**Lobbies, Stairwells, Elevators & Common Areas**

| <b>Service Description</b>       | <b>Dly</b> | <b>Wkly</b> | <b>Mthly</b> | <b>Qrtly</b> | <b>Yrly</b> |
|----------------------------------|------------|-------------|--------------|--------------|-------------|
| Wipe handrails                   | X          |             |              |              |             |
| Clean elevator cabs and doors    | X          |             |              |              |             |
| Clean, dust and polish furniture | X          |             |              |              |             |
| Align furniture                  | X          |             |              |              |             |
| Clean all stairwell glass.       |            | X           |              |              |             |

**Conference Rooms & City Council Chambers**

| <b>Service Description</b>       | <b>Dly</b> | <b>Wkly</b> | <b>Mthly</b> | <b>Qrtly</b> | <b>Yrly</b> |
|----------------------------------|------------|-------------|--------------|--------------|-------------|
| Clean and dust A/V equipment     | X          |             |              |              |             |
| Align furniture                  | X          |             |              |              |             |
| Clean, dust and polish furniture |            | X           |              |              |             |

### Auditorium and Classrooms

| Service Description | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------|-----|------|-------|-------|------|
| Wipe down tables    | X   |      |       |       |      |
| Align furniture     | X   |      |       |       |      |

### Office Areas

| Service Description                | Dly | Wkly | Mthly | Qrtly | Yrly |
|------------------------------------|-----|------|-------|-------|------|
| Align furniture                    | X   |      |       |       |      |
| Clean window ledges and partitions |     | X    |       |       |      |
| Clean, dust and polish furniture   |     | X    |       |       |      |

### Fitness Areas

| Service Description                                     | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------|-----|------|-------|-------|------|
| Clean and sanitize all exercise equipment               | X   |      |       |       |      |
| Sweep, dust mop and/or damp mop all hard floor surfaces | X   |      |       |       |      |
| Spot clean window and mirror glass (prints & smudges)   | X   |      |       |       |      |
| Fill all dispensers                                     | X   |      |       |       |      |
| Fully clean all windows and mirrors.                    |     | X    |       |       |      |

### Restrooms/Sports Center Showers/Holding Cells

| Service Description                                            | Dly | Wkly | Mthly | Qrtly | Yrly |
|----------------------------------------------------------------|-----|------|-------|-------|------|
| Clean and polish all stainless steel dispensers                | X   |      |       |       |      |
| Empty, clean, polish & disinfect sanitary napkin receptacles   | X   |      |       |       |      |
| Fill all dispensers                                            | X   |      |       |       |      |
| Clean and sanitize all fixtures, fittings, toilets and urinals | X   |      |       |       |      |
| Clean and polish mirrors                                       | X   |      |       |       |      |
| Clean out lockers                                              | X   |      |       |       |      |
| Clean and sanitize all doors, partitions and vanity surfaces   | X   |      |       |       |      |
| Clean and sanitize all floor mats                              | X   |      |       |       |      |
| Wipe down shower walls                                         | X   |      |       |       |      |
| Clean and disinfect walls                                      |     | X    |       |       |      |
| Clean and flush floor and shower drains with drain cleaner     |     | X    |       |       |      |
| Clean lockers and walls                                        |     | X    |       |       |      |
| Clean and polish all doors and hardware.                       |     |      | X     |       |      |
| Machine scrub all shower and restroom floors.                  |     |      | X     |       |      |
| Detail clean grout lines in shower walls.                      |     |      |       | X     |      |

### Cafeteria/Break rooms/Patio Areas

| Service Description                               | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------|-----|------|-------|-------|------|
| Wipe down dining area and patio tables and chairs | X   |      |       |       |      |
| Wipe clean counter tops, sinks and cabinets       | X   |      |       |       |      |
| Replenish paper towels                            | X   |      |       |       |      |
| Clean all patios and balconies                    | X   |      |       |       |      |
| Wipe down interior and exterior of microwave      | X   |      |       |       |      |



|                                                                                                 |  |   |  |  |  |
|-------------------------------------------------------------------------------------------------|--|---|--|--|--|
| Clean and dust balcony walls                                                                    |  | X |  |  |  |
| Wipe down interior and exterior of refrigerator<br>(Refrigerators done per customer's schedule) |  | X |  |  |  |

### Parking Garage

| Service Description                                          | Dly | Wkly | Mthly | Qrtly | Yrly |
|--------------------------------------------------------------|-----|------|-------|-------|------|
| Gather waste from all trash cans, place in specific dumpster | X   |      |       |       |      |
| Clean and dust stairwell ledges, rails and landings          | X   |      |       |       |      |
| Police parking lot structure and stairwells for debris       | X   |      |       |       |      |
| Police Library entryways                                     | X   |      |       |       |      |
| High dust, remove cobwebs                                    | X   |      |       |       |      |
| Clean elevator cabs and doors, Polish inside and out         | X   |      |       |       |      |
| Clean Book Return counter and surrounding area               | X   |      |       |       |      |
| Check and replace all burnt out light bulbs                  | X   |      |       |       |      |
| Sweep all parking lot                                        |     |      | 2X    |       |      |

### Hard Floor Care

| Service Description                                           | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------|-----|------|-------|-------|------|
| Sweep, dust mop and/or damp mop all hard floor surfaces       | X   |      |       |       |      |
| Sweep, damp mop and disinfect all restroom and shower floors. | X   |      |       |       |      |
| Harwood floors – Daily sweeping with a treated dust mop       | X   |      |       |       |      |
| Machine scrub all stone, concrete and tile floors.            |     |      | X     |       |      |
| Spray buff high traffic VCT areas.                            |     |      | X     |       |      |
| Strip & wax VCT areas                                         |     |      |       | X     |      |
| Strip and seal all stone, concrete and ceramic floors         |     |      |       |       | 2X   |

### Carpet Floor Care

| Service Description                                 | Dly | Wkly | Mthly | Qrtly | Yrly |
|-----------------------------------------------------|-----|------|-------|-------|------|
| Vacuum all carpet.                                  | X   |      |       |       |      |
| Spot clean high traffic area carpets.               | X   |      |       |       |      |
| Spot clean all other carpet.                        |     | X    |       |       |      |
| Detail vacuum edges, under desks & around furniture |     |      | X     |       |      |
| Bonnett buff high traffic carpets                   |     |      |       | X     |      |
| Shampoo & extract carpets                           |     |      |       |       | 2X   |

### Utility Services

(These services billed with monthly cost)

| Service Description                                                                   | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------------------------------|-----|------|-------|-------|------|
| Wash all interior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash all exterior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash exterior skin (metal, stone, stucco etc.)                                        |     |      |       |       | 2X   |
| <b>CITY HALL ONLY</b>                                                                 |     |      |       |       |      |
| Sports Center – Clean interior and exterior glass surrounding the pool. (June – Aug.) | X   |      |       |       |      |
| Teen Center – Shampoo or extract carpet.                                              |     |      | X     |       |      |







## EXHIBIT C

### INSURANCE REQUIREMENTS - GENERAL

#### **Definition:**

For purposes of this contract, the following definition applies: City of Milpitas includes the duly elected or appointed officers, agents, employees and volunteers of the City of Milpitas, individually or collectively.

#### **Insurance Required:**

No work shall be done under this Contract unless there is in effect insurance required by the Contract and under this section, and such insurance has been approved by the City, nor shall the Contractor allow any subcontractor to commence work on his subcontract until all insurance required of the subcontractor has been so obtained and approved. The Contractor shall maintain or cause to be maintained adequate workers' compensation insurance as required under the laws of the State of California, for all labor employed by him or by any subcontractor under him who may come within the protection of such worker's compensation laws of the State of California and shall provide or cause to be provided employer's liability insurance for the benefit of his employees.

#### **Minimum Scope of Insurance: (Check Mark Indicates Required)**

Coverage must be *at least as broad as*:

- (X) Insurance Services Office Commercial General Liability coverage (occurrence Form CG0001).
- (X) Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
- (X) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
- ( ) Professional Liability or Errors & Omissions Liability insurance appropriate to the contractor's profession.
- ( ) Architects' and Engineers' coverage is to be endorsed to include contractual liability.

#### **Minimum Limits of Insurance:**

Contractor must maintain limits no less than:

1. **General Liability:** \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability insurance with a general aggregate limit is used, either the general aggregate limit must apply separately to this project/location or the general aggregate limit must be twice the required occurrence limit.  
(Including operations, products and completed operations, as applicable.)
2. **Automobile Liability:** \$1,000,000 per accident for bodily injury and property damage.
3. **Workers' Compensation** Statutory  
**Employer's Liability:** \$1,000,000 each accident  
\$1,000,000 disease-policy limit  
\$1,000,000 disease-each employee
4. **Professional Liability or** \$1,000,000 each occurrence  
**Errors & Omissions** \$1,000,000 policy aggregate  
**Liability:**

### **Deductibles and Self-Insured Retentions:**

Any deductibles or self-insured retentions must be declared to and approved by the City. The City may require the Contractor to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

### **Other Insurance Provisions:**

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. **The City of Milpitas, its officers, officials, employees, and volunteers** are to be covered as insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the contractor; and with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 11 85), or as a separate owner's policy.
2. For any claims related to this project, the **Contractor's insurance coverage shall be primary** insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of the **Contractor's insurance and shall not contribute with it.**
3. The Insurance Company agrees to **waive all rights of subrogation** against the City, its elected or appointed officers, officials, agents and employees for losses paid under the terms of any policy which arise from work performed by the Named Insured for the City. This provision also applies to the Contractor's Workers' Compensation policy.
4. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after **thirty (30) days' prior written notice (10 days for non-payment)** by certified mail, return receipt requested, has been given to the City. If Contractor's insurer refuses to provide this endorsement, Contractor shall be responsible for providing written notice to the City that coverage will be canceled thirty (30) days after the date of the notice or ten (10) days for non-payment.

### **Acceptability of Insurers:**

Insurance is to be placed with licensed insurers admitted to transact business in the State of California with a current A.M. Best's rating of no less than A-VII. If insurance is placed with a surplus lines insurer, insurer must be listed on the State of California List of Eligible Surplus Lines Insurers (LESLI) with a current A.M. Best's rating of no less than A-X. Exception may be made for the State Compensation Fund when not specifically rated.

### **Verification of Coverage:**

Contractor shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on insurance industry forms, provided those endorsements or policies conform to the contract requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require, at any time, complete, certified copies of all required insurance policies, including endorsements evidencing the coverage required by these specifications.

The Certificate with endorsements and notices shall be mailed to: City of Milpitas, Attention: Purchasing, 455 East Calaveras Boulevard, Milpitas California, 95035-5411.



**Subcontractors:**

Contractors must include all sub-contractors as insureds under its policies or furnish separate certificates and endorsements for each sub-contractor. All coverage for sub-contractors are subject to all of the requirements included in these specifications.

**Absence of Insurance:**

If the Contractor allows the insurance to lapse, be cancelled, or be reduced below the limits specified in this article, the Contractor shall cause all work in the Project to cease and any delays or expenses caused due to stopping of work and change of insurance shall be considered Contractor's delay and shall not be considered to increase cost to the City or increase time in which the Project shall be completed.

**Contractor agrees that if it does not keep the aforesaid insurance in full force and effect, City may immediately terminate this Agreement**

# EXHIBIT D - NOTICE OF EXERCISE OF OPTION TO EXTEND AGREEMENT

|                                         |  |
|-----------------------------------------|--|
| <b>AGREEMENT TITLE<br/>and DATE:</b>    |  |
| <b>CONTRACTOR<br/>Name and Address:</b> |  |
| <b>DATE OF OPTION:</b>                  |  |

*(date the notice is sent must be consistent with the time for exercise set forth in Agreement)*

Pursuant to Section \_\_\_\_ of the Agreement referenced above, the City of Milpitas hereby exercises its option to extend the term under the following provisions:

|                   |  |
|-------------------|--|
| <b>OPTION NO.</b> |  |
|-------------------|--|

## NEW OPTION TERM

|             |  |
|-------------|--|
| Begin date: |  |
| End date:   |  |

## ☐ CHANGES IN RATE OF COMPENSATION

|                                                                 |  |
|-----------------------------------------------------------------|--|
| <b>Percentage change in CPI upon which adjustment is based:</b> |  |
|-----------------------------------------------------------------|--|

Pursuant to Section \_\_\_\_ of the Agreement the Rates of Compensation are hereby adjusted as follows:  
*(use attachment if necessary)*

|                                                  |  |
|--------------------------------------------------|--|
| <b>MAXIMUM COMPENSATION for New Option Term:</b> |  |
|--------------------------------------------------|--|

For the option term exercised by this Notice, City shall pay Contractor an amount not to exceed the amount set forth above for Contractor's services and reimbursable expenses, if any. The undersigned signing on behalf of the City of Milpitas hereby certifies that an unexpended appropriation is available for the term exercised by this Notice, and that funds are available as of the date of this signature.

CITY OF MILPITAS  
a municipal corporation

By \_\_\_\_\_  
Thomas C. Williams, City Manager



## CITY of MILPITAS

*Purchasing Division*

*455 E. Calaveras Blvd*

*Milpitas, CA 95035*

*Phone: 408-586-3160 Fax: 408-586-3170*

November 12, 2013

### ADDENDUM NO. 1

#### RFP 2059

#### "City Wide Janitorial Service at Twelve City Locations"

Please note the following revision to RFP 2059, Janitorial Service:

1. In regard to question #7. The city has prepared the attached Table to provide the best answer we can about the cost per building, private rental data for one year, and number of kitchens and bathrooms.

All other provisions of the documents and specifications remain in full force and effect.

Respectfully,

Chris Schroeder  
Purchasing Agent  
408-687-1639



|     | MONTHLY SERVICES                                               | COST<br>PER<br>MONTH                                            | PRIVATE<br>RENATLS<br>11/1/12 to<br>10/31/13 | NUMBER<br>OF<br>KITCHENS | NUMBER OF<br>BATHROOMS |
|-----|----------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------|--------------------------|------------------------|
| 1.  | City Hall complex, 455 E. Calaveras Blvd.                      | \$6,833.00                                                      |                                              | 8                        | 16 + 2 Locker Rooms    |
| 2.  | Milpitas Sports Center/ Teen Center, 1235 E. Calaveras Blvd.   | \$6,318.00                                                      | 49                                           | 2                        | 2 + 4 Locker Rooms     |
| 3.  | Main Fire Station No. 1, 777 S. Main St.                       | \$494.00                                                        |                                              | 1                        | 4                      |
| 4.  | Police Substation/Raceway, (2) Great Mall, 1210 Great Mall Dr. | \$922.00<br>Currently<br>5X M-F                                 |                                              | 1                        | 2                      |
| 5.  | Library Garage, 120 N. Main St.                                | \$1,160.00                                                      |                                              | 0                        | 0                      |
| 6.  | Community Center, 457 E. Calaveras Blvd.                       | \$5,823.00                                                      | 65                                           | 2                        | 4                      |
| 7.  | Police Department, 1275 N. Milpitas Blvd.                      | \$6,828.00                                                      |                                              | 3                        | 8 + 2 Locker Rooms     |
| 8.  | Public Works Department, 1265 N. Milpitas Blvd.                | \$3,532.00                                                      |                                              | 4                        | 6 + 2 Locker Rooms     |
| 9.  | Fire Department Trailer, 777 S. Main St.                       | \$325.00<br>\$381.00                                            |                                              | 1                        | 2                      |
| 10. | Jose Higuera Adobe Bldg., Wessex Place off N. Park Victoria    | currently<br>up to 5X<br>M-F as<br>needed                       |                                              | 1                        | 2                      |
| 11. | Senior Center, 40 Milpitas Blvd.                               | \$7,484.00                                                      | 13                                           | 3                        | 4                      |
| 12. | Cracolice Bldg., 540 S. Able St.                               | Just started<br>renting —<br>low use —<br>no data<br>available. | 32                                           | 1                        | 4                      |



## CITY of MILPITAS

*Purchasing Division*

*455 E. Calaveras Blvd*

*Milpitas, CA 95035*

*Phone: 408-586-3160 Fax: 408-586-3170*

November 19, 2013

### ADDENDUM NO. 2

RFP 2059

#### "City Wide Janitorial Service at Twelve City Locations"

Please note the following revision to RFP 2059, Janitorial Service:

1. Page 22, CONTRACT INCORPORATION, delete the words "performance bond(s)" from the last sentence of the paragraph.
2. Page 23, LIQUIDATED DAMAGES, item #2 (on page 24) the last sentence of the item shall read "If the contracted service or any part of the contracted service is not performed within 24-hours of receipt of telephone call or FAX, the City will be damaged and liquidated damages of Five Hundred Dollars (\$500.00) per occurrence will be deducted from the monthly invoice until the service is performed."
3. The last sentence of the LIQUADATED DAMAGES clause after Item #2 shall be deleted.

All other provisions of the documents and specifications remain in full force and effect.

Respectfully,

Chris Schroeder  
Purchasing Agent  
City of Milpitas  
408-687-1639

## Public | Purchase®

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Closed Bids

My Stuff

Tools

## Questions for Bid RFP #2059 - City Wide Janitorial Service at Twelve City Locations

## Question #1

who is the current service provider

Nov 6, 2013 9:53:55 PM PST

By: Varsity Facility Services - Esegura@varsityfs.com

**Answers**

Universal Building Services

Nov 7, 2013 11:58:08 AM PST

By: chrisschroeder

Archive

## Question #2

is the current provider using union employees?

Nov 6, 2013 9:54:44 PM PST

By: Varsity Facility Services - Esegura@varsityfs.com

**Answers**

Yes.

Nov 7, 2013 3:23:11 PM PST

By: chrisschroeder

Archive

## Question #3

what is the current monthly price for each building.

Nov 6, 2013 9:56:45 PM PST

By: Varsity Facility Services - Esegura@varsityfs.com

**Answers**

See Addendum No. 1.

Nov 12, 2013 4:45:59 PM PST

By: chrisschroeder

Archive

## Question #4

Do you have to be a union company to bid this account

Nov 6, 2013 10:18:11 PM PST

By: All Pro Janitorial Systems - rolloclay

**Answers**

No, but you must abide by the Union Wage/Prevailing Wage requirements in the RFP.

Nov 7, 2013 12:02:10 PM PST

By: chrisschroeder

Archive

## Question #5

how many employees are currently working the 12 locations

Nov 6, 2013 10:25:15 PM PST

By: All Pro Janitorial Systems - rolloclay

**Answers**

That is not something we require the contractor to disclose.

Nov 7, 2013 12:02:56 PM PST

By: chrisschroeder

Archive



**Question #6**

Page 29, bullet b states "b. Experience Statement (34)", however page 34 is a document for References. Please confirm that the page 34 "References" is the correct one to be submitted under this tab.

**Answers**

They are one in the same.

Archive

Nov 7, 2013 9:16:56 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 12:04:20 PM PST  
By: chrisschroeder

**Question #7**

Exhibit A, is the price of the Event Cleanings to be incorporated in the monthly pricing per building? If so, please provide a report of the average number of events booked per year for the last 5 years for estimation purposes. Please provide the report for the following buildings with requires event cleanings:

- Sports Center
- Community Center
- Jose Higuera Adobe Bldg.
- Senior Center
- Cracolice Bldg.

**Answers**

In regard to the average number of events per year. Ther is no single report that would show that type of usage. It would require a great deal of manipulation of data from different sources that would be impossible for the City to provide before the RFP due date. The event cleanings are incorporated into the monthly price. Weekdays and weekends are viewed the same, whether it is a class or a private party you are required to clean the entire facility. All these facilities could be 7 days a week. The Cracolice Bldg. and the Jose Higuera Adobe are very lightly used during the winter months. All are used heavily during the summer.

Archive

See addendum No. 1.

Archive

Nov 7, 2013 9:17:20 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 4:15:35 PM PST  
By: chrisschroeder

Nov 12, 2013 4:46:28 PM PST  
By: chrisschroeder

**Question #8**

Please provide the specific Scope of Work for Event Cleaning.

**Answers**

The work detailed in Exhibit B "Daily Tasks" is the same that has to be done for cleaning after each event.

Archive

Nov 7, 2013 9:17:39 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 4:17:36 PM PST  
By: chrisschroeder

**Question #9**

When are the Event Cleaning Services to be provided (time).

**Answers**

Nov 7, 2013 9:17:56 AM PST  
By: Impec Group - billkelly

Standard schedules are acceptable, the majority of the time, in the event a party goes to midnight, we require that the janitors adjust their regular start time to provide enough time to clean at the end of the event.

Archive

Nov 7, 2013 4:20:41 PM PST  
By: chrisschroeder

#### Question #10

Exhibit A, Bullet B. Work Schedule does not match Bullet A. Scope of Work. Please clarify.  
For instance, Service Days for the Fire Stations and Police Department does not match. Also the name of the buildings does not match.  
Bullet B. Work Schedule states:  
Janitorial services for the Fire Administration and the Police substation are to be provided five (5) days per week between the hours of 6 PM and 9:00 PM

#### Answers

Scope of Work is the potential maximum hours for each site. Go by those hours instead of Item B "Work schedule". Use the names on bid page 31, which match the Scope of Work.

Archive

Nov 7, 2013 9:27:22 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 4:34:47 PM PST  
By: chrisschroeder

#### Question #11

Please confirm whether the cleaning for the Library is for the garage only or is garage and library building.

#### Answers

Garage only.

Archive

Nov 7, 2013 9:27:56 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 12:06:05 PM PST  
By: chrisschroeder

#### Question #12

Please provide a report stating the number of upholstered furniture to be vacuumed per month.

#### Answers

No such documentation exists. The City does not keep records at that level of granularity.

Archive

Nov 7, 2013 9:28:16 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 12:07:30 PM PST  
By: chrisschroeder

#### Question #13

When this RFP came out a few months ago and was retracted due to a disqualified winning bidder, why wasn't the next responsive/qualified bidder used?

#### Answers

There was only one bidder.

Archive

Nov 7, 2013 11:17:02 AM PST  
By: H.N.W. Building Maintenance Inc. - MDAVEY8478

Nov 7, 2013 12:08:01 PM PST  
By: chrisschroeder



**Question #14**

Do you have approx. sq ft of carpet, tile, vinyl and hardwood for each location?

**Answers**

No, the City does not have records at that level of detail.

Archive

Nov 7, 2013 12:40:22 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 7, 2013 2:23:22 PM PST

By: chrisschroeder

**Question #15**

do you have approx number of offices and desks per location

**Answers**

No, the City does not have records at that level of detail.

Archive

Nov 7, 2013 12:41:33 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 7, 2013 2:23:59 PM PST

By: chrisschroeder

**Question #16**

How many bathrooms and kitchens in each location?

**Answers**

See: Addendum No. 1.

Archive

Nov 7, 2013 12:41:59 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 12, 2013 4:47:00 PM PST

By: chrisschroeder

**Question #17**

in the exhibit you only show the services hours for a few locations, can you please provide the service hours for the following: Community Center, Police Dept., Fire Department Trailer, Jose Higuera Adobe Bldg, Senior Center (confirm this is 330pm to 1030pm?) and the Cracolice Bldg. Thank you

**Answers**

The Community Center and the Senior Center are 3:30 PM to midnight. The Police Department main bldg. is 1:30 PM to 10:00 PM. The Fire trailer is any time after 5 PM on Mondays and Thursdays. The Adobe and Cracolice Bldgs. are as needed, The Janitor can determine their own time based on the event schedule.

Archive

Nov 7, 2013 12:43:58 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 7, 2013 4:28:09 PM PST

By: chrisschroeder

**Question #18**

Other than the work schedule that is item B for The Sports Center, City Hall, Fire Admin and Police Station what is the work schedule for the remaining locations not mentioned?

**Answers**

The same.

Archive

Nov 7, 2013 3:01:09 PM PST

By: Impec Group - billkelly

Nov 7, 2013 4:28:40 PM PST

By: chrisschroeder



**Question #19**

The observed square footages for two buildings do not seem the same as listed in the RFP. Please confirm square footages for: 1) Senior Center, and 2) Sports Center.

**Answers**

Those are the best numbers currently available.

[Archive](#)

Nov 12, 2013 11:18:57 AM PST

By: Universal Building Services - arniet3120

Nov 12, 2013 1:58:36 PM PST

By: chrisschroeder

**Question #20**

Re: City Hall building wash and window cleaning - 1) Can this work be done during business hours?, 2) Is it a building wash only OR do you want all the exterior building surfaces brushed down?, 3) Are the metal window sunscreens also to be cleaned?

**Answers**

1.) The work can only be done nights and weekends, but not during business hours. 2.) The entire exterior of the building marble and windows. How you wash the marble is up to you but the City must be informed of any chemical used. 3.) Yes, the sunscreens are included.

[Archive](#)

Nov 12, 2013 11:22:16 AM PST

By: Universal Building Services - arniet3120

Nov 12, 2013 3:15:29 PM PST

By: chrisschroeder

**Question #21**

There still no mention of the service hours for Library Parking Garage and Public Works Department. Please provide the time janitors can clean.

**Answers**

Garage - any time after 9:00 PM.

Public Works - any time after 5:00 PM

[Archive](#)

Nov 13, 2013 10:51:09 AM PST

By: Impec Group - billkelly

Nov 14, 2013 2:10:32 PM PST

By: chrisschroeder

**Question #22**

Are current janitorial staff LifeScan documented or is this new to this RFP?

**Answers**

New to this RFP.

[Archive](#)

Nov 14, 2013 11:48:04 AM PST

By: H.N.W. Building Maintenance Inc. - MDAVEY8478

Nov 14, 2013 2:13:01 PM PST

By: chrisschroeder

**Question #23**

Addendum No.1 #9 Fire Dept. Trailer shows two

Nov 19, 2013 11:48:19 AM PST

prices \$325 and \$381. Please specify the reason for this.

**Answers**

What the table shows is that the cost for the Fire Department Trailer is \$325.00 per month and the cost for the Jose Higuera Adobe is \$381.00 per month.

[Archive](#)

By: Valenti Construction Inc. - valinc

Nov 19, 2013 2:07:51 PM PST

By: chrisschroeder

**Question #24**

The cut off for asking questions is 2:00 PM November 20, 2013. That time is now past.

**Answers**

Confirmed.

[Archive](#)

Nov 20, 2013 2:12:35 PM PST

By: City of Milpitas - chrisschroeder

Nov 20, 2013 2:18:10 PM PST

By: chrisschroeder

**Question #25**

There will be no public opening/reading of the names. A bid tabulation will be provided on or before December 20.

**Answers**

Confirmed.

[Archive](#)

Nov 21, 2013 3:19:28 PM PST

By: City of Milpitas - chrisschroeder

Nov 21, 2013 3:19:46 PM PST

By: chrisschroeder

[View Bid](#)

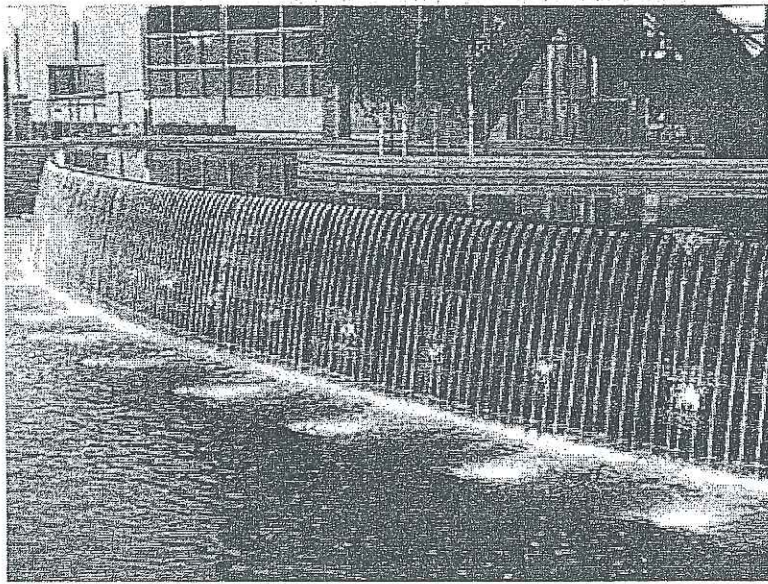
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The Public Group



# Delivering Award Winning Green Cleaning with Expertise in Public Facilities

A Janitorial Services Proposal and Bid Prepared for



© 22 November 2013

## HIGHLIGHTS



*JanOPS*  
Certified Green Cleaning  
Asset Preservation  
Quality Assurance  
Transition Plan  
Employee Training  
24/7 Call Center

RFP 2059

Response prepared by:

Varsity Facility Services | 11346 Sunco Drive, Ste. 101 | Rancho Cordova, CA 95742 | 916.638.8934



WE CLEAN IT



WE FIX IT



WE BUILD IT

**Varsity**  
Facility Services





## Janitorial Services Proposal

### 1. Cover Letter

---

Dear Committee:

Varsity has been contracting for government facilities such as yours for more than 50 years. We hope you will contact our long-term references, such as the City of Fort Collins, CO to discuss the following benefits Varsity can bring to City of Milpitas:

- A systemized approach to custodial services with JanOPS®, our proprietary ISSA CIMS GB Certified cleaning process to implement technology and systems into cleaning, meaning...  
— you ensure consistent quality of cleaning across location and cleaner
- Online scheduling of your facilities' routine and periodic tasks, leading to...  
— Easy management and accountability for the work that the City requires
- Regular communication with City staff on scheduled periodic work, which means...  
— City of Milpitas can rest assured the work is being done as promised
- Comprehensive training for employees and managers, meaning...  
— City of Milpitas is confident in safety, quality and communication practices of the custodial contractor
- Stability of both employees and work processes, consistent with Green practices so...  
— City staff can focus on their own work, while aligning Varsity's award-winning Green cleaning practices with any mandates for sustainability

As an additional offering, Varsity proposes our **CUSTOM OPERATIONS PLAN** for City of Milpitas. This includes areas of specific interest to the City, addressing things like:

- IICRC Approved Carpet Cleaning Process, including equipment and trained/certified technicians
- ISSA CIMS Green Building Certified Green Cleaning
- Customization of JanOPS (Janitorial Operating Performance Systems) specific to each facility
- Quality Assurance Plan, including customized electronic reporting, audits, inspections specific to each facility



### Janitorial Services Proposal

In the following pages, you will find our detailed proposal for City of Milpitas Facilities plus our proposed contract pricing. We look forward to furthering our relationship with the City and would be glad to answer any additional questions you have about our service offering.

Sincerely,

MARC COLLINGS MBA | Vice-President, Marketing

Varsity Facility Services | Marketing

[mcollings@varsityfs.com](mailto:mcollings@varsityfs.com) | [www.varsityfs.com](http://www.varsityfs.com)

3600 West 1055 South | Salt Lake City, UT 84104

801.972.3580 (Office) | 801.833.6977 (Cell) | 801.335.0249 (Fax)



### Janitorial Services Proposal

1.1: The official name of the proposer, as well as any fictitious names.

Varsity Contractors, Inc. DBA Varsity Facility Services

1.2: The proposer's organizational structure.

Private Corporation

1.3: The jurisdiction in which the proposer is organized and the date of such organization.

Incorporated in the State of Idaho on June 13, 1969

1.4: The address of the proposer's headquarters, and of any local office of the proposer involved in the proposal. Included in this section should be the representative the proposer has authorized to act on behalf of, and bind the proposer. The representative's addresses, e-mail, telephone and fax numbers provided in this section be used for all notification regarding this RFP.

#### Local California Office:

Varsity Facility Services | 11346 Sunco Drive, Ste. 101 | Rancho Cordova, CA 95742 | 916.638.8934

#### Contact and Headquarters Address:

MARC COLLINGS MBA | Vice-President, Marketing

Varsity Facility Services | Marketing

[mcollings@varsityfs.com](mailto:mcollings@varsityfs.com) | [www.varsityfs.com](http://www.varsityfs.com)

3600 West 1055 South | Salt Lake City, UT 84104 (Corporate Headquarters)

801.972.3580 (Office) | 801.833.6977 (Cell) | 801.335.0249 (Fax)

1.5: The proposer's Federal Tax Identification Number

82-0292413





# Janitorial Services Proposal

1.6: A representation that the proposer is in good standing in the State of California and has all necessary licenses, permits, approvals and authorizations necessary in order to perform all of the proposer's obligations in connection with this RFP and the Final Agreement.



| Entity Number | Date Filed | Status | Entity Name               | Agent for Service of Process                                                                            |
|---------------|------------|--------|---------------------------|---------------------------------------------------------------------------------------------------------|
| C0818100      | 06/02/1977 | ACTIVE | VARSITY CONTRACTORS, INC. | CORPORATION SERVICE COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA AS CSC - LAWYERS INCORPORATING SERVICE |

|                               |                                                                                                         |
|-------------------------------|---------------------------------------------------------------------------------------------------------|
| Entity Name:                  | VARSITY CONTRACTORS, INC.                                                                               |
| Entity Number:                | C0818100                                                                                                |
| Date Filed:                   | 06/02/1977                                                                                              |
| Status:                       | ACTIVE                                                                                                  |
| Jurisdiction:                 | IDAHO                                                                                                   |
| Entity Address:               | P. O. BOX 1692                                                                                          |
| Entity City, State, Zip:      | POCATELLO ID 83204-1692                                                                                 |
| Agent for Service of Process: | CORPORATION SERVICE COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA AS CSC - LAWYERS INCORPORATING SERVICE |
| Agent Address:                | 2710 GATEWAY OAKS DR STE 150N                                                                           |
| Agent City, State, Zip:       | SACRAMENTO CA 95833                                                                                     |



### Janitorial Services Proposal

1.7: An acceptance of all conditions and requirements in this RFP.

This proposal has been prepared in good faith and acceptance of all conditions and requirements contained in RFP 2059.





## Janitorial Services Proposal

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| Case Study: The Student Recreation Center at the University of Missouri ..... | 82 |



### 3. Executive Summary

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Our proposal is designed to ensure that each facility's cleanliness supports the City of Milpitas' image, economic development and management.

The challenge you face is to ensure a janitorial service partner who not only offers a competitive price, but who also has the operational sophistication to:

1. Meet demanding time constraints related to City events through a mature, systemized approach to cleaning
2. Has the experience and technology to clean and preserve several thousand feet of carpet and other specialized assets
3. Has the process management and communication technology to ensure high responsiveness and control of the cleaning process
4. Has the environmental leadership to represent the City's commitment to ISSA CIMS standards
5. Can provide up to six points towards LEED certification and is a LEED EB preferred provider.

Varsity Facility Service is the solution to this challenge.

#### *Organization*

Varsity Facility Services provides professional janitorial services nationwide, servicing more than 18,000 facilities, 250 million square feet in 48 states and all Canadian provinces. Our 56 years in business have made us a reputable, national company.

- We were the first building service company (BSC) to receive the International Sanitary and Supply Association's CIMS Quality company certification (with honors).
- We were also the first BSC to earn the ISSA CIMS-Green Building certification.
- We handle the demands of two million square feet of college campuses to six million square feet of manufacturing plants. We manage the complexity of contracts with facility counts of over 3,700 to the smallest contract of one facility.
- We provide services to entire municipalities and counties like Maricopa City, Arizona and the City of Fort Collins in Colorado.

Our rich history and organization makes Varsity not only the right choice, but a safe choice for the City of Milpitas, one that will not cause post-purchase regret.



### *Approach and Work Plan*

Our operations plan for the City of Milpitas facilities has the following objectives:

1. Maximize organization and readiness to assure our teams are available for last-minute post-set-up cleaning, post-removal cleaning, and post-construction cleaning for event-driven facilities.
2. Maximize security in those facilities that require these specialized types of services.
3. Maximize public safety in all of City of Milpitas' facilities and organize specific plans for public facing areas that require extra attention.
4. Maximize the productivity so that cleaning deadlines are met and to find operational efficiencies for the City.
5. Maximize the life of carpets using proven carpet maintenance practices deployed in the hundreds of millions of square feet of carpet Varsity cleans annually.
6. To make the City's cleaning operations visible and accountable using our proven technology.

***Through our operations plan, City of Milpitas will gain cost efficiencies with Varsity's use of managed labor and efficient workflow practices.***

- We create standard work for our cleaners, making the production process visible.
- We divide your facilities into production quadrants. The four quadrants provide baselines for standard work production rates. Goals are set per quadrant to reach the optimum production rate. These quadrants help assure City of Milpitas Facilities' unique time constraints are met.

***Maximize your cleaning production rates through Varsity's state-of-art, high-production equipment.***

- Restroom cleaning that decreases deep cleaning to three minutes per fixture
- Vacuum chariots (standing ride-ons) achieve 30,000 ft<sup>2</sup> per hour needed for open spaces
- Backpack vacuums, in combination with Varsity's standard work, reach 18,000-20,000 ft<sup>2</sup> per hour for offices spaces.

***City of Milpitas will benefit from Varsity's IICRC Certified Processes, Gold Rated Equipment and trained & certified technicians.***

- Gold Certified Equipment that exceeds the bid specifications
- IICRC certified carpet cleaning specialists





- Green Certified chemicals and cleaning products

*Through our operations plan, the City of Milpitas will gain open disclosure and control of cost, quality ratings service complaints, work order responsiveness and requirement compliance to assure scope quality and compliance.*

- Vektr® Work Order, Inspection and periodic work management system gives the City of Milpitas a direct, inside view of Varsity's performance and adherence to the contract
- Electronic system and quality audits are completed on smartphones and reported through Varsity's web-based information system called Vektr®.
- Online scheduling of City of Milpitas' periodic work and automated work order generation, when periodic work comes due, gives City of Milpitas facility managers an assurance that periodic work isn't being skipped to reduce the contractor's cost!
- Vektr has customizable audit templates and **free customer usage** for audits unrelated to the janitorial contract: like maintenance audits, safety audits, fire suppression equipment audits, etc.
- Open quarterly reviews detail performance against Service Level Agreements

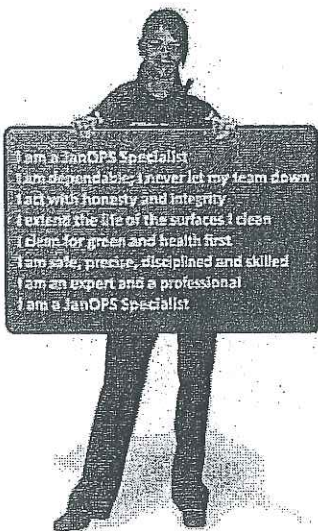
*Managed defect (complaint reduction) will save City of Milpitas time, energy, and money*

- 24/7 Call center giving a single, convenient number to call for any request, complaint or communication
- Escalated and managed work orders through call center
- Local management follow-up and sign-off with City of Milpitas facility personnel

#### Qualifications

Contracting with Varsity, the City will spend less time worrying about whether the cleaning company is doing its job. This is due in part because few companies have invested in the level of training that Varsity has. This proposal will show snapshots of the quality training provided. Varsity's training focuses on employee and public *Safety, Health, Asset Preservation, Productivity* and the *Environment* in Conventional centers. We call this "*Cleaning for S.H.A.P.E.™*" SHAPE is integrated into three levels of training for cleaning specialists.

Varsity is one of the few janitorial providers that brings a special focus to the **training of Day Porters**. This customized training is developed using Varsity's Vektr electronic reporting system. Audits customized to City of Milpitas' scope



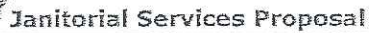


of work are used to determine areas of weakness in the cleaning process, these areas then become the focus of customized training and future inspections by the Day Porters covering that specific facility.

Likewise, these Vektr quality audits can be used to create **reports showing quality assurance and contract compliance over time**

*Bottom-Line*

By selecting Varsity, the City of Milpitas will ensure it has a janitorial service provider who will meet the time constraints, protect the assets, and provide the flexibility and responsiveness required by the variety of facilities in RFP 2059.



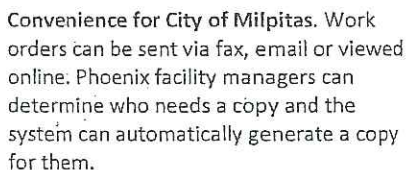
## ISSA CIMS Format Work Plan

1. Quality System
2. Service Delivery
3. Human Resources
4. Health, Safety, and Environmental Stewardship
5. Management Commitment
6. Green Buildings and Services

## Vektr Electronic Reporting

Varsity uses an electronic system called Vektr, which City of Milpitas facility managers can use at any time to conduct audits, open and track work orders, create and manage reports that can be used to show quality assurance over time.

The VEKTR Quality Assurance System is a secure, web-based work order management program developed by Varsity. It helps centralize all communication, data storage and analysis tasks related to each customer's work orders, quality audits, periodic work and detail reporting. The system is administered by our own Varsity Support Center and allows customer personnel and Varsity managers a safe and secure means of accessing detailed performance information from anywhere in the world, at any time.







VEKTR is a critical tool in taking custodial services to the next level. Not only does it provide real-time work order management, but it also provides a flexible system for report management as well.

### VEKTR: a Reporting Technology

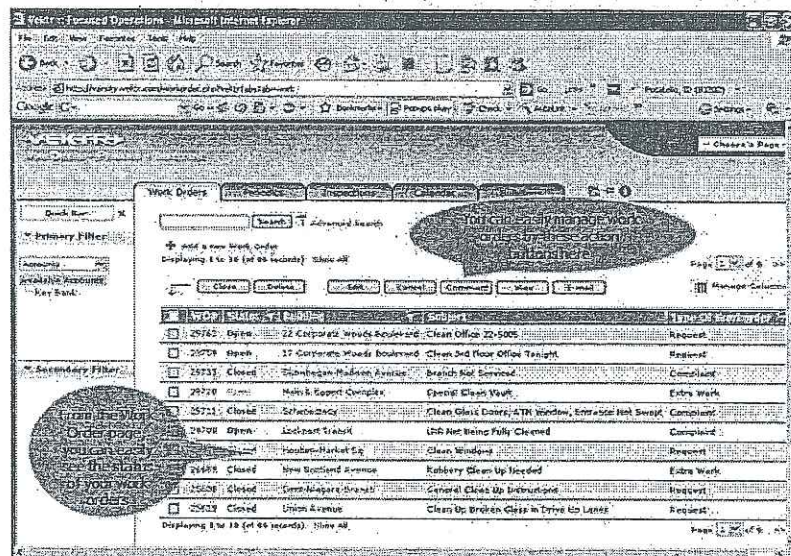
Customers can select from a wide range of standard reports in addition to Varsity employees utilizing online VEKTR systems to report and close out work. Not only can you choose which specific reports you prefer, but you can set up the following reporting parameters:

- Online
- Scheduled (weekly, monthly, quarterly, annually)

### VEKTR: a Work Order System

#### Work Order Processing

The VEKTR system allows our managers and customers to enter work orders from any web-enabled computer. We can utilize VEKTR to record and track proactive adjustments to services, record and perform requested extra work, as well as address and follow-up on any noted delinquencies of service. The system distributes these by work order emails, according to a predefined list of your preferences, to all Varsity managers responsible for your property and to any additional personnel you assign.



Excellent work order management assures that the City of Milpitas' needs are met. This figure is an inside look into our system showing work orders generated per building. Varsity has work order management to a science.





### Quality Inspections

The VEKTR system offers City of Milpitas the ability to choose a pre-defined audit template or to develop a completely customized inspection form to match your own quality audit requirements. Your personnel and our managers can then perform scheduled (...and unscheduled) audits on any property, using their Smartphone. The inspection is entered into the VEKTR system and copies of the inspection, relevant attachments or photographs and attending work orders are immediately sent to all specified personnel

### Periodic Task Scheduling

Varsity will schedule all of City of Milpitas' periodic work within the VEKTR program to ensure accurate and timely compliance to the RFP's periodic work scope. City of Milpitas gains the peace of mind that periodic work (which is hard to track and often gets delayed or remains incomplete with other contractors) is complete per the contract. The system automatically records the completion date, task descriptions, and system parameters for generating and distributing periodic task work orders. Your personnel and Varsity employees can then track each task as it becomes due.



Audits Customized for the City of Milpitas. Varsity offers maximum flexibility even down to its quality audits. We can create customized audit templates which are then linked to the specific facility and downloaded to our managers' smartphones.

VEKTR - Focused Operations - Microsoft Internet Explorer

http://www.veptr.com/.../index.php?module=main&page=main

VEKTR

Work Orders | Periodics | Inspections | Calendar | Reports

Quick Bar: Search

Action Menu: Add a new inspection, Edit, Print

Primary Filter: Internal Groups, Available Internal Groups: Rega Hart (Demo)

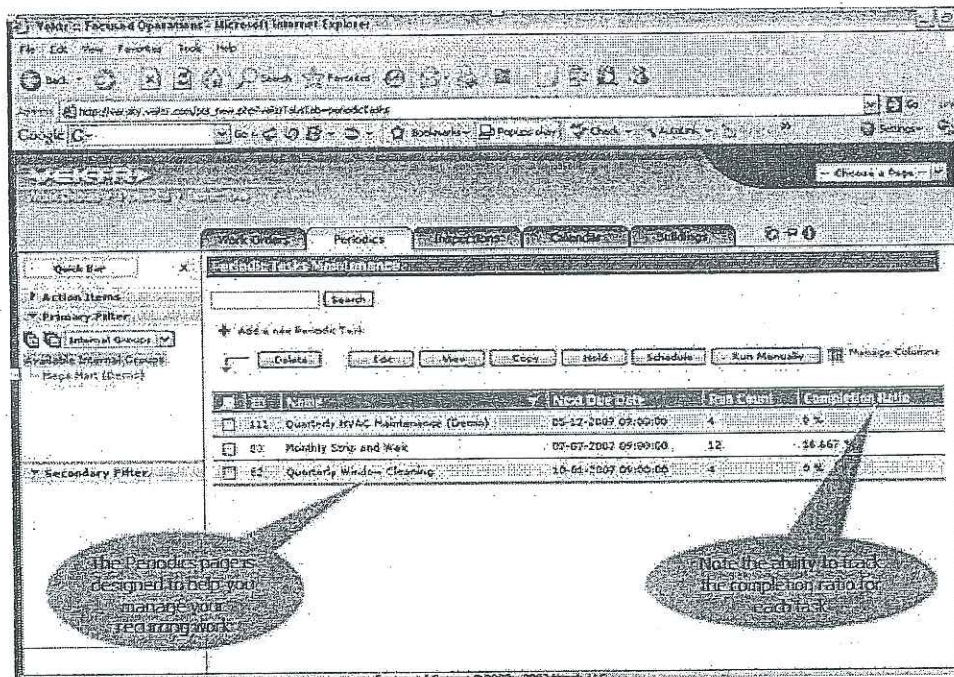
Notice: You are in the Source column. Need to perform an inspection in the Source column.

| ID   | Prevalence     | Source    | Created By    | Date of Inspection | Total Points |
|------|----------------|-----------|---------------|--------------------|--------------|
| 1957 | Columbia       | Pocket PC | Brown Gary    | 05-02-2007         | 93.97        |
| 1909 | Bellevue North | Pocket PC | Brown Gary    | 04-18-2007         | 85.29        |
| 1904 | Albany         | Web       | Brown Gary    | 04-28-2007         | 85.42        |
| 1841 | Columbia       | Pocket PC | Lee Tyson     | 03-28-2007         | 82.32        |
| 1840 | Columbia       | Web       | Lee Tyson     | 03-28-2007         | 59.29        |
| 1839 | Bellevue North | Web       | Rivera Joseph | 03-26-2007         | 84.54        |
| 1838 | Albany         | Web       | Brown Gary    | 03-25-2007         | 84.25        |
| 1837 | San Jose       | Web       | Lee Tyson     | 02-28-2007         | 86.98        |
| 1836 | Edenborough    | Pocket PC | Colley Ann    | 02-28-2007         | 82.73        |

INSPECTIONS page shows you a list of quality audits performed on your buildings

The City of Milpitas' Inspection History: With Vektr, facility managers will have a complete quality history that can be reported in "time-series" showing quality trends for the account.





The City of Milpitas can assure periodic-work compliance. Varsity will enter the City's periodic work into Vektr, which will then schedule and email automatically a work order, assuring the City receives the service it has paid for.

### Handheld Overview

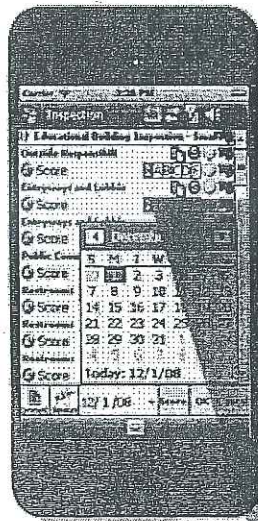
Vektr's primary source of data comes from its handheld application used on the latest smartphone technologies including Android, I-phone, Windows Mobile and Blackberry smart phones. Vektr handheld app: The Vektr smartphone app allows users to:

- Add new Inspections.
- Attach photos and other files to inspections.
- View and Close Work Orders.
- Synchronize your Inspections at one time - on location.
- Eliminate the need to carry paper inspections.





Varsity allows its customers to use both the web-based Vektr system and the handheld app. This means you can create inspection templates beyond janitorial inspections. You can program in all the variables in each account, and there is no limit to the number of templates you can create for any number of purposes.



## Vektr Smartphone App



- Add new Inspections
- Attach photos and other files to inspections
- View and Close Work Orders
- Synchronize your Inspections at one time - on location
- Eliminate the need to carry paper inspections
- Custom Audit Templates
- Customer use for FREE!

Android • iPad / iPhone • Windows Mobile • Blackberry



## CASE STUDY—University of Texas at Austin's use of Vektr Electronic Reporting

City of Milpitas facility managers will benefit from the use of Vektr to control quality and contract compliance. The case study below shows how you can use Vektr to customize audits specific to City of Milpitas' scope of work, conduct these audits at any time, and run ongoing and longitudinal reports that show the quality of the work across the life of the contract.

Varsity uses an electronic reporting system called Vektr, which UT at Austin facility managers can use at any time to conduct audits, open and track work orders, create and manager reports that can be used to show quality assurance over time. **Vektr reports created specifically for the University of Texas at Austin from actual data are included after the explanation of Vektr below.**

### Vektr: A One-stop Management Solution

Vektr electronic reporting system can be used to manage all of the services required by UT at Austin, including: janitorial, pest control, security, landscaping, etc. In fact there are departments on campus that are currently using Vektr to organize and track construction projects.

Imagine being able to conduct a quality audit, open and manage a work order, and run accountability/quality control reports for any of these services any time, using your smart phone.

Varsity has spent hundreds of thousands of dollars developing the Vektr electronic reporting system, yet use of Vektr is provided **FREE** of charge with every Varsity contract. This means your facilities department can use custom audit templates for areas other than janitorial (E.g., Fire suppression device audits).

### Varsity has customized Vektr audits for UT-Austin

City of Milpitas facility managers will benefit from the use of Vektr to manage quality control issues and reporting for City of Milpitas. The following case study shows how the University of Texas at Austin uses Vektr to bring immediate resolution to quality control issues and to show quality control reporting over the life of the contract. **Varsity has customized Vektr audits that contain the entire scope of work for UT-Austin.** The template is divided into the following sections: Restrooms, Exterior Windows, Stairs and Landings, Book Stacks, Loading Dock areas, Library, Classrooms, Offices, Public Corridors, Elevators, Exterior, and Entries.





## Janitorial Services Proposal

Each of these sections is broken down into the specific tasks that must be done in each area to fulfill the requirements of the contract; also included is a rating scale and comment section for auditing purposes.

Below is an excerpt from the customized audit template Varsity was created for

| Summary           |                                                                                                                                       |                        |                          |                          |                                                                                                                     |  |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|--------------------------|---------------------------------------------------------------------------------------------------------------------|--|
| Header Detail     | % that Passed: ###,###                                                                                                                | # that Passed: ###,### | # Scored: ###,###        |                          |                                                                                                                     |  |
| Header Points     | Inspection Score: %: ##.###                                                                                                           | Points Scored: ###,### | Points Possible: ###,### | Required Points: ###,### | Passed: Yes/No                                                                                                      |  |
| Header Average    | Header Score Labels: ###,###,##                                                                                                       |                        |                          |                          |                                                                                                                     |  |
| Header Average    | Points Scored: ###,###,##                                                                                                             |                        |                          |                          |                                                                                                                     |  |
| Exterior Trash    | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily - Remove cigarette butts and other trash from planters, ash urns, trash cans and other architectural features |  |
| Exterior Steps    | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily - Sweep steps and remove cobwebs down to sidewalk level                                                       |  |
| Exterior Mats     | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily - Clean off floor mats                                                                                        |  |
| Exterior Grates   | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Semi-Annually - Clean out walk off grates                                                                           |  |
| Exterior Graffiti | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily As Needed - Remove graffiti                                                                                   |  |

UT-Austin:

Below is the scope of work upon which the customized audit template was designed and directly taken from:

| Task # | Description of Task                                                                                          | Daily | Twice Weekly | Weekly | Monthly | Quarterly | Semi-Annually | Annually | As Needed/Requested |
|--------|--------------------------------------------------------------------------------------------------------------|-------|--------------|--------|---------|-----------|---------------|----------|---------------------|
| 1.0    | Exterior Terraces, Porches, Patios, and other Entrance Areas:                                                |       |              |        |         |           |               |          |                     |
| 1.1    | Pick up or sweep up trash and cigarette butts. Do not sweep them into planters, onto grass, or under bushes. | X     |              |        |         |           |               |          |                     |
| 1.2    | Remove cigarette butts and other trash from planters, ash urns, trash cans and other architectural features  | X     |              |        |         |           |               |          |                     |
| 1.3    | Sweep steps and remove cobwebs down to sidewalk level                                                        | X     |              |        |         |           |               |          |                     |
| 1.4    | Clean off floor mats                                                                                         | X     |              |        |         |           |               |          |                     |
| 1.5    | Clean out walk off grates                                                                                    |       |              |        |         |           | X             |          |                     |
| 1.6    | Remove graffiti                                                                                              | X     |              |        |         |           |               |          | X                   |





*UT-Austin's requirements:*

Utilizing the customized audit template Varsity created specifically for UT-Austin, Varsity managers have been able to fine-tune the work being done. For example, over the 20+ years that Varsity has cleaned the student union, we have become increasingly aware of how to manage entryways and public corridors on rainy days, taking special precautions that go beyond the scope of work required. According to Travelers' Insurance Company, a single slip and fall accident can cost an average of \$40,000 dollars. Varsity's safety efforts have saved UT-Austin money.

Varsity has finely tuned its timing for cleaners to minimize disruption in the classrooms, library and student union, many of which have areas that have to be cleaned/checked more than once during a shift. This has been facilitated by use of the customized audit in Vektr.

Varsity has done excellent work in the UT-Austin main library, where the flooring work has gone beyond the specifications in the scope of work, using Windsor green cleaning technology.

**Reports Created Specifically for UT-Austin using the Audit Data**

Recently, Varsity was supplied with quality control audit data from University of Texas at Austin manager, Cathy DeGroot, Assistant Manager of Building Services for UT-Austin. Varsity Customer Service and Analytics Manager, Geoff Duern worked directly with Cathy to create the following reports.

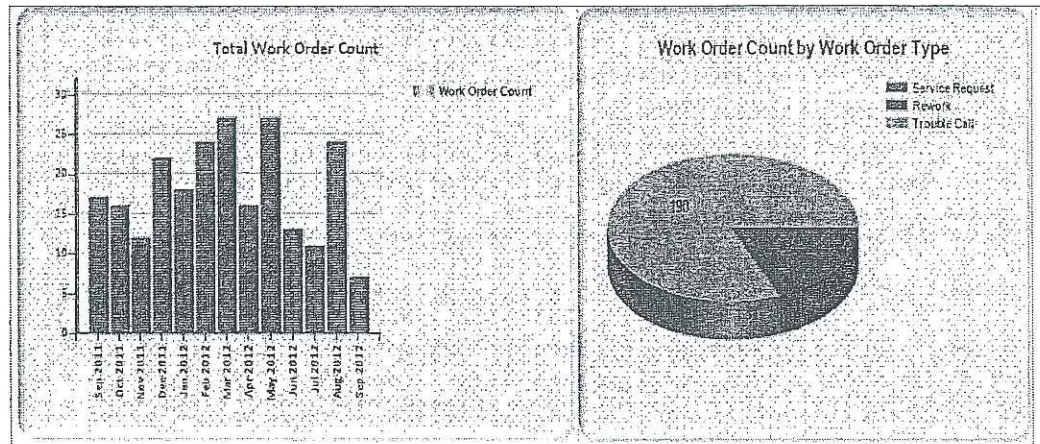
**Key:**

"Trouble Call" = Service Request

"Rework" = Complaints

"Service Request" = Extra Work (outside of scope)

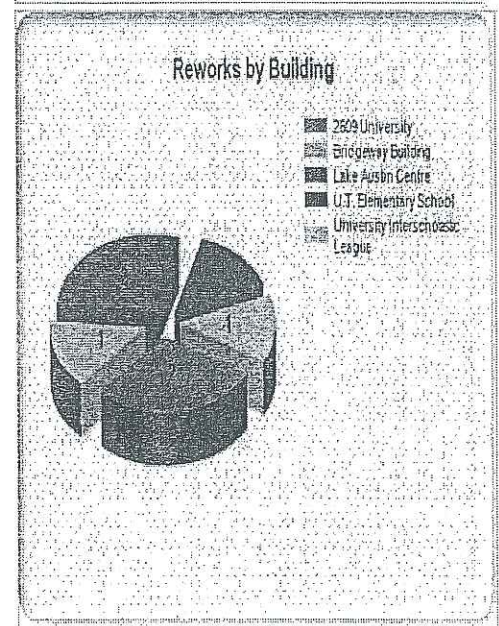
The following Vektr dashboard reports for University of Texas at Austin show how many work orders were opened for each month. Out of the 234 work orders, seven were opened because of a complaint about the quality of the service. 37 were opened for extra work that went outside the standard SOW, and 190 work orders were opened for service requests.



When you think of how many millions of square feet were cleaned during this one-year time frame, the fact that there were only seven complaints about the work Varsity cleaners had completed is quite amazing.

The breakdown below shows work orders by building which is useful if Varsity managers are trying to trouble shoot a specific issue with a specific group of cleaners or individual.

| Rebuilds                       | Jul 12 | Aug 12 | Sep 12 | Total |
|--------------------------------|--------|--------|--------|-------|
| 2609 University                | 0      | 0      | 2      | 2     |
| Bridgeway Building             | 0      | 0      | 1      | 1     |
| U.T. Elementary School         | 0      | 0      | 1      | 1     |
| University Interscholastic Lea | 0      | 0      | 1      | 1     |
| Total Work Order Count         |        |        | 5      | 5     |



Other reports generated by Varsity managers include one such as the following that is used for contracts with multiple facilities, branches or locations. Note how each facility is given a quality control score or rating, enabling managers to





determine which facilities will require extra training, additional supervision, increased managerial support, etc.

#### Inspection Score By Period

Period: January 1, 2012 through October 16, 2012

Group: ALL

Resources: ALL

User: ALL



| ID    | Date of Inspection | Resource                | Group Name            | Percent of Details That Passed | Details Scored | Inspection Score Percent | Points Scored | Average Points Scored |
|-------|--------------------|-------------------------|-----------------------|--------------------------------|----------------|--------------------------|---------------|-----------------------|
| 84087 | February-29-2012   | 7.100894 - William C... | Gerald Frachiseur     | 100%                           | 23             | 100%                     | 100           | 4.349999905           |
|       |                    |                         | Gerald Frachiseur     | 100%                           | 23             | 100%                     | 100           | 4.349999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 95.92%                   | 63            | 4.849999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 95.92%                   | 63            | 4.849999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 95.92%                   | 63            | 4.849999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 100%                     | 65            | 5                     |
|       |                    |                         |                       | 100%                           | 98             | 98.46%                   | 454           | 4.71                  |
|       |                    |                         |                       |                                |                |                          |               |                       |
|       |                    |                         | Group Name            | Percent of Details That Passed | Details Scored | Inspection Score Percent | Points Scored | Average Points Scored |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 95.5%                    | 95.5          | 9.550000191           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96%                      | 96            | 9.600000381           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96%                      | 96            | 9.600000381           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 97%                      | 97            | 9.699999809           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 97%                      | 97            | 9.699999809           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96%                      | 96            | 9.600000381           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 100%                     | 100           | 10                    |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96.5%                    | 96.5          | 9.649999619           |

This report is then used to create a summary report that shows contract compliance for the entire portfolio. This includes averaging the audit scores across locations.

### Varsity's Voice of The Customer Program

Critical a partnership, Varsity's ability to understand City of Milpitas' needs, and then flex and change according to these needs. In addition, a good partnership will be based on a continuous improvement process. Varsity excels in these types of partnerships due to experience and expertise in implementing a new Lean Sigma best practice called Voice of the Customer (VOC).

#### What is VOC?

The goals of Varsity's VOC process are to determine systematically how customers view Varsity and what is most important to them, to determine customer expectations and measure the company's performance against those areas, and then to translate this knowledge into meaningful improvements for both City of Milpitas and Varsity. VOC is an integral part of LeanSigma and is front and center in driving Varsity's performance improvement projects.





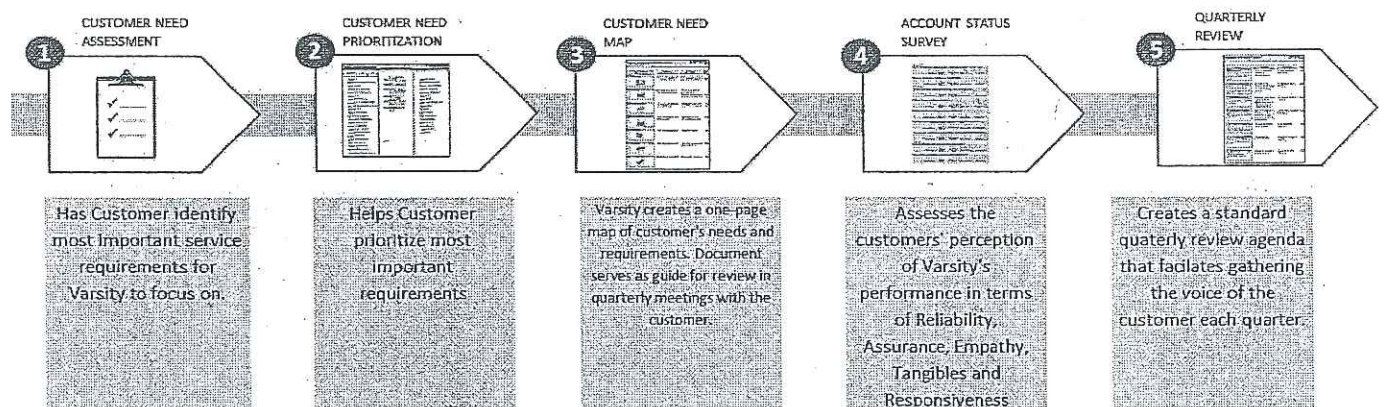
*Varsity's VOC process is designed for:*

1. Understanding how the customer views Varsity's services and processes
2. Understanding which of Varsity's processes are most important to the customer
3. Understanding what the customer looks at to measure our performance,
4. Understanding what the performance target should be for meeting the customer needs
5. Understanding which services needs are in demand from the customer and how Varsity can meet the demand

At the end of the day, VOC is about figuring out what is most important to the customer, and then translating that into results through Lean Sigma improvements to ensure Varsity is managing the account's life cycle and assuring renewal by eliminating customer blind spots.

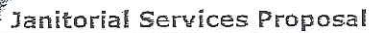
The VOC questionnaire is available electronically so that customers can access the questionnaire whenever they would like to discuss Varsity's work and schedule a VOC session with the Varsity City of Milpitas District Manager.

VOC sessions are conducted quarterly. The process includes the following steps:



VOC sessions are designed to improve the customer/vendor relationship and add value to the contract:

1. In-Person Customer-Needs Diagnosis:
  - a. Varsity administers a simple but effective survey tool to probe and determine customer priorities
  - b. Varsity further develops the service flexibility plan with City of Milpitas team



- [illegible]





## Janitorial Services Proposal

We provide a structure for Voice of the Customer, but it is really defined by making a flexible process designed to adapt the relationship to City of Milpitas' needs and current business situation.

| VOICE of the CUSTOMER BLUEPRINT |                                                       |                                                                                                                      |             |
|---------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------|
| Account Level                   |                                                       |                                                                                                                      |             |
| Process                         | Customer Requirements                                 | Customer Expectation                                                                                                 | Cost Impact |
| 1. Desiccants                   | Particulates must stay within room classification     | Airborne particle count to be no more than 100/parts million                                                         | Low         |
| 2. Restrooms                    | Class A restroom appearance for daily customer visits | Visual appearance to be clean and orderly<br>30 minute restroom checks<br>Pleasant aroma that reinforces cleanliness | High<br>Low |
| 3. Quality Reports              | Trending reports for depart.<br>Areas of focus        | Monthly QA trend report<br>Pareto Chart of complaints                                                                | Low<br>Low  |
| 4. Work Order Management        | Accountability for response to client's needs         | Monthly on-time work order completion reports                                                                        | Low         |
| 5. Scheduling                   | Zero missed day services                              | Labor hour reports                                                                                                   | Low         |
| 6. Recycling                    | 3 stream trash separation                             | 100% separation of plastic, paper and wet trash                                                                      | Med         |
| 7. ISO 9000 Compliance          | ISO Monthly Training Reports                          | Report of date, name & topic                                                                                         | Low         |

| Quarterly VOC Review Agenda                                                                                                                               |                                                                                                                                     |                                              |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|--------|
| Account Level                                                                                                                                             |                                                                                                                                     |                                              |        |
| Topic                                                                                                                                                     | Content                                                                                                                             | Presenter                                    | Time   |
| Need Diagnostic<br>Objective: Understand changes in needs as customer's company evolves or markets condition change                                       | Review previous Need diagnostic form<br>Determine changes                                                                           | Varsity VP, Marketing<br>Marc Collings       | 10 min |
| Customer blueprint review<br>Objective: Gain understanding of our customer's view of our process and customer's current process priorities                | Review blue print<br>Complete customer survey<br>Determine changes to blueprint                                                     | Varsity CEO/President<br>Eric Luke           | 10 min |
| Varsity SLA Performance<br>Objective: Provide openness and accountability for service level agreements                                                    | Work Order Closure metrics<br>Complaints Metrics<br>Building Quality Indexes<br>Cost saving initiatives<br>Diversity Participation  | Varsity Eastern Region VP<br>John Kelley     | 20 min |
| Customer Business Status<br>Objective: Gain understanding how Varsity can further partner with customer                                                   | Business Situation Update<br>Clarification of how current situation affects Varsity<br>Discussion on how Varsity can help situation | V.P. Operations, Chase Banks<br>Dave Johnson | 15 min |
| Cost Impact of Customer Request<br>Objective: Review cost impacts of request and services. Discuss price adjustments for requests or changing conditions. | Review cost analysis of customer requests                                                                                           | Varsity Regional VP<br>John Kelley           | 10 min |
| Other: Action plan for SLA<br>Objective: Provide details and plan to attain SLA performance results                                                       | Review action plan                                                                                                                  | Varsity Eastern Region VP<br>John Kelley     | 10 min |
| Other: Review service changes<br>Objective: Gain understanding of how the contract and partnership is evolving.                                           | Review cost analysis of customer requests                                                                                           | Varsity Regional VP<br>John Kelley           | 12 min |

Using the Account Status Survey, Varsity will measure City of Milpitas' customer satisfaction along five dimensions: Reliability, Assurance, Tangibles Delivery, Empathy and Responsiveness. The standard questionnaire has 19 questions, Here is a sample of the questionnaire:





## Janitorial Services Proposal

### RELIABILITY

1 "In general, I think that the service performed by the Varsity staff is finished when they say it will be and it's done correctly."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

2 "I believe Varsity consistently delivers on what they proposed in response to our RFP."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

### ASSURANCE

3 "I feel confident that the Varsity's cleaning staff has the knowledge necessary to do their job effectively."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

4 "Varsity's team provides accurate and timely reporting for quality."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

### TANGIBLES

8 "I think Varsity follows and executes defined processes that improves cleaning in my facility."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

9 "Varsity provides both excellent performance and measurement (reporting) to justify renewal."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

10 "Varsity reduces the time I have to spend dealing with janitorial issues."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

11 "Varsity has explained where DOWNTIME exists in my facility and has proposed cost savings based on DOWNTIME analysis."

|                   |                   |                           |                |                |
|-------------------|-------------------|---------------------------|----------------|----------------|
| 1                 | 2                 | 3                         | 4              | 5              |
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

Additional areas on the survey accommodate:

- Action plan: Bullet punch list and entered as a work order.
- Follow up dates
- Effectiveness of follow up
- # of complaints at this site
- Additional comments





## Service Delivery Plan

### Varsity's Honesty Assurance

Varsity's total value to the City is the assurance that City of Milpitas can gain a 10% savings over ISSA industry standards yet be 100% assured the competitive prices aren't being derived from the following common industry malpractices:

| Industry Malpractice                                                                                                                                                                                                                                                                                                              | Varsity Failsafe                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Bidding a lower rate knowing that the contractor will not honor the periodic frequencies so as to recoup the lower cost</li> </ul>                                                                                                                                                         | <ul style="list-style-type: none"> <li>Vektr Periodic scheduling and work order manage makes compliance 100% visible and accountable (See pages 53-63)</li> </ul>                                                                                                                                                                                                                                 |
| <ul style="list-style-type: none"> <li>Cut overhead in pricing reducing quality control and account management leading to service instability and lower quality and transferring management cost back to the City in terms of complaint resolution, increase attention and follow-up and regulatory incompliance fees.</li> </ul> | <ul style="list-style-type: none"> <li>Varsity's/ bid includes proper overhead cost necessary for quality control and account management (see total value analysis)</li> <li>We provide a profit share program with customer satisfaction as primary metric for the award</li> <li>Varsity's data-driven approach and quarterly reviews assure key service level metrics are being met</li> </ul> |
| <ul style="list-style-type: none"> <li>1099ing employees to eliminate payroll taxes. This practice is illegal.</li> </ul>                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Varsity will disclose employee payroll tax documentation</li> </ul>                                                                                                                                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>Hide fees or bid zero profit hoping money can be made up by charging high markup ancillary work billings</li> </ul>                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Varsity prices right, fully discloses pricing method and costs, assuring no trickery in the bidding process</li> </ul>                                                                                                                                                                                                                                     |

### Cost Analysis

Varsity seeks open, long-term partnerships. We believe that trust established early, before the contract is awarded, sets the foundation for a long-term relationship. Trust is more difficult if pricing is not transparent. This section will detail our method of pricing, the logic behind the pricing and City of Milpitas' scope of work. Our experience has shown us that when openness and transparency are present, relationships endure and last and become a partnership that contributes to each party's success.

### Varsity Price and Cost Philosophy

Varsity believes the dollars required for each line-item cost for the account belongs to the customer. That is our partnership philosophy. Varsity also has a



"Lean" philosophy. By "Lean" we don't mean cheap, we mean we seek to find waste and reduce or remove it all together. A clean (no waste) income statement or balance sheet for our customer is just as important to Varsity as a clean building. Varsity's value is not just in our cleaning competencies, it is in our ability to remove financial waste from our customer's janitorial service. With that said, here is how we look at the janitorial service income statement.

| Direct Cost               | Line Item Benefit                                                                                                                                                                                                                                                                                                                                                                         | % of cost                                 | Varsity Philosophy                                                                                                                            |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|                           | <ul style="list-style-type: none"> <li>Janitorial Labor</li> <li>Supervision</li> <li>Materials</li> <li>Equipment</li> </ul>                                                                                                                                                                                                                                                             | 55-60% of your cost                       | Dollars belong to the customer and must be visible, & accountable. Are subject to efficiency gains, reduction and 100% return to the customer |
| Indirect Cost (Over head) |                                                                                                                                                                                                                                                                                                                                                                                           |                                           |                                                                                                                                               |
|                           | <ul style="list-style-type: none"> <li>Supervisor and Manager Auditing</li> <li>Quality auditing</li> <li>Scope compliance and management</li> <li>Performance measurement and Reporting</li> <li>HR management</li> <li>Technology development and usage</li> <li>Cost management and reduction</li> <li>Account Problem solving</li> <li>Environmental Compliance management</li> </ul> | 10-15% of your cost                       | Dollars belong to the customer and must be visible, accountable. Are subject to efficiency gains, reduction and 100% return to the customer   |
| Payroll and other taxes   | <ul style="list-style-type: none"> <li>Federal</li> <li>State</li> <li>FICA</li> <li>Medicare</li> <li>New Healthcare Affordability Act</li> </ul>                                                                                                                                                                                                                                        | 8-15% of your cost depending on the state | Belong to the government & are mandated                                                                                                       |
| Profit                    |                                                                                                                                                                                                                                                                                                                                                                                           | 3-4% of your cost                         | Belongs to Varsity not subject to reduction unless a tradeoff for volume makes it worth it.                                                   |

The technology we have proposed in this offer backs up and provides evidence that our philosophy is put into action for City of Milpitas.

## Pricing Methodology

Methodology is important for establishing professional, expert pricing that delivers value to the buyer. We believe it is important for you to understand our pricing so an accurate comparison of value can be made between Varsity's offer and other competing offers. There is another good reason to detail our pricing. Our experience and discussion with industry buyers has taught us that the RFQ/RFP process, however carefully prepared and organized, rarely produces the results desired by buyers and other users like facility managers.





Why? So many variables affect pricing. Many variables can and are typically understood from the RFP, but because of limited time and resources during a short RFP process, just as many can only be gained *after awarded* the contract. Consider the following variables:

| Cleaning Production Rate Variables                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Typically Gained before Bid                                                                                                                                                                                                                                                                        | Typically Gained after Awarded                                                                                                                                                                                                                                                                                                                |
| <ul style="list-style-type: none"><li>• Cleaning Frequencies</li><li>• RFP Stated Expectations</li><li>• Cleaning System</li><li>• Facility Type</li><li>• Building Age</li><li>• Geographic Location</li><li>• Facility Size</li><li>• Architectural Design</li><li>• Building Surfaces</li></ul> | <ul style="list-style-type: none"><li>• Organizational Culture</li><li>• Labor Market</li><li>• Local Customer Expectation</li><li>• Quality of Supervision</li><li>• Budget Constraints</li><li>• Type of Equipment Used</li><li>• Labor Market Demographics</li><li>• Weather</li><li>• Occupant Density</li><li>• Quality Levels</li></ul> |

Understanding a RFP price rarely produces a perfect or real-life price number which underscores the importance of a long-term, open and transparent relationship if further price savings are to be obtained. The real-life price is found by working a process once the account is awarded. A guarantee to hold bid price protects City of Milpitas from inflation due to bidding mistakes, but what about savings gained from efficiencies? City of Milpitas should benefit from those too. Varsity's philosophy and approach make that possible.

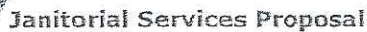
### Method of Performance: The JanOPS® Green Cleaning System

Appendix A contains the following customized elements for the City of Milpitas:

- Detailed Work Plan with Recommended Frequencies
- Detailed Work Plan with Recommended Hours

Our operations plan has the following objectives:

1. Maximize organization and readiness to assure our teams are available for last-minute post-set-up cleaning, post-removal cleaning, and post-construction cleaning and the time constraints caused by the constant flow of changing events.



- To achieve those objectives, Varsity has a specialized plan custom designed for City of Milpitas' event-based facilities. The plan is divided into the following schedule:

Calendar year events will be loaded into our online scheduling system. The dedicated project manager will work with City personnel to identify a prep-list of special needs for each event. The prep-list will be submitted into Varsity's work order system.

[illegible]

- 

### Flexibility Plan

Varsity will maximize flexibility by ensuring lead personnel each have cell phones and radios to ensure quick communication. Also back up staff support and carpet machine support will be made available for situations that exceed expectations.

Varsity will divide each of City of Milpitas' facilities into four quadrants of roughly equal square footage. Then the most efficient work flow is mapped, minimizing the cleaners' footsteps and closet returns. Routine daily cleaning,





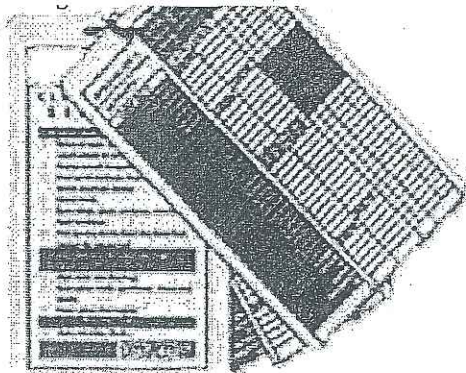
detail cleaning and periodic work is then mapped to the quadrants, along with both production rates and a time schedule, which is spread over a five-day period. So, Mon-Fri the daily routine is cleaned in each quadrant. Mon-Thurs, each quadrant is detailed, and Friday all periodic work is completed.

City of Milpitas' results:

- Verified completion and accounting of City of Milpitas' cleaning scope (routine, detailed and periodic work).
- Efficient flow of custodial service through facility
- Improved security and accountability of cleaning staff
- Improved supervision of cleaning staff

To achieve the scope as outlined in the RFP, Varsity will deploy the following resources:

| SHIFT 1:              |            |               |        | 6:00 am - 2:30 pm                                                                     |
|-----------------------|------------|---------------|--------|---------------------------------------------------------------------------------------|
| Team 1                | Custodians | Quadrants     | Floors | Work Division                                                                         |
| Vacuum specialist     | 2          | 1-2           | B-8    | Routine, detail and periodic vacuuming tasks                                          |
| Light Duty specialist | 1          | 1-2           | B-8    | Dusting, conference rooms, break rooms                                                |
| Utility Specialists   | 2          | 1-2           | B-8    | Basement, Elevators, stairwells, lobby, stainless steel, loading doc, exterior patrol |
| Restroom Specialist   | 2          | 1-2           | B-8    | Routine patrol, detail and periodic restroom tasks                                    |
| Team 2                |            |               |        |                                                                                       |
| Vacuum specialist     | 2          | 3-4           |        | Routine, detail and periodic vacuuming tasks                                          |
| Light Duty specialist | 1          | 3-4           | 9-20   | Dusting, conference rooms, break rooms                                                |
| Utility Specialists   | 1          | 3-4           | 9-20   | Elevators, stairwells, lobby, stainless steel, loading doc,                           |
| Restroom Specialist   | 2          | 3-4           | 9-20   | Routine patrol, detail and periodic restroom tasks                                    |
|                       |            |               |        |                                                                                       |
| Carpet Tech           | 1          |               | B-20   | Daily, interm and deep maintenance per job card schedule                              |
| Floor tech            | 1          |               | B-20   | Dust mop, mopping and yearly strip and wax schedule per job                           |
| Shift 2:              |            |               |        | 2:30 am - 6:00 pm                                                                     |
| Team 3                | Custodians | Quadrants     | Floors | Work Division                                                                         |
| Utility Specialists   | 4          | Quardants 1-4 | B-20   | Trash and recycle, restroom check on floor 10, lobby, windows and exterior patrol     |
| Total Labor Hours     | 152        |               |        |                                                                                       |



### *City of Milpitas' Cleaning Scope Effectively Communicated & Ensured*

Varsity will make City of Milpitas' cleaning scope visual to the custodian using job cards. Job cards detail the tasks per quadrant for each day the custodian is cleaning. The cards provide the schedule on a timeline, telling the custodian where he or she needs to be at a given time. Varsity's job cards improve City of Milpitas' cleaning operations by:





## Janitorial Services Proposal

- Eliminating variation in performing to City of Milpitas' cleaning scope,
- Making the work easily repeatable for new-hires
- Facilitating training and supervision
- Keeping cleaners on production rates, improving efficiency

City of Milpitas' cleaning scope, frequency and times each cleaner is to clean will be in the cleaner's possession at all times with Varsity's job cards. Our job cards ensure City of Milpitas' cleaning scope is completed, and it improves City of Milpitas' cleaning productivity, supervision and security.

(Front of Job Card)

| VACUUM SPECIALISTS JOB CARD |                        |                |                        |                          |                        |                |                        |                    |                         |
|-----------------------------|------------------------|----------------|------------------------|--------------------------|------------------------|----------------|------------------------|--------------------|-------------------------|
| Varsity                     |                        |                |                        |                          |                        |                |                        |                    |                         |
| GROUP 1: CITY HALL BUILDING |                        |                |                        |                          |                        |                |                        |                    |                         |
| Shift:                      |                        | 1              |                        | # of Vacuum Specialists: |                        | 4              |                        | Specialist:        |                         |
| Avg. Production Rate:       |                        | 14,000         |                        | VacOps                   |                        |                |                        |                    |                         |
| City Scope Assignment       |                        |                |                        |                          |                        |                |                        |                    |                         |
| Routine: All Quads          |                        | Detail: Quad 2 |                        | Routine: All Quads       |                        | Detail: Quad 3 |                        | Routine: All Quads |                         |
| Detail: Quad 1              |                        |                |                        | Detail: Quad 4           |                        |                |                        | Detail: Quad 5     |                         |
| Time: Monday                |                        | Time: Tuesday  |                        | Time: Wednesday          |                        | Time: Thursday |                        | Time: Friday       |                         |
| 5:00 AM                     | Clock-in               | 6:00 AM        | Clock-in               | 6:00 AM                  | Clock-in               | 6:00 AM        | Clock-in               | 6:00 AM            | Clock-in                |
| 6:07 AM                     | Stage and Leave closet | 6:07 AM        | Stage and Leave closet | 6:07 AM                  | Stage and Leave closet | 6:07 AM        | Stage and Leave closet | 6:07 AM            | Stage and Leave closet  |
| 6:10 AM                     | Floor 1 Detail         | 6:10 AM        | Floor 4 Detail         | 6:10 AM                  | Floor 5 Detail         | 6:10 AM        | Floor 6 Detail         | 6:10 AM            | Floor 1 Quad 1 Periodic |
| 6:40 AM                     | Floor 2 Detail         | 7:10 AM        | Floor 3 Detail         | 7:10 AM                  | Floor 4 Detail         | 7:10 AM        | Floor 5 Detail         | 7:10 AM            | Floor 2 Quad 1 Periodic |
| 7:10 AM                     | Floor 3                | 8:10 AM        | Floor 2                | 8:10 AM                  | Floor 4                | 8:10 AM        | Floor 6                | 8:10 AM            | Floor 3                 |
| 9:10 AM                     | Floor 4                | 9:10 AM        | Floor 1                | 9:10 AM                  | Floor 3                | 9:10 AM        | Floor 5                | 9:10 AM            | Floor 4                 |
| 10:10 AM                    | BREAK                  | 10:10 AM       | BREAK                  | 10:10 AM                 | BREAK                  | 10:10 AM       | BREAK                  | 10:10 AM           | BREAK                   |
| 10:25 AM                    | Floor 5                | 10:25 AM       | Floor 5                | 10:25 AM                 | Floor 2                | 10:25 AM       | Floor 4                | 10:25 AM           | Floor 5                 |
| 11:25 AM                    | Floor 6                | 11:25 AM       | Floor 6                | 11:25 AM                 | Floor 1                | 11:25 AM       | Floor 3                | 11:25 AM           | Floor 6                 |
| 12:25 PM                    | Lunch                  | 12:25 PM       | Lunch                  | 12:25 PM                 | Lunch                  | 12:25 PM       | Lunch                  | 12:25 PM           | Lunch                   |
| 12:55 PM                    | Floor 7                | 12:55 PM       | Floor 7                | 12:55 PM                 | Floor 7                | 12:55 PM       | Floor 2                | 12:55 PM           | Floor 7                 |
| 1:55 PM                     | Floor 8                | 1:55 PM        | Floor 8                | 1:55 PM                  | Floor 8                | 1:55 PM        | Floor 1                | 1:55 PM            | Floor 8                 |
| 2:20 PM                     | Close: Vacuum maint.   | 2:20 PM        | Close: Vacuum maint.   | 2:20 PM                  | Close: Vacuum maint.   | 2:20 PM        | Close: Vacuum maint.   | 2:20 PM            | Close: Vacuum maint.    |
| 2:30 PM                     | Clock out Kronos       | 2:30 PM        | Clock out Kronos       | 2:30 PM                  | Clock out Kronos       | 2:30 PM        | Clock out Kronos       | 2:30 PM            | Clock out Kronos        |

(Back of Job Card)

| Staging Equipment List:                                                             |  | Routine Duties (Daily)                                      | Detail Duties (Weekly per quadrant) | Periodic Duties              |
|-------------------------------------------------------------------------------------|--|-------------------------------------------------------------|-------------------------------------|------------------------------|
|  |  | Thoroughly vacuum high traffic areas                        | Wall to wall vacuuming              | Week 1: Vacuum blinds        |
|                                                                                     |  | Spot vacuum general areas/cubical/offices                   | Vacuum edges, corners and desks     | Week 2: Vacuum window ledges |
|                                                                                     |  | Thoroughly vacuum preventive areas (matting system/entries) | Vacuum upholstery seams and edges   | Week 3: Cubical Panels       |
|                                                                                     |  | Carpet spot identification & documentation                  | Vacuum under desk                   | Week:                        |

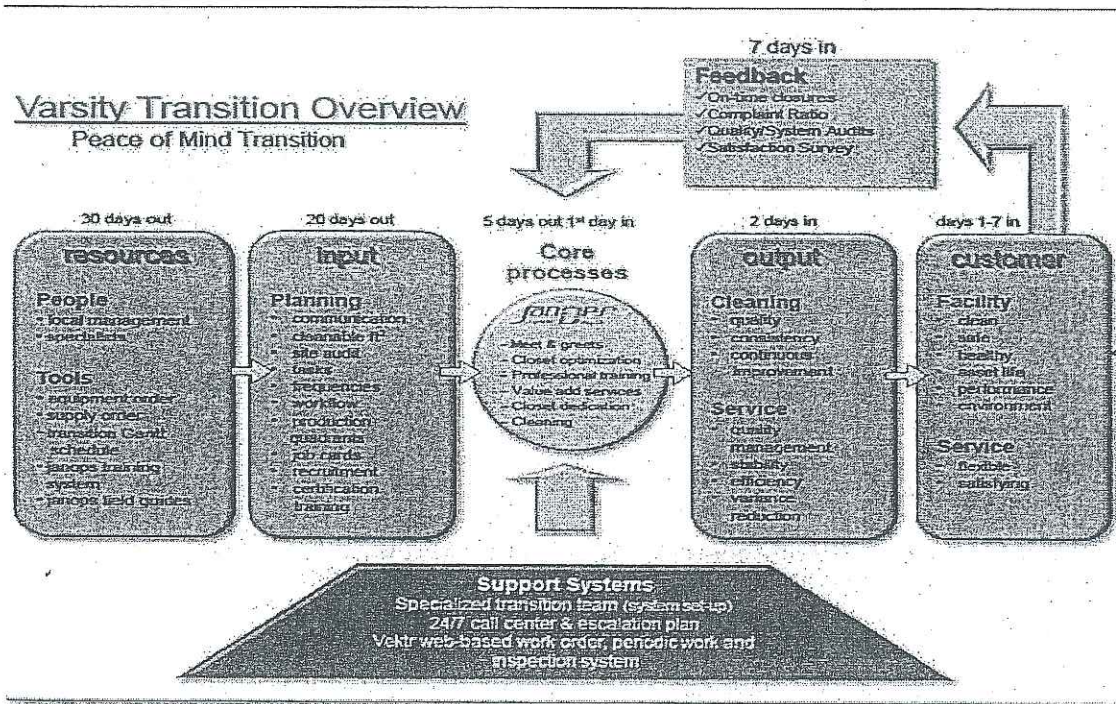




## Transition

Varsity places great emphasis on your initial account transition to create a foundation for a strong and mutually beneficial relationship.

Upon acceptance of our proposal for service, Varsity will work with you to finalize and share a *detailed account transition plan*. Most projects can accommodate a 30-day start-up, however Varsity will work with you to customize our strategy according to your specific needs.



The City will experience a worry-free transition: Varsity will install a complete system during the transition.

In both conversion and post-conversion processes, Varsity is committed to and works best under partnership arrangements. Partnerships recognize the importance of continual improvement while working together to solve and minimize service deficiencies. Under a partnership arrangement, we are able to maximize performance and minimize cost for our customers.

An effective partnership requires that Varsity's management team maintains a scheduled communication plan with your project representative, in which contract performance metrics are reviewed and plans made to reconcile deficiencies. The partnership is enhanced when your representative is willing to



meet regularly as well as log complaints and requests into our work order management system (via phone, email or web entry) so that accurate performance reports can be generated and used for continuous improvement. To establish and enhance our partnerships, Varsity uses the following post conversion process.

| Phase                                    | Frequency | Activities                                                                                                                                                             | Communication Focus                                                                                                                                            |
|------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Transition period</b><br>Week 1-2     | Daily     | <ul style="list-style-type: none"> <li>Daily follow-up by local manager to FM contacts</li> <li>Begin using WO mgmt. system</li> </ul>                                 | <ul style="list-style-type: none"> <li>Customer training on Varsity's VEKTR work order, periodic &amp; inspection mgmt. system</li> </ul>                      |
| <b>Account Optimization</b><br>Weeks 3-4 | Weekly    | <ul style="list-style-type: none"> <li>Weekly follow-up by local manager to FM contacts</li> <li>Continued use of WO mgmt. system</li> </ul>                           | <ul style="list-style-type: none"> <li>Gap analysis &amp; closure between expectations &amp; performance</li> <li>Define customer-preferred metrics</li> </ul> |
| <b>Account Performance</b><br>Month 2    | Monthly   | <ul style="list-style-type: none"> <li>Monthly follow-up by local manager with FM contacts</li> <li>On-site inspection performed at all locations</li> </ul>           | <ul style="list-style-type: none"> <li>First month metrics</li> <li>Report validation &amp; review</li> </ul>                                                  |
| <b>Account Reviews</b><br>Month 3-4      | Quarterly | <ul style="list-style-type: none"> <li>Account manager &amp; district manager meet w/ client to discuss quarter's results &amp; continuous improvement plan</li> </ul> | <ul style="list-style-type: none"> <li>Quarterly metric review</li> <li>Report validation &amp; review</li> </ul>                                              |

Varsity's post-transition process ensures City of Milpitas that their account will continue to run smoothly.

Utilizing the following steps, Varsity focuses on familiarization with your organization and site-specific needs:

1. Varsity Manager and customer manager(s) customize transition plan.
2. Varsity manager assembles Transition Team (TT) and makes assignments.
3. TT Supply Leader orders required supplies and equipment.
4. TT Staffing Leader recruits Area Managers as needed.
5. Area managers arrange to make site visits.
6. TT Staffing Leader begins recruiting & interviewing process, as needed.
7. Varsity managers hold transition meeting to coordinate rollout.
8. Transition team coordinates final preparations.
9. Active Account Transition: Hold morning follow-up with facility managers, spot check service, additional recruiting as needed.





## 24/7 Call Center

### *Providing exceptional service, 24/7!*

#### **Outstanding Service!**

- Highly professional and friendly agents
- Efficient dispatch and work order closures
- We will track your requests and work orders
- 24/7 service to address those late night emergencies
- Ability to talk to same agent for more personalized service
- Value added - this service will come at no additional charge to you!

#### **Multiple Communication Paths for Your Convenience!**

- Telephone (toll-free): (888) 862-4089
- Email: [service@varsitycontractors.com](mailto:service@varsitycontractors.com)
- Fax: (208) 234-6388



Talk to your Varsity Representative today about how Varsity's Customer Support Center can benefit you, or call us directly at (888) 862-4089.

10. Follow up with facility managers, answer questions, correct any defects.

### *24 / 7 Customer Service*

Wouldn't it be nice to know you could call upon your custodial contractor for any contingency, at any hour of the day or night? With Varsity, you can!

Varsity Facility Services operates a call center for phone requests 24 hours a day, 7 days a week. Varsity's call center team receives calls, enters them into our system, generates a work order, dispatches work orders, escalate calls when front-line managers can't be reached and provides reporting on work order closure.

### *Work Order Monitoring*

Work orders may be received by phone, fax or electronically.

Work orders are tracked through our reports group by:

- Director - Area
- Type of request
- Service type
- Facility area
- Specific task

### **Emergency Response and Disaster Planning**

Varsity has a formal emergency and disaster plan in place for specific events, such as hurricanes, tornados, fire, and pandemics. Training for such events is part of the monthly safety training published in the Varsity Safety Training Bulletin. Each of these documents is available upon request.



## Human Resources

### General Staffing



Varsity ensures professional reputation. Varsity's uniforms are professional and reflect an athletic connotation for the productivity standards expected from our cleaners.

With managers and staff already in your area, you will experience the benefit of a local relationship with Varsity's experienced and qualified personnel. Not only will you enjoy cost-effective, experienced and accessible local management, you will gain the benefits of regional and national corporate support, including:

- 24/7 customer support
- all IT systems to enhance the value of your services
- custodial staff already experienced with Class A office and high-tech facility requirements
- Varsity's *JanOPS*® systemized approach to cleaning that helps ensure quality outcomes
- proven time and cost-management techniques to ensure cost-effectiveness

Our staffing plan includes best practices for hiring, developing and motivating cleaners who can meet *JanOPS* standards and clean for SHAPE. There are five main components to our staffing plan. All five components are tightly aligned to provide superior service consistency and assurance.

| Component       | Description                                                                                                                                                                                                                                                               | Goal                                                                                                               |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| 1. Work Loading | Determines how many specialists are needed to clean the facility and how much supervision is required to ensure service level consistency.                                                                                                                                | Ratio of 90%—100% hours worked / work-loaded hours                                                                 |
| 2. Hiring       | Use standardized behavioral interview techniques to ensure all new hires are a "fit" for <i>JanOPS</i> .                                                                                                                                                                  | Turnover rate of no more than 70% for large buildings and 80% for small buildings (industry average in ~360%)      |
| 3. Training     | Use the highest training standards in the industry. All specialists complete three levels of intense training focused on retention and transfer of new skills.                                                                                                            | 100% of New Hires certified                                                                                        |
| 4. Uniforms     | Uniforms are designed to differentiate specialists from traditional janitors, and to assist in the security of the building.                                                                                                                                              | 100% of specialists in uniform at all times                                                                        |
| 5. Team Roles   | Each specialist takes on a specific role based on their skill level. Specialization provides checks and balances for quality. The <i>JanOPS</i> team roles are: PaceOPS, VacOPS, RestroomOPS, and SpecialOPS, with the option to add a fifth role, RecycleOPS, as needed. | <i>JanOPS</i> specialty roles increase the cleaning specialist's motivation and willingness to contribute to SHAPE |





## Significant Human Resource Policies

### Employee Screening and Hiring

Varsity has a strong corporate culture and has established a standardized process for hiring (HireOPS) designed to find qualified personnel who are a strong fit. This process includes giving applicants an introduction folder containing material about the level and quality of work expected by Varsity, as well as Varsity's ethical standards, and an application which is designed to screen out applicants with criminal histories or questionable work histories.

### *Employee Background Checks*

Varsity Facility Services has contracted with Shadowtracker, a pre-employment background firm, for the last 10 years for all background checks. **All Varsity employees are required to pass the background check before they can work.** Shadowtracker is a member of the NAPBS, BBB, and BRB. Shadowtracker has done background checks for public school districts, as well as government agencies. For a full list of clients see Shadowtracker.com.

The Basic Background check is a search for criminal activity (both misdemeanor and felony charges) in the following systems:

- National Crime Database
- Department of Corrections
- National Sex Offender Registry
- Social Security Database
- OFAC—Terrorism Watch List
- Bank and Federal Databases

### *Residency Verification Process*

Varsity uses a Federal program called e-Verify or equivalent to ascertain whether or not an individual has the legal right to work in the United States. Varsity only hires employees with the legal right to work in the U.S.

### Varsity Employee Training

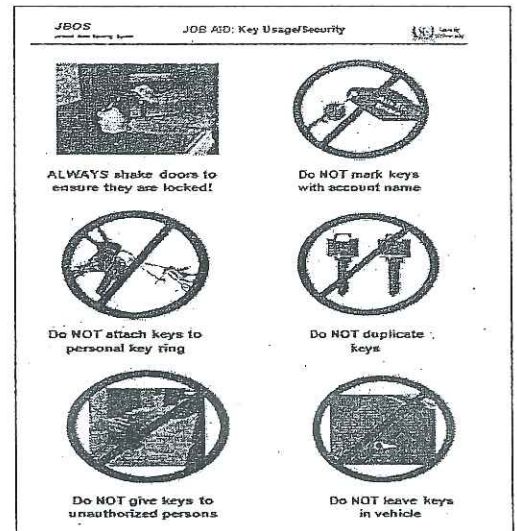
#### *Specialized Key Usage and Security Training*

Varsity also conducts includes Key Security training:





- Key Usage
- Use of Entrance Codes
- Emergency Security Procedures
- Identification of Authorized Personnel
- Understanding Alarm System Protocols
- Team Cleaning Security Protocols
- Indoor to Outdoor Work Transitions



### *New Employee Training Program*

Varsity's *JanOPS*® training standards are the highest in the industry. These standards reflect the value we put on the specialist's contribution to society and the notion that not everyone can clean for SHAPE without first developing the necessary skills, knowledge, and attitudes.

*JanOPS* training is divided into three levels:

1. New-Hire Training (includes specialized carpet care endorsed by the Carpet and Rug Institute)
2. Point of Contact (POC) Training
3. Continuous Training (includes advanced carpet care)

Topics included in the three levels of training include:

### *JanOPS® New-Hire Training*

Full Certification: Varsity certifies every janitorial employee in our proprietary janitorial cleaning system, *JanOPS*®. *JanOPS* requires three levels of training and address not only cleaning procedures, but health, safety, asset preservation, productivity and the environment too.

| LEVEL 1                      | LEVEL 2      | LEVEL 3                             |
|------------------------------|--------------|-------------------------------------|
| JanOPS New-Hire Training DVD | JanOPS Cards | Point-of-Contact Equipment Stickers |
|                              |              |                                     |

For all Varsity Custodians (we call Cleaning Specialists)



| Module                           | Description                                                                                                                       | Varsity Training Tool                                           |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| SHAPE Cleaning Philosophy        | Cleaning specialists are taught how to protect health, assets and the environment by learning Varsity's SHAPE cleaning philosophy | JanOPS DVD , TrainerOPS On-the-Job Training (OJT) Certification |
| Restroom Cleaning                | Cleaning specialist are taught the JanOPS restroom cleaning process, cross contamination how to clean for health                  | JanOPS DVD, TrainerOPS OJT Certification                        |
| Vacuuming                        | Cleaning specialist are taught the JanOPS vacuum process, and workflow in the building                                            | JanOPS DVD TrainerOPS OJT Certification                         |
| Dusting & Trashing               | Cleaning specialist are taught the JanOPS process for dusting and trashing, and workflow in the building                          | JanOPS DVD TrainerOPS OJT Certification                         |
| Closet Standards                 | Cleaning specialist are taught the JanOPS closet standards regarding organization, cleanliness etc...                             | JanOPS DVD TrainerOPS OJT Certification                         |
| General Safety                   | Specialists are taught Ladder safety, lifting safety, and general safety principles                                               | JanOPS SafetyOP TrainerOPS OJT Certification                    |
| SHAPE cleaning processes         | Specialists are taught best practices for safety, health, asset preservation, productivity and the environment                    | JanOPS DVD, TrainerOPS, OJT Certification                       |
| School workflow                  | Specialist certifies in the workflow                                                                                              | TrainerOPS OJT Certification                                    |
| Safe Lifting Techniques          | Specialist demonstrates and certifies in safe lifting techniques                                                                  | TrainerOPS OJT Certification                                    |
| Safe Chemical Usage              | Specialist demonstrates safe dispensing and usage of chemicals                                                                    | TrainerOPS OJT Certification                                    |
| Cross Contamination Points       | Specialist demonstrates proper cleaning of cross contamination points                                                             | TrainerOPS OJT Certification                                    |
| Safe garbage disposal techniques | Specialist demonstrates safe garbage disposal techniques                                                                          | TrainerOPS OJT Certification                                    |
| Microfiber towel usage           | Specialist demonstrates how to use the microfiber towel and our three color coding system.                                        | TrainerOPS OJT Certification                                    |

Each level is designed to increase Varsity specialists' retention of SHAPE knowledge and to instill SHAPE behaviors into their routine.

The following training policies pertain to *JanOPS* specialists:

- All specialists must certify in the *JanOPS* New-Hire DVD and in each of the six TrainerOPS standards. Certification is tracked using the *JanOPS* New-hire Training Check Sheet.
- Managers and supervisors responsible for training must certify in TrainerOPS by passing off each standard to a Certified District Manager.
- The POC skill check must be completed in the *JanOPS* Silver Level Audit.



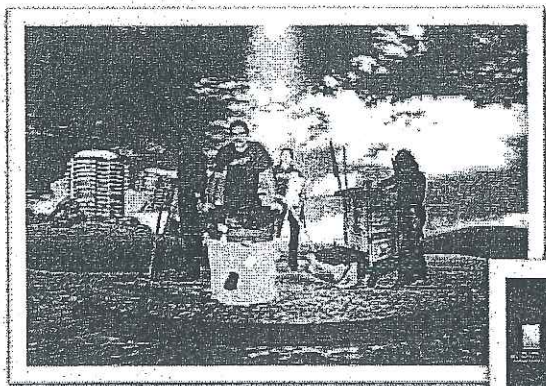


## Janitorial Services Proposal

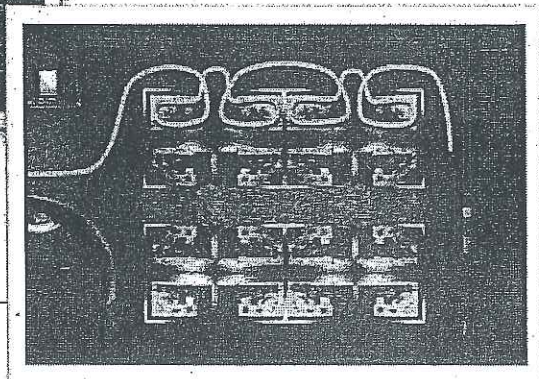
- Specialists in large buildings shall receive continuous training in each of the five areas of SHAPE including: safety, health, asset preservation, productivity and environment.
- Training events must be recorded and measured to ensure a strong foundation for continuous improvement.
- Action must be taken to improve process based on measured results.

### LEVEL 1 Training Examples: Interactive DVD Screenshots

The JanOPS DVD: Our highly interactive training DVD addresses multiple styles of learning. In this learning activity, the cleaner has to put the closet back to standard by selecting the objects that are out of compliance. This is "Lean" practice that helps cleaners learn how to 5S their work space. 5S stands for Sort, Set in Order, Shine, Standardize and Sustain. One of the items is a "unlabeled" chemical bottle reinforcing the need to be in compliant with OSHA Standards. JanOPS 5S closet standard is consistent with City of Milpitas' Six Sigma practice.



**Specialized Training:** In the DVD, cleaners select a specialty and are then trained on the duties and techniques associated to that specialty. Included in the training is our general workflow, which is designed to maximize cleaning efficiency and reduce service variation for City of Milpitas.





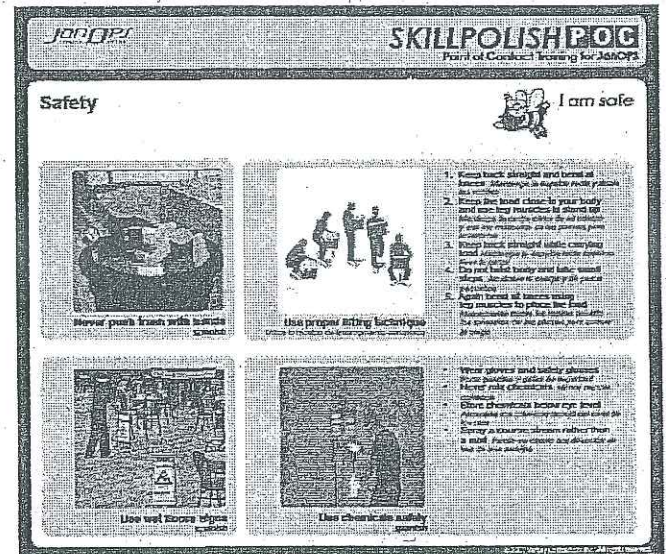
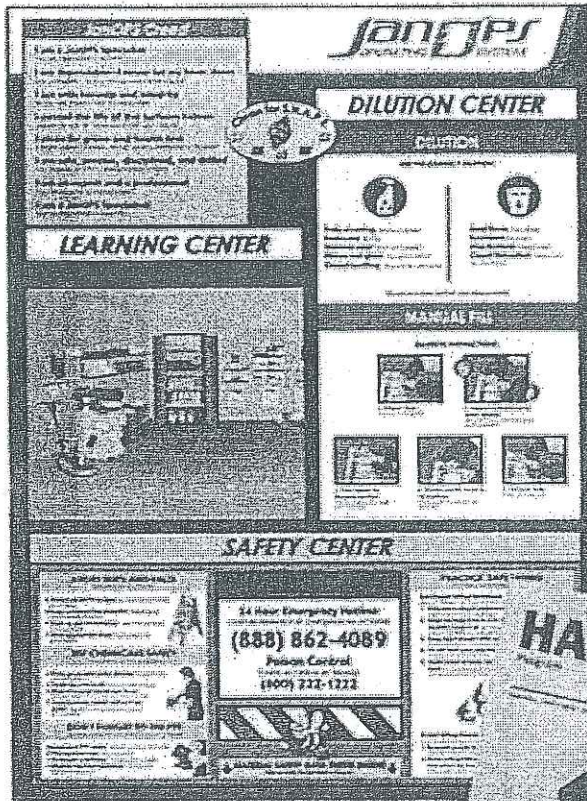






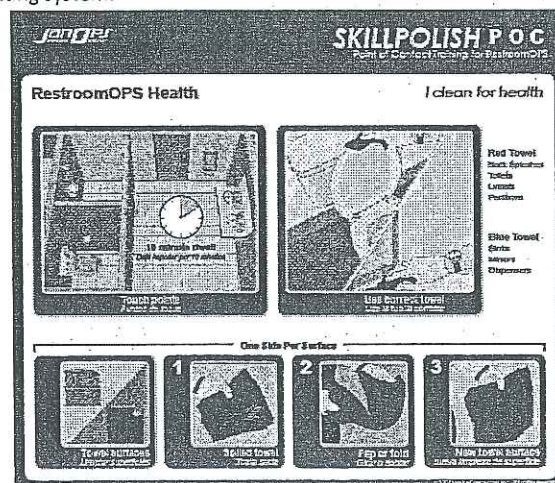
## Janitorial Services Proposal

**LEVEL 3: Point of Contact (POC) training:** Varsity uses visual process management to continually reinforce the training. Stickers and posters are placed on equipment and in locations where a risk or key process occurs.



POC stickers provide visual process management for the cleaners' standard work in facilities. Varsity's supervisors and managers incorporate POC in their training, inspection and in coaching cleaners who are not meeting standards. This particular sticker goes on a garbage brute.

This 18" x 24" poster will be mounted in the clinic's janitor closet. Varsity's Hazcom binder is posted below the "Safety Center" section on the poster. JanOPS is Varsity's standardized janitorial operating system.



This is a POC that goes on the restroom cleaning cart. It demonstrates JanOPS standards for managing cross contamination points.





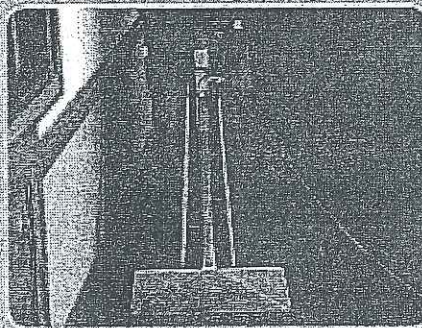
### Additional Carpet Care Training

In addition to its basic training, Varsity offers advanced carpet care training for contracts that contain specific requirements, such as that for City of Milpitas. In addition, floor crew specialists, called FloorOPS Specialists, obtain certification in advanced care of carpet endorsed by the Carpet and Rug Institute (ICRI).

## Intro to I V-SPED

Varsity has created a simple acronym to help you remember the steps you should follow when cleaning carpets or upholstery. The acronym is I V-SPED, which stands for:

- I - Inspect
- V - Vacuum
- S - Spot
- P - Pre Spray
- E - Extract
- D - Dry



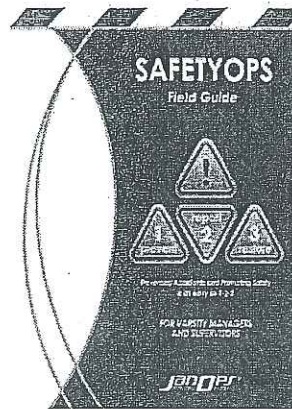
You should follow the I V-SPED process (in this order) every time you clean carpet. By using this standardized process for carpet cleaning you will avoid many of the common problems and complaints that may arise. All too often, carpet technicians quickly move to the extract step of the process, giving insufficient time and attention to the other critical steps, such as inspection and spotting. As you can see, extracting the carpet is actually the fifth step.

Although you may be tempted to stray from the I V-SPED process to save time, remain disciplined and complete each step. The next several pages will explain how to perform the I V-SPED process quickly and effectively. And of course, you will be given the opportunity to practice what you learn by completing the accompanying mastery sheets.





## Health, Safety, and Environmental Stewardship



### SafetyOPS

Varsity provides a specialized safety training course for all employees, in addition to the custodial certifications discussed above.

SafetyOPS guarantees that City of Milpitas will not be faced with a safety emergency in which Varsity's janitorial staff have been trained.

SafetyOPS focuses on how employees can prevent workplace accidents from occurring—

and should an accident occur, how to manage the process effectively. Safety and Health are the “S” and the “H” of our SHAPE strategy. Here are just a few of the ways Varsity keeps employees safe and accident free.

- New-hire training DVD focuses on safe practices
- Managers perform “SHAPE skill checks” to ensure employees are following safe practices
- Safety poster mounted in custodial closet. Poster reminds employees how to:
  - Use chemicals safely
  - Lift safely
  - Work safely
- Safety Point-Of-Contact stickers mounted on equipment to remind employees of safe and healthy practices
- Supervisor holds monthly safety meetings
- Scientific processes designed for less bending, less lifting, and less chemical inhalation.
- Specialists stretch for one minute at the beginning of each shift. This helps prevent injury and creates a “safety mindset” with employees.

### Emergency Training

#### *OSHA Compliance for Blood Borne Pathogens and Disposal of Hazardous Materials*

Varsity has many manufacturing and commercial contracts in which it has prepared site-specific plans for the disposal of hazardous wastes and asbestos awareness. Upon request, Varsity managers can customize a specific plan for



FDTC in concert with facility managers. In general, each safety plan includes the following:

**Training in Compliance:** The goal is to prevent contact with blood borne pathogens and hazardous materials. This is best facilitated by Visual Process Management in which all employees are reminded by way of posters in the janitorial closets, stickers attached to janitorial carts, and attachments to job cards of how to avoid exposure.

**Control of Potentially Contaminated Areas:** Cleaners must assume that all blood is potentially hazardous and all areas must be cordoned off while clean-up is taking place. Likewise any area suspected of containing a hazardous material such as asbestos must be restricted to qualified clean-up personnel only. Decontamination procedures must be posted in a visual, easy-to-read format in all janitorial closets.

**Personal Protective Equipment (PPE):** Each janitorial cart must be stocked with regulation disposable gloves that reach to the elbow. For contracts with specific requirements, janitorial closets must be stocked with protective suits.

**Post-Exposure Evaluation and Follow-up:** Vaccinations for Hepatitis B are standard for exposure to blood borne pathogens. All exposure incidents must be reported and documented, and must specify the following:

1. Route of exposure
2. Circumstances leading to exposure
3. Identification of source individual so that blood sample can be tested
4. Results of source individual's testing made available to exposed employee

**Monthly Training:** Varsity publishes a monthly Safety training bulletin that is used by all area managers in their regularly scheduled monthly training. City of Milpitas will have custodial employees who know how to maintain their assets, such as specialized flooring, concrete, and equipment if the requirement exists in the safest way possible.



### Varsity's OSHA 300A Form and EMOD Rating

**Varsity won the BSCAI's Safety Award for 2012.**

OSHA's Form 300A (Rev. 01/2004)

## Summary of Work-Related Injuries and Illnesses

*All establishments covered by Part 1004 must complete this Summary page, even if no injuries or illnesses occurred during the year. Remember to review the Log to verify that the entries are accurate.*

Using the Log, count the individual orders you made for each category. Then write the totals below, making sure you've scored the entries from every page of the log. If you had no cases write "0."

Employees, former employees, and their representatives have the right to review the OSHA Form 300 in its entirety. They also have limited access to the OSHA Form 301 or its equivalent. See 29 CFR 1904.35; in OSHA's recordkeeping rule, for further details on the access provisions for these forms.

### Number of Cases

| Total number of deaths | Total number of cases with days away from work | Total number of cases with job transfer or restriction | Total number of other recordable cases |
|------------------------|------------------------------------------------|--------------------------------------------------------|----------------------------------------|
| 0                      | 17                                             | 34                                                     | 10                                     |
| (G)                    | (H)                                            | (I)                                                    | (J)                                    |

## Number of Days

|                                     |                                                     |
|-------------------------------------|-----------------------------------------------------|
| Total number of days away from work | Total number of days of job transfer or restriction |
| 1266                                | 1524                                                |
| (K)                                 | (L)                                                 |

### Injury and Illness Types

| Total number of...        |    |                         |   |
|---------------------------|----|-------------------------|---|
| (M)                       |    |                         |   |
| (1) Injury                | 61 | (4) Poisoning           | 0 |
| (2) Skin Disorder         | 0  | (5) Hearing Loss        | 0 |
| (3) Respiratory Condition | 0  | (6) All Other Illnesses | 0 |

Post this Summary page from February 1 to April 30 of the year following the year covered by the form.

Public reporting burden for this collection of information is estimated to average 58 minutes per response, including time to review the instructions, search existing data sources, gather the data needed, and complete and review the collection of information. Send comments regarding this burden estimate or any aspect of this collection of information, including suggestions for reducing the burden, to Washington Headquarters Service, Paperwork Project (0182-0001), Washington, DC 20503-2907. Respondents should be aware that notwithstanding any notations that may appear hereon, it is not required to respond to a collection of information if it does not display a currently valid OMB control number. If you have any comments about this estimate or any aspect of this data collection, contact: US Department of Labor, OSHA Office of Statistics, Room N-3542, 200 Constitution Ave., NW, Washington, DC 20219. Do not send the completed form to this office.

## Establishment information

Your establishment name Vandy Contractors Inc

Street 315 S 1st Ave Pocatello ID 83204 / 2937 N Cole Rd Boise ID 83764

City \_\_\_\_\_ State \_\_\_\_\_ ID \_\_\_\_\_ Zip \_\_\_\_\_

Industry description (e.g., Manufacture of motor truck trailers)

Budding Maid - Juniors

Standard Industrial Classification (SIC), if known (e.g., SIC 3715)

OR North American Industrial Classification (NAICS), if known (e.g. 336212)

### Employment Information

Annual average number of employees 2975

Total hours worked by all employees last year: 3,740,520

Sign here \_\_\_\_\_

Knowingly falsifying this document may result in a fine.

I certify that I have examined this document and that to the best of my knowledge the entries are true, accurate, and complete.

Wendy Richard  
Company Executive  
202-375-7551  
Phone

W/C. [Signature]  
Date  
1/31/11





# Janitorial Services Proposal

RiskSnapshot® - Riskworkstation - National Council on Compensation Insurance, Inc.

Page 1 of 1

## RiskSnapshot® Report - 9/6/2012

### NCCI Risk Information

|                          |                                                |                              |      |               |               |          |
|--------------------------|------------------------------------------------|------------------------------|------|---------------|---------------|----------|
| Risk Name:               | Varsity Contractors, Inc.                      | Effective Date               | MOD  | Rating Status | Last Produced | Comments |
| Risk Primary Address:    | 315 S 5TH AVE POCAHELLO, ID 83201-5857         | 09/01/2012                   | 1.00 | Final         | 08/24/2012    | Revised  |
| Risk ID Number:          | 910490346                                      | 09/01/2011                   | 1.14 | Final         | 08/12/2011    | Revised  |
| Current Policy           | 09/01/2011                                     | 09/01/2010                   | 1.32 | Final         | 11/15/2010    | Revised  |
| Effective Date:          |                                                | 09/01/2009                   | 1.45 | Final         | 09/27/2010    | Revised  |
| Governing Class:         | 9008 : JANITORIAL SERVICES BY CONTRACTORS (CA) | 09/01/2008                   | 1.36 | Final         | 03/07/2011    | Revised  |
| Residual Market Account: | No                                             | 09/01/2012 ARAP Factor: 1.00 |      |               |               |          |
| Interstate Rated:        | Yes                                            |                              |      |               |               |          |

Do you have questions about the information displayed above?  
Please call NCCI's Customer Service Center at 1-800-NCCI-123.

### Dun & Bradstreet Business Information

|                           |                                         |                            |             |
|---------------------------|-----------------------------------------|----------------------------|-------------|
| Business Name:            | Varsity Contractors, Inc.               | D&B Rating:                | 4A1         |
| Business Primary Address: | 315 S 5TH AVE POCAHELLO, ID 83201       | D&B Previous Rating:       | 4A2         |
| D-U-N-S® NUMBER:          | 057194896                               | Bankruptcy Proceeding (s): | No          |
| Business Phone:           | 208.232.8598                            | Suit(s):                   | Yes         |
| Management:               | ARLO LUKE, CEO                          | Judgment(s):               | No          |
| Line of Business:         | BUILDING MAINTENANCE SERVICES           | UCC Filing(s):             | Yes         |
| Primary SIC Code:         | 7349 BUILDING MAINTENANCE SERVICES, NEC | Lien(s):                   | No          |
| Secondary SIC Codes:      |                                         | Location Status:           | HEADQUARTER |
| Total Net Worth:          | \$12,957,182                            | Year Started:              | 1957        |
| Total Sales:              | \$89,803,725                            | Employees Total:           | 5,000       |
|                           |                                         | Employees Here:            | 50          |

Do you have questions about the information displayed above?  
Please contact the Dun & Bradstreet Customer Service Center at 1-800-234-3867.

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## Management Commitment

This topic is covered in depth in section six below.

## Green Buildings and Services

### Third Party Certified Green Cleaning

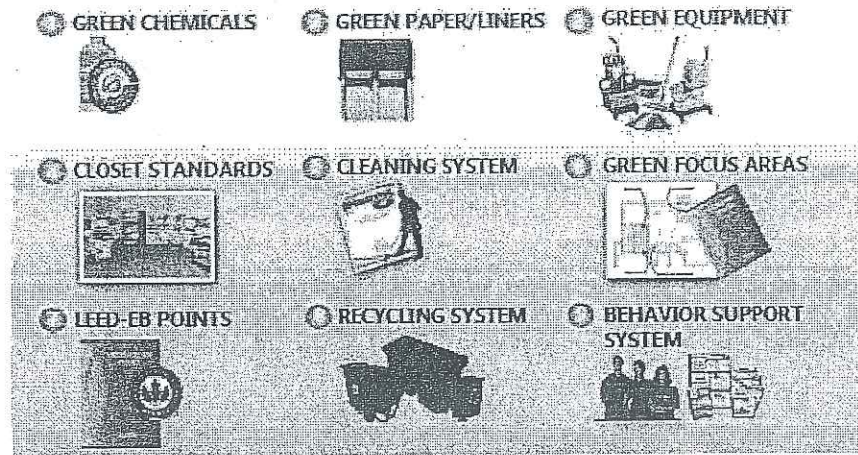
Did you know that companies who promote sustainability and earth-friendly practices capture more market share than those who do not? Varsity understands how important sustainability is for fiscal as well as philosophical reasons and has become an industry leader in green cleaning.

Varsity Facility Service has converted 18,000 facilities to green at **NO ADDITIONAL COST to the customer**. For this City of Milpitas retains the following benefits:

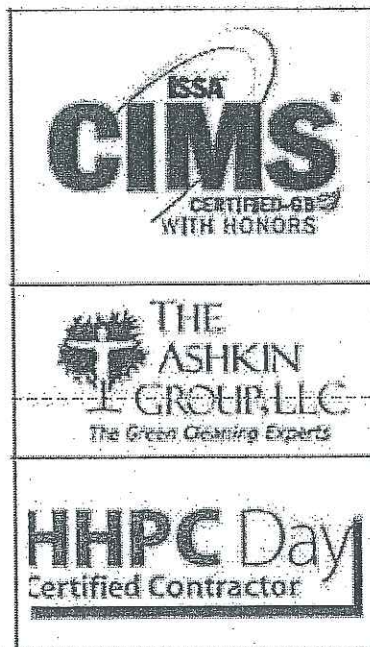
- Improved air quality
- Improved health and safety for building occupants through Varsity's focus on cross contamination points
- The use of EPA approved BioShield™
- Decreased use of paper products with the use of microfiber, including improved quality of cleaning
- Six points towards LEED certification

Varsity's dedication to sustainable services goes as far as its building a Museum of Clean in Pocatello, Idaho at a LEED Platinum level.

Varsity's green cleaning program won the Ashkin award. (Steve Ashkin is regarded as the "father" of Green Cleaning.) It also helped us earn an Honors designation for our CIMS ISSA-Green Building Certification.



City of Milpitas will gain a green cleaning program that has won the praise of green cleaning experts, is used in our Varsity's LEED-NB platinum corporate facility, and has been independently certified by ISSA's CIM's Green Building certification process.



#### Varsity Facility Services:

- Holds seats in multiple "green sustainability" counsels
- Obtained ISSA CIMS-Green Building certification with honors ([www.issa.com/CIMS](http://www.issa.com/CIMS))
- Has converted over 18,000 facilities nationwide and Canada to certified green products and processes
- Owns a 70,000 ft2 LEED-NB Platinum eligible corporate facility
- Received the Ashkin Group "Green Leader" Award
- Is a member of the USGBC
- Is a certified contractor with HHPC Day Cleaning, a leader in sustainable day

cleaning certification.





Having undergone a comprehensive assessment of its management structure  
and green cleaning operations by an independent accredited CIMS-GB assessor

## Varsity Facility Services, Inc.

is hereby CERTIFIED WITH HONORS to  
the ISSA Cleaning Industry Management Standard  
Green Building Criteria

and has successfully demonstrated a commitment to the delivery of  
environmentally preferable services designed to meet customer needs and expectations.

This Certification is valid August 9, 2012 through August 8, 2014.



John P. Garfinkel, Executive Director  
ISSA



## Green Cleaning Policy

Varsity's green cleaning policy has won numerous industry awards; an excerpt is provided below. This is used in both training and in designing quality audits to guarantee that the work Varsity performs is consistent with ISSA CIMS GB standards:

GREEN CLEANING POLICY

- System audits
- SHAPE reinforcement website
- SHAPE reinforcement chart
- Management reinforcement points

The Behavior Support System is covered in detail in the *Performance Management Field Guide*.

**District Certification Process:**  
The District Certification Process is the JanOPS way of ensuring that the operating system is properly implemented throughout the organization. It uses multi-level involvement and support of the operating system within the organization. The multi-level support includes front line area managers, district managers, regional managers and evaluation by a corporate representative. This approach provides the operating system with the necessary checks, balances, validation and support throughout the organization.

The certification process requires managers to meet key standards. These standards elevate the operation's effectiveness by driving performance and quality as managers maintain or exceed the standard. As managers strive to meet these standards, it gives them a common goal and vision of how their operations should look and behave. This also drives quality to a higher level than would be obtained through traditional industry quality control efforts. Validation of the operating system is proactive and represents a leading indicator of how the operations will perform. This pro-activity enables managers to make changes

before the failure leads to lower quality. A detailed description of the District Certification Process and its standards can be found in the *District Certification Guide*.

### PRODUCT POLICY

**SCOPE**  
JanOPS product policies pertain to the facility's janitorial operations or those duties assigned to janitorial services on a contractual basis.

**METRICS:**

|                          |                                                                              |
|--------------------------|------------------------------------------------------------------------------|
| Chemical to bucket ratio | % reduction in chemical usage due to improved process                        |
| Green Chemical ratio     | Dollar volume percentage of green-certified purchases to non-green purchases |
| Green Liner ratio        | High density to low-density liner ratio                                      |
| Green Paper ratio        | % of green-certified paper to regular janitorial paper                       |

### OBJECTIVES

- Show chemical reduction of at least 20% over traditional methods.
- Maximize green products used within facility to a 75 ratio.
- Reduce cleaning process effects on vulnerable population.
- Increase green liner ratio to 80.
- Achieve 100% pass on right size liner task on silver audit.
- Increase green paper usage ratio to 1.

### OVERVIEW

JanOPS products include the Jan/San materials—chemicals, paper, liners, and sundry items—necessary to complete janitorial services. JanOPS products are selected based on their ability to contribute to SHAPE, and their consistency with the following third party organizations: LEED-EB, EPA Comprehensive Procurement Guidelines, GREENGUARD, EnvironmentalChoice, and/or Green Seal standards. This section will describe policies for purchasing, handling, and storing JanOPS products.







## Recycling Programs

Varsity has developed customized recycling programs for numerous customers. Varsity has also adopted recycling programs already in existence with some of its customers. As the case study below indicates, Varsity realizes that recycling problems require ongoing assessment and problem-solving.

### *CASE STUDY: Varsity Adapts its Recycling Program to Fit Customer Needs.*

The Customer: A multi-national car manufacturer

The Challenge: The initial recycling program proved inadequate as it did not take into account changes in the assembly line work flow throughout the day, and changes from day-to-day.

Solution: Varsity cleaners began to keep a diary of the recycling needs and how they varied from day to day. Varsity discovered that several adjustments had to be made to adequately address the amount of cardboard that was being discarded at specific points in the assembly line. Varsity customized a cardboard collection program that kept these areas clear and safe for production line workers and met the company's cardboard recycling goals.

## Varsity's Assistance in Obtaining and Maintaining LEED Certifications

Varsity knows that business models that support the use of sustainable products and processes are more likely to succeed in today's economy despite the fact that some of these products and processes require a financial investment. Whereas, many janitorial companies offer green services at an additional cost to their customers, Varsity absorbs the cost of using certified green cleaning products, equipment and processes. In addition, Varsity understands the LEED certification process and has invested heavily in becoming a preferred green provider, certified to provide six points toward LEED certification.

| Credits                                                 | JanOPS Solution                                                                                                                                                                                                                                                     | Points |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| IEQ Pre-requisite 3: Green Cleaning Policy              | Your JanOPS installation comes with a Green Cleaning Policy Field Guide that follows the LEED-EB policy model. Our Green Cleaning Policy has been validated independently by the Ashkin Group for compliance to LEED-EB IEQ prerequisite requirements.              | 1      |
| IEQ Credit 3.1: Green Cleaning High Performance Program | JanOPS is an award winning, high performance operating system that integrates people, process, equipment and products into a sustainable solution. JanOPS specialists are required to certify in three levels of training in which hazardous materials are covered. | 1      |





|                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                   |   |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| IEQ Credit 3.2<br>Green Cleaning<br>Custodial<br>Effectiveness<br>Assessment                            | <i>JanOPS</i> handheld auditing technology enables our customers to conduct audits electronically allowing for complete scoring, tracking and documentation of audit history. In the absence of a third-party auditor, we can perform the second audit for compliance with the LEED-EB Custodial Effectiveness Assessment.                                                                        | 1 |
| IEQ Credit 3.3<br>Green Cleaning<br>Purchase of<br>Sustainable<br>Cleaning<br>Products and<br>Materials | <i>JanOPS</i> standardized cleaners and floor care products are Green Seal and Ecological certified. All standard products meet California Code of regulations for maximum allowable VOC levels.                                                                                                                                                                                                  | 1 |
| IEQ Credit 3.4<br>Green Cleaning<br>Sustainable<br>Cleaning<br>Equipment                                | <i>JanOPS</i> standards guarantee your facility benefits from the industry's best equipment. All <i>JanOPS</i> equipment has been carefully selected and optimized to remove unwanted matter from your facility by meeting our strict SHAPE™ (Safety, Health, Asset Preservation, Productivity, Environment) standards.                                                                           | 1 |
| IEQ Credit 3.5<br>Green Cleaning<br>Indoor Chemical<br>and Pollutant<br>Source Control                  | The <i>JanOPS</i> cleaning system is based on a "focus area strategy" by concentrating daily resources on areas in the building like entranceways, touch points and high-traffic hallways that transfer the greatest amount of unwanted matter. All equipment (vacuums, dusting tools and microfiber) is designed to complement this strategy through their unique particle-capturing properties. | 1 |
| IEQ Credit 3.6<br>Green Cleaning<br>Indoor<br>Integrated<br>Pest Mngmt                                  | For customers seeking this credit, specialized IPM training is offered to the <i>JanOPS</i> specialist, engaging him or her in the monitoring, prevention and control processes of IPM. Monitoring and control routes are built into the specialist's routine. Our handheld technology is then used for identification and monitoring.                                                            | 1 |

### ***CASE STUDY: From LEED Silver Aspirations to Earning LEED Gold with Varsity***

**The Customer:** The customer is a small utility cooperative that wanted to obtain LEED certification at the Silver level.

**The Challenge:** The customer operates in an area where the use of environmentally sound practices is a matter of staying in or going out of business. The customer aspired to obtain a LEED silver rating and required a janitorial service provider who understood the LEED process and had a third-party certified green cleaning program.

**The Solution:** Varsity Facility Services has converted over 18,000 facilities across the nation to green cleaning. In addition, Varsity leadership has actively participated with Varsity customers in applying for and obtaining their LEED

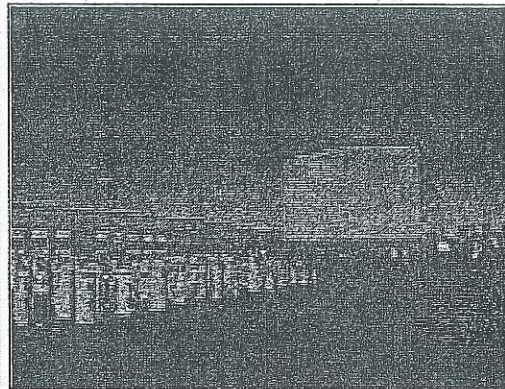


certifications. Varsity's certified green cleaning system, JanOPS, uses only green certified equipment and products in addition to using all green processes, such as the use of microfiber over paper products for cleaning. An invested Varsity manager sat down with the leadership of this utility cooperative to strategize on how it could obtain its LEED certification and assisted with the application process. With the use of the six points it got from utilizing the Varsity JanOPS green cleaning system, Varsity was able to assist this customer in obtaining a *LEED gold* certification.

Excerpts from a letter written by Teresa Lackey of Midstate Electric of LaPine, OR:

"When Varsity Contractor's bid proposal came back for green cleaning and maintenance practices, we learned there were credits (6) that could be obtained to assist us in our LEED certification process. By submitting a narrative with the statement of purpose, Varsity Contractor's cleaning company's guidebook, outlining their procedures and training, a copy of Varsity Contractor's contract and a list of products and performance level standards, together with MSDS sheets for each product, the credit was awarded for "Environmentally Preferable Cleaning Products and Practices."

"With the extra credit achieved, our Administration Building attained LEED Gold certification to become the first building in Central Oregon and the first electric cooperative in the nation to achieve LEED certification."



Midstate Electric Cooperative, LaPine, OR





## 5. Qualifications and Experience

### Company History



Established in 1957, Varsity Facility Services was founded on integrity, excellence and innovation. With more than 50 years of applying these ideals to our business, we have built a sound foundation

of service for our customers.

Many of Varsity's innovations have come from creating solutions for our customers' needs. In the 1960's Varsity pioneered a cable-coating process for Mountain Bell Telephone. Varsity's founders coated miles of telephone wire as an extension of our janitorial contract.

In 1997, we were the first to build a corporate university offering on-line training to all employees. Today, Varsity University offers over 300 courses to keep employees up to date on developments in our service industries.

In 2001, we developed new handheld and web-based technologies to facilitate our QA programs, and to help us drive continuous improvement in our company. Over the past 10 years we've demonstrated our commitment to the environment not only through our green cleaning programs, but also by building our own LEED Platinum facility. In 2006, we adopted a Lean Sigma philosophy and standardized Lean practices in our janitorial operations through JanOPS®. In 2007, Varsity was proud to be chosen as the first building service contractor to be certified by the ISSA CIMS certification—and we did so with honors.

In 2011, we rebranded our company as Varsity Facility Services, exemplifying the diversity of services we offer. We also achieved HHPC (Healthy High Performance Certification) designation in the growing demand for Day Cleaning services, providing another cost- and energy-savings alternative to our customers. Today we are an international service provider spanning the United States and Canada. Our commitment to integrity, innovation, and the environment has never been stronger.

- 1957 Varsity founded
- 1968 First comprehensive facility contract: Sun Valley Ski Resort, including cleaning, construction, and landscaping
- 1973 First one-million-square foot building: Mountain Bell/Owest/CenturyLink still serviced today!
- 1982 First high-tech contract: Hewlett-Packard (five HP sites)
- 1992 Formed minority-owned janitorial company: System 1, Inc.
- 1999 First contract in Canada
- 2001 Developed handheld audit system (VEKTR) for quality control and work order management
- 2004 Established 24x7 call center to increase customer service
- 2007 Partnered with Washington Mutual Bank to contribute to green certification
- 2008 Launched JanOPS®, our proprietary janitorial system designed to clean for SHAPE™ (Safety, Health, Asset Preservation, Productivity, and Environment)
- 2011 Varsity Contractors re-brands as Varsity Facility Services (Varsity FS) to reflect the spectrum of services we offer
- 2011 Varsity certifies as an HHPC Daytime Cleaning Contractor





## Janitorial Services Proposal

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <ul style="list-style-type: none"> <li>• 1st building service contractor to achieve CIMS Certification</li> <li>• 1st to receive CIMS honors designation (Exceeded CIMS standards)</li> <li>• Verification: -- <a href="http://issa.com/?id=certified_organizations&amp;lg">http://issa.com/?id=certified_organizations&amp;lg</a></li> <li>• CIMS Auditor: Collin Butterfield</li> <li>• Plans for re-certification: ISSA when due (April 2012)</li> </ul> |
|    | <p>Varsity is one of only 12 organizations in the industry to certify as a green-building company. Through a third-party auditor, Varsity was audited for its:</p> <ul style="list-style-type: none"> <li>• Green building policy</li> <li>• High-performance cleaning program</li> <li>• Custodial effectiveness</li> <li>• Sustainable cleaning products, materials and equipment</li> <li>• Indoor chemical-and pollutant-source control</li> </ul>      |
|    | <p>Varsity is a proud recipient of the Ashkin Group Green Cleaning Champion Award. The award is given to companies that support the Ashkin Group's mission of creating healthier, more productive indoor environments with lower burdens on natural systems, while creating sustainable value.</p>                                                                                                                                                          |
|   | <p>Varsity received the BSCAI Image Award for Best Company Uniform. This award recognizes Varsity's leadership in enhancing the image of the industry. Varsity high-performance uniforms are worn by its JanOPS cleaning specialists. <b>Awarded BSCAI's award for SAFETY in 2012</b></p>                                                                                                                                                                   |
|  | <p>Varsity is HHPC Certified in Daytime Cleaning. This designation means that Varsity management has been through a comprehensive training process for full implementation of day cleaning services for customers who wish to make this change. Day cleaning has been proven to lower energy and staffing costs, as well as provide other significant benefits to organizations making the switch.</p>                                                      |
|  | <p>Varsity is a CRI Approved Vendor. The Carpet and Rug Institute is a nonprofit trade association representing the manufacturers of more than 95% of all carpets and rugs made in the United States. Varsity cleans over 120 million square feet of carpet a year throughout the United States and Canada.</p>                                                                                                                                             |



## Statement of Interest

Varsity has been cleaning entire municipalities for over 50 years. We understand a scope that includes multiple public-use and mixed-use facilities. We have included the letter of recommendation below as it discusses the specific tasks that Varsity has done well for the City of Fort Collins with its 20+ different public and mixed-use buildings. Varsity has been with the City of Fort Collins for almost 15 years.



Operation Services  
300 LaPorte Ave.  
PO Box 580  
Fort Collins, CO 80522  
970.221.6610  
970.221.6534 - fax  
fcgov.com

October 31, 2012

To whom it may concern;

My name is Jim Pierce and I am the "Custodial Contract Administrator" for the City of Fort Collins, Colorado government. I am a key figure in the selection of the custodial companies that do the cleaning of the 50+ city government buildings (i.e.; city hall, office buildings, and recreation buildings) and am the main liaison between the city and the custodial company once the contract begins. Customer complaints, changes in building requirements, etc., all flow through me. As such, I am VERY aware of the performance of the custodial contractors hired.

Varsity Contractors is one of the contractors we currently have doing our custodial work. I am VERY pleased with their performance. In fact, the City of Fort Collins recently started its 4<sup>th</sup> - five year contract with Varsity Contractors.

Varsity has consistently been a superior cleaning company for us, responding quickly to our needs from construction remodel cleanup to cleaning buildings in remote locations in our Natural Areas.

Varsity has the expertise and well trained employees needed to fill our needs. I attribute much of this to their training programs. They have a formalized training program, "Jan OPS", which starts at the top by training supervisors who in turn train their employees. There are regular refresher courses as well. I appreciate the fact that their area manager attends weekly management training sessions at their Denver office. This formalized training program is far superior to other contractor's training processes.

Varsity's approach to cleaning is proactive; I especially appreciate that. As an example, they set up a regular schedule for power scrubbing and refinishing of floor surfaces. As a result, I don't get customer complaints about the floor appearance then have to reactively request floor surface work.

Below are some bullet thoughts I have about Varsity:

- They fill in for absences without a change in service to us.
- They are responsive to our needs.
- They report maintenance or security problems to us.
- Varsity employee turnover at the City of Fort Collins has been very low.



## Janitorial Services Proposal

- In an effort to reduce energy costs, the City has switched to daytime cleaning. The employees work early morning to noon shift. Varsity helped us make this conversion successful.
- When I give our Varsity Area Manager an extra work request I know she will make sure it is done right the first time.
- Our Project Managers like Varsity's prices and quality of work.
- They use the best environmentally friendly chemicals with the latest equipment and materials.

Sincerely,

Jim Pierce  
Custodial Contract Administrator  
City of Fort Collins  
(970) 221-6592





## Summary of Previous/Current Experience with Multiple Public Mixed-use Facilities

| Municipality                                                             | Similar Requirement                                                                                                                                                                                         | Varsity's Expertise/Experience                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salt Lake City Corporation                                               | Restoration/Preservation of Historic City Hall is similar to the historic preservation requirements for the Milpitas City Hall                                                                              | Varsity has extensive experience in both restoration and preservation of historic sites, especially in the Midwest and Eastern states (specifically, Missouri, Illinois, New York, and Vermont).<br><br>Varsity's work with Salt Lake City Corporation includes preservation and maintenance of extensive stone flooring, and wood paneling.                                                                                                                                |
| Salt Lake City Corporation and City of Fort Collins                      | Both Salt Lake City Corporation and the City of Fort Collins have venues or museums which contain exhibits similar to those for Milpitas facilities that have both permanent displays or temporary exhibits | Varsity has contracted with the Seattle Art Museum, the Children's Museum of Fort Collins, and other facilities to both clean and maintain permanent exhibits and also temporary exhibits, including "objets d' art."                                                                                                                                                                                                                                                       |
| City of Fort Collins, Bexar County, Maricopa County, University of Texas | Each of these contracts contain requirements for multiple types of flooring, including cement, hard-wood, VCT, stone, and carpet similar to RFP 123-0084-P (SS)                                             | Varsity has millions of square feet of carpeted flooring under contract and is one of the few janitorial services to be certified by the Carpet and Rug Institute for its cleaning and extraction processes. Varsity also maintains the hard-wood flooring for several NCAA basketball courts and school gymnasium facilities. Because Varsity has extensive contracts with industrial customers, Varsity has become proficient at care of cement and VCT flooring as well. |
| City of Fort Collins, Bexar County, Maricopa County, University of Texas | RFP 123-0084-P (SS), like many municipal customers requires quick turn-around and spot-maintenance of hallways and mezzanines that must be kept dry and clean for safe public use.                          | Hallways and mezzanines require quick turn-around and day-long maintenance on bad-weather days for the safety of the public. Varsity's 20+ year partnership with University of Texas, as well as its 30+ year partnership with Century Link has prompted Varsity managers to create specialized training for the cleaning specialists who care for these public-use areas.                                                                                                  |
| University of Texas,                                                     | Both U o T and the City of Fort                                                                                                                                                                             | Event-driven venues will always require                                                                                                                                                                                                                                                                                                                                                                                                                                     |



|                        |                                                                                                                                                                                               |                                                                                                                                                                                                     |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| City of Fort Collins   | Collins requires that custodial staff be prepared and available for last-minute post-set-up cleaning, post-removal cleaning, and post-construction cleaning                                   | an efficient system for scheduling and coordinating cleaning tasks, organizing workflows and opening and managing work orders, such as Varsity's proprietary Vektr electronic reporting technology. |
| Hedgewald Center in OR | RFP 123-0084-P (SS) contains a total of 5,124 theatrical seats, which require not only spot cleaning on a regular basis, but periodic cleaning with an orientation toward asset preservation. | Varsity's Third-Party Certified Green Cleaning system ensures that no harsh chemicals or improper equipment is used to maintain upholstery.                                                         |

### Experience with Event-Driven Facilities

Utilizing the customized audit template Varsity created specifically for UT-Austin, Varsity managers have been able to fine-tune the work being done. This same process will benefit The City of Milpitas. For example, over the 22+ years that Varsity has cleaned the student union, we have become increasingly aware of how to manage entryways and public corridors on rainy days, taking special precautions that go beyond the scope of work required.

According to Travelers' Insurance Company, a single slip and fall accident can cost an average of \$40,000 dollars. Varsity's safety efforts have saved its customers money.

Varsity understands event-driven facilities. We understand that specialized needs arise with a graduation service, special event, or on game day. Our university employees are trained to adapt to these needs. Varsity leadership keep the lines of communication open, so that Milpitas facility managers can open and track work orders related to events, using technology customized to specific The City of Milpitas facilities with Vektr electronic reporting.

Varsity has worked with municipalities and universities with event-driven facilities similar to those in RFP 14-01.





| Convention Facility           | Varsity Years of Service | Specific Experience                                                                                                   |
|-------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------|
| City of Fort Collins (CO)     | 15                       | All flooring types, multiple mixed-use public buildings, museums and exhibit halls, auditoriums, and conference rooms |
| Salt Lake Corporation (UT)    | 1                        | All flooring types, multiple mixed-use public buildings, including Historic City Hall                                 |
| Bexar County (TX)             | 2                        | All flooring types, multiple mixed-use public buildings                                                               |
| Maricopa County (AZ)          | 12                       | All flooring types, multiple mixed-use public buildings, including libraries                                          |
| Town of Buckeye (AZ)          | 4                        | All flooring types, multiple mixed-use public buildings, including libraries                                          |
| Hedgewald Center (OR)         | 5                        | Auditorium facility with theater seats                                                                                |
| Glendale City Libraries (AZ)  | 5                        | Libraries, exhibits and special collections                                                                           |
| University of Texas at Austin | 20                       | All flooring types, multiple mixed-use public buildings, auditoriums, conference rooms, etc.                          |
| University of Missouri        | 7                        | Unique flooring types, including rubber, specialized training for unique assets                                       |

### Experience with Time-sensitive Cleaning Tasks

Varsity uses its Vektr electronic reporting system to schedule seasonal, periodic, and transitional work, including that which is required for several of the facilities at Milpitas.

Varsity has effectively completed summer and transitional cleaning requirements for MizzouRec, Cave Creek Unified School District, Gateway Community College, University of Texas at Austin, and Life University, among others.

### Additional Square Footage Adjustments

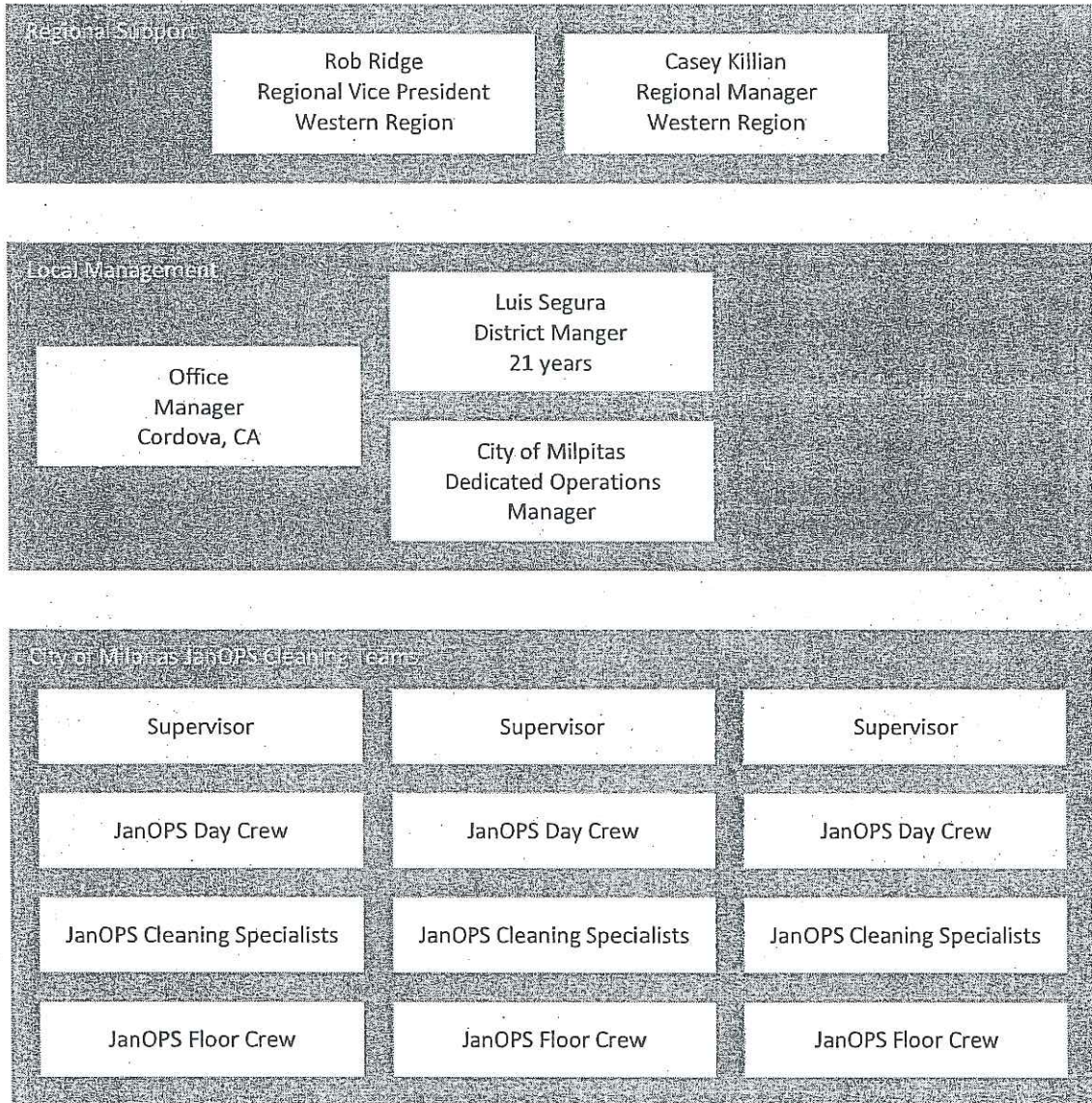
Square footage variations are easily handled and calculated based on square foot rate as provided on the pricing pages. We would calculate the addition/subtraction manually to ensure the new calculations are correct and reflect the adjusted labor required.





## 6. Key Personnel – Qualifications and Experience

### Organizational Chart for City of Milpitas





## City of Milpitas Dedicated Management

| Name                                          | Title                   | Location             | Cell Phone/Fax                   | % Dedication to City of Milpitas |
|-----------------------------------------------|-------------------------|----------------------|----------------------------------|----------------------------------|
| Rob Ridge<br>rridge@varsityfs.com             | Regional Vice President | Cordova Office       | (541) 852-2727<br>(541) 747-2278 | 5%                               |
| Casey Killian<br>ckillian@varsityfs.com       | Regional Manager        | Salt Lake Office     | (801) 641-4225<br>(801) 335-0249 | 10%                              |
| Luis Segura<br>lsegura@varsityfs.com          | District Manager        | Cordova Office       | (916) 869-7409<br>(916) 638-8258 | 20%                              |
| City of Milpitas Dedicated Operations Manager | Area Manager            | City of Milpitas Hub | TBD                              | 50-100%                          |
| Site Supervisor                               | Site Supervisor         | City of Milpitas Hub | TBD                              | 100%                             |
| JanOPS Team Leads                             | JanOPS Team Leads       | City of Milpitas Hub | TBD                              | 100%                             |

### Contract Management

In this section, we have included the resume of Luis Segura, who would be managing the HCC account. Luis has over 20 years of experience managing contracts over \$12,000,000.

Along with Luis, the Milpitas account would have an operations manager responsible only for the City, who would work directly with Luis to measure and take accounting of contract compliance using the Vektr reporting system.

We certify that if any changes in management personnel should occur, we would contact City Managers.

### Onsite Supervisors

Varsity cleaners work in teams. Each cleaner is specifically trained in a specialty area, such as bathrooms or flooring, etc. They are then cross-trained for purposes of filling in for missing personnel. The supervisor over each team, or "team lead" is the most experienced who has been cross-trained in each specialty area and has the best attendance record. This person has undergone a special management course that includes certified courses in how to train cleaners. The team lead is responsible for checking the work of all of the specialists on his/her team every day.

The Team Lead is then supervised by a Day Porter or Site Supervisor in some contracts. These individuals have had additional management courses and





conduct monthly safety training, as well as customized training that evolves out of the quality audits for facilities under his/her supervision. He/she is directly accountable to the HCC dedicated operations manager.

New managers, supervisors and administrative staff complete an on-boarding program in their first month known as the Varsity Orientation. The Orientation consists of:

- a. One-on-one training session via web conferencing which focuses on the basics of working at Varsity – conducted by training manager
- b. Varsity Essentials training path which includes over 30 self-paced activities/videos to introduce new managers to topics such as employee relations, hiring/terminating, payroll, accounting including managing budgets, safety program
- c. One-on-one capstone session via web conference which aims to ensure knowledge transfer – conducted by training manager

Go to [http://trainvarsity.com/orientation\\_mgr1.shtml](http://trainvarsity.com/orientation_mgr1.shtml) All new managers, supervisors and administrative staff are expected to complete this on-boarding program within their first month of employment.

Varsity's management teams are required to complete 80-100 hours of management and leadership training. For more information, go to <http://www.varsityuniversity.com/cvm.cfm>

The training includes modules for:

1. Effective Management
2. Customer Service
3. Quality Management
4. Human Resource Management
5. Financial Management
6. Leadership
7. Strategy
8. Total Facility Services
9. Spanish 101 (For non-Spanish speaking managers)

Varsity managers are also required to complete a minimum of Yellow Belt training for Lean Sigma. Many managers go on to complete the Green belt training. See <http://www.varsityfs.com/approach>





## Custodians (or Specialists, as Varsity calls them)

Specialists are required to certify in a three-level new hire training program (described in the response to question C-7). Certification requires hand-on demonstration of mastery over the specific cleaning tasks for an individual's specialty area.

Varsity cleaners are trained as specialists and then cross-trained to substitute for each other in times of need. What does this mean for HCC? It means that each cleaner is responsible and held accountable for a specific area of duties within their team. It means each cleaner knows his/her job very well which increases production, and has a specialty area of expertise which increases the quality of work.

## Team Cleaning

JanOPS takes full advantage of the efficiencies gained through team cleaning. The JanOPS team consists of specialty roles, in which each employee becomes expert in performing the related duties of one or more specialties. By following the JanOPS workflow, specialists work together to get each building in SHAPE. The JanOPS Specialties include:



The RestroomOPS specialist sanitizes restrooms using SHAPE tools, products and process - all of which are designed to minimize transfer and maximize the removal of unwanted matter. RestroomOPS specialists are also responsible for maintaining JanOPS closet standards.



The VacOPS specialist works to remove and capture dust and soil to prevent it from becoming airborne and adversely affecting the health of the specialist or building occupants. He or she also contributes to asset preservation by removing abrasive soils from the carpet and hard flooring.



The SpecialOPS specialist preserves the customer's assets. He or she specializes in carpet care, hard floor maintenance, and other specialized tasks. SpecialOPS is also responsible for reinforcing and assuring the entire team's safety.



The PaceOPS specialist sets the pace for the team and preps the area for the VacOPS specialist. PaceOPS captures and removes dirt while removing trash. PaceOPS also sanitizes touch points such as phone receivers, light switches and door handles in office areas.



## Key Management Resumes

### *Rob Ridge*

#### Related Experience

|                                                            |                 |
|------------------------------------------------------------|-----------------|
| Regional Vice President, Varsity Facility Services         | 2013 to Present |
| Regional Manager, Varsity Facility Services                | 2007 to 2013    |
| Regional Operations Manager, Varsity Facility Services     | 2006 to 2007    |
| Director of Operations, Net-Work Services Company          | 2004 to 2006    |
| Regional Manager, Net-Work Services Company                | 2003 to 2004    |
| Owner/General Contractor, Four Seasons General Contracting | 1996-2011       |

- Responsible for overseeing operations throughout California and the Pacific Northwest, including the Chase Bank Portfolio with hundreds of separate branches and three Class A high rises
- Oversaw 25+ accounts in the California Area, conducting quality audits and providing subsequent training and oversight
- Have managed multi-million dollar budgets, equipment and supply ordering and evaluation, and fleet maintenance
- Oversaw the CenturyLink account with over 3,800 facilities scattered across the U.S.
- Hired and managed subcontractor/vendor services for multiple accounts
- Provided account management for the Amazon full facility services, including HVAC, Electrical, Plumbing, Handyman, General Contractor services
- Provided systematic reporting to upper level management, including operations budgets, capital budgets, profit and loss, security and warehouse/records management
- Ensured competency based training in areas of OSHA, ADA, EEOC, etc.
- Regulated account operations and activities to comply with all state and federal laws, policies, rules, and regulations
- Supervised in the execution of contracts, contract amendments, price change orders, and coordination of purchase orders
- Assisted in selecting, training, and evaluating regional and district managers

#### Industry Involvement

**Certifications:** JanOPS Trainer Certified, Maintenance of general contractor licensing for over 20 years, Lean Sigma Green Belt





*Casey Killian*

**Related Experience**

**Regional Manager, Varsity Facility Services**      **June 2012 to Present**

**District Manager, Varsity Facility Services**      **July 2005 to June 2012**

**Regional Manager, Net-Work Services Company**      **2000 to 2005**

- Responsible for overseeing operations throughout the Northwest
- Service the needs of customers throughout the Northwest
- Responsible for the growth, profitability and leadership of a region with revenues in excess of 19.2 million dollars
- Responsible for teaching, training, accountability and leadership of all management
- Oversees 1,500 employees and multiple subcontractors
- Managed over 400 Qwest facilities and a budget in excess of \$4,000,000.00
- Managed over 30 vendors and subcontractors

**Industry Involvement**

**Associations:** Current Secretary Treasurer of BOMA Utah, Vice President World Toilet Association, Global association of 60 countries

**Education:** B.A. Business Administration, Weber State University

**Industry Related Awards:** Named manager of the year in 2003.

*Luis Segura*

**Related Experience**

**District Manager, Varsity Facility Services**      **May 1990 to Present**

- Manage janitorial services throughout 2 million square feet
- Managed janitorial services throughout 300 buildings
- Supervised 100 employees/cleaning crews and 10 Subcontractors

**Industry Involvement**

**Certifications:** Certified Carpet cleaning technician- OSHA General Industry Course

**Industry Related Awards:** Received Area manager of the year 1992 and 1996. Received the Top Region performer award in 2005, 2006 and 2007. Company Aztec Gold award for 2005





## 7: References

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### City of Fort Collins

Address: 117 North Mason

Fort Collins, CO 80522

Contact: **Jim Pierce**, Operations / Facility Services Director

Phone: **970.221.6592** (email: [jipierce@fcgov.com](mailto:jipierce@fcgov.com))

Account Length: 2000 – Present, some facilities longer

Service Description: Janitorial Services

Square Footage: 23 Municipal buildings (1,000,000 square feet)

Similarities: Various high traffic public buildings of varying ages, library facilities, municipality, similar square footage requirements

### Maricopa County

Address: 2901 W Durango Street

Provo, AZ 85009

Contact: Cynthia Robinson (or **Benny Estrada** at 602.506.7713)

Phone: 602.506.8796 (email: [cynthiarobinson@mail.maricopa.gov](mailto:cynthiarobinson@mail.maricopa.gov))

Account Length: 2008 – Present, some facilities longer

Service Description: Janitorial Services

Square Footage: 30+ County Buildings

Similarities: Various high traffic public buildings of varying ages, library facilities, similar municipality facilities, similar square footage requirements, also service the courthouse with high security and historic preservation requirements

### Salt Lake City Corporation

Address: 451 South State Street, Room 238

Salt Lake City, Utah 84111

Contact: **Carole Quilter**, Facility Maintenance Service Coordinator

Phone: 801-535-6651

Account Length: August 2012

Service Description: Janitorial Services

Square Footage: Municipal buildings (286,000 square feet)

Similarities: Various high traffic public buildings of varying ages, including the Historic City Hall with specialized restoration and preservation needs, event driven facilities and exhibits



## Appendix A: Detailed Work Plans for City of Milpitas

### Detailed Work Plan for Milpitas - Frequencies

| General Guidelines                                              |     |      |       |       |      |
|-----------------------------------------------------------------|-----|------|-------|-------|------|
| Service Description                                             | Dly | Wkly | Mthly | Qrtly | Yrly |
| Check entire facility on arrival and correct any deficiencies   | X   |      |       |       |      |
| Report any occurrence that may be out of the ordinary           | X   |      |       |       |      |
| Keep all access doors locked while cleaning                     | X   |      |       |       |      |
| Lock all doors and leave only designated lights on              | X   |      |       |       |      |
| Keep custodial closets neat and orderly                         | X   |      |       |       |      |
| Gather waste from trash cans, place in specific dumpster        | X   |      |       |       |      |
| Clean trash receptacles, replace soiled liners in trash cans    | X   |      |       |       |      |
| Clean lobby door glass inside and out                           | X   |      |       |       |      |
| Clean all lobby entry way and exterior mats                     | X   |      |       |       |      |
| Clean receptionist counter tops and work area                   | X   |      |       |       |      |
| Wipe down drinking fountains                                    | X   |      |       |       |      |
| Clean stairwells                                                | X   |      |       |       |      |
| Spot clean all glass                                            | X   |      |       |       |      |
| Clean door hardware and frames inside and out                   | X   |      |       |       |      |
| Spot clean fingerprints on light switches and doors             | X   |      |       |       |      |
| Dust handrails                                                  | X   |      |       |       |      |
| Clean and polish door kick plates and thresholds.               |     | X    |       |       |      |
| Dust all cleared work surfaces and low partition walls          |     | X    |       |       |      |
| High dust all cleared horizontal surfaces                       |     | X    |       |       |      |
| Clean baseboards.                                               |     |      | X     |       |      |
| Clean and dust all overhead light fixtures                      |     |      | X     |       |      |
| Detail dust window ledges, blinds, picture frames and moldings. |     |      | X     |       |      |
| Clean lobby windows interior and exterior                       |     |      | X     |       |      |
| Vacuum upholstered furniture                                    |     |      | X     |       |      |
| Floor services for each area are in Floor sections on Page 2.   |     |      |       |       |      |

| Lobbies, Stairwells, Elevators & Common Areas |     |      |       |       |      |
|-----------------------------------------------|-----|------|-------|-------|------|
| Service Description                           | Dly | Wkly | Mthly | Qrtly | Yrly |
| Wipe handrails                                | X   |      |       |       |      |
| Clean elevator cabs and doors                 | X   |      |       |       |      |
| Clean, dust and polish furniture              | X   |      |       |       |      |
| Align furniture                               | X   |      |       |       |      |
| Clean all stairwell glass.                    |     | X    |       |       |      |
| Conference Rooms/City Council Chambers        |     |      |       |       |      |
| Service Description                           | Dly | Wkly | Mthly | Qrtly | Yrly |
| Clean and dust A/V equipment                  | X   |      |       |       |      |
| Align furniture                               | X   |      |       |       |      |
| Clean, dust and polish furniture              |     | X    |       |       |      |



## Janitorial Services Proposal

### Office Areas

| Service Description                | Dly | Wkly | Mthly | Qrtly | Yrly |
|------------------------------------|-----|------|-------|-------|------|
| Align furniture                    | X   |      |       |       |      |
| Clean window ledges and partitions |     | X    |       |       |      |
| Clean, dust and polish furniture   |     | X    |       |       |      |

### Fitness Areas

| Service Description                                     | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------|-----|------|-------|-------|------|
| Clean and sanitize all exercise equipment               | X   |      |       |       |      |
| Sweep, dust mop and/or damp mop all hard floor surfaces | X   |      |       |       |      |
| Spot clean window and mirror glass (prints & smudges)   | X   |      |       |       |      |
| Fill all dispensers                                     | X   |      |       |       |      |
| Fully clean all windows and mirrors.                    |     | X    |       |       |      |

### Restrooms/Sports Center Showers/Holding Cells

| Service Description                                            | Dly | Wkly | Mthly | Qrtly | Yrly |
|----------------------------------------------------------------|-----|------|-------|-------|------|
| Clean and polish all stainless steel dispensers                | X   |      |       |       |      |
| Empty, clean, polish & disinfect sanitary napkin receptacles   | X   |      |       |       |      |
| Fill all dispensers                                            | X   |      |       |       |      |
| Clean and sanitize all fixtures, fittings, toilets and urinals | X   |      |       |       |      |
| Clean and polish mirrors                                       | X   |      |       |       |      |
| Clean out lockers                                              | X   |      |       |       |      |
| Clean and sanitize all doors, partitions and vanity surfaces   | X   |      |       |       |      |
| Clean and sanitize all floor mats                              | X   |      |       |       |      |
| Wipe down shower walls                                         | X   |      |       |       |      |
| Clean and disinfect walls                                      |     | X    |       |       |      |
| Clean and flush floor and shower drains with drain cleaner     |     | X    |       |       |      |
| Clean lockers and walls                                        |     | X    |       |       |      |
| Clean and polish all doors and hardware.                       |     |      | X     |       |      |
| Machine scrub all shower and restroom floors.                  |     |      | X     |       |      |
| Detail clean grout lines in shower walls.                      |     |      |       | X     |      |

### Cafeteria/Breakrooms/Patio Areas

| Service Description                                                                             | Dly | Wkly | Mthly | Qrtly | Yrly |
|-------------------------------------------------------------------------------------------------|-----|------|-------|-------|------|
| Wipe down dining area and patio tables and chairs                                               | X   |      |       |       |      |
| Wipe clean counter tops, sinks and cabinets                                                     | X   |      |       |       |      |
| Replenish paper towels                                                                          | X   |      |       |       |      |
| Clean all patios and balconies                                                                  | X   |      |       |       |      |
| Wipe down interior and exterior of microwave                                                    | X   |      |       |       |      |
| Clean and dust balcony walls                                                                    |     | X    |       |       |      |
| Wipe down interior and exterior of refrigerator<br>(Refrigerators done per customer's schedule) |     | X    |       |       |      |





### Parking Garage

| Service Description                                          | Dly | Wkly | Mthly | Qrtly | Yrly |
|--------------------------------------------------------------|-----|------|-------|-------|------|
| Gather waste from all trash cans, place in specific dumpster | X   |      |       |       |      |
| Clean and dust stairwell ledges, rails and landings          | X   |      |       |       |      |
| Police parking lot structure and stairwells for debris       | X   |      |       |       |      |
| Police Library entryways                                     | X   |      |       |       |      |
| High dust, remove cobwebs                                    | X   |      |       |       |      |
| Clean elevator cabs and doors, Polish inside and out         | X   |      |       |       |      |
| Clean Book Return counter and surrounding area               | X   |      |       |       |      |
| Check and replace all burnt out light bulbs                  | X   |      |       |       |      |
| Sweep all parking lot.                                       |     |      | 2X    |       |      |

### Hard Floor Care

| Service Description                                           | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------|-----|------|-------|-------|------|
| Sweep, dust mop and/or damp mop all hard floor surfaces       | X   |      |       |       |      |
| Sweep, damp mop and disinfect all restroom and shower floors. | X   |      |       |       |      |
| Harwood floors – Daily sweeping with a treated dust mop       | X   |      |       |       |      |
| Machine scrub all stone, concrete and tile floors.            |     |      | X     |       |      |
| Spray buff high traffic VCT areas.                            |     |      | X     |       |      |
| Strip & wax VCT areas                                         |     |      |       | X     |      |
| Strip and seal all stone, concrete and ceramic floors         |     |      |       |       | 2X   |

### Carpet Floor Care

| Service Description                                 | Dly | Wkly | Mthly | Qrtly | Yrly |
|-----------------------------------------------------|-----|------|-------|-------|------|
| Vacuum all carpet.                                  | X   |      |       |       |      |
| Spot clean high traffic area carpets.               | X   |      |       |       |      |
| Spot clean all other carpet.                        |     | X    |       |       |      |
| Detail vacuum edges, under desks & around furniture |     |      | X     |       |      |
| Bonnett buff high traffic carpets                   |     |      |       | X     |      |
| Shampoo & extract carpets                           |     |      |       |       | 2X   |

### Utility Services

(These services billed with monthly cost)

| Service Description                                                                   | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------------------------------|-----|------|-------|-------|------|
| Wash all interior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash all exterior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash exterior skin (metal, stone, stucco etc.)<br>CITY HALL ONLY                      |     |      |       |       | 2X   |
| Sports Center – Clean interior and exterior glass surrounding the pool. (June – Aug.) | X   |      |       |       |      |
| Teen Center – Shampoo or extract carpet.                                              |     |      | X     |       |      |



### Detailed Work Plan for Milpitas - Hours

| Building                  | Daily Hours | Detailing Hours | Service Days | Weekly Hrs | Approx. Sq. Ft. |
|---------------------------|-------------|-----------------|--------------|------------|-----------------|
| City Hall Complex         | 16          | 3               | 5            | 95         | 96,000          |
| Sports Center*            | 11          | 2               | 7            | 91         | 28,619          |
| Main Fire Station         | 1.09        | .25             | 5            | 6.7        | 2,800           |
| Police Substation/Raceway | 1.68        | .5              | 7            | 15.26      | 4,200           |
| Library Parking Garage    | 3           | .25             | 7            | 22.75      | 126,131         |
| Community Center*         | 4.75        | 1               | 7            | 40.25      | 16,400          |
| Police Department         | 9.9         | 1.5             | 7            | 79.8       | 57,400          |
| Public Works Department   | 4.5         | 1               | 5            | 27.5       | 15,400          |
| Fire Department Trailer   | 1           | .15             | 2            | 2.3        | 1,500           |
| Jose Higuera Adobe Bldg*  | 1           | .15             | 7            | 8.05       | 1,200           |
| Senior Center*            | 3           | .5              | 7            | 24.5       | 9,000           |
| Cracolice Bldg            | 3           | .5              | 7            | 24.5       | 9,504           |





## Detailed Work Plan Milpitas – Flooring Production Rates

### Carpet

Varsity cleaners in one Florida banking location expressed concern to their managers that even though they were spot cleaning the carpets according to the specified scope of work in the contract, the periodic work (deep cleaning and extraction) was not getting done. This had been delineated in the scope of work as falling under a separate contract. Since Varsity cleaners are trained in asset preservation, the cleaners noticed the failure and alerted their managers. When Varsity is contracted to do periodic work, as well as the daily, weekly, and monthly work, a "Total Facility Services" bundled contract can be developed in which the customer saves on all services across the board.



Varsity is well-known for its certification from the Carpet and Rug Institute, and its work with the millions of square feet of carpeted flooring under contract. Varsity keeps a fully stocked van in each area for periodic and emergency carpet needs.



Vacuuming will occur on a daily basis for all carpeted flooring. A ProTeam vacuum with HEPA-rated filtration will be used. Spot cleaning with the appropriate spotting chemical and handheld extractor will occur as needed.

*Production Rate; vacuuming - 8,000 sq ft per hour, carpet spotting – 4 minutes per spot*

### CARPET TECH JOB CARD

**Varsity**

**GROUP 1: CITY HALL BUILDING**

City of Milpitas

City Scope Assignment

| Time     | Monday                      | Time     | Tuesday                     | Time     | Wednesday                   | Time     | Thursday                    | Time     | Friday                      |
|----------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|-----------------------------|
| 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    |
| 6:15 AM  | Tieks and leave closet      | 6:07 AM  | Stage and leave closet      | 6:07 AM  | Stage and leave closet      | 6:07 AM  | Stage and leave closet      | 6:07 AM  | Stage and leave closet      |
| 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          |
| 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 |
| 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       |
| 10:10 AM | BREAK                       | 10:10 AM | BREAK                       | 10:10 AM | BREAK                       | 10:10 AM | BREAK                       | 10:10 AM | BREAK                       |
| 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       |
| 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls |
| 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         |
| 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls |
| 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   |
| 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         |

### VCT

Dust mopping and damp mopping will occur on a daily basis using cold water (to ensure no hazing of the finish) and Alpha HP. Microfiber materials will be used to ensure maximum soil removal. Spray buffing will occur monthly and strip and refinishing will occur annually.

*Production Rate; dust mop and damp mop – 5,000 sq ft per hour, spray buffing – 1,500 sq ft per hour, strip and refinish- 500 sq ft per hour*

### Ceramic Tile





Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. As needed, we will use a ProChem Everest HP truck-mounted extractor with a grout cleaning tool and Viper Venom to restore the grout color.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour, grout restoration – 1,200 sq ft per hour*

#### **Wood**

Dust mopping and damp mopping will occur when the area is serviced. Microfiber materials will be used to ensure maximum soil removal. Minimum water will be used to avoid any possibility of moisture damage to the wood.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour*

#### **Stone**

Dust mopping and damp mopping will occur when the area is serviced. Microfiber materials will be used to ensure maximum soil removal.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour*

#### **Pulastic**

Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour, autoscrubber – 8,500 sq ft per hour*

#### **Marmoleum**

Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour, autoscrubber – 8,500 sq ft per hour*



### **Stained Concrete**

Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour,  
autoscrubber – 8,500 sq ft per hour*

### **Sport Court**

Dust mopping and damp mopping will occur on a daily basis using chemicals approved by the Sport Court manufacturer. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour,  
autoscrubber – 8,500 sq ft per hour*

### **Case Study: The Student Recreation Center at the University of Missouri – The City of Milpitas**

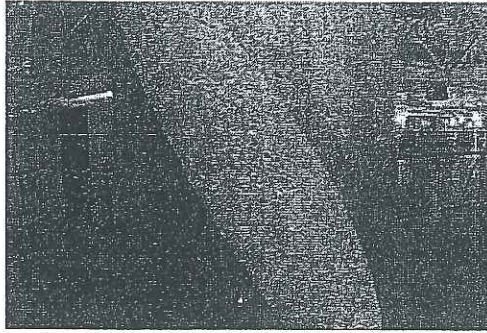
The City of Milpitas facility manager will benefit from the experience Varsity brings to the maintenance of The City of Milpitas's recreational and athletic facilities. Varsity cleaners have gone beyond the scope of work required in its five years of service to the University of Missouri Student Recreation Facilities. The City of Milpitas is a premier recreational, sports and fitness facility and has required detailed project lists to keep the quality audits at a high level performance.

Some of the following "before and after" photos illustrate the specialized work that have taken Varsity cleaners beyond the scope of work required in the initial contract entered into in 2009:

#### **High Dusting and Racquetball Court Walls:**

Varsity cleaners have cleaned the racquetball walls annually. Each time, patrons made comments such as how new the walls looked and "nice paint job."





1: Varsity cleaners developed a new green cleaning method for concrete pillars.

### Concrete Pillars:

As you may know, Varsity is a third party certified green cleaning company and has a specific green cleaning system in place for outdoor concrete surfaces. The pillars around the track created a

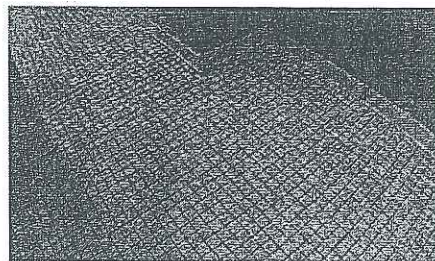
special challenge that required the use of green cleaning on a whole new level, cleaners had to develop

a new technique to accomplish the level of cleanliness you see illustrated above.

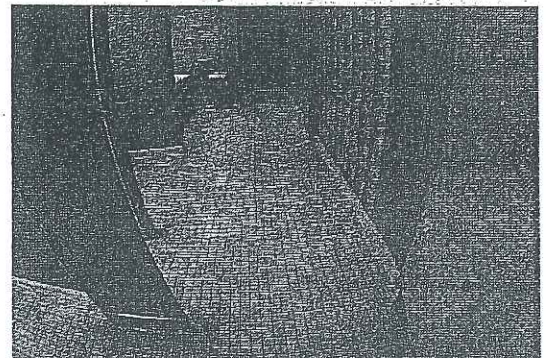
### Tile Floors:

In the photo to the right, Varsity cleaners left a rectangular shape of tile to show the "before" on a tile floor that received restorative cleaning when Varsity cleaners first started the The City of Milpitas contract.

Varsity cleaners learned early in the contract that the tile floors would need restorative cleaning more often than the original scope of work suggested and thus changed the periodic work schedule to accommodate the need.



3: Varsity uses only green certified cleaning equipment.



2: Varsity cleaners increased the periodic work done on tile floors.

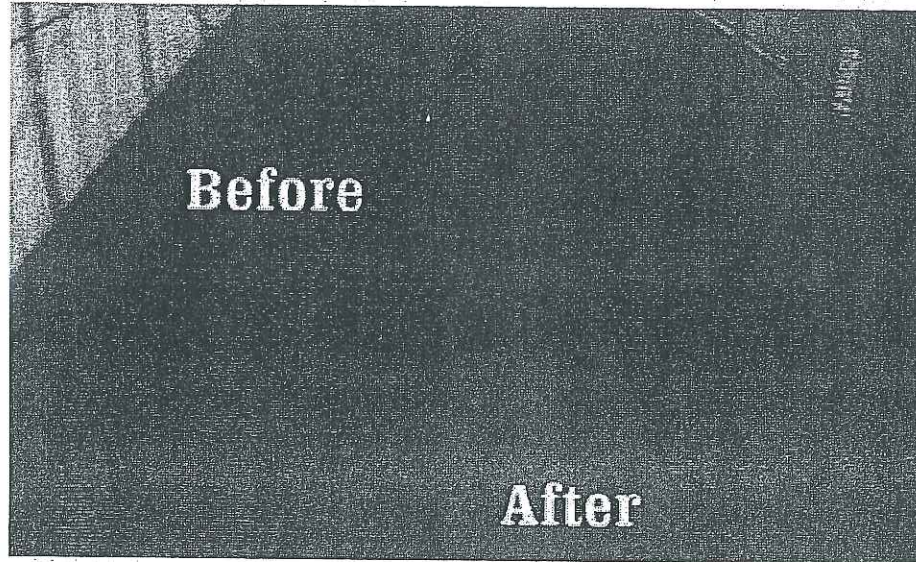
### Rubber Track:

The City of Milpitas facility managers had hired various flooring "experts" to clean the track, with the strict instruction not to alter or damage it in any way. None of the sub-contractors' work proved effective. John Paul, who had been managing the janitorial services for The City of Milpitas asked if he could help. He met with four different consultants from equipment manufacturing companies, experimenting with at least 12 different products and/or machines.





After testing these methods on various "swatches" of track, he discovered a method for cleaning the Mondo brand rubberized surface that made an astounding difference, and it was determined that the costly track would not have to be replaced.



**CITY OF MILPITAS  
COMMISSION/COMMITTEE APPLICATION**

\*4

PROVIDE COMPLETE INFORMATION (in black ink)

☐ Mr. ☐ Mrs. ☒ Miss



City Clerk's Office

AUG 11 2015

**RECEIVED**

Name: Emerald First Golpe Middle Gilana Last

Address: \_\_\_\_\_ Number \_\_\_\_\_ Street (apt. # if needed) \_\_\_\_\_ City & Zip Code \_\_\_\_\_

Telephone Number(s) \_\_\_\_\_ e-mail address \_\_\_\_\_

Present Employer \_\_\_\_\_ Business Telephone \_\_\_\_\_

Business Address \_\_\_\_\_ Occupation H.S. student

Education: If Youth Advisory Commission applicant, indicate your grade/school: grade: 10 Milpitas High School

| College, Professional, Vocational, or other schools attended | Major Subject | Date   | Degree |
|--------------------------------------------------------------|---------------|--------|--------|
| Milpitas Christian School                                    | NA            | 6/2014 | NA     |
|                                                              |               |        |        |

List community organizations to which you belong or have belonged (additional information may be attached). If application is for **Veterans Commission**, indicate branch and service in any U.S. military organization (retired or active duty).

| Date      | Name of Organization or Branch of Military | Officer / Member |
|-----------|--------------------------------------------|------------------|
| 2003-2014 | American Legion Auxiliary, Unit 714        | Member (Jr)      |
|           |                                            |                  |
|           |                                            |                  |

Briefly describe the personal qualifications you possess which you believe would be an asset (additional information may be attached):

Some personal qualifications that I believe would be an asset to the Youth Advisory Commission are that I don't have much of a problem talking to a large audience because of speech competitions in the past. I am also pretty good at writing and I try to volunteer for the city as much as possible.

I have sufficient time to devote to this responsibility and will attend the required meetings if I am appointed to fill a future vacancy. I hereby certify that all statements contained in this application are true.

Emerald Gilana

Signature

7/13/15

Date

Appointments to Commissions or Committees are made by the Mayor with the concurrence of the City Council. **Applications not acted upon will expire after one year from the date submitted unless renewed by the applicant.**

NOTE: ALL COMMISSION APPLICATIONS ARE PUBLIC RECORD

Mail, email or drop off your completed application to:

City Clerk, 455 E. Calaveras Blvd., Milpitas, CA 95035, email: [mlavelle@ci.milpitas.ca.gov](mailto:mlavelle@ci.milpitas.ca.gov)

## Youth Advisory Commission Supplemental Questionnaire



The City of Milpitas Youth Advisory Commission was founded in April 1996 to advise the City Council on matters pertaining to the youth and teens in Milpitas. All commissioners' must be in grades 7 through 12 and live in Milpitas. There are a total of nine (9) members and four (4) alternate members that serve one-year terms (October-September). The Youth Advisory Commission meets the 2<sup>nd</sup> Thursday of every month at 7:00pm at the Milpitas Sports Center. Please submit the Supplemental Questionnaire with the Commission Application.

1. What type of difference do you want to make for the youth in our community? (Please list two of your ideas. Please use the reverse side if you need more room.)

One idea that I have in mind is a type of mentoring program for youth and teens. This program would help teens find a favorable occupation in the future because some still have trouble finding something that they love to do and would (continue to the back)

2. How did you hear about the Youth Advisory Commission?

I heard about the Youth Advisory Commission through my grandma and as well as going to the Milpitas Commissioner Recognition Lunch with her every year.

3. What have you heard or know about the Youth Advisory Commission?

What I have heard / know about the Youth Advisory Commission is that they advise the Council about the teens and youth of Milpitas, like their voice.

4. Have you ever attended a Youth Advisory Commission meeting? If so, explain your experience.

No, however I have witnessed a few Senior Advisory Commission meeting when I was younger. Every person had a say in what was going on. I don't remember any specifics since I was young, but I do remember that everyone had a voice.



like to do for a living. Different adults or college students could volunteer to mentor a student from grades 6-12. They would be able to offer any type of help needed, whether it be moral/mental support, help with schoolwork, or just someone to look up to. They would also be able to share their occupations and what they do in their jobs, or if they are a college student, what field they are majoring in and how they got to that point. It would be a close bond between the mentor and the student.

Another idea that came to mind is a free website where teens could openly and anonymously speak their mind about any matter concerning problems in their lives they are too afraid to speak up about. What I have noticed is that many teens go through depression, anxiety, bullying, etc. The only thing is that many don't want to speak about it to counselors and/or therapists because they are too afraid to come forward at all. This website would provide help from professionals as well as other teens. Teens would be much more comfortable speaking anonymously behind a screen and key board because their identity would be safely hidden, but they could still get the help they need.

CITY OF MILPITAS  
COMMUNITY GARDEN RULES AND REGULATIONS

The Recreation Program Coordinator or his/her authorized representative will act as the Community Garden Coordinator, hereafter referred to as "Coordinator."

**Plot Assignments & Fees**

1. An annual plot fee will be assessed to all plotholders. The following fee schedule will apply:

|                                                       |         |
|-------------------------------------------------------|---------|
| Milpitas Resident                                     | \$60    |
| Milpitas Resident, Senior Citizen (50 years and over) | \$15.00 |

**A one time refundable deposit of \$100.00 is required. Deposit is returned when the plot is relinquished and cleaned out by the plotholder to satisfaction of Coordinator.**
2. Plotholders may not begin gardening until their annual plot fee is paid in full. Registration packets will be mailed from the Recreation Services office annually.
3. It is the responsibility of each plotholder to provide the Coordinator with an up-to-date address, telephone number, and email address (if applicable). Milpitas residents must provide two proofs of Milpitas residency (i.e. a photo ID such as CA Driver's License or CA ID Card, and a current utility bill, bank statement or credit card statement).
4. New plots are issued on a first-come-first-served basis. Only Milpitas residents are eligible to be assigned plots. Any individual interested in obtaining a plot should contact the Coordinator or the Recreation Services Office. If a plot is not available immediately, the individual's name will be placed on a Waiting List. The City reserves the right to hold up to 10% of the plots for educational use by local schools and/or City Programs.
5. Plotholders who do not intend to continue gardening the plot for any reason should promptly notify the Coordinator so the plot may be reassigned.
6. Plotholders do not have any ownership interest in their assigned plot. Plot assignments may only be transferred to the plotholder's spouse, and only by the Coordinator upon written request from the assigned plotholder. Plots cannot be sublet.
7. No person may use a vacant plot without prior written approval from the Coordinator and payment of the annual fee. Only one plot is allowed per household. Gardens will be confined to designated areas.
8. Plotholders can only garden his/her assigned plot.
9. Plotholders must physically cultivate their assigned plot but may have unpaid assistance from friends and family.

**Gardener Conduct**

10. The behavior of family members and friends is the plotholder's responsibility. No one is permitted to engage in loud, offensive, or boisterous activity within the garden enclosure.
11. No alcohol, smoking, illegal drugs of any kind or fighting allowed in, or around the Community Garden at any time.
12. Pets other than certified Service Animals are not permitted in the garden at any time.

13. All plots must be maintained in a manner acceptable to the Coordinator. This includes normal weeding, watering and general care of the assigned plot. The surrounding pathways are to be kept free of weeds-encroaching plants and debris. Plotholders are responsible for at least one half the width of the pathway adjacent to the garden plot and 3 ft. of the pathway if adjacent to the main entryways.
14. Each plot holder will be issued a key for the locks on the garden gates. The key is not to be shared with anyone outside of immediate family and spouses. Plotholders are required to close gates and lock all locks upon entering and leaving the garden. If a key is lost, the plotholder will be charged a \$100.00 replacement fee.  
\_\_\_\_\_ **Plotholder Initial Here**
15. Plotholders are not allowed to make copies of the key. If found in violation, it will result in the immediate revocation of the plotholder's gardening privileges and plot without a refund, and pay the cost of replacing the locks and keys for the entire garden and other gardeners.
16. Gardeners Meetings will be held on a quarterly basis. All gardeners must attend at least one Gardeners Meeting during the year. Plotholders who fail to attend at least one meeting will not be able to renew.
17. Garden hours: Sunrise until Sunset.  
Power Equipment (i.e., fuel operated soil tillers) can be used 7:00 am-Sunset.

### **Gardening**

18. Produce from the garden is to be used for family consumption and may not be grown for sale, profit, or used in a business.
19. All loose materials (refuse, tools, etc.) must be cleared from the area each day. Sheds of any kind are not permitted in plots.
20. Only flowers, fruits, vegetables, and herbs may be grown in the plots. Animal husbandry is not allowed. Only plant species that do not present a danger to others and that produce edible food may be grown. No illegal plants are allowed.
21. Tall plants such as corn, sugar cane and sunflowers must be located such that they do not produce shade on adjoining plots and do not protrude into pathways.
22. Trellises of any kind must be kept no higher than five (5) feet. Perimeter fences are not to be used as trellises. All trellises must be cleaned of all non-producing annuals soon after the plants stop producing.
23. Trees and permanent structures are not permitted in plots.
24. Cactus and woody perennials must be kept pruned to a height of no more than 6 feet and may only be grown along the south side of the assigned plot.
25. All plants that spread roots or rhizomes (i.e., mint and horseradish) must be in an above ground container/planter that is not a permanent structure.
26. There is no planting of water intensive crops (i.e., sugar cane, taro) allowed.
27. Use of poison grains for rodent control is prohibited. Pesticides are not permitted in the garden. Please contact the Coordinator for use of alternatives.
28. Monoculture – exclusively growing only one cultivar – may not be practiced in any assigned plot.



29. Assigned plots must be maintained in all seasons. Plots should not lay fallow and must be kept free of excessive weed growth.
30. Compost piles may be made only in areas designated by the Coordinator for that use. No trash is permitted in compost piles. Individual plots may have a compost pile no larger than 3' wide by 3' long by 3' high, and the pile must be within the plot boundaries.
31. Vandalism or theft of produce, plants, tools, and/or other gardeners' or City property will be cause for immediate revocation of plotholder privileges and possible criminal prosecution. If the individual involved is not a plotholder, he/she will be turned over to the appropriate authorities. Any plotholder who witnesses any theft or vandalism of a plot, must notify the Garden Coordinator immediately. \_\_\_\_\_ **Plotholder Initial Here**

### Watering

32. To encourage water conservation, gardeners are required to stay in the vicinity of their plots while watering. All gardeners are requested to turn off all faucets at unattended plots. Drip Irrigation and timer systems may be used with the approval of the Coordinator.

I understand approval must be obtained from the Coordinator prior to installation of drip irrigation and timer systems. \_\_\_\_\_ **Plotholder Initial Here**

33. It is preferred that watering be done before 10:00 am and after 4:00 pm, 7 days a week.

### Vehicle Access

34. Personal vehicles are permitted at the Cesar Chaves Community Garden for the purpose of loading and unloading equipment and supplies only. Vehicles must be relocated to the street via the approved access road when done loading/unloading. Community Garden loading and unloading is only allowed on the graveled area on the south side of the garden.
35. Vehicle access is only permitted on the designated access road (gravel pathway that begins at Weller Elementary School's front parking lot on Boulder Street). No vehicle access is allowed from Dixon Road or Coelho Street.
36. Vehicles are not allowed on the access road during the hours of 7:45-8:30 am and 1:45-2:30 pm, Monday-Friday, when school is in session (school's drop-off and pick-up times).
37. Only vehicles with a valid California Disabled Person Parking Placard or a Disabled Person License Plate are permitted to park on the south side of the garden for the duration of their garden visit. Vehicles cannot park inside the Community Garden.
38. Each plot holder will be issued a Community Garden Vehicle Pass with his/her plot number. The pass must be visible when driving on the access road and at the Community Garden.
39. Vehicle access and parking allowances are subject to change to be in accordance with the most current City of Milpitas and Milpitas Unified School District Joint Use Agreements.
40. If a plotholder violates any of the above Vehicle Access rules, the result may be the immediate revocation of the plotholder's gardening privileges and plot without a refund.

**Drought Plan**

40. In the situation where the State of California or City of Milpitas declares a water shortage, plotholders will be required to adhere to the water conservation measures instituted by the State/City. If a plotholder violates the measures instituted, the result will be the immediate revocation of the plotholder's gardening privileges and plot without a refund.

**Garden Team**

41. The Coordinator will be assisted by a Garden Team. The Garden Team will consist of 5 plotholders who will serve a term of 3 years and 1 Parks, Recreation & Culture Resources Commissioner. The goal of the Garden Team is to improve the structure of the Community Garden program. Duties will include, but are not limited to:
- Attend meetings with Coordinator (every 1-4 months)
  - Provide feedback to Coordinator on garden issues (i.e.; maintenance, violations)
  - Serve as liaisons with other gardeners to ensure 2-way communication
  - Provide input on garden issues and future improvements
  - Assist in planning Community Garden meetings, guest speakers, volunteer projects

Interested plotholders can submit a Garden Team Application. Recreation Services staff will conduct interviews from the applicants and select the Garden Team members.

**Non-Compliance/Violations and Consequences**

42. In the event of non-compliance with any of the above rules, this procedure will be followed:
- The Coordinator will issue a written warning to the individual plotholder.
  - If at the end of a 30 day period the problem has not been solved, or arrangements have been made to resolve the problem, the plot will be reassigned to the next person on the waiting list. Annual fees will not be refunded.
  - Plotholders may appeal any action to the Community Garden Coordinator in writing within 30 days of notice of the action. The Coordinator will submit a staff report and recommendation to the PRCRC at their next regularly scheduled meeting for review and appropriate action.
  - Plotholders are only allowed two (2) violations in a year. A third violation in the same year will result in the revocation of the garden plot and no refund of annual fees.
- Please Note: Depending on the severity, a non-compliance/violation may result in the immediate revocation of the plotholder's gardening privileges and plot without a refund of fees and deposit.**

**NOTE:** Please contact Coordinator at (408) 586-3408, 40 N. Milpitas Boulevard, Milpitas, California, 95035, if you would like more information on these rules and regulations or any other aspect of the Community Garden Program.

I have read the Community Garden Rules and Regulations and understand that non-compliance will result in plot and fee forfeiture.

Signature of Plotholder: \_\_\_\_\_

Date: \_\_\_\_\_

## **Recycling and Source Reduction Advisory Commission 2015-2016 Work Plan**

### **1) Goals:**

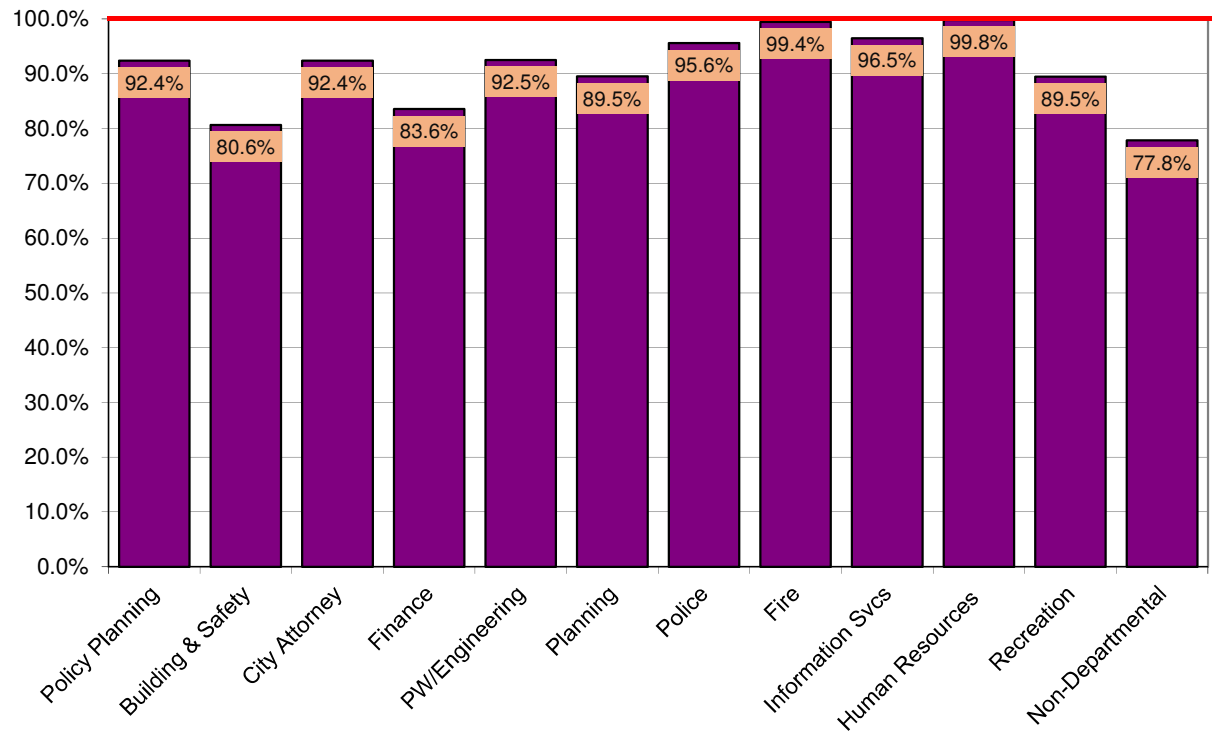
- a. Promote a Plastic Bag Ban
- b. Pursue an expanded Polystyrene Ban (Beverage and food containers) Ban
- c. Review of AB1826 (Organics Recycling)

### **2) Accomplishments:**

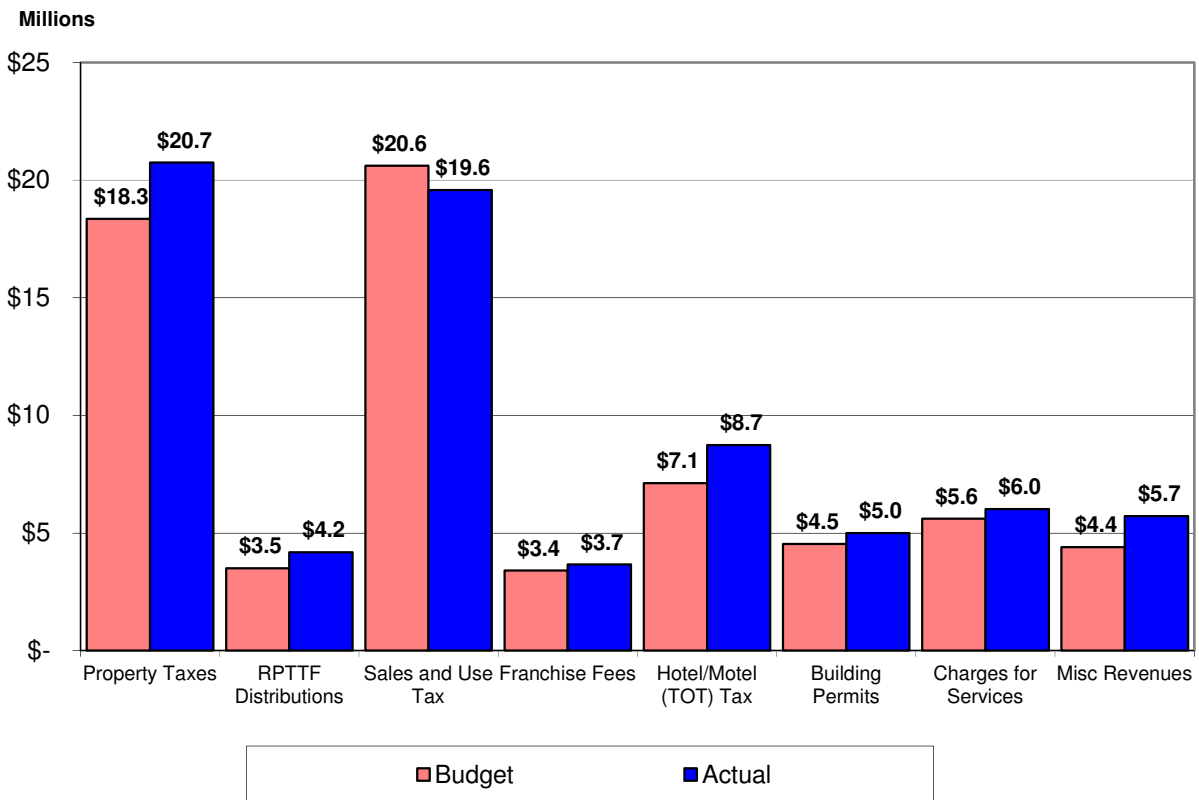
- a. Review Solid Waste Request for Proposal elements
- b. Review Long-Term Trash Load Reduction Plan



**General Fund Expenditures by Department - As of 6/30/15**  
**Total - \$68.5 Millions (92.7%)**



## FY14-15 General Fund Revenue Budget vs. Actual



**NUMBER:** 287

**TITLE:** AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS ADDING CHAPTER 5 OF TITLE III OF THE MILPITAS MUNICIPAL CODE RELATING TO SINGLE-USE BAGS

**HISTORY:** This Ordinance was introduced (first reading) by the City Council at its meeting of September 1, 2015, upon motion by Councilmember Grilli, and was adopted (second reading) by the City Council at its meeting of \_\_\_\_\_, upon motion by \_\_\_\_\_. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary Baum, Interim City Attorney



## **RECITALS AND FINDINGS:**

**WHEREAS**, the use of single-use carryout bags by consumers is detrimental to the environment, public health and general welfare; and

**WHEREAS**, the manufacture and distribution of single-use carryout bags requires the production of non-biodegradable plastics and results in the generation of greenhouse gas emissions; and

**WHEREAS**, single-use carryout bags contribute to environmental problems, including litter in stormdrains, creeks, the bay and the ocean; and

**WHEREAS**, single-use carryout bags provided by retail establishments impose unseen costs on consumers, local governments, the State and taxpayers and constitute a public nuisance.

**NOW, THEREFORE**, the City Council of the City of Milpitas does ordain as follows:

### **SECTION 1. RECORD AND BASIS FOR ACTION**

The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

### **SECTION 2. AMENDMENT OF MILPITAS MUNICIPAL CODE**

Chapter 5 of Title III of the Milpitas Municipal Code is hereby added with the text below to read as follows:

#### **Chapter 5**

#### **SINGLE-USE BAGS**

##### **Sections:**

|                |                                     |
|----------------|-------------------------------------|
| <b>III-5-1</b> | <b>Findings and Purpose</b>         |
| <b>III-5-2</b> | <b>Definitions</b>                  |
| <b>III-5-3</b> | <b>Implementation Date</b>          |
| <b>III-5-4</b> | <b>Single-use Carry-out Bag</b>     |
| <b>III-5-5</b> | <b>Recordkeeping and Inspection</b> |
| <b>III-5-6</b> | <b>Enforcement</b>                  |

#### **Section 1 Findings and Purpose**

##### **III-5-1.00**

The City Council finds and determines that the regulation of single-use carry-out bags is necessary to protect the public health, safety and welfare based on the following reasons:

A. The use of single-use carry-out bags by consumers is detrimental to the environment, public health and general welfare;

B. The manufacture and distribution of single-use carry-out bags requires the production of non-biodegradable plastics and results in the generation of greenhouse gas emissions;

C. Single-use carry-out bags contribute to environmental problems, including litter in stormdrains, creeks, the bay and the ocean; and

D. Single-use carry-out bags provided by retail establishments impose unseen costs on consumers, local governments, the state and taxpayers and constitute a public nuisance.

This City Council does, accordingly, find and declare that it should restrict the provision of single-use carry-out bags.

## **Section 2      Definitions**

### **III-5-2.00**

- A. "Customer" means any person obtaining goods from a retail establishment.
- B. "Garment Bag" means a travel bag made of pliable, durable material with or without a handle, designed to hang straight or fold double and used to carry suits, dresses, coats, or the like without crushing or wrinkling the same.
- C. "Nonprofit charitable reuser" means a charitable organization, as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, or a distinct operating unit or division of the charitable organization, that reuses and recycles donated goods or materials and receives more than fifty percent (50%) of its revenues from the handling and sale of those donated goods or materials.
- D. "Person" means any natural person, firm, corporation, partnership, or other organization or group however organized.
- E. "Prepared food" means foods or beverages which are prepared on the premises by cooking, chopping, slicing, mixing, freezing, or squeezing, and which require no further preparation to be consumed. "Prepared food" does not include any raw, uncooked meat product or fruits or vegetables which are chopped, squeezed, or mixed.
- F. "Public eating establishment" means a restaurant, take-out food establishment, or any other business that receives ninety percent (90%) or more of its revenue from the sale of prepared food to be eaten on or off its premises.
- G. "Recycled paper bag" means a paper bag provided at the check stand, cash register, point of sale, or other point of departure for the purpose of transporting food or merchandise out of the establishment that contains no old growth fiber and a minimum of forty percent (40%) post-consumer recycled content; is one hundred percent (100%) recyclable; and has printed in a highly visible manner on the outside of the bag the words "Reusable" and "Recyclable," the name and location of the manufacturer, and the percentage of post-consumer recycled content.
- H. "Retail establishment" means any commercial establishment that sells perishable or nonperishable goods including, but not limited to, clothing, food, and personal items directly to the customer; and is located within or doing business within the geographical limits of the City of Milpitas. "Retail establishment" does not include public eating establishments or nonprofit charitable reusers.
- I. "Reusable bag" means either a bag made of cloth or other machine washable fabric that has handles, or a durable plastic bag with handles that is at least 2.25 mil thick and is specifically designed and manufactured for multiple reuse. A garment bag may meet the above criteria regardless of whether it has handles or not.
- J. "Single-use carry-out bag" means a bag other than a reusable bag provided at the check stand, cash register, point of sale or other point of departure, including departments within a store, for the purpose of transporting food or merchandise out of the establishment. "Single-use carry-out bags" do not include bags without handles provided to the customer: (1) to transport prepared food, produce, bulk food or meat from a department within a store to the point of sale; (2) to hold prescription medication dispensed from a pharmacy; or (3) to segregate food or merchandise that could damage or contaminate other food or merchandise when placed together in a reusable bag or recycled paper bag.

## **Section 3      Implementation Date**

### **III-5-3.00**

This Chapter shall not be implemented until January 1, 2016.

## **Section 4      Single-use Carry-out Bag**

### **III-5-4.00**

A. No retail establishment shall provide a single-use carry-out bag to a customer, at the check stand, cash register, point of sale or other point of departure for the purpose of transporting food or merchandise out of the establishment except as provided in this Section.

B. On or before January 1, 2016, a retail establishment may only make recycled paper bags or reusable bags available to customers if the retailer charges a minimum of ten cents.

C. Notwithstanding this Section, no retail establishment may make available for sale a recycled paper bag or a reusable bag unless the amount of the sale of such bag is separately itemized on the sale receipt.

D. A retail establishment may provide one or more recycled paper bags at no cost to any of the following individuals: a customer participating in the California Special Supplement Food Program for Women, Infants, and Children pursuant to Article 2 (commencing with Section 123275) of Chapter 1 of Part 2 of Division 106 of the Health and Safety Code; a customer participating in the Supplemental Food Program pursuant to Chapter 10 (commencing with Section 15500) of Part 3 of Division 9 of the California Welfare and Institutions Code; and a customer participating in CalFresh pursuant to Chapter 10 (commencing with Section 18900) of Part 6 of Division 9 of the California Welfare and Institutions Code.

## **Section 5      Recordkeeping and Inspection**

### **III-5-5.00**

Every retail establishment shall keep complete and accurate records or documents of the purchase and sale of any recycled paper bag or reusable bag by the retail establishment, for a minimum period of three (3) years from the date of purchase and sale, which record shall be available for inspection at no cost to the City during regular business hours by any City employee authorized to enforce this part. Unless an alternative location or method of review is mutually agreed upon, the records or documents shall be available at the retail establishment address. The provision of false information including incomplete records or documents to the City shall be a violation of this Chapter.

## **Section 6      Enforcement**

### **III-5-6.00**

In addition to any other remedy available at law, City may enforce any violation of this Chapter pursuant to Section I-1-4.09 of the Milpitas Municipal Code.

## **SECTION 3. SEVERABILITY**

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.



#### **SECTION 4. EFFECTIVE DATE AND POSTING**

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its passage. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.

Recording Requested by and  
When Recorded Mail to:

City of Milpitas  
455 East Calaveras Boulevard  
Milpitas, CA 95035  
Attention: Office of the City Clerk

Record without fee under  
Section 6103 - Government Code  
State of California

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**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS GRANTING  
INITIAL ACCEPTANCE OF IMPROVEMENTS, AND APPROVING REDUCTION IN PENAL  
SUM OF SUBDIVISION IMPROVEMENT SECURITY FOR 1201 S. MAIN STREET, SORA  
MILPITAS, LLC (SHEA RESIDENTIAL) SUBDIVISION, TRACT 10139, PROJECT NO. 2718**

**WHEREAS**, Public Improvement Plan 2-1163 (Public Improvements) was approved by the City Council of the City of Milpitas (City Council) on February 5, 2013, for Tract No. 10139 located at 1201 S. Main Street, more commonly known as SORA Milpitas, LLC (Shea Residential) Subdivision, Project No. 2718, under and pursuant to the provisions of a Subdivision Improvement Agreement (SIA) between the City of Milpitas, a municipal corporation of the State of California, and SORA Milpitas, LLC, a Delaware limited liability company (Subdivider); and

**WHEREAS**, SORA Milpitas, LLC, as Principal, and Developers Surety and Westchester Fire Insurance Company, as Surety, executed and posted a certain Faithful Performance Bond No. K08851256, conditioned upon the faithful performance of the provisions of the SIA and upon the faithful performance of all Public Improvements work required thereunder; and

**WHEREAS**, the Public Improvements for the SORA Milpitas (Shea) project have been completed; and

**WHEREAS**, the SIA provides that the security shall extend for a period of one year after the date of acceptance of Public Improvements to cover the warrantee period of said improvements under the SIA; and

**WHEREAS**, the City Council is willing to consent to a reduction in the penal sum of said security during said one-year warranty period; and

**WHEREAS**, the City Engineer of the City of Milpitas (City Engineer) has made a final inspection of the Public Improvements for SORA Milpitas (Shea) and recommends that the City Council accept the Public Improvements as constructed in accordance with the approved plans and specifications.

**NOW, THEREFORE**, the City Council hereby finds, determines, and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

2. Those certain Public Improvements installed with Tract No. 10139, SORA Milpitas (Shea), Project No. 2718 are hereby accepted as constructed in accordance with the approved plans and specifications upon recommendation of the City Engineer.
3. The penal sum of that certain security furnished by the above-named Subdivider, as principal, and the above-named Surety in connection with the SIA for SORA Milpitas (Shea), may be reduced to the sum of \$240,000, upon request of said principal and Surety, with said penal sum as reduced to apply from the date of completion and acceptance of said improvements and to extend for the balance of the term of one year of said security. Provided, however, that nothing herein contained shall in any way be deemed to be a waiver, release or relinquish by City of any obligations imposed upon the Subdivider or its Surety, or sureties, by law or by the SIA, save and except as expressly set forth herein.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_ 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary Baum, Interim City Attorney



**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS  
AMENDING THE CLASSIFICATION PLAN**

**WHEREAS**, the City of Milpitas has a Classification Plan adopted as Resolution No. 1626 on December 17, 1968, which has been from time to time previously amended, and which is in accordance with the Personnel Rules and Regulations of the City of Milpitas (Resolution No. 792, as amended); and

**WHEREAS**, amendments to the Classification Plan are necessary to account for changes within the organization, reductions in staffing, transfer of duties, new job responsibilities, and adjustments to salary ranges.

**NOW THEREFORE**, the City Council of the City of Milpitas hereby finds, determines and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. Resolution No. 1626, as amended, is hereby amended effective September 15, 2015 as follows:
  - A. The classification of "Maintenance Custodian" is reclassified to "Maintenance Worker" within the Public Works Department to better reflect the work and responsibilities of that position.
  - B. The classification of "Administrative Analyst" position is added to the Public Works Department's authorized position list for the purpose of performing a variety of responsible administrative and analytical assignments in the support of the improvement of management functions.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary M. Baum, Interim City Attorney

**City of Milpitas, California****BUDGET CHANGE FORM**

| Type of Change                                                                                                                              | From            |                  | To                  |                |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|---------------------|----------------|
|                                                                                                                                             | Account         | Amount           | Account             | Amount         |
| <b>Check one:</b><br><br><input checked="" type="checkbox"/> <b>Budget Appropriation</b><br><input type="checkbox"/> <b>Budget Transfer</b> | <b>100-2940</b> | <b>\$182,000</b> | <b>100-400-4111</b> | <b>182,000</b> |

**Explain the reason for the budget change:**

**Adopt a Resolution Adding One Administrative Analyst II Position and Reclassifying an Existing Maintenance Custodian Position, and Approve Appropriation from General Fund in the amount of \$182,000 for a Public Works Manager in the Public Works Department (Staff Contact: Nina Hawk, 408-586-2603)**

**Background:** The Public Works Department provides several key services for the Community, including maintenance and operations of City Facilities and aging infrastructure. Delivering these services requires significant oversight, relevant technical aptitude and adequate resources. Public Works must also manage the City's infrastructure in adherence to several ever-changing state regulations and operating permits. While the existing Public Works staff continues to provide a high level of service and are highly dedicated, it is evidenced that three staff positions should be added, funded or reclassified, to meet required service delivery and compliance with a number of regulatory requirements.

The Department Director proposes to establish a new Administrative Analyst II position, which will assist the entire department in meeting several regulatory requirements and permits, improve contractual management and help the department to develop written procedures for operations and maintenance. The Administrative Analyst will also conduct cost-benefit analysis, complete technical writing assignments and various supplemental assignments as needed. The Administrative Analyst would also serve as a key staff member in preparing the department specific budget. This position would report directly to the Director, but will work closely with all department manager(s), administration and various department staff.

The Maintenance Custodian classification is traditionally budgeted in the Facilities Maintenance Division within Public Works Department, however a few years ago during workforce reductions, an employee working in Facilities Maintenance was transferred to the Utilities Division to meet work load issues within the department. As a result, the employee has remained a Maintenance Custodian within the Utilities Division performing duties and tasks of a Maintenance Worker I/II. The employee has developed the required competencies for a Maintenance Worker I/II, and has acquired State specific certifications necessary to work within the Utilities Division. Therefore, the Department Director proposes the Maintenance Custodian position be reclassified as a Maintenance Worker I/II to match the existing work load and skills of the position.

The Public Works Department provides services in six functions: Streets Maintenance, Park Maintenance, Trees and Landscape Maintenance, Fleet Maintenance, Utilities Maintenance and Facilities Maintenance. Currently the Department has one Public Works Manager and utilizes three Maintenance Workers III's on special assignment to help manage these functions. A second Public Works Manager position is authorized but funding has not been provided in the last 2 years to due to budget constraint. Given the high level of customer service requests, contractor services and wide breadth of responsibility, it is apparent that another Public Works Manager is necessary to improve overall workflow, management and services within the department. The Department Director is requesting the approval to appropriate funds to fill the existing vacant Public Works Manager within the Public Works Department.

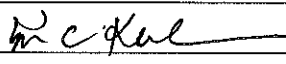
**Fiscal Impact:** There will be no fiscal impact to add an Administrative Analyst II and reclassify an existing Maintenance Custodian, as there is adequate funding available in the Department's Fiscal Year 2015-16 operating budget. An existing funded but unfilled Maintenance Worker position will be defunded and an existing vacancy in seasonal worker(s) will be used to fund the Administrative Analyst II position. An appropriation from the City's General Fund in the amount of \$182,000 is necessary to fund the Public Works Manager position.

**Recommendations:**

- 1) Adopt a resolution adding one Administrative Analyst II position and reclassify an existing Maintenance Custodian Position in the Public Works Department.
- 2) Approve appropriation of funds from the General Fund in the amount of \$182,000 to fill a vacant unfunded Public Works Manager position in the Public Works Department.

☒ Check if City Council Approval required.

Meeting: Sept 15th 2015

| Itemization of funds, if needed:            |                                                                                                      | Amount        |
|---------------------------------------------|------------------------------------------------------------------------------------------------------|---------------|
|                                             |                                                                                                      |               |
| Requested by:                               | Nina Hawk, Public Works Director                                                                     | Date:         |
| Department Head:                            | Nina Hawk, Public Works Director                                                                     | Date:         |
| Reviewed by:                                | Finance Director:  | Date: 9/9/15  |
| Approved by:                                | City Manager:                                                                                        | Date:         |
| Date approved by City Council, if required: |                                                                                                      | Confirmed by: |



**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS OPPOSING THE  
TRANSPORTATION OF CRUDE OIL BY RAIL, SPECIFICALLY THE PHILLIPS 66 RAIL SPUR  
EXTENSION PROJECT AND CRUDE OIL UNLOADING FACILITY IN SAN LUIS OBISPO COUNTY, AND  
AUTHORIZING CITY MANAGER TO SEND LETTERS OF OPPOSITION**

**WHEREAS**, California refineries are in the process of securing permits to build rail terminals to import Canadian tar sands and Bakken crude oils from the Dakotas; and

**WHEREAS**, existing rail terminals are securing permits to import Canadian tar sands and Bakken crude oils to Central Coastal California; and

**WHEREAS**, for the first time, United States Energy Information Administration is providing monthly data on rail movements of crude oil, which have significantly increased over the past five years. The new data on crude-by-rail (CBR) movements are integrated with EIA's existing monthly petroleum supply statistics, which already include movements by pipeline, tanker, and barge; and

**WHEREAS**, the new monthly time series of crude oil rail movements includes shipments to and from Canada and dramatically reduces the absolute level of unaccounted for volumes in EIA's monthly balances for each region; and

**WHEREAS**, crude oil, like that coming from the Bakken shale reservoir, is known to be volatile, highly flammable, and contain elevated concentrations of benzene, a potent carcinogen; and

**WHEREAS**, tar sands crude or bitumen is known to be an extremely viscous form of petroleum that will not flow unless heated or diluted with other lighter hydrocarbons that include toxic substances, and is known to be extremely difficult to clean up when spills occur, especially in aquatic ecosystems; and

**WHEREAS**, almost 500,000 carloads of crude oil were transported by rail in 2014, up from 9,500 in 2008. It now accounts for "1.6% of total carloads for U.S. railroads," according to the Association of American Railroads. This statistic is accompanied by a similar rise in spectacular accidents, 143 incidents in 2014 alone affecting 21 states and 57,600 gallons of oil spilled; more crude oil was spilled in U.S. rail accidents in 2014 than in the preceding four decades; and

**WHEREAS**, rail incidents involving crude oil jumped nearly sixteen fold between 2010 and 2014, and the rise in crashes accompanies the burgeoning rail traffic from North Dakota's Bakken shale to points all over North America. Oil train accidents spread from 8 states in 2010 to 21 states in 2014, according to the consulting firm ClearView Energy Partners' analysis of data from the U.S. Pipeline and Hazardous Materials Safety Administration; and

**WHEREAS**, rail incidents are still happening in 2015, including the fiery derailments recently in Mount Carbon, West Virginia, and Galena, Illinois. Both of these incidents involved the newer CPC 1232 cars initially proposed as a safer alternative to the DOT-111 cars involved in other accidents, such as the deadly derailment and crash in Lac-Mégantic, Quebec in July 2013, that killed 47 people, and caused over \$1 billion in damages; and

**WHEREAS**, in July 2010, Enbridge Energy Partners LL, reported a 30-inch tar sands oil pipeline burst that caused more than 1 million gallons of tar sands to flow into Michigan's Kalamazoo River and, in June 2015, the U.S. Department of Justice has lodged a proposed Consent Decree on behalf of federal, state, and tribal natural resource trustees to resolve natural resource damage claims arising from this incident; and

**WHEREAS**, to date in 2015 there has been a 20-car oil train derailment in rural eastern Montana spilling 35,000 gallons of crude oil; a 109-car crude train derailment in North Dakota causing six cars to catch fire and an estimated 60,000 gallons of oil to spill; a 21-car train derailment (of a 103 tank car) resulting in at least 5 cars rupturing and causing fires and wreckage to burn for several days and threatening a tributary to the Mississippi River and the Upper Mississippi

National Wildlife and Fish Refuge, which is one of the most complex ecosystems in North America; and a 27-car crude oil train car derailment in West Virginia with 19 train cars catching fire and spilling oil into the Kanawha River; and

**WHEREAS**, the operation unit and manifest trains to and from the refinery would be performed by Union Pacific Railroad (UPRR), on UPRR property, with trains entering California at five different locations (one at the north end of the state from Oregon, two at the northeast from Nevada, one at the southeast from Nevada, and one from the south from Arizona.) Depending upon the route taken by the train, they would arrive at the refinery from the north or south. According to the Revised EIR, it is unknown what route UPRR would use to deliver the trains to the refinery; however if the northern route is used to deliver the crude oil to the refinery then the trains would travel through portions of unincorporated County areas and cities of Santa Clara County, including Milpitas, San Jose, Morgan Hill, and Gilroy, as shown on Exhibit A, attached hereto and incorporated herein, which are maps of the major UPRR routes and property in Santa Clara County; and

**WHEREAS**, if the northern route is used to deliver the crude oil to the Project, the oil trains would travel adjacent to areas of Santa Clara County that are densely populated, as shown on Exhibit B, attached hereto and incorporated herein; and

**WHEREAS**, if the northern route is used, the trains carrying crude oil would use portions of the same UPRR track in south Santa Clara County that is also used by Caltrains on a daily basis to transport visitors and residents to points in Santa Clara County and points north in San Mateo and San Francisco Counties; and

**WHEREAS**, trains delivering crude traveling through the Bay Area will follow routes adjacent to densely populated areas and the San Francisco Bay Estuary and its tributaries, posing a serious threat to this ecosystem which is considered a biodiversity hotspot, sustaining significant aquatic and estuarine species and habitat, and is a treasured icon for millions of Bay Area residents; and

**WHEREAS**, trains delivering crude traveling through the Bay Area will follow routes adjacent to the Sacramento River and the Sacramento-San Joaquin Delta, posing a serious threat to the water supply for most of California; and

**WHEREAS**, hauling crude oil into California involves traversing some of the most challenging mountain passes in the nation, areas laced with earthquake faults and numerous unsafe old steel and timber bridges over major waterways, greatly increasing the probability of serious accidents; and

**WHEREAS**, the Revised DEIR from San Luis Obispo County concludes that the potential for a crude oil unit train to derail would increase the risk to the public in the vicinity of the UPRR right of way and the operation of crude oil trains on the UPRR tracks would increase the demand for fire protection and emergency response services along the rail routes, and that the increased risk of accident and the increased demand on fire protection and emergency response services is a significant and unavoidable impact of the Project; and

**WHEREAS**, the Revised DEIR also concludes that operational activities of trains along the UPRR mainline route outside of San Luis Obispo County would generate criteria pollution emissions that exceed thresholds, and that these impacts are significant and unavoidable; and

**WHEREAS**, the National Transportation Safety Board, as a result of recent catastrophic crude oil accidents, made recommendations to federal agencies to improve rail safety regulations for the transport of crude oil, including requirements for comprehensive worst-case scenario emergency response plans and requirements for testing and documenting the physical and chemical characteristics of hazardous materials being offered for shipment by rail; and

**WHEREAS**, analysis from the United States Department of Transportation of the risks associated with crude oil shipments in the United States projected that trains carrying oil would derail an average of 10 times a year over the next 2 decades, causing more than \$4 billion in damages, and also projects that if just one of these projected derailments occurred in a high-population area in the United States, it could kill more than 200 people and cause approximately \$6 billion in damages; and

**WHEREAS**, Santa Clara County’s population of nearly 1.8 million is one of the largest in the State, following Los Angeles, San Diego, and Orange Counties and the largest of the nine Bay Area counties, constituting about one fourth of the Bay Area’s total population and a train derailment within the County would cause great harm to the County’s residents, environment, and economy.

**WHEREAS**, a crude-by-rail Project, the Phillips 66 Santa Maria Refinery Rail Spur Extension, is currently before San Luis Obispo County for approval, and trains delivering crude oil for this Project would use Union Pacific rail tracks through City of Milpitas and Santa Clara County.

**NOW THEREFORE, BE IT RESOLVED**, by the City Council of the City of Milpitas that:

1. The City Council opposes the Phillips 66 Rail Extension and Crude Oil Unloading Facility in San Luis Obispo and opposes using existing Union Pacific Rail Road lines to transport crude oil for the Project through the City of Milpitas and other densely populated cities in San Clara County and adjacent habitat and agricultural areas.
2. The City Council authorizes the City Manager to send a letter to the County Board of Supervisors of San Luis Obispo expressing opposition of the Project by joining other agencies.

PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary M. Baum, Interim City Attorney

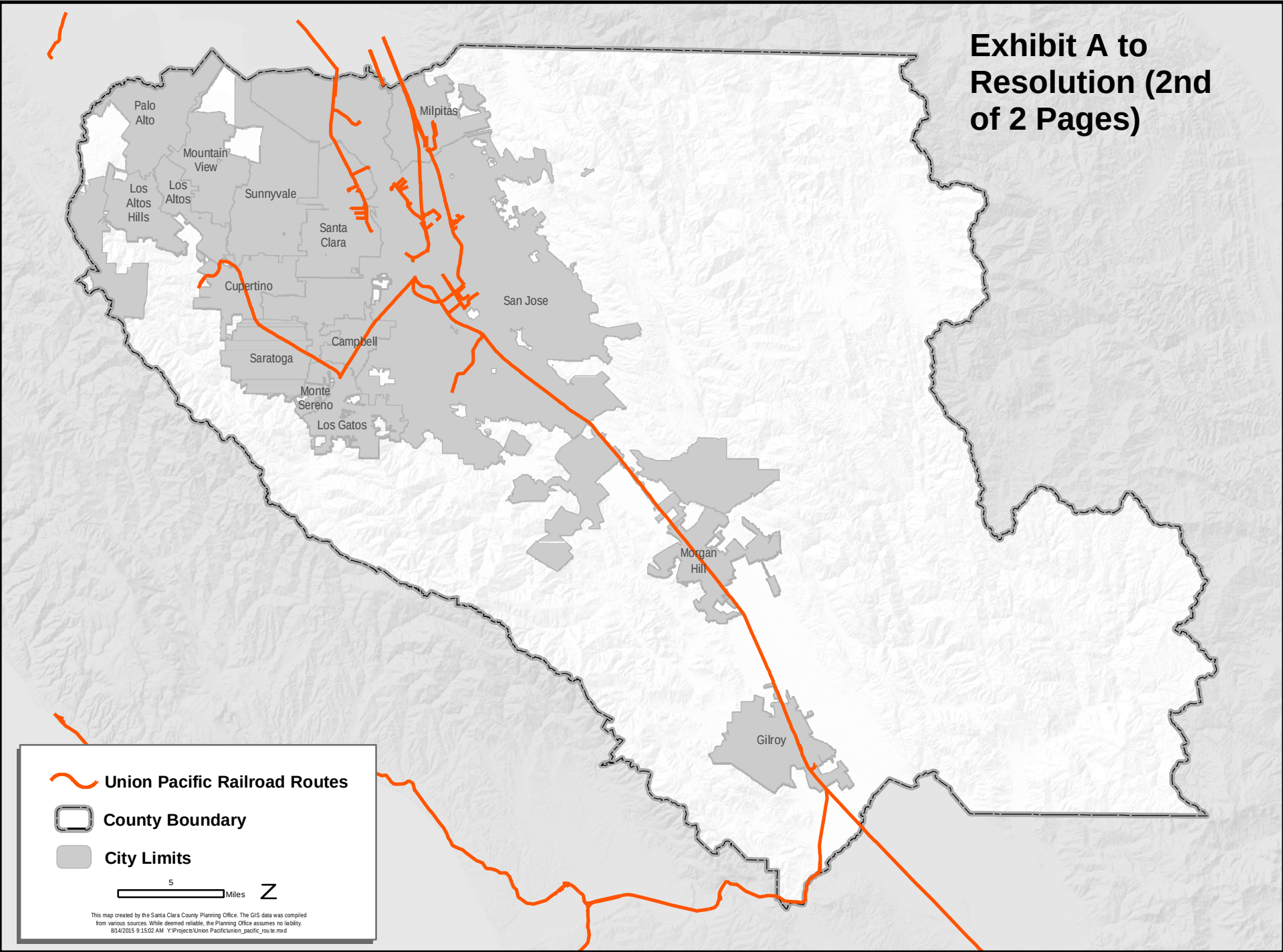




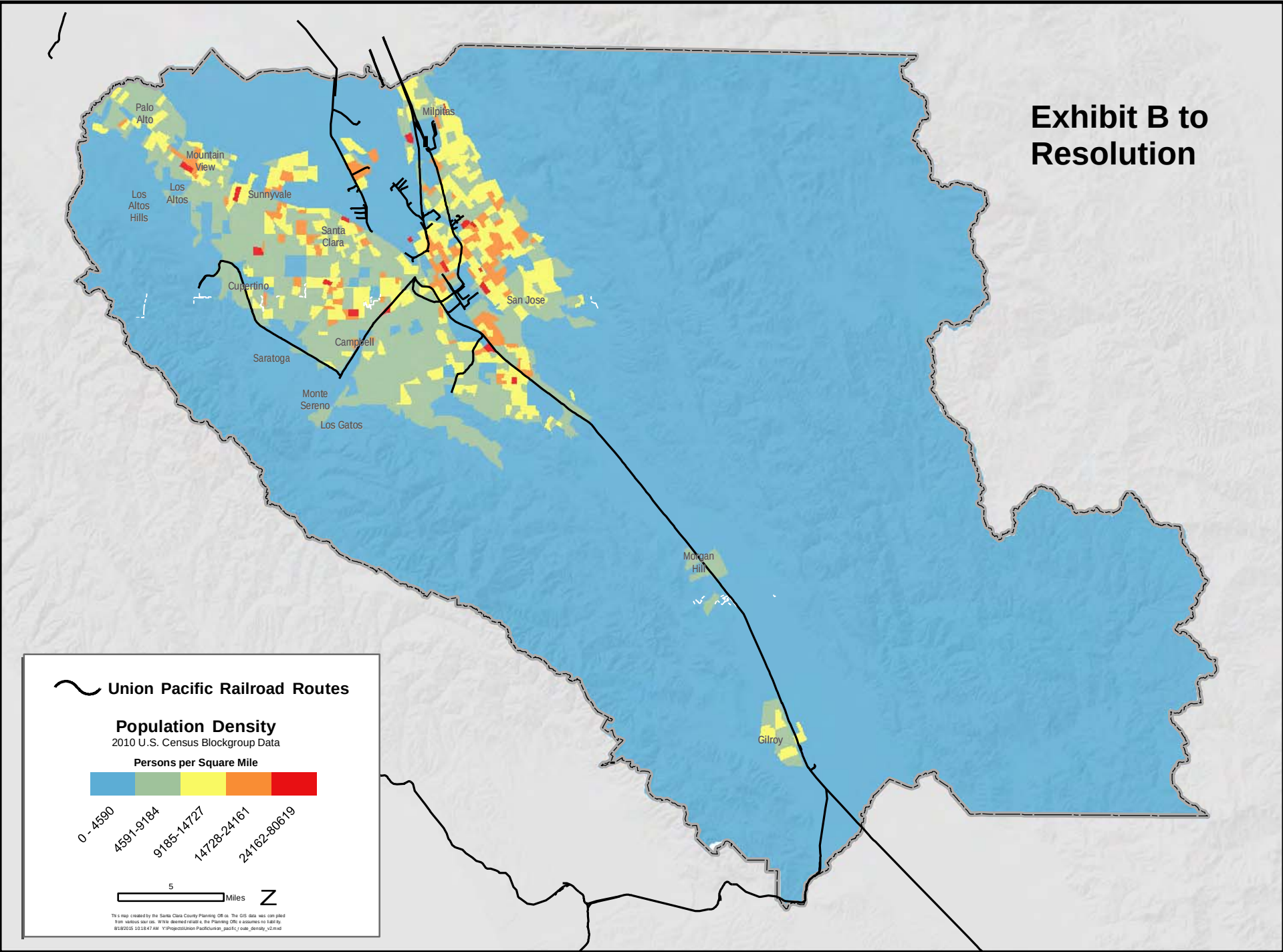


Union Pacific Railroad Routes in Santa Clara County

Exhibit A to  
Resolution (2nd  
of 2 Pages)



Union Pacific Railroad Routes in Santa Clara County





**\*15B**

**Related to report on train accident in Canada, as referred to in Agenda Item No. 15**



*Rail cars burning after crude oil train derailment in Lac-Mégantic*  
(Source: <http://crudeoilpeak.info/the-high-cost-of-railroading-unconventional-crude>)

**EIGHTH AMENDMENT TO THE MASTER AGREEMENT  
BETWEEN THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AND THE CITY OF MILPITAS RELATING TO THE SILICON VALLEY  
RAPID TRANSIT PROGRAM BERRYESSA EXTENSION PROJECT**

---

This Eighth Amendment to the Master Agreement Between the Santa Clara Valley Transportation Authority and the City of Milpitas Relating to the Silicon Valley Rapid Transit Program Berryessa Extension Project (“Eighth Amendment”) is entered into this 15<sup>th</sup> day of September, 2015, by and between the City of Milpitas, a municipal corporation of the State of California (hereafter referred to as “City”) and the Santa Clara Valley Transportation Authority, a public transit district (hereafter referred to as “VTA”) (collectively, the “Parties”). This Eighth Amendment becomes effective upon the date listed above.

**RECITALS**

WHEREAS, the Parties entered into a Master Agreement to memorialize the Parties’ consultation and cooperation, define their respective rights and obligations, and ensure future cooperation between VTA and the City in connection with the Silicon Valley Berryessa Extension Project (“Project” or “SVBX”), on September 10, 2010 (hereafter referred to as the “Master Agreement”), and the Parties entered into Amendment No. 1 on September 8, 2011, Amendment No. 2 on December 7, 2011, Amendment No. 3 on June 7, 2012, Amendment No. 4 on September 18, 2012, Amendment No. 5 on April 16, 2013, Amendment No. 6 on July 31, 2014, and Amendment No. 7 on June 30, 2015 to refine and increase the work scope; and

WHEREAS, the Parties agreed on July 31, 2014, to extend the time of performance to September 30, 2015, to complete the work plan within the budget agreed upon under Amendment No. 6; and

WHEREAS, the Master Agreement and Amendments address the relationship and responsibilities between the Parties regarding the City municipal infrastructure that is affected by the SVBX construction; and

WHEREAS, the Parties desire to enter into this Eighth Amendment to (i) increase the scope of work by \$646,100, (ii) extend the term of the Work Plan to February 28, 2017, and (iii) revise the billing rates for City services to reflect the hourly rates approved by the City Council on January 21, 2014 as part of the 2014 Cost Allocation Plan Update and adjusted administratively.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties agree to amend the Master Agreement as follows:

Section A. Delete Exhibit B City Work Plan and replace it with a new Exhibit B entitled “City Work Plan” attached hereto and incorporated by reference herein.

Section B. All other provisions of the Master Agreement and any subsequent amendments not modified by this Eighth Amendment shall remain in full force and effect.

**Section C.** Each person signing this Eighth Amendment represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Eighth Amendment. Each party represents and warrants to the other that the execution and delivery of the Eighth Amendment and the performance of such party's obligations hereunder have been duly authorized and that the Eighth Amendment is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

## **SANTA CLARA VALLEY TRANSPORTATION AUTHORITY**

APPROVED AS TO FORM

By: \_\_\_\_\_  
Nuria I. Fernandez  
General Manager

By: \_\_\_\_\_  
Victor Pappalardo, Senior Assistant Counsel

Date: \_\_\_\_\_

## **CITY OF MILPITAS**

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Thomas C. Williams  
City Manager

\_\_\_\_\_  
Gary Baum  
City Attorney

Date: \_\_\_\_\_

APPROVED AS TO CONTENT:

By: \_\_\_\_\_  
Steven Machida, Director of Engineering



# Revised Exhibit B

## City Work Plan

The following is a summary of anticipated labor costs and reimbursable expenses payable from VTA to City in the 17 month period from October 1, 2015 to February 28, 2017. The existing funding is estimated to cover expenses through March 2016, and additional funding is necessary for the remaining 11 months.

Table B-1: Labor Costs

| No. | Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Calculation or Basis of Estimate                                                      | Amount             |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------|
| 1   | Project Support services including but not limited to: coordination meetings, right of way/easement requirements, design review, submittal review, construction coordination, permit processing, inspections, utility coordination, document management, permit closeout, and record drawing management. Estimated level of work is 430 hours per month through May 2016, reduce to 350 hours through December 2016, and reduce to 270 hours through February 2017. Assume consultants will provide 190 hours per month and City staff will provide the remainder. | Oct 1, 2015 – May 31, 2016<br>\$175/hr x 240 hrs/month x 8 months                     | \$336,000          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | June 1, 2016 through Dec 31, 2016<br>\$175/hr x 160 hours per month x 7 months        | \$196,000          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | January 1, 2017 through February 28, 2017<br>\$175/hr x 80 hours per month x 2 months | \$28,000           |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Less available funding of                                                             |                    |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Subtotal this task                                                                    | (\$325,000)        |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                       | \$235,000          |
| 2   | Consultant support – Includes 190 hours per month for 17 months (weighted average hourly rate = \$170/hour).                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$170 /hour x 190 hours per month x 17 months                                         | \$549,100          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Less available funding of                                                             | <u>(\$150,000)</u> |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Subtotal this task                                                                    | \$399,100          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                       |                    |

|  |                       |  |           |
|--|-----------------------|--|-----------|
|  | Subtotal: Labor Costs |  | \$634,100 |
|--|-----------------------|--|-----------|

Labor Cost Notes:

1. VTA is currently implementing the Montague Reconstruction project in the City of Milpitas, under a Joint Powers Agreement with the County of Santa Clara and the Santa Clara Valley Water District. The Montague Reconstruction is a separate project from SVBX. City costs associated with Montague Reconstruction shall not be charged against the budgets provided in this Amendment.
2. VTA shall have the right to participate in the selection of consultants engaged by City that will be reimbursed by VTA pursuant to this Amendment No. 8.

Table B-2: Expenses<sup>1</sup>

|   |                                       |                                 |          |
|---|---------------------------------------|---------------------------------|----------|
| 1 | Special inspection/testing, if needed | Lump sum                        | \$10,000 |
| 2 | Reimbursement for printing.           | 20,000 sheets x<br>\$0.10/sheet | \$2,000  |
|   |                                       |                                 |          |
|   | Subtotal: Expenses                    |                                 | \$12,000 |

Expense Notes:

1. Expense items listed in this Amendment may be payable either by VTA directly, or through its contractors, in accordance with VTA's applicable construction contracts.

Table B-3: City Hourly Rates

| Milpitas Job Title       | Hourly Rate |  | Milpitas Job Title        | Hourly rate |
|--------------------------|-------------|--|---------------------------|-------------|
| Assistant City Attorney  | \$158       |  | Public Works Inspector    | \$179       |
|                          |             |  | Assistant Civil Engr      | \$183       |
| CIP Manager              | \$184       |  |                           |             |
| Principal Civil Engineer | \$234       |  | Engr Aide                 | \$166       |
|                          |             |  | Sr Public Works Inspector | \$202       |
| Traffic Engineer         | \$234       |  | Sr Building Inspector     | \$168       |
| Assoc Civil Engineer     | \$207       |  | Bldg Inspector            | \$148       |
| Student Intern           | \$25        |  | Secretary                 | \$130       |
| Senior Planner           | \$219       |  | Administrative Analyst    | \$133       |

| Milpitas Job Title            | Hourly Rate |  | Milpitas Job Title               | Hourly rate |
|-------------------------------|-------------|--|----------------------------------|-------------|
| Principal Planner             | \$237       |  | Public Info Specialist           | \$133       |
| Assistant Planner             | \$172       |  | Equipment Maintenance Worker III | 177         |
|                               |             |  | Water Systems Operator           | \$177       |
| Deputy Fire Chief             | \$233       |  | Assistant Water Systems Operator | \$162       |
| Fire Marshal                  | \$193       |  | Utility Maint Worker III         | \$148       |
| Fire Protection Engr          | \$196       |  | Utility Maintenance Worker II    | \$128       |
| Fire Captain                  | \$220       |  | Equipment Maintenance Worker II  | \$158       |
| Fire Prevention Inspector     | \$193       |  | Office Specialist                | \$105       |
| Hazmat Inspector              | \$191       |  | Office Assistant                 | \$93        |
| Battalion Chief               | \$255       |  | Finance Manager                  | \$148       |
| Building Official             | \$188       |  | Accountant                       | \$102       |
| Permit Center Manager         | \$158       |  | Fiscal Services Assistant II     | \$77        |
| Electrical Building Inspector | \$154       |  | Permit Technician                | \$112       |
| Plan Check Engineer           | \$170       |  | Public Works Manager             | \$156       |
| Plan Checker                  | \$147       |  | GIS Manager                      | \$143       |

The hourly rates set forth above are the hourly rates approved by the City Council on January 21, 2014, as part of the 2014 Cost Allocation Plan Update, have been adjusted administratively by the Director of Finance for FY 15-16, and will be adjusted similarly in subsequent years. VTA shall pay the applicable rates in effect at the time services are provided.



City of Milpitas, California

BUDGET CHANGE FORM

| Type of Change                                           | From                 |           | To                  |         |
|----------------------------------------------------------|----------------------|-----------|---------------------|---------|
|                                                          | Account              | Amount    | Account             | Amount  |
| Check one:                                               | 311-951-4265-15-3575 | \$300,000 | 311-951-4265-2-4800 | 300,000 |
| <input checked="" type="checkbox"/> Budget Appropriation |                      |           |                     |         |
| <input type="checkbox"/> Budget Transfer                 |                      |           |                     |         |

**Explain the reason for the budget change:**

Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority Related to the Silicon Valley Rapid Transit Program Berryessa Extension BART Project to Extend the Term to February 28, 2017, Increase the Agreement Amount by \$646,100, and Approve a Budget Appropriation of \$300,000. (Staff Contact: Steven Machida, 408-586-3355)

**Background:** The extension of the Bay Area Rapid Transit (BART) system into Santa Clara County is being implemented by Valley Transportation Authority's (VTA) Silicon Valley Rapid Transit (SVRT) program. The City and VTA executed a Master Agreement in 2010, which created a cooperative framework between VTA and the City for design and construction of the BART line extension through Milpitas. This agreement allows for reimbursement of City expenses for a variety of coordination efforts, including but not limited to design approval and inspection of City facilities, encroachment permit oversight, easements, utility maintenance operations, meetings, resolution of construction issues, and consultant support. The Master Agreement and Amendments No. 1 –7 included a work plan which described reimbursement of the City's support effort with a total agreement amount of \$4,686,888 through September 30, 2015.

Several phases of the work are in progress simultaneously, including relocation of existing utilities, installation of new utilities, track installation, parking garage, roadway, frontage, and station construction. It is now necessary to extend the work plan duration and increase the contract amount for continued staff support.

Staff negotiated a work plan extension with VTA and recommends increasing the Master Agreement amount in the value of \$646,100 for the additional work for a not-to-exceed total amount of \$5,332,988; and extending the term to February 28, 2017. The requested budget appropriation will place a portion of this funding into a project budget account to allow payment for consultant support to the BART project.

**California Environmental Quality Act (CEQA):** This action is exempt from CEQA as there will be no physical change to the environment.

**Alternative:** If the amendment is not approved, staff will not be available to provide support to the project which will impact construction and inspection of City infrastructure.

**Fiscal Impact:** The Master Agreement requires VTA to establish a deposit account with the City to fund the City's work related to the BART extension project. This amendment provides for an additional deposit of \$646,100 for reimbursable costs in accordance with the Master Agreement.

**Recommendations:**

1. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority related to the Silicon Valley Rapid Transit Program Berryessa Extension BART Project to extend the term to February 28, 2017 and increase the agreement amount by \$646,100.
2. Approve a budget appropriation of \$300,000 to Project No. 4265 – BART- extension coordination and planning in the CIP.

☒ Check if City Council Approval required.

Meeting: Sept 15th 2015

| Itemization of funds, if needed:            |                                          | Amount        |
|---------------------------------------------|------------------------------------------|---------------|
|                                             |                                          |               |
| Requested by:                               | Marilyn Nickel, Associate Civil Engineer | Date:         |
| Department Head:                            | Steven Machida, Director of Engineering  | Date:         |
| Reviewed by:                                | Finance Director: <i>[Signature]</i>     | Date: 9/8/15  |
| Approved by:                                | City Manager:                            | Date:         |
| Date approved by City Council, if required: |                                          | Confirmed by: |

FI/24786/V

Form 30-222 (Rev. 1/92)

**AMENDMENT NO. 4  
TO CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF MILPITAS AND  
VALI COOPER & ASSOCIATES, INC**

This Amendment is entered into this 15th day of September, 2015, by and between the City of Milpitas, a municipal corporation of the State of California (hereafter referred to as "CITY") and Vali Cooper & Associates, Inc., a California corporation (hereafter referred to as "CONSULTANT").

**RECITALS**

WHEREAS, the parties entered into an agreement on November 20, 2013 entitled "Consulting Services Agreement between the City of Milpitas and Vali Cooper & Associates, Inc." ("Agreement") for professional support services on the BART Silicon Valley Berryessa Extension (SVBX) project (Project No. 4265) in the amount of Nineteen Thousand Seven Hundred Sixty Dollars (\$19,760); and

WHEREAS, the parties entered into Amendment No. 1 to the Agreement on January 21, 2014 to increase the compensation in the amount of Seventy Five Thousand Dollars (\$75,000) to allow CONSULTANT to continue providing support services for the BART Silicon Valley Berryessa Extension (SVBX) project;

WHEREAS, the parties entered into Amendment No. 2 to the Agreement on June 3rd, 2014 to extend the term to June 30, 2015 and increase the compensation in the amount of One Hundred Fifty Eight Thousand Two Hundred Forty Dollars (\$158,240) to allow CONSULTANT to continue providing support services for the BART Silicon Valley Berryessa Extension (SVBX) project;

WHEREAS, the parties entered into Amendment No. 3 of the Agreement on December 16, 2014 to extend the term of the Agreement to September 30, 2015 and increase the compensation in the amount of Three Hundred Thousand Dollars (\$300,000) to allow CONSULTANT to continue providing support services for the BART Silicon Valley Berryessa Extension (SVBX) project;

WHEREAS, the parties desire to amend the Agreement again to extend the term of the Agreement to October 31, 2016 and increase the compensation in the additional amount of Three Hundred Ten Thousand Dollars (\$310,000), for a total not-to-exceed amount of Eight Hundred Sixty Three Thousand Dollars (\$863,000) to allow CONSULTANT to continue providing engineering support services for the BART Silicon Valley Berryessa Extension (SVBX) project and Montague Expressway Widening project.



NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree to amend the Agreement as follows:

1. Section 1.1 entitled "Term of Services" of the Agreement is amended in its entirety to read as follows:

**1.1 Term of Services.** The term of this Amendment shall begin on the date first noted above and shall end on October 31, 2016, the date of completion specified in Exhibit A and Consultant shall complete all the work described in Exhibit A prior to that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as provided for in Section 8.

2. Section 2, entitled "Compensation" of the Agreement is amended in its entirety to read as follows:

**Section 2. COMPENSATION.** City hereby agrees to pay Consultant an amount not to exceed Eight Hundred Sixty Three Thousand Dollars (\$863,000) based on time and materials for all services to be performed and reimbursable costs incurred under this Agreement. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Hourly rates for personnel performing services shall be as shown in Exhibit B. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement."

3. Exhibit A is repealed and replaced in its entirety with Exhibit A-4.
4. Exhibit B is repealed and replaced in its entirety with Exhibit B-4.

5. The Consultant agrees to maintain and pay for all insurance policies as stated in Section 4, entitled "Insurance Requirements" of the Agreement dated **November 20, 2013** between **Vali Cooper & Associates, Inc.** and the City of Milpitas. The Consultant shall provide the City with renewal certificates of the current policies upon the expiration of the current policy.
6. All other provisions of the Agreement not modified by this Amendment No. 4 shall remain in full force and effect.

This Amendment is executed as of the date written on Page 1.

APPROVED BY:

CITY OF MILPITAS

VALI COOPER & ASSOCIATES, INC.  
CONSULTANT

\_\_\_\_\_  
Thomas C. Williams, City Manager

\_\_\_\_\_  
John Collins, Chief Operating Officer

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Steven J. Machida, Director of Engineering

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary Baum, Interim City Attorney

## **EXHIBIT A-4**

### **SCOPE OF SERVICES**

CONSULTANT shall provide on-call engineering support services to the CITY for the Valley Transportation Authority's (VTA) Silicon Valley Bart Extension (SVBX), the County of Santa Clara's Montague Widening, and necessary related miscellaneous third party utility reviews.

CONSULTANT and the CITY recognize the importance of the need to maintain the CONSULTANT'S key personnel throughout the entire duration of this Agreement. CONSULTANT shall not make any changes to the assigned personnel listed below without CITY written approval.

Project Engineers:  
Russ Moore  
Gareth Gill

#### **Task 1 – VTA SVBX support – CIP 4265**

Consultant shall provide professional engineering support services for the BART project. Duties shall include:

- Review documents, such as plans, specifications, performance criteria, maps, submittals
- Research maps and records
- Coordinate City responses on draft documents, such as plans, specifications, performance criteria, maps
- Attend coordination meetings
- Prepare documents, such as maps, charts, memos, permits, meeting minutes
- Track utility relocations
- Manage documents
- Assist Milpitas staff as needed

#### **Task 2 – County Montague Widening support – CIP 4179**

Consultant shall provide professional engineering support services for the BART project. Duties shall include:

- Review documents, such as plans, specifications, performance criteria, maps, submittals
- Research maps and records
- Coordinate City responses on draft documents, such as plans, specifications, performance criteria, maps
- Attend coordination meetings



- Prepare documents, such as maps, charts, memos, permits, meeting minutes
- Track utility relocations
- Manage documents
- Assist Milpitas staff as needed

### Task 3 Miscellaneous third party utility support – Various Private Job Accounts

Consultant shall provide professional engineering support services for the BART project. Duties shall include:

- Review documents, such as plans, specifications, performance criteria, maps, submittals
- Research maps and records
- Coordinate City responses on draft documents, such as plans, specifications, performance criteria, maps
- Attend coordination meetings
- Prepare documents, such as maps, charts, memos, permits, meeting minutes
- Track utility relocations
- Manage documents
- Assist Milpitas staff as needed

All work shall be completed by October 31, 2016.

EXHIBIT B-4  
COMPENSATION SCHEDULE

| <u>Personnel</u> | <u>Hourly Rates</u> |
|------------------|---------------------|
| Russ Moore       | \$195               |
| Gareth Gill      | \$155               |

Other Vali Cooper & Associates, Inc. personnel may be assigned, upon mutual agreement of City and Vali Cooper & Associates, Inc., and according to the billing rate schedule 2015 and 2016.

EXHIBIT C  
INSURANCE DOCUMENTS



**CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF MILPITAS AND  
CSG CONSULTANTS, INC.**

THIS AGREEMENT for consulting services is made by and between the City of Milpitas, a municipal corporation of the State of California ("City"), and CSG Consultants, Inc., a California corporation ("Consultant") as of September 15, 2015.

**AGREEMENT**

**Section 1. SERVICES.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in the Scope of Work attached as Exhibit A at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A the Agreement shall prevail.

- 1.1 Term of Services.** The term of this Agreement shall begin on the date first noted above and shall end on September 15, 2016, the date of completion specified in Exhibit A, and Consultant shall complete all the work described in Exhibit A prior to that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as provided for in Section 8.
- 1.2 Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement in the manner and according to the professional standards normally observed by a practitioner of the profession in which Consultant is engaged in the geographical area in which Consultant practices its profession. Consultant shall prepare all work products required by this Agreement in a substantial manner and shall conform to the professional standards of quality normally observed by a person practicing in Consultant's profession.
- 1.3 Professional Skill.** It is mutually agreed by the parties that City is relying upon the professional skill of the consultant as a specialist in the work, and Consultant represents to the City that its work shall conform to the normal professional standards of the profession. Acceptance of the Consultant's work by the City does not operate as a release of Consultant's representations. It is intended that Consultant's work shall conform to normal standards of accuracy, completeness and coordination.
- 1.4 Assignment of Personnel.** Consultant shall assign only competent personnel to perform services pursuant to this Agreement. Exhibit A shall name any specific personnel who shall be performing services. In the event that City, in its sole discretion, at any time during the term of this Agreement, desires the reassignment

of any such persons, Consultant shall, immediately upon receiving notice from City of such desire of City, reassign such person or persons.

- 1.5 Time.** Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Section 1.1 above and to complete Consultant's obligations hereunder.

**Section 2. COMPENSATION.** City hereby agrees to pay Consultant an annual amount not to exceed One Hundred and Fifty Thousand dollars (\$150,000.00) during the entire term of the Agreement. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Hourly rates for personnel performing services shall be as shown in Exhibit B. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

- 2.1 Invoices.** Consultant shall submit invoices, not more often than once a month during the term of this Agreement, based on the cost for services performed and reimbursable costs incurred during the billing period. Invoices shall contain the following information:

- Serial identification of bills;
- The beginning and ending dates of the billing period;
- A Task Summary containing the original contract amount, the amount of prior billings, the total due this period, the balance available under the Agreement, and the percentage of completion, if applicable;
- At City's option, for each work item in each task, a copy of the applicable time entries or time sheets shall be submitted showing the name of the person doing the work, the hours spent by each person, a brief description of the work, and each reimbursable expense;
- The total number of hours of work performed under the Agreement by Consultant and each employee, agent, and subcontractor of Consultant performing services hereunder, as well as a separate notice when the total number of hours of work by Consultant and any individual employee, agent, or subcontractor of Consultant reaches or exceeds 800 hours, which shall include an estimate of the time necessary to complete the work described in Exhibit A;

- The Consultant's signature.

**2.2 Monthly Payment.** City shall make monthly payments, based on invoices received, for services satisfactorily performed, and for authorized reimbursable costs incurred. City shall have thirty (30) days from the receipt of an invoice that complies with all of the requirements above and is otherwise acceptable to the City to pay Consultant. In the event that an invoice is not acceptable to the City, said invoice shall be returned to Consultant within thirty (30) days of the City's receipt of the invoice with a detailed explanation of the deficiency. City's obligation to pay a returned invoice shall not arise earlier than thirty (30) days after resubmission of the corrected invoice.

**2.3 Total Payment.** City shall pay for the services to be rendered by Consultant pursuant to this Agreement. City shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. City shall make no payment for any extra, further, or additional service pursuant to this Agreement.

In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment. In the event that Consultant identifies additional work outside the scope of services specified in Exhibit A that may be required to complete the work required under this Agreement, Consultant shall immediately notify the City and shall provide a written not-to-exceed price for performing this additional work.

**2.4 Hourly Fees.** Fees for work performed by Consultant on an hourly basis shall not exceed the amounts shown on Exhibit B

**2.5 Payment of Taxes.** Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any other applicable federal or state taxes.

**2.6 Reimbursable Expenses.** Reimbursable expenses are included in the total not-to-exceed amount of compensation provided under this Agreement.

**2.7 Payment upon Termination.** In the event that the City or Consultant terminates this Agreement pursuant to Section 8, the City shall compensate the Consultant for all outstanding costs and reimbursable expenses incurred for work satisfactorily completed as of the date of written notice of termination. Consultant shall maintain adequate logs and timesheets in order to verify costs incurred to that date. The City shall have no obligation to compensate Consultant for work not verified by logs or timesheets.



- 2.8     Authorization to Perform Services.** The Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of a written Notice to Proceed from the City.

**Section 3.     FACILITIES AND EQUIPMENT.** Except as set forth herein, Consultant shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to perform the services required by this Agreement. City shall make available to Consultant only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

City shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Consultant's use while consulting with City employees and reviewing records and the information in possession of the City. The location, quantity, and time of furnishing those facilities shall be in the sole discretion of City. In no event shall City be obligated to furnish any facility that may involve incurring any direct expense, including but not limited to computer, cellular telephone, long-distance telephone, or other communication charges, vehicles, and reproduction facilities.

If the performance of the work specified in Exhibit A requires destructive testing or other work within the City's public right-of-way, Consultant, or Consultant's subconsultant, shall obtain an encroachment permit from the City.

**Section 4.     INSURANCE REQUIREMENTS.** Before beginning any work under this Agreement, Consultant shall procure "occurrence coverage" insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Consultant and its agents, representatives, employees, and subcontractors. Consultant shall provide proof satisfactory to City of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects to the City. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement and shall produce said policies to the City upon demand. The cost of such insurance shall be included in the Consultant's price. Consultant shall not allow any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s) and provided evidence thereof to City. Verification of the required insurance shall be submitted and made part of this Agreement prior to execution.

- 4.1     Workers' Compensation.** Consultant shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per accident. In the alternative, Consultant may rely on a self-insurance program to meet those requirements, but only if the program of self-insurance complies fully with the provisions of the California Labor Code. Determination of whether a self-insurance program meets the standards of the Labor Code shall be solely in the discretion of the City Attorney. The insurer, if insurance is provided, or the Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against the City and its officers, officials,

employees, and volunteers for loss arising from work performed under this Agreement.

An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

## **4.2 Commercial General and Automobile Liability Insurance.**

**4.2.1 General requirements.** Consultant, at its own cost and expense, shall maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence, combined single limit coverage for risks associated with the work contemplated by this Agreement. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.

**4.2.2 Minimum scope of coverage.** Commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (ed. 11/88) or Insurance Services Office form number GL 0002 (ed. 1/73) covering comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability. Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90) Code 1 ("any auto"). No endorsement shall be attached limiting the coverage.

**4.2.3 Additional requirements.** Each of the following shall be included in the insurance coverage or added as an endorsement to the policy:

- a. City and its officers, employees, agents, contractors, consultants, and volunteers shall be covered as insureds with respect to each of the following: liability arising out of activities performed by or on behalf of Consultant, including the insured's general supervision of Consultant; products and completed operations of Consultant; premises owned, occupied, or used by Consultant; and automobiles owned, leased, or used by the Consultant. The coverage shall contain no special limitations on the scope of

protection afforded to City or its officers, employees, agents, contractors, consultants, or volunteers.

- b. The insurance shall cover on an occurrence or an accident basis, and not on a claims-made basis.
- c. An endorsement must state that coverage is primary insurance with respect to the City and its officers, officials, employees, contractors, consultants, and volunteers, and that no insurance or self-insurance maintained by the City shall be called upon to contribute to a loss under the coverage.
- d. Any failure of CONSULTANT to comply with reporting provisions of the policy shall not affect coverage provided to CITY and its officers, employees, agents, and volunteers.
- e. An endorsement shall state that coverage shall not be suspended, voided, or canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3 Professional Liability Insurance.** If Consultant shall be performing licensed professional services, Consultant shall maintain for the period covered by this Agreement professional liability insurance for licensed professionals performing work pursuant to this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000) covering the licensed professionals' errors and omissions.

**4.3.1** Any deductible or self-insured retention shall not exceed \$150,000 per claim.

**4.3.2** An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3.3** The policy must contain a cross liability clause.

**4.3.4** The following provisions shall apply if the professional liability coverages are written on a claims-made form:

- a. The retroactive date of the policy must be shown and must be before the date of the Agreement.



- b. Insurance must be maintained and evidence of insurance must be provided for at least three years after completion of the Agreement or the work, unless waived in writing by the City.
- c. If coverage is canceled or not renewed and it is not replaced with another claims-made policy form with a retroactive date that precedes the date of this Agreement, Consultant must provide extended reporting coverage for a minimum of five years after completion of the Agreement or the work. The City shall have the right to exercise, at the Consultant's sole cost and expense, any extended reporting provisions of the policy, if the Consultant cancels or does not renew the coverage.
- d. A copy of the claim reporting requirements must be submitted to the City prior to the commencement of any work under this Agreement.

#### **4.4 Requirements for All Policies.**

- 4.4.1 Acceptability of insurers.** All insurance required by this section is to be placed with insurers with a Bests' rating of no less than A.
- 4.4.2 Verification of coverage.** Prior to beginning any work under this Agreement, Consultant shall furnish City with certificates of insurance and with original endorsements effecting coverage required herein. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The City reserves the right to require complete, certified copies of all required insurance policies at any time.
- 4.4.3 Subcontractors.** Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.
- 4.4.4 Deductibles and Self-Insured Retentions.** Consultant shall disclose to and obtain the approval of City for the self-insured retentions and deductibles before beginning any of the services or work called for by any term of this Agreement.

During the period covered by this Agreement, only upon the prior express written authorization of the City, Consultant may increase such deductibles or self-insured retentions with respect to City, its officers, employees, agents, contractors, consultants, and volunteers. The City may condition approval of an increase in deductible or self-insured retention levels with a requirement that Consultant procure a bond,

guaranteeing payment of losses and related investigations, claim administration, and defense expenses that is satisfactory in all respects to the City.

**4.4.5 Notice of Reduction in Coverage.** In the event that any coverage required by this section is reduced, limited, or materially affected in any other manner, Consultant shall provide written notice to City at Consultant's earliest possible opportunity and in no case later than five days after Consultant is notified of the change in coverage.

**4.5 Remedies.** In addition to any other remedies City may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may, at its sole option exercise any of the following remedies, which are alternatives to other remedies City may have and are not the exclusive remedy for Consultant's breach:

- Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the Agreement;
- Order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof; and/or
- Declare Consultant in material breach of the Agreement and terminate the Agreement.

**4.6 Waiver.** The Risk Manager of the City has the authority to waive or vary any provision of Sections 4.2 through 4.5. Any such waiver or variation shall not be effective unless made in writing.

**Section 5. INDEMNIFICATION AND CONSULTANT'S RESPONSIBILITIES.** Consultant shall indemnify, defend with counsel reasonably acceptable to the City, and hold harmless the City and its officials, officers, employees, agents, contractors, consultants, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Consultant or its employees, subcontractors, or agents, by acts for which they could be held strictly liable, or by the quality or character of their work. The foregoing obligation of Consultant shall not apply when (1) the injury, loss of life, damage to property, or violation of law arises wholly from the negligence or willful misconduct of the City or its officers, employees, agents, contractors, consultants, or volunteers and (2) the actions of Consultant or its employees, subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements

required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

## **Section 6. STATUS OF CONSULTANT.**

- 6.1 Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of City. City shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement and assignment of personnel pursuant to Subparagraph 1.3. Otherwise, City shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of City and entitlement to any contribution to be paid by City for employer contributions and/or employee contributions for PERS benefits.
- 6.2 Consultant No Agent.** Except as City may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

## **Section 7. LEGAL REQUIREMENTS.**

- 7.1 Governing Law.** The laws of the State of California shall govern this Agreement.
- 7.2 Compliance with Applicable Laws.** Consultant and any subcontractors shall comply with all laws applicable to the performance of the work hereunder.
- 7.3 Other Governmental Regulations.** To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any



subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.

**7.4 Licenses and Permits.** Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions. Consultant represents and warrants to City that Consultant and its employees, agents, any subcontractors shall, at their sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions and to perform this Agreement. In addition to the foregoing, Consultant and any subcontractors shall obtain and maintain during the term of this Agreement valid business license from City.

**7.5 Nondiscrimination and Equal Opportunity.** Consultant shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by Consultant under this Agreement. Consultant shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of Consultant thereby.

Consultant shall include the provisions of this Subsection in any subcontract approved by the City or this Agreement.

## **Section 8. TERMINATION AND MODIFICATION.**

**8.1 Termination.** City may terminate this Agreement at any time and without cause upon written notification to Consultant.

In the event of termination, Consultant shall be entitled to compensation for services performed prior to the effective date of termination as provided in Section 2. City, however, may condition payment of such compensation upon Consultant delivering to City any or all documents, photographs, computer software, video and audio tapes, and other materials provided to Consultant or prepared by or for Consultant or the City in connection with this Agreement.

**8.2 Extension.** City may, in its sole and exclusive discretion, extend the end date of this Agreement beyond that provided for in Subsection 1.1. Any such extension shall require a written amendment to this Agreement, as provided for herein. Consultant understands and agrees that, if City grants such an extension, City shall have no obligation to provide consultant with compensation beyond the

maximum amount provided for in this Agreement. Similarly, unless authorized by the City, City shall have no obligation to reimburse Consultant for any otherwise reimbursable expenses incurred during the extension period

- 8.3 Amendments.** The parties may amend this Agreement only by a writing signed by all the parties.
- 8.4 Assignment and Subcontracting.** City and Consultant recognize and agree that this Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's unique personal competence, experience, and specialized personal knowledge. Moreover, a substantial inducement to City for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the City. Consultant shall not subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors listed in the Consultant's proposal, without prior written approval of the City.
- 8.5 Survival.** All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating liability between City and Consultant shall survive the termination of this Agreement.
- 8.6 Options upon Breach by Consultant.** If Consultant materially breaches any of the terms of this Agreement, City's remedies shall include, but not be limited to, any or all of the following:
- 8.6.1** Immediate cancellation of the Agreement;
  - 8.6.2** Retention of the plans, specifications, drawings, reports, design documents, and any other work product prepared by Consultant pursuant to this Agreement prior to cancellation; and
  - 8.6.3** Retention of a different consultant at Consultant's cost to complete the work described in Exhibit A not finished by Consultant.

## **Section 9. KEEPING AND STATUS OF RECORDS.**

- 9.1 Records Created as Part of Consultant's Performance.** All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that Consultant prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of the City. Consultant hereby agrees to deliver those documents to the City at any time upon demand of the City. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily

suitable for any future or other use. Failure by Consultant to deliver these documents to the City within the time period specified by the City shall be a material breach of this Agreement. City and Consultant agree that, until final approval by City, all data, plans, specifications, reports and other documents are preliminary drafts not kept by the City in the ordinary course of business and will not be disclosed to third parties without prior written consent of both parties.

**9.2 Consultant's Books and Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement.

**9.3 Inspection and Audit of Records.** Any records or documents that Section 9.2 of this Agreement requires Consultant to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds TEN THOUSAND DOLLARS (\$10,000.00), the Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement.

## **Section 10 MISCELLANEOUS PROVISIONS.**

**10.1 Attorneys' Fees.** If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.

**10.2 Venue.** In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Santa Clara or in the United States District Court for the Northern District of California.

**10.3 Severability.** If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

**10.4 No Implied Waiver of Breach** The waiver of performance or any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.



- 10.5 **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the parties.
- 10.6 **Use of Recycled Products.** Consultant shall prepare and submit all reports, written studies and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.
- 10.7 **Conflict of Interest.** Consultant may serve other clients, but none whose activities within the corporate limits of City or whose business, regardless of location, would place Consultant in a "conflict of interest," as that term is defined in the Political Reform Act, codified at California Government Code Section 81000*et seq.*

Consultant shall not employ any City official in the work performed pursuant to this Agreement. No officer or employee of City shall have any financial interest in this Agreement that would violate California Government Code Sections 1090*et seq.*

Consultant hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of the City. If Consultant were an employee, agent, appointee, or official of the City in the previous twelve months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code §1090*et seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for services performed pursuant to this Agreement, including reimbursement of expenses, and Consultant will be required to reimburse the City for any sums paid to the Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of Government Code § 1090 and, if applicable, may be disqualified from holding public office in the State of California.

Consultant certifies that it has not paid any direct or contingent fee, contribution, donation or consideration of any kind to any firm, organization, or person (other than a bona fide employee of Consultant) in connection with procuring this Agreement, nor has Consultant agreed to employ or retain any firm, organization, or person in connection with the performance of this Agreement as a condition for obtaining this Agreement.

- 10.8 **Solicitation.** Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials.
- 10.9 **Contract Administration.** This Agreement shall be administered by City Engineer who is authorized to act for, and on behalf of, City. All correspondence shall be directed to or through the Contract Administrator or his or her designee.

**10.10 Notices.** Any written notice to Consultant shall be sent to:

Cyrus Kainpour, P.E, P.L.S - President  
CSG Consultants, Inc.  
1700 South Amphlett Boulevard, 3<sup>d</sup> Floor  
San Mateo, CA 94402

Any written notice to City shall be sent to:  
Steven J. Machida, Director of Engineering  
455 East Calaveras Boulevard  
Milpitas, California 95035

**10.11 Professional Seal.** Where applicable in the determination of the City, the first page of a technical report, first page of design specifications, and each page of construction drawings shall be stamped/sealed and signed by the licensed professional responsible for the report/design preparation.

**10.12 Integration.** This Agreement, including the exhibits, represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral.

**10.13 Exhibits.** All exhibits referenced in this Agreement are incorporated by reference herein.

CITY OF MILPITAS

CONSULTANT

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Thomas C. Williams, City Manager

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Cyrus Kianpour, President

Taxpayer Identification Number

APPROVED AS TO FORM:

---

Gary Baum, Interim City Attorney

APPROVED AS TO CONTENT:

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Steven J. Machida, Director or Engineering/City Engineer



## EXHIBIT A

### SCOPE OF SERVICES

#### CSG's CIP Scope of Work/Management Approach

CSG's proposed staff members are senior level engineers who have managed Capital Improvement Programs for various agencies. Our proposed staff is already familiar with the City CIP project needs and is ready to work jointly with the City on delivering its program. Our staff will also work with stakeholders, utility companies, and permitting agencies as required.

Below is CSG's plan for managing projects:

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Project and Task Order Management</b> | Our Project Managers will meet with the City, local agencies, utility companies and other stakeholders to confirm project goals and objectives, task assignments and responsibilities, cost requirements, and project schedule. A clear understanding of the interface between our staff and our role in the project is essential. This will allow each Project Manager to properly allocate resources and make the necessary commitments to the project.                                                                                                                                                                                                 |
| <b>Project Management Plan</b>           | Our Project Managers will develop or request a project management plan including all project elements establishing the project scope of work, budget, schedule, and design standards to allow for solid traceability and accountability for any changes or variances from the project baseline components. In addition, our staff identifies any potential variances early in the project phase allowing for the development of an alternative approach to prevent potential schedule or cost slippages. We implement this by offering real-time data to the City through our daily contact with the City's CIP Manager and weekly project team meetings. |
| <b>Scope/Control Management</b>          | Scope control will be enforced with the implementation of a well written scope of work (SOW) for all RFP's drafted for the CIP. If changes are required, a scope change process will be followed encompassing the cost and schedule impact of each potential change, as well as the additional scope description. Potential changes will be presented and discussed weekly with the City. As changes are approved or rejected, the appropriate revisions will be made to the scope of work and the schedule/cost baseline will be revised and resubmitted for approval by the City.                                                                       |
| <b>Schedule Management</b>               | An initial baseline schedule will be required and submitted for approval to the City for all projects. As work progresses on projects, the baseline schedule will be kept updated and required revisions will be submitted for review. Each schedule update will be compared to the previous submittal for variances. Once changes are approved, the schedule will be updated, and included in the project management plan.                                                                                                                                                                                                                               |
| <b>Budget/Cost Management</b>            | As project estimates become finalized, they will be included in the project budget and loaded into the project cost. Once a project change is approved, it will be tied to a change order and the schedule and budget will be revised accordingly. All baselines, revisions, and change orders will be tracked, documented, and presented to the City for approval prior to including in the Project Management Plan.                                                                                                                                                                                                                                     |
| <b>Quality Management</b>                | A Quality Assurance Plan will be required as part of the Project Management Plan. The Quality Assurance Plan will include the review and testing requirements throughout the design and construction phase. CSG Project Manager's will enforce the Quality                                                                                                                                                                                                                                                                                                                                                                                                |

Assurance Plan, thus reassuring the City that the consultant/ contractor will be delivering a quality product.

Before commencing any work, CSG's Project Managers will meet with City Staff to fully understand the assigned project and expectations. A detailed scope of work and cost of service estimate will be prepared for City review and approval. Once the scope and estimate is approved by the City, CSG will prepare a project implementation schedule.

## **Additional As Needed Services**

In addition to the steps above, CSG staff can assist the City with various tasks below:

- Preparation of Grant Applications, such as Hazard Elimination Safety (HES), Highway Bridge Program (HBP), Active Transportation Program (ATP) Grants, etc.
- Preparation of cost estimates for projects for budgeting purposes during the preliminary engineering phase
- Review plans, specifications, and estimates prepared by other consultants for accuracy, completeness, and conformance to City requirements
- Prepare supporting studies, such as drainage studies, hydraulic analysis, quantity calculations, pavement design reports and other calculations and studies needed to support CIP projects
- Review preferred and alternative alignment studies and preliminary construction cost estimates when requested by the City
- Prepare Water Quality Management Plans (WQMP) and Storm Water Pollution Plans (SWPPP). Both plans shall conform to the City's NPDES ordinance and the policies of the City
- Prepare plans, specifications & estimate (PS&E) packages for projects using AutoCAD.
- Perform constructability reviews of completed designs, specifications, cost estimates, legal descriptions, and related work for accuracy and completeness
- Process permits through regulatory agencies such as the County, Corps of Engineer, State Department of Fish & Wildlife, Water Quality Board, Caltrans and other agencies as necessary to obtain permits or clearance
- Prepare requests for proposals (RFP), Invitation for Bids and related documents; assist the City through the review process up to and including the recommendation for a contract award
- Coordinate with utility companies to resolve utility conflicts with proposed work
- Complete all applications to the appropriate utility companies and follow through to obtain the service in a timely manner
- Manage projects during the preconstruction, construction, and project closeout phases.
- Perform construction inspection of CIP projects, as requested
- Prepare independent project schedules and cost estimates for the CIP projects



## EXHIBIT B

### COMPENSATION SCHEDULE



### 2015 Engineering Hourly Rates

Services are billed on a time and materials basis according to our Standard Rates, shown below.

| Professional Engineering Services – Hourly Rates |       |
|--------------------------------------------------|-------|
| Senior Principal Engineer                        | \$205 |
| Principal Engineer                               | \$180 |
| Project Manager                                  | \$180 |
| Senior Engineer                                  | \$165 |
| Senior Structural Engineer                       | \$165 |
| Associate Engineer                               | \$145 |
| Assistant Engineer                               | \$125 |
| Engineering Designer                             | \$115 |
| Engineering Technician                           | \$105 |
| Resident Engineer                                | \$170 |
| Assistant Resident Engineer / Office Engineer    | \$130 |
| Senior Construction Inspector                    | \$130 |
| Construction Inspector                           | \$115 |
| Structural Representative                        | \$170 |
| Two Person Survey Crew                           | \$285 |

Rates reflect and include administrative costs and routine expenses such as local mileage, copying, fax, telephone, mail, in-house printing, software, and computer usage, etc. Reproduction and sub consultants are billed at cost plus 15%. Rates will remain effective through June 30, 2016.

**EXHIBIT C**  
**INSURANCE DOCUMENTS**

***Draft* MEETING MINUTES  
CITY OF MILPITAS**

**Minutes of:** Regular Meeting of Milpitas City Council  
**Date:** Tuesday, September 1, 2015  
**Time:** 5:00 PM Closed Session  
7:00 PM Open Session  
**Location:** Council Chambers, Milpitas City Hall,  
455 East Calaveras Blvd., Milpitas

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**CALL TO ORDER**

Mayor Esteves called the meeting to order at 5:01 PM for Closed Session.

**PRESENT:** Mayor Esteves, Vice Mayor Montano, Councilmembers Barbadillo and Grilli

**ABSENT:** Councilmember Giordano

**CLOSED SESSION**

City Council convened in Closed Session to discuss existing cases of litigation and one case of anticipated litigation.

City Council then convened in Open Session at 7:00 PM.

**ANNOUNCEMENT**

No announcement out of closed session.

**PLEDGE**

Boy Scouts Troop No. 92 presented the flags and led the pledge of allegiance.

**INVOCATION**

Vice Mayor Montano read a passage from the bible to start the meeting.

**MEETING MINUTES**

Motion: to approve the minutes of August 18 and 24, 2015 City Council meetings

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

**SCHEDULE OF MEETINGS**

Motion: to approve Council Calendar/Schedule of Meetings for September 2015

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

**PUBLIC FORUM**

Rob Means, 1421 Yellowstone resident, talked about Personal Rapid Transit (PRT) and the potential costs to build and install.

Bob Nunez, Milpitas resident and School Board member, invited the City Council and all residents to go on Friday, September 18 to Levi Stadium in Santa Clara to watch the Milpitas High School football game. Tickets were available at the school district office.

Robert Marini, Milpitas resident, referred to a recent lawsuit about Proposition 218 and costs for utility services. Council must ask what were specific costs of service and thus, the fees charged.

Voltaire Montemayor, Milpitas resident, knew of everyone's concern for water. Highly combustible materials should be kept in the right place, he urged.



## ANNOUNCEMENTS

None.

## ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

Interim City Attorney Baum asked Councilmembers if they had any personal conflicts of interest or reportable campaign contributions. None were reported.

## APPROVAL OF AGENDA

Motion: to approve the meeting agenda

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## CONSENT CALENDAR

Motion: to approve the Consent Calendar (items noted with \*asterisk), as amended

Mayor Esteves asked to remove item no. 10 (Sports Center Fields project) and no. 12 (Main St. repavement construction) from consent.

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

### \* 3. Odor Report update

Received the update of the odor control report.

### \* 4. Youth Advisory Commission

Per Mayor's recommendation, approved the following on Youth Advisory Commission: Re-appointed Alan Pham and Clare Sern as regular members to terms that will expire in September of 2016. Re-appointed Jashandeep Chahal as Alternate No. 1, Ravit Sharma as Alternate No. 3 and Christie Maly as Alternate No. 4 to terms that will expire in September of 2016.

### \* 6. Repairs Needed for Six Storm Pump Stations

Approved the emergency repairs of six Storm Pump Stations for the not-to-exceed amount of \$557,086.00 and appropriate funds from the City's General Government CIP Fund to the Public Works Utilities Maintenance Repair and Maintenance budget. Received the report on emergency repairs of the Bellew Pump Station.

### \* 7. Year End Budget Adjustments for FY 2014-15

Approved three Fiscal Year 2014-15 year-end budget appropriations:

- 1) Increase Planning and Neighborhood Services Department by \$2,260. The City collected fees from developers to be used for a General Plan update. During the fiscal year, the Planning Department incurred expenditure to initiate the update by filing a notice for CEQA Document Declaration at the County Recorder's office. The source of funding for the budget appropriations is the Community Planning Fund.
- 2) Increase non-department budget by \$6,937 for rental fees of a fence for the McCandless property. The source of funding for the budget appropriations is the Transit Area Impact Fee Fund.
- 3) Increase non-department budget by \$2,495. The increased amount is related to audit fee incurred for the audit of projects funded by the Transportation Development Act grant. The source of funding for the budget appropriation is the Street Improvement Fund.

### \* 8. Resolution

Adopted Resolution No. 8499 approving the Annual Investment Policy for FY 2015-16.

### \* 9. Resolution

Adopted Resolution No. 8500 authorizing the examination of sales or transactions and use tax records.

- \*11. Water Meter Replacement      Approved and authorized the Director of Engineering/City Engineer to execute change order No. 2 for the Automated Water Meter - Phase 1, Project No. 7121 cumulatively not to exceed \$25,000.

## **PUBLIC HEARING**

1. Plastic Bag Ban Ordinance No. 287      Engineering staff Leslie Stobbe introduced two members of the Recycling and Source Reduction Advisory Commission (RSRAC), which had re-affirmed on April 28, 2105 its recommendation to City Council to adopt the proposed ordinance. Ms. Stobbe emphasized the primary reason was to reduce trash and debris in the waterways, creeks and streams throughout the City, and that would also help to meet statewide mandates on the City for its municipal stormwater discharge permit.

Mayor Esteves inquired about the 10 cents per bag charge for brown paper bags. Staff explained that was part of the ordinance and was designed to encourage use of cloth reusable bags that customers could bring from home. City staff would work with business owners on the requirement for tracking sales of single use paper bags by businesses.

Councilmember Barbadillo asked for comparative costs of paper bag to plastic bags. Ms. Stobbe replied that plastic bags could cost only pennies while paper bags could 10-14 cents per bag, though cooperative purchase was available to be cheaper for business.

Vice Mayor Montano asked about state legislation banning plastic bags that was adopted, and the ballot proposition in November 2016. She supported the fee of 10 cents per paper bag to encourage changing shoppers' behavior.

Councilmember Grilli inquired what the rationale was for exempting restaurants. Ms. Stobbe replied it was common in other cities to allow those. Milpitas had a high number rest and that the next action in some cities was to ban styrofoam take-out products in restaurants while allowing the plastic bags for the take-out food container.

Mayor Esteves asked Commissioners if they had any comments for the Council.

RSRAC Chair Eddie Inamdar noted that plastic bags floated in water ways and made the community dirty in addition to being non-compostible. He and the community wanted to keep Milpitas beautiful.

Mayor Esteves opened the public hearing.

Robert Marini, Milpitas resident, felt city was more concerned about plastic bags than getting a fine over incorrect charges for utilities. He did not favor a fee for shopping bags. It was imposing a service on the businesses to keep track of the data, too.

Andrea Ventura, of Clean Water Action with 50,000 members in the Bay Area including Milpitas, commented that plastic bags were "bad actor" trash, hurting wastewater systems. Another advantage of the ban was a fiscal one, helping ratepayers ultimately. The Council was acting sooner to help the pollution problem rather than waiting for the November 2016 ballot proposition. She remarked how well the ban was implemented in San Jose, where she lived.

Tim Howard, Milpitas resident and business owner, supported banning plastic bags to help with reducing trash. But, he strongly opposed the tally of the sale of paper bags to report to the City, especially by small businesses and storefronts. He requested that City Council exempt small businesses from the 10 cents per bag charge.

Alison Chan, from Save the Bay, a Bay Area organization with members in Milpitas, urged Council not to change the 10 cents per bag charge, as recommended. The fee for the paper bags does work to change behavior, she had seen in other communities.

Patty Sexton, Milpitas resident, was in support of banning plastic bags. She made a conscious effort not to use plastic single-use bags by re-using her cloth and synthetic material bags, including one distributed by the City. It helped the environment and beautified the City.

Chris Laffer, a Newark resident and member of Clean Water Action, worked to reduce trash throughout the Bay Area, especially those terrible plastic bags. He discussed the impacts of toxins in the water ways and effects on fish.

Michael Gardner, Fremont resident, shopped in Milpitas. He was willing and did buy the paper bags when needed. He was used to the change where he lived and encouraged having the same practice in Milpitas.

Voltaire Montemayor, Milpitas resident, shopped at WalMart and Grocery Outlet, where plastic bags were still available. He could be trained to change and would accept paper bags. He believed plastic bags were detrimental to the environment and general welfare. He had changed his mind.

Rob Means, Milpitas resident, said most corporations were driven by one single value: profit. They did not care about the environment, as discussed at this meeting. Corporations externalized costs while internalizing profits.

Carol Klein, 1421 Yellowstone resident, reported that where she shopped, some stores would give a credit of five cents or so when you bring your own bags. That was an incentive. Acting as a community was important to be kind and environmentally sensitive.

(1) Motion: to close the hearing, following comments from ten speakers

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of:

AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

Mayor Esteves asked staff more questions about the process for small businesses to track the bag sales. Ms. Stobbe responded they would report to the City annually and repeated that staff would work with those businesses on method to do so.

Councilmember Grilli said the purpose of the ordinance was to ban plastic bags, not to encourage sales of paper bags and to use re-usable cloth bags.

Councilmember Barbadillo asked if the Engineering staff talked to Economic about the impact to businesses. Economic Development Manager Edesa Bitbadal came forward to answer yes, that she had discussed this and how to communicate this change to businesses in the City, several tactics which she described.

Vice Mayor Montano thanked the City Manager for the explanation as to why businesses needed to track sales of the paper bags, in order to report to the state on efforts made towards the requirements for the City's stormwater permit and for waste reduction.

Councilmember Grilli felt removing the 10 cents fee for paper bags would weaken the ordinance, so she wanted to leave it in as an incentive for consumers to bring their own shopping bags from home.

Mayor Esteves stated that businesses were ready for this change and were expecting it, based on nearby cities. It was about time and he supported the ban last time it came before the City Council in Milpitas.



(2) Motion: to find as a Responsible Agency that the adoption of an ordinance to restrict single-use plastic bags in Milpitas is exempt from CEQA under CEQA Guidelines Section 15307 and 15308, and that City of Milpitas was a participating agency in the County-wide Environmental Impact Report analyzing the environmental impacts of an ordinance to restrict single-use carry-out bags

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

Interim City Attorney Gary Baud read aloud the title of Ordinance No. 287, “An Ordinance of the City Council of the City of Milpitas Adding Chapter 5 of Title III of the Milpitas Municipal Code Relating to Single-Use Bags.”

(3) Motion: to waive the first reading beyond the title of Ordinance No. 287

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

(4) Motion: to introduce Ordinance No. 287 restricting use of single-use carry-out bags

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## UNFINISHED BUSINESS

### 2. Overview of CalPERS

Mr. Ron Lind, a CalPERS Board member and Milpitas resident, provided an overview on the current status of the retirement program and its funding status. He discussed the financial health of the retirement fund with \$300 billion in assets and 2700 employees statewide. He described the value of defined benefits pension plans in public employment. PERS was always dealing with systemic risk in investment of its funds.

Mayor Esteves thanked him for his informative presentation to the Council.

Vice Mayor Montano thanked him and found it enlightening. She asked about the effect of China and the global economy on CalPERS. Mr. Lind responded about many factors that did influence the PERS funds, including those she’d mentioned.

Mayor Esteves asked if the City and PERS could do something about the ever-increasing rate of contribution for the City to pay. The collective bargaining process was involved in terms of how much employees contribute to PERS, Mr. Lind responded.

The Mayor invited comments from the audience.

Robert Marini, Milpitas resident, asked how much was in the Safety plan. Mayor Esteves replied with the various PERS formulas that employees have negotiated for retirement.

No vote was taken and the Mayor again thanked Mr. Lind for coming.

## REPORTS

### 5. Sister Cities Commission

Leslie Stobbe, City staff liaison to the Sister Cities Commission, introduced Commission Chair Dennis Grilli who then discussed activities and the workplan for Sister Cities. A new sister city in South Korea would be sought this year in the fall to add to the four current relationships now in place.

Commissioners recommended a change in the by-laws to have one voting member in a seat for a representative of a company with a corporate presence in Milpitas. This would be to a change to one existing seat on the Commission, not adding one. The goal was to seek help with fund raising activity and seeking corporate sponsors.

Vice Mayor Montano noticed he had not mentioned outreach for a Sister City in Latin America. Ms. Stobbe pointed out this was item no. 6 on the Commission work plan.

Mayor Esteves wanted to include city staff to be covered by any stipend for possible future travel. Staff replied in the past it was determined that that would not be allowed.

Next, the Mayor invited the public to speak.

Voltaire Montemayor, Milpitas resident, talked about visitors from foreign countries. It was an honor for Milpitas and the exchange of cultures.

Motion: to approve the FY 2015-16 Work Plan and approve one change to the By-laws of the Sister Cities Commission related to membership

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## AGREEMENTS

### 10. Bidder Package for Sports Center Fields

City Engineer Steve Machida came to the podium to brief the Council and the public on the Milpitas Sports Center playing field updates.

Mayor Esteves asked if work would be done by July 4, 2016 as stated in report, and staff said yes. He asked the City Engineer about various dates and steps in the schedule and plans. Primarily, the Mayor was concerned that work got done on time because there was no way that the City could not have use of the field for July 4<sup>th</sup> festivities.

Councilmember Grilli asked if there was any impact on the area for a skateboard park and staff said no, as that area would not be disturbed at all.

Mr. Machida stated that staff would come back to City Council in the next meeting or two with the project architect to show the community what was planned at the sports fields.

Motion: to authorize the City Engineer to issue a bidder pre-qualification package for the Milpitas Sports Center Sports Fields, Project No. 5104

Motion/Second: Councilmember Barbadillo/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0  
ABSENT: 1 (Giordano)

### 12. Main St. Reconstruction

Mayor Esteves asked Steven Machida to update the public on the project occurring along Main Street including the new trees. The Mayor asked staff about lights on the street or

adding to the project. Mr. Machida replied that staff had met with business owners this date to come up with a plan for attractive street lighting to go in along Main Street and to be prudent with underground lighting before any new street lights get installed.

Councilmember Grilli thanked the Mayor for bringing up this topic. Business improvement was needed all along Main Street so she was pleased with these efforts, including a plan for lighting.

Vice Mayor Montano mentioned that the Community Advisory Commission talked with an arborist about trees, and mentioned adding some trees to Main Street. Lights along the current project segment should match the style already installed along the more northern portion of Main (in the MidTown Plan area).

Councilmember Barbadillo asked about some of the financial details of the project, and the change order amount requested for approval here.

Mayor Esteves invited comments from the audience.

Voltaire Montemayor, Milpitas resident, lived close to the area and maybe it could extend further to the Milpitas Post building area, beyond the Milpitas Library.

Motion: to approve and authorize the Director of Engineering/City Engineer to execute contract change order No. 2 for \$250,000 for the Main Street Pavement Reconstruction, Projects No. 4277 and No. 3412

Motion/Second: Councilmember Grilli/Councilmember Barbadillo

Motion carried by a vote of: AYES: 4  
NOES: 0  
ABSENT: 1 (Giordano)

## **ADJOURNMENT**

Mayor Esteves adjourned the City Council meeting at 10:05 PM.

*Meeting minutes respectfully submitted by  
Mary Lavelle, City Clerk*



# CITY OF MILPITAS

## CONSOLIDATED ANNUAL PLAN PERFORMANCE EVALUATION REPORT (CAPER)

### JULY 1, 2014 - JUNE 30, 2015

#### EXECUTIVE SUMMARY

During fiscal year 2014-2015, the City of Milpitas received \$395,456 in Community Development Block Grant (CDBG) funds. A total of \$59,318.40 was allocated to 12 different public service providers. These public services include a variety of programs such as: 1) supportive services for domestic violence families, 2) senior legal aid, 3) supplemental supplies of food and clothes program, 4) homeless shelter and supportive services, 5) recreational assistance programs, 6) child advocacy, 7) family literacy program, 8) long-term care ombudsman services for senior in care facilities, 9) adult day care services, 10) fair housing services and 11) meals for home-bound seniors.

With regards to non-public service activities, Milpitas allocated \$257,046.40 to 4 different non-public service providers, these services will include: 1) funding for the modernization of elevators for a senior project, 2) home repairs and improvements for senior and physically, disabled persons, 3) Milpitas Single-Family Rehabilitation Loan Program and 4) apartment/home rehabilitation that includes weatherization, energy conservation, and code deficiency repairs.

The 15-day public review period on the Milpitas CAPER was advertised from August 21st to September 4th, 2015 for public review and comments. The Milpitas City Council held a public hearing on September 15, 2015. Any comments received prior to or during the City Council public hearing will be incorporated into the final document. Community Development Block Grant funds will be provided to all segments of Milpitas population including geographical areas with concentrated low-income households.

#### Certification of Discharge Policy

The City of Milpitas will be working with the State of California Department of Corrections and County of Santa Clara Department of Corrections to establish a comprehensive policy and strategy for the housing and placement of offenders in the community. The Discharge Placement Policy seeks to provide direct help and assist for the placement of prisoners released from jails, hospitals, and other facilities in order to prevent homelessness.

**Public Comments:** To be provided after City Council Public Hearing on Tuesday, September 15, 2015 at 7:00pm Milpitas City Hall at the City Council Chamber.

## Introduction

Pursuant to the Department of Housing and Urban Development (HUD) funding requirements and in conformance with 24 CFR Part 91.520 Performance Report, City of Milpitas has prepared and will be recommending for approval of its 2014-2015 Consolidated Annual Performance Evaluation Report (CAPER). The CAPER describes: 1) the City's low and moderate income housing and community development activities carried out during the past fiscal year 2014-2015, 2) the funding resources that were made available for low-income activities, and 3) the number of low-income households who received assistance with housing-related needs.

The CAPER also evaluates the City's overall progress in carrying out those priority projects that were identified in the approved Five Year (2012-2017) Consolidated Plan and One-Year Action Plan. To date, Milpitas has continued to meet its overall one-year goals and will be on target to meet its goals for the Five-Year Consolidated Plan.

## SUMMARY OF THE CONSOLIDATED PLAN ANNUAL PERFORMANCE REPORT

The CAPER'S Narrative Report consists of the following:

- Summary of Accomplishments
- Resources Made Available/Leveraging Resources
- Status of the Actions Taken during the Year to Implement the City's Goals and Objectives
- Affirmatively Furthering Fair Housing
- Accomplishments (Households and Persons Assisted)
- The City's Self-Evaluation on the Progress Made in Addressing and Identifying the Priority Needs and Objectives
- Citizens Comments and Public Review

## PUBLIC REVIEW OF THE CAPER

The CAPER was made available for public review and comments for a 15-day public review period from August 21, 2015 to September 4, 2015. Copies were sent out to CDBG Service Providers and all interested parties. Copies are also made available in the Milpitas Public Library, Public Information Counter at Milpitas City Hall and City's Website. The Milpitas City Council will hold a public hearing on the Draft CAPER on Tuesday, September 15, 2015 at Milpitas City Hall, 455 E. Calaveras Blvd. at 7:00 p.m. After the public hearing, public review comment period, a copy of the CAPER along with the Financial Summary Grantee Performance Report, Summary of Housing Accomplishments and Integrated Disbursement and Intonation System (IDIS) reports will be forwarded to the Department of Housing and Urban Development (HUD) by September 30, 2015. Public Notice of the CAPER public review, and comments period and the City Council's public hearing notice will be advertised in the Milpitas Post, along with letters to Public Service and Housing Providers and other interested parties (including a draft copy of the CAPER) will be mailed.

## GEOGRAPHIC DISTRIBUTION

The specific geographic areas in which the City of Milpitas provided direct assistance with CDBG funds during the fiscal year 2014-2015 contains an inclusive population. The rationale for allocating CDBG funds are based on financial, social and economic needs of several working class neighborhoods. Neighborhoods such as Sunnyhills, Selwyn, Shirley, Dempsey Road, Temple Drive and Adams Ave have high concentration of low income populations which have benefited from CDBG funds such as: Housing Rehabilitation Loan Program, Next Door Solution to Domestic Violence, YWCA Silicon Valley, Milpitas Food Pantry, Milpitas Recreation Assistance Program, Rebuilding Together, The Health Trust, Project Sentinel, Senior Adults Legal Assistance, HomeFirst, and Terrace Gardens Senior Housing Project.

## SUMMARY OF ACCOMPLISHMENTS

The City of Milpitas uses a variety of funds to support services and provide affordable and supportive housing activities during the past fiscal year. Milpitas received direct federal funds of \$395,456 for fiscal year 2014-2015 from the CDBG Program and \$9,706.06 in Program Income in form of the payments from the Housing Rehabilitation Program. The loan payments from the rehabilitation program serve as a revolving loan fund that will go back into the program. The total CDBG funding for FY 2014-2015 was approximately \$405,162.06.

Please note, as reported in the City's 14/15 Action Plan, it was estimated that the City's CDBG 20% Program Administration limit was \$88,698.00. This was based on an allocation of \$393,490 and anticipated program income of \$50,000.00. However, the City only received \$9,700 of program income. Therefore the maximum amount allowable for program administration is \$80,938. The City expended \$96,199.62, an overage of \$15,261. The City will reimburse the program account for the overage in administrative expenses.

Milpitas continues to support and encourage the Housing Authority of Santa Clara County efforts to increase Section 8 vouchers for Milpitas residents. To date, the Housing Authority has identified 615 Section 8 tenants in Milpitas and 1,892 residents on the waiting lists. Unfortunately, Milpitas has been informed by the Housing Authority of Santa Clara County that they do not have the funding to issue future Section 8 vouchers and the current waitlist is 8-10 years.

A summary of the Milpitas housing and community projects accomplishments is presented below:

- **Rebuilding Together Silicon Valley** provides funding to preserving affordable housing through home improvements. The home improvements are prioritized by the homes which is in need of safety, energy efficiency, accessibility and mobility repairs and upgrades for very low-income homeowners. The primary focus is also to correct code deficiencies that are safety hazards. Home improvements include: increasing accessibility, modifying homes to include wheelchair ramps, grab bars, and hand rails; and increasing energy efficiency through weather-stripping, appliance replacements, vent cleaning, compact fluorescent lights replacements and windows. Other home repairs and rehabilitation work includes electrical repairs roof repairs and replacements, interior and exterior painting yard cleanup, plumbing repairs, bathroom modifications flooring (linoleum, carpet tile), heating installation, indoor and outdoor lighting, fences for safety, doors, steps, and smoke and carbon monoxide alarms. Milpitas provided



\$94,563.20 in CDBG funds for this project. A total of 30 Milpitas homes benefited from this project the past year.

**Goal/Objective:** This accomplishments exceeded its goal of 25 homes and rehabilitated 30 low income homes.

- **San Jose Conservation Corporation** provided apartment rehabilitation which include weatherization, energy conservation and mitigating code deficiencies for very-low to low-income Milpitas households. The project also provides valuable, vocational education to at-risk, disadvantaged, young adults with the opportunity of hands-on training by working on the rehabilitation projects.

**Goal/Objective:** The goal was accomplished as they served six (6) residents.

- **Terrace Gardens Senior Housing** received funds to modernize three (3) elevators and upgrade electrical and mechanical components to meet state and local codes. A total 148 very low and low-income seniors benefited from this project the past year.

**Goal/Objective:** This goal was accomplished with the modernization and upgrade of elevators and its components.

- Milpitas Single-Family Rehabilitation Loan Program provides housing rehabilitation at a low-interest rate loan to very-low and low-income homeowners with the goal of preserving City's neighborhoods through the conservation of existing stocks. The loans are for eligible improvements identified through inspections. Rehabilitation addresses building codes issues, home improvements and other housing deficiencies and to ensure that the rehabilitation units are free of lead based paint. Program income is generated through repayments of loans; that money then is contributed back into the program enabling the program to continue. Milpitas provided \$351,521 (includes \$9,706.06 Program Income and \$50,000 for Rehabilitation Administration) in CDBG funds for this report. A total of 1 Milpitas homeowner benefited from this project the past year.

**Goal/Objective:** This goal was not accomplished as only 1 rehabilitation of a single family home was completed out an anticipated goal of 2. During FY 2014-2015, two homes were being rehabilitated in which only 1 was 100% completed, and the other as of June 30, 2015 was 99% completed, but still awaiting notice of completion.

### ***Affordable Housing Programs and Opportunities***

- **Housing Trust Silicon Valley** has raised approximately over \$84 million and have leveraged this amount to over \$1.88 billion to create 12,699 housing opportunities for families and individuals within Santa Clara County. To date, a total of fifty-five (55) loans in the amount of \$536, 620 were approved for Milpitas First-Time Homebuyer residents with low-interest rates from Housing Trust Silicon Valley.
- **Mobilehome Park Rent Control Ordinance** has allowed the continuance of affordable rent for the 527 Mobile home units located within four mobile home parks, which are regulated by the

1992 City's Rent Control Ordinance which guarantees long-term affordability. Seventy-two percent living in these mobile home parks are senior citizens over the age of 60-years-old.

- Milpitas continues to implement its Transit Area Specific and Mid-Town Specific Plans around the proposed new BART Station which is proposing a range of densities that would allow up to an additional 5,500 new dwelling units and 3,000 units from the Midtown Specific Plan.
- As required by State Planning Law, Milpitas hired a consultant, Bay Area Economic (BAE) to prepare its General Plan Housing Element (2015-2023) which identifies policies, goals and objectives to further affordable housing opportunities. It was approved by the State of California, Department of Housing and Community Development (HCD) and adopted by City Council on April 28, 2015. Milpitas next Housing Element will be due in January 2023.
- County of Santa Clara Fair Housing Task Force continues to participate in quarterly countywide Fair Housing Task Force meetings with other jurisdictions within Santa Clara County. The task force addresses a variety of issues from housing discrimination, foreclosures, redlining, and fair housing policies. Guest presenters are also invited to attend the meeting from special topics.

### ***Met or Exceed 3-5 Year Goals and Expectations for Affordable Housing***

Milpitas appears to be on target to meet and exceed its goals and expectations for affordable housing identified with the 2012-2017 Consolidated Plan:

- Milpitas currently has 1,248 affordable housing units with long-term affordability restriction agreements for very-low, low- and moderate-income households and senior citizens. The types of units include single family, attached townhomes and multi-family rental. An estimated additional affordable housing units with long-term restrictions agreements has submitted to the City of Milpitas for project review and approval. If approved, upon completion of construction, a total of 1,317 affordable housing units will be available for very low, low and moderate-income households.
- City of Milpitas may incentivize and encourage the development of affordable housing with either/or: waiver of certain development fees, park/open space fees, and/or consider a reduction in development standards to assist the project.
- Prior to the dissolution of Milpitas Redevelopment Agency (RDA), RDA provided funding required 20% housing set-aside funds for affordability housing inside and outside of the project areas. In the past years, RDA provided over \$50 million in assisting developers and first-time homebuyers through park fees or impact fees and low interest rate loans. However, with dissolution of RDA effective February 1, 2012, the ability to support and financial fixture affordable housing units will be extremely difficult.
- Milpitas has negotiated with developer of South Main Street Senior Lifestyles Project to provide 48 very-low income designated units of the total 389 units.
- The Housing Authority of Santa Clara County, HUD and the City has continued worked with the property owner of Sunnyhills Apartments to maintain the Section 8 contracts for the 151 units

at-risk of converting to market rate. The additional 151 Section 8 Program vouchers have been maintained for low-income tenants.

- Milpitas has updated its General Plan Housing Element (2015-2023) which will include policies, goals and objectives to support affordable housing opportunities.

### ***Met or Exceed 3-5 Year Goals and Expectations for Homelessness***

On January 27th and 28th, 2015, Santa Clara County administered a biennial point-in-time Homeless Census and Survey. The goal of the Homeless Census and Survey is to locate, identify, and eventually house the county's most vulnerable individuals into permanent supportive housing. A total of 112 unsheltered Milpitas residents were identified as homeless in 2015, this presents a 15% increase in homeless persons (95) from the previous homeless survey in 2013. Milpitas will continue to provide funding to address homeless issues throughout the city.

Milpitas will continue to support County of Santa Clara efforts to obtain homeless funds from the McKinney-Vento Act for Emergency Shelter Grants (ESG) to assist over 6,000 county residents identified as homeless in the 2015 homeless survey.

During the state-mandated Housing Element process Milpitas has amended its Zoning Ordinance to include the following:

- Modify Zoning Ordinance to allow transitional/supportive housing in MXD Zoning Districts.
- Modify Zoning Ordinance to allow manufactured homes in all zoning districts where residential developments are allowed.
- Milpitas will continue to provide funding to HomeFirst to provide shelter and support services for homeless Milpitas residents.

Milpitas is on target to meet its 3-5 year housing goals and expectation for homelessness.

### ***Met or Exceed 3-5 Year Goals and Expectations for Public Services***

Based on the variety of public services being provided Milpitas appears to be on target to meet or exceed its goals and expectations for public services identified within the five year Consolidated Plan.

#### ***Public Services Provided***

- **Catholic Charities Long Term Care Ombudsman Program** provides services to six (6) long-term care facilities through regular site visits by trained, certified community volunteers. Volunteers will respond to complaints, mediate fair resolution to problems, and advocate for quality of care and residents' rights to at least 68 frail, chronically-ill, elderly residents in those facilities. Milpitas provided \$5,000 in CDBG funds to this program. In total, 87 elderly residents benefited from this program during the past year.



**Goal/Objective:** This accomplishment has exceeded its goal, 87 Milpitas residents were served, in comparison to the anticipated 68 residents.

- **City of Milpitas' Recreation Assistance Program** provides monetary assistance to subsidize recreational programs to low and very low-income youths. The previous Milpitas Stay & Play After School and Camp Stay and Play Programs have been incorporated into the Milpitas Recreation Department Recreation Assistance Program. Milpitas provided \$5,000 in CDBG funds to this program. A total of 47 Low-income Milpitas youths participated in the program.

**Goal/Objective:** This accomplishment has exceeded the goal as 47 Milpitas youths were served, in comparison to the anticipated 40.

- **Child Advocates of Silicon Valley** provides court-appointed, foster care children to special advocates (CASA) to provide one-on-one consistent and permanent support, by remaining in the child's life during the whole duration of the child's time in the foster care system. The CASA provide consistent critical emotional and educational support due to the absentee and inconsistencies of the child's parent(s)/guardians/adults in his/her life. Milpitas provided \$5,000 in CDBG funds to fund 25-30 children.

**Goal/Objective:** This accomplishment has exceeded their goal by servicing 32 children. In addition recruited 311 CASA volunteers, trained 201 CASA volunteers, supported 564 CASAs to work with foster children, providing 7,406 hours of continuing education and over 54,000 hours of volunteer hours to the community.

- **HomeFirst** provides shelter and supportive services for homeless adults, youth, and families in Milpitas. Programs include housing and education services to help clients overcome barriers to housing and employment to encourage self-sufficiency. HomeFirst services ranges from emergency shelter to transitional programs permanent housing and after-care services. Milpitas provided \$5,000 in CDBG funds to this program. HomeFirst provided 574 personal nights days to 33 Milpitas residents.

**Goal/Objective:** This accomplishment has exceeded the goal as 33 unduplicated Milpitas Residents were served in comparison to the anticipated 20 residents. A total of 574 personal shelter days were also recorded.

- **Live Oak Adult Day Care Services** specializes in adult day care services for frail and dependent at-risk senior residents including: respite for family caregivers, provides nutritious meals, counseling, referrals, and case management to support family members in their efforts to maintain their dependent senior relative in the family home. Milpitas provided \$5,000 in CDBG funds to this program. A total of 5 Milpitas senior residents with 214 days of social adult day care service benefited from this program the past year.

**Goal/Objective:** This accomplishment has not met its goal, as only 5 unduplicated Milpitas Seniors were served instead of the anticipated 12. Live Oak stated difficulties and barriers in the location of the adult day services. The day services for Milpitas residents were located in Willow Glen of San Jose, leading families to lose interest in driving their elders far or arranging transportation. Live Oak's executive director is researching the feasibility of having a satellite program inside Milpitas to encourage and entice more Milpitas clients and participation.

- **Milpitas Food Pantry** is a locally-based organization that provides supplemental emergency supplies of food to low-income individuals and households and other household items such as clothes, toiletries and school supplies. The Milpitas Food Pantry collects, purchases and store food supplies to distribute. Milpitas provided \$9,318.40 in CDBG funds for this program. A total of 1,026 very low and low-income households (2,959 persons) benefited from this program during the past year.

**Goal/Objective:** This accomplishment has exceeded the goal. As 1,026 unduplicated Milpitas Residents were served in comparison to the anticipated 800-1,000 residents.

- **Milpitas Family Literacy Program** is located only at Title I elementary schools in the Milpitas Unified School District to teach low-income, pre-school aged children and their families (and often bilingual): book handling skills, reading out loud, and other kindergarten readiness strategies for parents and pre-school aged children. In addition the program provides free weekly book exchanges to encourage reading at home with his/her parents. Milpitas provided \$5,000 in CDBG funds for this program. A total of 35 families benefited from this program last year.

**Goal/Objective:** This accomplishment has met its goal, as 30 unduplicated Milpitas pre-school aged children and families were served or 60 individuals.

- **Next Door Solutions to Domestic Violence** provides shelter for up to 30 days for women and children victims of domestic violence in need of emergency shelter. Milpitas provided \$5,000 in CDBG funds to this project. Three (3) Milpitas residents benefited from the emergency shelter this past year and an additional sixty-three (63) were provided non-residential services such as: crisis counseling, support groups, individual therapy, legal assistance and advocacy in the past year.

**Goal/Objective:** This accomplishment was not met, as only three (3) residents were housed in emergency shelter instead of the anticipated five (5). The number was not met because only 1 family in Milpitas requested shelter.

- **Project Sentinel** provides fair housing education and landlord-tenant dispute resolution services along with mortgage default, delinquency and pre-purchase counseling to Milpitas residents. Public education and outreach activities for both fair housing and landlord-tenant services includes Rent Watch, rental housing advice column, distribution of brochures, radio and television public service announcements, presentations and workshops. Milpitas provided \$15,000 in CDBG administration funds to this project. This project benefits all Milpitas residents.

**Goal/Objective:** This accomplishment has exceeded the goal, as 73 referrals by Milpitas Residents were served.

- **Senior Adults Legal Assistance (SALA)** provides free legal services to Milpitas elderly citizens. SALA provides services by appointments only at 23 senior centers throughout Santa Clara County, one being the Milpitas Senior Center. SALA has served Milpitas seniors since 1979. SALA provides an on-site intake sessions twice a month. Five, half-hour session's appointments are available at each intake session for the elderly to meet with SALA representative. Home visits

are also available for those seniors who are home-bound or reside in nursing homes. Milpitas provided \$5,000 in CDBG funds to the program. A total of 49 senior citizens benefited from these services during the past year. SALA also conducted a community education seminar at the Milpitas Senior Center for senior citizens.

**Goal/Objective:** This accomplishment has exceeded the goal, as 49 unduplicated Milpitas Seniors were served, in comparison to the anticipated 38 seniors.

- **The Health Trust** provides nutritionally-balanced, home-delivered meals daily to six (6) unduplicated, home-bound seniors, as well as increasing social interaction and provide additional wellness checks. Milpitas provided \$5,000 in CDBG funds to this program. A total of 1,636 daily, nutritionally-balanced meals were delivered to six (6) Milpitas seniors in fiscal year 2014-2015.

**Goal/Objective:** This accomplishment has met its goal of 6 unduplicated Milpitas Residents.

- **YWCA of Silicon Valley** provides supportive services for domestic violence victims including: 24-hour tool of free bilingual (English/Spanish) crisis hotline, confidential emergency shelter, counseling, case management, individual and group therapy, support groups, children's art therapy, safety planning and domestic violence education. Milpitas provided \$5,000 in CDBG funds to the program. A total of 20 Milpitas households benefitted from these services during the past year.

**Goal/Objective:** This accomplishment fell short of the goal of assisting 30 Milpitas residents (24 instead of 30). YWCA surpassed its goal in providing direct supportive services and crisis counseling/information to survivors through referrals from the Milpitas Police Department as 110 individuals were assisted. City Staff has met with the sub-recipient in strategies to additional outreach and other further assistance as requested to increase the program awareness that may restrict the project from reaching 30.

## RESOURCES MADE AVAILABLE

Milpitas received \$405,162.06 (including \$9,706.06 of Program Income) in CDBG funds during FY 2014-2015 from housing and community development activities. Milpitas used these CDBG funds to carry out the activities identified in the Five-Year Consolidated Plan. All activities were carryout Citywide; there were no specific geographic concentration of resources. However, the specific geographic areas in which Milpitas have provided direct assistance with CDBG include low-income neighborhoods. The rationale for targeting these areas for allocating CDBG funds are based on financial, social, and economic needs of several working class neighborhoods.

On March 5th and April 15th, 2014, the Milpitas Community Advisory Commission (CAC) and City Council held public hearings to allocated \$395,456 of CDBG funds. The funds were used for a variety of public services, programs and activities.

### ***Leveraging Other Resources***

Milpitas has leverage other resources in support of affordable housing and community projects which includes:



- Provide land donation (\$12.4 million by Milpitas Housing Authority) to developer to construct South Main Senior Lifestyles apartments with 48 very low-income units for seniors.
- Participate in Countywide Fair Housing Task Force to address various housing issues throughout Santa Clara County.
- Participating in a Countywide Regional Countywide Housing Task Force to consider adoption housing nexus study and developer impact fees.

Provided over \$37 million in Capital Improvement Projects (CIP) on community and parks projects to enhance quality of life for Milpitas residents. The following listing identifies the financial resources that have been used to leverage funds within the City of Milpitas Capital Improvement Program 2015-2020 (CIP):

|                                          |             |
|------------------------------------------|-------------|
| City Building ADA Compliance Review      | \$50,000    |
| Sports Center Skate Park                 | \$1,650,000 |
| Alviso Adobe Renovation                  | \$6,474,272 |
| Murphy Park Picnic Playground Renovation | \$3,750,000 |
| Sports Center Sports Fields              | \$2,875,000 |
| Park Access Improvements and Resurfacing | \$600,000   |

The majority of the public service agencies have also leverage their funds with a variety of public, private funding sources including other foundations, corporations, and private donations. Milpitas CDBG application process requires applicants to explain their method and strategy of leveraging funds for their programs and activities. Milpitas will continue to seek creative and alternative methods to leverage its funds and continue to financially support a variety of housing and public services programs and activities.

## STATUS OF OTHER ACTIONS TAKEN DURING THE YEAR TO IMPLEMENT THE CITY'S GOALS AND OBJECTIVES

### *Existing Public Policy (On-Going Implementation)*

The City of Milpitas has approved and adopted four important documents which will have a major impact on the City's future housing policies: 1) The Midtown Specific Plan, 2) Milpitas General Plan Housing Element, 3) Milpitas Five-Year Consolidated Plan (2012-2017) and 4) Transit Area Specific Plan.

- **Midtown Specific Plan:** Milpitas continues to implement the Midtown Specific Plan. Overall, the plan calls for up to 4,000-5,000 new dwelling units, support retail development, new office developments at key locations, bicycle and pedestrian trails linking the areas together and new parks to serve residential development. Residential densities up to 60 dwelling units per acre will be accommodated with parking reductions for developments with 1/4 miles of the Transit-Oriented Development Overlay Zones. The Milpitas City Council adopted the Midtown Specific Plan in March 2002. To date, approximately 1,317 housing units have been approved or under construction within the Midtown Specific Plan Area.
- **Milpitas General Plan Housing Element (2015-2023):**As required by State of California Housing Element Law, City of Milpitas has certified and adopted its General Plan Housing Element, which

establishes goals, policies and objectives over the next eight years. Identifying adequate housing opportunity sites, appropriate densities to meet the Regional Housing Needs Determination (RHND) housing goals as determined by ABAG, affordable housing at-risk, governmental constraints and housing costs are several issues that will be addressed.

- **Consolidated Plan (2012-2017):** City of Milpitas submitted its Five-Year Consolidated Plan was approved by HUD in August 2012. The Consolidated Plan is a comprehensive planning document that identifies the City's overall needs for affordable housing and non-housing community development activities and outlines the strategy to address the identified needs. Staff is working on updating the next Consolidated Plan for 2018-2023.
- **Transit Area Specific Plan:** Preparation of a report for over 400 acres around the light rail and future Montague/Capital Bart station in Milpitas for specific types of land uses, streetscape, design guidelines, and high-density residential development within half mile of the light rail and BART stations. High-density residential development would allow up to 60 dwelling units per acre. The plan also allows for a bonus of 25% increased density with a use permit. In addition housing developers can apply for the State Density Bonus. If the use permit and density bonus are approved, a developer could potentially have up to 90 dwelling units permitted on approved sites. The Transit Area Specific Plan has the potential to provide 5,000 to 7,000 additional dwelling units in Milpitas. To date, Milpitas has approved or under construction eleven (11) applications for development within the Transit Area Specific Plan with over 3,200 new housing units.

Also, Milpitas has continued to demonstrate a commitment to providing a variety of affordable housing units to increase the City's housing supply through the use of the Density Bonus Ordinance, and first-time homebuyers program. Milpitas has and will continue to consistently negotiate with developers to provide a percentage of the units as affordable through the use of incentives such as reduction in development standards, waiver of developmental fees, and financial concessions.

Milpitas has also taken steps to streamline the permit processing procedures to expedite the approval of affordable housing projects. Milpitas in terms of the approval process has given these projects special priority for fast track approval. Milpitas policies as well as its financial commitment will continue to support, maintain and improve on affordable housing opportunities for its residents.

### ***Public Housing Improvement and Residents Initiatives***

Presently, there is no public housing within the City of Milpitas.

### ***Institutional Structure***

There are no weaknesses identified in the institutional structure.

### ***Actions Taken to Overcoming Gaps in Institutional Structures to Enhance Coordination***

Milpitas continues to work closely with the State, County, local jurisdictions, public and private agencies to provide and coordinate strategies and provide available resources within the community. The

Milpitas Housing Element serves as the guide to policies and principles in providing affordable, safe and decent housing to all segments of the population.

Also, Milpitas has prepared and submitted its updated Consolidated Plan (2012-2017) to identify its CDBG housing and community goals and objectives over the next five years. Milpitas continues to serve on the Housing Bond Advisory Committee within Santa Clara County to raise approximately \$20 million dollars to address the affordable housing and homeless support programs throughout the entire County.

Milpitas continues to participate in several countywide groups such as: Fair Housing Task Force, CDBG Coordination meetings, HOME Consortium, Regional Countywide Housing Task Force, and Homelessness Prevention over the next 10 years. Finally, Milpitas continues to support and encourage intergovernmental cooperation among the various public agencies and organizations to foster coordination and avoid the duplication of services and the effective use of financial resources. Projects such as the Countywide Homeless Survey, Fair Housing Report, Countywide Fair Housing Task Force, Housing Trust Fund, and Regional Countywide Housing Task Force are just a few examples of the City of Milpitas collaboration among the other jurisdictions in Santa Clara County.

### ***Lead Based Paint Hazard Reduction***

Milpitas has updated its information on lead-based paint hazard which will continue to be provided to all property owners and residents prior to any housing rehabilitation work being performed. If the property appears to have lead-based paint hazard, the property owner will be notified and further testing will be required to abate the problem. Milpitas has allocated \$50,000 of Single Family Rehabilitation Program Administration funds to implement compliance with the HUD Lead-Based Paint regulations.

Milpitas will continue to work with its Building Division and County of Santa Clara Environmental Health Department, as funding becomes available, in the design and implementation programs related to the detection, abatement, presentation and education of lead paint in the housing stock.

## **AFFIRMATIVELY FURTHERING FAIR HOUSING**

The state-mandated updated Housing Element (2015-2023) was submitted, certified, and approved by the Department of Housing and Community Development (HCD) and City of Milpitas' City Council pursuant to State Housing Element Law, the following updates will be incorporated into the document to further fair housing opportunities for lower income households:

- Milpitas Zoning Ordinance was amended to permit emergency shelters without discretionary review "by right" within certain zoning district. In the past, this use would require a discretionary review by Planning Commission and or City Council through the conditional use permit process which could be denied with opposition. Development standards will also be incorporated to promote and regulate orderly development.
- Milpitas Zoning Ordinance was amended to permit transitional and supportive housing without discretionary review "by right" within certain residential zoning districts. These uses will be subject to the same development standards and restrictions as other residential uses within the same zoning districts.



- Milpitas Zoning Ordinance was amended to permit single room occupancy units by discretionary review by Milpitas Planning Commission. These uses will also be subject to development standards to promote and regulate orderly development.
- Milpitas will review and consider updating any policies, ordinances or procedures to further allow reasonable accommodation for persons with disabilities in the application of housing opportunities.
- Milpitas' City Council directed that all new residential developments applications submitted after June 16, 2015 shall provide five percent (5%) of very-low or low-income residential units with a restriction of fifty-five (55) years or contribute an amount to the City equivalent to the five percent (5%) of the construction value or a combination of both.
- Milpitas continues to support Project Sentinel's fair housing services. Project Sentinel provides fair housing education, enforcement, tenant/landlord and dispute resolution services along with public education and outreach activities for both fair housing and tenant/landlord services for Milpitas residents.

In May 2011, the Milpitas City Council held a public hearing, reviewed and approved the updated Analysis of Impediments to Fair Housing Choice (AI) Report and its recommendations. The AI Report identified several impediments such as demographics, advertising, cases of housing discrimination, awareness of local fair housing services and public policies housing affordability will be addressed and implemented by Milpitas. The AI coincides with the update of the Consolidated Plan. Both documents will be updated by staff in the upcoming months.

The following actions have been taken during the past year to further implement the recommendations identified in the AI Report:

**Statistical Summary: 4th Quarter (April 1- June 30, 2015)**

Project Sentinel handled a total of 27 cases and did 6 outreach events, had 3 fair housing cases, 4 consultations on fair housing and 0 calls on Fair Housing. During this reporting period, Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:

- June 10, 2015 – Presentation for Atheist Community of San Jose | San Jose, CA: Senior Fair Housing Coordinator presented fair housing laws to Atheist Community of San Jose, in which 1 of the 25 attendees were resident of City of Milpitas. The presentation went over fair housing laws and focused particularly on religious discrimination against non-religious individuals and their rights.
- May 26, 2015 – Training for Apartment Owner's Association Members | San Jose, CA: Fair Housing Director did a 90 minute presentation on "Fair Housing is Good Business," to 38 members of the Apartment Owner's Association comprised of "mom and pop" owners who managed property throughout Northern and Central California. In addition an extensive question and answers were conducted with one member owning property in the City of Milpitas.

- May 18, 2015 – Training for Downtown Streets Team Staff | San Jose, CA: Fair Housing Coordinator led an hour-long housing presentation on fair housing laws and answering specific housing-related questions. The staff in attendance service all of Santa Clara County which includes the City of Milpitas.
- May 15, 2015 – Project Sentinel’s Fair Housing Symposium | Mountain View, CA: The symposium provide an opportunity for dialogue between individuals with diverse background and experience in housing and experiences in discrimination. The day long even attracted various fair housing advocates and stakeholders from all the bay area. Forty-two (42) attendees serviced Santa Clara County which includes City of Milpitas.
- April 8, 2014 – California Apartment Association Annual Northern California Expo | Santa Clara, CA: Fair Housing Staff tabled at the expo attended by various owners, managers and service providers which included those who had property in Milpitas. Fair housing brochures were passed out included handing out 300 additional brochures on familiar status discrimination and assistance animals.

#### **Statistical Summary: 3rd Quarter (January 1 – March 31, 2015)**

Project Sentinel handled a total of 21 cases, did 2 outreaches, 2 consultations on fair housing and had 1 fair housing call. During this reporting period, Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:

- March 17, 2015 – Training for San Andreas Regional Center | Campbell, CA: Fair housing coordinator conducted an in-depth presentation for service coordinators who provided supportive service to people with developmental disabilities. Service providers received training on familiar status, national origin, and source of income discrimination and instruction on disability discrimination and reasonable accommodations. The service providers provided services for residents in Milpitas.
- February 19, 2015 – Tabling at Milpitas Library | Milpitas, CA: Staff set up a resource table in the mail lobby and passed out fair housing brochures and informational handouts. In which, 10 residents visited the booth seeking more information with 4 signing up to receive information on upcoming fair housing workshops.
- February 19, 2014 – Brochures Distributions | Milpitas, CA: Staff delivered brochures at the Milpitas Senior Center, Milpitas Community Center, Milpitas City Hall, and at Peet’s Coffee Shop.
- January 24, 2015 – Rental Housing Network Presentation | San Jose, CA: Staff provided a fair housing presentation sponsored by the Rental Housing Network that provides tool and resources for small rental property in Silicon Valley. Thirty-eight providers attended, in which 2 are Milpitas residents.

#### **Statistical Summary: 2nd Quarter (October 1 - December 31, 2014)**

Project Sentinel handled a total of 5 outreaches, 12 cases and out of those 12 cases, 3 were fair housing with 2 consultations and 4 fair housing calls.

During this reporting period. Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:

- November 25, 2014 – Training for Housing Choices Coalition Staff | San Jose: Staff provided a fair housing presentation for a staff of 13. Housing Choices Coalition is a non-profit that works with individuals with developmental disabilities on housing-related issues.
- November 13, 2014 - Training for all MidPen Staff | San Jose: Approximately 175 staff servicing any of the MidPen properties including Milpitas had to attend training. The training was an overview of fair housing laws and details about protected classes and reasonable accommodations and modifications and HUD requirements about service animals and reasonable accommodations.
- November 10, 2014 – Outreach to Fremont Freelance Journalist with Indian Express and TriCity Voice | Fremont & Milpitas, CA: Fair housing coordinator met with freelance journalist who works for Indian Express and TriCity to collaborate on outreach to the Indian community. The journalist distributed brochures and translated to Hindi on print and social media platforms along with Hindu temples.
- November 4, 2014 – Fair Housing Workshop at Barbara Lee Senior Center | Milpitas, CA: Workshop was conducted at the senior center to provide overview of fair housing rights with 4 Milpitas residents attending the workshop. Staff distributed an additional 20 informational flyers on fair housing rights and Project Sentinel's services to staff and visitors at the senior center.
- October 26, 2014 – Make a Difference Day Community Health and Wellness Faire | Milpitas, CA: Staff delivered a short introduction of Project Sentinel's services and was available for question at a table staged near the Milpitas Lions Club, also in attendance was the mayor.
- October 23, 2014 – Housing Choices Workshop/Panel | San Jose, CA: Staff presented and sat on a panel about fair housing choices for parents of adult disabled children and how to help their children live independently. Attendees reside in Santa Clara County including those serving City of Milpitas.
- October 18, 2014 – Global Real Estate Investors Club | Milpitas, CA: Fair housing director conducted a 2 hour training on fair housing rights and responsibilities for members of the Global Real Estate Investors Club – primarily Chinese investment property owners who own properties throughout Silicon Valley.

**Statistical Summary: 1st Quarter (July 1 -September 30, 2014)**

Project Sentinel handled a total of 12 cases. The total cases handled out of the total of 12 cases: 1 fair housing case, 2 consultations and 3 housing calls related to fair housing. In addition 4 outreaches were done.

During this reporting period, Project Sentinel Staff conducted the following outreach and education activities relevant to City of Milpitas:



- September 4, 2014 – Milpitas Library and Barbara Lee Senior Center | Milpitas, CA: Staff distributed fair housing brochures, day care brochures and familiar status leaflets to the Milpitas Main Library. Staff also tabled at the center including providing a workshop for the residents in attendance.
- August 25, 2014 – Outreach to Indian Community | Milpitas, CA: Met with freelance journalist who writes for TriCity and Indian Express to translate fair housing PSAs and advertisements. Journalist also provided a co-sponsored workshop for Milpitas residents.
- August 19, 2014 – Devries Senior Housing | Milpitas, CA: Staff provided an information workshop to describe Project Sentinel's housing services to staff and awaiting if they are interested in training.
- August 18, 2014 – Milpitas Community Center | Milpitas, CA: Staff provided a free fair housing informational workshop and/or set up table at the Milpitas Community Center.
- August 18, 2014 – St. John's the Baptist Catholic Church | Milpitas, CA: Staff spoke with a representative at St. John the Baptist Catholic Church about the possibility of doing a work shop and/or setting an informational table during one of their events.

#### **General Summary: Fair Housing Services and Community Outreach**

During the past program year, Project Sentinel provided the following fair housing and tenant/landlord dispute resolution services:

- Project Sentinel investigated a total of seventy-three (73) cases for the City of Milpitas. Of those 73, seven (7) were fair housing investigations that were more intensive and longer in duration.
- A total of 17 outreach sessions were held to benefit the general public regarding fair housing issues. Also, on-going advertising and continued outreach campaign to heighten public awareness of discrimination and fair housing services were provided.
- Housing and training seminars for tenants, owners, and managers were provided throughout Milpitas and documents were translated in languages commonly used in Milpitas i.e. Tagalog, Spanish, Vietnamese etc.

#### ***Other Policies to Further Fair Housing***

Milpitas continues to support and encourage developers to consider higher density residential projects through the use of the Density Bonus Ordinance as a mechanism to increase the affordable housing opportunities for low and moderate-income families.

Milpitas Planned Unit Development (PUD) permit process allows for higher density (20-40 dwelling units per acre), if the applicant can demonstrate a public benefit. Housing developers have used this permit process to increase the density on their high-density multi-family projects, offering affordable housing units as the public benefit.

Milpitas continue to implement its Midtown Specific Plan to accommodate densities up to 60 dwelling units per acre in specific locations with 1/4 mile of the two light rail transit stations proposed in Milpitas. The adopted Midtown Specific Plan will accommodate a range of 4,000-5,000 dwelling units of various housing types and styles. Milpitas continues to implement its Transit Area Specific Plan for those properties that are located within VTA mile of the transit stations, Santa Clara Valley Transportation Authority (VTA) light rail and Bay Area Rapid Transit (BART). Residential properties within this designated area will be classified as multi-family, high-density residential development with a transit-oriented overlay. Densities up to 75 dwelling units per acre will be allowed within this zoning district. With a use permit and state density bonus, developers can obtain up to 90 dwelling units per acre within certain designated area of the transit area. A total of approximately 400 acres around the light rail and Montague/Capital Bart station will be designated.

Milpitas has also provided funding to HomeFirst and Project Sentinel, which provides a renter education program that includes information about legal protection against discrimination. Milpitas programs such as single family housing rehabilitation, first-time homebuyers has actively pursued an affirmative action plan. In addition there are rehabilitation loans and first-time homebuyer loans to assist low and moderate-income households are available to all persons of the City of Milpitas.

Brochures, public handouts and other fair housing information (i.e. information on security deposits, tenant responsibilities, remedies for obtaining repairs, tenant/landlord mediation, how-to protect tenant rights etc.) are available at the Information Counter at Milpitas City Hall. Copies of all handout information are provided in Spanish, Chinese and others included Tagalog and Vietnamese.

The Planning and Building Departments will continue to enforce policies, ordinance and procedures to guarantee that all disabled and special needs persons has reasonable accommodations as it relates to housing developments. The best means to further the housing opportunities for its diverse population is to continue to provide housing programs in the City, which preserves and expands the existing housing stock especially for large families with children. The narrative within the Consolidated Plan illustrates that the City's use of CDBG and other funding resources were directed towards meeting this goal.

## CONTINUUM OF CARE NARRATIVE

Milpitas will continue to fund the operations of a variety of support services and programs to address the needs of homeless persons and the special needs of persons that may require supportive housing. The supportive services and programs include the following:

- **Catholic Charities Long-Term Care Ombudsman Program** which provides services to long-term care facilities through regular site visits by trained certified community volunteers. The visits include speaking to residents and also responding to complaints to mediate fair resolution to problems and advocate quality care for senior citizens (87 chronically ill elderly residents).

Other supportive services funded in the City of Milpitas includes:

- **Milpitas Food Pantry** served about 1,026 very low and low-income households through weekly food supplements and household items. In addition the Health Trust provides Meals on Wheels to 6 homebound seniors.

- Supportive housing programs includes funding for **HomeFirst**, which provides shelter and supportive services to homeless adults, youths and families (574 shelter nights for 33 Milpitas residents).
- **Next Door Solutions to Domestic Violence** and **YWCA Silicon Valley** which provides supportive services for victims of domestic violence and their children sheltered a total of 23. Also both organizations provided supportive non-residential services for 83 individuals and worked with 110 Milpitas residents through referrals from the Milpitas Police Department.
- The goals of funding these supportive services, programs and housing activities are to assist homeless and non-homeless persons (individuals and families) on making the transition to permanent housing and independent living. Milpitas will continue to implement its Continuum of Care Strategy and take appropriate actions to provide funding to address the needs of its homeless and non-homeless populations.

## ACCOMPLISHMENTS

### ***Households and Persons Assisted***

This section identifies the number of households and persons assisted through the various programs, activities and projects during the past FY 2014-2015. Milpitas has used its CDBG funds and other available resources to serve a wide range of very low and low-income households with a combination of housing rehabilitation services and providing affordable housing alternatives. The following information below outlines the specific goals established by the Plan and the accomplishments for the various categories of assistance:

### ***Programs and Services to Address the Needs of Homeless Persons and Special Needs***

- **Milpitas Food Pantry** provides monthly supplemental food supplies to 1,026 very and low-income families.
- **Live Oak Adult Day Services** provides adult day care serves for 5 frail and dependent at-risk seniors residents.
- **HomeFirst** provides shelter and supportive services to homeless men, women and families for emergency shelter and case management to find housing opportunities. Programs include housing, education, employment and self-sufficiency. A total of 574 nights of shelter have been provided to 33 Milpitas residents.
- **Housing Trust Silicon Valley** continues to work to provide over 1,049 families in securing permanent housing with the *Finally Home Security Deposited Grant Program* to end homelessness and help those at-risk of being homeless. The individuals that benefited from the program include seniors, minors, female-head of households, chronically homeless and those directed from the County's Housing 1000 clients.
- County of Santa Clara Housing Authority continues to work with County Housing Authority to maintain and support existing Section 8 vouchers for Milpitas residents.

### ***Program and Services to Prevent Persons and Families from Becoming Homeless***



- Milpitas has provided \$405,162.06 for service programs, which provided food, shelter, clothing, and other assistance to homeless persons, which served 3,584 persons.
- Milpitas continues to monitor the Sunnyhills Apartments (151 units) and the other 180 Section 8 Program tenants to prevent the at-risk conversion to market-rate units and the displacement of existing low-income households. Milpitas will continue to work with the property owner and HUD to maintain its long-term affordability.

### ***Programs and Services to Address Homeless Persons, Including Those with Special Needs, to Transition to Independent Living***

- **Next Door Solution to Domestic Violence** and **YWCA Silicon Valley** provided comprehensive shelter services for 23 women and their children including over 83 individuals with counseling, support groups, individual and group therapy legal assistance with restraining orders and advocacy. In addition, provided supportive services to another 110 referrals from the Milpitas Police Department.

### ***Actions to Assist Non-Homeless Elderly Persons***

- Milpitas has funded several programs which provided assistance and services to the elderly population such as: **Rebuilding Together** provided 30 home improvements services to senior homeowners; **Senior Adults Legal Assistance** provided 49 free legal services to Milpitas elderly; **Project Sentinel** provided fair housing and mediation service; and **Milpitas Food Pantry** provided food for 1,026 households.
- **Catholic Charities Long Term Care Ombudsman Program** provided on-going care to six (6) long-term care facilities in Milpitas through regular site visits by trained certified community volunteers who provided quality care to 87 frail, chronically-ill, elderly residents in those facilities.
- **The Health Trust** provided daily, nutritionally-balanced meals on wheels, social interaction and additional wellness for 6 home-bound Milpitas seniors.
- **Live Oak Adult Day Care Services** provided adult day care services for frail and dependent at-risk senior residents, respite for family caregivers and provides nutritious meals and snacks. Services include counseling, referrals, and case management, support family members in their efforts to maintain their dependent senior relative in the family home. This program provided services for 5 Milpitas senior residents.
- **Terrace Gardens Senior Housing Renovations and Improvements** provided CDBG funding for the modernization and upgrade of three elevators at the senior property.
- In FY 14-15, the Senior Nutrition Program budget was \$171,235 for Santa Clara County. Milpitas contributes 50% of that cost of \$85,618. In the past year, 240 unduplicated Milpitas residents were served of the total of 411 participants countywide.

## ***Actions to Assist Persons with Physical or Mental Disabilities***

The City of Milpitas has committed General Funds, Capital Improvement Project (CIP) and CDBG funds for the following on-going projects (2015-2020):

- City Buildings ADA Compliance Review involves the review of all City Buildings constructed prior to 2000 to confirm compliance with access requirements in accordance with American with Disabilities Act, to identify any deficiencies and recommend improvements. The City of Milpitas has allocated \$50,000 for this project.
- Alviso Adobe Renovation provides new park improvement and restoration that include structural stabilization, seismic strengthening and improvement in walkaways, parking lot and picnic areas. The City of Milpitas has identified \$1,000,000 from the Park Fund.
- Murphy Park Picnic Playground Renovation provides for renovation improvements that increase the picnic area and ADA compliance assessment and improvements. The project will be funded \$3,750,000.
- Sports Center Sports Fields will include improvements and modification of lighting and bleachers to accommodation related fields and pathway improvements. An estimated \$2,875,000 is funded for this project through the Park Fund and the Midtown Park Fund
- Park Access Improvements and Resurfacing will provide for improvement and rehabilitation of vehicle, bike and pedestrian access for City parks. The project will be funded in the following year for about \$600,000.

A total of approximately \$13,275,000 has been allocated in the City of Milpitas' Capital Improvement Program (TIP) budget for the installation of these improvements and ADA compliance requirements.

## ***Actions to Assist Persons with Alcohol or Other Drug Related Problems***

Milpitas does not currently provide any funding for alcohol or other drug related problems as City Council has directed priorities for the funding.

## ***Actions to Taken to Improve Public Housing and Residents Initiatives***

There are no public housing units within the City of Milpitas.

## ***Actions to Address Obstacles to Meeting Undeserved Needs***

Milpitas has provided funding CDBG funding and set priorities to meet underserved individuals and families, especially that of youth. The following programs serve the needs of underserved youths:

- **Child Care Advocates** recruits, trains and support volunteers to court-appointed children in the foster care system to remain a constant supportive presence throughout the whole foster care process, some until they are adults. With the CDBG funding they were able to serve 32 Milpitas children.

- **City of Milpitas' Recreation Assistance Program** provides financial assistance to very-low and low-income Milpitas youths for recreational programs at 50% of the costs in which 47 youths received.
- **Milpitas Family Literacy Project** provides kindergarten readiness program to low income, and often bilingual families through teaching the families book handling skills, reading out loud, and other readiness strategies.

### ***Actions to Foster and Maintain Affordable Housing and Eliminating Barriers to Affordable Housing***

Milpitas continues to work with HUD and the property owners of Sunnyhills Apartments to maintain the long-term affordability of the 151 units at-risk of conversion to market rate units for very low and low-income persons. Milpitas has approximately 1,248 affordable housing units with long-term affordability restriction agreements, with an additional 56 affordable units approved with staff and developers.

Also, the Mobilehome Park Rent Control Ordinance conserves affordable rent to 527 mobile home units. Milpitas continues to work closely with Project Sentinel on eliminating barriers to affordable housing. Additional outreach efforts, including seminars and workshops have been held with local property owners/managers to discuss housing discrimination and flyers, advertising on cable television are made available to the public.

Project Sentinel (the City's Fair Housing provider) aims to eliminate fair housing barriers by publicizing and advertised their services through the City's cable TV, website and Information Counter in various languages, in addition through the newspaper outlets as Milpitas Post.

### ***Actions Taken to Reduce the Number of Persons Living Below the Poverty Level***

Milpitas has continued to fund a variety of supportive programs and activities that provides food, clothing, job training, counseling, rental assistance and crisis intervention to prevent individuals and families from becoming at-risk of being homeless.

**Milpitas Food Pantry** provided meals to supplement 1,026 low and moderate-income households.

Fair Housing and tenant-landlord mediation is provided through **Project Sentinel** and **Senior Adults Legal Services** in addressing fair housing issues and complaints regarding landlords. Landlords may increase rent above and beyond the means of many low and moderate income renters and preventing unnecessary evictions.

Milpitas has also continued to work with County of Santa Clara Social Services Agency to refer low-income families to programs such as Cal Work's poverty level. Santa Clara County has experienced a decline in all public assistance programs including Medi-Cal, Food Stamp, and Foster Care Cash Aid programs. A total of 464 Cal WORKS cases of the Santa Clara County are Milpitas households (2.7%).

### ***Actions Taken to Ensure Compliance with Program and Comprehensive Planning Requirements***



Milpitas consistently monitors its CDBG grantee sub-recipients and projects to ensure compliance with the program goals and objectives and comprehensive planning requirements. Monitoring includes review of quarterly reports to determine if goals are achieved, invoices and review of agency audits, financial records, and clientele files. Staff also conducts annual on-site monitoring. The Milpitas Community Advisory Commission (CAC) and City Council conducts annual public hearings on its Action Plan, CAPER, and the allocation of CDBG funds to provide the general public the opportunity to review and comment on the use of CDBG funds.

### ***Public Facilities and Improvement Needs***

Milpitas has committed General Funds with Capital Improvement Projects (CIP) funding to provide improvements on street infrastructure to drainage improvements for low and moderate-income neighborhoods. These improvements includes ADA compliance, infrastructure, public safety, pedestrian walkways, and urban runoff pollution program.

## **SELF-EVALUTION OF PROGRESS IN ADDRESSING IDENTIFIED NEEDS AND OBJECTIVES**

Milpitas appears to be on target to meet most of its anticipated objectives outlined with Five-Year Consolidated Plan. Public Service programs and supportive services have been carefully prioritized and funded to benefit an inclusive population of Milpitas. Housing, public services, seniors and homeless populations has been given special care and attention in addressing their need.

The two main goals and objectives, which the City is presently behind on meeting its schedule, are:

- 1) Assisting first-time homebuyers on participating in the Mortgage Credit Certificate Program and
- 2) The development of the Senior Housing Project.

The Mortgage Credit Certificate Program for first-time homebuyers continues to be extremely difficult to achieve based on the limited mortgage credit credits issued by the State of California to Santa Clara County. This program has been reduced by almost 80% countywide. This goal appears to be unattainable unless additional funds sources are available.

Milpitas has provided support and financial assistance for the three (3) 100% affordable project (Aspen Family Apartments - 100 units, Terrace Gardens – 148 units, and DeVries Place Senior Housing – 103 units). Milpitas also provides letters for support with these projects to the State of California Tax Credit Allocation Committee (TCAC).

Milpitas Public Facilities and Improvement needs has largely been funded through the City's Capital Improvement Program (CIP) budget, which addresses citywide problems such as infrastructure, parks, and other types of recreational activities.

In general, Milpitas appears to be well on its way on meeting or exceeding its goals and objectives that have been identified within the Consolidated Plan (2012-2017) and in process of updating its new Consolidated Plan for 2018-2023.

## **CITIZEN PARTICIPATION**

As outlined in the Milpitas Citizens Participation Plan, the Draft CAPER Report was prepared and made available to the public for review for 15 days from August 21st to September 4th, 2015. A public advisement notice was placed in the local Milpitas Post Newspaper advertising the availability of the CAPER Report on August 14, 2015. In addition, copies of the report were mailed to all organizations, grantees, and other people who have expressed an interest in the City's CDBG Program. Copies of the report were also available at the Milpitas Public Library and City of Milpitas information desk. The Milpitas City Council will hold a public hearing on September 15, 2015 at 7:00 p.m. at Milpitas City Hall to adopt the CAPER.

### ***Summary of Public Comments Received***

All public comments received by the City of Milpitas has been incorporated into the final CAPER to be forwarded to HUD by September 30, 2015.

### ***Public Comments***

To be provided after City Council Public Hearing.



## **The City of Milpitas**

### **Request for Proposals For FRAUD, WASTE, AND ABUSE COMPLAINT HOTLINE AND ONLINE REPORTING SERVICES**

Issued: September 16, 2015



## **SECTION 1**

### **GENERAL INFORMATION**

#### **Objectives**

The City of Milpitas ("the City") is requesting proposals from experienced and qualified consulting services to provide a telephone and web portal to accept anonymous and confidential reports of possible fraud, abuse, theft, ethics violations, or other possible misconduct against the City described in the Scope of Work set forth in this Request for Proposals (RFP).

#### **Background**

The City is located near the southern tip of San Francisco Bay, forty-five miles south of San Francisco. The City is on the eastern border of Santa Clara County's "Silicon Valley." With a population of approximately 70,000, Milpitas is a progressive community that is an integral part of the high tech Silicon Valley. The City features quality schools, conveniently located neighborhood parks and shopping centers and a population rich in diversity. Incorporated in 1954, Milpitas is a general law city operating under the City Council/City Manager form of government, with approximately 320 employees. The City is financially stable with an annual operating budget in excess of \$100 million. Additional information about the City of Milpitas can be obtained on the City's website at: <http://www.ci.milpitas.ca.gov>.

The City provides a full range of municipal services that include police, fire, water, streets, parks, engineering, planning and recreation services. The City has been challenged with structural budget deficits in recent years and has utilized strategies such as holding vacant positions unfunded, layoffs, furlough and reorganization to close the budget gap. The annual operating budget for fiscal year 2015-16 is approximately \$140 million, including funding for capital improvement projects.

In order to maintain the highest level of public trust as it relates to the stewardship of the public resources we have been empowered and entrusted to manage, the City is seeking an outside firm to provide a telephone and web portal to accept anonymous and confidential reports of possible fraud, abuse, theft, ethics violations, or other possible misconduct against the City.

The telephone and web portal shall be accessible by the general public as well as the City's approximately 450 employees. The City seeks to investigate any possible fraudulent, unethical, illegal, or dishonest activities against the City and pursue disciplinary or legal remedies where available on behalf of the City.

#### **Purpose**

The intent of this Request for Proposal (RFP) is to solicit proposals from qualified firms to establish, operate, and maintain a dedicated toll-free telephone hotline and internet based reporting system for employees and residents of City of Milpitas ("City") to anonymously report complaints of fraud, waste, abuse, and other wrongdoing in connection with City government.

The contract to be awarded will be for an initial period of three (3) years, with up to two (2) additional, one (1) year options to renew at the sole discretion of the City. Therefore, proposals should reflect the maximum five (5) year term of the contract.

#### **RFP Contact**

Questions regarding the RFP should be directed to:

City Manager's Office  
City of Milpitas  
455 E. Calaveras Blvd.  
Milpitas, CA 95035  
408-586-3051  
Email: [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov)

### **Proposal Due Dates**

An electronic copy of the proposal must be received no later than **5:00 p.m. on October 23, 2015**. Proposals are to be sent to: [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov).

Proposals should be marked "**City of Milpitas Ethics Hotline Program RFP.**" Proposals received after 5:00 p.m. on October 23, 2015 will be disqualified.

**Anticipated Schedule for Consideration of RFP** *(The City reserves the right to amend the schedule below as necessary).*

| <b>Action</b>                                     | <b>Date</b>                           |
|---------------------------------------------------|---------------------------------------|
| Issue RFP                                         | September 16, 2015                    |
| RFP circulation                                   | September 16 through October 23, 2015 |
| Proposals due                                     | October 23, 2015                      |
| Complete selection process (including interviews) | October 26 through November 6, 2015   |
| Contract award                                    | November 17, 2015                     |
| Sign and process contract                         | November 18, 2015                     |

### **Incurred Costs**

The City is not liable for any costs or expenses incurred in the preparation of a response to this RFP. All costs in preparing and submitting a proposal shall be borne by the proposer.

### **Proposal Withdrawal**

A proposer may withdraw a proposal without prejudice prior to the proposal due date by submitting a written request for withdrawal to the City Manager Office, [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov), in which event, the proposal will be unopened and deleted. No proposal received after the time specified or at any place other than that stated in the RFP and notice of the same will be considered.

### **Retention and Use of Proposals**

The City reserves the right to retain all proposals, as well as any reports, data or other material prepared or assembled by a proposer and submitted to City in response to this RFP, and to use any idea in any proposal regardless of whether that proposal is selected.

### **RFP Withdrawal or Modification; No Award**

The City reserves the right to modify or withdraw this RFP at any time. In addition, the City may, for any reason, decide not to award a contract as a result of this RFP.

### **Public Records Act**

Each proposer should be aware that although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City of Milpitas may not be in a position to establish that a proposal which a proposer submits is or contains a trade secret. A proposer submitting any information that it considers confidential or a trade secret, must label such information as "confidential." If a Public Records Act request is made for any information marked "confidential" by a proposer, the City will provide the proposer with reasonable notice to allow the proposer to seek protection from disclosure by a court of competent jurisdiction. In the event that the proposer directs the City not to disclose the information sought pursuant to a Public Records Act request, the proposer shall indemnify the City against any losses, including reasonable attorney's fees and expert costs, sustained by the City in connection with or any way arising from the non-disclosure of the requested information.

### **Contract Approval by City Council**

An agreement with the successful proposer shall not be binding unless and until it is approved by the City Council of the City of Milpitas and executed by authorized representatives of both parties. If a contract award is made to perform the services described in this RFP, the firm selected to provide such services will be retained by the City. The designated Project Manager for this project is Tom Williams, City Manager.

### **Competency and Responsibility**

The City reserves full discretion to determine the competence and responsibility, professionally and/or financially of proposers. Proposers will provide, in a timely manner, any and all information that the City deems necessary to make such decision.

### **Execution of Contract**

The proposer to whom award is made will be expected to execute a written contract with the City immediately after City Council's approval. The contract will be similar in form and substance to the sample professional services contract attached to this RFP as Appendix A. This sample contract is included as an example only and the City reserves the right to make modifications to the sample contract in its sole discretion.

### **Acceptance or Rejection and Negotiation of Proposal**

The City reserves the right to accept or reject any or all proposals, or to select more than one firm for this work as deemed appropriate by the City. After selection by the City, the contents of the submitted proposal will become a contractual obligation. Failure to agree to include the proposal as part of the contractual agreement will result in cancellation of the award. The City reserves the right to negotiate a modification to, or accept any part of the proposal, and may not be obligated in any way to accept those parts that do not meet with the approval of the City. The City also reserves the right to waive non-substantial irregularities in any proposal, and to make an award as the interest of the City may require. Final terms and conditions of the contract, including length, scope of services and compensation will be negotiated at the time of selection and will be subject to the approval of the City Manager and City Council.

### **Affidavit of Non-Collusion**

All proposers shall warrant and covenant that the proposal submitted is not made in the interest of, or on behalf of, any non-disclosed person, partnership, company, association, organization or corporation; that the proposal is genuine and non-collusive or sham; that the proposer has not



directly or indirectly colluded, conspired, connived, or agreed with any other proposer or anyone else to put in a sham proposal, or that another person or entity shall refrain from submitting a proposal under this RFP or otherwise; that the proposer has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix its proposal price or the proposal price of any other proposer, or to fix any overhead, profit, or cost element of the proposal price, or that of any other proposer, or to secure any advantage against the public body awarding the contract or anyone interested in the proposed contract; that all statements contained in the proposal are true; and further, that the proposer has not, directly or indirectly, submitted his or her proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any person, entity, corporation, partnership, company association, organization, proposal depository, or to any member or agent thereof to effectuate a collusive or sham proposal. An affidavit of non-collusion as required by this section shall accompany every proposal submitted in response to this RFP.

#### **Equal Opportunity**

The City of Milpitas requires all proposers to comply with equal opportunity policies. The City of Milpitas' programs, services, employment opportunities, and volunteer positions and contracts are open to all persons without regard to race, religion, color, national origin, sex, age, marital status, handicap, or political affiliation.

#### **Independent Contractor**

The selected proposer will be an independent contractor. All persons employed by a firm in accordance with a contract resulting from this RFP will be employees of the firm and not the City of Milpitas.

## **SECTION II**

### **SCOPE OF WORK**

#### **Services To Be Provided**

The City is seeking a firm demonstrating that they have the resources and capability to provide the materials and services as described herein: The following is a range of potential scopes of work. The actual scope of work will be defined and negotiated, based on the proposals. All firms must submit the documentation indicated below with their proposal. Failure to provide any of the required documentation may be cause for proposal to be deemed non-responsible and rejected.

The following criteria shall be met in order to be eligible for this contract:

Proposers must have a minimum of seven (7) years of experience providing fraud, waste, and abuse complaint hotline and online reporting services.

All proposals must be made on the basis of, and either meet or exceed, the requirements contained herein.

#### **Toll Free Hotline**

The Contractor shall provide a toll free hotline number that will be unique to the City and the number will be retained by or transferred to the City after completion or termination of the contracted service.

Calls to the hotline must be answered by a live intake representative 24 hours a day, 7 days a week, 365 days a year. The Contractor shall have sufficient staffing and technical capacity to answer multiple calls simultaneously.

The Contractor shall provide representatives who are fluent in a variety of languages, including English, Spanish and certain Asian languages in predominant use in the City.

In the rare event a complainant must leave a voicemail message, a live representative shall attempt to contact the complainant within thirty (30) minutes of the complainants voicemail, provided the complainant left contact information.

Complainants shall be given the option to remain anonymous. Where this option is selected, the anonymity of hotline complainants shall be protected. Calls will not be recorded and caller identification information will not be maintained.

The complainant shall be provided with an option to receive follow-up communication regarding his or her complaint.

The City shall be entitled to an unlimited number of calls to the toll free hotline.

All hotline complaints shall be entered into the Contractor's case management system within three (3) hours of its receipt of the complaint.

### **Online System**

The Contractor shall provide an internet-based reporting system through a secure website, customized for the City. The website shall include a standardized web form allowing the complainant to submit allegations through the website.

Allegations submitted via the website must be read and appropriately routed to the designated City contact(s) by the Contractor within thirty (30) minutes of the submission.

Complainants shall be provided with the option to receive follow-up communication regarding his or her complaint. Complainants shall be given the option to remain anonymous. Where this option is selected, the anonymity of online complainants shall be protected. IP addresses will not be tracked for complaints submitted via the website.

The City shall be entitled to an unlimited number of complaint submissions to the website.

All web-based complaints shall be entered into the Contractor's electronic case management system within three (3) hours of its receipt of the complaint.

Intake representatives shall be trained to capture sufficient information from complainants upon which to initiate an investigation into the complaints and to ask questions as appropriate to solicit this information. Intake representatives shall be trained in delivering excellent customer service and shall maintain a courteous and professional demeanor with complainants at all time. Intake representatives shall be trained in recognizing when a hotline or online complaint is a life-threatening emergency and shall inform the complainant to contact 911.

The Contractor shall provide a dedicated account representative as the single point of contact for any Contract issues. The representative shall be a senior staff member.

### **Integrated Case Management System**

All complaints, including hotline and web submitted complaints, shall be tracked in an integrated case management system. The Contractor shall provide an integrated Case Management System ("system") with the following specifications:

The system shall generate and deliver an electronic notification to the City of all new complaints, including a complaint summary, within three (3) hours of a new case being created in the system.

At a minimum, the complaint summary will include the date and time the complaint was submitted, the method the complaint was reported (via hotline or online), a detailed description of the nature of the complaint, and whether the complainant has selected the option for follow-up communication.

If so requested by the complainant, the complaint summary will be anonymous as to the identity of the complainant.

The system shall generate and deliver an electronic notification to the City of all subsequent and follow up communication between the Contractor and the complainant within three (3) hours of said communication being entered into the system.



The system shall track initial complaints and any subsequent follow-up contact with complainants on the same allegations.

The system shall allow a designation of a broad case type including but not limited to fraud, waste, and abuse, EEO related, or management issue.

The system shall allow the City to input and track complaints received directly by the City into the system.

The system shall automatically assign a unique case number to each new complaint. Case numbers shall be assigned in a systematic and serialized manner.

The system shall allow a system administrator from the City to assign specific cases to other users within the system for investigation.

The system shall allow the assigned City investigator to input investigative notes into the system.

The system shall provide the ability to set a reminder for needed actions for specific cases.

The system shall allow the City to have a minimum of one (1) system administrator with full system access and rights to the City's data and the ability to add new users and assign access rights and five (5) end users with varying levels of system access and rights.

The system shall provide for the indefinite storage of the City's complaint and investigative data in accordance with California record retention requirements for local governments.

The system shall provide a method for the City to communicate with intake representatives regarding specific cases, including providing follow-up information and questions to be shared with the complainants by the intake representative.

The system shall include the ability to reflect the status of a particular case, at a minimum allowing the case to be reflected as open or closed. The system shall allow for the creation and downloading of monthly, annual, and year to date reports of program activity. These reports shall be easily sortable by a variety of fields including date, nature of the complaint, and length of time from the initial complaint intake to when the case was reflected as closed in the system. These reports may be provided by the Contractor to the City electronically or run and downloaded by the City's system administrator. The system shall be searchable.

### **Marketing and Educational Materials**

The Contractor shall provide the City with communication tools and other materials to promote and advertise the hotline and website, including posters, business cards and brochures customized to the City for both employees and residents of the City.

### **Technical Support and Requirements**

The Contractor shall provide dedicated support from the client services team for program set up, system training, and on-going system maintenance.

The toll-free hotline must be accessible to persons with disabilities, including but not limited to individuals who use Text Telephone (TTY) and the Telecommunications Relay Service (TRS).

The website shall be accessible to persons with disabilities, including, but not limited to, accessible elements such as alt tags, long descriptions, and/or captions for photos, graphics, scanned images, and video. Documents posted on the website should be in HTML or a text-based format (even if posted in another format, such as Portable Document Format (PDF)), so they can be read by reader software. Online forms and tables should also be accessible.

The Contractor shall ensure the network security of all City data maintained in the system.

The Contractor shall maintain adequate capacity on its network during the Contract term to meet the City's usage needs.

#### Annual Meeting

The Contractor shall meet with the City a minimum of one time annually to provide a program overview, including trends, benchmarking against the Contractor's book of business, new program or system features, and any recommendations the Contractor believes the City should consider moving forward.

**SECTION III**  
**PROPOSAL FORM AND CONTENT**

**Proposal Submittal**

All pages of the proposal must be numbered consecutively. The proposal shall not exceed fifteen (15) pages in length. Resumes and licenses shall not count against this page limit. The proposal must be organized in accordance with the list of proposal contents.

**Proposal Form and Content**

Proposers must include the following items in their proposals addressing the scope of work in Section II. All items must fall within the maximum page count. Proposals and cost schedule shall be valid and binding for ninety (90) days following the proposal due date and will become part of the contract that is negotiated with the City.

A. **Letter of Transmittal**

Include a cover letter signed by a duly authorized representative of the firm. The cover letter must include name, address, telephone number and e-mail address of the Proposer submitting the proposal. In addition, the name, title, address, telephone number, fax number and e-mail address of the person or persons to contact who are authorized to represent the proposer and to whom correspondence should be directed should also be included. Additionally, the cover letter must include the following table containing the requested information:

|                                                                    |    |
|--------------------------------------------------------------------|----|
| Name and Title of Proposer                                         |    |
| Office address for Proposer                                        |    |
| Telephone Number and Email Address of Proposer                     |    |
| Name(s) and Title(s) of Proposer's Other Representative(s)         |    |
| Office address(es) for Other Representative(s)                     |    |
| Telephone Number(s) and Email Address(es) of Other Representatives |    |
| References (name, municipality, phone, email)                      | 1. |
|                                                                    | 2. |
|                                                                    | 3. |



B. Table of Contents

Include a clear identification of the submitted material by section and by page number.

C. Executive Summary

Introduce the proposal and summarize the key provisions of the proposal. Provide a statement describing why the proposer is qualified to perform this work, the name of the individual who would serve as the Principal Staff Member assigned to this engagement. It shall identify the legal form of the firm, and if a corporation, shall identify in which state the firm was incorporated. The Executive Summary shall be signed by a principal of the firm or other person authorized to act on behalf of the firm.

D. Statement of Understanding

Include a detailed statement of understanding and explanation of the proposer's approach in performing the services described in the Scope of Work, Section II of this RFP. This section should specify the type of data required from City staff necessary for the successful and timely completion of the project. If there are services listed in this RFP that the proposer will not be able to provide, describe those services in this section. Statement of Understanding should not exceed 5 pages.

E. Approach to Consulting Services

Provide a response to each of the following items:

1. Ability to meet and exceed requirements contained herein
  - a.) Specifically state your firm's ability to perform each task as listed in Section II of this RFP. Specifically list any deviations.
  - b.) Provide a sample, yet comprehensive draft timetable and describe how your firm would accomplish the work and satisfy the City's objectives described in the RFP.
  - c.) Provide a detailed implementation plan.
  - d.) Describe what information, documents, staff assistance, facilities or other resources your firm would require from the City to complete your work.
  - e.) Describe the type of training to be provided to staff.
  - f.) For the hotline services, indicate where your call center would be located.
  - g.) Provide a copy of a sample script questionnaire provided to hotline representatives.
  - h.) Provides copies of sample reports as required in Section II of this RFP.
2. Experience of firm and dedicated staff
  - a.) Provide a brief history of the organizational structure of your firm, demonstrating the qualifications of your firm.
  - b.) Identify the key personnel from your firm that would be assigned to this project. Include a brief description of their qualifications and job functions and years of related experience, and years with the firm. Provide detailed resumes that include successful contracts similar to the requirements contained herein.
  - c.) If two or more consultants will be assigned to this project, include a simple organization chart that clearly delineates communication/reporting relationship

among project staff. Designate the senior staff member who would become the City's primary contact.

- d.) Current/past performance in similar activities – provide a list of five (5) organizations, preferably public/government agencies, for which your company has provided services over the last seven (7) years. Include in your list: Client (contact person name, title, full address, email, and telephone number of a reference within each agency); period of contract; value of contract; services offered and result. The City may contact these agencies for references. *Failure to include references may be cause for rejection of proposal as non-responsive. Firm hereby releases listed references from all claims and liability for damages that may result from the information provided by the reference.*
- e.) List all private clients that could potentially pose a conflict of interest with your representing the City of Milpitas.
- f.) Indicate whether your firm has even been debarred by a public agency or have a contract terminated due to performance issues. Identify all situations in the last seven years in which you have been adverse as a consulting firm to public entities, either in legal or administrative matters.

3. Cost of Services

The selected firm will be required to provide a fee schedule reflecting the scope of services in Section II in this RFP. The proposed fee schedule must include a statement certifying that the firm will not engage in any activities on behalf of the City that would produce a direct or indirect financial gain for the firm, other than the agreed upon compensation.

- a.) Provide an hourly rate for all of the individuals who may be working with the City of Milpitas from the firm. In addition, please provide a rate for special services and/or additional materials.
- b.) Provide the fee and rates in a table format.

Define what type of work you would consider to be extra or specialized work and/or additional materials which would be billed in addition to basic services.

AWARD OF PROPOSAL. Award will be made to the Proposer offering the most advantageous proposal after consideration of all Evaluation Criteria set forth below. The criteria are not listed in any order of preferences. Proposals will be evaluated by a selection committee which may be comprised of City staff members, outside experts, and other interested individuals. All proposals received in accordance with the Evaluation Criteria and make recommendation to the full City Council for the award of the contract. The City of Milpitas reserves the right to establish weight factors that will be applied to the criteria depending upon order of importance. Weight factors and evaluation scores will not be released until after award of proposal. The City of Milpitas shall not be obligated to accept the lowest priced proposal, but will make an award in the best interests of the City of Milpitas after all factors have been evaluated.

AWARD EVALUATION CRITERIA. Evaluation Criteria that will be used to evaluate all proposals that are received are listed below:

1. Proposal submission - quality and completeness relative to the description given in the RFP. Concept and proposed solutions, including ability to assist the City in meeting its goals.
2. Proposer's experience – demonstrated competence and professional qualifications necessary for satisfactory performance of the work required by the City.
3. Background, related experience, adequacy and technical depth of the specific individuals assigned to this project.
4. Approach to Professional Services.
5. References.
6. Proposed compensation.

As reflected above, contract award will not be based solely on price, but on a combination of factors as determined to be in the best interest of the City. After evaluating the proposals and discussing them further with the finalists or the tentatively selected firm, the City reserves the right to further negotiate the proposed work and/or method and amount of compensation.

Discussions may, at the City of Milpitas's sole option, be conducted with responsible Proposers who submit proposals determined to be reasonably susceptible of being selected for an award. Discussions may be for the purpose of clarification to assure full understanding of, and responsiveness to, the solicitation requirements. Proposers shall be accorded fair and equal treatment with respect to any opportunity for discussion and written revision of proposals. Revisions may be permitted after submissions and before award for obtaining best and final proposals. In conducting discussions, the City of Milpitas will not disclose information derived from proposals submitted by competing Proposers. A Notification of Intent to Award may be sent to any Proposer selected. Award is contingent upon the successful negotiation of final contract terms. Negotiations shall be confidential and not subject to disclosure to competing Proposers unless an agreement is reached. If contract negotiations cannot be concluded successfully, the City of Milpitas may negotiate a contract with the next highest scoring Proposer or withdraw the RFP.

AWARD SELECTION PROCESS. Selection of qualified Proposers will be based the criteria listed below. Additional questions may be asked of Proposers and interviews may be conducted. Proposers will be notified of any additional required information or interviews after the written proposals have been evaluated. Interviews will be held with the most qualified respondents. The recommended proposals will be submitted to the City Council for contract approval. The Proposer selected will enter into a contract with the City of Milpitas.



The following evaluation criteria will be used by the Selection Committee to score and rank proposals for a short-list. Short-listed firms may be invited for an interview pursuant to the schedule indicated in this RFP.

| EVALUATION CRITERIA                                                                                                                                                                     | PERCENTAGE |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Proposal submission - quality and completeness relative to the description given in the RFP. Concept and proposed solutions, including ability to assist the City in meeting its goals. | 10         |
| Proposer's experience - experience and performance on comparable government engagements                                                                                                 | 20         |
| Background and related experience of the specific individuals assigned to serve Project Manager                                                                                         | 20         |
| Approach to Professional Services                                                                                                                                                       | 20         |
| References                                                                                                                                                                              | 10         |
| Proposed compensation.                                                                                                                                                                  | 20         |

The above percentages show the relative importance of individual criterion.

**DOCUMENTS TO BE RETURNED WITH PROPOSAL.** Failure to completely execute and submit the required documents before the Submittal Deadline may render a proposal non-responsive. The documents that must be returned by the Submittal Deadline are attached hereto.

**EXECUTION OF CONTRACT.** Time is of the essence of this contract. The Successful Proposer/Contractor shall execute the contract (in substantially the form provided in this RFP as Appendix A - "Sample Contract"), including but not limited to signing all necessary documents and submitting all required bonds and evidences of insurance, within ten (10) days after personal delivery of the notice or within fifteen (15) days after such notice has been deposited in the United States mail. One copy of the contract will be returned to the Contractor after the City of Milpitas executes the contract. In case of failure of the Contractor to execute and return the contract and all required documents within the time allowed, the City of Milpitas may, at its option, consider that the Proposer has abandoned the contract. After the contract has been executed, including the insurance documents, certificates, and bonds. Proposer agrees to commence work within ten- (10) working days after the date of the Notice to Proceed.

**NON-COLLUSION AFFIDAVIT.** Proposers are required to submit a Non-Collusion Affidavit with their Proposals.

**PROPOSAL SUBMITTAL DEADLINE.** The Proposal Submittal Deadline is **October 23, 2015**. It is the Proposer's responsibility to see that the proposal has sufficient time to be received by the City Manager's Office, [ehprfp@ci.milpitas.ca.gov](mailto:ehprfp@ci.milpitas.ca.gov) before the Proposal Submittal Deadline.

## **SPECIAL PROVISIONS FOR SERVICES**

**BUSINESS LICENSE.** If the scope of work under this bid includes performing services or installation on City of Milpitas property, the SUCCESSFUL BIDDER must have a current City of Milpitas Business License. Inquiries regarding Business License may be directed to (Finance at 408-586-3100). Business Licenses are not required for materials or equipment shipped by U.S. mail or common carrier.

**CONFIDENTIAL OR PROPRIETARY INFORMATION OF THE CITY OF MILPITAS.** Contractor understands and agrees that, in the performance of the contracted work or services or in contemplation thereof, Contractor may have access to private or confidential information which may be owned or controlled by the City of Milpitas and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City of Milpitas. Contractor agrees that all information disclosed by the City of Milpitas to Contractor shall be held in confidence and used only in performance of contracted work or services. Contractor shall exercise the same standard or care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

**DAMAGE.** The contractor shall be held responsible for any breakage, loss of the City of Milpitas's equipment or supplies through negligence of the contractor or his employee while working on the City of Milpitas's premises. The contractor shall be responsible for restoring or replacing any equipment, facilities, etc. so damaged. The contractor shall immediately report to the City of Milpitas any damages to the premises resulting from services performed under this contract. Failure or refusal to restore or replace such damaged property will be a breach of this contract.

**INDEPENDENT CONTRACTOR.** Contractor or any agent or employee of Contractor shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by the City of Milpitas under contract. Contractor or any agent or employee of Contractor shall not have employee status with the City of Milpitas, nor be entitled to participate in any plans, arrangements, or distributions by the City of Milpitas pertaining to or in connection with any retirement, health or other benefits that the City of Milpitas may offer its employees. Contractor or any agent or employee of Contractor is liable for the acts and omissions of itself, its employees and its agents. Contractor shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to: FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Contractor's performing services and work, or any agent or employee of Contractor provided same. Nothing in this solicitation nor the contract awarded thereof shall be construed as creating an employment or agency relationship between the City of Milpitas and Contractor or any agent or employee of Contractor. Any terms in the contract awarded from this solicitation referring to direction from the City of Milpitas shall be construed as providing direction as to policy and the result of Contractor's work only, and not as to the means by which such a result is obtained. The City of Milpitas does not retain the right to control the means or the method by which Contractor performs work under the contract. It is expressly agreed by Contractor that in the performance of the services required under this contract, Contractor, and any of its subcontractors or employees, shall at all times be considered independent contractors and not agents of the City of Milpitas.

INDEMNIFICATION. Contractor shall indemnify, defend with counsel reasonably acceptable to the City of Milpitas, and hold harmless the City of Milpitas and its officials, officers, employees, agents, contractors, consultants, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Contractor or its employees, subcontractors, or agents, by acts for which they could be held strictly liable, or by the quality or character of their work. The foregoing obligation of Contractor shall not apply when (1) the injury, loss of life, damage to property, or violation of law arises wholly from the negligence or willful misconduct of the City of Milpitas or its officers, employees, agents, contractors, consultants, or volunteers and (2) the actions of Contractor or its employees, subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Contractor to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of Milpitas of insurance certificates and endorsements required under the contract awarded from this solicitation does not relieve Contractor from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause is a material element of the contract and shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply.

INSURANCE REQUIREMENTS. Within ten (10) consecutive calendar days of award of contract, Successful Proposer must furnish the City of Milpitas with the Certificates of Insurance proving coverage as specified in **Appendix A- Sample Contract**. Failure to furnish the required certificates within the time allowed will result in forfeiture of the Proposal Security.



**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

**NON-COLLUSION AFFIDAVIT  
Consulting Services to perform Public Opinion Survey and Funding Options Strategy  
Services**

State of California  
County of Santa Clara ss.

\_\_\_\_\_ (Proposer's Name), being first duly sworn,  
deposes and says that he or she is \_\_\_\_\_  
(Position/Title/Owner) of \_\_\_\_\_ (Contractor Name)  
the party making the foregoing proposal that the proposal is not made in the interest of, or on  
behalf of, any undisclosed person, partnership, company, association, organization, or  
corporation; that the proposal is genuine and not collusive or sham; that the proposer has not  
directly or indirectly induced or solicited any other proposer to put in a false or sham proposal,  
and has not directly or indirectly colluded, conspired, connived, or agreed with any proposer or  
anyone else to put in a sham proposal, or that anyone shall refrain from bidding; that the  
proposer has not in any manner, directly or indirectly, sought by agreement, communication, or  
conference with anyone to fix the proposal price of the proposer or any other proposer, or to fix  
any overhead, profit, or cost element of the proposal price, or of that of any other proposer, or to  
secure any advantage against the public body awarding the contract of anyone interested in the  
proposed contract; that all statements contained in the proposal are true; and further, that the  
proposer has not , directly or indirectly, submitted his or her proposal price or any breakdown  
thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will  
not pay, any fee to any corporation, partnership, company association, organization, proposal  
depository, or to any member or agent thereof to effectuate a collusive or sham proposal.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signed at (Place)

\_\_\_\_\_  
Proposer Name  
(Person, Firm, Corp.)

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Address

\_\_\_\_\_  
Representative's Name

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Representative's Title

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

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**PROPOSER'S STATEMENT  
REGARDING INSURANCE COVERAGE  
Consulting Services to perform Public Opinion Survey and Funding Options  
Strategy Services**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the Request For Proposals for Consulting Services to Perform Public Opinion Survey and Funding Options Strategy Services. Should the Proposer be awarded the contract for the work, Proposer further certifies that the Proposer can meet the specified requirements for insurance, and agrees to name the City of Milpitas as Additional Insured for the work specified.

---

Name of Proposer (Person, Firm, or Corporation)

---

Signature of Proposer's Authorized Representative

---

Name & Title of Authorized Representative

---

Date of Signing

**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

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**WORKER'S COMPENSATION INSURANCE CERTIFICATE**  
**Consulting Services to perform Public Opinion Survey and Funding Options**  
**Strategy Services**

The Contractor shall execute the following form as required by the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

---

Name of Proposer (Person, Firm, or Corporation)

---

Signature of Proposer's Authorized Representative

---

Name & Title of Authorized Representative

---

Date of Signing



**THIS FORM MUST BE PRINTED OUT, COMPLETED AND EMAILED TO THE CITY  
AS PART OF THE PROPOSAL**

|                           |
|---------------------------|
| <b>LIST OF REFERENCES</b> |
|---------------------------|

**Proposer:** \_\_\_\_\_

- |    |                                 |                        |
|----|---------------------------------|------------------------|
| 1. |                                 |                        |
|    | Name of Agency                  | Agency Address         |
|    | Contact Name                    | Contact Title          |
|    | Contact Telephone #             | Contact e-mail Address |
|    | Contract Term and Dollar Amount | Type of Services       |
| 2. |                                 |                        |
|    | Name of Agency                  | Agency Address         |
|    | Contact Name                    | Contact Title          |
|    | Contact Telephone #             | Contact e-mail Address |
|    | Contract Term and Dollar Amount | Type of Services       |
| 3. |                                 |                        |
|    | Name of Agency                  | Agency Address         |
|    | Contact Name                    | Contact Title          |
|    | Contact Telephone #             | Contact e-mail Address |
|    | Contract Term and Dollar Amount | Type of Services       |

I hereby certify that I have performed the work listed above.

\_\_\_\_\_  
Signature of Proposer (Individual with Authorization to Bind the Firm in Contract)

APPENDIX A  
RFP SAMPLE AGREEMENT

**CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF MILPITAS AND  
[NAME OF CONSULTANT]**

THIS AGREEMENT for consulting services is made by and between the City of Milpitas ("City") and \_\_\_\_\_ ("Consultant") as of \_\_\_\_\_, 2015.

**AGREEMENT**

**Section 1. SERVICES.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in the Scope of Work attached as Exhibit A at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A, the Agreement shall prevail.

- 1.1 **Term of Services.** The term of this Agreement shall begin on the date first noted above and shall end on \_\_\_\_\_, the date of completion specified in Exhibit A, and Consultant shall complete all the work described in Exhibit A prior to that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as provided for in Section 8.
- 1.2 **Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which Consultant is engaged in the geographical area in which Consultant practices its profession. Consultant shall prepare all work products required by this Agreement in a substantial, first-class manner and shall conform to the standards of quality normally observed by a person practicing in Consultant's profession.
- 1.3 **Assignment of Personnel.** Consultant shall assign only competent personnel to perform services pursuant to this Agreement. Exhibit A shall name any specific personnel who shall be performing services. In the event that City, in its sole discretion, at any time during the term of this Agreement, desires the reassignment of any such persons, Consultant shall, immediately upon receiving notice from City of such desire of City, reassign such person or persons.
- 1.4 **Time.** Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Section 1.1 above and to complete Consultant's obligations hereunder.

**Section 2. COMPENSATION.** City hereby agrees to pay Consultant a guaranteed maximum price not to exceed \$ \_\_\_\_\_ for all services to be performed and reimbursable costs incurred under this Agreement. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Hourly rates for personnel performing services shall be as shown in Exhibit B. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

**2.1 Invoices.** Consultant shall submit invoices, not more often than once a month during the term of this Agreement, based on the cost for services performed and reimbursable costs incurred during the billing period. Invoices shall contain the following information:

- Serial identification of bills;
- The beginning and ending dates of the billing period;
- A Task Summary containing the original contract amount, the amount of prior billings, the total due this period, the balance available under the Agreement, and the percentage of completion, if applicable;
- At City's option, for each work item in each task, a copy of the applicable time entries or time sheets shall be submitted showing the name of the person doing the work, the hours spent by each person, a brief description of the work, and each reimbursable expense;
- The total number of hours of work performed under the Agreement by Consultant and each employee, agent, and subcontractor of Consultant performing services hereunder, as well as a separate notice when the total number of hours of work by Consultant and any individual employee, agent, or subcontractor of Consultant reaches or exceeds 800 hours, which shall include an estimate of the time necessary to complete the work described in Exhibit A;
- The Consultant's signature.

**2.2 Monthly Payment.** City shall make monthly payments, based on invoices received, for services satisfactorily performed, and for authorized reimbursable costs incurred. City shall have thirty (30) days from the receipt of an invoice that complies with all of the requirements above and is otherwise acceptable to the City to pay Consultant. In the event that an invoice is not acceptable to the City, said invoice shall be returned to Consultant within thirty (30) days of the City's receipt of the invoice with a detailed explanation of the deficiency. City's obligation to pay a returned invoice shall not arise earlier than thirty (30) days after resubmission of the corrected invoice.

**2.3 Total Payment.** City shall pay for the services to be rendered by Consultant pursuant to this Agreement. City shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. City shall make no payment for any extra, further, or additional service pursuant to this Agreement.

In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment. In the event that Consultant identifies additional work outside the scope of services specified in Exhibit A that may be required to complete



the work required under this Agreement, Consultant shall immediately notify the City and shall provide a written not-to-exceed price for performing this additional work.

- 2.4 **Hourly Fees.** Fees for work performed by Consultant on an hourly basis shall not exceed the amounts shown on Exhibit B.
- 2.5 **Reimbursable Expenses.** Reimbursable expenses are shown on Exhibit B, and shall not exceed \_\_\_\_\_ (\$\_\_\_\_\_). Expenses not listed in Exhibit B are not chargeable to City. Reimbursable expenses are included in the total not-to-exceed amount of compensation provided under this Agreement.
- 2.6 **Payment of Taxes.** Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any other applicable federal or state taxes.
- 2.7 **Payment upon Termination.** In the event that the City or Consultant terminates this Agreement pursuant to Section 8, the City shall compensate the Consultant for all outstanding costs and reimbursable expenses incurred for work satisfactorily completed as of the date of written notice of termination. Consultant shall maintain adequate logs and timesheets in order to verify costs incurred to that date. The City shall have no obligation to compensate Consultant for work not verified by logs or timesheets.
- 2.8 **Authorization to Perform Services.** The Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of a written Notice to Proceed from the City.

**Section 3. FACILITIES AND EQUIPMENT.** Except as set forth herein, Consultant shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to perform the services required by this Agreement. City shall make available to Consultant only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

City shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Consultant's use while consulting with City employees and reviewing records and the information in possession of the City. The location, quantity, and time of furnishing those facilities shall be in the sole discretion of City. In no event shall City be obligated to furnish any facility that may involve incurring any direct expense, including but not limited to computer, cellular telephone, long-distance telephone, or other communication charges, vehicles, and reproduction facilities.

If the performance of the work specified in Exhibit A requires destructive testing or other work within the City's public right-of-way, Consultant, or Consultant's subconsultant, shall obtain an encroachment permit from the City.

**Section 4. INSURANCE REQUIREMENTS.** Before beginning any work under this Agreement, Consultant shall procure "occurrence coverage" insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Consultant and its agents, representatives, employees, and subcontractors. Consultant shall provide proof satisfactory to City of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects to the City. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement and shall produce said policies to the City upon demand. The cost of such insurance shall be included in the Consultant's price. Consultant shall not allow

any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s) and provided evidence thereof to City. Verification of the required insurance shall be submitted and made part of this Agreement prior to execution.

- 4.1 Workers' Compensation.** Consultant shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per accident. In the alternative, Consultant may rely on a self-insurance program to meet those requirements, but only if the program of self-insurance complies fully with the provisions of the California Labor Code. Determination of whether a self-insurance program meets the standards of the Labor Code shall be solely in the discretion of the City Attorney. The insurer, if insurance is provided, or the Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against the City and its officers, officials, employees, and volunteers for loss arising from work performed under this Agreement.

An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.2 Commercial General and Automobile Liability Insurance.**

- 4.2.1 General requirements.** Consultant, at its own cost and expense, shall maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence, combined single limit coverage for risks associated with the work contemplated by this Agreement. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.
- 4.2.2 Minimum scope of coverage.** Commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (ed. 11/88) or Insurance Services Office form number GL 0002 (ed. 1/73) covering comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability. Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90) Code 1 ("any auto"). No endorsement shall be attached limiting the coverage.
- 4.2.3 Additional requirements.** Each of the following shall be included in the insurance coverage or added as an endorsement to the policy:

- a. City and its officers, employees, agents, contractors, consultants, and volunteers shall be covered as insureds with respect to each of the following: liability arising out of activities performed by or on behalf of Consultant, including the insured's general supervision of Consultant; products and completed operations of Consultant; premises owned, occupied, or used by Consultant; and automobiles owned, leased, or used by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to City or its officers, employees, agents, contractors, consultants, or volunteers.
- b. The insurance shall cover on an occurrence or an accident basis, and not on a claims-made basis.
- c. An endorsement must state that coverage is primary insurance with respect to the City and its officers, officials, employees, contractors, consultants, and volunteers, and that no insurance or self-insurance maintained by the City shall be called upon to contribute to a loss under the coverage.
- d. Any failure of CONSULTANT to comply with reporting provisions of the policy shall not affect coverage provided to CITY and its officers, employees, agents, and volunteers.
- e. An endorsement shall state that coverage shall not be suspended, voided, or canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3 Professional Liability Insurance.** If Consultant shall be performing licensed professional services, Consultant shall maintain for the period covered by this Agreement professional liability insurance for licensed professionals performing work pursuant to this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000) covering the licensed professionals' errors and omissions.

**4.3.1** Any deductible or self-insured retention shall not exceed \$150,000 per claim.

**4.3.2** An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3.3** The policy must contain a cross liability clause.

**4.3.4** The following provisions shall apply if the professional liability coverages are written on a claims-made form:

- a. The retroactive date of the policy must be shown and must be before the date of the Agreement.



- b. Insurance must be maintained and evidence of insurance must be provided for at least three years after completion of the Agreement or the work, unless waived in writing by the City.
- c. If coverage is canceled or not renewed and it is not replaced with another claims-made policy form with a retroactive date that precedes the date of this Agreement, Consultant must provide extended reporting coverage for a minimum of five years after completion of the Agreement or the work. The City shall have the right to exercise, at the Consultant's sole cost and expense, any extended reporting provisions of the policy, if the Consultant cancels or does not renew the coverage.
- d. A copy of the claim reporting requirements must be submitted to the City prior to the commencement of any work under this Agreement.

#### **4.4 Requirements for All Policies.**

- 4.4.1 **Acceptability of insurers.** All insurance required by this section is to be placed with insurers with a Bests' rating of no less than A.
- 4.4.2 **Verification of coverage.** Prior to beginning any work under this Agreement, Consultant shall furnish City with certificates of insurance and with original endorsements effecting coverage required herein. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The City reserves the right to require complete, certified copies of all required insurance policies at any time.
- 4.4.3 **Subcontractors.** Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.
- 4.4.4 **Deductibles and Self-Insured Retentions.** Consultant shall disclose to and obtain the approval of City for the self-insured retentions and deductibles before beginning any of the services or work called for by any term of this Agreement.

During the period covered by this Agreement, only upon the prior express written authorization of the City, Consultant may increase such deductibles or self-insured retentions with respect to City, its officers, employees, agents, contractors, consultants, and volunteers. The City may condition approval of an increase in deductible or self-insured retention levels with a requirement that Consultant procure a bond, guaranteeing payment of losses and related investigations, claim administration, and defense expenses that is satisfactory in all respects to the City.

- 4.4.5 **Notice of Reduction in Coverage.** In the event that any coverage required by this section is reduced, limited, or materially affected in any other manner, Consultant shall provide written notice to City at Consultant's earliest possible opportunity and in no case later than five days after Consultant is notified of the change in coverage.

**4.5 Remedies.** In addition to any other remedies City may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may, at its sole option exercise any of the following remedies, which are alternatives to other remedies City may have and are not the exclusive remedy for Consultant's breach:

- Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the Agreement;
- Order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof; and/or
- Declare Consultant in material breach of the Agreement and terminate the Agreement.

**4.6 Waiver.** The Risk Manager of the City has the authority to waive or vary any provision of Sections 4.2 through 4.5. Any such waiver or variation shall not be effective unless made in writing.

**Section 5. INDEMNIFICATION AND CONSULTANT'S RESPONSIBILITIES.** Consultant shall indemnify, defend with counsel reasonably acceptable to the City, and hold harmless the City and its officials, officers, employees, agents, contractors, consultants, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Consultant or its employees, subcontractors, or agents, by acts for which they could be held strictly liable, or by the quality or character of their work. The foregoing obligation of Consultant shall not apply when (1) the injury, loss of life, damage to property, or violation of law arises wholly from the negligence or willful misconduct of the City or its officers, employees, agents, contractors, consultants, or volunteers and (2) the actions of Consultant or its employees, subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

## **Section 6.**      **STATUS OF CONSULTANT.**

- 6.1      **Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of City. City shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement and assignment of personnel pursuant to Subparagraph 1.3. Otherwise, City shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of City and entitlement to any contribution to be paid by City for employer contributions and/or employee contributions for PERS benefits.
- 6.2      **Consultant No Agent.** Except as City may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

## **Section 7.**      **LEGAL REQUIREMENTS.**

- 7.1      **Governing Law.** The laws of the State of California shall govern this Agreement.
- 7.2      **Compliance with Applicable Laws.** Consultant and any subcontractors shall comply with all laws applicable to the performance of the work hereunder.
- 7.3      **Other Governmental Regulations.** To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.
- 7.4      **Licenses and Permits.** Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions. Consultant represents and warrants to City that Consultant and its employees, agents, any subcontractors shall, at their sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions and to perform this Agreement. In addition to the foregoing, Consultant and any subcontractors shall obtain and maintain during the term of this Agreement valid business license from City.
- 7.5      **Nondiscrimination and Equal Opportunity.** Consultant shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by Consultant under this



Agreement. Consultant shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of Consultant thereby.

Consultant shall include the provisions of this Subsection in any subcontract approved by the City or this Agreement.

## **Section 8. TERMINATION AND MODIFICATION.**

- 8.1 Termination.** City may terminate this Agreement at any time and without cause upon written notification to Consultant.

In the event of termination, Consultant shall be entitled to compensation for services performed prior to the effective date of termination as provided in Section 2. City, however, may condition payment of such compensation upon Consultant delivering to City any or all documents, photographs, computer software, video and audio tapes, and other materials provided to Consultant or prepared by or for Consultant or the City in connection with this Agreement.

- 8.2 Extension.** City may, in its sole and exclusive discretion, extend the end date of this Agreement beyond that provided for in Subsection 1.1. Any such extension shall require a written amendment to this Agreement, as provided for herein. Consultant understands and agrees that, if City grants such an extension, City shall have no obligation to provide Consultant with compensation beyond the maximum amount provided for in this Agreement. Similarly, unless authorized by the City, City shall have no obligation to reimburse Consultant for any otherwise reimbursable expenses incurred during the extension period.

- 8.3 Amendments.** The parties may amend this Agreement only by a writing signed by all the parties.

- 8.4 Assignment and Subcontracting.** City and Consultant recognize and agree that this Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's unique personal competence, experience, and specialized personal knowledge. Moreover, a substantial inducement to City for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the City. Consultant shall not subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors listed in the Consultant's proposal, without prior written approval of the City.

- 8.5 Survival.** All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating liability between City and Consultant shall survive the termination of this Agreement.

**8.6**     **Options upon Breach by Consultant.** If Consultant materially breaches any of the terms of this Agreement, City's remedies shall include, but not be limited to, any or all of the following:

**8.6.1**     Immediate cancellation of the Agreement;

**8.6.2**     Retention of the plans, specifications, drawings, reports, design documents, and any other work product prepared by Consultant pursuant to this Agreement prior to cancellation; and

**8.6.3**     Retention of a different consultant at Consultant's cost to complete the work described in Exhibit A not finished by Consultant.

## **Section 9.        KEEPING AND STATUS OF RECORDS.**

**9.1**     **Records Created as Part of Consultant's Performance.** All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that Consultant prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of the City. Consultant hereby agrees to deliver those documents to the City at any time upon demand of the City. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use. Failure by Consultant to deliver these documents to the City within the time period specified by the City shall be a material breach of this Agreement. City and Consultant agree that, until final approval by City, all data, plans, specifications, reports and other documents are preliminary drafts not kept by the City in the ordinary course of business and will not be disclosed to third parties without prior written consent of both parties.

**9.2**     **Consultant's Books and Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement.

**9.3**     **Inspection and Audit of Records.** Any records or documents that Section 9.2 of this Agreement requires Consultant to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds TEN THOUSAND DOLLARS (\$10,000.00), the Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement.

## **Section 10       MISCELLANEOUS PROVISIONS.**

**10.1**     **Attorneys' Fees.** If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing

party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.

- 10.2 Venue.** In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Santa Clara or in the United States District Court for the Northern District of California.
- 10.3 Severability.** If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.
- 10.4 No Implied Waiver of Breach.** The waiver of performance or any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.
- 10.5 Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the parties.
- 10.6 Use of Recycled Products.** Consultant shall prepare and submit all reports, written studies and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.
- 10.7 Conflict of Interest.** Consultant may serve other clients, but none whose activities within the corporate limits of City or whose business, regardless of location, would place Consultant in a "conflict of interest," as that term is defined in the Political Reform Act, codified at California Government Code Section 81000 *et seq.*

Consultant shall not employ any City official in the work performed pursuant to this Agreement. No officer or employee of City shall have any financial interest in this Agreement that would violate California Government Code Sections 1090 *et seq.*

Consultant hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of the City. If Consultant were an employee, agent, appointee, or official of the City in the previous twelve months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code §1090 *et seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for services performed pursuant to this Agreement, including reimbursement of expenses, and Consultant will be required to reimburse the City for any sums paid to the Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of Government Code § 1090 and, if applicable, may be disqualified from holding public office in the State of California.

Consultant certifies that it has not paid any direct or contingent fee, contribution, donation or consideration of any kind to any firm, organization, or person (other than a bona fide



employee of Consultant) in connection with procuring this Agreement, nor has Consultant agreed to employ or retain any firm, organization, or person in connection with the performance of this Agreement as a condition for obtaining this Agreement.

**10.8 Solicitation.** Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials.

**10.9 Contract Administration.** This Agreement shall be administered by \_\_\_\_\_ who is authorized to act for, and on behalf of, City. All correspondence shall be directed to or through the Contract Administrator or his or her designee.

**10.10 Notices.** Any written notice to Consultant shall be sent to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any written notice to City shall be sent to:  
Thomas C. Williams  
City Manager's Office  
455 East Calaveras Boulevard  
Milpitas, California 95035

**10.11 Professional Seal.** Where applicable in the determination of the City, the first page of a technical report, first page of design specifications, and each page of construction drawings shall be stamped/sealed and signed by the licensed professional responsible for the report/design preparation.

**10.12 Integration.** This Agreement, including the exhibits, represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral.

**10.13 Exhibits.** All exhibits referenced in this Agreement are incorporated by reference herein.

CITY OF MILPITAS

CONSULTANT

\_\_\_\_\_  
Thomas C. Williams, City Manager

\_\_\_\_\_  
[Name and Title]

\_\_\_\_\_  
Taxpayer Identification Number

\_\_\_\_\_  
City of Milpitas Business License Number

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

## **List of Attachments for Unfinished Business – Item No. 03**

### **Janitorial Services**

#### **Attachments:**

- 03-A      Press Release
- 03-B      Wage Rate Analysis
- 03-C      Current Contract for Janitorial Services – Varsity
- 03-D      2013 RFP for Janitorial Services and Response from Varsity



*Press Release*  
*Office of Mayor Sam T. Liccardo*

**For Immediate Release:**  
Sept. 3, 2015

**Contact:**  
Ragan Henninger, (408) 535-4830

Interim PIO, Office of Mayor Sam Liccardo

## **South Bay Mayors Launch Minimum Wage Effort**

### *Leaders Back Study as First Step Towards Raising Minimum Wage Across Region*

San José, CA - Mayor Sam Liccardo was joined by the Mayors of Campbell, Palo Alto, Cupertino, Milpitas, Morgan Hill, Monte Sereno, and a representative from the City of Santa Clara today to announce the first steps towards potentially raising the minimum wage across Santa Clara County. To begin this joint venture, the Mayors backed a regional study of the long term economic impacts increasing the minimum wage would have on minimum wage earners, small businesses, and the unemployed.

"In this period of affluence, Santa Clara County leads the nation in job growth, yet ample evidence demonstrates a growing gap between rich and poor," said Mayor Sam Liccardo. "We have to do more to help those dependent on a minimum wage, but we need to proceed in a thoughtful manner that lifts the tide for all residents."

"Cities along the West Coast are passing a higher minimum wage to give their residents a chance to keep up with their rent. It's time we consider the impacts doing the same here in Santa Clara County," said Mayor Jeffrey Christina of Campbell.

The City of San José will take the lead on beginning the Request for Proposal process to hire a consultant to conduct the study. To ensure that the diverse opinions and expertise of Santa Clara County are represented, members of the South Bay Labor Council and the San Jose/Silicon Valley Chamber of Commerce will join other key stakeholders and subject matter experts in evaluating the RFP and selecting best qualified consultant(s) who will conduct the study.

"Perhaps nowhere more than this, where we all live in such close proximity to each other and where we share a regional economy are each city's actions likely to have effect on other cities," said Palo Alto Mayor Karen Holman. "I'm gratified this effort is commencing to work together to identify a minimum wage approach that can help address the gap between those who struggle to live here and those who flourish."

"The need is clear. The minimum wage must be increased so that our residents can live the comfortable lives they've strived so hard for," said Mayor Jose Esteves of Milpitas. "We also have to move forward in a pragmatic way that allows the small business in our region to continue to provide the jobs necessary to sustain our economic growth."

In addition to studying the economic impacts of raising the minimum wage, the study would also seek to assess the benefits of several other proposals including:



- A training wage for youth under 18
- An exemption for organizations employing person who were "hard-to-employ" such as parolees, the homeless, and emancipated foster youth.
- A "ramp-up" period for small business, such as employers with less than 15 employees or who earn below a predetermined threshold of gross revenue
- An exemption for the employment of immediate or extended family members

"The working poor in our region have been particularly hit by the large and growing income inequality gap, and the minimum wage is one of several tools we need. I support an objective economic study to understand the impact on jobs and business, followed by a common regional approach," said Cupertino Mayor Rod Sinks.

Today's event comes on the heels of San José's Rules and Open Government Committee's approval of a memo by Mayor Liccardo, and Councilmembers Chappie Jones and Manh Nguyen proposing the regional study of the possible effects of an minimum wage increase. The RFP proposal will next go to the full City Council for approval. In the past, the Cities Association has endorsed a regional approach to raising the minimum wage to avoid having different rules in different areas of the county.

"Too many times we've seen localities raise the minimum wage without carefully considering how it's increase effects all aspects of our economy," said Morgan Hill Mayor Steve Tate. "This is the first time a group of mayors have joined together and said that we need to do this collectively."

"A regional approach to raising the minimum wage is essential to providing equity when it comes to business growth throughout Santa Clara County. Different rules for different cities creates an uneven playing field that can be damaging to local economics. Today we've taken the first step towards ensuring all residents feel a positive impact from any minimum wage increase," said Mayor Walter Huff of Monte Sereno.

"Mountain View has been leading the effort for a regional approach and look forward to hearing where all our neighbors are on the issue," said Mayor John McAlister of Mountain View.

"Many cities throughout the County, including Santa Clara, have recognized the need for local government to step forward to increase the minimum wage. The next logical step is to work to create regional consistency for future increases to amplify our efforts and wage predictability for individuals and business," said Santa Clara Mayor Jamie Matthews.

###



# Janitorial Wage Rate Analysis 2015

| City of Milpitas Janitorial RFP Interested Parties                                     |       |                                   |                                 |                            |                           |                                                    |                                   |                                       |                                    |
|----------------------------------------------------------------------------------------|-------|-----------------------------------|---------------------------------|----------------------------|---------------------------|----------------------------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| City of Milpitas Janitorial RFP Interested Parties                                     |       |                                   |                                 |                            | Malls                     |                                                    | Nearby Businesses                 |                                       |                                    |
|                                                                                        | Steps | * Universal Building Services     | Crossroads Diversified Services | Olympic Cleaning Service   | * Great Mall - contracted | Stanford Mall - contracted with Trademark Staffing | SanDisk contracted with Medallion | Flextronics contracted with Medallion | Levi Stadium - contracted with ABM |
| Janitor                                                                                | 1     | \$9.50                            | \$9.00                          | \$11.50                    | \$9.40                    | \$10.00                                            | \$11.00                           | not available                         | \$9.00                             |
|                                                                                        | 2     | varies by experience              | varies by experience            | \$12.50                    | \$10.40                   | not available                                      | not available                     | up to \$14 DOE shifts                 | \$11.04                            |
|                                                                                        | 3     | up to \$16                        |                                 | up to \$16.50              | \$13.94                   | not available                                      | not available                     | not available                         | \$11.53                            |
|                                                                                        | 4     |                                   |                                 |                            |                           |                                                    |                                   |                                       | \$14.54                            |
|                                                                                        | 5     |                                   |                                 |                            |                           |                                                    |                                   |                                       | up to \$15                         |
| Currently Posted Janitor Job Opportunities for Business & Government Support Contracts |       |                                   |                                 |                            |                           |                                                    |                                   | 2015 Varsity Facility Services Data   |                                    |
|                                                                                        | Steps | Janico Building Services, Oakland | Kellymeyer, Livermore           | Simply Right, Redwood City | Staffmark, Fremont        | EAH, San Jose                                      |                                   | Contract Start Date 1/7/14            | Area 1L Rates                      |
| Janitor                                                                                | 1     | \$10.00                           | \$9.75                          | \$9.00                     | \$11.00                   | \$10.00                                            | New Employee                      | Start                                 | \$8.50                             |
|                                                                                        | 2     | \$10.75                           | not available                   | not available              | not available             | \$11.00                                            |                                   | Year 1                                | \$8.75                             |
|                                                                                        | 3     | \$11.50                           | not available                   | not available              | not available             | \$12.00                                            | Current Year                      | Year 2                                | \$9.00                             |
|                                                                                        | 4     | \$12.25                           |                                 |                            |                           | \$13.00                                            |                                   | Year 3                                | \$9.75                             |
|                                                                                        | 5     |                                   |                                 |                            |                           | up to \$15                                         |                                   | * Year 4                              | \$13.69                            |

\* Union can pay \$0.15 - \$0.25 on top of hourly.  
Added benefits after 3 years service

\* Master Wage Rate Area 1A/1B

## Custodians employed by each city

|           | City of    | Contracted |
|-----------|------------|------------|
| Custodian | * Fremont  | \$14.99    |
|           | **San Jose | \$17.03    |
|           |            |            |
|           |            |            |
|           |            |            |

\* Union can pay \$0.25 on top of hourly.

\*\* subject to the Living Wage Policy

## Composite Index of business within each city

|         | City          | Starting | Experienced (5+ years) |
|---------|---------------|----------|------------------------|
| Janitor | Fremont       | \$11.35  | \$14.94                |
|         | Santa Clara   | \$11.35  | \$14.94                |
|         | San Jose      | \$11.35  | \$14.94                |
|         | San Francisco | \$11.76  | \$15.48                |
|         | Oakland       | \$10.92  | \$14.37                |

Index of all businesses in all cities specified  
(salary.com, payscale.com, and Indeed.com/salary)



**EXHIBIT A - NOTICE OF EXERCISE OF OPTION TO EXTEND AGREEMENT**

|                                     |                                                                                          |
|-------------------------------------|------------------------------------------------------------------------------------------|
| <b>AGREEMENT TITLE and DATE:</b>    | City Wide Janitorial service at Twelve City of Milpitas Locations<br>1/07/14             |
| <b>CONTRACTOR Name and Address:</b> | Varsity Facility Services<br>Rob Ridge<br>11346 Sunco Drive, Suite 101<br>Rancho Cordova |
| <b>DATE OF OPTION:</b>              | 12/08/14                                                                                 |

*(date the notice is sent must be consistent with the time for exercise set forth in Agreement)*

Pursuant to the Terms and Conditions of the Agreement referenced above, the City of Milpitas hereby exercises its option to extend the term under the following provisions:

|                   |   |
|-------------------|---|
| <b>OPTION NO.</b> | 1 |
|-------------------|---|

**NEW OPTION TERM**

|             |                 |
|-------------|-----------------|
| Begin date: | January 7, 2015 |
| End date:   | January 6, 2016 |

☐ **CHANGES IN RATE OF COMPENSATION**

|                                                                 |  |
|-----------------------------------------------------------------|--|
| <b>Percentage change in CPI upon which adjustment is based:</b> |  |
|-----------------------------------------------------------------|--|

Pursuant to Section \_\_\_\_ of the Agreement the Rates of Compensation are hereby adjusted as follows:

*(use attachment if necessary)*

|                                                  |              |
|--------------------------------------------------|--------------|
| <b>MAXIMUM COMPENSATION for New Option Term:</b> | \$413,288.00 |
|--------------------------------------------------|--------------|

For the option term exercised by this Notice, City shall pay Contractor an amount not to exceed the amount set forth above for Contractor's services and reimbursable expenses, if any. The undersigned signing on behalf of the City of Milpitas hereby certifies that an unexpended appropriation is available for the term exercised by this Notice, and that funds are available as of the date of this signature.

CITY OF Milpitas  
a municipal corporation

By Chris Schroeder  
Name: Chris Schroeder  
Title: Purchasing Agent



Please also have your insurance agent submit a new insurance certificate and endorsements as per the attached "Exhibit A – Insurance Requirements". Please email the certificate and the endorsements directly to me at [cschroeder@ci.milpitas.ca.gov](mailto:cschroeder@ci.milpitas.ca.gov) . Please contact me at the number listed below if you have any questions.

The City of Milpitas wishes to thank you for your interest in doing business with the City.

Sincerely

A handwritten signature in black ink that reads "Chris Schroeder". The signature is written in a cursive, flowing style.

Chris Schroeder  
Purchasing Agent  
City Of Milpitas  
408-687-1639

***\*\* Please forward this attachment to your insurance agent. \*\****

**CITY OF MILPITAS  
INSURANCE REQUIREMENTS**

Dear Agent:

Please provide the certificates and endorsements listed below and in the insurance requirements, Exhibit A, which are included in your client's contract with the City.

**All blanks in all endorsement forms must be filled in including policy numbers, effective dates and countersignature blanks. If you can't sign the counter signature, then just white it out. I can not accept an endorsement that is incomplete or has an unsigned counter signature.**

**On multi-page blanket policies or on multi-page insurance contract excerpts, please circle the specific clause that you feel addresses the requirement for each endorsement. Every page must have the policy number on it, even if you have to type it on.**

Please pay particular attention to the endorsements, items 1 thru 4 on page 2. Just so it is really clear, I need the following:

1. Basic Insurance Certificate
2. General Liability endorsements for:
  - Additional Insured naming **"The City of Milpitas, its officers, officials, employees, and volunteers"**
  - Primary and Non-Contributory
  - Waiver of Subrogation
  - 30 day notice of cancelation
3. Auto Liability endorsements for:
  - Additional Insured naming **"The City of Milpitas, its officers, officials, employees, and volunteers"**
  - Primary and Non-Contributory
  - Waiver of Subrogation
  - 30 day notice of cancelation
4. Workers Compensation
  - Waiver of Subrogation

---

Please email the certificates and endorsements directly to me at [cschroeder@ci.milpitas.ca.gov](mailto:cschroeder@ci.milpitas.ca.gov).

If you have any questions, please call me at the number listed below.

Sincerely

Chris Schroeder  
Purchasing Agent  
City of Milpitas  
408-687-1



**AMENDMENT NO. 1 TO THE AGREEMENT**  
**WITH**  
**VARSITY FACILITIES SERVICES**  
**FOR**  
**CITY WIDE JANITORIAL SERVICE**  
**AT**  
**TWELVE CITY OF MILPITAS LOCATIONS**

This Amendment is entered into this 4<sup>th</sup> day of February, 2014, by and between the City of Milpitas, a municipal corporation of the State of California (hereafter referred to as "CITY") and Varsity Facilities Service, an Idaho corporation registered to conduct business in the State of California; (hereafter referred to as "CONTRACTOR").

**RECITALS**

WHEREAS, the parties entered into an Agreement for City Wide Janitorial Service at Twelve City of Milpitas Locations on January 7, 2014 ("Agreement") for an initial amount of Four Hundred and Eight Thousand Two Hundred and Eight-Eight dollars (\$408,288.00) for the period from January 7, 2014 to January 6, 2015; and

WHEREAS, the parties desire to amend the Agreement to increase the compensation under the Agreement in the amount of Five Thousand Dollars (\$5,000.00) for each of the first two years under the Agreement for additional janitorial work not within the original scope of services of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree to further amend the Agreement as follows:

1. City agrees to pay Contractor for all services performed in accordance with the amended Agreement in the amounts not-to-exceed as follows:

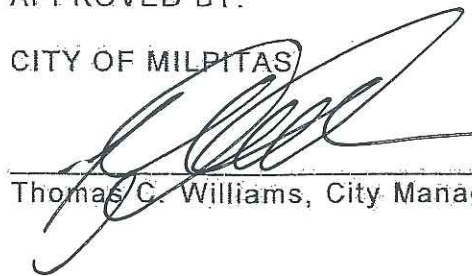
|    |                     |              |
|----|---------------------|--------------|
| A. | 1/07/14 to 1/06/15: | \$413,288.00 |
| B. | 1/07/15 to 1/06/16: | \$413,288.00 |
| C. | 1/07/16 to 1/06/17: | \$408,288.00 |
| D. | 1/07/17 to 1/06/18: | \$408,288.00 |
| E. | 1/07/18 to 1/06/19: | \$408,288.00 |
2. CONTRACTOR agrees to continue to maintain and pay for all insurance policies as stated in "Exhibit C – Insurance Requirements General" throughout the term of the Agreement and shall provide the City with renewal certificate and endorsements of the insurance policy.
3. All other provisions of the amended Agreement not amended by this Amendment No. 2 shall remain in full force and effect.



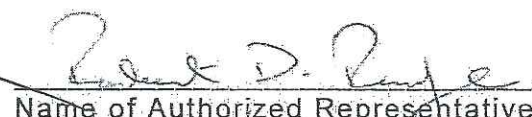
This Amendment is executed as of the date written on page one above.

APPROVED BY:

CITY OF MILPITAS

  
Thomas C. Williams, City Manager

VARSITY FACILITIES SEERVICES

  
Name of Authorized Representative

Regional V.P.  
Title of Authorized Representative

Approved As  
To Form:

  
Michael J. Ogaz, City Attorney

Approved As  
To Content:

 1.6.14  
Steve Erickson, Project manager



## CITY OF MILPITAS CONTRACT

Project: City Wide Janitorial Service at Twelve City of Milpitas Locations

RFP No: 2059

Annual Amount of Contract: \$408,288.00

THIS CONTRACT, made this 7th day of January, 2014, by and between the City of Milpitas, hereinafter referred to as the "City of Milpitas" and Varsity Facilities Services, an Idaho corporation registered in California, hereinafter referred to as "Contractor",

WITNESSETH:

A. WHEREAS, the City of Milpitas has caused specifications, drawings and other contract documents, hereinafter referred to as "Specifications", to be prepared for certain work on the referenced project; and

B. WHEREAS, said Specifications include:

- a. Notice of Request For Proposals
- a. Background
- b. Scope of Work
- c. Instructions To Proposer
- d. Terms and Conditions
- e. Special Provisions For Services
- f. Addenda
- g. Proposal Form
- h. References
- i. Non-Collusion Affidavit
- j. Proposer's Statement Regarding Insurance Coverage
- k. Worker's Compensation Insurance Certificate
- l. Proposer's Nondiscriminatory Employment Certificate
- m. Janitorial Specifications
- n. City Wide Janitorial Service Schedule
- o. Insurance Requirements – General
- p. Contractor's Proposal

C. WHEREAS, Contractor has offered to perform the proposed work in accordance with the terms of said Specifications as set forth by submission of the Contractor's Proposal;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained in said Specifications and Contractor's Proposal, which are made a part hereof as though fully set forth, Contractor hereby agrees to complete the work at the prices and on the terms and conditions therein contained, and the City of Milpitas hereby employs the Contractor and agrees to pay the Contractor the contract prices therein provided for the fulfillment of the work and the performance of the covenants therein set forth.

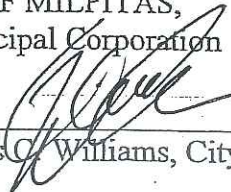
1. The initial term of this Contract is for one (1) year from January 7, 2014 to January 6, 2015 (the "Initial Term"), provided the City reserves the right at its sole discretion to extend this Contract on an annual basis for up to an additional four (4) years by providing written notice to Contractor

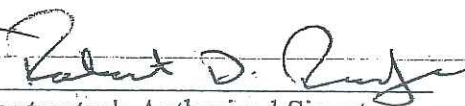
prior to the expiration of the then applicable term and in the form attached hereto as Exhibit D. Additionally, if City elects to exercise any of the annual option, City at its sole discretion may provide an annual increase not to exceed five percent (5%) based on the prior annual contract amount. City will make monthly payments within thirty (30) days of receipt of each approved invoice.

IN WITNESS WHEREOF, this contract has been executed on the day and year first above written.

CITY OF MILPITAS,  
A Municipal Corporation

VARSITY FACILITIES SERVICES

 1/24/14  
Thomas C. Williams, City Manager

  
Contractor's Authorized Signature

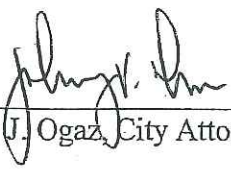
ROBERT D. DODGE  
Name of Authorized Representative

Regional V.P.  
Title of Authorized Representative

Business Tax Compliance: Certificate No. 36720

Federal Tax ID Number: 82-0292413

Approved As  
To Form:

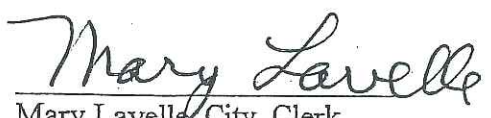
  
Michael J. Ogaz, City Attorney

Approved As  
To Content:

 1-21-14  
Steve Erickson, City Project Manager

ATTEST:

By

  
Mary Lavelle, City Clerk





**City of Milpitas  
NOTICE OF  
REQUEST FOR PROPOSALS  
No. 2059  
For  
City Wide Janitorial Service**



Notice is hereby given that sealed proposals will be received at the Purchasing Office, until November 22, 2013 at 2:00 PM local time, for furnishing all labor, supervision, methods and processes, implements, tools, machinery, equipment, transportation and materials for :

**City Wide Janitorial Service at Twelve City Locations**

in accordance with the City of Milpitas plans, specifications and contract documents.

**SUBMITTING THE BID:** (a) *The City of Milpitas prefers that bids be submitted electronically.* Electronic bids may be submitted through a secure mailbox at Public Purchase ([www.publicpurchase.com](http://www.publicpurchase.com)) until the date and time as indicated in this document. It is the sole responsibility of the supplier to ensure their bid reaches Public Purchase before the closing date and time. There is no cost to the supplier to submit City of Milpitas bids electronically via Public Purchase. (b) Electronic bids may require the uploading of electronic attachments. The submission of attachments containing embedded documents is prohibited. All documents should be attached as separate files. (c) **HARD COPY** - If the supplier chooses to submit the bid directly to the City in writing: The bid must be signed in ink, sealed, and delivered to the City of Milpitas Information Counter in the first floor lobby of City Hall at 455 E. Calaveras Blvd. Milpitas CA 95035 by the "Due Date and Time." The "Solicitation Number" and "Due Date" must appear on the outside of the envelope. It is the sole responsibility of the supplier to ensure their bid reaches The City of Milpitas Purchase Division before the closing date. Bids, modifications, or corrections received after the closing time on the "Due Date" will be considered late and will be returned unopened.

Solicitation Documents. Solicitation documents may be examined and obtained at no charge on the Public Purchase website, or by calling 408-687-1639.

Registration. All Bidders must register on Public Purchase. To receive registration instructions call the purchasing Agent at 408-586-3161 or email a request for registration instructions to [cschroeder@ci.milpitas.ca.gov](mailto:cschroeder@ci.milpitas.ca.gov).

Prevailing Wage. This is a Prevailing Wage job.

Bonding. No bonding is required.

MANDATORY Pre-Proposal Conference. A MANDATORY pre-proposal conference and job site bid walk will be held at 3:00 PM on November 6, 2013 at City Hall 455 E. Calaveras Blvd Milpitas, CA 95035-5411. Meet in the Committee Meeting Room just out side the elevator on the first floor. Parking is free anywhere around City Hall, even in "Permit Only" spaces.

Chris Schroeder

Purchasing Agent

City of Milpitas

Published: Milpitas Post – October 25, 2013



# **City of Milpitas**

**Request for Proposal No. 2059  
for  
CITY WIDE JANITORIAL SERVICE  
at  
TWELVE CITY OF MILPITAS LOCATIONS**

City of Milpitas  
Purchasing Division  
455 E. Calaveras Blvd.  
Milpitas, CA 95035  
(408) 687-1639  
Fax (408) 586-3170

|                   |                    |
|-------------------|--------------------|
| Date of Issuance: | 10/23/13           |
| Bid Deadline:     | 11/22/2013 2:00 PM |



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|           |                                                    |
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| Exhibit A | "JANITORIAL SPECIFICATIONS"                        |
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| Exhibit C | "INSURANCE REQUIREMENTS – GENERAL"                 |
| Exhibit D | "NOTICE OF EXERCISE OF OPTION TO EXTEND AGREEMENT" |

**BACKGROUND.** The City of Milpitas is located near the southern tip of San Francisco Bay, forty-five miles south of San Francisco. With a population of approximately 68,000 Milpitas is a progressive community that is an integral part of the high tech Silicon Valley. Milpitas features quality schools, conveniently located neighborhood parks and shopping centers and a population rich in diversity

Incorporated in 1954, Milpitas is a general law city operating under the City Council/City Manager form of government, Milpitas is a creative, forward-thinking city providing quality police, fire, water, streets, parks, engineering, planning and recreation services. The City is financially secure with an annual budget in excess of \$114 million. The operating budget of \$94 million and the capital improvement budget of \$19 million include all City services administered by the City.

The City provides the full range of services normally associated with municipality, including fire, police, parks and recreation, planning, zoning and building, engineering, public works, utility service including water and sewer, and general administration. Solid waste collection is provided through a franchise arrangement with a local refuse collection service.

The City of Milpitas is seeking a qualified firm with a demonstrated ability to perform the tasks identified in this Request for Proposal (IFB) 2059. In summary, the successful bidder shall furnish labor, supervision, implements, tools, machinery, equipment, transportation, and material to perform the required work.

### SCOPE OF WORK

Provide comprehensive City Wide Janitorial Services at the following twelve specific locations.

| LOCATIONS                     | ADDRESS                | APROX. SQUARE FOOTAGE |
|-------------------------------|------------------------|-----------------------|
| City Hall Complex             | 455 E. Calaveras       | 96,000                |
| Sports Center/Teen Center     | 1325 E. Calaveras      | 28,619                |
| Main Fire Station             | 777 S. Main            | 2,800                 |
| Police Substation/Raceway (2) | 1210 Great Mall        | 4,200                 |
| Library Garage                | 120 N. Main St.        | 126,131               |
| Community Center              | 457 E. Calaveras Blvd. | 16,400                |
| Police Department             | 1275 N. Milpitas Blvd. | 57,400                |
| Public Works Department       | 1265 N. Milpitas Blvd. | 15,400                |
| Fire Department Trailer       | 777 S. Main St.        | 1,500                 |

|                          |                                          |       |
|--------------------------|------------------------------------------|-------|
| Jose Higuera Adobe Bldg. | Wessex Place off N. Park<br>Victoria Dr. | 1,200 |
| Senior Center            | 40 Milpitas Blvd.                        | 9,000 |
| Cracolice Bldg.          | 540 Able St.                             | 9,504 |

#### MINIMUM BASIC REQUIREMENTS

*It is recommended that each proposer carefully review the following, as any proposer that is unable to fulfill the minimum basic requirements will not be considered for evaluation.*

1. The contractor must have a **minimum of five (5) years of relevant experience** in contract City Wide Janitorial Service and must currently operate a branch facility located in Santa Clara County or within a distance acceptable to the Purchasing and the Public Works Departments.
2. The contractor shall be independent and, as such, the hiring, training, equipping, supervision, directing and discharging of their employees shall be the responsibility of the contractor. The payment of federal, state and local taxes and overtime wages shall also be the responsibility of the contractor.
3. The contractor must furnish all labor, cleaning materials (floor wax, wax stripper, gloves, scrubbing paper towels, stainless steel cleaner, carpet cleaner, window cleaner, restroom disinfectant, regular floor cleaner, and marble floor cleaner) and equipment (including, but not limited to, ladders, lifts, vacuum cleaners, extractors, floor machines, mops and buckets) required to perform interior/exterior City Wide Janitorial Service per building service schedules as specified within this document. The City will provide supplies such as (liquid hand soap, paper hand towels, toilet tissue, toilet seat covers, trash can liners, sanitary napkins, light bulbs and restroom deodorants).

Contractor shall track and report on a quarterly basis all cleaning chemicals supplied to the job. Detailed information shall be collected for each chemical including the manufacturer, product name and number, unit of measure (ounces, gallons, etc.) and total number of units.

The City of Milpitas reserves the right to amend the contract and provide all janitorial supplies.

4. The contractor must furnish, and all the employees (including coordinators and supervisors) must wear uniforms. All personnel must have a visible company name, logo, badge, etc., on their uniforms.



5. All front line employees of the winning bidder must have a background security check (**LifeScan**), and be a minimum of twenty-one (21) years of age and have a minimum of two (2) years janitorial experience and be fully trained in the custodial service trade.

**ONLY THE WINNING BIDDER MUST PROVIDE LIFESCAN DOCUMENTATION FOR EACH FRONT LINE EMPLOYEE, INCLUDING FIELD SUPERVISORS.**

6. The contractor shall maintain a current business license with the City of Milpitas. The proposers State contractor's license must not be currently under probation or suspension as set forth by the State of California, Department of Consumer Affairs.
7. Contractor must provide Steve Erickson, CIP Manager with an emergency telephone number where contractor may be reached at any time, 24 hours a day.
8. Contractor must respond to emergency calls relating to deficiency of service by correcting the deficiency within two hours of receipt of the call.
9. The contractor must furnish to City, prior to commencement of any services under this agreement, a list of all chemicals that the contractor anticipates bringing onto or using in any property belonging to the City, together with Material Safety Data Sheets for each chemical. Contractor must provide updated M.S.D.S. each anniversary of the execution of this contract or sooner when formulation or knowledge of hazards change.
10. Contractor accepts responsibility for determining that all necessary safeguards for protection of contractor's employees are available or will be furnished to employees. All work performed must conform to CAL-OSHA standards.
11. Contractors must attend the pre-proposal conference and job-site walk-through.

**Additional bid and/or contact requirements are contained in the following exhibits.**

**Exhibit A – Custodial Specifications**

**Exhibit B – City Wide Janitorial Services Schedule**

**NOTE:** The Custodial Specification and City Wide Janitorial Services Schedule are “suggested” and for discussion purposes only; Contractors are encouraged to submit how best to accomplish any and all tasks in the RFP.

**INSTRUCTIONS TO PROPOSER**

**ACCEPTANCE PERIOD.** Unless otherwise specified herein, proposals are firm for a period of ninety- (90) days.

**ADDENDA.** Addenda issued pursuant to this IFB, if any, will be posted on the Public Purchase website. However, it is the sole responsibility of the bidder to check the website and/or contact the

Purchasing Agent directly to determine that they have included all addenda in their proposal before submitting to the City. **Any proposal submitted that does not acknowledge on the form provided any questions answered on Public Purchase and/or every addenda issued may be considered non-responsive.**

AUTHORIZED SIGNATURES. Every proposal must be signed by the person or persons legally authorized to bind the Proposer to a contract for the execution of the work. Upon request of the City of Milpitas, any agent submitting a proposal on behalf of a Proposer shall provide a current power of attorney certifying the agent's authority to bind the Proposer. If an individual makes the proposal, his or her name, signature, and post office address must be shown. If a firm or partnership makes the proposal, the name and post office address of the firm or partnership and the signature of at least one of the general partners must be shown. If a corporation makes the proposal, the proposal shall show the name of the state under the laws of which the corporation is chartered, the name and post office address of the corporation and the title of the person signing on behalf of the corporation. Upon request of the City of Milpitas, the corporation shall provide a certified copy of the bylaws or resolution of the board of directors showing the authority of the officer signing the proposal to execute contracts on behalf of the corporation.

AWARD OF PROPOSAL. Award will be made to the Proposer offering the most advantageous proposal after consideration of all Evaluation Criteria set forth below. The criteria are not listed in any order of preferences. An Evaluation Committee will be established by the City of Milpitas. The Committee will evaluate all proposals received in accordance with the Evaluation Criteria. The City of Milpitas reserves the right to establish weight factors that will be applied to the criteria depending upon order of importance. Weight factors and evaluation scores will not be released until after award of proposal. The City of Milpitas shall not be obligated to accept the lowest priced proposal, but will make an award in the best interests of the City of Milpitas after all factors have been evaluated

AWARD EVALUATION CRITERIA. Evaluation Criteria that will be used to evaluate all proposals that are received are listed below:

1. Understanding of the work required by the City.
2. Quality and responsiveness of the proposal.
3. Demonstrated competence and professional qualifications necessary for satisfactory performance of the work required by the City.
4. References. Recent experience in successfully performing similar services for other municipalities or companies.
5. Proposal approach in completing the work.
6. Background and related experience of the specific management/supervisory individuals assigned to this project.
7. Proposed compensation.

The evaluation committee may also contact and evaluate the Proposer's references; contact any Proposer to clarify any response; contact any current users of a Proposer's services; solicit information from any available source concerning any aspect of a proposal; and seek and review any other information deemed pertinent to the evaluation process. The evaluation committee shall not be



obligated to accept the lowest priced proposal, but shall make an award in the best interests of the City of Milpitas.

Discussions may, at the City of Milpitas' sole option, be conducted with responsible Proposers who submit proposals determined to be reasonably susceptible of being selected for an award. Discussions may be for the purpose of clarification to assure full understanding of, and responsiveness to, the solicitation requirements. Proposers shall be accorded fair and equal treatment with respect to any opportunity for discussion and written revision of proposals. Revisions may be permitted after submissions and before award for obtaining best and final proposals. In conducting discussions, the City of Milpitas will not disclose information derived from proposals submitted by competing Proposers. A Notification of Intent to Award may be sent to any Proposer selected. Award is contingent upon the successful negotiation of final contract terms. Negotiations shall be confidential and not subject to disclosure to competing Proposers unless an agreement is reached. If contract negotiations cannot be concluded successfully, the City of Milpitas may negotiate a contract with the next highest scoring Proposer or withdraw the RFP.

**AWARD SELECTION PROCESS.** Selection of qualified Proposers will be based on the following: quality and completeness of submitted proposal; understanding of project objectives; project approach; experience and expertise with public agencies and similar types of efforts; and references. Additional questions may be asked of Proposers and interviews may be conducted. Proposers will be notified of any additional required information or interviews after the written proposals have been evaluated.

Interviews will be held with the most qualified respondents. The recommended proposals will be submitted to the (awarding authority) for contract approval. The Proposer selected will enter into a contract with the City of Milpitas.

#### EXAMPLE OF A WEIGHTED EVALUATION

| EVALUATION CRITERIA                                                                                                              | PERCENTAGE |
|----------------------------------------------------------------------------------------------------------------------------------|------------|
| Understanding of the work required by the City.                                                                                  | 10         |
| Quality and responsiveness of the proposal.                                                                                      | 10         |
| Demonstrated competence and professional qualifications necessary for satisfactory performance of the work required by the City. | 10         |
| References. Recent experience in successfully performing similar services for other municipalities or companies.                 | 10         |
| Proposal approach to completing the work.                                                                                        | 10         |
| Background and related experience of the specific individuals assigned to this project.                                          | 10         |
| Proposed compensation.                                                                                                           | 40         |



The above percentages show the relative importance of individual criterion. The evaluation committee will use these criteria to score the proposals.

CANCELLATION OF SOLICITATION. The City of Milpitas may cancel this solicitation at any time.

COMPLIANCE WITH LAWS. All proposals shall comply with current federal, state, and other laws relative thereto.

CONTRACT DOCUMENTS, EXAMINATION OF. It is the responsibility of the Proposer to carefully thoroughly examine and be familiar with legal and procedural documents, general conditions, all forms, specifications, drawings, plans, and addenda (if any), hereinafter referred to as Contract Documents. Proposer shall satisfy himself as to the character, quantity, and quality of work to be performed and materials, labor, supervision, equipment and appurtenances necessary to perform the work as specified by the Contract Documents. The failure or neglect of the Proposer to examine the Contract Documents shall in no way relieve him from any obligations with respect to the solicitation or contract. The submission of a proposal shall constitute an acknowledgment upon which the City of Milpitas may rely that the Proposer has thoroughly examined and is familiar with the contract documents. The failure or neglect of a Proposer to receive or examine any of the contract documents shall in no way relieve him from any obligations with respect to the Proposal. No claim will be allowed for additional compensation that is based upon a lack of knowledge of any solicitation document.

DEFINITION OF TERMS. For the purposes of this RFP, the following definitions will be used:

- a. **Contractor.** The term "Contractor refers to the party entering into a contract with the City of Milpitas as a result of this solicitation. Same as Successful Proposer.
- b. **Evaluation Committee.** An independent committee established by the City of Milpitas to review, evaluate, and score the proposals, and to recommend award to the Proposer that submitted the proposal determined by the committee to be in the best interest of the City of Milpitas.
- c. **May.** Indicates something that is not mandatory but permissible.
- d. **Must/Shall.** Indicates a mandatory requirement. A proposal that fails to meet a mandatory requirement will be deemed non-responsive and not be considered for award.
- e. **Proposer.** Same as bidder. The person or firm making the offer.
- f. **Proposal.** The offer presented by the Proposer.
- g. **RFP.** Acronym for Request For Proposals.
- h. **Should.** Indicates something that is recommended but not mandatory. Failure to do what "should" be done will not result in rejection of your proposal.
- i. **Submittal Deadline.** The date and time on or before all proposals must be submitted.
- j. **Successful Proposer.** The person, contractor, or firm to whom the award is made.

DISQUALIFICATION OF PROPOSER. If there is reason to believe that collusion exists among the Proposers, the City of Milpitas may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-Proposal to a Proposer, or who has quoted prices on materials to



a Proposer, is not thereby disqualified from submitting a sub-Proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is interested in more than one Proposal for the same work will cause the rejection of all Proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the City of Milpitas may refuse to consider Proposals from participants in such collusion. Proposers shall submit as part of their Proposal documents the completed Non-Collusion Affidavit provided herein.

**DOCUMENTS TO BE RETURNED WITH PROPOSAL.** Failure to completely execute and submit the required documents before the Submittal Deadline may render a proposal non-responsive. The documents that must be returned by the Submittal Deadline are listed on the form entitled "**Proposal Documents to be Returned**" and attached hereto.

**EXECUTION OF CONTRACT.** Time is of the essence of this contract. The Successful Proposer/Contractor shall execute the contract, including but not limited to signing all necessary documents and submitting all required evidences of insurance, within ten (10) days after personal delivery of the notice or within fifteen (15) days after such notice has been deposited in the United States mail. One copy of the contract will be returned to the Contractor after the City of Milpitas executes the contract. In case of failure of the Contractor to execute and return the contract and all required documents within the time allowed, the City of Milpitas may, at its option, consider that the Proposer has abandoned the contract. After the contract has been executed, including the insurance documents and certificates. Proposer agrees to commence work within ten- (10) working days after the date of the Notice to Proceed,

**EXPERIENCE AND COMPETENCY.** The Successful Proposer shall be skilled and regularly engaged in the general class or type of work called for under the contract. **The Successful Proposer shall also have no less than 5 years' experience in the magnitude and character of the work proposal.** Each Proposer shall be set forth his experience on the form entitled Proposer's Experience and submit it with his proposal. It is the intention of the City of Milpitas to award a contract to a Proposer who furnishes satisfactory evidence that he/she has the requisite experience, ability, sufficient capital, and facilities to enable him to prosecute the work successfully and properly, and to complete it within the time specified in the contract. To determine the degree of responsibility to be credited to the Proposer, the City of Milpitas will weigh any evidence that the Proposer has performed satisfactorily other contracts of like nature, magnitude, and comparable difficulty and comparable rates of progress. In selecting the lowest responsive and responsible Proposer, consideration will be given not only to the financial standing but also to the general competency of the Proposer for the performance of the work specified in the contract documents.

**FIRM PRICE PERIOD.** Proposers' offer shall remain open and firm for a period of not less than ninety (90) calendar days from the Submittal Deadline.

**FORMATION OF CONTRACT.** Proposer's signed proposal and City of Milpitas' written acceptance shall constitute a binding contract.

**INDEPENDENT CONTRACTOR.** Contractor covenants that it presently has no interest, and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the services hereunder. Contractor further covenants that, in the performance of this contract, no subcontractor or person having such an interest shall be



employed. Contractor certifies that to the best of his knowledge, no one who has or will have any financial interest under this contract is an officer or employee of the City of Milpitas. It is expressly agreed by Contractor that in the performance of the services required under this contract, Contractor, and any of its employees, shall at times be considered independent Contractors and not agents of the City of Milpitas.

**INFORMED PROPOSER.** Proposers are expected to fully inform themselves as to the conditions, requirements, and specifications before submitting proposals. Failure to do so will be at Proposers' own risk and they cannot secure relief on the plea of error.

**INK OR TYPEWRITTEN.** All information, prices, notations, signatures, and corrections must be in ink or typewritten. Mistakes may be crossed out and corrections typed or printed adjacent to the mistake and initialed in ink by the person signing the proposal.

**INTERPRETATION OF CONTRACT DOCUMENTS.** If any person is in doubt as to the true meaning of any part of the specifications or other contract documents, or finds discrepancies or omissions in the specifications, he may submit to the City of Milpitas a written request for an interpretation or correction. Requests for interpretations shall be made in writing via Public Purchase. To insure fairness, no oral requests by telephone or in person shall be accepted.

**In Public Purchase just click on the title of the bid and the bid page will open up, then on the right hand side of the page under "Questions" click on [View/ Ask questions] and type in your question. Answers will be sent via e-mail notification to all registered bidders.**

**The cut off for asking questions is 2:00 PM November 20, 2013.**

Questions answered on Public Purchase are considered to be a part of or clarifications of the Request For Proposal and are considered to be addenda. From time to time the City may also issues separate addenda through Public Purchase and they shall also become a part of the Request for Proposal. It is the responsibility of each Proposer to ensure that they have registered on Public Purchase. To register on Public Purchase contact the Purchasing Agent directly at 408-687-1639. Any prospective Proposer who obtained a set of contract documents from anyone other than the City of Milpitas is responsible for contacting the City of Milpitas Purchasing Agent at the number listed above and registering on Public Purchase; this is the only way you can receive addenda and/or ask questions about the RFP. The same rules apply to technical and site related questions.

**NOMENCLATURES.** The terms Successful Proposer, Successful Contractor, and Contractor may be used interchangeably in these specifications and shall refer exclusively to the firm with whom the City of Milpitas enters into a contract because of this solicitation.

**NON-COLLUSION AFFIDAVIT.** Proposers are required to submit a Non-Collusion Affidavit with their Proposals.

**NOTICES.** Unless otherwise provided herein, all notices required hereunder shall be given by United States registered or certified mail, or other form of mail which offers proof of mailing, postage prepaid and addressed to the party at the address below.



Any written notice to Contractor shall be sent to:

Varsity Facility Services

Rob Ridge, Regional Vice President

11346 Sunco Drive, Suite 101

Rancho Cordova, CA 945742

Any written notice to City shall be sent to:

City of Milpitas

Purchasing Agent

455 E. Calaveras Blvd.

Milpitas, California 95035-5411

OFFERS OF MORE THAN ONE PRICE. Proposers are NOT allowed to submit more than one proposal.

OPENING OF PROPOSALS. All proposals, irrespective of irregularities or informalities, will be opened and the names of the Proposers will be publicly read aloud at the Submittal Deadline. *No other information will be released until after the award.* All interested persons are invited to be present at the opening and reading of proposals.

- a. Postponement of Opening. The City of Milpitas reserves the right to postpone the Submittal Deadline and opening of proposals any time before the date and time announced in the Request For Proposals or subsequent addenda.

PRICE DISCREPANCIES. In the event that there are unit price items in a proposal schedule and the "amount" indicated for a unit price of an item does not equal the product of the unit price and quantity listed, the unit price shall govern and the amount will be corrected accordingly. If there is more than one item in a proposal schedule, and the total indicated for the schedule does not agree with the sum of prices of the individual items, the prices given for the individual items shall govern and the total for the schedule will be corrected accordingly. The Proposer will be bound by said corrections.

PRICES. All Proposals shall give the prices proposed, both in writing and in figures, shall give all other information requested herein, and shall be signed by the Proposer's authorized representative. Proposal prices shall include everything necessary for the completion of construction or fulfillment of the contract including but not limited to furnishing all materials, equipment, tools, facilities and all management, superintendence, labor, services, taxes, licenses and permits required to complete the work in accordance with the contract documents, except as may be provided otherwise in the contract documents. The work and the proposal price shall also include providing the necessary safety precautions such as barricades, warning signs for protection of the public and any necessary "cleanup" that is required to restore the work site to a satisfactory condition. Any items shown on the plans or details or described in the specifications that are not specifically listed in the proposal item are to be considered included in the proposal item and no additional or special compensation will be allowed. In the event that there is more than one proposal item in the proposal schedule, the Proposer shall furnish

a price for all proposal items in the schedule, and failure to do so will render the proposal as non-responsive and may cause its rejection. The total amount of the proposal will be the sum of the total prices of all items in the proposal schedule.

#### PROPOSAL FORMS

- a. Forms. Proposals must be submitted on preprinted forms supplied by the Purchasing Office.
- b. HARD COPIES. One (1) original and five (5) copies must be submitted on or before the Submittal Deadline. Proposers shall submit one (1) original proposal marked "MASTER" the identical copies. Envelopes containing the original and the copies should be marked in accordance with the directions found elsewhere in these instructions.
- c. Discrepancies. If discrepancies are found between the copies, or between the original and copy or copies, the original "MASTER" will provide the basis for resolving such discrepancies. If one document is not clearly marked "MASTER", the City of Milpitas reserves the right to use the original as the Master. If no document can be identified as an original bearing original signatures, Proposer's proposal may be rejected at the discretion of the City of Milpitas.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

PROPOSAL CONTENT. Proposer must describe in detail how he will meet the requirements of this RFP, and may provide additional related information with his proposal. The proposal should be presented in a format that corresponds to, and references, the sections outlined in the Scope of Work, and should be presented in the order outlined below. Responses to each section and subsection should be labeled to indicate which item is being addressed. Proposals should be straightforward and concise and provide "layman" explanations of technical terms that are used. Emphasis should be concentrated on conforming to the RFP instructions, responding to the RFP requirements, and on providing a complete and clear description of the offer. If a complete response cannot be provided without referencing supporting documentation, you must provide such documentation with the proposal.

Firms interested in responding to this RFP, must submit the following information, in the order specified below:

1. Cover Letter. Submit a letter of introduction and executive summary of the proposal. The letter must contain the original signature of the person authorized by your firm to obligate your firm to perform the commitments contained in the proposal. Submission of the letter will constitute a representation that your firm is willing and able to perform the commitments contained in the proposal. The cover letter should describe the proposer and include all of the following:
  - 1.1 The official name of the proposer, as well as any fictitious business names.
  - 1.2 The proposer's organizational structure (e.g. corporation, partnership, limited liability company, etc.)
  - 1.3 The jurisdiction in which the proposer is organized and the date of such organization.



- 1.4 The address of the proposer's headquarters, and of any local office of the proposer involved in the proposal. Included in this section should be the representative the proposer has authorized to act on behalf of, and bind the proposer. The representative's addresses, e-mail, telephone and fax numbers provided in this section will be used for all notification regarding this RFP.
- 1.5 The proposer's Federal Tax Identification Number.
- 1.6 A representation that the proposer is in good standing in the State of California and has all necessary licenses, permits, approvals and authorizations necessary in order to perform all of the proposer's obligations in connection with this RFP and the Final Agreement.
- 1.7 An acceptance of all conditions and requirements contained in this RFP.
2. **Table of Contents.** A table of contents listing the individual sections of the proposal and their corresponding page numbers.
3. **Executive Summary.** A brief synopsis of the highlights of the proposal and the overall benefits of the proposal to the City.
4. **Proposal Approach.** A brief synopsis that includes a discussion of any and all methodologies or approaches to completing the work.
5. **Proposer-Qualifications and Experience.** A detailed summary of the capabilities of the proposer that pertain to this RFP. Describe the proposer's organization (including any and all affiliates and subsidiaries, whether located inside or outside of Santa Clara County). Describe plans to handle the additional business if awarded this contract, with details on additional personnel, organizational changes and equipment required.
6. **Key Personnel - Qualifications and Experience.** A complete list of and resumes for all key managerial and supervisory personnel associated with the proposal must be provided. For each person on the list, the following information must be included: (i) the person's relationship with the proposer, including job title and years of employment with the proposer; and assignment of work within your firm's work team; (ii) the role that the person will play in connection with this proposal; (iii) address, e-mail, telephone and fax numbers; (iv) the person's educational background; (v) the person's relevant experience. **This section of the proposal should include a written assurance that the key individuals listed and identified will be performing the work and will not be substituted with other personnel or reassigned to another project without the City's prior approval.** Submit no more than three pages of information for each person listed.
7. **References.** Complete reference information from a minimum of three institutions or agencies for which the proposer provides or has provided comparable services. Each such reference must include the name and location, annual dollars spent, the scope of



services performed, and the name, address, email, telephone and fax numbers of the person who may be contacted for reference information. Descriptions should be limited to one page for each project.

Proposals, which appear unrealistic in the terms of technical commitments, lack of technical competence, or are indicative of failure to comprehend the complexity and risk of this contract, may be rejected.

Proposer must include in his proposal a complete disclosure of any alleged significant prior or ongoing contract failures, any civil or criminal litigation or investigation pending which involves the Proposer or in which the Proposer has been judged guilty or liable. Failure to comply with the terms of this provision will disqualify any proposal. The City of Milpitas reserves the right to reject any proposal based upon the Proposer's prior history with the City of Milpitas or with any other party, which documents, without limitation, unsatisfactory performance, adversarial or contentious demeanor, significant failure(s) to meet contract milestones or other contractual failures.

The City of Milpitas is not liable for any costs incurred by Proposers before entering into a formal contract. Costs of developing the proposals or any other such expenses incurred by the Proposer in responding to the RFP, are entirely the responsibility of the Proposer, and shall not be reimbursed in any manner by the City of Milpitas.

PROPOSAL DEADLINE. Proposals may be submitted any time before the Submittal Deadline. Proposals that do not arrive by the Submittal Deadline will be late and will be returned to the Proposer unopened.

PROPOSAL MODIFICATIONS. Any Proposer who wishes to make modifications to a proposal already received by the City of Milpitas must withdraw his proposal in order to make the modifications. Withdrawals must be made in accordance with the terms and conditions of this solicitation (See: Withdrawal of Proposal). All modifications must be made in ink, properly initialed by Proposer's authorized representative, executed, and submitted in accordance with the terms and conditions of this solicitation. It is the responsibility of the Proposer to ensure that modified or withdrawn proposals are resubmitted before the Submittal Deadline.

PROPOSAL PRICES, NOTATIONS, AND MISTAKES. All prices and notations must be in ink or typewritten. Mistakes may be crossed out and corrections typed or printed adjacent to the mistake and initialed in ink by the person signing the Proposal. Offers shall be made separately on each item. Where there is a conflict between words and figures, words will govern.

PROPOSAL, REJECTION OF. The City of Milpitas reserves the right to reject any proposal, all proposals, or any part of any proposal presented and readvertise for proposals. The City reserves the right to cancel the solicitation and make no award. The City of Milpitas reserves the right to reject the proposal of any Bidder who previously failed to perform adequately for the City of Milpitas or any other governmental agency. The City of Milpitas expressly reserves the right to reject the proposal of any Bidder who is in default on the payment of taxes, licenses, or other monies due the City of Milpitas. The City accepts no liability for any cost incurred by any proposer in the preparation of a proposal. All costs associated with the preparation of a proposal shall be born solely by the proposer



PROPOSAL RESULTS. It is not the policy of the City of Milpitas to provide RFP results in response to telephone inquiries. A tabulation of the names of Proposers will be posted on the Purchasing page of the City website.

PROPOSAL SUBMITTAL. **HARD COPY** Proposals should be clearly labeled and submitted in a sealed envelope or box bearing the name of the Proposer, RFP number, and Submittal Deadline. Proposer's authorized representative must properly initial any erasures or alterations of any kind. Proposals that contain omissions or improper erasures or irregularities may be rejected. No oral, telegraphic, or telephonic proposals or modifications will be considered unless otherwise specified herein.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

PROPOSER IS SOLE POINT OF CONTACT. The Successful Proposer will be the sole point of contact. The City of Milpitas will look solely to the Successful Proposer for the performance of all contractual obligations which may result from an award based on this RFP, and the awarded Proposer shall not be relieved for the non-performance of any or all subcontractors.

QUALIFICATION OF PROPOSERS. Each Proposer shall be skilled and regularly engaged in the general class or type of work called for under the contract. It is the intention of the City of Milpitas to award a contract to a Proposer who furnishes satisfactory evidence that the Proposer has the requisite experience, ability, sufficient capital, facilities, and plant to enable the Proposer to prosecute the work successfully and properly, and to complete it within the time specified in the contract. To determine the degree of responsibility to be credited to the Proposer, the City of Milpitas will weigh any evidence that the Proposer has performed satisfactorily other contracts of like nature, magnitude and comparable difficulty and comparable rates of progress. In selecting the most advantageous proposal, consideration will be given to the general competency of the Proposer for the work specified in the contract documents.

QUESTIONS AND COMMENTS. Questions and comments regarding this solicitation must be submitted in writing on the Public Purchase website. Answers, if any, made by the City of Milpitas will be posted on the Public Purchase website. Questions submitted less than 48 hours before the due date and time will not be answered.

RULES FOR SUBMITTING PROPOSALS.

- a. **Submittal Deadline.** **HARD COPY** Proposals must arrive in the (Purchasing Office), 455 E. Calaveras Blvd., Milpitas, CA 95035-5411, by the Submittal Deadline shown in these specifications or subsequent addenda. Proposals may be submitted by hand, by courier, or any other method specified herein.
- b. **Responsibility.** Proposers are solely responsible for ensuring their proposal is received by the City of Milpitas in accordance with the solicitation requirements, before Submittal Deadline, and at the place specified. The City of Milpitas shall not be responsible for any delays in mail or by common carriers or by transmission errors or delays or mistaken delivery. Delivery of proposals shall be made at the office specified in the Request For Proposals (this solicitation). Deliveries made before the Submittal Deadline but to the wrong City of Milpitas office will be



considered non-responsive unless re-delivery is made to the office specified before the Submittal Deadline.

- c. **Extension of Submittal Deadline.** The City of Milpitas reserves the right to extend the Submittal Deadline when it is in the best interest of the City of Milpitas.
- d. **Facsimile Transmissions.** Proposals may NOT be submitted by facsimile, unless otherwise specified herein.
- e. **Forms.** To be considered for award, each proposal shall be made on forms furnished by the City of Milpitas.
- f. **Late Proposals.** The Submittal Deadline it IS FIRM. Proposals will NOT be accepted after the Submittal Deadline and will be returned to the Proposer unopened.
- g. **Signature.** To be considered for award, each proposal shall be signed by an authorized representative of the Proposer.
- h. **Sealed.** Proposals MUST BE submitted in a sealed envelope.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

**SIGNATURES.** An individual who is authorized to bind the Proposer must sign the proposal.

**SUBCONTRACTORS.** NO SUBCONTRACTORS MAY BE USED ON THIS JOB.

**BID SUBMITTAL DEADLINE.** The Bid Submittal Deadline is *November 22, 2013 at 2:00PM local time.* **HARD COPY** bids must be submitted in sealed envelopes and should be properly identified with the bid number and Bid Submittal Deadline. Hard Copy bids must arrive at the Information Counter located on the first floor of City Hall at 455 E. Calaveras Blvd., Milpitas, CA, 95035-5411, *before November 22, 2013 at 2:00 PM local time.* Telephone, telegraphic, facsimile, and late bids will not be accepted or considered. It is the Bidders' responsibility to see that their bids have sufficient time to be received by the Purchasing Office before the Bid Submittal Deadline.

**Electronic responses must conform to the guidelines in the Invitation for Bid, page 1, section "SUBMITTING THE BID" (a), (b).**

**TAXES.** Successful Proposer shall pay all federal, state and local taxes, levies, duties and assessments of every nature due in connection with any work under the contract and shall indemnify and hold harmless the City of Milpitas from any liability on account of any and all such taxes, levies, duties, assessments and deductions. Proposal prices shall include said taxes.

**TERMS OF THE OFFER.** The City of Milpitas reserves the right to negotiate final contract terms with any Proposer selected. The contract between the parties will consist of the RFP together with any modifications thereto, the awarded Proposer's proposal, and all modifications and clarifications that are submitted at the request of the City of Milpitas during the evaluation and negotiation process. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the final executed contract, the RFP, any modifications and clarifications to the awarded Proposer's proposal, and the awarded Proposer's proposal. Specific exceptions to this general rule may be noted in the final executed contract. Proposer understands and acknowledges that the representations above are material and important, and will be relied on by the City of Milpitas in evaluation of the proposal. Proposer



misrepresentation shall be treated as fraudulent concealment from the City of Milpitas of the facts relating to the proposal.

WAIVER OF INFORMALITIES. The City of Milpitas reserves the right to waive any informalities or minor irregularities or may reject any and all bids (anything herein contained to the contrary notwithstanding) if said rejection is in the best interests of the City.

WITHDRAWAL OF PROPOSAL. Proposers' authorized representative may withdraw Proposals only by written request received by the Purchasing Agent before the Proposal Submittal Deadline. After that time, Proposers may not withdraw their Proposals for a period of ninety- (90) days from the date of opening. At no time may the successful Proposer(s) withdraw his Proposal.

## TERMS AND CONDITIONS

ANTI-DISCRIMINATION. It is the policy of the City that in connection with all work performed under contract; there will be no discrimination against any prospective or active employee engaged in the work because of race, color, ancestry, national origin, religious creed, sex, age, or marital status. The contractor agrees to comply with applicable Federal and California laws including, but not limited to, the California Fair Employment Practice Act, beginning with Labor Code Section 1735. In addition, the contractor agrees to require like compliance by any subcontractor employed on the work.

ASSIGNMENT OF RIGHTS OR OBLIGATIONS. Except as noted hereunder, Successful Proposer may not assign, transfer or sell any rights or obligations resulting from this solicitation without first obtaining the specific written consent of the City of Milpitas.

ATTORNEY FEES. In the event a suit or action is instituted in connection with any controversy arising out of this contract, the prevailing party shall be entitled to receive, in addition to its costs, such sum as the court may adjudge reasonable as to attorney's fees and costs.

AUTHORITY OF THE CITY OF MILPITAS. Subject to the power and authority of the City of Milpitas as provided by law in this contract, the City of Milpitas shall in all cases determine the quantity, quality, and acceptability of the work, materials and supplies for which payment is to be made under this contract. The City of Milpitas shall decide the questions that may arise relative to the fulfillment of the contract or the obligations of the contractor hereunder.

CANCELLATION OF THE CONTRACT. *Without* CAUSE, the City of Milpitas may cancel this contract at any time with thirty (30) days written notice to the supplier/contractor. *with cause*, the City of Milpitas may cancel this contract at any time with ten (10) days written notice to the Proposer. Cancellation for cause shall be at the discretion of the City of Milpitas and shall be, but is not limited to, failure to supply the materials, equipment or service specified within the time allowed or within the terms, conditions or provisions of this contract. The successful Proposer may not cancel this contract without prior written consent of the City of Milpitas Purchasing Agent.

CHANGES IN WORK. The City of Milpitas may, at any time work is in progress, by written order and without notice to the sureties, make alterations in the terms of work as shown in the specifications, require the performance of extra work, decrease the quantity of work, or make such other changes as the City of Milpitas may find necessary or desirable. The Contractor shall not claim forfeiture of contract by reasons of such changes by the City of Milpitas. Changes in work and the amount of compensation to be paid to the Contractor for any extra work as so ordered shall be determined in accordance with the unit prices of contractor's proposal.

CONTRACT TERM. Contract term will be for one (1) year from January 1, 2014 to December 31, 2014 (the "Anniversary Date"). The City of Milpitas reserves the right to extend this contract for four (4) one (1) year options exercisable at the City's sole discretion, not to exceed five (5) years in total. The City may exercise the renewal option years by written notice to the Contractor by mail, fax or email, including a Purchase Order, sent no later than the last day of the current term. If a renewal option is exercised and/or a price increase is granted it will be transmitted to the Contractor using "Exhibit D – Notice of Exercise of Option to Extend Agreement".



COMPENSATION ADJUSTMENT. The stated rates are fixed for the year of the contract from January 1, 2014 to December 31, 2014 ("Anniversary Date"). "Annually each January 1<sup>st</sup> beginning in 2014 and each 12 months thereafter, rates may be negotiated by the Contractor and the City, provided Contractor submits written notice to the Purchasing Agent of Contractor's request to revise the rates ninety (90) calendar days prior to the anniversary date of this Agreement. In the event that there are significant changes in costs, the following price escalation clause may be implemented with proper documentation from the successful bidder. The calculation method described herein shall not change for the life of the agreement.

1. Price increases will only be considered upon presentation of documentation from the Contractor (e.g. invoices, sales receipts, price increase notices, including all costs associated with labor, overhead and general sales and administration) for the life of the agreement. Price changes related to these costs will only be considered annually at the time of renewal. Upon receipt of such notice, the City reserves the right to either:
  - A. Accept the escalation as competitive within the general market place at that time based on documented information submitted by the Contractor and published market indicators for the industry; or
  - B. Negotiate the escalation based on "A" above; or
  - C. Cancel any unused balance of the contract as of the effective date of the renewal option.
2. The City shall receive reduced pricing in each instance where the Contractor's costs have decreased. This reduced pricing shall be relative to the percent decrease in the Contractor's costs. In the event that the Contractor does not reduce the City's pricing when the Contractor's costs have decreased, the City reserves the right to deduct from any monies due to the Contractor the difference between the City's contract price and the reduced price for each purchase made during the period when the Contractor's costs decreased.
3. The City will monitor the United States Department of Labor Bureau of Labor Statistics, Producer Price Index, Category 5617, Series PCU56172, Janitorial Services, Base Year 2013 to determine whether or not a price adjustment is warranted.
4. No Price increase shall exceed 5%.
5. Purchasing has the sole authority to grant price adjustments for contract renewals. All communications regarding price adjustments shall be directed to:

City of Milpitas  
Purchasing Agent



455 E. Calaveras Blvd.  
Milpitas, CA 95035-5411

**COMPLIANCE WITH OR DEVIATION FROM SPECIFICATIONS.** Proposer hereby agrees that the material, equipment or service offered will meet all the requirements of the specifications in this solicitation unless deviations from them are clearly indicated in the Proposer's response. **Proposer may submit an attachment entitled "Exceptions to Specifications", which must be signed by Proposer's authorized representative. An explanation must be made for each item in which an exception is taken, giving in detail the extent of the exception, the reason for which it is taken, and the suggested change.** Proposals failing to comply with this requirement will be considered non-responsive. Submittal of brochure or other manufacturer literature is desirable but may not be a substitution for this requirement.

**COMPLIANCE WITH LAWS.** All Proposals shall comply with current federal, state, local and other laws relative thereto.

**CONTRACT INCORPORATION.** This contract embodies the entire contract between the City of Milpitas and the Contractor. The parties shall not be bound by or be liable for any statement, representation, promise, inducement or understanding of any kind or nature not set forth herein. No changes, amendments, or modifications of any of the terms or conditions of the contract shall be valid unless reduced to writing and signed by both parties. The complete contract shall include the entire contents of the RFP solicitation, all addenda, all of Proposer's successful submittal, supplemental agreements, change orders, and any and all written agreements which alter, amend or extend the contract.

**CONTRACTOR RESPONSIBILITY.**

1. Any work completed by the contractor that does not meet the quality standards as determined by the City, shall be re-done by the contractor at no cost to the City. In the event contractor's work repeatedly does not meet the quality standards, the Purchasing Agent and the Public Works Supervisor reserve the right to terminate contract without any cost to the City.
2. The contractor must, at all times, maintain adequate staffing to faithfully execute the contract. If it appears at any time the specifications of the contract are not being completed, the contractor will supply additional staff to successfully meet the terms of the contract. The City may request contractor to remove any janitor from its premises at any time it desires for any reason whatsoever, and the contractor shall provide immediate replacement.

**DISPLACED JANITOR OPPORTUNITY ACT.** This contract may be subject to the provisions of the Displaced Janitor Opportunity Act (DJOA) (California Labor Code §§ 1060 -1065) because it is a contract for janitorial or building maintenance services performed within the State of California entered into on or after January 1, 2002. Under this Act, as specified in detail in the provisions therein, a successor contractor shall retain, for a 60-day employment period, employees who have been employed by the terminated contractor for the preceding four months or longer at the site or sites covered by the successor service contract unless the successor contractor has reasonable and

substantiated cause not to hire a particular employee based on that employee's performance or conduct while working under the terminated contract.

Any janitorial contractor employing 25 or more individuals may be subject to the employee retention and reporting provisions of the DJOA. Pursuant to the Act the terminated contractor shall provide the name, date of hire, and job classification of each employee employed at the site(s) covered by the terminated service contract at the time of the contract termination. Such information shall be provided to the successor contractor (winning bidder) as soon as that new contractor has been selected.

EXPENDATURE. Estimated annual expenditure has been approximately \$500,000. This is an estimate only and represents our best evaluation based on past experience.

FORCE MAJEURE. If execution of this contract shall be delayed or suspended and if such failure arises out of causes beyond the control of and without fault or negligence of the Contractor, the Contractor shall notify the City of Milpitas, in writing, within twenty-four (24) hours, after the delay. Such causes may include but are not limited to acts of God, war, acts of a public enemy, acts of any governmental entity in its sovereign or contractual capacity, fires, floods, epidemics, strikes and unusually severe weather.

FORMATION OF CONTRACT. Proposer's signed Proposal and City of Milpitas' written acceptance shall constitute a binding contract.

INDEMNITY. The bidder must hold harmless and fully indemnify the City, its officers, employees and agents from all damages or claims for damages or loss, costs or expenses that may at any time arise out of the bidder's injury to persons or damage to property resulting directly or indirectly from performance of, or failure to perform acts, required by the contract documents, including, but not limited to, infringement or use of any copyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used in connection with this bid including the defense of any action arising there from.

LAWS GOVERNING CONTRACT. This contract shall be in accordance with the laws of the state of California. The parties stipulate that this contract was entered into in the county of Santa Clara, in the state of California. The parties further stipulate that the county of Santa Clara, California, is the only appropriate forum for any litigation resulting from a breach hereof or any questions risen here from.

LIQUIDATED DAMAGES. When the contractor fails to perform, as specified, the services required in this agreement, the City will have been damaged by that lack of performance. Since it is difficult to define the amount of damage caused, the contractor shall agree to the following liquidated damages:

1. If trained personnel do not report to the City's representative within two (2) hours of the start of any shift, the City will be damaged and liquidated damages of Five Hundred Dollars (\$500.00) per occurrence will be deducted from the monthly invoice. The contractor will be notified by telephone or FAX within 24-hours of failure to report and assessment of liquidated damages.



2. If the contractor fails to perform any contracted service or any part of a contracted service, the City will be damaged. The contractor will be notified by telephone or FAX within 24-hours of the failure to perform and performance will be required within 24-hours after receipt of such telephone call or FAX. If the contracted service or any part of the contracted service is not performed within the 24-hours of receipt of telephone call or FAX, the City will be damaged and liquidated damages of Five Hundred Dollars (\$500.00) per occurrence will be deducted from tile monthly invoice.

Notification of failure to perform, damage for lack of performance and liquidated damages of Twelve Hundred Dollars (\$500.00) per occurrence will continue to be deducted from the monthly invoice until the service is performed.

PROPRIETARY INFORMATION. The master copy of each proposal shall be retained for official files and will become public record after the award of a contract unless the proposal or specific parts of the proposal can be shown to be exempt by law. Each Proposer may clearly label part of a proposal as "CONFIDENTIAL" if the Proposer thereby agrees to indemnify and defend the City of Milpitas for honoring such a designation. The failure to so label any information that is released by the City of Milpitas shall constitute a complete waiver of all claims for damages caused by any release of the information. If a public records request for labeled information is received by the City of Milpitas, the City of Milpitas will notify the Proposer of the request and delay access to the material until seven working days after notification to the Proposer. Within that time delay, it will be the duty of the Proposer to act in protection of its labeled information. Failure to so act shall constitute a complete waiver.

RECYCLED PRODUCT PROCUREMENT. The City of Milpitas is committed to the conservation and protection of state and local resources therefore:

- a. For all paper materials of any kind delivered to the City, by a contractor, supplier, or consultant, whether in the form of a product such as a cup or a deliverable such as a report, shall use recycled paper that bears an imprint identifying the recycled content of the paper as not less than the 30% post consumer fiber as specified in Section 12209 of the Public Contract Code. A product such as a cup may have the identifying logo and/or language on the packaging, while a deliverable such as a report shall have the identifying logo on the first page. This shall apply for all paper materials delivered to the city whenever practicable.
- b. Contractors and consultants shall use both sides of paper sheets whenever practicable.

SEVERABILITY. If any provisions, or portion of any provision, of this contract are held invalid, illegal or unenforceable, they shall be severed from the contract and the remaining provisions shall be valid and enforceable.

SPECIFICATIONS, CHANGES TO. The parties shall not be bound by or be liable for any statement, representation, promise, inducement or understanding of any kind or nature not set forth herein or by written amendment. No changes, amendments, or modifications of any of the terms or conditions of the specification shall be valid unless reduced to writing and signed by both parties.



SPECIFICATIONS, DEFINITION. The term "specification" as used in this solicitation shall be interpreted to mean all the pages that make up this solicitation, including all Exhibits and Attachments.

## SPECIAL PROVISIONS FOR SERVICES

ACCESSIBILITY. The Contractor shall fully inform himself regarding any peculiarities and limitations of the spaces available for the installation of work under this contract. He shall exercise due and particular caution to determine that all parts of his work are made quickly and easily accessible.

BUSINESS LICENSE. If the scope of work under this bid includes performing services or installation on City of Milpitas property, the SUCCESSFUL BIDDER must have a current City of Milpitas Business License. Inquires regarding Business License may be directed to (Finance at 408-586-3100). Business Licenses are not required for materials or equipment shipped by U.S. mail or common carrier.

CLEANUP. During performance and upon completion of work on this project Contractor will remove all unused equipment and instruments of service, all excess or unsuitable material, trash, rubbish and debris, and legally dispose of same, unless otherwise directed by these specifications. Contractor shall leave entire area in a neat, clean, and acceptable condition as approved by the City of Milpitas.

CLEANUP COST. Proposer shall include in the proposal, all costs for cleanup during performance and upon completion of work on this project. Successful Proposer will remove all unused equipment and instruments of service, all excess or unsuitable material, trash, rubbish and debris, and legally dispose of same, unless otherwise directed by these specifications. Successful Proposer shall leave entire area in a neat, clean, and acceptable condition as approved by the City of Milpitas.

COOPERATION BETWEEN CONTRACTORS. The City of Milpitas reserves the rights to contract for and perform other or additional work on or near the work covered by these specifications. When separate contracts are let within the limits of any one project, each contractor shall conduct his work so as not to interfere with or hinder the progress or completion of the work being performed by other contractors. Contractors working on the same project shall cooperate with each other as directed. Each contractor involved shall assume all liability, financial or otherwise, in connection with his contract and shall protect and save harmless the City of Milpitas from any and all damages or claims that may arise because of inconvenience, delays, or loss experienced by him because of the presence and operations of other contractors working within the limits of the same project.

COORDINATION WITH AGENCIES. The Contractor shall coordinate his activities with the proper regulatory agencies and have their representative on site at the proper times.

DAMAGE. The contractor shall be held responsible for any breakage, loss of the City of Milpitas' equipment or supplies through negligence of the contractor or his employee while working on the City of Milpitas' premises. The contractor shall be responsible for restoring or replacing any equipment, facilities, etc. so damaged. The contractor shall immediately report to the City of Milpitas any damages to the premises resulting from services performed under this contract. Failure or refusal to restore or replace such damaged property will be a breach of this contract.

INSURANCE REQUIREMENTS. Within ten (10) consecutive calendar *days* of award of contract, Successful Proposer must furnish the City of Milpitas with the Certificates of Insurance proving



coverage as specified in **Exhibit C - Insurance Requirements – General**.

**LAWS - ADHERENCE TO ALL LOCAL, STATE, AND FEDERAL LAWS AND REQUIREMENTS.** The Contractor shall adhere to all applicable federal, state, and local laws, codes and ordinances, including, but not limited to, those promulgated by CAL-OSHA, FED-OSHA, EPA, the California State Department of Health Services, and the City of Milpitas Environmental Health Department.

**PRE-JOB START MEETING.** The contractor shall not commence work until a meeting between representatives of the contractor and the City of Milpitas is held. The meeting will be held at a time, date, and location later to be established.

**PREVAILING WAGE.** Resolution No. 5981 of the City of Milpitas requires that any contractor performing routine and recurring labor or services in excess of \$1,000.00 on behalf of the City of Milpitas, pay not less than general prevailing wage of per diem wages to all employees engaged to perform said labor or services.

However, the Department of Industrial Relations has not established a prevailing wage rate for work to be performed under this contract. Therefore, in order to comply with the terms of Resolution Number 5981, the City has conferred with the South Bay Labor Council and SEIU United Service Workers West Union and agreed that for this contract "prevailing wage" shall mean the wages paid in compliance with the SEIU United Service Workers West Northern California Maintenance Service Contract with Service Employees' International Union SEIU United Service Workers West as follows:

Area 1L Rates

Start: \$8.50

Year 1: \$8.75

Year 2: \$9.00

Year 3: \$9.75

Year 4 Master Wage Rate Area 1A/1B: \$13.69 (5/1/13 to 4/30/14)

It shall be mandatory upon the contractor to whom the contract is awarded to not pay less than the said prevailing wage rates to all workers employed in execution of the contract. The Contractor shall forfeit as a penalty to the City, the sum of Twenty-five dollars (\$25.00) for each worker(s) and for each working day such worker(s) is paid less than the above stipulated rates for any work done under or by virtue of this contract by him or her or by any employee under him or her.

**REPORTS.** The Contractor shall keep or cause to be kept an accurate record showing the names and occupation of all laborers, workers, or mechanics employed by him or her any employee under him or her in connection with the work and also showing the actual hours worked and actual wages paid to each of such workers, which record shall be open at all reasonable hours to the inspection of Steve Erickson, CIP Manager.



CERTIFIED PAYROLL . The wages paid by the Contractor shall be the current applicable prevailing wage rates and in accordance with the requirements specified in these Contract Documents. **Contractor shall submit copies of certified payrolls on a quarterly basis.**

PROTECTION OF PUBLIC. Adequate warning devices, barricades, guards, flagmen or other necessary precautions shall be taken by the Contractor to give advised and reasonable protection, safety and warning to persons and vehicular traffic concerned in the area.

REJECTION OF WORK. Contractor agrees that the City of Milpitas has the right to make all final determinations as to whether the work has been satisfactorily completed.

RIGHTS RESERVED. (a) Rejection of Work. Contractor agrees that the City of Milpitas has the right to make all final determinations as to whether the work has been satisfactorily completed. (b) Completion of Work. If Contractor fails to comply with the conditions of the contract, or fails to complete the required work or furnish the required materials within the time stipulated, the City of Milpitas reserves the right to purchase in the open market, or to complete the required work, at the expense of the Contractor, including but not limited to, by recourse to provisions of the performance bond if such bond is required under the conditions of this proposal.

SAFETY, FIRST AID REQUIREMENTS. Successful Contractor shall comply with the provisions of California Code of Regulations §§ 1502, 1512, et. seq. regarding safety and first aid kits on site.

SITE INSPECTION. Before submitting Proposals, Proposers must fully inform themselves of the conditions, requirements and specifications of the work or materials to be furnished. Failure to do so will be at Proposers' own risk and they cannot secure relief on the plea of error.

**IMPORTANT NOTICE –**

**PROPOSALS DOCUMENTS TO BE RETURNED**

The following forms must be completed and submitted on or before the Submittal Deadline.

- a. **Proposal Form (30, 31, 32, & 33)**
- b. **Experience Statement (34)**
- c. **Non-Collusion Affidavit (35)**
- d. **Proposer's Statement Regarding Insurance Coverage (38)**
- e. **Worker's Compensation Insurance Certificate (39)**
- f. **Contractor's Nondiscriminatory Employment Certificate (40, 41, & 42)**

Failures to complete, sign (where required), and return the above proposal documents with your proposal may render it non-responsive.



## Signature Pages and Acknowledgement of Addenda

### PROPOSAL FORM

RFP 2059

City Wide Janitorial Service

IF BIDDING ELECTRONICALLY ALL THREE PAGES OF THIS FORM MUST BE PRINTED OUT, COMPLETED AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM

To: City of Milpitas  
455 E. Calaveras Blvd.  
Milpitas, CA, 95035-5411

From: Varsity Facility Services  
Name of Bidder

1055 South 3630 West  
Mailing Address

Salt Lake City, UT 84104  
City, State & Zip

#### CONTRACTOR'S PROPOSAL

The undersigned Proposer agrees that he will contract with the City of Milpitas to provide all necessary labor, supervision, machinery, tools, apparatus etc. to do all the work and furnish all the materials specified in the contract in the manner and time therein prescribed, and that he will take in full payment the amount set forth hereon.

Request for Proposal No. 2059 for City Wide Janitorial Service, in its entirety, all Addenda, and the following documents by this reference are hereby made a part of this contract:

- a. Notice of Request For Proposals
- b. Background
- c. Scope of Work
- d. Instructions To Proposer
- e. Terms and Conditions
- f. Special Provisions For Services
- g. Addenda
- h. Proposal Form
- i. References
- j. Non-Collusion Affidavit
- k. Sample Contract
- l. Proposer's Statement Regarding Insurance Coverage
- m. Worker's Compensation Insurance Certificate
- n. Proposer's Nondiscriminatory Employment Certificate
- o. Janitorial Specifications
- p. City Wide Janitorial Service Schedule





## Janitorial Services Proposal

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- q. Insurance Requirements – General
- r. Contractor's Proposal

By checking the blank after questions and/or filling in the number after addenda, Proposer acknowledges receipt of questions (if any) N/A and Addenda Number(s) #1, #2, and    .



### **Addenda Acknowledgement**

This is to certify that Varsity was in receipt of all of the addenda uploaded to the PublicPurchase.com site and used the information in the preparation of this bid.



## Pricing

The following pricing is based on the recommendations specific to the City of Milpitas contained in Appendix A

The cost of all labor, material, and equipment necessary for the completion of the work itemized, even though not shown or specified, shall be included in the price for the various items shown hereon. The City of Milpitas reserves the right to increase or decrease the quantity of any item or omit items as may be deemed necessary, and the same shall in no way affect or make void the contract. When increases or decreases are made to the monthly service, appropriate additions or deductions from the contract total price will be negotiated.

|     | <u>MONTHLY SERVICES</u>                                        | <u>COST PER MONTH</u> |
|-----|----------------------------------------------------------------|-----------------------|
| 1.  | City Hall complex, 455 E. Calaveras Blvd.                      | \$ 7,837.00           |
| 2.  | Milpitas Sports Center/ Teen Center, 1235 E. Calaveras Blvd.   | \$ 5,779.00           |
| 3.  | Main Fire Station No. 1, 777 S. Main St.                       | \$ 487.00             |
| 4.  | Police Substation/Raceway, (2) Great Mall, 1210 Great Mall Dr. | \$ 1,044.00           |
| 5.  | Library Garage, 120 N. Main St.                                | \$ 1,770.00           |
| 6.  | Community Center, 457 E. Calaveras Blvd.                       | \$ 3,017.00           |
| 7.  | Police Department, 1275 N. Milpitas Blvd.                      | \$ 6,239.00           |
| 8.  | Public Works Department, 1265 N. Milpitas Blvd.                | \$ 2,139.00           |
| 9.  | Fire Department Trailer, 777 S. Main St.                       | \$ 178.00             |
| 10. | Jose Higuera Adobe Bldg., Wessex Place off N. Park Victoria    | \$ 632.00             |
| 11. | Senior Center, 40 Milpitas Blvd.                               | \$ 1,923.00           |
| 12. | Cracolico Bldg., 540 S. Able St.                               | \$ 1,990.00           |
|     | TOTAL MONTHLY                                                  | \$ 34,024.00          |
|     | TOTAL ANNUAL (Total Monthly X 12)                              | \$ 408,288.00         |





## Janitorial Services Proposal

| ADDITIONAL SERVICES |                                                                                     | COST PER HOUR |
|---------------------|-------------------------------------------------------------------------------------|---------------|
| 1.                  | Services during normal working hours on a weekday with no less than 24 hours notice | \$ 18.00      |
| 2.                  | Services outside normal work hours on a weekday with no less than 24 hours notice   | \$ 18.00      |
| 3.                  | Service with less than 24 hours notice during normal working hours on weekday       | \$ 18.00      |
| 4.                  | Service with less than 24 hours notice during outside working hours                 | \$ 18.00      |

Total Base Bid (Items 1 thru 12 Written in Figures) .....\$ 34,024.00

Total Base Bid Written in Words (Items 1 thru 12 Written in Figures)

Thirty-four Thousand and Twenty-four Dollars 00/100

Amount Written in Words. Where there is a discrepancy between words and figures, WORDS WILL GOVERN. Where there is a discrepancy between item unit price and extended total, UNIT PRICE WILL GOVERN.

IN ORDER FOR YOUR PROPOSAL TO BE CONSIDERED YOU MUST PROVIDE PRICING FOR ITEMS 1 THROUGH 12 ABOVE. FAILURE TO PRICE ANY ITEM SHALL RENDER YOUR QUOTE NON-RESPONSIVE.

ITEMS MAY NOT BE PRICED "IN PART" OR ALTERED IN ANY WAY.

Recycled Product Procurement: Be sure to add an attachment detailing the requirements of the Recycled Product Procurement section of the Terms and Conditions if applicable.

Please check your calculations before submitting your Proposal; the City of Milpitas will not be responsible for Proposer's miscalculations.

Varsity Facility Services

Company Name

1055 South 3600 West

Mailing Address (PO Box or street)

Salt Lake City, UT 84104

City, State, and Zip Code

*Craig D. Gilliam*

Signature of Authorized Representative



## Janitorial Services Proposal

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Casey Gillan  
Name of Authorized Representative

Northwest Regional Manager  
Title of Authorized Representative

Corporation  
Type of Business (Corp, Partnership, Sole Proprietorship)

(801)972-3580      (801)335-0249  
Telephone Number      Facsimile Number

**REFERENCES**  
**RFP 2059**  
**City Wide Janitorial Service**

**IF BIDDING ELECTRONICALLY**  
**THIS FORM MUST BE PRINTED OUT, COMPLETED AND**  
**UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

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I hereby certify that I have a current and valid Contractor's License, in good standing, issued by the California State Department of Consumer Affairs and that the information below is a record of my experience in construction of a type similar in magnitude and character to that contemplated under this contract. **Additional numbered pages outlining this portion of the bid may be attached to this page.**

Varsity Facility Services  
Bidder Name

I declare under penalty of perjury that the foregoing is true and correct. Executed on 11/20/13 (date)  
at Salt Lake City, UT.

  
Signature of Authorized Bidder

| <u>Description</u>                        | <u>Yr</u> | <u>Amt</u> | <u>Customer</u>      | <u>Telephone</u> |
|-------------------------------------------|-----------|------------|----------------------|------------------|
| Janitorial Services, over 1,000,000 sq ft | 13        | **         | City of Fort Collins | ( 970 ) 221-6592 |
| Janitorial Services, 30+ County Bldgs     | 5         | **         | Maricopa County      | ( 602 ) 506-8796 |
| Janitorial Services, Municipal Bldgs      | 1.5       | **         | Salt Lake City Corp. | ( 801 ) 535-6651 |

\*\*We have non-disclosure agreements in place with many of our customers which prohibits us from providing this information.



*In accordance with Public Contract Code §7106, the following Affidavit must be executed by  
Proposer and submitted with proposal*

## **NON-COLLUSION AFFIDAVIT**

**RFP 2059**

**City Wide Janitorial Service**

**IF BIDDING ELECTRONICALLY THIS FORM MUST BE PRINTED OUT, COMPLETED  
AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

State of California

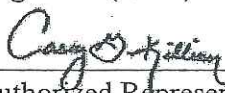
County of Santa Clara ss.

Casey Killian (Proposer's Name), being first duly sworn, deposes  
and says that he or she is Northwest Regional Manager (Position/Title/Owner)  
of Varsity Facility Services (Contractor Name) the party making the  
foregoing proposal that the proposal is not made in the interest of, or on behalf of, any undisclosed  
person, partnership, company, association, organization, or corporation; that the proposal is genuine  
and not collusive or sham; that the proposer has not directly or indirectly induced or solicited any  
other proposer to put in a false or sham proposal, and has not directly or indirectly colluded,  
conspired, connived, or agreed with any proposer or anyone else to put in a sham proposal, or that  
anyone shall refrain from bidding; that the proposer has not in any manner, directly or indirectly,  
sought by agreement, communication, or conference with anyone to fix the proposal price of the  
proposer or any other proposer, or to fix any overhead, profit, or cost element of the proposal price,  
or of that of any other proposer, or to secure any advantage against the public body awarding the  
contract of anyone interested in the proposed contract; that all statements contained in the proposal  
are true; and further, that the proposer has not, directly or indirectly, submitted his or her proposal  
price or any breakdown thereof, or the contents thereof, or divulged information or data relative  
thereto, or paid, and will not pay, any fee to any corporation, partnership, company association,  
organization, proposal depository, or to any member or agent thereof to effectuate a collusive or  
sham proposal."

11/20/13  
Date

Salt Lake City, UT  
(Signed at (Place))

Varsity Facility Services  
Proposer Name  
(Person, Firm, Corp.)

  
Authorized Representative

1055 South 3600 West  
Address

Casey Killian  
Representative's Name

Salt Lake City, UT 84104  
City, State, Zip

Northwest Regional Manager  
Representative's Title

**PROPOSER'S STATEMENT  
REGARDING INSURANCE COVERAGE**

**RFP 2059**

**City Wide Janitorial Service**

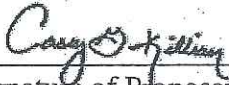
**IF BIDDING ELECTRONICALLY  
THIS FORM MUST BE PRINTED OUT, COMPLETED AND  
UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

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PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the Request For Proposals No. 2059, for City Wide Janitorial Service. Should the Proposer be awarded the contract for the work, Proposer further certifies that the Proposer can meet the specified requirements for insurance, and agrees to name the City of Milpitas as Additional Insured for the work specified.

Varsity Facility Services

Name of Proposer (Person, Firm, or Corporation)



Signature of Proposer's Authorized Representative

Casey Killian, Northwest Regional Manager

Name & Title of Authorized Representative

November 20, 2013

Date of Signing

# WORKER'S COMPENSATION INSURANCE CERTIFICATE

RFP 2059

City Wide Janitorial Service

**IF BIDDING ELECTRONICALLY THIS FORM MUST BE PRINTED OUT, COMPLETED  
AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

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The Contractor shall execute the following form as required by the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Varsity Facility Services

Name of Proposer (Person, Firm, or Corporation)

Casey Killian

Signature of Proposer's Authorized Representative

Casey Killian, Northwest Regional Manager

Name & Title of Authorized Representative

November 20, 2013

Date of Signing



# CONTRACTOR'S NONDISCRIMINATORY EMPLOYMENT CERTIFICATE

RFP 2059

City Wide Janitorial Service

**IF BIDDING ELECTRONICALLY THIS FORM MUST BE PRINTED OUT, COMPLETED  
AND UPLOADED BACK INTO THE PUBLIC PURCHASE SYSTEM**

## Certificate Generally

Consistent with a policy of nondiscrimination in employment on contracts of the City of Milpitas and in furtherance of the provisions of Section 1735 and 1777.6 of the California Labor Code a "contractor's obligation for nondiscriminatory employment certificate" as hereinafter set forth shall be attached and incorporated by reference as an indispensable and integral term of all RFQ specifications and contracts of the City of Milpitas for the construction, repair, or improvement of public works.

## Contents of Certificate

The Contractor's obligation for nondiscriminatory employment is as follows:

In performing the work of this contract, the Contractor agrees as follows:

1. The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, ancestry, sexual orientation, political affiliation or beliefs, sex, age, physical handicap, medical condition, marital status or pregnancy (as those terms are defined by the California Fair Employment and Housing Act -- Government Code Section 12900-12996), except where such discrimination is based on a bona fide occupational qualification.
2. The Contractor will take positive action or ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, national origin, ancestry, sexual orientation, political affiliation or beliefs, sex, age, physical handicap, medical condition, marital status or pregnancy (as those terms are defined by the California Fair Employment and Housing Act -- Government Code Section 12900-12996), except where such discrimination is based on a bona fide occupational qualification. Such action shall include but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City of Milpitas setting forth the provisions of this nondiscrimination clause.
3. The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, national origin, ancestry, sexual orientation, political affiliation or beliefs, sex, age, physical handicap, medical condition, marital status or pregnancy (as those terms are defined by the California Fair Employment and Housing Act -- Government Code

Section 12900-12996), except where such discrimination is based on a bona fide occupational qualification.

4. The Contractor will send to each labor union or representative of workers, with which the Contractor has a collective bargaining agreement or other contract or understanding, a notice to be provided by the City of Milpitas advising the said labor union or workers' representative of the Contractor's commitments under this provision, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

5. The Contractor will permit access to the Contractor's records of employment, employment advertisements, application forms, and other pertinent data and records by the City of Milpitas, the Fair Employment Practices Commission, or any other appropriate Agency of the State designated by the City of Milpitas for the purposes of investigation to ascertain compliance with the Contractor's Obligation for Nondiscriminatory Employment provisions of this contract, or Fair Employment Practices statute.

6. A finding of willful violation of the nondiscriminatory employment practices article of this contract or of the Fair Employment Practices Act shall be regarded by the City of Milpitas as a basis for determining that as to future contracts for which the Contractor may submit quotes, the Contractor is a "disqualified bidder" for being "non-responsible".

7. The City of Milpitas shall deem a finding of willful violation of the Fair Employment Practices Act to have occurred upon receipt of written notice from the Fair Employment Practices Commission that it has investigated and determined that the Contractor has violated the Fair Employment Practices Act and has issued an order under Labor Code Section 1426 or obtained an injunction under Labor Code Section 1429.

8. Upon receipt of any such written notice, the City of Milpitas shall notify the Contractor that unless he or she demonstrates to the satisfaction of the City of Milpitas within a stated period that the violation has been corrected, he or she shall be declared a "disqualified bidder" until such time as the Contractor can demonstrate that he or she has implemented remedial measures, satisfactory to the City of Milpitas, to eliminate the discriminatory employment practices which constituted the violation found by the Fair Employment Practices Commission.

9. Upon receipt from any person of a complaint of alleged discrimination under any City of Milpitas contract, the City of Milpitas Administrator shall ascertain whether probable cause for such complaint exists. If probable cause for the complaint is found, the Administrator shall request the City Council to hold a public hearing to determine the existence of a discriminatory practice in violation of this contract.

10. In addition to any other remedy or action provided by law or the terms of this contract, the Contractor agrees that, should the Council determine after a public hearing duly noticed to the Contractor that the Contractor has not complied with the nondiscriminatory employment practices provisions of this contract or has willfully violated such provisions, the City of Milpitas may, without liability of any kind, terminate, cancel, or suspend this contract, in whole or in part. In addition, upon such determination the Contractor shall, as a penalty to the City of Milpitas, forfeit a penalty of \$25.00 for each calendar day, or portion thereof, for each person who was denied



employment as a result of such noncompliance. Such monies shall be recovered from the Contractor. The City of Milpitas may deduct any such penalties from any monies due the Contractor from the City of Milpitas.

11. The Contractor certifies to the City of Milpitas that he or she has met or will meet the following standards for positive compliance, which shall be evaluated in each case by the City of Milpitas:

- a. The Contractor shall notify all supervisors and other personnel officers in writing of the content of the nondiscrimination provision and their responsibilities under it.
- b. The Contractor shall notify all sources of employee referrals (including unions, employment agencies, advertisements, Department of Employment) of the content of the nondiscrimination provision.
- c. The Contractor shall file a basic compliance report as required by the City of Milpitas. Willfully false statements made in such reports shall be punishable as provided by law. The compliance report shall also specify the sources of the work force and who has the responsibility for determining whom to hire, or whether or not to hire.
- d. The Contractor shall notify the City of Milpitas of opposition to the nondiscrimination provision by individuals, firms or organizations during the period of this contract.

12. Nothing contained in this Contractor's Obligation for Nondiscriminatory Employment Certificate shall be construed in any manner to prevent the City of Milpitas from pursuing any other remedies that may be available at law.

13. The Contractor certifies to the City of Milpitas that the Contractor will comply with the following requirements with regard to all subcontractors and suppliers:

- a. In the performance of the work under this contract, the Contractor will include the provisions of the foregoing paragraphs (1) through (8) in all subcontracts and in any supply contract to be performed within the State of California, so that such provisions will be equally binding upon each subcontractor and each supplier.
- b. The Contractor will take such action with respect to any subcontract or purchase order as the City of Milpitas may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigations with a subcontractor or supplier as a result of such direction by the City of Milpitas, the Contractor may request the City of Milpitas to enter into such litigation to protect the interests of the City of Milpitas.



Signature of Bidder's Authorized Representative

Casey Killian, Northwest Regional Manager

Name & Title of Authorized Representative

November 20, 2013

Date of Signing



# City of Milpitas

## EXHIBIT A

### City Wide Janitorial Specifications RFP 2059

#### SPECIFICATIONS

##### A. Scope of Work

The successful bidder shall furnish all labor, supervision, methods and processes, implements, tools, machinery, equipment, transportation and to provide janitorial services at the locations listed below.

| Building                  | Daily Hours | Detailing Hours | Service Days | Weekly Hrs | Approx. Sq. Ft. |
|---------------------------|-------------|-----------------|--------------|------------|-----------------|
| City Hall Complex         | 12          | 6               | 5            | 90         | 96,000          |
| Sports Center*            | 13          | 3               | 7            | 112        | 28,619          |
| Main Fire Station         | 1.5         | .25             | 5            | 8.75       | 2,800           |
| Police Substation/Raceway | 3           | .5              | 7            | 24.5       | 4,200           |
| Library Parking Garage    | 3           | .25             | 7            | 22.75      | 126,131         |
| Community Center*         | 6.5         | 1.5             | 7            | 56         | 16,400          |
| Police Department         | 8           | 2               | 7            | 70         | 57,400          |
| Public Works Department   | 5           | 1               | 5            | 30         | 15,400          |
| Fire Department Trailer   | 1           | .25             | 2            | 2.5        | 1,500           |
| Jose Higuera Adobe Bldg*  | 2           | .25             | 7            | 15.75      | 1,200           |
| Senior Center*            | 7           | 2               | 7            | 63         | 9,000           |
| Cracolice Bldg            | 3           | 2               | 7            | 35         | 9,504           |

**Utility hours should be added for all periodicals scheduled at all above sites.** Utility includes window washing, carpet cleaning, floor cleaning, and power washing City Hall exterior.

**Sports Center** – large gym & teen center – rented sporadically year round and heavily during the spring and summer including weekend rentals.

**Community Center** - rented year round including week end rentals.

**Jose Higuera Adobe Bldg** – rented sporadically in the fall and winter, heavily in the spring and summer, including weekends.

**Senior Center** – rented year round including weekend rentals.

**Cracolice Bldg.**- rented lightly year round, mostly weekend rentals.

Cleaning dates for these sites will be adjusted seasonally or based on rental activity, or lack there of. Contractor will be notified in advance of rental schedules and when to clean.

B. Work Schedule

Janitorial services for the Milpitas Sports Center are to be provided seven (7) days per week between the hours of 9 PM and 2:00 AM, weekend schedule may be changed due to scheduled activities. Janitorial services for the City Hall are to be provided five (5) days per week between the hours of 5:00 PM and 2:00 AM. Janitorial services for Fire Administration and the Police substation are to be provided five (5) days per week between the hours of 6 PM and 9:00 PM. The janitorial contractor will provide twenty-four (24) hour emergency response if requested, and will be allowed up to 2 hours to respond within the time of request. Contractor will provide all license and insurance as required by the State of California.

C. Holidays

There are 12 City holidays on which the contractor may need to provide service to city facilities, upon request from Steve Erickson, CIP Manager or the Public Works Hot Line, 408-586-2026. **Holiday work should be included in your basic cost.**

| <u>DATE</u>             |
|-------------------------|
| New Years Day           |
| Martin Luther King Jr.  |
| Lincoln's Birthday      |
| Presidents Day          |
| Memorial Day            |
| 4 <sup>th</sup> of July |
| Labor Day               |
| Veteran's Day           |
| Thanksgiving Day (2)    |
| Christmas Eve           |
| Christmas Day           |

D. Supplies and Equipment

1. The contractor shall furnish and keep in good working order all necessary tools and equipment such as, but not limited to cleaners, mops, brooms, buffers, ladders, hoses, vacuums, etc. All supplies and/or equipment used by the contractor must be approved by Steve Erickson, CIP Manager or his designee. Any non-complying equipment or supplies shall be changed out at the request of the Supervisor or his designee. Janitorial closets areas shall be kept clean and free of debris and odor at all times. All supplies and equipment shall be stored in a neat and orderly manner and in such a way as to prevent injury to City or contractor's employees. An equipment inventory is to be kept with the contractor's on-site supervisor.
2. The City shall provide the following products: toilet tissue; paper hand towels; toilet seat covers; trash can liners; liquid hand soap; sanitary napkins; light bulbs and all utilities including lights, power and water. Contractor shall fill all restroom dispensers daily.

E. Supervision

1. The Contractor will assign a supervisor to provide a minimum of three (3) site visits per week during all scheduled cleaning hours and special work assignments. This custodial supervisor or lead supervisor will be required to speak, read and understand English. Weekly janitorial supervisor's reports are to be submitted to Steve Erickson, CIP Manager or his designee noting any building deficiencies needing correction.
2. Site supervisor shall carry a cell phone or pager by which the City staff will be able to communicate with him/her. The staff may use the City phones to respond to work related issues.
3. The Contractor shall provide a list of all employee's, assigned to each work site. The list shall include name, address, and driver's license number. Also required will be the employee's work schedule and assignment. **All employees need to satisfactorily pass a City background screening. All employees must speak English.**

F. Training

The Contractor shall provide to its employees' environmental, health and safety training to ensure compliance with all federal, state and local laws or regulations.

G. Employee Conduct

Employees of the Contractor while performing work under this contract, WILL NOT:

1. Be accompanied in their work area by acquaintances, family members, assistants, or any other person unless such person is an on-duty authorized Contractor employee.
2. Remove any City property or personal property, equipment, monies, form or any other item from the Buildings.
3. Engage in horseplay or loud boisterous behavior.
4. Be under the influence of alcohol or drugs.
5. Gamble.
6. Smoke in any building.
7. Turn on or use any equipment other than City supplied or Contractor's, such as computers, typewriters, or radios, etc
8. Use any City telephone except those designated by the Building Services Superintendent or his/her designee for the purpose of business under this contract.
9. Open any desk, file cabinet or storage cabinet.
10. Remove any article from desks.
11. Consume any food or beverage, other than that brought with or purchased by the employee, and in only in areas designated as break or lunchrooms. Engage in non-work related conversations with City employees or visitors. Come to work late or leave work early.



H. Employee Removal

The Contractor shall remove from service on the premises of the City any employee of the Contractor who, in the opinion of the City, is not performing the services in a proper manner, or who is incompetent, disorderly, abusive, dangerous, or disruptive, or does not comply with rules and regulations of the City. Contractor shall in no way interpret such removal to require dismissal or other disciplinary action of the employee.

I. Employee Appearance and Identification

Contractor personnel shall present a neat appearance and be easily recognized as Contractor employees. The Contractor shall provide each employee with an identification badge and uniform. The badge shall include the employee's photograph, and Contractor's name. The uniform and identification shall be available prior to entering any City building and shall be worn at all times while working in the City. The uniform at a minimum shall be a uniform shirt with the Contractor's name or logo on it.

J. Reporting and Inspections

1. Building Control Log: The custodial supervisor and/or lead custodian will be responsible for maintaining a "Building Control Log" which will be the focal point for communications. The contractor's staff will be responsible for signing in daily on the log and sharing work related comments for analysis.
2. Status Reports: A report is to be given to Steve Erickson, CIP Manager or his designee daily if, and when, unusual circumstances arise; e.g., suspicious people are observed, lighting inoperable, etc.
3. Regular Inspections: The contractor's account manager and on-site supervisor will meet with Steve Erickson, CIP Manager or his designee as needed, to review work sites to ensure compliance with contract Specifications.

K. Work Performance

The Contractor will adhere to the highest quality standards of the janitorial profession and the City's cleaning standards as communicated by Steve Erickson, CIP Manager or his designee. Contractor shall immediately notify Steve Erickson, CIP Manager or his designee of any occurrence or condition that interferes with the full performance of the Contractor and confirm it in writing within 24 hours. Contractor shall provide additional staff to complete the work required in these specifications.

M. Special Assignments

The Contractor can expect to support special events during and outside of normal duty hours for special functions at the City facilities for open houses, rentals or dignitary visits, etc. The Contractor shall adjust the service schedule so that these services will be performed after the event. In cases where the work is out the normal work schedule, the Contractor shall quote all hourly rates per person for the special assignment.

N. Emergency Work

This agreement shall cover routine, requested and emergency janitorial work. Requested work shall be defined as any work beyond the general routine janitorial work outlined in

this agreement. Emergency work shall require a shortened response time of between two (2) and four (4) hours, depending on the nature of said work. The contractor shall have sufficient labor and call-out procedures to assume that staffing is available to allow for this type of unplanned requirement. The City of Milpitas will work closely with the contractor to help develop a specific procedure required to react to emergency Situations.

O. Security

Contractor will be required to have available the keys provided by the City at all times while providing service to the City. All doors are to be unlocked and locked as required by each building's specification. The contractor is responsible for after-hours security during performance of janitorial duties. All doors must be locked and shut during the performance of said duties. Lost keys or card-keys will be replaced by the contractor at the rate of \$50.00 per key or card-key, and the contractor will be financially responsible for all costs of re-keying any or all locks affected by lost keys in his/her control. City computers, fax machines, telephones, television sets and copiers are "OFF LIMITS" for use. Contractor will be financially responsible for any loss, damages, or accrued charges for any unauthorized usage this equipment.

P. Care of Facilities

The Contractor and all Contractors' employees shall regularly observe general conditions of all building areas and report problem areas to employee's supervisor. Contractor shall be responsible for the knowledge and use of all fire alarms and prevention equipment. In case of emergency, the Contractor's employees shall notify the City's Dispatch Center by dialing 911, then by calling or paging Steve Erickson, CIP Manager or his designee immediately. For non-emergency repairs, the contractor and all contractor's employees shall contract the Steve Erickson, CIP Manager or his designee or by leaving the information on the Facility Maintenance Hotline at (408) 586-2620.

Q. Custodial Services Tasks

See attached service description, EXHIBIT B.

City of Milpitas  
City Wide Janitorial Service Schedule  
RFP 2059

| General Guidelines                                              |     |      |       |       |      |
|-----------------------------------------------------------------|-----|------|-------|-------|------|
| Service Description                                             | Dly | Wkly | Mthly | Qrtly | Yrly |
| Check entire facility on arrival and correct any deficiencies   | X   |      |       |       |      |
| Report any occurrence that may be out of the ordinary           | X   |      |       |       |      |
| Keep all access doors locked while cleaning                     | X   |      |       |       |      |
| Lock all doors and leave only designated lights on              | X   |      |       |       |      |
| Keep custodial closets neat and orderly                         | X   |      |       |       |      |
| Gather waste from trash cans, place in specific dumpster        | X   |      |       |       |      |
| Clean trash receptacles, replace soiled liners in trash cans    | X   |      |       |       |      |
| Clean lobby door glass inside and out                           | X   |      |       |       |      |
| Clean all lobby entry way and exterior mats                     | X   |      |       |       |      |
| Clean receptionist counter tops and work area                   | X   |      |       |       |      |
| Wipe down drinking fountains                                    | X   |      |       |       |      |
| Clean stairwells                                                | X   |      |       |       |      |
| Spot clean all glass                                            | X   |      |       |       |      |
| Clean door hardware and frames inside and out                   | X   |      |       |       |      |
| Spot clean fingerprints on light switches and doors             | X   |      |       |       |      |
| Dust handrails                                                  | X   |      |       |       |      |
| Clean and polish door kick plates and thresholds.               |     | X    |       |       |      |
| Dust all cleared work surfaces and low partition walls          |     | X    |       |       |      |
| High dust all cleared horizontal surfaces                       |     | X    |       |       |      |
| Clean baseboards.                                               |     |      | X     |       |      |
| Clean and dust all overhead light fixtures                      |     |      | X     |       |      |
| Detail dust window ledges, blinds, picture frames and moldings. |     |      | X     |       |      |
| Clean lobby windows interior and exterior                       |     |      | X     |       |      |
| Vacuum upholstered furniture                                    |     |      | X     |       |      |
| Floor services for each area are in Floor sections on Page 2    |     |      |       |       |      |
| Kitchen floor mats                                              |     | X2   |       |       |      |

**Lobbies, Stairwells, Elevators & Common Areas**

| Service Description              | Dly | Wkly | Mthly | Qrtly | Yrly |
|----------------------------------|-----|------|-------|-------|------|
| Wipe handrails                   | X   |      |       |       |      |
| Clean elevator cabs and doors    | X   |      |       |       |      |
| Clean, dust and polish furniture | X   |      |       |       |      |
| Align furniture                  | X   |      |       |       |      |
| Clean all stairwell glass.       |     | X    |       |       |      |

**Conference Rooms & City Council Chambers**

| Service Description              | Dly | Wkly | Mthly | Qrtly | Yrly |
|----------------------------------|-----|------|-------|-------|------|
| Clean and dust A/V equipment     | X   |      |       |       |      |
| Align furniture                  | X   |      |       |       |      |
| Clean, dust and polish furniture |     | X    |       |       |      |



### Auditorium and Classrooms

| Service Description | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------|-----|------|-------|-------|------|
| Wipe down tables    | X   |      |       |       |      |
| Align furniture     | X   |      |       |       |      |

### Office Areas

| Service Description                | Dly | Wkly | Mthly | Qrtly | Yrly |
|------------------------------------|-----|------|-------|-------|------|
| Align furniture                    | X   |      |       |       |      |
| Clean window ledges and partitions |     | X    |       |       |      |
| Clean, dust and polish furniture   |     | X    |       |       |      |

### Fitness Areas

| Service Description                                     | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------|-----|------|-------|-------|------|
| Clean and sanitize all exercise equipment               | X   |      |       |       |      |
| Sweep, dust mop and/or damp mop all hard floor surfaces | X   |      |       |       |      |
| Spot clean window and mirror glass (prints & smudges)   | X   |      |       |       |      |
| Fill all dispensers                                     | X   |      |       |       |      |
| Fully clean all windows and mirrors.                    |     | X    |       |       |      |

### Restrooms/Sports Center Showers/Holding Cells

| Service Description                                            | Dly | Wkly | Mthly | Qrtly | Yrly |
|----------------------------------------------------------------|-----|------|-------|-------|------|
| Clean and polish all stainless steel dispensers                | X   |      |       |       |      |
| Empty, clean, polish & disinfect sanitary napkin receptacles   | X   |      |       |       |      |
| Fill all dispensers                                            | X   |      |       |       |      |
| Clean and sanitize all fixtures, fittings, toilets and urinals | X   |      |       |       |      |
| Clean and polish mirrors                                       | X   |      |       |       |      |
| Clean out lockers                                              | X   |      |       |       |      |
| Clean and sanitize all doors, partitions and vanity surfaces   | X   |      |       |       |      |
| Clean and sanitize all floor mats                              | X   |      |       |       |      |
| Wipe down shower walls                                         | X   |      |       |       |      |
| Clean and disinfect walls                                      |     | X    |       |       |      |
| Clean and flush floor and shower drains with drain cleaner     |     | X    |       |       |      |
| Clean lockers and walls                                        |     | X    |       |       |      |
| Clean and polish all doors and hardware.                       |     |      | X     |       |      |
| Machine scrub all shower and restroom floors.                  |     |      | X     |       |      |
| Detail clean grout lines in shower walls.                      |     |      |       | X     |      |

### Cafeteria/Break rooms/Patio Areas

| Service Description                               | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------|-----|------|-------|-------|------|
| Wipe down dining area and patio tables and chairs | X   |      |       |       |      |
| Wipe clean counter tops, sinks and cabinets       | X   |      |       |       |      |
| Replenish paper towels                            | X   |      |       |       |      |
| Clean all patios and balconies                    | X   |      |       |       |      |
| Wipe down interior and exterior of microwave      | X   |      |       |       |      |

|                                                                                                 |  |   |  |  |  |
|-------------------------------------------------------------------------------------------------|--|---|--|--|--|
| Clean and dust balcony walls                                                                    |  | X |  |  |  |
| Wipe down interior and exterior of refrigerator<br>(Refrigerators done per customer's schedule) |  | X |  |  |  |

### Parking Garage

| Service Description                                          | Dly | Wkly | Mthly | Qrtly | Yrly |
|--------------------------------------------------------------|-----|------|-------|-------|------|
| Gather waste from all trash cans, place in specific dumpster | X   |      |       |       |      |
| Clean and dust stairwell ledges, rails and landings          | X   |      |       |       |      |
| Police parking lot structure and stairwells for debris       | X   |      |       |       |      |
| Police Library entryways                                     | X   |      |       |       |      |
| High dust, remove cobwebs                                    | X   |      |       |       |      |
| Clean elevator cabs and doors, Polish inside and out         | X   |      |       |       |      |
| Clean Book Return counter and surrounding area               | X   |      |       |       |      |
| Check and replace all burnt out light bulbs                  | X   |      |       |       |      |
| Sweep all parking lot                                        |     |      | 2X    |       |      |

### Hard Floor Care

| Service Description                                           | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------|-----|------|-------|-------|------|
| Sweep, dust mop and/or damp mop all hard floor surfaces       | X   |      |       |       |      |
| Sweep, damp mop and disinfect all restroom and shower floors. | X   |      |       |       |      |
| Harwood floors – Daily sweeping with a treated dust mop       | X   |      |       |       |      |
| Machine scrub all stone, concrete and tile floors.            |     |      | X     |       |      |
| Spray buff high traffic VCT areas.                            |     |      | X     |       |      |
| Strip & wax VCT areas                                         |     |      |       | X     |      |
| Strip and seal all stone, concrete and ceramic floors         |     |      |       |       | 2X   |

### Carpet Floor Care

| Service Description                                 | Dly | Wkly | Mthly | Qrtly | Yrly |
|-----------------------------------------------------|-----|------|-------|-------|------|
| Vacuum all carpet.                                  | X   |      |       |       |      |
| Spot clean high traffic area carpets.               | X   |      |       |       |      |
| Spot clean all other carpet.                        |     | X    |       |       |      |
| Detail vacuum edges, under desks & around furniture |     |      | X     |       |      |
| Bonnett buff high traffic carpets                   |     |      |       | X     |      |
| Shampoo & extract carpets                           |     |      |       |       | 2X   |

### Utility Services

(These services billed with monthly cost)

| Service Description                                                                   | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------------------------------|-----|------|-------|-------|------|
| Wash all interior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash all exterior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash exterior skin (metal, stone, stucco etc.)                                        |     |      |       |       | 2X   |
| <b>CITY HALL ONLY</b>                                                                 |     |      |       |       |      |
| Sports Center – Clean interior and exterior glass surrounding the pool. (June – Aug.) | X   |      |       |       |      |
| Teen Center – Shampoo or extract carpet.                                              |     |      | X     |       |      |







## EXHIBIT C

### INSURANCE REQUIREMENTS - GENERAL

#### **Definition:**

For purposes of this contract, the following definition applies: City of Milpitas includes the duly elected or appointed officers, agents, employees and volunteers of the City of Milpitas, individually or collectively.

#### **Insurance Required:**

No work shall be done under this Contract unless there is in effect insurance required by the Contract and under this section, and such insurance has been approved by the City, nor shall the Contractor allow any subcontractor to commence work on his subcontract until all insurance required of the subcontractor has been so obtained and approved. The Contractor shall maintain or cause to be maintained adequate workers' compensation insurance as required under the laws of the State of California, for all labor employed by him or by any subcontractor under him who may come within the protection of such worker's compensation laws of the State of California and shall provide or cause to be provided employer's liability insurance for the benefit of his employees.

#### **Minimum Scope of Insurance: (Check Mark Indicates Required)**

Coverage must be *at least as broad as*:

- (X) Insurance Services Office Commercial General Liability coverage (occurrence Form CG0001).
- (X) Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
- (X) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
- ( ) Professional Liability or Errors & Omissions Liability insurance appropriate to the contractor's profession.
- ( ) Architects' and Engineers' coverage is to be endorsed to include contractual liability.

#### **Minimum Limits of Insurance:**

Contractor must maintain limits no less than:

1. **General Liability:** \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability insurance with a general aggregate limit is used, either the general aggregate limit must apply separately to this project/location or the general aggregate limit must be twice the required occurrence limit.  
(Including operations, products and completed operations, as applicable.)
2. **Automobile Liability:** \$1,000,000 per accident for bodily injury and property damage.
3. **Workers' Compensation** Statutory  
**Employer's Liability:** \$1,000,000 each accident  
\$1,000,000 disease-policy limit  
\$1,000,000 disease-each employee
4. **Professional Liability or** \$1,000,000 each occurrence  
**Errors & Omissions** \$1,000,000 policy aggregate  
**Liability:**

### Deductibles and Self-Insured Retentions:

Any deductibles or self-insured retentions must be declared to and approved by the City. The City may require the Contractor to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

### Other Insurance Provisions:

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. **The City of Milpitas, its officers, officials, employees, and volunteers** are to be covered as insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the contractor; and with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 11 85), or as a separate owner's policy.
2. For any claims related to this project, the **Contractor's insurance coverage shall be primary** insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of the **Contractor's insurance and shall not contribute with it.**
3. The Insurance Company agrees to **waive all rights of subrogation** against the City, its elected or appointed officers, officials, agents and employees for losses paid under the terms of any policy which arise from work performed by the Named Insured for the City. This provision also applies to the Contractor's Workers' Compensation policy.
4. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after **thirty (30) days' prior written notice (10 days for non-payment)** by certified mail, return receipt requested, has been given to the City. If Contractor's insurer refuses to provide this endorsement, Contractor shall be responsible for providing written notice to the City that coverage will be canceled thirty (30) days after the date of the notice or ten (10) days for non-payment.

### Acceptability of Insurers:

Insurance is to be placed with licensed insurers admitted to transact business in the State of California with a current A.M. Best's rating of no less than A-VII. If insurance is placed with a surplus lines insurer, insurer must be listed on the State of California List of Eligible Surplus Lines Insurers (LESLI) with a current A.M. Best's rating of no less than A-X. Exception may be made for the State Compensation Fund when not specifically rated.

### Verification of Coverage:

Contractor shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on insurance industry forms, provided those endorsements or policies conform to the contract requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require, at any time, complete, certified copies of all required insurance policies, including endorsements evidencing the coverage required by these specifications.

The Certificate with endorsements and notices shall be mailed to: City of Milpitas, Attention: Purchasing, 455 East Calaveras Boulevard, Milpitas California, 95035-5411.



**Subcontractors:**

Contractors must include all sub-contractors as insureds under its policies or furnish separate certificates and endorsements for each sub-contractor. All coverage for sub-contractors are subject to all of the requirements included in these specifications.

**Absence of Insurance:**

If the Contractor allows the insurance to lapse, be cancelled, or be reduced below the limits specified in this article, the Contractor shall cause all work in the Project to cease and any delays or expenses caused due to stopping of work and change of insurance shall be considered Contractor's delay and shall not be considered to increase cost to the City or increase time in which the Project shall be completed.

**Contractor agrees that if it does not keep the aforesaid insurance in full force and effect, City may immediately terminate this Agreement**



# EXHIBIT D - NOTICE OF EXERCISE OF OPTION TO EXTEND AGREEMENT

|                                         |  |
|-----------------------------------------|--|
| <b>AGREEMENT TITLE<br/>and DATE:</b>    |  |
| <b>CONTRACTOR<br/>Name and Address:</b> |  |
| <b>DATE OF OPTION:</b>                  |  |

*(date the notice is sent must be consistent with the time for exercise set forth in Agreement)*

Pursuant to Section \_\_\_\_ of the Agreement referenced above, the City of Milpitas hereby exercises its option to extend the term under the following provisions:

|                   |  |
|-------------------|--|
| <b>OPTION NO.</b> |  |
|-------------------|--|

## NEW OPTION TERM

|             |  |
|-------------|--|
| Begin date: |  |
| End date:   |  |

## ☐ CHANGES IN RATE OF COMPENSATION

|                                                                 |  |
|-----------------------------------------------------------------|--|
| <b>Percentage change in CPI upon which adjustment is based:</b> |  |
|-----------------------------------------------------------------|--|

Pursuant to Section \_\_\_\_ of the Agreement the Rates of Compensation are hereby adjusted as follows:  
*(use attachment if necessary)*

|                                                  |  |
|--------------------------------------------------|--|
| <b>MAXIMUM COMPENSATION for New Option Term:</b> |  |
|--------------------------------------------------|--|

For the option term exercised by this Notice, City shall pay Contractor an amount not to exceed the amount set forth above for Contractor's services and reimbursable expenses, if any. The undersigned signing on behalf of the City of Milpitas hereby certifies that an unexpended appropriation is available for the term exercised by this Notice, and that funds are available as of the date of this signature.

|                                                                                                        |
|--------------------------------------------------------------------------------------------------------|
| <b>CITY OF MILPITAS</b><br>a municipal corporation<br><br>By _____<br>Thomas C. Williams, City Manager |
|--------------------------------------------------------------------------------------------------------|



## CITY of MILPITAS

*Purchasing Division*

*455 E. Calaveras Blvd*

*Milpitas, CA 95035*

*Phone: 408-586-3160 Fax: 408-586-3170*

November 12, 2013

### ADDENDUM NO. 1

#### RFP 2059

#### "City Wide Janitorial Service at Twelve City Locations"

Please note the following revision to RFP 2059, Janitorial Service:

1. In regard to question #7. The city has prepared the attached Table to provide the best answer we can about the cost per building, private rental data for one year, and number of kitchens and bathrooms.

All other provisions of the documents and specifications remain in full force and effect.

Respectfully,

Chris Schroeder  
Purchasing Agent  
408-687-1639

|     | MONTHLY SERVICES                                               | COST<br>PER<br>MONTH                                            | PRIVATE<br>RENATLS<br>11/1/12 to<br>10/31/13 | NUMBER<br>OF<br>KITCHENS | NUMBER OF<br>BATHROOMS |
|-----|----------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------|--------------------------|------------------------|
| 1.  | City Hall complex, 455 E. Calaveras Blvd.                      | \$6,833.00                                                      |                                              | 8                        | 16 + 2 Locker Rooms    |
| 2.  | Milpitas Sports Center/ Teen Center, 1235 E. Calaveras Blvd.   | \$6,318.00                                                      | 49                                           | 2                        | 2 + 4 Locker Rooms     |
| 3.  | Main Fire Station No. 1, 777 S. Main St.                       | \$494.00                                                        |                                              | 1                        | 4                      |
| 4.  | Police Substation/Raceway, (2) Great Mall, 1210 Great Mall Dr. | \$922.00<br>Currently<br>5X M-F                                 |                                              | 1                        | 2                      |
| 5.  | Library Garage, 120 N. Main St.                                | \$1,160.00                                                      |                                              | 0                        | 0                      |
| 6.  | Community Center, 457 E. Calaveras Blvd.                       | \$5,823.00                                                      | 65                                           | 2                        | 4                      |
| 7.  | Police Department, 1275 N. Milpitas Blvd.                      | \$6,828.00                                                      |                                              | 3                        | 8 + 2 Locker Rooms     |
| 8.  | Public Works Department, 1265 N. Milpitas Blvd.                | \$3,532.00                                                      |                                              | 4                        | 6 + 2 Locker Rooms     |
| 9.  | Fire Department Trailer, 777 S. Main St.                       | \$325.00<br>\$381.00                                            |                                              | 1                        | 2                      |
| 10. | Jose Higuera Adobe Bldg., Wessex Place off N. Park Victoria    | currently<br>up to 5X<br>M-F as<br>needed                       |                                              | 1                        | 2                      |
| 11. | Senior Center, 40 Milpitas Blvd.                               | \$7,484.00                                                      | 13                                           | 3                        | 4                      |
| 12. | Cracolice Bldg., 540 S. Able St.                               | Just started<br>renting —<br>low use —<br>no data<br>available. | 32                                           | 1                        | 4                      |





## CITY of MILPITAS

*Purchasing Division*

*455 E. Calaveras Blvd*

*Milpitas, CA 95035*

*Phone: 408-586-3160 Fax: 408-586-3170*

November 19, 2013

### ADDENDUM NO. 2

RFP 2059

#### "City Wide Janitorial Service at Twelve City Locations"

Please note the following revision to RFP 2059, Janitorial Service:

1. Page 22, CONTRACT INCORPORATION, delete the words "performance bond(s)" from the last sentence of the paragraph.
2. Page 23, LIQUIDATED DAMAGES, item #2 (on page 24) the last sentence of the item shall read "If the contracted service or any part of the contracted service is not performed within 24-hours of receipt of telephone call or FAX, the City will be damaged and liquidated damages of Five Hundred Dollars (\$500.00) per occurrence will be deducted from the monthly invoice until the service is performed."
3. The last sentence of the LIQUADATED DAMAGES clause after Item #2 shall be deleted.

All other provisions of the documents and specifications remain in full force and effect.

Respectfully,

Chris Schroeder  
Purchasing Agent  
City of Milpitas  
408-687-1639

## Public | Purchase®

Chat

Help

Logout

Home

New Bid

Closed Bids

My Stuff

Tools

Questions for Bid RFP #2059 - City Wide Janitorial Service at Twelve City Locations 

## Question #1

who is the current service provider

Nov 6, 2013 9:53:55 PM PST

By: Varsity Facility Services - Esegura@varsityfs.com

**Answers**

Universal Building Services

Nov 7, 2013 11:58:08 AM PST

By: chrisschroeder

Archive

## Question #2

is the current provider using union employees?

Nov 6, 2013 9:54:44 PM PST

By: Varsity Facility Services - Esegura@varsityfs.com

**Answers**

Yes.

Nov 7, 2013 3:23:11 PM PST

By: chrisschroeder

Archive

## Question #3

what is the current monthly price for each building.

Nov 6, 2013 9:56:45 PM PST

By: Varsity Facility Services - Esegura@varsityfs.com

**Answers**

See Addendum No. 1.

Nov 12, 2013 4:45:59 PM PST

By: chrisschroeder

Archive

## Question #4

Do you have to be a union company to bid this account

Nov 6, 2013 10:18:11 PM PST

By: All Pro Janitorial Systems - rolloclay

**Answers**

No, but you must abide by the Union Wage/Prevailing Wage requirements in the RFP.

Nov 7, 2013 12:02:10 PM PST

By: chrisschroeder

Archive

## Question #5

how many employees are currently working the 12 locations

Nov 6, 2013 10:25:15 PM PST

By: All Pro Janitorial Systems - rolloclay

**Answers**

That is not something we require the contractor to disclose.

Nov 7, 2013 12:02:56 PM PST

By: chrisschroeder

Archive



**Question #6**

Page 29, bullet b states "b. Experience Statement (34)", however page 34 is a document for References. Please confirm that the page 34 "References" is the correct one to be submitted under this tab.

Nov 7, 2013 9:16:56 AM PST  
By: Impec Group - billkelly

**Answers**

They are one in the same.

Nov 7, 2013 12:04:20 PM PST  
By: chrisschroeder

Archive

**Question #7**

Exhibit A, is the price of the Event Cleanings to be incorporated in the monthly pricing per building? If so, please provide a report of the average number of events booked per year for the last 5 years for estimation purposes. Please provide the report for the following buildings with requires event cleanings:

- Sports Center
- Community Center
- Jose Higuera Adobe Bldg.
- Senior Center
- Cracolice Bldg.

Nov 7, 2013 9:17:20 AM PST  
By: Impec Group - billkelly

**Answers**

In regard to the average number of events per year. Ther is no single report that would show that type of usage. It would require a great deal of manipulation of data from different sources that would be impossible for the City to provide before the RFP due date. The event cleanings are incorporated into the monthly price. Weekdays and weekends are viewed the same, whether it is a class or a private party you are required to clean the entire facility. All these facilities could be 7 days a week. The Cracolice Bldg. and the Jose Higuera Adobe are very lightly used during the winter months. All are used heavily during the summer.

Nov 7, 2013 4:15:35 PM PST  
By: chrisschroeder

Archive

See addendum No. 1.

Nov 12, 2013 4:46:28 PM PST  
By: chrisschroeder

Archive

**Question #8**

Please provide the specific Scope of Work for Event Cleaning.

Nov 7, 2013 9:17:39 AM PST  
By: Impec Group - billkelly

**Answers**

The work detailed in Exhibit B "Daily Tasks" is the same that has to be done for cleaning after each event.

Nov 7, 2013 4:17:36 PM PST  
By: chrisschroeder

Archive

**Question #9**

When are the Event Cleaning Services to be provided (time).

Nov 7, 2013 9:17:56 AM PST  
By: Impec Group - billkelly

**Answers**



Standard schedules are acceptable, the majority of the time, in the event a party goes to midnight, we require that the janitors adjust their regular start time to provide enough time to clean at the end of the event.

[Archive](#)

Nov 7, 2013 4:20:41 PM PST  
By: chrisschroeder

#### Question #10

Exhibit A, Bullet B. Work Schedule does not match Bullet A. Scope of Work. Please clarify.  
For instance, Service Days for the Fire Stations and Police Department does not match. Also the name of the buildings does not match.  
Bullet B. Work Schedule states:  
Janitorial services for the Fire Administration and the Police substation are to be provided five (5) days per week between the hours of 6 PM and 9:00 PM

##### Answers

Scope of Work is the potential maximum hours for each site. Go by those hours instead of Item B "Work schedule". Use the names on bid page 31, which match the Scope of Work.

[Archive](#)

Nov 7, 2013 9:27:22 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 4:34:47 PM PST  
By: chrisschroeder

#### Question #11

Please confirm whether the cleaning for the Library is for the garage only or is garage and library building.

##### Answers

Garage only.

[Archive](#)

Nov 7, 2013 9:27:56 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 12:06:05 PM PST  
By: chrisschroeder

#### Question #12

Please provide a report stating the number of upholstered furniture to be vacuumed per month.

##### Answers

No such documentation exists. The City does not keep records at that level of granularity.

[Archive](#)

Nov 7, 2013 9:28:16 AM PST  
By: Impec Group - billkelly

Nov 7, 2013 12:07:30 PM PST  
By: chrisschroeder

#### Question #13

When this RFP came out a few months ago and was retracted due to a disqualified winning bidder, why wasn't the next responsive/qualified bidder used?

##### Answers

There was only one bidder.

[Archive](#)

Nov 7, 2013 11:17:02 AM PST  
By: H.N.W. Building Maintenance Inc. - MDAVEY8478

Nov 7, 2013 12:08:01 PM PST  
By: chrisschroeder

**Question #14**

Do you have approx. sq ft of carpet, tile, vinyl and hardwood for each location?

**Answers**

No, the City does not have records at that level of detail.

Archive

Nov 7, 2013 12:40:22 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 7, 2013 2:23:22 PM PST

By: chrisschroeder

**Question #15**

do you have approx number of offices and desks per location

**Answers**

No, the City does not have records at that level of detail.

Archive

Nov 7, 2013 12:41:33 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 7, 2013 2:23:59 PM PST

By: chrisschroeder

**Question #16**

How many bathrooms and kitchens in each location?

**Answers**

See: Addendum No. 1.

Archive

Nov 7, 2013 12:41:59 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 12, 2013 4:47:00 PM PST

By: chrisschroeder

**Question #17**

in the exhibit you only show the services hours for a few locations, can you please provide the service hours for the following: Community Center, Police Dept., Fire Department Trailer, Jose Higuera Adobe Bldg, Senior Center (confirm this is 330pm to 1030pm?) and the Cracolice Bldg. Thank you

**Answers**

The Community Center and the Senior Center are 3:30 PM to midnight. The Police Department main bldg. is 1:30 PM to 10:00 PM. The Fire trailer is any time after 5 PM on Mondays and Thursdays. The Adobe and Cracolice Bldgs. are as needed, The Janitor can determine their own time based on the event schedule.

Archive

Nov 7, 2013 12:43:58 PM PST

By: Dome Cleaning Inc. - domecleaning

Nov 7, 2013 4:28:09 PM PST

By: chrisschroeder

**Question #18**

Other than the work schedule that is item B for The Sports Center, City Hall, Fire Admin and Police Station what is the work schedule for the remaining locations not mentioned?

**Answers**

The same.

Archive

Nov 7, 2013 3:01:09 PM PST

By: Impec Group - billkelly

Nov 7, 2013 4:28:40 PM PST

By: chrisschroeder



**Question #19**

The observed square footages for two buildings do not seem the same as listed in the RFP. Please confirm square footages for: 1) Senior Center, and 2) Sports Center.

**Answers**

Those are the best numbers currently available.

[Archive](#)

Nov 12, 2013 11:18:57 AM PST

By: Universal Building Services - arniet3120

Nov 12, 2013 1:58:36 PM PST

By: chrisschroeder

**Question #20**

Re: City Hall building wash and window cleaning - 1) Can this work be done during business hours?, 2) Is it a building wash only OR do you want all the exterior building surfaces brushed down?, 3) Are the metal window sunscreens also to be cleaned?

**Answers**

1.) The work can only be done nights and weekends, but not during business hours. 2.) The entire exterior of the building marble and windows. How you wash the marble is up to you but the City must be informed of any chemical used. 3.) Yes, the sunscreens are included.

[Archive](#)

Nov 12, 2013 11:22:16 AM PST

By: Universal Building Services - arniet3120

Nov 12, 2013 3:15:29 PM PST

By: chrisschroeder

**Question #21**

There still no mention of the service hours for Library Parking Garage and Public Works Department. Please provide the time janitors can clean.

**Answers**

Garage - any time after 9:00 PM.

Public Works - any time after 5:00 PM

[Archive](#)

Nov 13, 2013 10:51:09 AM PST

By: Impec Group - billkelly

Nov 14, 2013 2:10:32 PM PST

By: chrisschroeder

**Question #22**

Are current janitorial staff LifeScan documented or is this new to this RFP?

**Answers**

New to this RFP.

[Archive](#)

Nov 14, 2013 11:48:04 AM PST

By: H.N.W. Building Maintenance Inc. - MDAVEY8478

Nov 14, 2013 2:13:01 PM PST

By: chrisschroeder

**Question #23**

Addendum No.1 #9 Fire Dept. Trailer shows two

Nov 19, 2013 11:48:19 AM PST



prices \$325 and \$381. Please specify the reason for this.

By: Valenti Construction Inc. - valinc

**Answers**

What the table shows is that the cost for the Fire Department Trailer is \$325.00 per month and the cost for the Jose Higuera Adobe is \$381.00 per month.

Nov 19, 2013 2:07:51 PM PST  
By: chrisschroeder

[Archive](#)

**Question #24**

The cut off for asking questions is 2:00 PM November 20, 2013. That time is now past.

Nov 20, 2013 2:12:35 PM PST  
By: City of Milpitas - chrisschroeder

**Answers**

Confirmed.

Nov 20, 2013 2:18:10 PM PST  
By: chrisschroeder

[Archive](#)

**Question #25**

There will be no public opening/reading of the names. A bid tabulation will be provided on or before December 20.

Nov 21, 2013 3:19:28 PM PST  
By: City of Milpitas - chrisschroeder

**Answers**

Confirmed.

Nov 21, 2013 3:19:46 PM PST  
By: chrisschroeder

[Archive](#)

[View Bid](#)

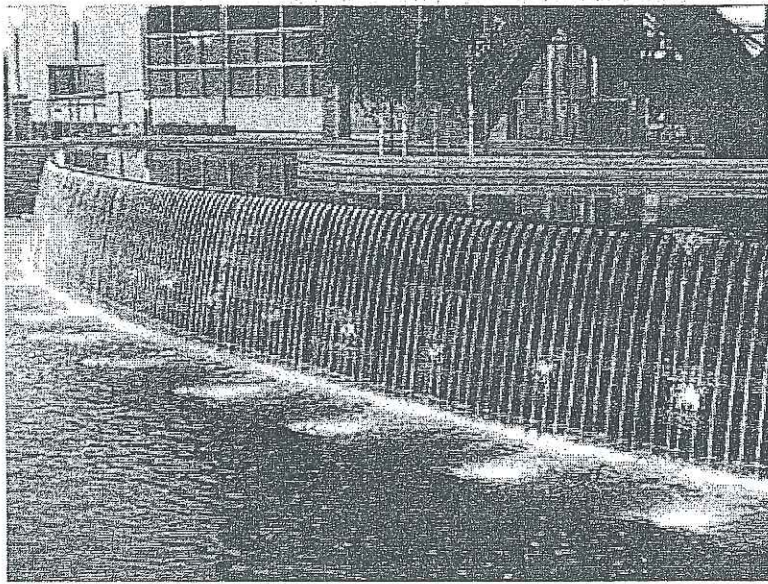
Customer Support: [agencysupport@publicpurchase.com](mailto:agencysupport@publicpurchase.com) | Copyright 1999-2013 © | The Public Group, LLC. All rights reserved.

The Public Group



# Delivering Award Winning Green Cleaning with Expertise in Public Facilities

A Janitorial Services Proposal and Bid Prepared for



© 22 November 2013

## HIGHLIGHTS



*JanOPS*  
Certified Green Cleaning  
Asset Preservation  
Quality Assurance  
Transition Plan  
Employee Training  
24/7 Call Center

RFP 2059

Response prepared by:

Varsity Facility Services | 11346 Sunco Drive, Ste. 101 | Rancho Cordova, CA 95742 | 916.638.8934



WE CLEAN IT



WE FIX IT



WE BUILD IT

**Varsity**  
Facility Services





## Janitorial Services Proposal

### 1. Cover Letter

---

Dear Committee:

Varsity has been contracting for government facilities such as yours for more than 50 years. We hope you will contact our long-term references, such as the City of Fort Collins, CO to discuss the following benefits Varsity can bring to City of Milpitas:

- A systemized approach to custodial services with JanOPS®, our proprietary ISSA CIMS GB Certified cleaning process to implement technology and systems into cleaning, meaning...  
— you ensure consistent quality of cleaning across location and cleaner
- Online scheduling of your facilities' routine and periodic tasks, leading to...  
— Easy management and accountability for the work that the City requires
- Regular communication with City staff on scheduled periodic work, which means...  
— City of Milpitas can rest assured the work is being done as promised
- Comprehensive training for employees and managers, meaning...  
— City of Milpitas is confident in safety, quality and communication practices of the custodial contractor
- Stability of both employees and work processes, consistent with Green practices so...  
— City staff can focus on their own work, while aligning Varsity's award-winning Green cleaning practices with any mandates for sustainability

As an additional offering, Varsity proposes our **CUSTOM OPERATIONS PLAN** for City of Milpitas. This includes areas of specific interest to the City, addressing things like:

- IICRC Approved Carpet Cleaning Process, including equipment and trained/certified technicians
- ISSA CIMS Green Building Certified Green Cleaning
- Customization of JanOPS (Janitorial Operating Performance Systems) specific to each facility
- Quality Assurance Plan, including customized electronic reporting, audits, inspections specific to each facility





### Janitorial Services Proposal

In the following pages, you will find our detailed proposal for City of Milpitas Facilities plus our proposed contract pricing. We look forward to furthering our relationship with the City and would be glad to answer any additional questions you have about our service offering.

Sincerely,

MARC COLLINGS MBA | Vice-President, Marketing

Varsity Facility Services | Marketing

[mcollings@varsityfs.com](mailto:mcollings@varsityfs.com) | [www.varsityfs.com](http://www.varsityfs.com)

3600 West 1055 South | Salt Lake City, UT 84104

801.972.3580 (Office) | 801.833.6977 (Cell) | 801.335.0249 (Fax)



### Janitorial Services Proposal

1.1: The official name of the proposer, as well as any fictitious names.

Varsity Contractors, Inc. DBA Varsity Facility Services

1.2: The proposer's organizational structure.

Private Corporation

1.3: The jurisdiction in which the proposer is organized and the date of such organization.

Incorporated in the State of Idaho on June 13, 1969

1.4: The address of the proposer's headquarters, and of any local office of the proposer involved in the proposal. Included in this section should be the representative the proposer has authorized to act on behalf of, and bind the proposer. The representative's addresses, e-mail, telephone and fax numbers provided in this section be used for all notification regarding this RFP.

#### Local California Office:

Varsity Facility Services | 11346 Sunco Drive, Ste. 101 | Rancho Cordova, CA 95742 | 916.638.8934

#### Contact and Headquarters Address:

MARC COLLINGS MBA | Vice-President, Marketing

Varsity Facility Services | Marketing

[mcollings@varsityfs.com](mailto:mcollings@varsityfs.com) | [www.varsityfs.com](http://www.varsityfs.com)

3600 West 1055 South | Salt Lake City, UT 84104 (Corporate Headquarters)

801.972.3580 (Office) | 801.833.6977 (Cell) | 801.335.0249 (Fax)

1.5: The proposer's Federal Tax Identification Number

82-0292413





### Janitorial Services Proposal

1.6: A representation that the proposer is in good standing in the State of California and has all necessary licenses, permits, approvals and authorizations necessary in order to perform all of the proposer's obligations in connection with this RFP and the Final Agreement.



| Entity Number | Date Filed | Status | Entity Name                      | Agent for Service of Process                                                                            |
|---------------|------------|--------|----------------------------------|---------------------------------------------------------------------------------------------------------|
| C0818100      | 06/02/1977 | ACTIVE | <b>VARSITY CONTRACTORS, INC.</b> | CORPORATION SERVICE COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA AS CSC - LAWYERS INCORPORATING SERVICE |

|                                      |                                                                                                         |
|--------------------------------------|---------------------------------------------------------------------------------------------------------|
| <b>Entity Name:</b>                  | Varsity Contractors, Inc.                                                                               |
| <b>Entity Number:</b>                | C0818100                                                                                                |
| <b>Date Filed:</b>                   | 06/02/1977                                                                                              |
| <b>Status:</b>                       | ACTIVE                                                                                                  |
| <b>Jurisdiction:</b>                 | IDAHO                                                                                                   |
| <b>Entity Address:</b>               | P. O. BOX 1692                                                                                          |
| <b>Entity City, State, Zip:</b>      | POCATELLO ID 83204-1692                                                                                 |
| <b>Agent for Service of Process:</b> | CORPORATION SERVICE COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA AS CSC - LAWYERS INCORPORATING SERVICE |
| <b>Agent Address:</b>                | 2710 GATEWAY OAKS DR STE 150N                                                                           |
| <b>Agent City, State, Zip:</b>       | SACRAMENTO CA 95833                                                                                     |





### Janitorial Services Proposal

1.7: An acceptance of all conditions and requirements in this RFP.

This proposal has been prepared in good faith and acceptance of all conditions and requirements contained in RFP 2059.



## Janitorial Services Proposal

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## Janitorial Services Proposal

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### 3. Executive Summary

---

Our proposal is designed to ensure that each facility's cleanliness supports the City of Milpitas' image, economic development and management.

The challenge you face is to ensure a janitorial service partner who not only offers a competitive price, but who also has the operational sophistication to:

1. Meet demanding time constraints related to City events through a mature, systemized approach to cleaning
2. Has the experience and technology to clean and preserve several thousand feet of carpet and other specialized assets
3. Has the process management and communication technology to ensure high responsiveness and control of the cleaning process
4. Has the environmental leadership to represent the City's commitment to ISSA CIMS standards
5. Can provide up to six points towards LEED certification and is a LEED EB preferred provider.

Varsity Facility Service is the solution to this challenge.

#### *Organization*

Varsity Facility Services provides professional janitorial services nationwide, servicing more than 18,000 facilities, 250 million square feet in 48 states and all Canadian provinces. Our 56 years in business have made us a reputable, national company.

- We were the first building service company (BSC) to receive the International Sanitary and Supply Association's CIMS Quality company certification (with honors).
- We were also the first BSC to earn the ISSA CIMS-Green Building certification.
- We handle the demands of two million square feet of college campuses to six million square feet of manufacturing plants. We manage the complexity of contracts with facility counts of over 3,700 to the smallest contract of one facility.
- We provide services to entire municipalities and counties like Maricopa City, Arizona and the City of Fort Collins in Colorado.

Our rich history and organization makes Varsity not only the right choice, but a safe choice for the City of Milpitas, one that will not cause post-purchase regret.



### *Approach and Work Plan*

Our operations plan for the City of Milpitas facilities has the following objectives:

1. Maximize organization and readiness to assure our teams are available for last-minute post-set-up cleaning, post-removal cleaning, and post-construction cleaning for event-driven facilities.
2. Maximize security in those facilities that require these specialized types of services.
3. Maximize public safety in all of City of Milpitas' facilities and organize specific plans for public facing areas that require extra attention.
4. Maximize the productivity so that cleaning deadlines are met and to find operational efficiencies for the City.
5. Maximize the life of carpets using proven carpet maintenance practices deployed in the hundreds of millions of square feet of carpet Varsity cleans annually.
6. To make the City's cleaning operations visible and accountable using our proven technology.

***Through our operations plan, City of Milpitas will gain cost efficiencies with Varsity's use of managed labor and efficient workflow practices.***

- We create standard work for our cleaners, making the production process visible.
- We divide your facilities into production quadrants. The four quadrants provide baselines for standard work production rates. Goals are set per quadrant to reach the optimum production rate. These quadrants help assure City of Milpitas Facilities' unique time constraints are met.

***Maximize your cleaning production rates through Varsity's state-of-art, high-production equipment.***

- Restroom cleaning that decreases deep cleaning to three minutes per fixture
- Vacuum chariots (standing ride-ons) achieve 30,000 ft<sup>2</sup> per hour needed for open spaces
- Backpack vacuums, in combination with Varsity's standard work, reach 18,000-20,000 ft<sup>2</sup> per hour for offices spaces.

***City of Milpitas will benefit from Varsity's IICRC Certified Processes, Gold Rated Equipment and trained & certified technicians.***

- Gold Certified Equipment that exceeds the bid specifications
- IICRC certified carpet cleaning specialists



- Green Certified chemicals and cleaning products

*Through our operations plan, the City of Milpitas will gain open disclosure and control of cost, quality ratings service complaints, work order responsiveness and requirement compliance to assure scope quality and compliance.*

- Vektr® Work Order, Inspection and periodic work management system gives the City of Milpitas a direct, inside view of Varsity's performance and adherence to the contract
- Electronic system and quality audits are completed on smartphones and reported through Varsity's web-based information system called Vektr®.
- Online scheduling of City of Milpitas' periodic work and automated work order generation, when periodic work comes due, gives City of Milpitas facility managers an assurance that periodic work isn't being skipped to reduce the contractor's cost!
- Vektr has customizable audit templates and **free customer usage** for audits unrelated to the janitorial contract: like maintenance audits, safety audits, fire suppression equipment audits, etc.
- Open quarterly reviews detail performance against Service Level Agreements

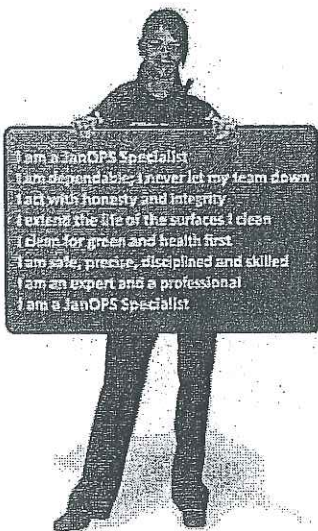
*Managed defect (complaint reduction) will save City of Milpitas time, energy, and money*

- 24/7 Call center giving a single, convenient number to call for any request, complaint or communication
- Escalated and managed work orders through call center
- Local management follow-up and sign-off with City of Milpitas facility personnel

#### Qualifications

Contracting with Varsity, the City will spend less time worrying about whether the cleaning company is doing its job. This is due in part because few companies have invested in the level of training that Varsity has. This proposal will show snapshots of the quality training provided. Varsity's training focuses on employee and public *Safety, Health, Asset Preservation, Productivity* and the *Environment* in Conventional centers. We call this "*Cleaning for S.H.A.P.E.™*" SHAPE is integrated into three levels of training for cleaning specialists.

Varsity is one of the few janitorial providers that brings a special focus to the **training of Day Porters**. This customized training is developed using Varsity's Vektr electronic reporting system. Audits customized to City of Milpitas' scope







of work are used to determine areas of weakness in the cleaning process, these areas then become the focus of customized training and future inspections by the Day Porters covering that specific facility.

Likewise, these Vektr quality audits can be used to create **reports showing quality assurance and contract compliance over time**

*Bottom-Line*

By selecting Varsity, the City of Milpitas will ensure it has a janitorial service provider who will meet the time constraints, protect the assets, and provide the flexibility and responsiveness required by the variety of facilities in RFP 2059.



## 4. Proposal Approach

### ISSA CIMS Format Work Plan

Varsity was the first to receive the ISSA CIMS Green Building Certification and has renewed this certification and kept it current. The CIMS organization for presenting a work plan includes the following sections, which we will use to organize the information for this section:

1. Quality System
2. Service Delivery
3. Human Resources
4. Health, Safety, and Environmental Stewardship
5. Management Commitment
6. Green Buildings and Services

### Quality System

#### Vektr Electronic Reporting

The definition of quality comes directly from the scope of work for each client and APPA guidelines around which Varsity's standardized green cleaning system was developed.

Varsity uses an electronic system called Vektr, which City of Milpitas facility managers can use at any time to conduct audits, open and track work orders, create and manage reports that can be used to show quality assurance over time.

#### What is VEKTR?

The VEKTR Quality Assurance System is a secure, web-based work order management program developed by Varsity. It helps centralize all communication, data storage and analysis tasks related to each customer's work orders, quality audits, periodic work and detail reporting. The system is administered by our own Varsity Support Center and allows customer personnel and Varsity managers a safe and secure means of accessing detailed performance information from anywhere in the world, at any time.

Convenience for City of Milpitas. Work orders can be sent via fax, email or viewed online. Phoenix facility managers can determine who needs a copy and the system can automatically generate a copy for them.

**Varsity Support Center**  
 Phone: (800) 455-4335 Fax: (800) 455-4335  
 Email: support@varsity.com  
 Website: www.varsity.com  
 Account: N/A  
 Location: N/A  
 Building: N/A  
 Room: N/A  
 Department: N/A  
 Contact: N/A  
 Title: N/A  
 Email: N/A  
 Phone: N/A  
 Fax: N/A



VEKTR is a critical tool in taking custodial services to the next level. Not only does it provide real-time work order management, but it also provides a flexible system for report management as well.

### VEKTR: a Reporting Technology

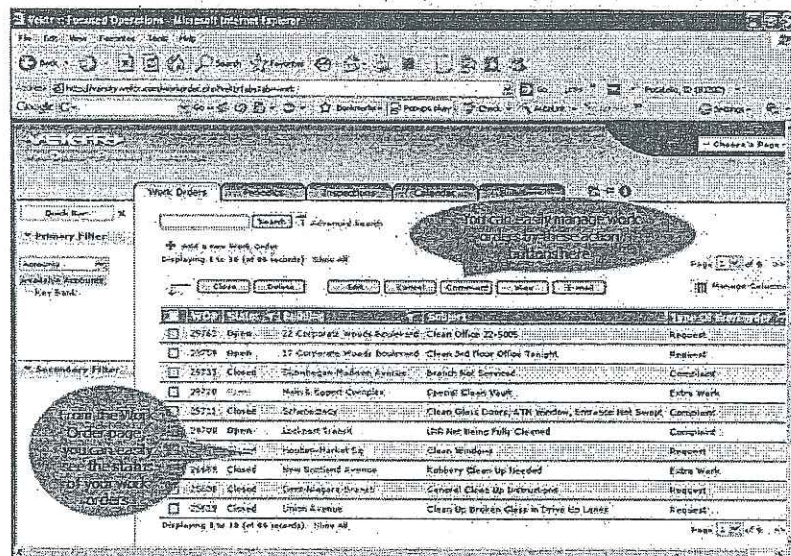
Customers can select from a wide range of standard reports in addition to Varsity employees utilizing online VEKTR systems to report and close out work. Not only can you choose which specific reports you prefer, but you can set up the following reporting parameters:

- Online
- Scheduled (weekly, monthly, quarterly, annually)

### VEKTR: a Work Order System

#### Work Order Processing

The VEKTR system allows our managers and customers to enter work orders from any web-enabled computer. We can utilize VEKTR to record and track proactive adjustments to services, record and perform requested extra work, as well as address and follow-up on any noted delinquencies of service. The system distributes these by work order emails, according to a predefined list of your preferences, to all Varsity managers responsible for your property and to any additional personnel you assign.



Excellent work order management assures that the City of Milpitas' needs are met. This figure is an inside look into our system showing work orders generated per building. Varsity has work order management to a science.





### Quality Inspections

The VEKTR system offers City of Milpitas the ability to choose a pre-defined audit template or to develop a completely customized inspection form to match your own quality audit requirements. Your personnel and our managers can then perform scheduled (...and unscheduled) audits on any property, using their Smartphone. The inspection is entered into the VEKTR system and copies of the inspection, relevant attachments or photographs and attending work orders are immediately sent to all specified personnel

### Periodic Task Scheduling

Varsity will schedule all of City of Milpitas' periodic work within the VEKTR program to ensure accurate and timely compliance to the RFP's periodic work scope. City of Milpitas gains the peace of mind that periodic work (which is hard to track and often gets delayed or remains incomplete with other contractors) is complete per the contract. The system automatically records the completion date, task descriptions, and system parameters for generating and distributing periodic task work orders. Your personnel and Varsity employees can then track each task as it becomes due.



Audits Customized for the City of Milpitas. Varsity offers maximum flexibility even down to its quality audits. We can create customized audit templates which are then linked to the specific facility and downloaded to our managers' smartphones.

VEKTR - Focused Operations - Microsoft Internet Explorer

http://www.veptr.com/.../index.php?module=main&page=main

VEKTR

Work Orders | Periodics | Inspections | Calendar | Reports

Quick Bar: Search

Action Menu: Add a new inspection, Edit, Print

Primary Filter: Internal Groups, Available Internal Groups: Rega Hart (Demo)

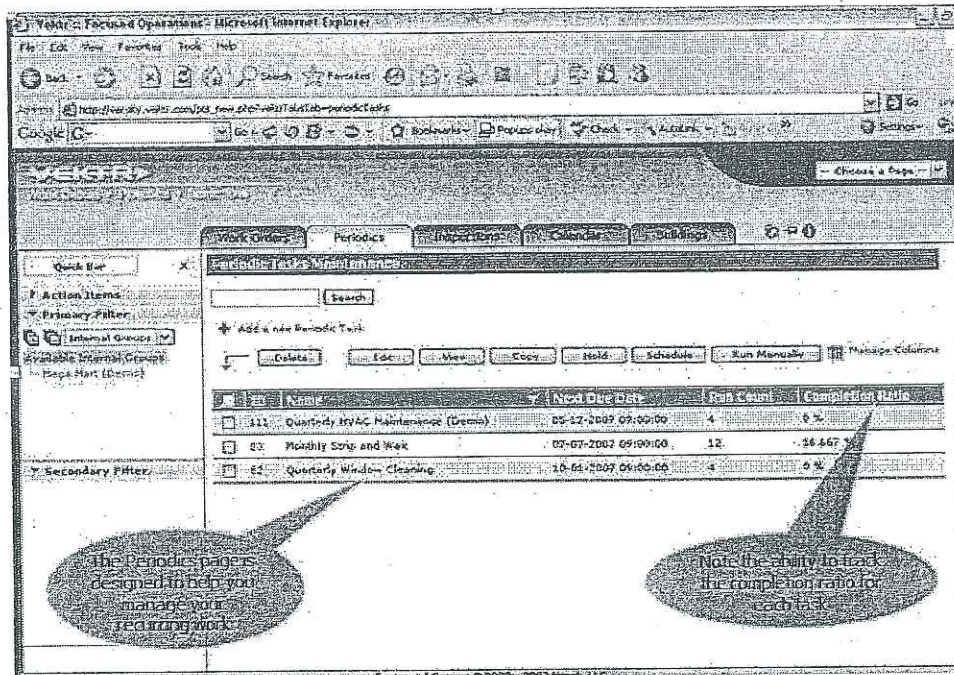
Notice: No more records found. Need to perform an inspection in the Source column.

| ID   | Source         | Assigned By     | Date of Inspection | Total Points |
|------|----------------|-----------------|--------------------|--------------|
| 1907 | Columbia       | Focket PC       | 05-02-2007         | 93.97        |
| 1908 | Bellevue North | Focket PC       | 04-18-2007         | 85.29        |
| 1904 | Albany         | Web             | 04-28-2007         | 85.42        |
| 1841 | Columbia       | Focket PC       | 03-28-2007         | 82.32        |
| 1846 | Columbia       | Web             | 03-28-2007         | 59.29        |
| 1839 | Bellevue North | Felix Handfield | 03-26-2007         | 84.54        |
| 1837 | Albany         | Felix Handfield | 03-26-2007         | 84.25        |
| 1832 | San Jose Point | Web             | 02-26-2007         | 86.98        |
| 1836 | Edenborough    | Focket PC       | 02-26-2007         | 82.73        |

Inspection history page shows you a complete list of quality audits performed on your buildings

The City of Milpitas' Inspection History: With Vektr, facility managers will have a complete quality history that can be reported in "time-series" showing quality trends for the account.





The City of Milpitas can assure periodic-work compliance. Varsity will enter the City's periodic work into Vektr, which will then schedule and email automatically a work order, assuring the City receives the service it has paid for.

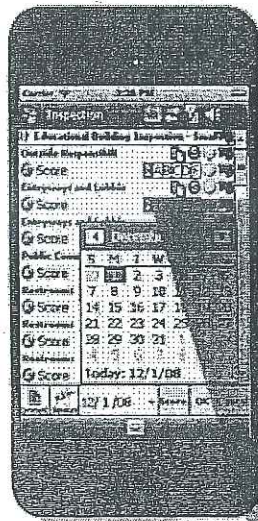
### Handheld Overview

Vektr's primary source of data comes from its handheld application used on the latest smartphone technologies including Android, I-phone, Windows Mobile and Blackberry smart phones. Vektr handheld app: The Vektr smartphone app allows users to:

- Add new Inspections.
- Attach photos and other files to inspections.
- View and Close Work Orders.
- Synchronize your Inspections at one time - on location.
- Eliminate the need to carry paper inspections.



Varsity allows its customers to use both the web-based Vektr system and the handheld app. This means you can create inspection templates beyond janitorial inspections. You can program in all the variables in each account, and there is no limit to the number of templates you can create for any number of purposes.



## Vektr Smartphone App



- Add new Inspections
- Attach photos and other files to inspections
- View and Close Work Orders
- Synchronize your Inspections at one time - on location
- Eliminate the need to carry paper inspections
- Custom Audit Templates
- Customer use for FREE!

Android • iPad / iPhone • Windows Mobile • Blackberry





## CASE STUDY—University of Texas at Austin's use of Vektr Electronic Reporting

City of Milpitas facility managers will benefit from the use of Vektr to control quality and contract compliance. The case study below shows how you can use Vektr to customize audits specific to City of Milpitas' scope of work, conduct these audits at any time, and run ongoing and longitudinal reports that show the quality of the work across the life of the contract.

Varsity uses an electronic reporting system called Vektr, which UT at Austin facility managers can use at any time to conduct audits, open and track work orders, create and manager reports that can be used to show quality assurance over time. **Vektr reports created specifically for the University of Texas at Austin from actual data are included after the explanation of Vektr below.**

### Vektr: A One-stop Management Solution

Vektr electronic reporting system can be used to manage all of the services required by UT at Austin, including: janitorial, pest control, security, landscaping, etc. In fact there are departments on campus that are currently using Vektr to organize and track construction projects.

Imagine being able to conduct a quality audit, open and manage a work order, and run accountability/quality control reports for any of these services any time, using your smart phone.

Varsity has spent hundreds of thousands of dollars developing the Vektr electronic reporting system, yet use of Vektr is provided **FREE** of charge with every Varsity contract. This means your facilities department can use custom audit templates for areas other than janitorial (E.g., Fire suppression device audits).

### Varsity has customized Vektr audits for UT-Austin

City of Milpitas facility managers will benefit from the use of Vektr to manage quality control issues and reporting for City of Milpitas. The following case study shows how the University of Texas at Austin uses Vektr to bring immediate resolution to quality control issues and to show quality control reporting over the life of the contract. **Varsity has customized Vektr audits that contain the entire scope of work for UT-Austin.** The template is divided into the following sections: Restrooms, Exterior Windows, Stairs and Landings, Book Stacks, Loading Dock areas, Library, Classrooms, Offices, Public Corridors, Elevators, Exterior, and Entries.



## Janitorial Services Proposal

Each of these sections is broken down into the specific tasks that must be done in each area to fulfill the requirements of the contract; also included is a rating scale and comment section for auditing purposes.

Below is an excerpt from the customized audit template Varsity was created for

| Header Detail     | % that Passed: ###,###                                                                                                                                      | # that Passed: ###,### | # Scored: ###,###        | Points Possible: ###,### | Required Points: ###,###                                                                                            | Passed: Yes/No |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|--------------------------|---------------------------------------------------------------------------------------------------------------------|----------------|
| Header Points     | Inspection Score: ##,###                                                                                                                                    | Points Scored: ###,### | Points Possible: ###,### | Required Points: ###,### | Passed: Yes/No                                                                                                      |                |
| Header Average    | Header Score Labels: ###,###                                                                                                                                |                        |                          |                          |                                                                                                                     |                |
| Header Average    | Points Scored: ###,###                                                                                                                                      |                        |                          |                          |                                                                                                                     |                |
| Exterior Trash    | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable <input type="radio"/> N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily - Remove cigarette butts and other trash from planters, ash urns, trash cans and other architectural features |                |
| Exterior Steps    | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable <input type="radio"/> N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily - Sweep steps and remove cobwebs down to sidewalk level                                                       |                |
| Exterior Mats     | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable <input type="radio"/> N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily - Clean off floor mats                                                                                        |                |
| Exterior Grates   | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable <input type="radio"/> N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Semi-Annually - Clean out walk off grates                                                                           |                |
| Exterior Graffiti | <input type="radio"/> Needs <input type="radio"/> Acceptable <input type="radio"/> Improvement <input type="radio"/> Unacceptable <input type="radio"/> N/A | Adds Work Order        | Add a comment            | Enable Action Items      | Daily As Needed - Remove graffiti                                                                                   |                |

UT-Austin:

Below is the scope of work upon which the customized audit template was designed and directly taken from:

| Task # | Description of Task                                                                                          | Daily | Twice Weekly | Weekly | Monthly | Quarterly | Semi-Annually | Annually | As Needed/Requested |
|--------|--------------------------------------------------------------------------------------------------------------|-------|--------------|--------|---------|-----------|---------------|----------|---------------------|
| 1.0    | Exterior Terraces, Porches, Patios, and other Entrance Areas:                                                |       |              |        |         |           |               |          |                     |
| 1.1    | Pick up or sweep up trash and cigarette butts. Do not sweep them into planters, onto grass, or under bushes. | X     |              |        |         |           |               |          |                     |
| 1.2    | Remove cigarette butts and other trash from planters, ash urns, trash cans and other architectural features  | X     |              |        |         |           |               |          |                     |
| 1.3    | Sweep steps and remove cobwebs down to sidewalk level                                                        | X     |              |        |         |           |               |          |                     |
| 1.4    | Clean off floor mats                                                                                         | X     |              |        |         |           |               |          |                     |
| 1.5    | Clean out walk off grates                                                                                    |       |              |        |         |           | X             |          |                     |
| 1.6    | Remove graffiti                                                                                              | X     |              |        |         |           |               |          | X                   |





*UT-Austin's requirements:*

Utilizing the customized audit template Varsity created specifically for UT-Austin, Varsity managers have been able to fine-tune the work being done. For example, over the 20+ years that Varsity has cleaned the student union, we have become increasingly aware of how to manage entryways and public corridors on rainy days, taking special precautions that go beyond the scope of work required. According to Travelers' Insurance Company, a single slip and fall accident can cost an average of \$40,000 dollars. Varsity's safety efforts have saved UT-Austin money.

Varsity has finely tuned its timing for cleaners to minimize disruption in the classrooms, library and student union, many of which have areas that have to be cleaned/checked more than once during a shift. This has been facilitated by use of the customized audit in Vektr.

Varsity has done excellent work in the UT-Austin main library, where the flooring work has gone beyond the specifications in the scope of work, using Windsor green cleaning technology.

**Reports Created Specifically for UT-Austin using the Audit Data**

Recently, Varsity was supplied with quality control audit data from University of Texas at Austin manager, Cathy DeGroot, Assistant Manager of Building Services for UT-Austin. Varsity Customer Service and Analytics Manager, Geoff Duern worked directly with Cathy to create the following reports.

**Key:**

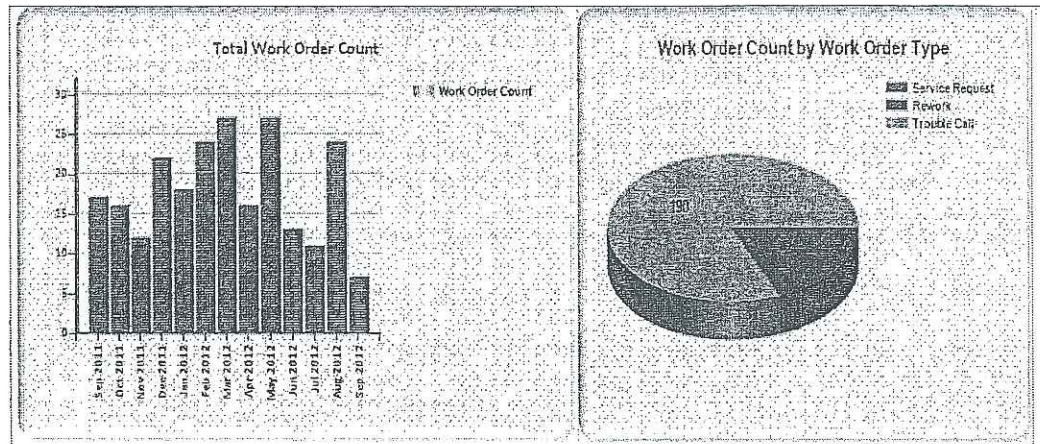
"Trouble Call" = Service Request

"Rework" = Complaints

"Service Request" = Extra Work (outside of scope)

The following Vektr dashboard reports for University of Texas at Austin show how many work orders were opened for each month. Out of the 234 work orders, seven were opened because of a complaint about the quality of the service. 37 were opened for extra work that went outside the standard SOW, and 190 work orders were opened for service requests.

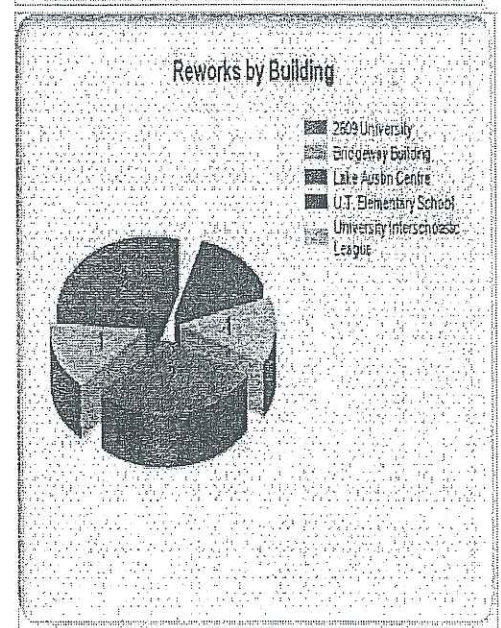




When you think of how many millions of square feet were cleaned during this one-year time frame, the fact that there were only seven complaints about the work Varsity cleaners had completed is quite amazing.

The breakdown below shows work orders by building which is useful if Varsity managers are trying to trouble shoot a specific issue with a specific group of cleaners or individual.

| Rebuilds                       | Jul 12 | Aug 12 | Sep 12 | Total |
|--------------------------------|--------|--------|--------|-------|
| 2609 University                | 0      | 0      | 2      | 2     |
| Bridgeway Building             | 0      | 0      | 1      | 1     |
| U.T. Elementary School         | 0      | 0      | 1      | 1     |
| University Interscholastic Lea | 0      | 0      | 1      | 1     |
| Total Work Order Count         |        |        | 5      | 5     |



Other reports generated by Varsity managers include one such as the following that is used for contracts with multiple facilities, branches or locations. Note how each facility is given a quality control score or rating, enabling managers to





determine which facilities will require extra training, additional supervision, increased managerial support, etc.

#### Inspection Score By Period

Period: January 1, 2012 through October 16, 2012

Group: ALL

Resources: ALL

Users: ALL



| ID    | Date of Inspection | Resource                | Group Name            | Percent of Details That Passed | Details Scored | Inspection Score Percent | Points Scored | Average Points Scored |
|-------|--------------------|-------------------------|-----------------------|--------------------------------|----------------|--------------------------|---------------|-----------------------|
| 84087 | February-29-2012   | 7.100894 - William C... | Gerald Frachiseur     | 100%                           | 23             | 100%                     | 100           | 4.349999905           |
|       |                    |                         | Gerald Frachiseur     | 100%                           | 23             | 100%                     | 100           | 4.349999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 95.92%                   | 63            | 4.849999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 95.92%                   | 63            | 4.849999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 95.92%                   | 63            | 4.849999905           |
|       |                    |                         | Area 43 (Wells Fargo, | 100%                           | 13             | 100%                     | 65            | 5                     |
|       |                    |                         |                       | 100%                           | 98             | 98.46%                   | 454           | 4.71                  |
|       |                    |                         |                       |                                |                |                          |               |                       |
|       |                    |                         | Group Name            | Percent of Details That Passed | Details Scored | Inspection Score Percent | Points Scored | Average Points Scored |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 95.5%                    | 95.5          | 9.550000191           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96%                      | 96            | 9.600000381           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96%                      | 96            | 9.600000381           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 97%                      | 97            | 9.699999809           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 97%                      | 97            | 9.699999809           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96%                      | 96            | 9.600000381           |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 100%                     | 100           | 10                    |
|       |                    |                         | Area 03(DEN, CO - KB) | 100%                           | 10             | 96.5%                    | 96.5          | 9.649999619           |

This report is then used to create a summary report that shows contract compliance for the entire portfolio. This includes averaging the audit scores across locations.

### Varsity's Voice of The Customer Program

Critical a partnership, Varsity's ability to understand City of Milpitas' needs, and then flex and change according to these needs. In addition, a good partnership will be based on a continuous improvement process. Varsity excels in these types of partnerships due to experience and expertise in implementing a new Lean Sigma best practice called Voice of the Customer (VOC).

#### What is VOC?

The goals of Varsity's VOC process are to determine systematically how customers view Varsity and what is most important to them, to determine customer expectations and measure the company's performance against those areas, and then to translate this knowledge into meaningful improvements for both City of Milpitas and Varsity. VOC is an integral part of LeanSigma and is front and center in driving Varsity's performance improvement projects.



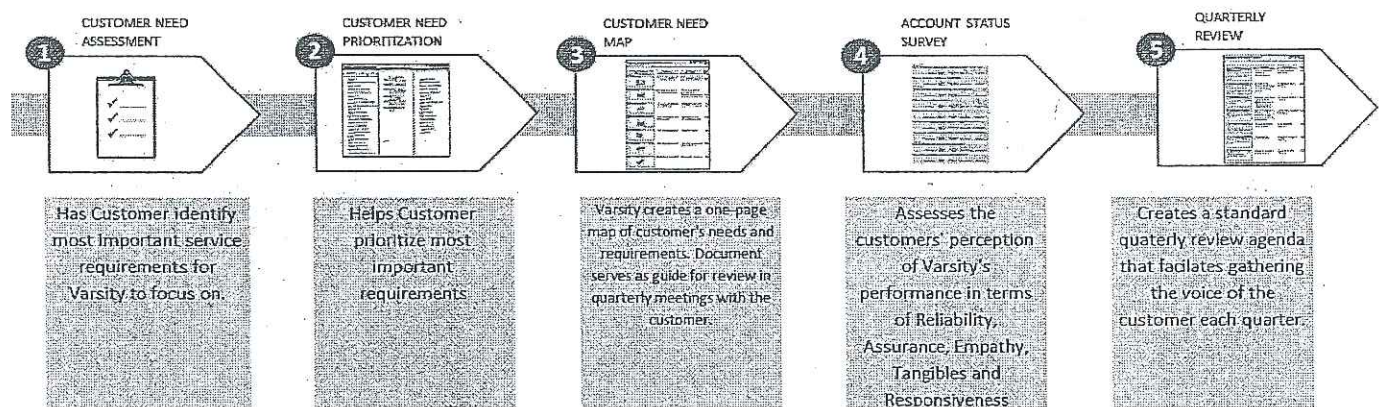
*Varsity's VOC process is designed for:*

1. Understanding how the customer views Varsity's services and processes
2. Understanding which of Varsity's processes are most important to the customer
3. Understanding what the customer looks at to measure our performance,
4. Understanding what the performance target should be for meeting the customer needs
5. Understanding which services needs are in demand from the customer and how Varsity can meet the demand

At the end of the day, VOC is about figuring out what is most important to the customer, and then translating that into results through Lean Sigma improvements to ensure Varsity is managing the account's life cycle and assuring renewal by eliminating customer blind spots.

The VOC questionnaire is available electronically so that customers can access the questionnaire whenever they would like to discuss Varsity's work and schedule a VOC session with the Varsity City of Milpitas District Manager.

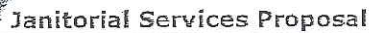
VOC sessions are conducted quarterly. The process includes the following steps:



VOC sessions are designed to improve the customer/vendor relationship and add value to the contract:

1. In-Person Customer-Needs Diagnosis:
  - a. Varsity administers a simple but effective survey tool to probe and determine customer priorities
  - b. Varsity further develops the service flexibility plan with City of Milpitas team





- [illegible]



## Janitorial Services Proposal

We provide a structure for Voice of the Customer, but it is really defined by making a flexible process designed to adapt the relationship to City of Milpitas' needs and current business situation.

| VOICE of the CUSTOMER BLUEPRINT |                                                       |                                                                                                                      |             |
|---------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------|
| Account Level                   |                                                       |                                                                                                                      |             |
| Process                         | Customer Requirements                                 | Customer Expectation                                                                                                 | Cost Impact |
| 1. Desiccants                   | Particulates must stay within room classification     | Airborne particle count to be no more than 100/parts million                                                         | Low         |
| 2. Restrooms                    | Class A restroom appearance for daily customer visits | Visual appearance to be clean and orderly<br>30 minute restroom checks<br>Pleasant aroma that reinforces cleanliness | High<br>Low |
| 3. Quality Reports              | Trending reports for depart.<br>Areas of focus        | Monthly QA trend report<br>Pareto Chart of complaints                                                                | Low<br>Low  |
| 4. Work Order Management        | Accountability for response to client's needs         | Monthly on-time work order completion reports                                                                        | Low         |
| 5. Scheduling                   | Zero missed day services                              | Labor hour reports                                                                                                   | Low         |
| 6. Recycling                    | 3 stream trash separation                             | 100% separation of plastic, paper and wet trash                                                                      | Med         |
| 7. ISO 9000 Compliance          | ISO Monthly Training Reports                          | Report of date, name & topic                                                                                         | Low         |

| Quarterly VOC Review Agenda                                                                                                                               |                                                                                                                                     |                                              |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|--------|
| Account Level                                                                                                                                             |                                                                                                                                     |                                              |        |
| Topic                                                                                                                                                     | Content                                                                                                                             | Presenter                                    | Time   |
| Need Diagnostic<br>Objective: Understand changes in needs as customer's company evolves or markets condition change                                       | Review previous Need diagnostic form<br>Determine changes                                                                           | Varsity VP, Marketing<br>Marc Collings       | 10 min |
| Customer blueprint review<br>Objective: Gain understanding of our customer's view of our process and customer's current process priorities                | Review blue print<br>Complete customer survey<br>Determine changes to blueprint                                                     | Varsity CEO/President<br>Eric Luke           | 10 min |
| Varsity SLA Performance<br>Objective: Provide openness and accountability for service level agreements                                                    | Work Order Closure metrics<br>Complaints Metrics<br>Building Quality Indexes<br>Cost saving initiatives<br>Diversity Participation  | Varsity Eastern Region VP<br>John Kelley     | 20 min |
| Customer Business Status<br>Objective: Gain understanding how Varsity can further partner with customer                                                   | Business Situation Update<br>Clarification of how current situation affects Varsity<br>Discussion on how Varsity can help situation | V.P. Operations, Chase Banks<br>Dave Johnson | 15 min |
| Cost Impact of Customer Request<br>Objective: Review cost impacts of request and services. Discuss price adjustments for requests or changing conditions. | Review cost analysis of customer requests                                                                                           | Varsity Regional VP<br>John Kelley           | 10 min |
| Other: Action plan for SLA<br>Objective: Provide details and plan to attain SLA performance results                                                       | Review action plan                                                                                                                  | Varsity Eastern Region VP<br>John Kelley     | 10 min |
| Other: Review service changes<br>Objective: Gain understanding of how the contract and partnership is evolving.                                           | Review cost analysis of customer requests                                                                                           | Varsity Regional VP<br>John Kelley           | 12 min |

Using the Account Status Survey, Varsity will measure City of Milpitas' customer satisfaction along five dimensions: Reliability, Assurance, Tangibles Delivery, Empathy and Responsiveness. The standard questionnaire has 19 questions, Here is a sample of the questionnaire:





## Janitorial Services Proposal

### RELIABILITY

1 "In general, I think that the service performed by the Varsity staff is finished when they say it will be and it's done correctly."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

2 "I believe Varsity consistently delivers on what they proposed in response to our RFP."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

### ASSURANCE

3 "I feel confident that the Varsity's cleaning staff has the knowledge necessary to do their job effectively."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

4 "Varsity's team provides accurate and timely reporting for quality."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

### TANGIBLES

8 "I think Varsity follows and executes defined processes that improves cleaning in my facility."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

9 "Varsity provides both excellent performance and measurement (reporting) to justify renewal."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

10 "Varsity reduces the time I have to spend dealing with janitorial issues."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

11 "Varsity has explained where DOWNTIME exists in my facility and has proposed cost savings based on DOWNTIME analysis."

| 1                 | 2                 | 3                         | 4              | 5              |
|-------------------|-------------------|---------------------------|----------------|----------------|
| Strongly Disagree | Somewhat Disagree | Neither agree or disagree | Somewhat Agree | Strongly Agree |

Additional areas on the survey accommodate:

- Action plan: Bullet punch list and entered as a work order.
- Follow up dates
- Effectiveness of follow up
- # of complaints at this site
- Additional comments





## Service Delivery Plan

### Varsity's Honesty Assurance

Varsity's total value to the City is the assurance that City of Milpitas can gain a 10% savings over ISSA industry standards yet be 100% assured the competitive prices aren't being derived from the following common industry malpractices:

| Industry Malpractice                                                                                                                                                                                                                                                                                                              | Varsity Failsafe                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Bidding a lower rate knowing that the contractor will not honor the periodic frequencies so as to recoup the lower cost</li> </ul>                                                                                                                                                         | <ul style="list-style-type: none"> <li>Vektr Periodic scheduling and work order manage makes compliance 100% visible and accountable (See pages 53-63)</li> </ul>                                                                                                                                                                                                                                 |
| <ul style="list-style-type: none"> <li>Cut overhead in pricing reducing quality control and account management leading to service instability and lower quality and transferring management cost back to the City in terms of complaint resolution, increase attention and follow-up and regulatory incompliance fees.</li> </ul> | <ul style="list-style-type: none"> <li>Varsity's/ bid includes proper overhead cost necessary for quality control and account management (see total value analysis)</li> <li>We provide a profit share program with customer satisfaction as primary metric for the award</li> <li>Varsity's data-driven approach and quarterly reviews assure key service level metrics are being met</li> </ul> |
| <ul style="list-style-type: none"> <li>1099ing employees to eliminate payroll taxes. This practice is illegal.</li> </ul>                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Varsity will disclose employee payroll tax documentation</li> </ul>                                                                                                                                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>Hide fees or bid zero profit hoping money can be made up by charging high markup ancillary work billings</li> </ul>                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Varsity prices right, fully discloses pricing method and costs, assuring no trickery in the bidding process</li> </ul>                                                                                                                                                                                                                                     |

### Cost Analysis

Varsity seeks open, long-term partnerships. We believe that trust established early, before the contract is awarded, sets the foundation for a long-term relationship. Trust is more difficult if pricing is not transparent. This section will detail our method of pricing, the logic behind the pricing and City of Milpitas' scope of work. Our experience has shown us that when openness and transparency are present, relationships endure and last and become a partnership that contributes to each party's success.

### Varsity Price and Cost Philosophy

Varsity believes the dollars required for each line-item cost for the account belongs to the customer. That is our partnership philosophy. Varsity also has a



"Lean" philosophy. By "Lean" we don't mean cheap, we mean we seek to find waste and reduce or remove it all together. A clean (no waste) income statement or balance sheet for our customer is just as important to Varsity as a clean building. Varsity's value is not just in our cleaning competencies, it is in our ability to remove financial waste from our customer's janitorial service. With that said, here is how we look at the janitorial service income statement.

| Direct Cost               | Line Item Benefit                                                                                                                                                                                                                                                                                                                                                                         | % of cost                                 | Varsity Philosophy                                                                                                                            |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|                           | <ul style="list-style-type: none"> <li>Janitorial Labor</li> <li>Supervision</li> <li>Materials</li> <li>Equipment</li> </ul>                                                                                                                                                                                                                                                             | 55-60% of your cost                       | Dollars belong to the customer and must be visible, & accountable. Are subject to efficiency gains, reduction and 100% return to the customer |
| Indirect Cost (Over head) |                                                                                                                                                                                                                                                                                                                                                                                           |                                           |                                                                                                                                               |
|                           | <ul style="list-style-type: none"> <li>Supervisor and Manager Auditing</li> <li>Quality auditing</li> <li>Scope compliance and management</li> <li>Performance measurement and Reporting</li> <li>HR management</li> <li>Technology development and usage</li> <li>Cost management and reduction</li> <li>Account Problem solving</li> <li>Environmental Compliance management</li> </ul> | 10-15% of your cost                       | Dollars belong to the customer and must be visible, accountable. Are subject to efficiency gains, reduction and 100% return to the customer   |
| Payroll and other taxes   | <ul style="list-style-type: none"> <li>Federal</li> <li>State</li> <li>FICA</li> <li>Medicare</li> <li>New Healthcare Affordability Act</li> </ul>                                                                                                                                                                                                                                        | 8-15% of your cost depending on the state | Belong to the government & are mandated                                                                                                       |
| Profit                    |                                                                                                                                                                                                                                                                                                                                                                                           | 3-4% of your cost                         | Belongs to Varsity not subject to reduction unless a tradeoff for volume makes it worth it.                                                   |

The technology we have proposed in this offer backs up and provides evidence that our philosophy is put into action for City of Milpitas.

## Pricing Methodology

Methodology is important for establishing professional, expert pricing that delivers value to the buyer. We believe it is important for you to understand our pricing so an accurate comparison of value can be made between Varsity's offer and other competing offers. There is another good reason to detail our pricing. Our experience and discussion with industry buyers has taught us that the RFQ/RFP process, however carefully prepared and organized, rarely produces the results desired by buyers and other users like facility managers.





Why? So many variables affect pricing. Many variables can and are typically understood from the RFP, but because of limited time and resources during a short RFP process, just as many can only be gained *after awarded* the contract. Consider the following variables:

| Cleaning Production Rate Variables                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Typically Gained before Bid                                                                                                                                                                                                                                                                        | Typically Gained after Awarded                                                                                                                                                                                                                                                                                                                |
| <ul style="list-style-type: none"><li>• Cleaning Frequencies</li><li>• RFP Stated Expectations</li><li>• Cleaning System</li><li>• Facility Type</li><li>• Building Age</li><li>• Geographic Location</li><li>• Facility Size</li><li>• Architectural Design</li><li>• Building Surfaces</li></ul> | <ul style="list-style-type: none"><li>• Organizational Culture</li><li>• Labor Market</li><li>• Local Customer Expectation</li><li>• Quality of Supervision</li><li>• Budget Constraints</li><li>• Type of Equipment Used</li><li>• Labor Market Demographics</li><li>• Weather</li><li>• Occupant Density</li><li>• Quality Levels</li></ul> |

Understanding a RFP price rarely produces a perfect or real-life price number which underscores the importance of a long-term, open and transparent relationship if further price savings are to be obtained. The real-life price is found by working a process once the account is awarded. A guarantee to hold bid price protects City of Milpitas from inflation due to bidding mistakes, but what about savings gained from efficiencies? City of Milpitas should benefit from those too. Varsity's philosophy and approach make that possible.

### Method of Performance: The JanOPS® Green Cleaning System

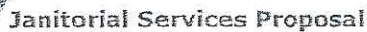
Appendix A contains the following customized elements for the City of Milpitas:

- Detailed Work Plan with Recommended Frequencies
- Detailed Work Plan with Recommended Hours

Our operations plan has the following objectives:

1. Maximize organization and readiness to assure our teams are available for last-minute post-set-up cleaning, post-removal cleaning, and post-construction cleaning and the time constraints caused by the constant flow of changing events.





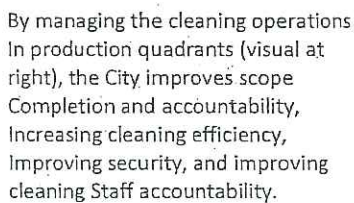
- To achieve those objectives, Varsity has a specialized plan custom designed for City of Milpitas' event-based facilities. The plan is divided into the following schedule:

The online schedule will help track the various events, and prep-list work order needed to meet all requirements for the event. Prep list will include items such as:

- [illegible]

Varsity will maximize flexibility by ensuring lead personnel each have cell phones and radios to ensure quick communication. Also back up staff support and carpet machine support will be made available for situations that exceed expectations.

Varsity will divide each of City of Milpitas' facilities into four quadrants of roughly equal square footage. Then the most efficient work flow is mapped, minimizing the cleaners' footsteps and closet returns. Routine daily cleaning,





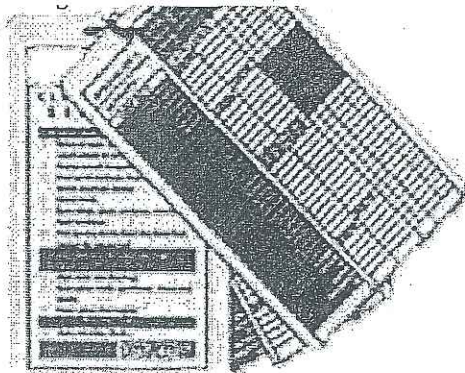
detail cleaning and periodic work is then mapped to the quadrants, along with both production rates and a time schedule, which is spread over a five-day period. So, Mon-Fri the daily routine is cleaned in each quadrant. Mon-Thurs, each quadrant is detailed, and Friday all periodic work is completed.

City of Milpitas' results:

- Verified completion and accounting of City of Milpitas' cleaning scope (routine, detailed and periodic work).
- Efficient flow of custodial service through facility
- Improved security and accountability of cleaning staff
- Improved supervision of cleaning staff

To achieve the scope as outlined in the RFP, Varsity will deploy the following resources:

| SHIFT 1:              |            |               |        | 6:00 am - 2:30 pm                                                                     |
|-----------------------|------------|---------------|--------|---------------------------------------------------------------------------------------|
| Team 1                | Custodians | Quadrants     | Floors | Work Division                                                                         |
| Vacuum specialist     | 2          | 1-2           | B-8    | Routine, detail and periodic vacuuming tasks                                          |
| Light Duty specialist | 1          | 1-2           | B-8    | Dusting, conference rooms, break rooms                                                |
| Utility Specialists   | 2          | 1-2           | B-8    | Basement, Elevators, stairwells, lobby, stainless steel, loading doc, exterior patrol |
| Restroom Specialist   | 2          | 1-2           | B-8    | Routine patrol, detail and periodic restroom tasks                                    |
| Team 2                |            |               |        |                                                                                       |
| Vacuum specialist     | 2          | 3-4           |        | Routine, detail and periodic vacuuming tasks                                          |
| Light Duty specialist | 1          | 3-4           | 9-20   | Dusting, conference rooms, break rooms                                                |
| Utility Specialists   | 1          | 3-4           | 9-20   | Elevators, stairwells, lobby, stainless steel, loading doc,                           |
| Restroom Specialist   | 2          | 3-4           | 9-20   | Routine patrol, detail and periodic restroom tasks                                    |
|                       |            |               |        |                                                                                       |
| Carpet Tech           | 1          |               | B-20   | Daily, interm and deep maintenance per job card schedule                              |
| Floor tech            | 1          |               | B-20   | Dust mop, mopping and yearly strip and wax schedule per job                           |
| Shift 2:              |            |               |        | 2:30 am - 6:00 pm                                                                     |
| Team 3                | Custodians | Quadrants     | Floors | Work Division                                                                         |
| Utility Specialists   | 4          | Quardants 1-4 | B-20   | Trash and recycle, restroom check on floor 10, lobby, windows and exterior patrol     |
| Total Labor Hours     | 152        |               |        |                                                                                       |



### *City of Milpitas' Cleaning Scope Effectively Communicated & Ensured*

Varsity will make City of Milpitas' cleaning scope visual to the custodian using job cards. Job cards detail the tasks per quadrant for each day the custodian is cleaning. The cards provide the schedule on a timeline, telling the custodian where he or she needs to be at a given time. Varsity's job cards improve City of Milpitas' cleaning operations by:





## Janitorial Services Proposal

- Eliminating variation in performing to City of Milpitas' cleaning scope,
- Making the work easily repeatable for new-hires
- Facilitating training and supervision
- Keeping cleaners on production rates, improving efficiency

City of Milpitas' cleaning scope, frequency and times each cleaner is to clean will be in the cleaner's possession at all times with Varsity's job cards. Our job cards ensure City of Milpitas' cleaning scope is completed, and it improves City of Milpitas' cleaning productivity, supervision and security.

(Front of Job Card)

| VACUUM SPECIALISTS JOB CARD |                        |                |                        |                          |                        |                |                        |                    |                         |
|-----------------------------|------------------------|----------------|------------------------|--------------------------|------------------------|----------------|------------------------|--------------------|-------------------------|
| Varsity                     |                        |                |                        |                          |                        |                |                        |                    |                         |
| GROUP 1: CITY HALL BUILDING |                        |                |                        |                          |                        |                |                        |                    |                         |
| Shift:                      |                        | 1              |                        | # of Vacuum Specialists: |                        | 4              |                        | Specialist:        |                         |
| Avg. Production Rate:       |                        | 14,000         |                        |                          |                        |                |                        |                    |                         |
| City Scope Assignment       |                        |                |                        |                          |                        |                |                        |                    |                         |
| Routine: All Quads          |                        | Detail: Quad 2 |                        | Routine: All Quads       |                        | Detail: Quad 3 |                        | Routine: All Quads |                         |
| Detail: Quad 1              |                        |                |                        | Detail: Quad 4           |                        |                |                        | Detail: Quad 5     |                         |
| Time: Monday                |                        | Time: Tuesday  |                        | Time: Wednesday          |                        | Time: Thursday |                        | Time: Friday       |                         |
| 5:00 AM                     | Clock-in               | 6:00 AM        | Clock-in               | 6:00 AM                  | Clock-in               | 6:00 AM        | Clock-in               | 6:00 AM            | Clock-in                |
| 6:07 AM                     | Stage and Leave closet | 6:07 AM        | Stage and Leave closet | 6:07 AM                  | Stage and Leave closet | 6:07 AM        | Stage and Leave closet | 6:07 AM            | Stage and Leave closet  |
| 6:10 AM                     | Floor 1 Detail         | 6:10 AM        | Floor 4 Detail         | 6:10 AM                  | Floor 5 Detail         | 6:10 AM        | Floor 6 Detail         | 6:10 AM            | Floor 1 Quad 1 Periodic |
| 6:40 AM                     | Floor 2 Detail         | 7:10 AM        | Floor 3 Detail         | 7:10 AM                  | Floor 4 Detail         | 7:10 AM        | Floor 5 Detail         | 7:10 AM            | Floor 2 Quad 1 Periodic |
| 7:10 AM                     | Floor 3                | 8:10 AM        | Floor 2                | 8:10 AM                  | Floor 4                | 8:10 AM        | Floor 6                | 8:10 AM            | Floor 3                 |
| 9:10 AM                     | Floor 4                | 9:10 AM        | Floor 1                | 9:10 AM                  | Floor 3                | 9:10 AM        | Floor 5                | 9:10 AM            | Floor 4                 |
| 10:10 AM                    | BREAK                  | 10:10 AM       | BREAK                  | 10:10 AM                 | BREAK                  | 10:10 AM       | BREAK                  | 10:10 AM           | BREAK                   |
| 10:25 AM                    | Floor 5                | 10:25 AM       | Floor 5                | 10:25 AM                 | Floor 2                | 10:25 AM       | Floor 4                | 10:25 AM           | Floor 5                 |
| 11:25 AM                    | Floor 6                | 11:25 AM       | Floor 6                | 11:25 AM                 | Floor 1                | 11:25 AM       | Floor 3                | 11:25 AM           | Floor 6                 |
| 12:25 PM                    | Lunch                  | 12:25 PM       | Lunch                  | 12:25 PM                 | Lunch                  | 12:25 PM       | Lunch                  | 12:25 PM           | Lunch                   |
| 12:55 PM                    | Floor 7                | 12:55 PM       | Floor 7                | 12:55 PM                 | Floor 7                | 12:55 PM       | Floor 2                | 12:55 PM           | Floor 7                 |
| 1:55 PM                     | Floor 8                | 1:55 PM        | Floor 8                | 1:55 PM                  | Floor 8                | 1:55 PM        | Floor 1                | 1:55 PM            | Floor 8                 |
| 2:20 PM                     | Close: Vacuum maint.   | 2:20 PM        | Close: Vacuum maint.   | 2:20 PM                  | Close: Vacuum maint.   | 2:20 PM        | Close: Vacuum maint.   | 2:20 PM            | Close: Vacuum maint.    |
| 2:30 PM                     | Clock out Kronos       | 2:30 PM        | Clock out Kronos       | 2:30 PM                  | Clock out Kronos       | 2:30 PM        | Clock out Kronos       | 2:30 PM            | Clock out Kronos        |

(Back of Job Card)

| Staging Equipment List:                                                             |  | Routine Duties (Daily)                                      | Detail Duties (Weekly per quadrant) | Periodic Duties              |
|-------------------------------------------------------------------------------------|--|-------------------------------------------------------------|-------------------------------------|------------------------------|
|  |  | Thoroughly vacuum high traffic areas                        | Wall to wall vacuuming              | Week 1: Vacuum blinds        |
|                                                                                     |  | Spot vacuum general areas/cubical/offices                   | Vacuum edges, corners and desks     | Week 2: Vacuum window ledges |
|                                                                                     |  | Thoroughly vacuum preventive areas (matting system/entries) | Vacuum upholstery seams and edges   | Week 3: Cubical Panels       |
|                                                                                     |  | Carpet spot identification & documentation                  | Vacuum under desk                   | Week:                        |

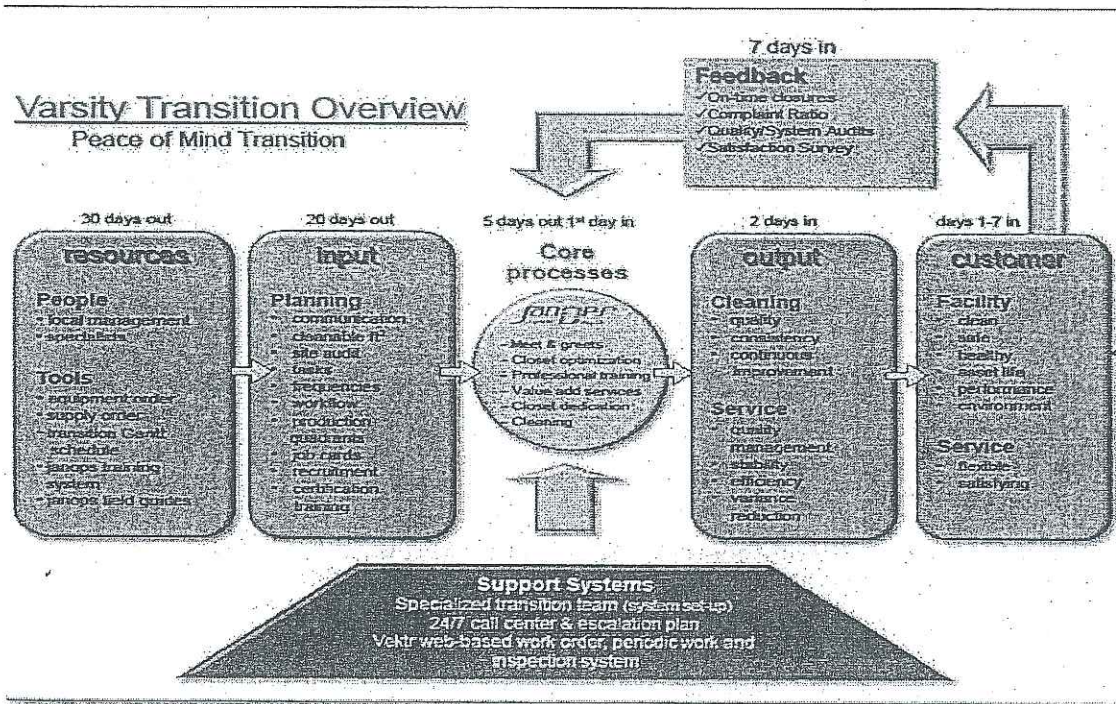




## Transition

Varsity places great emphasis on your initial account transition to create a foundation for a strong and mutually beneficial relationship.

Upon acceptance of our proposal for service, Varsity will work with you to finalize and share a *detailed account transition plan*. Most projects can accommodate a 30-day start-up, however Varsity will work with you to customize our strategy according to your specific needs.



The City will experience a worry-free transition: Varsity will install a complete system during the transition.

In both conversion and post-conversion processes, Varsity is committed to and works best under partnership arrangements. Partnerships recognize the importance of continual improvement while working together to solve and minimize service deficiencies. Under a partnership arrangement, we are able to maximize performance and minimize cost for our customers.

An effective partnership requires that Varsity's management team maintains a scheduled communication plan with your project representative, in which contract performance metrics are reviewed and plans made to reconcile deficiencies. The partnership is enhanced when your representative is willing to



meet regularly as well as log complaints and requests into our work order management system (via phone, email or web entry) so that accurate performance reports can be generated and used for continuous improvement. To establish and enhance our partnerships, Varsity uses the following post conversion process.

| Phase                                    | Frequency | Activities                                                                                                                                                             | Communication Focus                                                                                                                                            |
|------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Transition period</b><br>Week 1-2     | Daily     | <ul style="list-style-type: none"> <li>Daily follow-up by local manager to FM contacts</li> <li>Begin using WO mgmt. system</li> </ul>                                 | <ul style="list-style-type: none"> <li>Customer training on Varsity's VEKTR work order, periodic &amp; inspection mgmt. system</li> </ul>                      |
| <b>Account Optimization</b><br>Weeks 3-4 | Weekly    | <ul style="list-style-type: none"> <li>Weekly follow-up by local manager to FM contacts</li> <li>Continued use of WO mgmt. system</li> </ul>                           | <ul style="list-style-type: none"> <li>Gap analysis &amp; closure between expectations &amp; performance</li> <li>Define customer-preferred metrics</li> </ul> |
| <b>Account Performance</b><br>Month 2    | Monthly   | <ul style="list-style-type: none"> <li>Monthly follow-up by local manager with FM contacts</li> <li>On-site inspection performed at all locations</li> </ul>           | <ul style="list-style-type: none"> <li>First month metrics</li> <li>Report validation &amp; review</li> </ul>                                                  |
| <b>Account Reviews</b><br>Month 3-4      | Quarterly | <ul style="list-style-type: none"> <li>Account manager &amp; district manager meet w/ client to discuss quarter's results &amp; continuous improvement plan</li> </ul> | <ul style="list-style-type: none"> <li>Quarterly metric review</li> <li>Report validation &amp; review</li> </ul>                                              |

Varsity's post-transition process ensures City of Milpitas that their account will continue to run smoothly.

Utilizing the following steps, Varsity focuses on familiarization with your organization and site-specific needs:

1. Varsity Manager and customer manager(s) customize transition plan.
2. Varsity manager assembles Transition Team (TT) and makes assignments.
3. TT Supply Leader orders required supplies and equipment.
4. TT Staffing Leader recruits Area Managers as needed.
5. Area managers arrange to make site visits.
6. TT Staffing Leader begins recruiting & interviewing process, as needed.
7. Varsity managers hold transition meeting to coordinate rollout.
8. Transition team coordinates final preparations.
9. Active Account Transition: Hold morning follow-up with facility managers, spot check service, additional recruiting as needed.





## 24/7 Call Center

### *Providing exceptional service, 24/7!*

#### **Outstanding Service!**

- Highly professional and friendly agents
- Efficient dispatch and work order closures
- We will track your requests and work orders
- 24/7 service to address those late night emergencies
- Ability to talk to same agent for more personalized service
- Value added - this service will come at no additional charge to you!

#### **Multiple Communication Paths for Your Convenience!**

- Telephone (toll-free): (888) 862-4089
- Email: service@varsitycontractors.com
- Fax: (208) 234-6388



Talk to your Varsity Representative today about how Varsity's Customer Support Center can benefit you, or call us directly at (888) 862-4089.

10. Follow up with facility managers, answer questions, correct any defects.

### *24 / 7 Customer Service*

Wouldn't it be nice to know you could call upon your custodial contractor for any contingency, at any hour of the day or night? With Varsity, you can!

Varsity Facility Services operates a call center for phone requests 24 hours a day, 7 days a week. Varsity's call center team receives calls, enters them into our system, generates a work order, dispatches work orders, escalate calls when front-line managers can't be reached and provides reporting on work order closure.

### *Work Order Monitoring*

Work orders may be received by phone, fax or electronically.

Work orders are tracked through our reports group by:

- Director - Area
- Type of request
- Service type
- Facility area
- Specific task

### **Emergency Response and Disaster Planning**

Varsity has a formal emergency and disaster plan in place for specific events, such as hurricanes, tornados, fire, and pandemics. Training for such events is part of the monthly safety training published in the Varsity Safety Training Bulletin. Each of these documents is available upon request.





## Human Resources

### General Staffing



Varsity ensures professional reputation. Varsity's uniforms are professional and reflect an athletic connotation for the productivity standards expected from our cleaners.

With managers and staff already in your area, you will experience the benefit of a local relationship with Varsity's experienced and qualified personnel. Not only will you enjoy cost-effective, experienced and accessible local management, you will gain the benefits of regional and national corporate support, including:

- 24/7 customer support
- all IT systems to enhance the value of your services
- custodial staff already experienced with Class A office and high-tech facility requirements
- Varsity's *JanOPS*® systemized approach to cleaning that helps ensure quality outcomes
- proven time and cost-management techniques to ensure cost-effectiveness

Our staffing plan includes best practices for hiring, developing and motivating cleaners who can meet *JanOPS* standards and clean for SHAPE. There are five main components to our staffing plan. All five components are tightly aligned to provide superior service consistency and assurance.

| Component       | Description                                                                                                                                                                                                                                                               | Goal                                                                                                               |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| 1. Work Loading | Determines how many specialists are needed to clean the facility and how much supervision is required to ensure service level consistency.                                                                                                                                | Ratio of 90%—100% hours worked / work-loaded hours                                                                 |
| 2. Hiring       | Use standardized behavioral interview techniques to ensure all new hires are a "fit" for <i>JanOPS</i> .                                                                                                                                                                  | Turnover rate of no more than 70% for large buildings and 80% for small buildings (industry average in ~360%)      |
| 3. Training     | Use the highest training standards in the industry. All specialists complete three levels of intense training focused on retention and transfer of new skills.                                                                                                            | 100% of New Hires certified                                                                                        |
| 4. Uniforms     | Uniforms are designed to differentiate specialists from traditional janitors, and to assist in the security of the building.                                                                                                                                              | 100% of specialists in uniform at all times                                                                        |
| 5. Team Roles   | Each specialist takes on a specific role based on their skill level. Specialization provides checks and balances for quality. The <i>JanOPS</i> team roles are: PaceOPS, VacOPS, RestroomOPS, and SpecialOPS, with the option to add a fifth role, RecycleOPS, as needed. | <i>JanOPS</i> specialty roles increase the cleaning specialist's motivation and willingness to contribute to SHAPE |



## Significant Human Resource Policies

### Employee Screening and Hiring

Varsity has a strong corporate culture and has established a standardized process for hiring (HireOPS) designed to find qualified personnel who are a strong fit. This process includes giving applicants an introduction folder containing material about the level and quality of work expected by Varsity, as well as Varsity's ethical standards, and an application which is designed to screen out applicants with criminal histories or questionable work histories.

### *Employee Background Checks*

Varsity Facility Services has contracted with Shadowtracker, a pre-employment background firm, for the last 10 years for all background checks. **All Varsity employees are required to pass the background check before they can work.** Shadowtracker is a member of the NAPBS, BBB, and BRB. Shadowtracker has done background checks for public school districts, as well as government agencies. For a full list of clients see Shadowtracker.com.

The Basic Background check is a search for criminal activity (both misdemeanor and felony charges) in the following systems:

- National Crime Database
- Department of Corrections
- National Sex Offender Registry
- Social Security Database
- OFAC—Terrorism Watch List
- Bank and Federal Databases

### *Residency Verification Process*

Varsity uses a Federal program called e-Verify or equivalent to ascertain whether or not an individual has the legal right to work in the United States. Varsity only hires employees with the legal right to work in the U.S.

### Varsity Employee Training

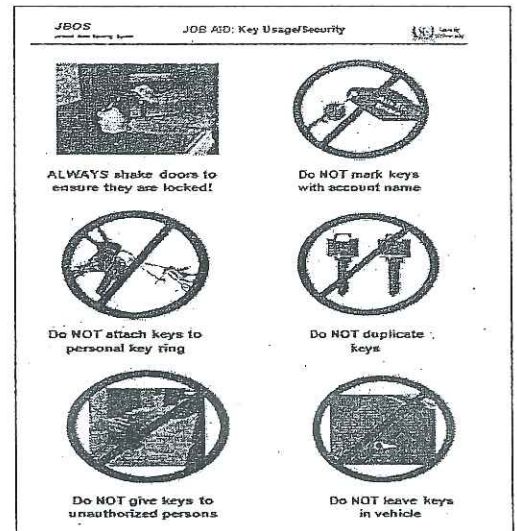
#### *Specialized Key Usage and Security Training*

Varsity also conducts includes Key Security training:





- Key Usage
- Use of Entrance Codes
- Emergency Security Procedures
- Identification of Authorized Personnel
- Understanding Alarm System Protocols
- Team Cleaning Security Protocols
- Indoor to Outdoor Work Transitions



### *New Employee Training Program*

Varsity's *JanOPS*® training standards are the highest in the industry. These standards reflect the value we put on the specialist's contribution to society and the notion that not everyone can clean for SHAPE without first developing the necessary skills, knowledge, and attitudes.

*JanOPS* training is divided into three levels:

1. New-Hire Training (includes specialized carpet care endorsed by the Carpet and Rug Institute)
2. Point of Contact (POC) Training
3. Continuous Training (includes advanced carpet care)

Topics included in the three levels of training include:

### *JanOPS® New-Hire Training*

Full Certification: Varsity certifies every janitorial employee in our proprietary janitorial cleaning system, *JanOPS*®. *JanOPS* requires three levels of training and address not only cleaning procedures, but health, safety, asset preservation, productivity and the environment too.

| LEVEL 1                      | LEVEL 2      | LEVEL 3                             |
|------------------------------|--------------|-------------------------------------|
| JanOPS New-Hire Training DVD | JanOPS Cards | Point-of-Contact Equipment Stickers |
|                              |              |                                     |

For all Varsity Custodians (we call Cleaning Specialists)





| Module                           | Description                                                                                                                       | Varsity Training Tool                                           |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| SHAPE Cleaning Philosophy        | Cleaning specialists are taught how to protect health, assets and the environment by learning Varsity's SHAPE cleaning philosophy | JanOPS DVD , TrainerOPS On-the-Job Training (OJT) Certification |
| Restroom Cleaning                | Cleaning specialist are taught the JanOPS restroom cleaning process, cross contamination how to clean for health                  | JanOPS DVD, TrainerOPS OJT Certification                        |
| Vacuuming                        | Cleaning specialist are taught the JanOPS vacuum process, and workflow in the building                                            | JanOPS DVD TrainerOPS OJT Certification                         |
| Dusting & Trashing               | Cleaning specialist are taught the JanOPS process for dusting and trashing, and workflow in the building                          | JanOPS DVD TrainerOPS OJT Certification                         |
| Closet Standards                 | Cleaning specialist are taught the JanOPS closet standards regarding organization, cleanliness etc...                             | JanOPS DVD TrainerOPS OJT Certification                         |
| General Safety                   | Specialists are taught Ladder safety, lifting safety, and general safety principles                                               | JanOPS SafetyOP TrainerOPS OJT Certification                    |
| SHAPE cleaning processes         | Specialists are taught best practices for safety, health, asset preservation, productivity and the environment                    | JanOPS DVD, TrainerOPS, OJT Certification                       |
| School workflow                  | Specialist certifies in the workflow                                                                                              | TrainerOPS OJT Certification                                    |
| Safe Lifting Techniques          | Specialist demonstrates and certifies in safe lifting techniques                                                                  | TrainerOPS OJT Certification                                    |
| Safe Chemical Usage              | Specialist demonstrates safe dispensing and usage of chemicals                                                                    | TrainerOPS OJT Certification                                    |
| Cross Contamination Points       | Specialist demonstrates proper cleaning of cross contamination points                                                             | TrainerOPS OJT Certification                                    |
| Safe garbage disposal techniques | Specialist demonstrates safe garbage disposal techniques                                                                          | TrainerOPS OJT Certification                                    |
| Microfiber towel usage           | Specialist demonstrates how to use the microfiber towel and our three color coding system.                                        | TrainerOPS OJT Certification                                    |

Each level is designed to increase Varsity specialists' retention of SHAPE knowledge and to instill SHAPE behaviors into their routine.

The following training policies pertain to *JanOPS* specialists:

- All specialists must certify in the *JanOPS* New-Hire DVD and in each of the six TrainerOPS standards. Certification is tracked using the *JanOPS* New-hire Training Check Sheet.
- Managers and supervisors responsible for training must certify in TrainerOPS by passing off each standard to a Certified District Manager.
- The POC skill check must be completed in the *JanOPS* Silver Level Audit.

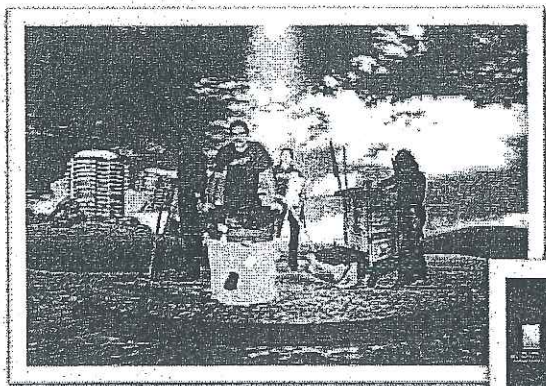




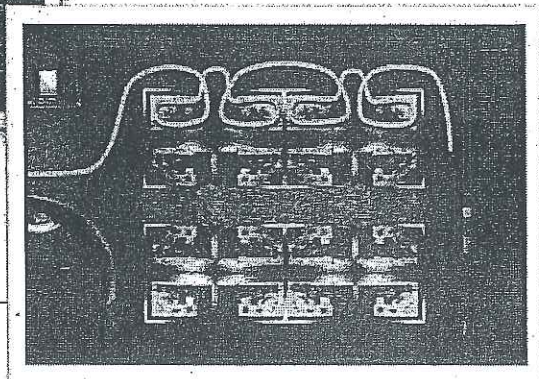
- Specialists in large buildings shall receive continuous training in each of the five areas of SHAPE including: safety, health, asset preservation, productivity and environment.
- Training events must be recorded and measured to ensure a strong foundation for continuous improvement.
- Action must be taken to improve process based on measured results.

### LEVEL 1 Training Examples: Interactive DVD Screenshots

The JanOPS DVD: Our highly interactive training DVD addresses multiple styles of learning. In this learning activity, the cleaner has to put the closet back to standard by selecting the objects that are out of compliance. This is "Lean" practice that helps cleaners learn how to 5S their work space. 5S stands for Sort, Set in Order, Shine, Standardize and Sustain. One of the items is a "unlabeled" chemical bottle reinforcing the need to be in compliant with OSHA Standards. JanOPS 5S closet standard is consistent with City of Milpitas' Six Sigma practice.



**Specialized Training:** In the DVD, cleaners select a specialty and are then trained on the duties and techniques associated to that specialty. Included in the training is our general workflow, which is designed to maximize cleaning efficiency and reduce service variation for City of Milpitas.





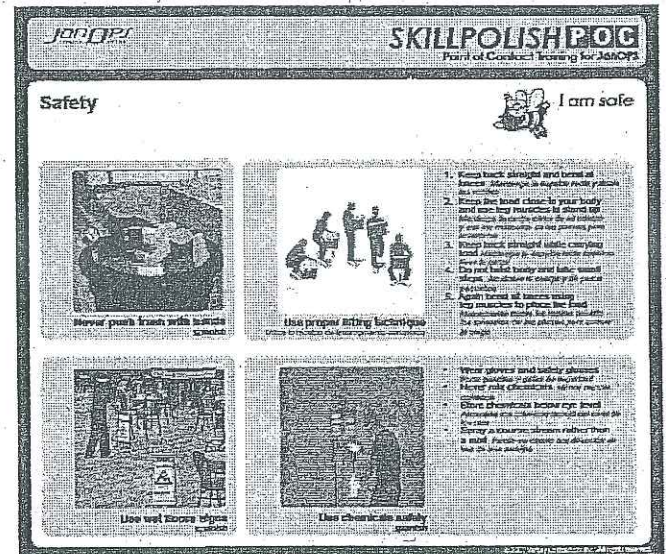
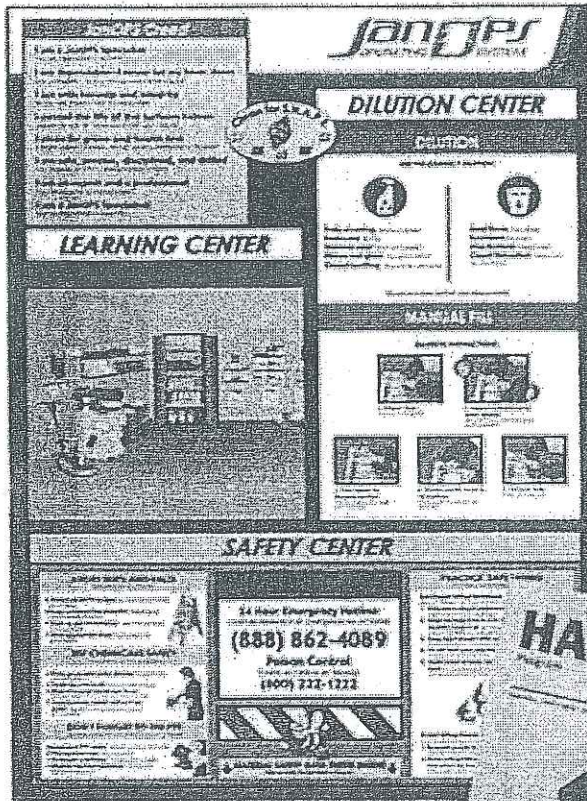






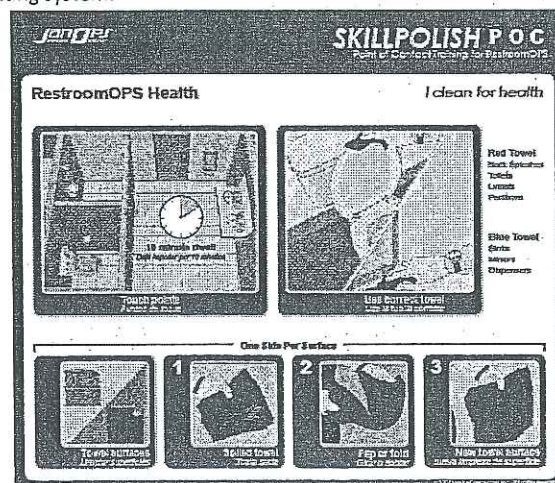
## Janitorial Services Proposal

**LEVEL 3: Point of Contact (POC) training:** Varsity uses visual process management to continually reinforce the training. Stickers and posters are placed on equipment and in locations where a risk or key process occurs.



POC stickers provide visual process management for the cleaners' standard work in facilities. Varsity's supervisors and managers incorporate POC in their training, inspection and in coaching cleaners who are not meeting standards. This particular sticker goes on a garbage brute.

This 18" x 24" poster will be mounted in the clinic's janitor closet. Varsity's Hazcom binder is posted below the "Safety Center" section on the poster. JanOPS is Varsity's standardized janitorial operating system.



This is a POC that goes on the restroom cleaning cart. It demonstrates JanOPS standards for managing cross contamination points.





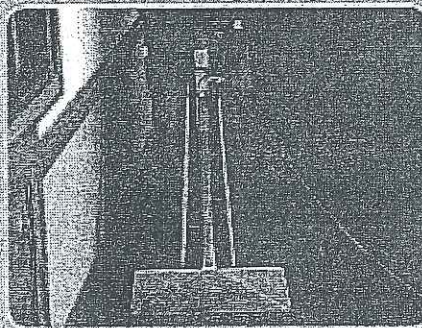
### Additional Carpet Care Training

In addition to its basic training, Varsity offers advanced carpet care training for contracts that contain specific requirements, such as that for City of Milpitas. In addition, floor crew specialists, called FloorOPS Specialists, obtain certification in advanced care of carpet endorsed by the Carpet and Rug Institute (ICRI).

## Intro to I V-SPED

Varsity has created a simple acronym to help you remember the steps you should follow when cleaning carpets or upholstery. The acronym is I V-SPED, which stands for:

- I - Inspect
- V - Vacuum
- S - Spot
- P - Pre Spray
- E - Extract
- D - Dry



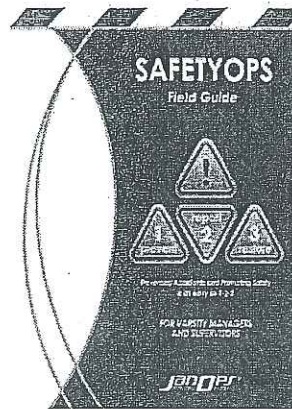
You should follow the I V-SPED process (in this order) every time you clean carpet. By using this standardized process for carpet cleaning you will avoid many of the common problems and complaints that may arise. All too often, carpet technicians quickly move to the extract step of the process, giving insufficient time and attention to the other critical steps, such as inspection and spotting. As you can see, extracting the carpet is actually the fifth step.

Although you may be tempted to stray from the I V-SPED process to save time, remain disciplined and complete each step. The next several pages will explain how to perform the I V-SPED process quickly and effectively. And of course, you will be given the opportunity to practice what you learn by completing the accompanying mastery sheets.





## Health, Safety, and Environmental Stewardship



### SafetyOPS

Varsity provides a specialized safety training course for all employees, in addition to the custodial certifications discussed above.

SafetyOPS guarantees that City of Milpitas will not be faced with a safety emergency in which Varsity's janitorial staff have been trained.

SafetyOPS focuses on how employees can prevent workplace accidents from occurring—

and should an accident occur, how to manage the process effectively. Safety and Health are the “S” and the “H” of our SHAPE strategy. Here are just a few of the ways Varsity keeps employees safe and accident free.

- New-hire training DVD focuses on safe practices
- Managers perform “SHAPE skill checks” to ensure employees are following safe practices
- Safety poster mounted in custodial closet. Poster reminds employees how to:
  - Use chemicals safely
  - Lift safely
  - Work safely
- Safety Point-Of-Contact stickers mounted on equipment to remind employees of safe and healthy practices
- Supervisor holds monthly safety meetings
- Scientific processes designed for less bending, less lifting, and less chemical inhalation.
- Specialists stretch for one minute at the beginning of each shift. This helps prevent injury and creates a “safety mindset” with employees.

### Emergency Training

#### *OSHA Compliance for Blood Borne Pathogens and Disposal of Hazardous Materials*

Varsity has many manufacturing and commercial contracts in which it has prepared site-specific plans for the disposal of hazardous wastes and asbestos awareness. Upon request, Varsity managers can customize a specific plan for





FDTC in concert with facility managers. In general, each safety plan includes the following:

**Training in Compliance:** The goal is to prevent contact with blood borne pathogens and hazardous materials. This is best facilitated by Visual Process Management in which all employees are reminded by way of posters in the janitorial closets, stickers attached to janitorial carts, and attachments to job cards of how to avoid exposure.

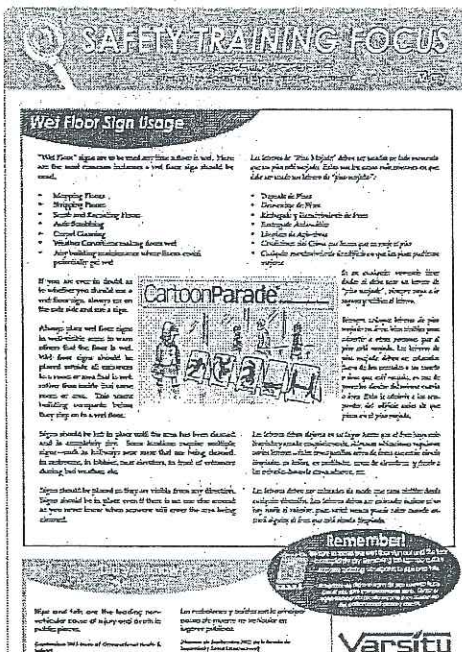
**Control of Potentially Contaminated Areas:** Cleaners must assume that all blood is potentially hazardous and all areas must be cordoned off while clean-up is taking place. Likewise any area suspected of containing a hazardous material such as asbestos must be restricted to qualified clean-up personnel only. Decontamination procedures must be posted in a visual, easy-to-read format in all janitorial closets.

**Personal Protective Equipment (PPE):** Each janitorial cart must be stocked with regulation disposable gloves that reach to the elbow. For contracts with specific requirements, janitorial closets must be stocked with protective suits.

**Post-Exposure Evaluation and Follow-up:** Vaccinations for Hepatitis B are standard for exposure to blood borne pathogens. All exposure incidents must be reported and documented, and must specify the following:

1. Route of exposure
2. Circumstances leading to exposure
3. Identification of source individual so that blood sample can be tested
4. Results of source individual's testing made available to exposed employee

**Monthly Training:** Varsity publishes a monthly Safety training bulletin that is used by all area managers in their regularly scheduled monthly training. City of Milpitas will have custodial employees who know how to maintain their assets, such as specialized flooring, concrete, and equipment if the requirement exists in the safest way possible.





## Janitorial Services Proposal

### Varsity's OSHA 300A Form and EMOD Rating

Varsity won the BSCAI's Safety Award for 2012.

OSHA's Form 300A (Rev. 01/2004)

### Summary of Work-Related Injuries and Illnesses

All establishments covered by Part 1004 must complete this Summary page, even if no injuries or illnesses occurred during the year. Remember to review the Log to verify that the entries are complete.

Using the Log, count the individual entries you made for each category. Then write the totals below, making sure you've added the entries from every page of the Log. If you had no cases write "0".

Employees, former employees, and their representatives have the right to review the OSHA Form 300 at its entirety. They also have limited access to the OSHA Form 301 or its equivalent. See 29 CFR 1904.35, in OSHA's Recordkeeping rule, for further details on the access provisions for these forms.

#### Number of Cases

| Total number of deaths | Total number of cases with days away from work | Total number of cases with job transfer or restriction | Total number of other recordable cases |
|------------------------|------------------------------------------------|--------------------------------------------------------|----------------------------------------|
| 0                      | 17                                             | 34                                                     | 10                                     |
| (G)                    | (H)                                            | (I)                                                    | (J)                                    |

#### Number of Days

| Total number of days away from work | Total number of days of job transfer or restriction |
|-------------------------------------|-----------------------------------------------------|
| 1286                                | 1524                                                |
| (K)                                 | (L)                                                 |

#### Injury and Illness Types

| Total number of... | (M) | (1) Injury | (2) Skin Disorder | (3) Respiratory Condition | (4) Poisoning | (5) Hearing Loss | (6) All Other Illnesses |
|--------------------|-----|------------|-------------------|---------------------------|---------------|------------------|-------------------------|
|                    |     | 61         | 0                 | 0                         | 0             | 0                | 0                       |

Post this Summary page from February 1 to April 30 of the year following the year covered by the form.

Public reporting burden for this collection of information is estimated to average 68 minutes per response, including time to review the instructions, search and gather the data needed, and complete and review the collection of information. Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number. If you have any comments about this burden estimate or any aspect of this data collection, including the OSHA Form 300A, OSHA Office of Statistics, Room N-3544, 200 Constitution Ave., NW, Washington, DC 20210. Do not send the comments to this office.

Year 2010



U.S. Department of Labor  
Occupational Safety and Health Administration  
Form 300A-10 (Rev. 12-14-10)

#### Establishment Information

Your establishment name: Varsity Contracting Inc.

Street: 315 S. In Ave. Peacote Rd 93204 / 2897 N Cole Rd Boise ID 83764

City: \_\_\_\_\_ State: \_\_\_\_\_ ID \_\_\_\_\_ Zip: \_\_\_\_\_

Industry description (e.g., Manufacturer of motor truck trailers)  
Building Maint - Janitorial

Standard Industrial Classification (SIC), if known (e.g., SIC 3710)

OR North American Industrial Classification (NAICS), if known (e.g., 336212)

#### Employment Information

Annual average number of employees: 2675

Total hours worked by all employees last year: 3,740,000

#### Sign Here

Knowingly falsifying this document may result in a fine.

I certify that I have examined this document and that to the best of my knowledge the entries are true, accurate, and complete.

Wanda Brumard  
Director  
208-575-7554  
Phone

W.C. Cord  
102  
1/31/11  
Date





# Janitorial Services Proposal

RiskSnapshot® - Riskworkstation - National Council on Compensation Insurance, Inc.

Page 1 of 1

## RiskSnapshot® Report - 9/6/2012

### NCCI Risk Information

|                          |                                                |                              |      |               |               |          |
|--------------------------|------------------------------------------------|------------------------------|------|---------------|---------------|----------|
| Risk Name:               | Varsity Contractors, Inc.                      | Effective Date               | MOD  | Rating Status | Last Produced | Comments |
| Risk Primary Address:    | 315 S 5TH AVE POCAHELLO, ID 83201-5857         | 09/01/2012                   | 1.00 | Final         | 08/24/2012    | Revised  |
| Risk ID Number:          | 910490346                                      | 09/01/2011                   | 1.14 | Final         | 08/12/2011    | Revised  |
| Current Policy           | 09/01/2011                                     | 09/01/2010                   | 1.32 | Final         | 11/15/2010    | Revised  |
| Effective Date:          |                                                | 09/01/2009                   | 1.45 | Final         | 09/27/2010    | Revised  |
| Governing Class:         | 9008 : JANITORIAL SERVICES BY CONTRACTORS (CA) | 09/01/2008                   | 1.36 | Final         | 03/07/2011    | Revised  |
| Residual Market Account: | No                                             | 09/01/2012 ARAP Factor: 1.00 |      |               |               |          |
| Interstate Rated:        | Yes                                            |                              |      |               |               |          |

Do you have questions about the information displayed above?  
Please call NCCI's Customer Service Center at 1-800-NCCI-123.

### Dun & Bradstreet Business Information

|                           |                                         |                            |             |
|---------------------------|-----------------------------------------|----------------------------|-------------|
| Business Name:            | Varsity Contractors, Inc.               | D&B Rating:                | 4A1         |
| Business Primary Address: | 315 S 5TH AVE POCAHELLO, ID 83201       | D&B Previous Rating:       | 4A2         |
| D-U-N-S® NUMBER:          | 057194896                               | Bankruptcy Proceeding (s): | No          |
| Business Phone:           | 208.232.8598                            | Suit(s):                   | Yes         |
| Management:               | ARLO LUKE, CEO                          | Judgment(s):               | No          |
| Line of Business:         | BUILDING MAINTENANCE SERVICES           | UCC Filing(s):             | Yes         |
| Primary SIC Code:         | 7349 BUILDING MAINTENANCE SERVICES, NEC | Lien(s):                   | No          |
| Secondary SIC Codes:      |                                         | Location Status:           | HEADQUARTER |
| Total Net Worth:          | \$12,957,182                            | Year Started:              | 1957        |
| Total Sales:              | \$89,803,725                            | Employees Total:           | 5,000       |
|                           |                                         | Employees Here:            | 50          |

Do you have questions about the information displayed above?  
Please contact the Dun & Bradstreet Customer Service Center at 1-800-234-3867.

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D&B Terms of Use Agreement

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## Management Commitment

This topic is covered in depth in section six below.

## Green Buildings and Services

### Third Party Certified Green Cleaning

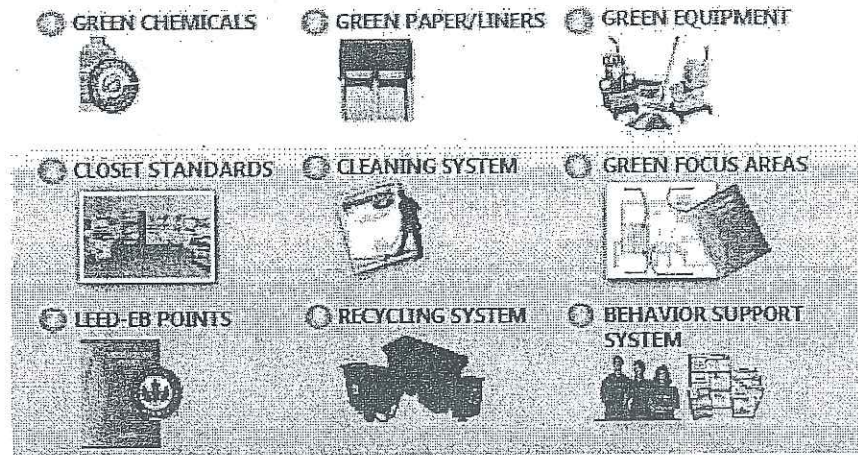
Did you know that companies who promote sustainability and earth-friendly practices capture more market share than those who do not? Varsity understands how important sustainability is for fiscal as well as philosophical reasons and has become an industry leader in green cleaning.

Varsity Facility Service has converted 18,000 facilities to green at **NO ADDITIONAL COST to the customer**. For this City of Milpitas retains the following benefits:

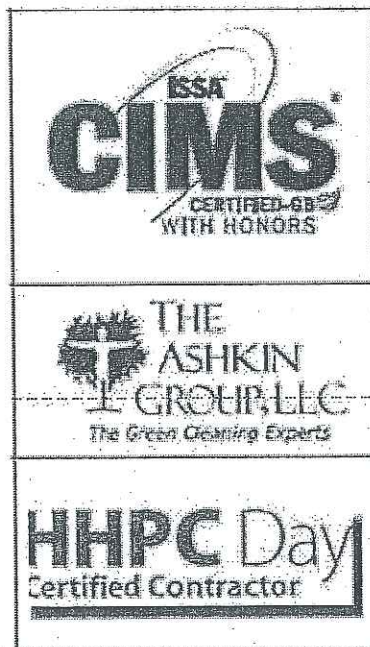
- Improved air quality
- Improved health and safety for building occupants through Varsity's focus on cross contamination points
- The use of EPA approved BioShield™
- Decreased use of paper products with the use of microfiber, including improved quality of cleaning
- Six points towards LEED certification

Varsity's dedication to sustainable services goes as far as its building a Museum of Clean in Pocatello, Idaho at a LEED Platinum level.

Varsity's green cleaning program won the Ashkin award. (Steve Ashkin is regarded as the "father" of Green Cleaning.) It also helped us earn an Honors designation for our CIMS ISSA-Green Building Certification.



City of Milpitas will gain a green cleaning program that has won the praise of green cleaning experts, is used in our Varsity's LEED-NB platinum corporate facility, and has been independently certified by ISSA's CIM's Green Building certification process.



#### Varsity Facility Services:

- Holds seats in multiple "green sustainability" counsels
- Obtained ISSA CIMS-Green Building certification with honors ([www.issa.com/CIMS](http://www.issa.com/CIMS))
- Has converted over 18,000 facilities nationwide and Canada to certified green products and processes
- Owns a 70,000 ft2 LEED-NB Platinum eligible corporate facility
- Received the Ashkin Group "Green Leader" Award
- Is a member of the USGBC
- Is a certified contractor with HHPC Day Cleaning, a leader in sustainable day

cleaning certification.



Having undergone a comprehensive assessment of its management structure  
and green cleaning operations by an independent accredited CIMS-GB assessor

## Varsity Facility Services, Inc.

is hereby CERTIFIED WITH HONORS to  
the ISSA Cleaning Industry Management Standard  
Green Building Criteria

and has successfully demonstrated a commitment to the delivery of  
environmentally preferable services designed to meet customer needs and expectations.

This Certification is valid August 9, 2012 through August 8, 2014.



John P. Garfinkel, Executive Director  
ISSA





## Green Cleaning Policy

Varsity's green cleaning policy has won numerous industry awards; an excerpt is provided below. This is used in both training and in designing quality audits to guarantee that the work Varsity performs is consistent with ISSA CIMS GB standards:

**GREEN CLEANING POLICY**

- System audits
- SHAPE reinforcement website
- SHAPE reinforcement chart
- Management reinforcement points

The Behavior Support System is covered in detail in the *Performance Management Field Guide*.

**District Certification Process:**  
The District Certification Process is the JanOPS way of ensuring that the operating system is properly implemented throughout the organization. It uses multi-level involvement and support of the operating system within the organization. The multi-level support includes front line area managers, district managers, regional managers and evaluation by a corporate representative. This approach provides the operating system with the necessary checks, balances, validation and support throughout the organization.

The certification process requires managers to meet key standards. These standards elevate the operation's effectiveness by driving performance and quality as managers maintain or exceed the standard. As managers strive to meet these standards, it gives them a common goal and vision of how their operations should look and behave. This also drives quality to a higher level than would be obtained through traditional industry quality control efforts. Validation of the operating system is proactive and represents a leading indicator of how the operations will perform. This pro-activity enables managers to make changes

before the failure leads to lower quality. A detailed description of the District Certification Process and its standards can be found in the *District Certification Guide*.

### PRODUCT POLICY

**SCOPE**  
JanOPS product policies pertain to the facility's janitorial operations or those duties assigned to janitorial services on a contractual basis.

**METRICS:**

|                          |                                                                              |
|--------------------------|------------------------------------------------------------------------------|
| Chemical-to-pickup ratio | % reduction in chemical usage due to improved process                        |
| Green Chemical ratio     | Dollar volume percentage of green-certified purchases to non-green purchases |
| Green Liner Ratio        | High density to low-density liner ratio                                      |
| Green Paper Ratio        | % of green-certified paper to regular janitorial paper                       |

### OBJECTIVES

- Show chemical reduction of at least 20% over traditional methods.
- Maximize green products used within facility to a 75 ratio.
- Reduce cleaning process effects on vulnerable population.
- Increase green liner ratio to 80.
- Achieve 100% pass on right size liner task on silver audit.
- Increase green paper usage ratio to 1.

### OVERVIEW

JanOPS products include the Jan/San materials—chemicals, paper, liners, and sundry items—necessary to complete janitorial services. JanOPS products are selected based on their ability to contribute to SHAPE, and their consistency with the following third party organizations: LEED-EB, EPA Comprehensive Procurement Guidelines, GREENGUARD, EnvironmentalChoice, and/or Green Seal standards. This section will describe policies for purchasing, handling, and storing JanOPS products.





## Recycling Programs

Varsity has developed customized recycling programs for numerous customers. Varsity has also adopted recycling programs already in existence with some of its customers. As the case study below indicates, Varsity realizes that recycling problems require ongoing assessment and problem-solving.

### *CASE STUDY: Varsity Adapts its Recycling Program to Fit Customer Needs.*

The Customer: A multi-national car manufacturer

The Challenge: The initial recycling program proved inadequate as it did not take into account changes in the assembly line work flow throughout the day, and changes from day-to-day.

Solution: Varsity cleaners began to keep a diary of the recycling needs and how they varied from day to day. Varsity discovered that several adjustments had to be made to adequately address the amount of cardboard that was being discarded at specific points in the assembly line. Varsity customized a cardboard collection program that kept these areas clear and safe for production line workers and met the company's cardboard recycling goals.

## Varsity's Assistance in Obtaining and Maintaining LEED Certifications

Varsity knows that business models that support the use of sustainable products and processes are more likely to succeed in today's economy despite the fact that some of these products and processes require a financial investment. Whereas, many janitorial companies offer green services at an additional cost to their customers, Varsity absorbs the cost of using certified green cleaning products, equipment and processes. In addition, Varsity understands the LEED certification process and has invested heavily in becoming a preferred green provider, certified to provide six points toward LEED certification.

| Credits                                                 | JanOPS Solution                                                                                                                                                                                                                                                     | Points |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| IEQ Pre-requisite 3: Green Cleaning Policy              | Your JanOPS installation comes with a Green Cleaning Policy Field Guide that follows the LEED-EB policy model. Our Green Cleaning Policy has been validated independently by the Ashkin Group for compliance to LEED-EB IEQ prerequisite requirements.              | 1      |
| IEQ Credit 3.1: Green Cleaning High Performance Program | JanOPS is an award winning, high performance operating system that integrates people, process, equipment and products into a sustainable solution. JanOPS specialists are required to certify in three levels of training in which hazardous materials are covered. | 1      |





|                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                   |   |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| IEQ Credit 3.2<br>Green Cleaning<br>Custodial<br>Effectiveness<br>Assessment                            | <i>JanOPS</i> handheld auditing technology enables our customers to conduct audits electronically allowing for complete scoring, tracking and documentation of audit history. In the absence of a third-party auditor, we can perform the second audit for compliance with the LEED-EB Custodial Effectiveness Assessment.                                                                        | 1 |
| IEQ Credit 3.3<br>Green Cleaning<br>Purchase of<br>Sustainable<br>Cleaning<br>Products and<br>Materials | <i>JanOPS</i> standardized cleaners and floor care products are Green Seal and Ecological certified. All standard products meet California Code of regulations for maximum allowable VOC levels.                                                                                                                                                                                                  | 1 |
| IEQ Credit 3.4<br>Green Cleaning<br>Sustainable<br>Cleaning<br>Equipment                                | <i>JanOPS</i> standards guarantee your facility benefits from the industry's best equipment. All <i>JanOPS</i> equipment has been carefully selected and optimized to remove unwanted matter from your facility by meeting our strict SHAPE™ (Safety, Health, Asset Preservation, Productivity, Environment) standards.                                                                           | 1 |
| IEQ Credit 3.5<br>Green Cleaning<br>Indoor Chemical<br>and Pollutant<br>Source Control                  | The <i>JanOPS</i> cleaning system is based on a "focus area strategy" by concentrating daily resources on areas in the building like entranceways, touch points and high-traffic hallways that transfer the greatest amount of unwanted matter. All equipment (vacuums, dusting tools and microfiber) is designed to complement this strategy through their unique particle-capturing properties. | 1 |
| IEQ Credit 3.6<br>Green Cleaning<br>Indoor<br>Integrated<br>Pest Mngmt                                  | For customers seeking this credit, specialized IPM training is offered to the <i>JanOPS</i> specialist, engaging him or her in the monitoring, prevention and control processes of IPM. Monitoring and control routes are built into the specialist's routine. Our handheld technology is then used for identification and monitoring.                                                            | 1 |

### ***CASE STUDY: From LEED Silver Aspirations to Earning LEED Gold with Varsity***

**The Customer:** The customer is a small utility cooperative that wanted to obtain LEED certification at the Silver level.

**The Challenge:** The customer operates in an area where the use of environmentally sound practices is a matter of staying in or going out of business. The customer aspired to obtain a LEED silver rating and required a janitorial service provider who understood the LEED process and had a third-party certified green cleaning program.

**The Solution:** Varsity Facility Services has converted over 18,000 facilities across the nation to green cleaning. In addition, Varsity leadership has actively participated with Varsity customers in applying for and obtaining their LEED



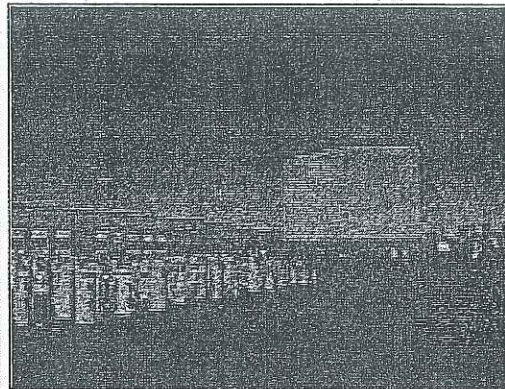


certifications. Varsity's certified green cleaning system, JanOPS, uses only green certified equipment and products in addition to using all green processes, such as the use of microfiber over paper products for cleaning. An invested Varsity manager sat down with the leadership of this utility cooperative to strategize on how it could obtain its LEED certification and assisted with the application process. With the use of the six points it got from utilizing the Varsity JanOPS green cleaning system, Varsity was able to assist this customer in obtaining a *LEED gold* certification.

Excerpts from a letter written by Teresa Lackey of Midstate Electric of LaPine, OR:

"When Varsity Contractor's bid proposal came back for green cleaning and maintenance practices, we learned there were credits (6) that could be obtained to assist us in our LEED certification process. By submitting a narrative with the statement of purpose, Varsity Contractor's cleaning company's guidebook, outlining their procedures and training, a copy of Varsity Contractor's contract and a list of products and performance level standards, together with MSDS sheets for each product, the credit was awarded for "Environmentally Preferable Cleaning Products and Practices."

"With the extra credit achieved, our Administration Building attained LEED Gold certification to become the first building in Central Oregon and the first electric cooperative in the nation to achieve LEED certification."



Midstate Electric Cooperative, LaPine, OR





## 5. Qualifications and Experience

### Company History



Established in 1957, Varsity Facility Services was founded on integrity, excellence and innovation. With more than 50 years of applying these ideals to our business, we have built a sound foundation

of service for our customers.

Many of Varsity's innovations have come from creating solutions for our customers' needs. In the 1960's Varsity pioneered a cable-coating process for Mountain Bell Telephone. Varsity's founders coated miles of telephone wire as an extension of our janitorial contract.

In 1997, we were the first to build a corporate university offering on-line training to all employees. Today, Varsity University offers over 300 courses to keep employees up to date on developments in our service industries.

In 2001, we developed new handheld and web-based technologies to facilitate our QA programs, and to help us drive continuous improvement in our company. Over the past 10 years we've demonstrated our commitment to the environment not only through our green cleaning programs, but also by building our own LEED Platinum facility. In 2006, we adopted a Lean Sigma philosophy and standardized Lean practices in our janitorial operations through JanOPS®. In 2007, Varsity was proud to be chosen as the first building service contractor to be certified by the ISSA CIMS certification—and we did so with honors.

In 2011, we rebranded our company as Varsity Facility Services, exemplifying the diversity of services we offer. We also achieved HHPC (Healthy High Performance Certification) designation in the growing demand for Day Cleaning services, providing another cost- and energy-savings alternative to our customers. Today we are an international service provider spanning the United States and Canada. Our commitment to integrity, innovation, and the environment has never been stronger.

- 1957 Varsity founded
- 1968 First comprehensive facility contract: Sun Valley Ski Resort, including cleaning, construction, and landscaping
- 1973 First one-million-square foot building: Mountain Bell/Owest/CenturyLink still serviced today!
- 1982 First high-tech contract: Hewlett-Packard (five HP sites)
- 1992 Formed minority-owned janitorial company: System 1, Inc.
- 1999 First contract in Canada
- 2001 Developed handheld audit system (VEKTR) for quality control and work order management
- 2004 Established 24x7 call center to increase customer service
- 2007 Partnered with Washington Mutual Bank to contribute to green certification
- 2008 Launched JanOPS®, our proprietary janitorial system designed to clean for SHAPE™ (Safety, Health, Asset Preservation, Productivity, and Environment)
- 2011 Varsity Contractors re-brands as Varsity Facility Services (Varsity FS) to reflect the spectrum of services we offer
- 2011 Varsity certifies as an HHPC Daytime Cleaning Contractor





## Janitorial Services Proposal

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <ul style="list-style-type: none"> <li>• 1st building service contractor to achieve CIMS Certification</li> <li>• 1st to receive CIMS honors designation (Exceeded CIMS standards)</li> <li>• Verification: -- <a href="http://issa.com/?id=certified_organizations&amp;lg">http://issa.com/?id=certified_organizations&amp;lg</a></li> <li>• CIMS Auditor: Collin Butterfield</li> <li>• Plans for re-certification: ISSA when due (April 2012)</li> </ul> |
|    | <p>Varsity is one of only 12 organizations in the industry to certify as a green-building company. Through a third-party auditor, Varsity was audited for its:</p> <ul style="list-style-type: none"> <li>• Green building policy</li> <li>• High-performance cleaning program</li> <li>• Custodial effectiveness</li> <li>• Sustainable cleaning products, materials and equipment</li> <li>• Indoor chemical-and pollutant-source control</li> </ul>      |
|    | <p>Varsity is a proud recipient of the Ashkin Group Green Cleaning Champion Award. The award is given to companies that support the Ashkin Group's mission of creating healthier, more productive indoor environments with lower burdens on natural systems, while creating sustainable value.</p>                                                                                                                                                          |
|   | <p>Varsity received the BSCAI Image Award for Best Company Uniform. This award recognizes Varsity's leadership in enhancing the image of the industry. Varsity high-performance uniforms are worn by its JanOPS cleaning specialists. <b>Awarded BSCAI's award for SAFETY in 2012</b></p>                                                                                                                                                                   |
|  | <p>Varsity is HHPC Certified in Daytime Cleaning. This designation means that Varsity management has been through a comprehensive training process for full implementation of day cleaning services for customers who wish to make this change. Day cleaning has been proven to lower energy and staffing costs, as well as provide other significant benefits to organizations making the switch.</p>                                                      |
|  | <p>Varsity is a CRI Approved Vendor. The Carpet and Rug Institute is a nonprofit trade association representing the manufacturers of more than 95% of all carpets and rugs made in the United States. Varsity cleans over 120 million square feet of carpet a year throughout the United States and Canada.</p>                                                                                                                                             |





## Statement of Interest

Varsity has been cleaning entire municipalities for over 50 years. We understand a scope that includes multiple public-use and mixed-use facilities. We have included the letter of recommendation below as it discusses the specific tasks that Varsity has done well for the City of Fort Collins with its 20+ different public and mixed-use buildings. Varsity has been with the City of Fort Collins for almost 15 years.



Operation Services  
300 LaPorte Ave.  
PO Box 580  
Fort Collins, CO 80522  
970.221.6610  
970.221.6534 - fax  
fcgov.com

October 31, 2012

To whom it may concern;

My name is Jim Pierce and I am the "Custodial Contract Administrator" for the City of Fort Collins, Colorado government. I am a key figure in the selection of the custodial companies that do the cleaning of the 50+ city government buildings (i.e.; city hall, office buildings, and recreation buildings) and am the main liaison between the city and the custodial company once the contract begins. Customer complaints, changes in building requirements, etc., all flow through me. As such, I am VERY aware of the performance of the custodial contractors hired.

Varsity Contractors is one of the contractors we currently have doing our custodial work. I am VERY pleased with their performance. In fact, the City of Fort Collins recently started its 4<sup>th</sup> - five year contract with Varsity Contractors.

Varsity has consistently been a superior cleaning company for us, responding quickly to our needs from construction remodel cleanup to cleaning buildings in remote locations in our Natural Areas.

Varsity has the expertise and well trained employees needed to fill our needs. I attribute much of this to their training programs. They have a formalized training program, "Jan OPS", which starts at the top by training supervisors who in turn train their employees. There are regular refresher courses as well. I appreciate the fact that their area manager attends weekly management training sessions at their Denver office. This formalized training program is far superior to other contractor's training processes.

Varsity's approach to cleaning is proactive; I especially appreciate that. As an example, they set up a regular schedule for power scrubbing and refinishing of floor surfaces. As a result, I don't get customer complaints about the floor appearance then have to reactively request floor surface work.

Below are some bullet thoughts I have about Varsity:

- They fill in for absences without a change in service to us.
- They are responsive to our needs.
- They report maintenance or security problems to us.
- Varsity employee turnover at the City of Fort Collins has been very low.



## Janitorial Services Proposal

- In an effort to reduce energy costs, the City has switched to daytime cleaning. The employees work early morning to noon shift. Varsity helped us make this conversion successful.
- When I give our Varsity Area Manager an extra work request I know she will make sure it is done right the first time.
- Our Project Managers like Varsity's prices and quality of work.
- They use the best environmentally friendly chemicals with the latest equipment and materials.

Sincerely,

Jim Pierce  
Custodial Contract Administrator  
City of Fort Collins  
(970) 221-6592



## Summary of Previous/Current Experience with Multiple Public Mixed-use Facilities

| Municipality                                                             | Similar Requirement                                                                                                                                                                                         | Varsity's Expertise/Experience                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salt Lake City Corporation                                               | Restoration/Preservation of Historic City Hall is similar to the historic preservation requirements for the Milpitas City Hall                                                                              | Varsity has extensive experience in both restoration and preservation of historic sites, especially in the Midwest and Eastern states (specifically, Missouri, Illinois, New York, and Vermont).<br><br>Varsity's work with Salt Lake City Corporation includes preservation and maintenance of extensive stone flooring, and wood paneling.                                                                                                                                |
| Salt Lake City Corporation and City of Fort Collins                      | Both Salt Lake City Corporation and the City of Fort Collins have venues or museums which contain exhibits similar to those for Milpitas facilities that have both permanent displays or temporary exhibits | Varsity has contracted with the Seattle Art Museum, the Children's Museum of Fort Collins, and other facilities to both clean and maintain permanent exhibits and also temporary exhibits, including "objets d' art."                                                                                                                                                                                                                                                       |
| City of Fort Collins, Bexar County, Maricopa County, University of Texas | Each of these contracts contain requirements for multiple types of flooring, including cement, hard-wood, VCT, stone, and carpet similar to RFP 123-0084-P (SS)                                             | Varsity has millions of square feet of carpeted flooring under contract and is one of the few janitorial services to be certified by the Carpet and Rug Institute for its cleaning and extraction processes. Varsity also maintains the hard-wood flooring for several NCAA basketball courts and school gymnasium facilities. Because Varsity has extensive contracts with industrial customers, Varsity has become proficient at care of cement and VCT flooring as well. |
| City of Fort Collins, Bexar County, Maricopa County, University of Texas | RFP 123-0084-P (SS), like many municipal customers requires quick turn-around and spot-maintenance of hallways and mezzanines that must be kept dry and clean for safe public use.                          | Hallways and mezzanines require quick turn-around and day-long maintenance on bad-weather days for the safety of the public. Varsity's 20+ year partnership with University of Texas, as well as its 30+ year partnership with Century Link has prompted Varsity managers to create specialized training for the cleaning specialists who care for these public-use areas.                                                                                                  |
| University of Texas,                                                     | Both U o T and the City of Fort                                                                                                                                                                             | Event-driven venues will always require                                                                                                                                                                                                                                                                                                                                                                                                                                     |





|                        |                                                                                                                                                                                               |                                                                                                                                                                                                     |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| City of Fort Collins   | Collins requires that custodial staff be prepared and available for last-minute post-set-up cleaning, post-removal cleaning, and post-construction cleaning                                   | an efficient system for scheduling and coordinating cleaning tasks, organizing workflows and opening and managing work orders, such as Varsity's proprietary Vektr electronic reporting technology. |
| Hedgewald Center in OR | RFP 123-0084-P (SS) contains a total of 5,124 theatrical seats, which require not only spot cleaning on a regular basis, but periodic cleaning with an orientation toward asset preservation. | Varsity's Third-Party Certified Green Cleaning system ensures that no harsh chemicals or improper equipment is used to maintain upholstery.                                                         |

### Experience with Event-Driven Facilities

Utilizing the customized audit template Varsity created specifically for UT-Austin, Varsity managers have been able to fine-tune the work being done. This same process will benefit The City of Milpitas. For example, over the 22+ years that Varsity has cleaned the student union, we have become increasingly aware of how to manage entryways and public corridors on rainy days, taking special precautions that go beyond the scope of work required.

According to Travelers' Insurance Company, a single slip and fall accident can cost an average of \$40,000 dollars. Varsity's safety efforts have saved its customers money.

Varsity understands event-driven facilities. We understand that specialized needs arise with a graduation service, special event, or on game day. Our university employees are trained to adapt to these needs. Varsity leadership keep the lines of communication open, so that Milpitas facility managers can open and track work orders related to events, using technology customized to specific The City of Milpitas facilities with Vektr electronic reporting.

Varsity has worked with municipalities and universities with event-driven facilities similar to those in RFP 14-01.



| Convention Facility           | Varsity Years of Service | Specific Experience                                                                                                   |
|-------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------|
| City of Fort Collins (CO)     | 15                       | All flooring types, multiple mixed-use public buildings, museums and exhibit halls, auditoriums, and conference rooms |
| Salt Lake Corporation (UT)    | 1                        | All flooring types, multiple mixed-use public buildings, including Historic City Hall                                 |
| Bexar County (TX)             | 2                        | All flooring types, multiple mixed-use public buildings                                                               |
| Maricopa County (AZ)          | 12                       | All flooring types, multiple mixed-use public buildings, including libraries                                          |
| Town of Buckeye (AZ)          | 4                        | All flooring types, multiple mixed-use public buildings, including libraries                                          |
| Hedgewald Center (OR)         | 5                        | Auditorium facility with theater seats                                                                                |
| Glendale City Libraries (AZ)  | 5                        | Libraries, exhibits and special collections                                                                           |
| University of Texas at Austin | 20                       | All flooring types, multiple mixed-use public buildings, auditoriums, conference rooms, etc.                          |
| University of Missouri        | 7                        | Unique flooring types, including rubber, specialized training for unique assets                                       |

### Experience with Time-sensitive Cleaning Tasks

Varsity uses its Vektr electronic reporting system to schedule seasonal, periodic, and transitional work, including that which is required for several of the facilities at Milpitas.

Varsity has effectively completed summer and transitional cleaning requirements for MizzouRec, Cave Creek Unified School District, Gateway Community College, University of Texas at Austin, and Life University, among others.

### Additional Square Footage Adjustments

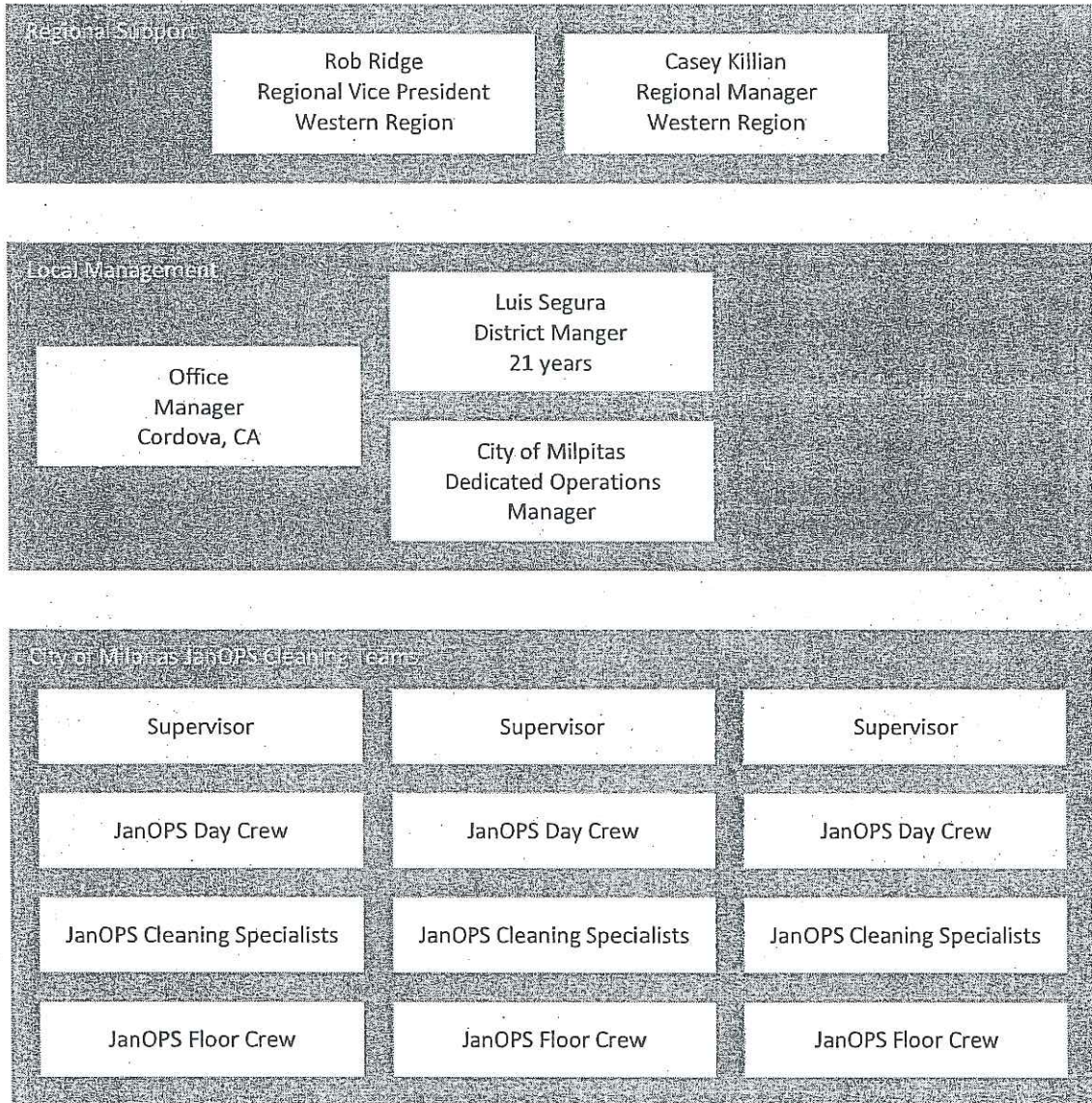
Square footage variations are easily handled and calculated based on square foot rate as provided on the pricing pages. We would calculate the addition/subtraction manually to ensure the new calculations are correct and reflect the adjusted labor required.





## 6. Key Personnel – Qualifications and Experience

### Organizational Chart for City of Milpitas







### City of Milpitas Dedicated Management

| Name                                          | Title                   | Location             | Cell Phone/Fax                   | % Dedication to City of Milpitas |
|-----------------------------------------------|-------------------------|----------------------|----------------------------------|----------------------------------|
| Rob Ridge<br>rridge@varsityfs.com             | Regional Vice President | Cordova Office       | (541) 852-2727<br>(541) 747-2278 | 5%                               |
| Casey Killian<br>ckillian@varsityfs.com       | Regional Manager        | Salt Lake Office     | (801) 641-4225<br>(801) 335-0249 | 10%                              |
| Luis Segura<br>lsegura@varsityfs.com          | District Manager        | Cordova Office       | (916) 869-7409<br>(916) 638-8258 | 20%                              |
| City of Milpitas Dedicated Operations Manager | Area Manager            | City of Milpitas Hub | TBD                              | 50-100%                          |
| Site Supervisor                               | Site Supervisor         | City of Milpitas Hub | TBD                              | 100%                             |
| JanOPS Team Leads                             | JanOPS Team Leads       | City of Milpitas Hub | TBD                              | 100%                             |

### Contract Management

In this section, we have included the resume of Luis Segura, who would be managing the HCC account. Luis has over 20 years of experience managing contracts over \$12,000,000.

Along with Luis, the Milpitas account would have an operations manager responsible only for the City, who would work directly with Luis to measure and take accounting of contract compliance using the Vektr reporting system.

We certify that if any changes in management personnel should occur, we would contact City Managers.

### Onsite Supervisors

Varsity cleaners work in teams. Each cleaner is specifically trained in a specialty area, such as bathrooms or flooring, etc. They are then cross-trained for purposes of filling in for missing personnel. The supervisor over each team, or "team lead" is the most experienced who has been cross-trained in each specialty area and has the best attendance record. This person has undergone a special management course that includes certified courses in how to train cleaners. The team lead is responsible for checking the work of all of the specialists on his/her team every day.

The Team Lead is then supervised by a Day Porter or Site Supervisor in some contracts. These individuals have had additional management courses and



conduct monthly safety training, as well as customized training that evolves out of the quality audits for facilities under his/her supervision. He/she is directly accountable to the HCC dedicated operations manager.

New managers, supervisors and administrative staff complete an on-boarding program in their first month known as the Varsity Orientation. The Orientation consists of:

- a. One-on-one training session via web conferencing which focuses on the basics of working at Varsity – conducted by training manager
- b. Varsity Essentials training path which includes over 30 self-paced activities/videos to introduce new managers to topics such as employee relations, hiring/terminating, payroll, accounting including managing budgets, safety program
- c. One-on-one capstone session via web conference which aims to ensure knowledge transfer – conducted by training manager

Go to [http://trainvarsity.com/orientation\\_mgr1.shtml](http://trainvarsity.com/orientation_mgr1.shtml) All new managers, supervisors and administrative staff are expected to complete this on-boarding program within their first month of employment.

Varsity's management teams are required to complete 80-100 hours of management and leadership training. For more information, go to <http://www.varsityuniversity.com/cvm.cfm>

The training includes modules for:

1. Effective Management
2. Customer Service
3. Quality Management
4. Human Resource Management
5. Financial Management
6. Leadership
7. Strategy
8. Total Facility Services
9. Spanish 101 (For non-Spanish speaking managers)

Varsity managers are also required to complete a minimum of Yellow Belt training for Lean Sigma. Many managers go on to complete the Green belt training. See <http://www.varsityfs.com/approach>





## Custodians (or Specialists, as Varsity calls them)

Specialists are required to certify in a three-level new hire training program (described in the response to question C-7). Certification requires hand-on demonstration of mastery over the specific cleaning tasks for an individual's specialty area.

Varsity cleaners are trained as specialists and then cross-trained to substitute for each other in times of need. What does this mean for HCC? It means that each cleaner is responsible and held accountable for a specific area of duties within their team. It means each cleaner knows his/her job very well which increases production, and has a specialty area of expertise which increases the quality of work.

## Team Cleaning

JanOPS takes full advantage of the efficiencies gained through team cleaning. The JanOPS team consists of specialty roles, in which each employee becomes expert in performing the related duties of one or more specialties. By following the JanOPS workflow, specialists work together to get each building in SHAPE. The JanOPS Specialties include:



The RestroomOPS specialist sanitizes restrooms using SHAPE tools, products and process - all of which are designed to minimize transfer and maximize the removal of unwanted matter. RestroomOPS specialists are also responsible for maintaining JanOPS closet standards.



The VacOPS specialist works to remove and capture dust and soil to prevent it from becoming airborne and adversely affecting the health of the specialist or building occupants. He or she also contributes to asset preservation by removing abrasive soils from the carpet and hard flooring.



The SpecialOPS specialist preserves the customer's assets. He or she specializes in carpet care, hard floor maintenance, and other specialized tasks. SpecialOPS is also responsible for reinforcing and assuring the entire team's safety.



The PaceOPS specialist sets the pace for the team and preps the area for the VacOPS specialist. PaceOPS captures and removes dirt while removing trash. PaceOPS also sanitizes touch points such as phone receivers, light switches and door handles in office areas.





## Key Management Resumes

### *Rob Ridge*

#### Related Experience

|                                                            |                 |
|------------------------------------------------------------|-----------------|
| Regional Vice President, Varsity Facility Services         | 2013 to Present |
| Regional Manager, Varsity Facility Services                | 2007 to 2013    |
| Regional Operations Manager, Varsity Facility Services     | 2006 to 2007    |
| Director of Operations, Net-Work Services Company          | 2004 to 2006    |
| Regional Manager, Net-Work Services Company                | 2003 to 2004    |
| Owner/General Contractor, Four Seasons General Contracting | 1996-2011       |

- Responsible for overseeing operations throughout California and the Pacific Northwest, including the Chase Bank Portfolio with hundreds of separate branches and three Class A high rises
- Oversaw 25+ accounts in the California Area, conducting quality audits and providing subsequent training and oversight
- Have managed multi-million dollar budgets, equipment and supply ordering and evaluation, and fleet maintenance
- Oversaw the CenturyLink account with over 3,800 facilities scattered across the U.S.
- Hired and managed subcontractor/vendor services for multiple accounts
- Provided account management for the Amazon full facility services, including HVAC, Electrical, Plumbing, Handyman, General Contractor services
- Provided systematic reporting to upper level management, including operations budgets, capital budgets, profit and loss, security and warehouse/records management
- Ensured competency based training in areas of OSHA, ADA, EEOC, etc.
- Regulated account operations and activities to comply with all state and federal laws, policies, rules, and regulations
- Supervised in the execution of contracts, contract amendments, price change orders, and coordination of purchase orders
- Assisted in selecting, training, and evaluating regional and district managers

#### Industry Involvement

**Certifications:** JanOPS Trainer Certified, Maintenance of general contractor licensing for over 20 years, Lean Sigma Green Belt



*Casey Killian*

**Related Experience**

**Regional Manager, Varsity Facility Services**      **June 2012 to Present**

**District Manager, Varsity Facility Services**      **July 2005 to June 2012**

**Regional Manager, Net-Work Services Company**      **2000 to 2005**

- Responsible for overseeing operations throughout the Northwest
- Service the needs of customers throughout the Northwest
- Responsible for the growth, profitability and leadership of a region with revenues in excess of 19.2 million dollars
- Responsible for teaching, training, accountability and leadership of all management
- Oversees 1,500 employees and multiple subcontractors
- Managed over 400 Qwest facilities and a budget in excess of \$4,000,000.00
- Managed over 30 vendors and subcontractors

**Industry Involvement**

**Associations:** Current Secretary Treasurer of BOMA Utah, Vice President World Toilet Association, Global association of 60 countries

**Education:** B.A. Business Administration, Weber State University

**Industry Related Awards:** Named manager of the year in 2003.

*Luis Segura*

**Related Experience**

**District Manager, Varsity Facility Services**      **May 1990 to Present**

- Manage janitorial services throughout 2 million square feet
- Managed janitorial services throughout 300 buildings
- Supervised 100 employees/cleaning crews and 10 Subcontractors

**Industry Involvement**

**Certifications:** Certified Carpet cleaning technician- OSHA General Industry Course

**Industry Related Awards:** Received Area manager of the year 1992 and 1996. Received the Top Region performer award in 2005, 2006 and 2007. Company Aztec Gold award for 2005



## 7: References

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### City of Fort Collins

Address: 117 North Mason

Fort Collins, CO 80522

Contact: **Jim Pierce**, Operations / Facility Services Director

Phone: **970.221.6592** (email: [jipierce@fcgov.com](mailto:jipierce@fcgov.com))

Account Length: 2000 – Present, some facilities longer

Service Description: Janitorial Services

Square Footage: 23 Municipal buildings (1,000,000 square feet)

Similarities: Various high traffic public buildings of varying ages, library facilities, municipality, similar square footage requirements

### Maricopa County

Address: 2901 W Durango Street

Provo, AZ 85009

Contact: Cynthia Robinson (or **Benny Estrada** at 602.506.7713)

Phone: 602.506.8796 (email: [cynthiarobinson@mail.maricopa.gov](mailto:cynthiarobinson@mail.maricopa.gov))

Account Length: 2008 – Present, some facilities longer

Service Description: Janitorial Services

Square Footage: 30+ County Buildings

Similarities: Various high traffic public buildings of varying ages, library facilities, similar municipality facilities, similar square footage requirements, also service the courthouse with high security and historic preservation requirements

### Salt Lake City Corporation

Address: 451 South State Street, Room 238

Salt Lake City, Utah 84111

Contact: **Carole Quilter**, Facility Maintenance Service Coordinator

Phone: 801-535-6651

Account Length: August 2012

Service Description: Janitorial Services

Square Footage: Municipal buildings (286,000 square feet)

Similarities: Various high traffic public buildings of varying ages, including the Historic City Hall with specialized restoration and preservation needs, event driven facilities and exhibits





## Appendix A: Detailed Work Plans for City of Milpitas

### Detailed Work Plan for Milpitas - Frequencies

| General Guidelines                                              |     |      |       |       |      |
|-----------------------------------------------------------------|-----|------|-------|-------|------|
| Service Description                                             | Dly | Wkly | Mthly | Qrtly | Yrly |
| Check entire facility on arrival and correct any deficiencies   | X   |      |       |       |      |
| Report any occurrence that may be out of the ordinary           | X   |      |       |       |      |
| Keep all access doors locked while cleaning                     | X   |      |       |       |      |
| Lock all doors and leave only designated lights on              | X   |      |       |       |      |
| Keep custodial closets neat and orderly                         | X   |      |       |       |      |
| Gather waste from trash cans, place in specific dumpster        | X   |      |       |       |      |
| Clean trash receptacles, replace soiled liners in trash cans    | X   |      |       |       |      |
| Clean lobby door glass inside and out                           | X   |      |       |       |      |
| Clean all lobby entry way and exterior mats                     | X   |      |       |       |      |
| Clean receptionist counter tops and work area                   | X   |      |       |       |      |
| Wipe down drinking fountains                                    | X   |      |       |       |      |
| Clean stairwells                                                | X   |      |       |       |      |
| Spot clean all glass                                            | X   |      |       |       |      |
| Clean door hardware and frames inside and out                   | X   |      |       |       |      |
| Spot clean fingerprints on light switches and doors             | X   |      |       |       |      |
| Dust handrails                                                  | X   |      |       |       |      |
| Clean and polish door kick plates and thresholds.               |     | X    |       |       |      |
| Dust all cleared work surfaces and low partition walls          |     | X    |       |       |      |
| High dust all cleared horizontal surfaces                       |     | X    |       |       |      |
| Clean baseboards.                                               |     |      | X     |       |      |
| Clean and dust all overhead light fixtures                      |     |      | X     |       |      |
| Detail dust window ledges, blinds, picture frames and moldings. |     |      | X     |       |      |
| Clean lobby windows interior and exterior                       |     |      | X     |       |      |
| Vacuum upholstered furniture                                    |     |      | X     |       |      |
| Floor services for each area are in Floor sections on Page 2.   |     |      |       |       |      |

| Lobbies, Stairwells, Elevators & Common Areas |     |      |       |       |      |
|-----------------------------------------------|-----|------|-------|-------|------|
| Service Description                           | Dly | Wkly | Mthly | Qrtly | Yrly |
| Wipe handrails                                | X   |      |       |       |      |
| Clean elevator cabs and doors                 | X   |      |       |       |      |
| Clean, dust and polish furniture              | X   |      |       |       |      |
| Align furniture                               | X   |      |       |       |      |
| Clean all stairwell glass.                    |     | X    |       |       |      |
| Conference Rooms/City Council Chambers        |     |      |       |       |      |
| Service Description                           | Dly | Wkly | Mthly | Qrtly | Yrly |
| Clean and dust A/V equipment                  | X   |      |       |       |      |
| Align furniture                               | X   |      |       |       |      |
| Clean, dust and polish furniture              |     | X    |       |       |      |



## Janitorial Services Proposal

### Office Areas

| Service Description                | Dly | Wkly | Mthly | Qrtly | Yrly |
|------------------------------------|-----|------|-------|-------|------|
| Align furniture                    | X   |      |       |       |      |
| Clean window ledges and partitions |     | X    |       |       |      |
| Clean, dust and polish furniture   |     | X    |       |       |      |

### Fitness Areas

| Service Description                                     | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------|-----|------|-------|-------|------|
| Clean and sanitize all exercise equipment               | X   |      |       |       |      |
| Sweep, dust mop and/or damp mop all hard floor surfaces | X   |      |       |       |      |
| Spot clean window and mirror glass (prints & smudges)   | X   |      |       |       |      |
| Fill all dispensers                                     | X   |      |       |       |      |
| Fully clean all windows and mirrors.                    |     | X    |       |       |      |

### Restrooms/Sports Center Showers/Holding Cells

| Service Description                                            | Dly | Wkly | Mthly | Qrtly | Yrly |
|----------------------------------------------------------------|-----|------|-------|-------|------|
| Clean and polish all stainless steel dispensers                | X   |      |       |       |      |
| Empty, clean, polish & disinfect sanitary napkin receptacles   | X   |      |       |       |      |
| Fill all dispensers                                            | X   |      |       |       |      |
| Clean and sanitize all fixtures, fittings, toilets and urinals | X   |      |       |       |      |
| Clean and polish mirrors                                       | X   |      |       |       |      |
| Clean out lockers                                              | X   |      |       |       |      |
| Clean and sanitize all doors, partitions and vanity surfaces   | X   |      |       |       |      |
| Clean and sanitize all floor mats                              | X   |      |       |       |      |
| Wipe down shower walls                                         | X   |      |       |       |      |
| Clean and disinfect walls                                      |     | X    |       |       |      |
| Clean and flush floor and shower drains with drain cleaner     |     | X    |       |       |      |
| Clean lockers and walls                                        |     | X    |       |       |      |
| Clean and polish all doors and hardware.                       |     |      | X     |       |      |
| Machine scrub all shower and restroom floors.                  |     |      | X     |       |      |
| Detail clean grout lines in shower walls.                      |     |      |       | X     |      |

### Cafeteria/Breakrooms/Patio Areas

| Service Description                                                                             | Dly | Wkly | Mthly | Qrtly | Yrly |
|-------------------------------------------------------------------------------------------------|-----|------|-------|-------|------|
| Wipe down dining area and patio tables and chairs                                               | X   |      |       |       |      |
| Wipe clean counter tops, sinks and cabinets                                                     | X   |      |       |       |      |
| Replenish paper towels                                                                          | X   |      |       |       |      |
| Clean all patios and balconies                                                                  | X   |      |       |       |      |
| Wipe down interior and exterior of microwave                                                    | X   |      |       |       |      |
| Clean and dust balcony walls                                                                    |     | X    |       |       |      |
| Wipe down interior and exterior of refrigerator<br>(Refrigerators done per customer's schedule) |     | X    |       |       |      |



### Parking Garage

| Service Description                                          | Dly | Wkly | Mthly | Qrtly | Yrly |
|--------------------------------------------------------------|-----|------|-------|-------|------|
| Gather waste from all trash cans, place in specific dumpster | X   |      |       |       |      |
| Clean and dust stairwell ledges, rails and landings          | X   |      |       |       |      |
| Police parking lot structure and stairwells for debris       | X   |      |       |       |      |
| Police Library entryways                                     | X   |      |       |       |      |
| High dust, remove cobwebs                                    | X   |      |       |       |      |
| Clean elevator cabs and doors, Polish inside and out         | X   |      |       |       |      |
| Clean Book Return counter and surrounding area               | X   |      |       |       |      |
| Check and replace all burnt out light bulbs                  | X   |      |       |       |      |
| Sweep all parking lot.                                       |     |      | 2X    |       |      |

### Hard Floor Care

| Service Description                                           | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------|-----|------|-------|-------|------|
| Sweep, dust mop and/or damp mop all hard floor surfaces       | X   |      |       |       |      |
| Sweep, damp mop and disinfect all restroom and shower floors. | X   |      |       |       |      |
| Harwood floors – Daily sweeping with a treated dust mop       | X   |      |       |       |      |
| Machine scrub all stone, concrete and tile floors.            |     |      | X     |       |      |
| Spray buff high traffic VCT areas.                            |     |      | X     |       |      |
| Strip & wax VCT areas                                         |     |      |       | X     |      |
| Strip and seal all stone, concrete and ceramic floors         |     |      |       |       | 2X   |

### Carpet Floor Care

| Service Description                                 | Dly | Wkly | Mthly | Qrtly | Yrly |
|-----------------------------------------------------|-----|------|-------|-------|------|
| Vacuum all carpet.                                  | X   |      |       |       |      |
| Spot clean high traffic area carpets.               | X   |      |       |       |      |
| Spot clean all other carpet.                        |     | X    |       |       |      |
| Detail vacuum edges, under desks & around furniture |     |      | X     |       |      |
| Bonnett buff high traffic carpets                   |     |      |       | X     |      |
| Shampoo & extract carpets                           |     |      |       |       | 2X   |

### Utility Services

(These services billed with monthly cost)

| Service Description                                                                   | Dly | Wkly | Mthly | Qrtly | Yrly |
|---------------------------------------------------------------------------------------|-----|------|-------|-------|------|
| Wash all interior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash all exterior perimeter glass                                                     |     |      |       |       | 2X   |
| Wash exterior skin (metal, stone, stucco etc.)<br>CITY HALL ONLY                      |     |      |       |       | 2X   |
| Sports Center – Clean interior and exterior glass surrounding the pool. (June – Aug.) | X   |      |       |       |      |
| Teen Center – Shampoo or extract carpet.                                              |     |      | X     |       |      |





### Detailed Work Plan for Milpitas - Hours

| Building                  | Daily Hours | Detailing Hours | Service Days | Weekly Hrs | Approx. Sq. Ft. |
|---------------------------|-------------|-----------------|--------------|------------|-----------------|
| City Hall Complex         | 16          | 3               | 5            | 95         | 96,000          |
| Sports Center*            | 11          | 2               | 7            | 91         | 28,619          |
| Main Fire Station         | 1.09        | .25             | 5            | 6.7        | 2,800           |
| Police Substation/Raceway | 1.68        | .5              | 7            | 15.26      | 4,200           |
| Library Parking Garage    | 3           | .25             | 7            | 22.75      | 126,131         |
| Community Center*         | 4.75        | 1               | 7            | 40.25      | 16,400          |
| Police Department         | 9.9         | 1.5             | 7            | 79.8       | 57,400          |
| Public Works Department   | 4.5         | 1               | 5            | 27.5       | 15,400          |
| Fire Department Trailer   | 1           | .15             | 2            | 2.3        | 1,500           |
| Jose Higuera Adobe Bldg*  | 1           | .15             | 7            | 8.05       | 1,200           |
| Senior Center*            | 3           | .5              | 7            | 24.5       | 9,000           |
| Cracolice Bldg            | 3           | .5              | 7            | 24.5       | 9,504           |





## Detailed Work Plan Milpitas – Flooring Production Rates

### Carpet

Varsity cleaners in one Florida banking location expressed concern to their managers that even though they were spot cleaning the carpets according to the specified scope of work in the contract, the periodic work (deep cleaning and extraction) was not getting done. This had been delineated in the scope of work as falling under a separate contract. Since Varsity cleaners are trained in asset preservation, the cleaners noticed the failure and alerted their managers. When Varsity is contracted to do periodic work, as well as the daily, weekly, and monthly work, a "Total Facility Services" bundled contract can be developed in which the customer saves on all services across the board.



Varsity is well-known for its certification from the Carpet and Rug Institute, and its work with the millions of square feet of carpeted flooring under contract. Varsity keeps a fully stocked van in each area for periodic and emergency carpet needs.



Vacuuming will occur on a daily basis for all carpeted flooring. A ProTeam vacuum with HEPA-rated filtration will be used. Spot cleaning with the appropriate spotting chemical and handheld extractor will occur as needed.

*Production Rate; vacuuming - 8,000 sq ft per hour, carpet spotting – 4 minutes per spot*

### CARPET TECH JOB CARD

**Varsity**

**GROUP 1: CITY HALL BUILDING**

City of Milpitas

City Scope Assignment

| Time     | Monday                      | Time     | Tuesday                     | Time     | Wednesday                   | Time     | Thursday                    | Time     | Friday                      |
|----------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|-----------------------------|
| 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    | 6:00 AM  | Clock-In                    |
| 6:15 AM  | Tieks and leave closet      | 6:07 AM  | Stage and leave closet      | 6:07 AM  | Stage and leave closet      | 6:07 AM  | Stage and leave closet      | 6:07 AM  | Stage and leave closet      |
| 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          | 6:30 AM  | Deep: Per schedule          |
| 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 | 7:30 AM  | Set blowers                 |
| 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       | 8:00 AM  | Interim: Per schedule       |
| 10:10 AM | BREAK                       | 10:10 AM | BREAK                       | 10:10 AM | BREAK                       | 10:10 AM | BREAK                       | 10:10 AM | BREAK                       |
| 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       | 10:25 AM | Interim: Per schedule       |
| 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls | 11:25 AM | Daily: Per vacops log/calls |
| 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         | 12:25 PM | Lunch: Clock out/in         |
| 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls | 12:55 PM | Daily: Per vacops log/calls |
| 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   | 2:00 PM  | Close: Equip. Maintenance   |
| 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         | 2:30 PM  | Clock out on Kronos         |

### VCT

Dust mopping and damp mopping will occur on a daily basis using cold water (to ensure no hazing of the finish) and Alpha HP. Microfiber materials will be used to ensure maximum soil removal. Spray buffing will occur monthly and strip and refinishing will occur annually.

*Production Rate; dust mop and damp mop – 5,000 sq ft per hour, spray buffing – 1,500 sq ft per hour, strip and refinish- 500 sq ft per hour*

### Ceramic Tile





Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. As needed, we will use a ProChem Everest HP truck-mounted extractor with a grout cleaning tool and Viper Venom to restore the grout color.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour, grout restoration – 1,200 sq ft per hour*

#### **Wood**

Dust mopping and damp mopping will occur when the area is serviced. Microfiber materials will be used to ensure maximum soil removal. Minimum water will be used to avoid any possibility of moisture damage to the wood.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour*

#### **Stone**

Dust mopping and damp mopping will occur when the area is serviced. Microfiber materials will be used to ensure maximum soil removal.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour*

#### **Pulastic**

Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour, autoscrubber – 8,500 sq ft per hour*

#### **Marmoleum**

Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour, autoscrubber – 8,500 sq ft per hour*





### **Stained Concrete**

Dust mopping and damp mopping will occur on a daily basis using Alpha HP. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour,  
autoscrubber – 8,500 sq ft per hour*

### **Sport Court**

Dust mopping and damp mopping will occur on a daily basis using chemicals approved by the Sport Court manufacturer. Microfiber materials will be used to ensure maximum soil removal. When activity allows, an autoscrubber will be used to provide a weighted scrub and immediate removal of cleaning solution on the flooring.

*Production rate; dust mop and damp mop – 5,000 sq ft per hour,  
autoscrubber – 8,500 sq ft per hour*

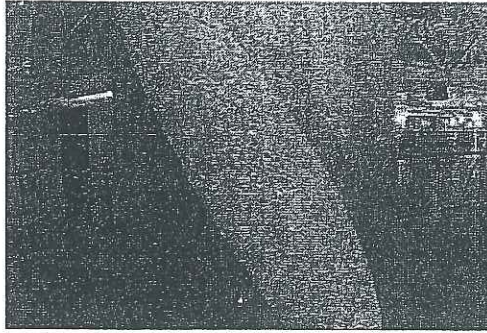
### **Case Study: The Student Recreation Center at the University of Missouri – The City of Milpitas**

The City of Milpitas facility manager will benefit from the experience Varsity brings to the maintenance of The City of Milpitas's recreational and athletic facilities. Varsity cleaners have gone beyond the scope of work required in its five years of service to the University of Missouri Student Recreation Facilities. The City of Milpitas is a premier recreational, sports and fitness facility and has required detailed project lists to keep the quality audits at a high level performance.

Some of the following "before and after" photos illustrate the specialized work that have taken Varsity cleaners beyond the scope of work required in the initial contract entered into in 2009:

#### **High Dusting and Racquetball Court Walls:**

Varsity cleaners have cleaned the racquetball walls annually. Each time, patrons made comments such as how new the walls looked and "nice paint job."



1: Varsity cleaners developed a new green cleaning method for concrete pillars.

### Concrete Pillars:

As you may know, Varsity is a third party certified green cleaning company and has a specific green cleaning system in place for outdoor concrete surfaces. The pillars around the track created a

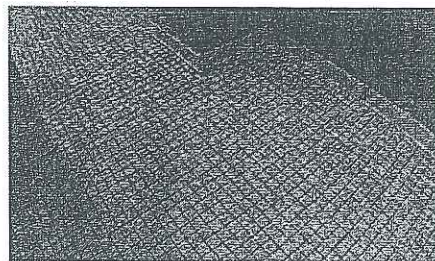
special challenge that required the use of green cleaning on a whole new level, cleaners had to develop

a new technique to accomplish the level of cleanliness you see illustrated above.

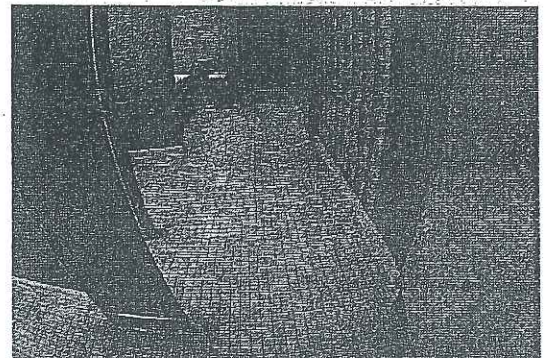
### Tile Floors:

In the photo to the right, Varsity cleaners left a rectangular shape of tile to show the "before" on a tile floor that received restorative cleaning when Varsity cleaners first started the The City of Milpitas contract.

Varsity cleaners learned early in the contract that the tile floors would need restorative cleaning more often than the original scope of work suggested and thus changed the periodic work schedule to accommodate the need.



3: Varsity uses only green certified cleaning equipment.



2: Varsity cleaners increased the periodic work done on tile floors.

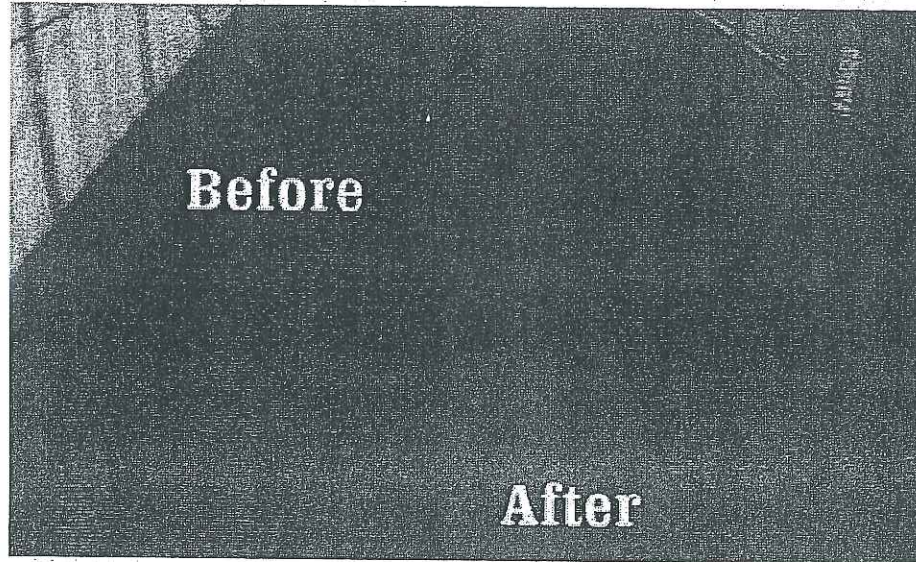
### Rubber Track:

The City of Milpitas facility managers had hired various flooring "experts" to clean the track, with the strict instruction not to alter or damage it in any way. None of the sub-contractors' work proved effective. John Paul, who had been managing the janitorial services for The City of Milpitas asked if he could help. He met with four different consultants from equipment manufacturing companies, experimenting with at least 12 different products and/or machines.





After testing these methods on various "swatches" of track, he discovered a method for cleaning the Mondo brand rubberized surface that made an astounding difference, and it was determined that the costly track would not have to be replaced.





# CITY OF MILPITAS COMMISSION/COMMITTEE APPLICATION

\*4



PROVIDE COMPLETE INFORMATION (in black ink)

☐ Mr. ☐ Mrs. ☒ Miss

City Clerk's Office

AUG 11 2015

**RECEIVED**

Name: Emerald First Golpe Middle Gilana Last

Address: \_\_\_\_\_ Number \_\_\_\_\_ Street (apt. # if needed) \_\_\_\_\_ City & Zip Code \_\_\_\_\_

Telephone Number(s) \_\_\_\_\_ e-mail address \_\_\_\_\_

Present Employer \_\_\_\_\_ Business Telephone \_\_\_\_\_

Business Address \_\_\_\_\_ Occupation H.S. student

Education: If Youth Advisory Commission applicant, indicate your grade/school: grade: 10 Milpitas High School

| College, Professional, Vocational, or other schools attended | Major Subject | Date   | Degree |
|--------------------------------------------------------------|---------------|--------|--------|
| Milpitas Christian School                                    | NA            | 6/2014 | NA     |
|                                                              |               |        |        |

List community organizations to which you belong or have belonged (additional information may be attached). If application is for **Veterans Commission**, indicate branch and service in any U.S. military organization (retired or active duty).

| Date      | Name of Organization or Branch of Military | Officer / Member |
|-----------|--------------------------------------------|------------------|
| 2003-2014 | American Legion Auxiliary, Unit 714        | Member (Jr)      |
|           |                                            |                  |

Briefly describe the personal qualifications you possess which you believe would be an asset (additional information may be attached):

Some personal qualifications that I believe would be an asset to the Youth Advisory Commission are that I don't have much of a problem talking to a large audience because of speech competitions in the past. I am also pretty good at writing and I try to volunteer for the city as much as possible.

I have sufficient time to devote to this responsibility and will attend the required meetings if I am appointed to fill a future vacancy. I hereby certify that all statements contained in this application are true.

Emerald Gilana

Signature

7/13/15

Date

Appointments to Commissions or Committees are made by the Mayor with the concurrence of the City Council. **Applications not acted upon will expire after one year from the date submitted unless renewed by the applicant.**

**NOTE: ALL COMMISSION APPLICATIONS ARE PUBLIC RECORD**

Mail, email or drop off your completed application to:

City Clerk, 455 E. Calaveras Blvd., Milpitas, CA 95035, email: [mlavelle@ci.milpitas.ca.gov](mailto:mlavelle@ci.milpitas.ca.gov)

## Youth Advisory Commission Supplemental Questionnaire



The City of Milpitas Youth Advisory Commission was founded in April 1996 to advise the City Council on matters pertaining to the youth and teens in Milpitas. All commissioners' must be in grades 7 through 12 and live in Milpitas. There are a total of nine (9) members and four (4) alternate members that serve one-year terms (October-September). The Youth Advisory Commission meets the 2<sup>nd</sup> Thursday of every month at 7:00pm at the Milpitas Sports Center. Please submit the Supplemental Questionnaire with the Commission Application.

1. What type of difference do you want to make for the youth in our community? (Please list two of your ideas. Please use the reverse side if you need more room.)

One idea that I have in mind is a type of mentoring program for youth and teens. This program would help teens find a favorable occupation in the future because some still have trouble finding something that they love to do and would (continue to the back)

2. How did you hear about the Youth Advisory Commission?

I heard about the Youth Advisory Commission through my grandma and as well as going to the Milpitas Commissioner Recognition Lunch with her every year.

3. What have you heard or know about the Youth Advisory Commission?

What I have heard / know about the Youth Advisory Commission is that they advise the Council about the teens and youth of Milpitas, like their voice.

4. Have you ever attended a Youth Advisory Commission meeting? If so, explain your experience.

No, however I have witnessed a few Senior Advisory Commission meeting when I was younger. Every person had a say in what was going on. I don't remember any specifics since I was young, but I do remember that everyone had a voice.

like to do for a living. Different adults or college students could volunteer to mentor a student from grades 6-12. They would be able to offer any type of help needed, whether it be moral/mental support, help with schoolwork, or just someone to look up to. They would also be able to share their occupations and what they do in their jobs, or if they are a college student, what field they are majoring in and how they got to that point. It would be a close bond between the mentor and the student.

Another idea that came to mind is a free website where teens could openly and anonymously speak their mind about any matter concerning problems in their lives they are too afraid to speak up about. What I have noticed is that many teens go through depression, anxiety, bullying, etc. The only thing is that many don't want to speak about it to counselors and/or therapists because they are too afraid to come forward at all. This website would provide help from professionals as well as other teens. Teens would be much more comfortable speaking anonymously behind a screen and key board because their identity would be safely hidden, but they could still get the help they need.



CITY OF MILPITAS  
COMMUNITY GARDEN RULES AND REGULATIONS

The Recreation Program Coordinator or his/her authorized representative will act as the Community Garden Coordinator, hereafter referred to as "Coordinator."

**Plot Assignments & Fees**

1. An annual plot fee will be assessed to all plotholders. The following fee schedule will apply:

|                                                       |         |
|-------------------------------------------------------|---------|
| Milpitas Resident                                     | \$60    |
| Milpitas Resident, Senior Citizen (50 years and over) | \$15.00 |

**A one time refundable deposit of \$100.00 is required. Deposit is returned when the plot is relinquished and cleaned out by the plotholder to satisfaction of Coordinator.**
2. Plotholders may not begin gardening until their annual plot fee is paid in full. Registration packets will be mailed from the Recreation Services office annually.
3. It is the responsibility of each plotholder to provide the Coordinator with an up-to-date address, telephone number, and email address (if applicable). Milpitas residents must provide two proofs of Milpitas residency (i.e. a photo ID such as CA Driver's License or CA ID Card, and a current utility bill, bank statement or credit card statement).
4. New plots are issued on a first-come-first-served basis. Only Milpitas residents are eligible to be assigned plots. Any individual interested in obtaining a plot should contact the Coordinator or the Recreation Services Office. If a plot is not available immediately, the individual's name will be placed on a Waiting List. The City reserves the right to hold up to 10% of the plots for educational use by local schools and/or City Programs.
5. Plotholders who do not intend to continue gardening the plot for any reason should promptly notify the Coordinator so the plot may be reassigned.
6. Plotholders do not have any ownership interest in their assigned plot. Plot assignments may only be transferred to the plotholder's spouse, and only by the Coordinator upon written request from the assigned plotholder. Plots cannot be sublet.
7. No person may use a vacant plot without prior written approval from the Coordinator and payment of the annual fee. Only one plot is allowed per household. Gardens will be confined to designated areas.
8. Plotholders can only garden his/her assigned plot.
9. Plotholders must physically cultivate their assigned plot but may have unpaid assistance from friends and family.

**Gardener Conduct**

10. The behavior of family members and friends is the plotholder's responsibility. No one is permitted to engage in loud, offensive, or boisterous activity within the garden enclosure.
11. No alcohol, smoking, illegal drugs of any kind or fighting allowed in, or around the Community Garden at any time.
12. Pets other than certified Service Animals are not permitted in the garden at any time.

13. All plots must be maintained in a manner acceptable to the Coordinator. This includes normal weeding, watering and general care of the assigned plot. The surrounding pathways are to be kept free of weeds-encroaching plants and debris. Plotholders are responsible for at least one half the width of the pathway adjacent to the garden plot and 3 ft. of the pathway if adjacent to the main entryways.
14. Each plot holder will be issued a key for the locks on the garden gates. The key is not to be shared with anyone outside of immediate family and spouses. Plotholders are required to close gates and lock all locks upon entering and leaving the garden. If a key is lost, the plotholder will be charged a \$100.00 replacement fee.  
\_\_\_\_\_ **Plotholder Initial Here**
15. Plotholders are not allowed to make copies of the key. If found in violation, it will result in the immediate revocation of the plotholder's gardening privileges and plot without a refund, and pay the cost of replacing the locks and keys for the entire garden and other gardeners.
16. Gardeners Meetings will be held on a quarterly basis. All gardeners must attend at least one Gardeners Meeting during the year. Plotholders who fail to attend at least one meeting will not be able to renew.
17. Garden hours: Sunrise until Sunset.  
Power Equipment (i.e., fuel operated soil tillers) can be used 7:00 am-Sunset.

### **Gardening**

18. Produce from the garden is to be used for family consumption and may not be grown for sale, profit, or used in a business.
19. All loose materials (refuse, tools, etc.) must be cleared from the area each day. Sheds of any kind are not permitted in plots.
20. Only flowers, fruits, vegetables, and herbs may be grown in the plots. Animal husbandry is not allowed. Only plant species that do not present a danger to others and that produce edible food may be grown. No illegal plants are allowed.
21. Tall plants such as corn, sugar cane and sunflowers must be located such that they do not produce shade on adjoining plots and do not protrude into pathways.
22. Trellises of any kind must be kept no higher than five (5) feet. Perimeter fences are not to be used as trellises. All trellises must be cleaned of all non-producing annuals soon after the plants stop producing.
23. Trees and permanent structures are not permitted in plots.
24. Cactus and woody perennials must be kept pruned to a height of no more than 6 feet and may only be grown along the south side of the assigned plot.
25. All plants that spread roots or rhizomes (i.e., mint and horseradish) must be in an above ground container/planter that is not a permanent structure.
26. There is no planting of water intensive crops (i.e., sugar cane, taro) allowed.
27. Use of poison grains for rodent control is prohibited. Pesticides are not permitted in the garden. Please contact the Coordinator for use of alternatives.
28. Monoculture – exclusively growing only one cultivar – may not be practiced in any assigned plot.

29. Assigned plots must be maintained in all seasons. Plots should not lay fallow and must be kept free of excessive weed growth.
30. Compost piles may be made only in areas designated by the Coordinator for that use. No trash is permitted in compost piles. Individual plots may have a compost pile no larger than 3' wide by 3' long by 3' high, and the pile must be within the plot boundaries.
31. Vandalism or theft of produce, plants, tools, and/or other gardeners' or City property will be cause for immediate revocation of plotholder privileges and possible criminal prosecution. If the individual involved is not a plotholder, he/she will be turned over to the appropriate authorities. Any plotholder who witnesses any theft or vandalism of a plot, must notify the Garden Coordinator immediately. \_\_\_\_\_ **Plotholder Initial Here**

### Watering

32. To encourage water conservation, gardeners are required to stay in the vicinity of their plots while watering. All gardeners are requested to turn off all faucets at unattended plots. Drip Irrigation and timer systems may be used with the approval of the Coordinator.

I understand approval must be obtained from the Coordinator prior to installation of drip irrigation and timer systems. \_\_\_\_\_ **Plotholder Initial Here**

33. It is preferred that watering be done before 10:00 am and after 4:00 pm, 7 days a week.

### Vehicle Access

34. Personal vehicles are permitted at the Cesar Chaves Community Garden for the purpose of loading and unloading equipment and supplies only. Vehicles must be relocated to the street via the approved access road when done loading/unloading. Community Garden loading and unloading is only allowed on the graveled area on the south side of the garden.
35. Vehicle access is only permitted on the designated access road (gravel pathway that begins at Weller Elementary School's front parking lot on Boulder Street). No vehicle access is allowed from Dixon Road or Coelho Street.
36. Vehicles are not allowed on the access road during the hours of 7:45-8:30 am and 1:45-2:30 pm, Monday-Friday, when school is in session (school's drop-off and pick-up times).
37. Only vehicles with a valid California Disabled Person Parking Placard or a Disabled Person License Plate are permitted to park on the south side of the garden for the duration of their garden visit. Vehicles cannot park inside the Community Garden.
38. Each plot holder will be issued a Community Garden Vehicle Pass with his/her plot number. The pass must be visible when driving on the access road and at the Community Garden.
39. Vehicle access and parking allowances are subject to change to be in accordance with the most current City of Milpitas and Milpitas Unified School District Joint Use Agreements.
40. If a plotholder violates any of the above Vehicle Access rules, the result may be the immediate revocation of the plotholder's gardening privileges and plot without a refund.



**Drought Plan**

40. In the situation where the State of California or City of Milpitas declares a water shortage, plotholders will be required to adhere to the water conservation measures instituted by the State/City. If a plotholder violates the measures instituted, the result will be the immediate revocation of the plotholder's gardening privileges and plot without a refund.

**Garden Team**

41. The Coordinator will be assisted by a Garden Team. The Garden Team will consist of 5 plotholders who will serve a term of 3 years and 1 Parks, Recreation & Culture Resources Commissioner. The goal of the Garden Team is to improve the structure of the Community Garden program. Duties will include, but are not limited to:
- Attend meetings with Coordinator (every 1-4 months)
  - Provide feedback to Coordinator on garden issues (i.e.; maintenance, violations)
  - Serve as liaisons with other gardeners to ensure 2-way communication
  - Provide input on garden issues and future improvements
  - Assist in planning Community Garden meetings, guest speakers, volunteer projects

Interested plotholders can submit a Garden Team Application. Recreation Services staff will conduct interviews from the applicants and select the Garden Team members.

**Non-Compliance/Violations and Consequences**

42. In the event of non-compliance with any of the above rules, this procedure will be followed:
- The Coordinator will issue a written warning to the individual plotholder.
  - If at the end of a 30 day period the problem has not been solved, or arrangements have been made to resolve the problem, the plot will be reassigned to the next person on the waiting list. Annual fees will not be refunded.
  - Plotholders may appeal any action to the Community Garden Coordinator in writing within 30 days of notice of the action. The Coordinator will submit a staff report and recommendation to the PRCRC at their next regularly scheduled meeting for review and appropriate action.
  - Plotholders are only allowed two (2) violations in a year. A third violation in the same year will result in the revocation of the garden plot and no refund of annual fees.
- Please Note: Depending on the severity, a non-compliance/violation may result in the immediate revocation of the plotholder's gardening privileges and plot without a refund of fees and deposit.**

**NOTE:** Please contact Coordinator at (408) 586-3408, 40 N. Milpitas Boulevard, Milpitas, California, 95035, if you would like more information on these rules and regulations or any other aspect of the Community Garden Program.

I have read the Community Garden Rules and Regulations and understand that non-compliance will result in plot and fee forfeiture.

Signature of Plotholder: \_\_\_\_\_

Date: \_\_\_\_\_

## **Recycling and Source Reduction Advisory Commission 2015-2016 Work Plan**

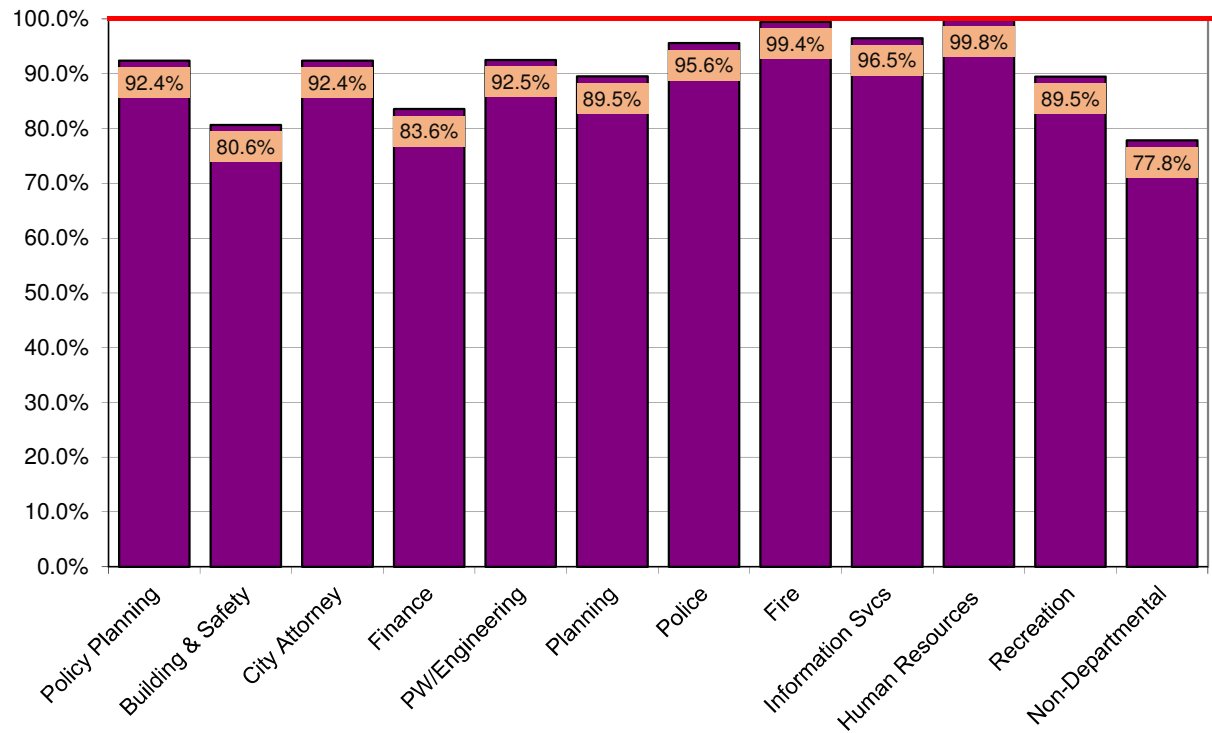
### **1) Goals:**

- a. Promote a Plastic Bag Ban
- b. Pursue an expanded Polystyrene Ban (Beverage and food containers) Ban
- c. Review of AB1826 (Organics Recycling)

### **2) Accomplishments:**

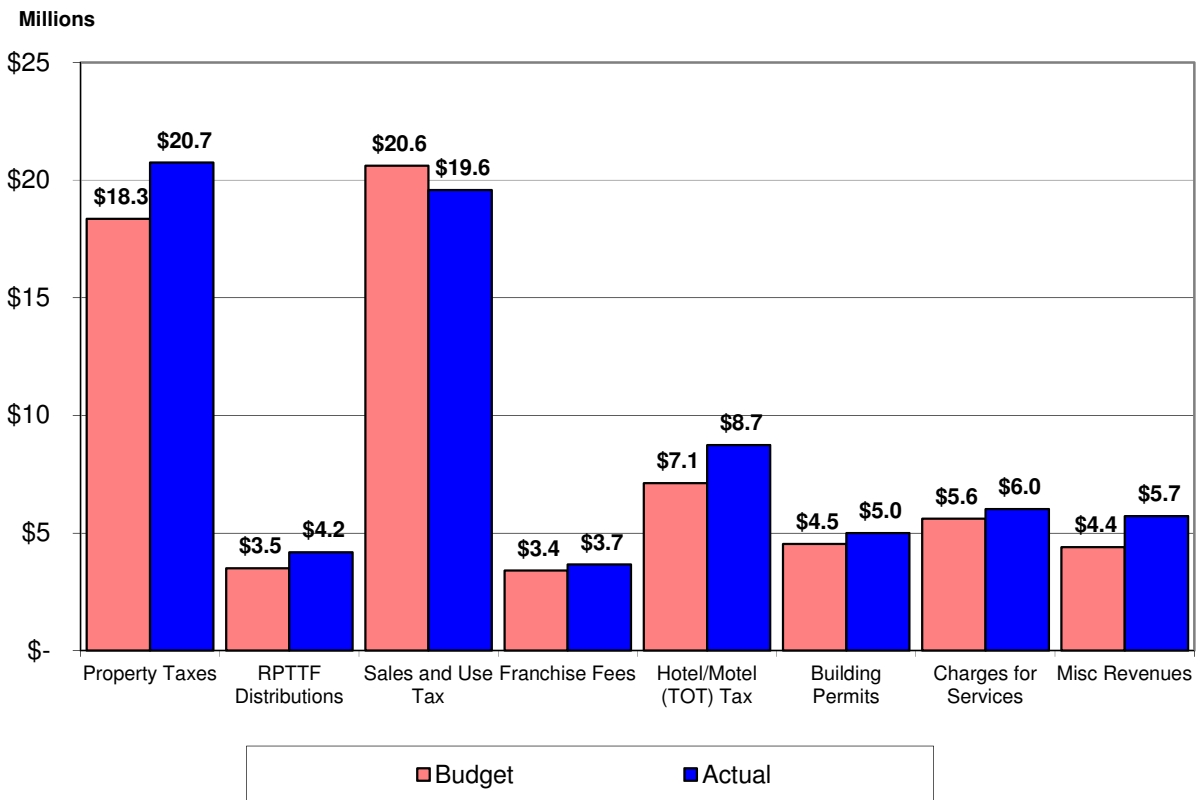
- a. Review Solid Waste Request for Proposal elements
- b. Review Long-Term Trash Load Reduction Plan

**General Fund Expenditures by Department - As of 6/30/15**  
**Total - \$68.5 Millions (92.7%)**





## FY14-15 General Fund Revenue Budget vs. Actual



**NUMBER:** 287

**TITLE:** AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS ADDING CHAPTER 5 OF TITLE III OF THE MILPITAS MUNICIPAL CODE RELATING TO SINGLE-USE BAGS

**HISTORY:** This Ordinance was introduced (first reading) by the City Council at its meeting of September 1, 2015, upon motion by Councilmember Grilli, and was adopted (second reading) by the City Council at its meeting of \_\_\_\_\_, upon motion by \_\_\_\_\_. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary Baum, Interim City Attorney

## **RECITALS AND FINDINGS:**

**WHEREAS**, the use of single-use carryout bags by consumers is detrimental to the environment, public health and general welfare; and

**WHEREAS**, the manufacture and distribution of single-use carryout bags requires the production of non-biodegradable plastics and results in the generation of greenhouse gas emissions; and

**WHEREAS**, single-use carryout bags contribute to environmental problems, including litter in stormdrains, creeks, the bay and the ocean; and

**WHEREAS**, single-use carryout bags provided by retail establishments impose unseen costs on consumers, local governments, the State and taxpayers and constitute a public nuisance.

**NOW, THEREFORE**, the City Council of the City of Milpitas does ordain as follows:

### **SECTION 1. RECORD AND BASIS FOR ACTION**

The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

### **SECTION 2. AMENDMENT OF MILPITAS MUNICIPAL CODE**

Chapter 5 of Title III of the Milpitas Municipal Code is hereby added with the text below to read as follows:

#### **Chapter 5**

#### **SINGLE-USE BAGS**

##### **Sections:**

|                |                                     |
|----------------|-------------------------------------|
| <b>III-5-1</b> | <b>Findings and Purpose</b>         |
| <b>III-5-2</b> | <b>Definitions</b>                  |
| <b>III-5-3</b> | <b>Implementation Date</b>          |
| <b>III-5-4</b> | <b>Single-use Carry-out Bag</b>     |
| <b>III-5-5</b> | <b>Recordkeeping and Inspection</b> |
| <b>III-5-6</b> | <b>Enforcement</b>                  |

#### **Section 1 Findings and Purpose**

##### **III-5-1.00**

The City Council finds and determines that the regulation of single-use carry-out bags is necessary to protect the public health, safety and welfare based on the following reasons:

A. The use of single-use carry-out bags by consumers is detrimental to the environment, public health and general welfare;

B. The manufacture and distribution of single-use carry-out bags requires the production of non-biodegradable plastics and results in the generation of greenhouse gas emissions;

C. Single-use carry-out bags contribute to environmental problems, including litter in stormdrains, creeks, the bay and the ocean; and

D. Single-use carry-out bags provided by retail establishments impose unseen costs on consumers, local governments, the state and taxpayers and constitute a public nuisance.



This City Council does, accordingly, find and declare that it should restrict the provision of single-use carry-out bags.

## **Section 2      Definitions**

### **III-5-2.00**

- A. "Customer" means any person obtaining goods from a retail establishment.
- B. "Garment Bag" means a travel bag made of pliable, durable material with or without a handle, designed to hang straight or fold double and used to carry suits, dresses, coats, or the like without crushing or wrinkling the same.
- C. "Nonprofit charitable reuser" means a charitable organization, as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, or a distinct operating unit or division of the charitable organization, that reuses and recycles donated goods or materials and receives more than fifty percent (50%) of its revenues from the handling and sale of those donated goods or materials.
- D. "Person" means any natural person, firm, corporation, partnership, or other organization or group however organized.
- E. "Prepared food" means foods or beverages which are prepared on the premises by cooking, chopping, slicing, mixing, freezing, or squeezing, and which require no further preparation to be consumed. "Prepared food" does not include any raw, uncooked meat product or fruits or vegetables which are chopped, squeezed, or mixed.
- F. "Public eating establishment" means a restaurant, take-out food establishment, or any other business that receives ninety percent (90%) or more of its revenue from the sale of prepared food to be eaten on or off its premises.
- G. "Recycled paper bag" means a paper bag provided at the check stand, cash register, point of sale, or other point of departure for the purpose of transporting food or merchandise out of the establishment that contains no old growth fiber and a minimum of forty percent (40%) post-consumer recycled content; is one hundred percent (100%) recyclable; and has printed in a highly visible manner on the outside of the bag the words "Reusable" and "Recyclable," the name and location of the manufacturer, and the percentage of post-consumer recycled content.
- H. "Retail establishment" means any commercial establishment that sells perishable or nonperishable goods including, but not limited to, clothing, food, and personal items directly to the customer; and is located within or doing business within the geographical limits of the City of Milpitas. "Retail establishment" does not include public eating establishments or nonprofit charitable reusers.
- I. "Reusable bag" means either a bag made of cloth or other machine washable fabric that has handles, or a durable plastic bag with handles that is at least 2.25 mil thick and is specifically designed and manufactured for multiple reuse. A garment bag may meet the above criteria regardless of whether it has handles or not.
- J. "Single-use carry-out bag" means a bag other than a reusable bag provided at the check stand, cash register, point of sale or other point of departure, including departments within a store, for the purpose of transporting food or merchandise out of the establishment. "Single-use carry-out bags" do not include bags without handles provided to the customer: (1) to transport prepared food, produce, bulk food or meat from a department within a store to the point of sale; (2) to hold prescription medication dispensed from a pharmacy; or (3) to segregate food or merchandise that could damage or contaminate other food or merchandise when placed together in a reusable bag or recycled paper bag.

## **Section 3      Implementation Date**

### **III-5-3.00**

This Chapter shall not be implemented until January 1, 2016.

## **Section 4      Single-use Carry-out Bag**

### **III-5-4.00**

A. No retail establishment shall provide a single-use carry-out bag to a customer, at the check stand, cash register, point of sale or other point of departure for the purpose of transporting food or merchandise out of the establishment except as provided in this Section.

B. On or before January 1, 2016, a retail establishment may only make recycled paper bags or reusable bags available to customers if the retailer charges a minimum of ten cents.

C. Notwithstanding this Section, no retail establishment may make available for sale a recycled paper bag or a reusable bag unless the amount of the sale of such bag is separately itemized on the sale receipt.

D. A retail establishment may provide one or more recycled paper bags at no cost to any of the following individuals: a customer participating in the California Special Supplement Food Program for Women, Infants, and Children pursuant to Article 2 (commencing with Section 123275) of Chapter 1 of Part 2 of Division 106 of the Health and Safety Code; a customer participating in the Supplemental Food Program pursuant to Chapter 10 (commencing with Section 15500) of Part 3 of Division 9 of the California Welfare and Institutions Code; and a customer participating in CalFresh pursuant to Chapter 10 (commencing with Section 18900) of Part 6 of Division 9 of the California Welfare and Institutions Code.

## **Section 5      Recordkeeping and Inspection**

### **III-5-5.00**

Every retail establishment shall keep complete and accurate records or documents of the purchase and sale of any recycled paper bag or reusable bag by the retail establishment, for a minimum period of three (3) years from the date of purchase and sale, which record shall be available for inspection at no cost to the City during regular business hours by any City employee authorized to enforce this part. Unless an alternative location or method of review is mutually agreed upon, the records or documents shall be available at the retail establishment address. The provision of false information including incomplete records or documents to the City shall be a violation of this Chapter.

## **Section 6      Enforcement**

### **III-5-6.00**

In addition to any other remedy available at law, City may enforce any violation of this Chapter pursuant to Section I-1-4.09 of the Milpitas Municipal Code.

## **SECTION 3. SEVERABILITY**

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.

#### **SECTION 4. EFFECTIVE DATE AND POSTING**

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its passage. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.



Recording Requested by and  
When Recorded Mail to:

City of Milpitas  
455 East Calaveras Boulevard  
Milpitas, CA 95035  
Attention: Office of the City Clerk

Record without fee under  
Section 6103 - Government Code  
State of California

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**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS GRANTING  
INITIAL ACCEPTANCE OF IMPROVEMENTS, AND APPROVING REDUCTION IN PENAL  
SUM OF SUBDIVISION IMPROVEMENT SECURITY FOR 1201 S. MAIN STREET, SORA  
MILPITAS, LLC (SHEA RESIDENTIAL) SUBDIVISION, TRACT 10139, PROJECT NO. 2718**

**WHEREAS**, Public Improvement Plan 2-1163 (Public Improvements) was approved by the City Council of the City of Milpitas (City Council) on February 5, 2013, for Tract No. 10139 located at 1201 S. Main Street, more commonly known as SORA Milpitas, LLC (Shea Residential) Subdivision, Project No. 2718, under and pursuant to the provisions of a Subdivision Improvement Agreement (SIA) between the City of Milpitas, a municipal corporation of the State of California, and SORA Milpitas, LLC, a Delaware limited liability company (Subdivider); and

**WHEREAS**, SORA Milpitas, LLC, as Principal, and Developers Surety and Westchester Fire Insurance Company, as Surety, executed and posted a certain Faithful Performance Bond No. K08851256, conditioned upon the faithful performance of the provisions of the SIA and upon the faithful performance of all Public Improvements work required thereunder; and

**WHEREAS**, the Public Improvements for the SORA Milpitas (Shea) project have been completed; and

**WHEREAS**, the SIA provides that the security shall extend for a period of one year after the date of acceptance of Public Improvements to cover the warrantee period of said improvements under the SIA; and

**WHEREAS**, the City Council is willing to consent to a reduction in the penal sum of said security during said one-year warranty period; and

**WHEREAS**, the City Engineer of the City of Milpitas (City Engineer) has made a final inspection of the Public Improvements for SORA Milpitas (Shea) and recommends that the City Council accept the Public Improvements as constructed in accordance with the approved plans and specifications.

**NOW, THEREFORE**, the City Council hereby finds, determines, and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

2. Those certain Public Improvements installed with Tract No. 10139, SORA Milpitas (Shea), Project No. 2718 are hereby accepted as constructed in accordance with the approved plans and specifications upon recommendation of the City Engineer.
3. The penal sum of that certain security furnished by the above-named Subdivider, as principal, and the above-named Surety in connection with the SIA for SORA Milpitas (Shea), may be reduced to the sum of \$240,000, upon request of said principal and Surety, with said penal sum as reduced to apply from the date of completion and acceptance of said improvements and to extend for the balance of the term of one year of said security. Provided, however, that nothing herein contained shall in any way be deemed to be a waiver, release or relinquish by City of any obligations imposed upon the Subdivider or its Surety, or sureties, by law or by the SIA, save and except as expressly set forth herein.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_ 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary Baum, Interim City Attorney

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS  
AMENDING THE CLASSIFICATION PLAN**

**WHEREAS**, the City of Milpitas has a Classification Plan adopted as Resolution No. 1626 on December 17, 1968, which has been from time to time previously amended, and which is in accordance with the Personnel Rules and Regulations of the City of Milpitas (Resolution No. 792, as amended); and

**WHEREAS**, amendments to the Classification Plan are necessary to account for changes within the organization, reductions in staffing, transfer of duties, new job responsibilities, and adjustments to salary ranges.

**NOW THEREFORE**, the City Council of the City of Milpitas hereby finds, determines and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. Resolution No. 1626, as amended, is hereby amended effective September 15, 2015 as follows:
  - A. The classification of "Maintenance Custodian" is reclassified to "Maintenance Worker" within the Public Works Department to better reflect the work and responsibilities of that position.
  - B. The classification of "Administrative Analyst" position is added to the Public Works Department's authorized position list for the purpose of performing a variety of responsible administrative and analytical assignments in the support of the improvement of management functions.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary M. Baum, Interim City Attorney



**City of Milpitas, California****BUDGET CHANGE FORM**

| Type of Change                                                                                                                              | From            |                  | To                  |                |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|---------------------|----------------|
|                                                                                                                                             | Account         | Amount           | Account             | Amount         |
| <b>Check one:</b><br><br><input checked="" type="checkbox"/> <b>Budget Appropriation</b><br><input type="checkbox"/> <b>Budget Transfer</b> | <b>100-2940</b> | <b>\$182,000</b> | <b>100-400-4111</b> | <b>182,000</b> |

**Explain the reason for the budget change:**

**Adopt a Resolution Adding One Administrative Analyst II Position and Reclassifying an Existing Maintenance Custodian Position, and Approve Appropriation from General Fund in the amount of \$182,000 for a Public Works Manager in the Public Works Department (Staff Contact: Nina Hawk, 408-586-2603)**

**Background:** The Public Works Department provides several key services for the Community, including maintenance and operations of City Facilities and aging infrastructure. Delivering these services requires significant oversight, relevant technical aptitude and adequate resources. Public Works must also manage the City's infrastructure in adherence to several ever-changing state regulations and operating permits. While the existing Public Works staff continues to provide a high level of service and are highly dedicated, it is evidenced that three staff positions should be added, funded or reclassified, to meet required service delivery and compliance with a number of regulatory requirements.

The Department Director proposes to establish a new Administrative Analyst II position, which will assist the entire department in meeting several regulatory requirements and permits, improve contractual management and help the department to develop written procedures for operations and maintenance. The Administrative Analyst will also conduct cost-benefit analysis, complete technical writing assignments and various supplemental assignments as needed. The Administrative Analyst would also serve as a key staff member in preparing the department specific budget. This position would report directly to the Director, but will work closely with all department manager(s), administration and various department staff.

The Maintenance Custodian classification is traditionally budgeted in the Facilities Maintenance Division within Public Works Department, however a few years ago during workforce reductions, an employee working in Facilities Maintenance was transferred to the Utilities Division to meet work load issues within the department. As a result, the employee has remained a Maintenance Custodian within the Utilities Division performing duties and tasks of a Maintenance Worker I/II. The employee has developed the required competencies for a Maintenance Worker I/II, and has acquired State specific certifications necessary to work within the Utilities Division. Therefore, the Department Director proposes the Maintenance Custodian position be reclassified as a Maintenance Worker I/II to match the existing work load and skills of the position.

The Public Works Department provides services in six functions: Streets Maintenance, Park Maintenance, Trees and Landscape Maintenance, Fleet Maintenance, Utilities Maintenance and Facilities Maintenance. Currently the Department has one Public Works Manager and utilizes three Maintenance Workers III's on special assignment to help manage these functions. A second Public Works Manager position is authorized but funding has not been provided in the last 2 years to due to budget constraint. Given the high level of customer service requests, contractor services and wide breadth of responsibility, it is apparent that another Public Works Manager is necessary to improve overall workflow, management and services within the department. The Department Director is requesting the approval to appropriate funds to fill the existing vacant Public Works Manager within the Public Works Department.

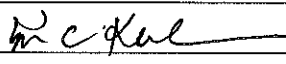
**Fiscal Impact:** There will be no fiscal impact to add an Administrative Analyst II and reclassify an existing Maintenance Custodian, as there is adequate funding available in the Department's Fiscal Year 2015-16 operating budget. An existing funded but unfilled Maintenance Worker position will be defunded and an existing vacancy in seasonal worker(s) will be used to fund the Administrative Analyst II position. An appropriation from the City's General Fund in the amount of \$182,000 is necessary to fund the Public Works Manager position.

**Recommendations:**

- 1) Adopt a resolution adding one Administrative Analyst II position and reclassify an existing Maintenance Custodian Position in the Public Works Department.
- 2) Approve appropriation of funds from the General Fund in the amount of \$182,000 to fill a vacant unfunded Public Works Manager position in the Public Works Department.

☒ Check if City Council Approval required.

Meeting: Sept 15th 2015

| Itemization of funds, if needed:            |                                                                                                      | Amount        |
|---------------------------------------------|------------------------------------------------------------------------------------------------------|---------------|
|                                             |                                                                                                      |               |
| Requested by:                               | Nina Hawk, Public Works Director                                                                     | Date:         |
| Department Head:                            | Nina Hawk, Public Works Director                                                                     | Date:         |
| Reviewed by:                                | Finance Director:  | Date: 9/9/15  |
| Approved by:                                | City Manager:                                                                                        | Date:         |
| Date approved by City Council, if required: |                                                                                                      | Confirmed by: |

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS OPPOSING THE  
TRANSPORTATION OF CRUDE OIL BY RAIL, SPECIFICALLY THE PHILLIPS 66 RAIL SPUR  
EXTENSION PROJECT AND CRUDE OIL UNLOADING FACILITY IN SAN LUIS OBISPO COUNTY, AND  
AUTHORIZING CITY MANAGER TO SEND LETTERS OF OPPOSITION**

**WHEREAS**, California refineries are in the process of securing permits to build rail terminals to import Canadian tar sands and Bakken crude oils from the Dakotas; and

**WHEREAS**, existing rail terminals are securing permits to import Canadian tar sands and Bakken crude oils to Central Coastal California; and

**WHEREAS**, for the first time, United States Energy Information Administration is providing monthly data on rail movements of crude oil, which have significantly increased over the past five years. The new data on crude-by-rail (CBR) movements are integrated with EIA's existing monthly petroleum supply statistics, which already include movements by pipeline, tanker, and barge; and

**WHEREAS**, the new monthly time series of crude oil rail movements includes shipments to and from Canada and dramatically reduces the absolute level of unaccounted for volumes in EIA's monthly balances for each region; and

**WHEREAS**, crude oil, like that coming from the Bakken shale reservoir, is known to be volatile, highly flammable, and contain elevated concentrations of benzene, a potent carcinogen; and

**WHEREAS**, tar sands crude or bitumen is known to be an extremely viscous form of petroleum that will not flow unless heated or diluted with other lighter hydrocarbons that include toxic substances, and is known to be extremely difficult to clean up when spills occur, especially in aquatic ecosystems; and

**WHEREAS**, almost 500,000 carloads of crude oil were transported by rail in 2014, up from 9,500 in 2008. It now accounts for "1.6% of total carloads for U.S. railroads," according to the Association of American Railroads. This statistic is accompanied by a similar rise in spectacular accidents, 143 incidents in 2014 alone affecting 21 states and 57,600 gallons of oil spilled; more crude oil was spilled in U.S. rail accidents in 2014 than in the preceding four decades; and

**WHEREAS**, rail incidents involving crude oil jumped nearly sixteen fold between 2010 and 2014, and the rise in crashes accompanies the burgeoning rail traffic from North Dakota's Bakken shale to points all over North America. Oil train accidents spread from 8 states in 2010 to 21 states in 2014, according to the consulting firm ClearView Energy Partners' analysis of data from the U.S. Pipeline and Hazardous Materials Safety Administration; and

**WHEREAS**, rail incidents are still happening in 2015, including the fiery derailments recently in Mount Carbon, West Virginia, and Galena, Illinois. Both of these incidents involved the newer CPC 1232 cars initially proposed as a safer alternative to the DOT-111 cars involved in other accidents, such as the deadly derailment and crash in Lac-Mégantic, Quebec in July 2013, that killed 47 people, and caused over \$1 billion in damages; and

**WHEREAS**, in July 2010, Enbridge Energy Partners LL, reported a 30-inch tar sands oil pipeline burst that caused more than 1 million gallons of tar sands to flow into Michigan's Kalamazoo River and, in June 2015, the U.S. Department of Justice has lodged a proposed Consent Decree on behalf of federal, state, and tribal natural resource trustees to resolve natural resource damage claims arising from this incident; and

**WHEREAS**, to date in 2015 there has been a 20-car oil train derailment in rural eastern Montana spilling 35,000 gallons of crude oil; a 109-car crude train derailment in North Dakota causing six cars to catch fire and an estimated 60,000 gallons of oil to spill; a 21-car train derailment (of a 103 tank car) resulting in at least 5 cars rupturing and causing fires and wreckage to burn for several days and threatening a tributary to the Mississippi River and the Upper Mississippi



National Wildlife and Fish Refuge, which is one of the most complex ecosystems in North America; and a 27-car crude oil train car derailment in West Virginia with 19 train cars catching fire and spilling oil into the Kanawha River; and

**WHEREAS**, the operation unit and manifest trains to and from the refinery would be performed by Union Pacific Railroad (UPRR), on UPRR property, with trains entering California at five different locations (one at the north end of the state from Oregon, two at the northeast from Nevada, one at the southeast from Nevada, and one from the south from Arizona.) Depending upon the route taken by the train, they would arrive at the refinery from the north or south. According to the Revised EIR, it is unknown what route UPRR would use to deliver the trains to the refinery; however if the northern route is used to deliver the crude oil to the refinery then the trains would travel through portions of unincorporated County areas and cities of Santa Clara County, including Milpitas, San Jose, Morgan Hill, and Gilroy, as shown on Exhibit A, attached hereto and incorporated herein, which are maps of the major UPRR routes and property in Santa Clara County; and

**WHEREAS**, if the northern route is used to deliver the crude oil to the Project, the oil trains would travel adjacent to areas of Santa Clara County that are densely populated, as shown on Exhibit B, attached hereto and incorporated herein; and

**WHEREAS**, if the northern route is used, the trains carrying crude oil would use portions of the same UPRR track in south Santa Clara County that is also used by Caltrains on a daily basis to transport visitors and residents to points in Santa Clara County and points north in San Mateo and San Francisco Counties; and

**WHEREAS**, trains delivering crude traveling through the Bay Area will follow routes adjacent to densely populated areas and the San Francisco Bay Estuary and its tributaries, posing a serious threat to this ecosystem which is considered a biodiversity hotspot, sustaining significant aquatic and estuarine species and habitat, and is a treasured icon for millions of Bay Area residents; and

**WHEREAS**, trains delivering crude traveling through the Bay Area will follow routes adjacent to the Sacramento River and the Sacramento-San Joaquin Delta, posing a serious threat to the water supply for most of California; and

**WHEREAS**, hauling crude oil into California involves traversing some of the most challenging mountain passes in the nation, areas laced with earthquake faults and numerous unsafe old steel and timber bridges over major waterways, greatly increasing the probability of serious accidents; and

**WHEREAS**, the Revised DEIR from San Luis Obispo County concludes that the potential for a crude oil unit train to derail would increase the risk to the public in the vicinity of the UPRR right of way and the operation of crude oil trains on the UPRR tracks would increase the demand for fire protection and emergency response services along the rail routes, and that the increased risk of accident and the increased demand on fire protection and emergency response services is a significant and unavoidable impact of the Project; and

**WHEREAS**, the Revised DEIR also concludes that operational activities of trains along the UPRR mainline route outside of San Luis Obispo County would generate criteria pollution emissions that exceed thresholds, and that these impacts are significant and unavoidable; and

**WHEREAS**, the National Transportation Safety Board, as a result of recent catastrophic crude oil accidents, made recommendations to federal agencies to improve rail safety regulations for the transport of crude oil, including requirements for comprehensive worst-case scenario emergency response plans and requirements for testing and documenting the physical and chemical characteristics of hazardous materials being offered for shipment by rail; and

**WHEREAS**, analysis from the United States Department of Transportation of the risks associated with crude oil shipments in the United States projected that trains carrying oil would derail an average of 10 times a year over the next 2 decades, causing more than \$4 billion in damages, and also projects that if just one of these projected derailments occurred in a high-population area in the United States, it could kill more than 200 people and cause approximately \$6 billion in damages; and

**WHEREAS**, Santa Clara County’s population of nearly 1.8 million is one of the largest in the State, following Los Angeles, San Diego, and Orange Counties and the largest of the nine Bay Area counties, constituting about one fourth of the Bay Area’s total population and a train derailment within the County would cause great harm to the County’s residents, environment, and economy.

**WHEREAS**, a crude-by-rail Project, the Phillips 66 Santa Maria Refinery Rail Spur Extension, is currently before San Luis Obispo County for approval, and trains delivering crude oil for this Project would use Union Pacific rail tracks through City of Milpitas and Santa Clara County.

**NOW THEREFORE, BE IT RESOLVED**, by the City Council of the City of Milpitas that:

1. The City Council opposes the Phillips 66 Rail Extension and Crude Oil Unloading Facility in San Luis Obispo and opposes using existing Union Pacific Rail Road lines to transport crude oil for the Project through the City of Milpitas and other densely populated cities in San Clara County and adjacent habitat and agricultural areas.
2. The City Council authorizes the City Manager to send a letter to the County Board of Supervisors of San Luis Obispo expressing opposition of the Project by joining other agencies.

PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary M. Baum, Interim City Attorney



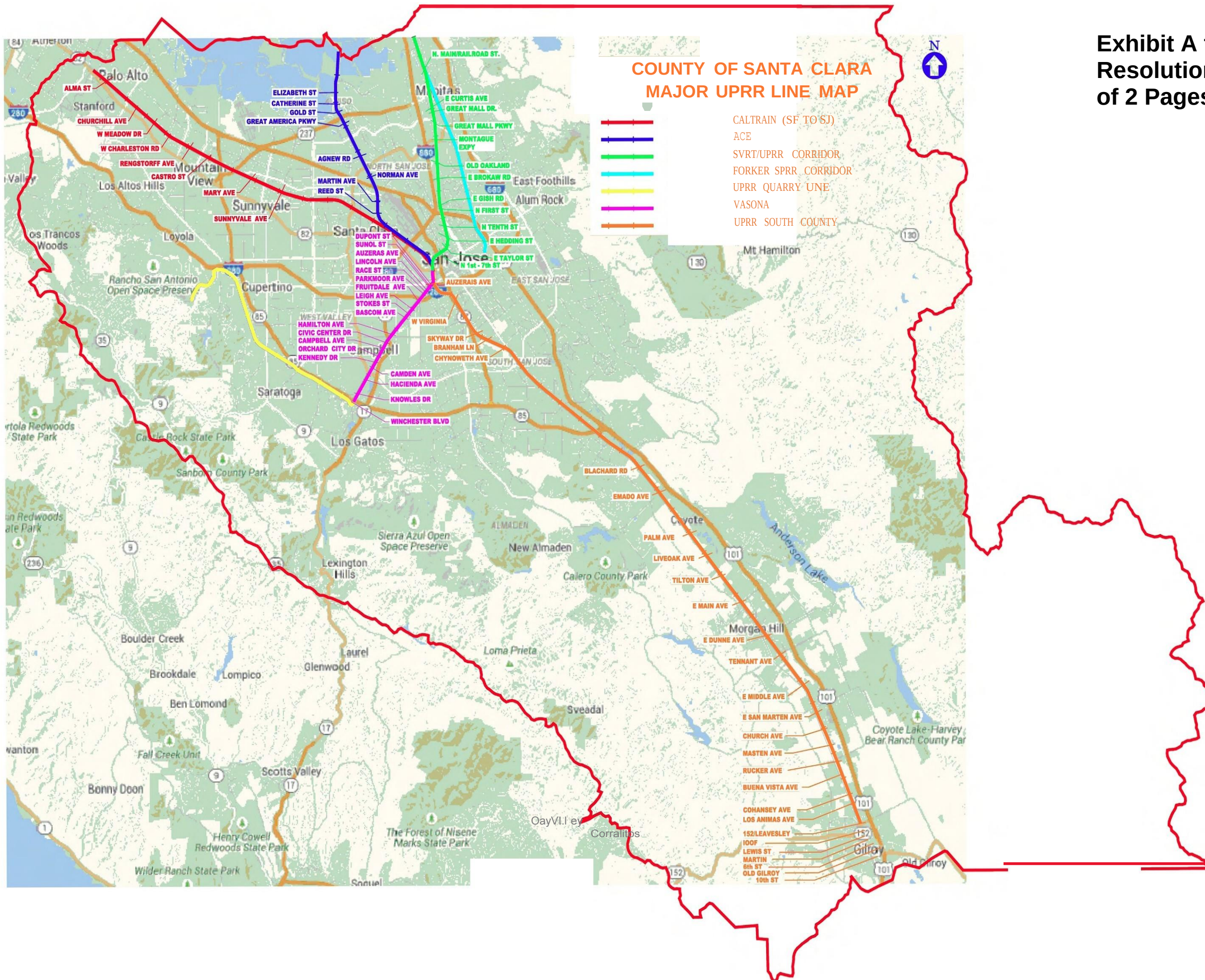
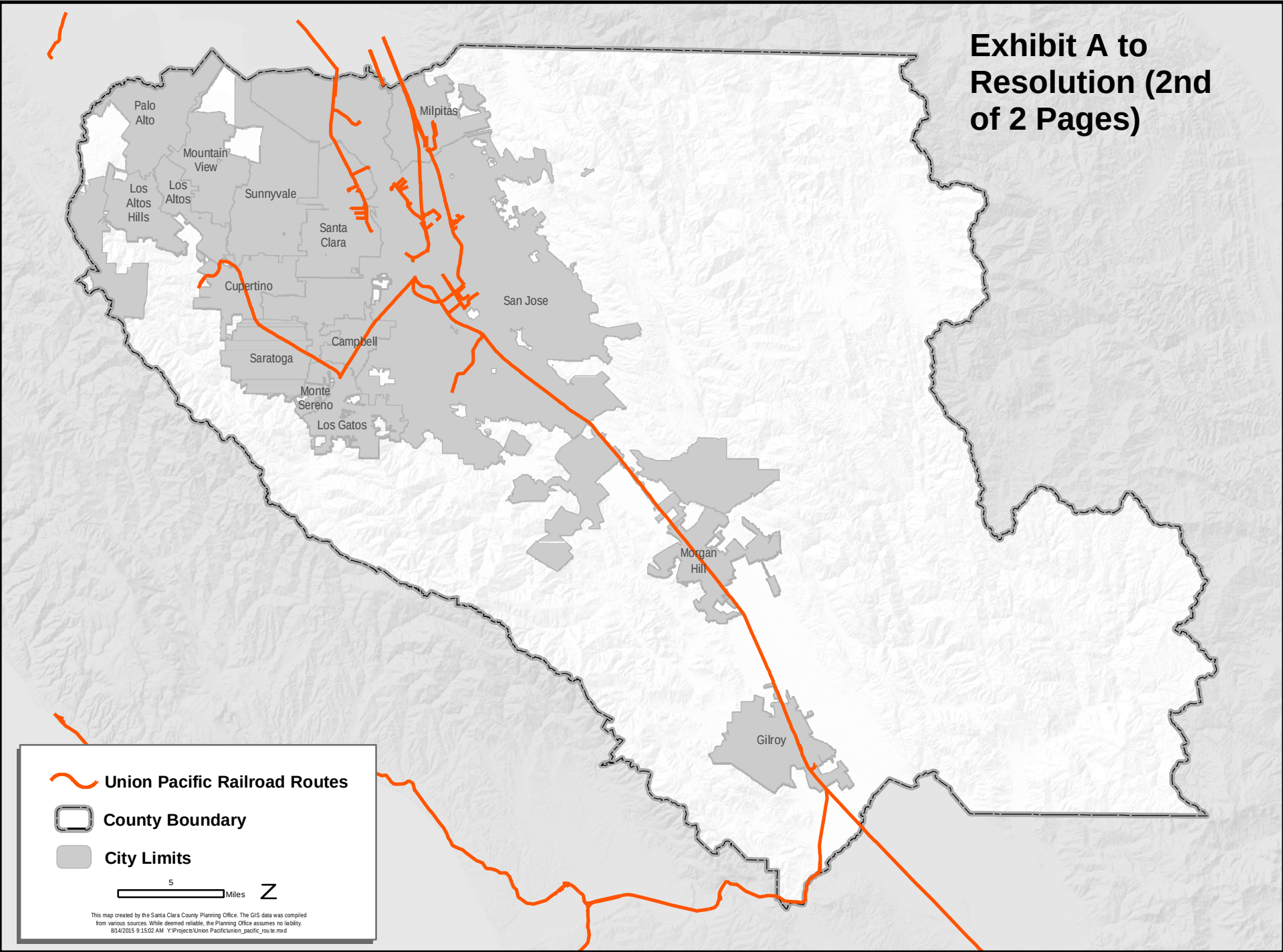


Exhibit A to  
Resolution (1st  
of 2 Pages)

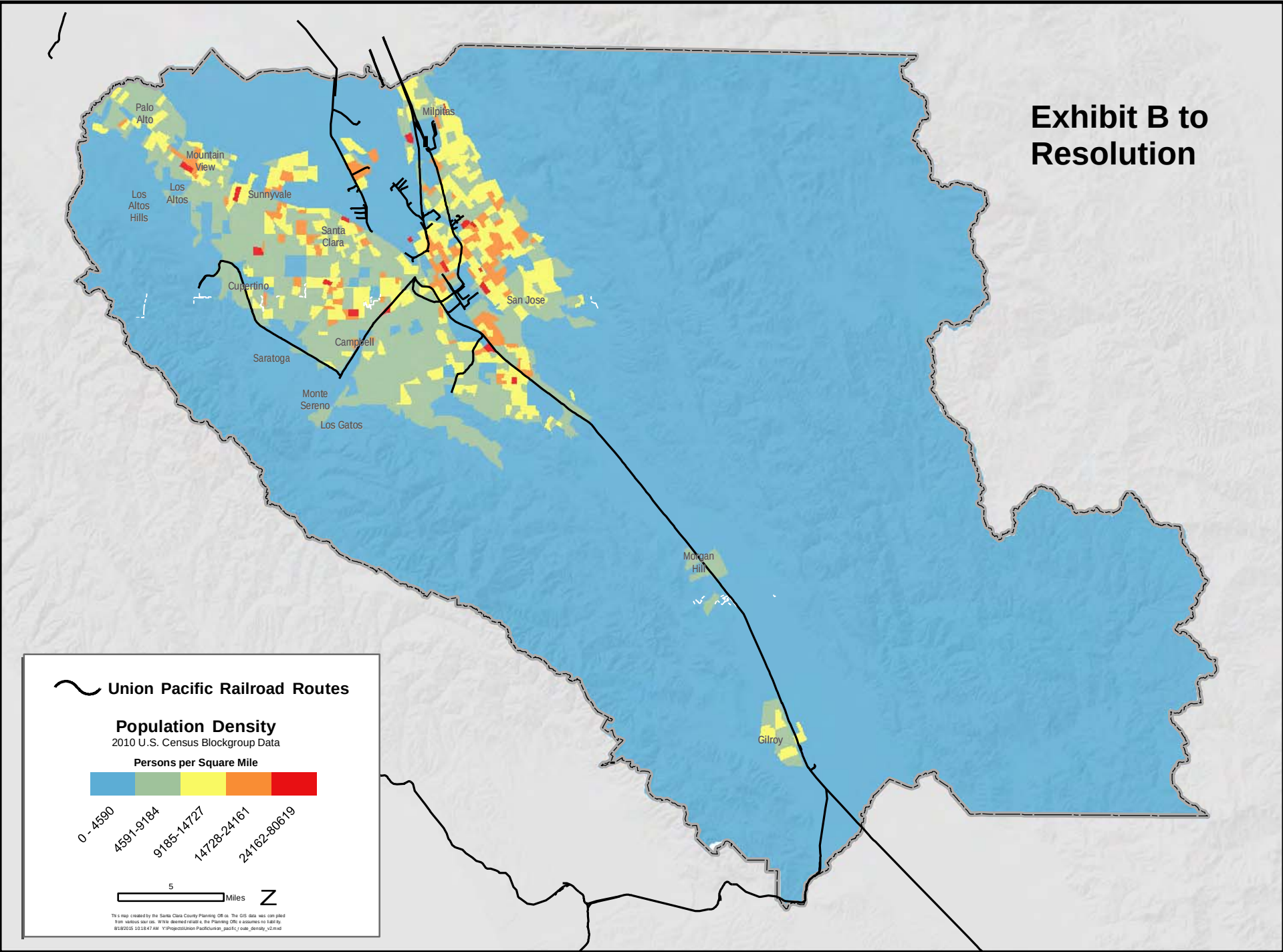


Union Pacific Railroad Routes in Santa Clara County

Exhibit A to  
Resolution (2nd  
of 2 Pages)



Union Pacific Railroad Routes in Santa Clara County





**\*15B**

**Related to report on train accident in Canada, as referred to in Agenda Item No. 15**



*Rail cars burning after crude oil train derailment in Lac-Mégantic*  
(Source: <http://crudeoilpeak.info/the-high-cost-of-railroading-unconventional-crude>)



**EIGHTH AMENDMENT TO THE MASTER AGREEMENT  
BETWEEN THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AND THE CITY OF MILPITAS RELATING TO THE SILICON VALLEY  
RAPID TRANSIT PROGRAM BERRYESSA EXTENSION PROJECT**

---

This Eighth Amendment to the Master Agreement Between the Santa Clara Valley Transportation Authority and the City of Milpitas Relating to the Silicon Valley Rapid Transit Program Berryessa Extension Project (“Eighth Amendment”) is entered into this 15<sup>th</sup> day of September, 2015, by and between the City of Milpitas, a municipal corporation of the State of California (hereafter referred to as “City”) and the Santa Clara Valley Transportation Authority, a public transit district (hereafter referred to as “VTA”) (collectively, the “Parties”). This Eighth Amendment becomes effective upon the date listed above.

**RECITALS**

WHEREAS, the Parties entered into a Master Agreement to memorialize the Parties’ consultation and cooperation, define their respective rights and obligations, and ensure future cooperation between VTA and the City in connection with the Silicon Valley Berryessa Extension Project (“Project” or “SVBX”), on September 10, 2010 (hereafter referred to as the “Master Agreement”), and the Parties entered into Amendment No. 1 on September 8, 2011, Amendment No. 2 on December 7, 2011, Amendment No. 3 on June 7, 2012, Amendment No. 4 on September 18, 2012, Amendment No. 5 on April 16, 2013, Amendment No. 6 on July 31, 2014, and Amendment No. 7 on June 30, 2015 to refine and increase the work scope; and

WHEREAS, the Parties agreed on July 31, 2014, to extend the time of performance to September 30, 2015, to complete the work plan within the budget agreed upon under Amendment No. 6; and

WHEREAS, the Master Agreement and Amendments address the relationship and responsibilities between the Parties regarding the City municipal infrastructure that is affected by the SVBX construction; and

WHEREAS, the Parties desire to enter into this Eighth Amendment to (i) increase the scope of work by \$646,100, (ii) extend the term of the Work Plan to February 28, 2017, and (iii) revise the billing rates for City services to reflect the hourly rates approved by the City Council on January 21, 2014 as part of the 2014 Cost Allocation Plan Update and adjusted administratively.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties agree to amend the Master Agreement as follows:

Section A. Delete Exhibit B City Work Plan and replace it with a new Exhibit B entitled “City Work Plan” attached hereto and incorporated by reference herein.

Section B. All other provisions of the Master Agreement and any subsequent amendments not modified by this Eighth Amendment shall remain in full force and effect.

**Section C.** Each person signing this Eighth Amendment represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Eighth Amendment. Each party represents and warrants to the other that the execution and delivery of the Eighth Amendment and the performance of such party's obligations hereunder have been duly authorized and that the Eighth Amendment is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

## **SANTA CLARA VALLEY TRANSPORTATION AUTHORITY**

APPROVED AS TO FORM

By: \_\_\_\_\_  
Nuria I. Fernandez  
General Manager

By: \_\_\_\_\_  
Victor Pappalardo, Senior Assistant Counsel

Date: \_\_\_\_\_

## **CITY OF MILPITAS**

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Thomas C. Williams  
City Manager

\_\_\_\_\_  
Gary Baum  
City Attorney

Date: \_\_\_\_\_

APPROVED AS TO CONTENT:

By: \_\_\_\_\_  
Steven Machida, Director of Engineering

# Revised Exhibit B

## City Work Plan

The following is a summary of anticipated labor costs and reimbursable expenses payable from VTA to City in the 17 month period from October 1, 2015 to February 28, 2017. The existing funding is estimated to cover expenses through March 2016, and additional funding is necessary for the remaining 11 months.

Table B-1: Labor Costs

| No. | Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Calculation or Basis of Estimate                                                      | Amount             |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------|
| 1   | Project Support services including but not limited to: coordination meetings, right of way/easement requirements, design review, submittal review, construction coordination, permit processing, inspections, utility coordination, document management, permit closeout, and record drawing management. Estimated level of work is 430 hours per month through May 2016, reduce to 350 hours through December 2016, and reduce to 270 hours through February 2017. Assume consultants will provide 190 hours per month and City staff will provide the remainder. | Oct 1, 2015 – May 31, 2016<br>\$175/hr x 240 hrs/month x 8 months                     | \$336,000          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | June 1, 2016 through Dec 31, 2016<br>\$175/hr x 160 hours per month x 7 months        | \$196,000          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | January 1, 2017 through February 28, 2017<br>\$175/hr x 80 hours per month x 2 months | \$28,000           |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Less available funding of                                                             |                    |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Subtotal this task                                                                    | (\$325,000)        |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                       | \$235,000          |
| 2   | Consultant support – Includes 190 hours per month for 17 months (weighted average hourly rate = \$170/hour).                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$170 /hour x 190 hours per month x 17 months                                         | \$549,100          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Less available funding of                                                             | <u>(\$150,000)</u> |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Subtotal this task                                                                    | \$399,100          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                       |                    |



|  |                       |  |           |
|--|-----------------------|--|-----------|
|  | Subtotal: Labor Costs |  | \$634,100 |
|--|-----------------------|--|-----------|

Labor Cost Notes:

1. VTA is currently implementing the Montague Reconstruction project in the City of Milpitas, under a Joint Powers Agreement with the County of Santa Clara and the Santa Clara Valley Water District. The Montague Reconstruction is a separate project from SVBX. City costs associated with Montague Reconstruction shall not be charged against the budgets provided in this Amendment.
2. VTA shall have the right to participate in the selection of consultants engaged by City that will be reimbursed by VTA pursuant to this Amendment No. 8.

Table B-2: Expenses<sup>1</sup>

|   |                                       |                                 |          |
|---|---------------------------------------|---------------------------------|----------|
| 1 | Special inspection/testing, if needed | Lump sum                        | \$10,000 |
| 2 | Reimbursement for printing.           | 20,000 sheets x<br>\$0.10/sheet | \$2,000  |
|   |                                       |                                 |          |
|   | Subtotal: Expenses                    |                                 | \$12,000 |

Expense Notes:

1. Expense items listed in this Amendment may be payable either by VTA directly, or through its contractors, in accordance with VTA's applicable construction contracts.

Table B-3: City Hourly Rates

| Milpitas Job Title       | Hourly Rate |  | Milpitas Job Title        | Hourly rate |
|--------------------------|-------------|--|---------------------------|-------------|
| Assistant City Attorney  | \$158       |  | Public Works Inspector    | \$179       |
|                          |             |  | Assistant Civil Engr      | \$183       |
| CIP Manager              | \$184       |  |                           |             |
| Principal Civil Engineer | \$234       |  | Engr Aide                 | \$166       |
|                          |             |  | Sr Public Works Inspector | \$202       |
| Traffic Engineer         | \$234       |  | Sr Building Inspector     | \$168       |
| Assoc Civil Engineer     | \$207       |  | Bldg Inspector            | \$148       |
| Student Intern           | \$25        |  | Secretary                 | \$130       |
| Senior Planner           | \$219       |  | Administrative Analyst    | \$133       |

| Milpitas Job Title            | Hourly Rate |  | Milpitas Job Title               | Hourly rate |
|-------------------------------|-------------|--|----------------------------------|-------------|
| Principal Planner             | \$237       |  | Public Info Specialist           | \$133       |
| Assistant Planner             | \$172       |  | Equipment Maintenance Worker III | 177         |
|                               |             |  | Water Systems Operator           | \$177       |
| Deputy Fire Chief             | \$233       |  | Assistant Water Systems Operator | \$162       |
| Fire Marshal                  | \$193       |  | Utility Maint Worker III         | \$148       |
| Fire Protection Engr          | \$196       |  | Utility Maintenance Worker II    | \$128       |
| Fire Captain                  | \$220       |  | Equipment Maintenance Worker II  | \$158       |
| Fire Prevention Inspector     | \$193       |  | Office Specialist                | \$105       |
| Hazmat Inspector              | \$191       |  | Office Assistant                 | \$93        |
| Battalion Chief               | \$255       |  | Finance Manager                  | \$148       |
| Building Official             | \$188       |  | Accountant                       | \$102       |
| Permit Center Manager         | \$158       |  | Fiscal Services Assistant II     | \$77        |
| Electrical Building Inspector | \$154       |  | Permit Technician                | \$112       |
| Plan Check Engineer           | \$170       |  | Public Works Manager             | \$156       |
| Plan Checker                  | \$147       |  | GIS Manager                      | \$143       |

The hourly rates set forth above are the hourly rates approved by the City Council on January 21, 2014, as part of the 2014 Cost Allocation Plan Update, have been adjusted administratively by the Director of Finance for FY 15-16, and will be adjusted similarly in subsequent years. VTA shall pay the applicable rates in effect at the time services are provided.

**City of Milpitas, California****BUDGET CHANGE FORM**

| Type of Change                                                                                                                              | From                        |                  | To                         |                |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|----------------------------|----------------|
|                                                                                                                                             | Account                     | Amount           | Account                    | Amount         |
| <b>Check one:</b><br><br><input checked="" type="checkbox"/> <b>Budget Appropriation</b><br><input type="checkbox"/> <b>Budget Transfer</b> | <b>311-951-4265-15-3575</b> | <b>\$300,000</b> | <b>311-951-4265-2-4800</b> | <b>300,000</b> |

**Explain the reason for the budget change:**

Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority Related to the Silicon Valley Rapid Transit Program Berryessa Extension BART Project to Extend the Term to February 28, 2017, Increase the Agreement Amount by \$646,100, and Approve a Budget Appropriation of \$300,000. (Staff Contact: Steven Machida, 408-586-3355)

**Background:** The extension of the Bay Area Rapid Transit (BART) system into Santa Clara County is being implemented by Valley Transportation Authority's (VTA) Silicon Valley Rapid Transit (SVRT) program. The City and VTA executed a Master Agreement in 2010, which created a cooperative framework between VTA and the City for design and construction of the BART line extension through Milpitas. This agreement allows for reimbursement of City expenses for a variety of coordination efforts, including but not limited to design approval and inspection of City facilities, encroachment permit oversight, easements, utility maintenance operations, meetings, resolution of construction issues, and consultant support. The Master Agreement and Amendments No. 1 –7 included a work plan which described reimbursement of the City's support effort with a total agreement amount of \$4,686,888 through September 30, 2015.

Several phases of the work are in progress simultaneously, including relocation of existing utilities, installation of new utilities, track installation, parking garage, roadway, frontage, and station construction. It is now necessary to extend the work plan duration and increase the contract amount for continued staff support.

Staff negotiated a work plan extension with VTA and recommends increasing the Master Agreement amount in the value of \$646,100 for the additional work for a not-to-exceed total amount of \$5,332,988; and extending the term to February 28, 2017. The requested budget appropriation will place a portion of this funding into a project budget account to allow payment for consultant support to the BART project.

**California Environmental Quality Act (CEQA):** This action is exempt from CEQA as there will be no physical change to the environment.

**Alternative:** If the amendment is not approved, staff will not be available to provide support to the project which will impact construction and inspection of City infrastructure.

**Fiscal Impact:** The Master Agreement requires VTA to establish a deposit account with the City to fund the City's work related to the BART extension project. This amendment provides for an additional deposit of \$646,100 for reimbursable costs in accordance with the Master Agreement.

**Recommendations:**

1. Approve Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority related to the Silicon Valley Rapid Transit Program Berryessa Extension BART Project to extend the term to February 28, 2017 and increase the agreement amount by \$646,100.
2. Approve a budget appropriation of \$300,000 to Project No. 4265 – BART- extension coordination and planning in the CIP.



☒ Check if City Council Approval required.

Meeting: Sept 15th 2015

| Itemization of funds, if needed:            |                                          | Amount        |
|---------------------------------------------|------------------------------------------|---------------|
|                                             |                                          |               |
| Requested by:                               | Marilyn Nickel, Associate Civil Engineer | Date:         |
| Department Head:                            | Steven Machida, Director of Engineering  | Date:         |
| Reviewed by:                                | Finance Director: <i>[Signature]</i>     | Date: 9/8/15  |
| Approved by:                                | City Manager:                            | Date:         |
| Date approved by City Council, if required: |                                          | Confirmed by: |

FI/24786/V

Form 30-222 (Rev. 1/92)

**AMENDMENT NO. 4  
TO CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF MILPITAS AND  
VALI COOPER & ASSOCIATES, INC**

This Amendment is entered into this 15th day of September, 2015, by and between the City of Milpitas, a municipal corporation of the State of California (hereafter referred to as "CITY") and Vali Cooper & Associates, Inc., a California corporation (hereafter referred to as "CONSULTANT").

**RECITALS**

WHEREAS, the parties entered into an agreement on November 20, 2013 entitled "Consulting Services Agreement between the City of Milpitas and Vali Cooper & Associates, Inc." ("Agreement") for professional support services on the BART Silicon Valley Berryessa Extension (SVBX) project (Project No. 4265) in the amount of Nineteen Thousand Seven Hundred Sixty Dollars (\$19,760); and

WHEREAS, the parties entered into Amendment No. 1 to the Agreement on January 21, 2014 to increase the compensation in the amount of Seventy Five Thousand Dollars (\$75,000) to allow CONSULTANT to continue providing support services for the BART Silicon Valley Berryessa Extension (SVBX) project;

WHEREAS, the parties entered into Amendment No. 2 to the Agreement on June 3rd, 2014 to extend the term to June 30, 2015 and increase the compensation in the amount of One Hundred Fifty Eight Thousand Two Hundred Forty Dollars (\$158,240) to allow CONSULTANT to continue providing support services for the BART Silicon Valley Berryessa Extension (SVBX) project;

WHEREAS, the parties entered into Amendment No. 3 of the Agreement on December 16, 2014 to extend the term of the Agreement to September 30, 2015 and increase the compensation in the amount of Three Hundred Thousand Dollars (\$300,000) to allow CONSULTANT to continue providing support services for the BART Silicon Valley Berryessa Extension (SVBX) project;

WHEREAS, the parties desire to amend the Agreement again to extend the term of the Agreement to October 31, 2016 and increase the compensation in the additional amount of Three Hundred Ten Thousand Dollars (\$310,000), for a total not-to-exceed amount of Eight Hundred Sixty Three Thousand Dollars (\$863,000) to allow CONSULTANT to continue providing engineering support services for the BART Silicon Valley Berryessa Extension (SVBX) project and Montague Expressway Widening project.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree to amend the Agreement as follows:

1. Section 1.1 entitled "Term of Services" of the Agreement is amended in its entirety to read as follows:

**1.1 Term of Services.** The term of this Amendment shall begin on the date first noted above and shall end on October 31, 2016, the date of completion specified in Exhibit A and Consultant shall complete all the work described in Exhibit A prior to that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as provided for in Section 8.

2. Section 2, entitled "Compensation" of the Agreement is amended in its entirety to read as follows:

**Section 2. COMPENSATION.** City hereby agrees to pay Consultant an amount not to exceed Eight Hundred Sixty Three Thousand Dollars (\$863,000) based on time and materials for all services to be performed and reimbursable costs incurred under this Agreement. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Hourly rates for personnel performing services shall be as shown in Exhibit B. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement."

3. Exhibit A is repealed and replaced in its entirety with Exhibit A-4.
4. Exhibit B is repealed and replaced in its entirety with Exhibit B-4.



5. The Consultant agrees to maintain and pay for all insurance policies as stated in Section 4, entitled "Insurance Requirements" of the Agreement dated **November 20, 2013** between **Vali Cooper & Associates, Inc.** and the City of Milpitas. The Consultant shall provide the City with renewal certificates of the current policies upon the expiration of the current policy.
6. All other provisions of the Agreement not modified by this Amendment No. 4 shall remain in full force and effect.

This Amendment is executed as of the date written on Page 1.

APPROVED BY:

CITY OF MILPITAS

VALI COOPER & ASSOCIATES, INC.  
CONSULTANT

\_\_\_\_\_  
Thomas C. Williams, City Manager

\_\_\_\_\_  
John Collins, Chief Operating Officer

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Steven J. Machida, Director of Engineering

APPROVED AS TO FORM:

\_\_\_\_\_  
Gary Baum, Interim City Attorney

## **EXHIBIT A-4**

### **SCOPE OF SERVICES**

CONSULTANT shall provide on-call engineering support services to the CITY for the Valley Transportation Authority's (VTA) Silicon Valley Bart Extension (SVBX), the County of Santa Clara's Montague Widening, and necessary related miscellaneous third party utility reviews.

CONSULTANT and the CITY recognize the importance of the need to maintain the CONSULTANT'S key personnel throughout the entire duration of this Agreement. CONSULTANT shall not make any changes to the assigned personnel listed below without CITY written approval.

Project Engineers:  
Russ Moore  
Gareth Gill

#### **Task 1 – VTA SVBX support – CIP 4265**

Consultant shall provide professional engineering support services for the BART project. Duties shall include:

- Review documents, such as plans, specifications, performance criteria, maps, submittals
- Research maps and records
- Coordinate City responses on draft documents, such as plans, specifications, performance criteria, maps
- Attend coordination meetings
- Prepare documents, such as maps, charts, memos, permits, meeting minutes
- Track utility relocations
- Manage documents
- Assist Milpitas staff as needed

#### **Task 2 – County Montague Widening support – CIP 4179**

Consultant shall provide professional engineering support services for the BART project. Duties shall include:

- Review documents, such as plans, specifications, performance criteria, maps, submittals
- Research maps and records
- Coordinate City responses on draft documents, such as plans, specifications, performance criteria, maps
- Attend coordination meetings

- Prepare documents, such as maps, charts, memos, permits, meeting minutes
- Track utility relocations
- Manage documents
- Assist Milpitas staff as needed

### Task 3 Miscellaneous third party utility support – Various Private Job Accounts

Consultant shall provide professional engineering support services for the BART project. Duties shall include:

- Review documents, such as plans, specifications, performance criteria, maps, submittals
- Research maps and records
- Coordinate City responses on draft documents, such as plans, specifications, performance criteria, maps
- Attend coordination meetings
- Prepare documents, such as maps, charts, memos, permits, meeting minutes
- Track utility relocations
- Manage documents
- Assist Milpitas staff as needed

All work shall be completed by October 31, 2016.



EXHIBIT B-4  
COMPENSATION SCHEDULE

| <u>Personnel</u> | <u>Hourly Rates</u> |
|------------------|---------------------|
| Russ Moore       | \$195               |
| Gareth Gill      | \$155               |

Other Vali Cooper & Associates, Inc. personnel may be assigned, upon mutual agreement of City and Vali Cooper & Associates, Inc., and according to the billing rate schedule 2015 and 2016.

EXHIBIT C  
INSURANCE DOCUMENTS

**CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF MILPITAS AND  
CSG CONSULTANTS, INC.**

THIS AGREEMENT for consulting services is made by and between the City of Milpitas, a municipal corporation of the State of California ("City"), and CSG Consultants, Inc., a California corporation ("Consultant") as of September 15, 2015.

**AGREEMENT**

**Section 1. SERVICES.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in the Scope of Work attached as Exhibit A at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A the Agreement shall prevail.

- 1.1 Term of Services.** The term of this Agreement shall begin on the date first noted above and shall end on September 15, 2016, the date of completion specified in Exhibit A, and Consultant shall complete all the work described in Exhibit A prior to that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as provided for in Section 8.
- 1.2 Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement in the manner and according to the professional standards normally observed by a practitioner of the profession in which Consultant is engaged in the geographical area in which Consultant practices its profession. Consultant shall prepare all work products required by this Agreement in a substantial manner and shall conform to the professional standards of quality normally observed by a person practicing in Consultant's profession.
- 1.3 Professional Skill.** It is mutually agreed by the parties that City is relying upon the professional skill of the consultant as a specialist in the work, and Consultant represents to the City that its work shall conform to the normal professional standards of the profession. Acceptance of the Consultant's work by the City does not operate as a release of Consultant's representations. It is intended that Consultant's work shall conform to normal standards of accuracy, completeness and coordination.
- 1.4 Assignment of Personnel.** Consultant shall assign only competent personnel to perform services pursuant to this Agreement. Exhibit A shall name any specific personnel who shall be performing services. In the event that City, in its sole discretion, at any time during the term of this Agreement, desires the reassignment



of any such persons, Consultant shall, immediately upon receiving notice from City of such desire of City, reassign such person or persons.

- 1.5 Time.** Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Section 1.1 above and to complete Consultant's obligations hereunder.

**Section 2. COMPENSATION.** City hereby agrees to pay Consultant an annual amount not to exceed One Hundred and Fifty Thousand dollars (\$150,000.00) during the entire term of the Agreement. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Hourly rates for personnel performing services shall be as shown in Exhibit B. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

- 2.1 Invoices.** Consultant shall submit invoices, not more often than once a month during the term of this Agreement, based on the cost for services performed and reimbursable costs incurred during the billing period. Invoices shall contain the following information:

- Serial identification of bills;
- The beginning and ending dates of the billing period;
- A Task Summary containing the original contract amount, the amount of prior billings, the total due this period, the balance available under the Agreement, and the percentage of completion, if applicable;
- At City's option, for each work item in each task, a copy of the applicable time entries or time sheets shall be submitted showing the name of the person doing the work, the hours spent by each person, a brief description of the work, and each reimbursable expense;
- The total number of hours of work performed under the Agreement by Consultant and each employee, agent, and subcontractor of Consultant performing services hereunder, as well as a separate notice when the total number of hours of work by Consultant and any individual employee, agent, or subcontractor of Consultant reaches or exceeds 800 hours, which shall include an estimate of the time necessary to complete the work described in Exhibit A;

- The Consultant's signature.

**2.2 Monthly Payment.** City shall make monthly payments, based on invoices received, for services satisfactorily performed, and for authorized reimbursable costs incurred. City shall have thirty (30) days from the receipt of an invoice that complies with all of the requirements above and is otherwise acceptable to the City to pay Consultant. In the event that an invoice is not acceptable to the City, said invoice shall be returned to Consultant within thirty (30) days of the City's receipt of the invoice with a detailed explanation of the deficiency. City's obligation to pay a returned invoice shall not arise earlier than thirty (30) days after resubmission of the corrected invoice.

**2.3 Total Payment.** City shall pay for the services to be rendered by Consultant pursuant to this Agreement. City shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. City shall make no payment for any extra, further, or additional service pursuant to this Agreement.

In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment. In the event that Consultant identifies additional work outside the scope of services specified in Exhibit A that may be required to complete the work required under this Agreement, Consultant shall immediately notify the City and shall provide a written not-to-exceed price for performing this additional work.

**2.4 Hourly Fees.** Fees for work performed by Consultant on an hourly basis shall not exceed the amounts shown on Exhibit B

**2.5 Payment of Taxes.** Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any other applicable federal or state taxes.

**2.6 Reimbursable Expenses.** Reimbursable expenses are included in the total not-to-exceed amount of compensation provided under this Agreement.

**2.7 Payment upon Termination.** In the event that the City or Consultant terminates this Agreement pursuant to Section 8, the City shall compensate the Consultant for all outstanding costs and reimbursable expenses incurred for work satisfactorily completed as of the date of written notice of termination. Consultant shall maintain adequate logs and timesheets in order to verify costs incurred to that date. The City shall have no obligation to compensate Consultant for work not verified by logs or timesheets.

- 2.8     Authorization to Perform Services.** The Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of a written Notice to Proceed from the City.

**Section 3.     FACILITIES AND EQUIPMENT.** Except as set forth herein, Consultant shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to perform the services required by this Agreement. City shall make available to Consultant only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

City shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Consultant's use while consulting with City employees and reviewing records and the information in possession of the City. The location, quantity, and time of furnishing those facilities shall be in the sole discretion of City. In no event shall City be obligated to furnish any facility that may involve incurring any direct expense, including but not limited to computer, cellular telephone, long-distance telephone, or other communication charges, vehicles, and reproduction facilities.

If the performance of the work specified in Exhibit A requires destructive testing or other work within the City's public right-of-way, Consultant, or Consultant's subconsultant, shall obtain an encroachment permit from the City.

**Section 4.     INSURANCE REQUIREMENTS.** Before beginning any work under this Agreement, Consultant shall procure "occurrence coverage" insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Consultant and its agents, representatives, employees, and subcontractors. Consultant shall provide proof satisfactory to City of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects to the City. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement and shall produce said policies to the City upon demand. The cost of such insurance shall be included in the Consultant's price. Consultant shall not allow any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s) and provided evidence thereof to City. Verification of the required insurance shall be submitted and made part of this Agreement prior to execution.

- 4.1     Workers' Compensation.** Consultant shall, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. The Statutory Workers' Compensation Insurance and Employer's Liability Insurance shall be provided with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per accident. In the alternative, Consultant may rely on a self-insurance program to meet those requirements, but only if the program of self-insurance complies fully with the provisions of the California Labor Code. Determination of whether a self-insurance program meets the standards of the Labor Code shall be solely in the discretion of the City Attorney. The insurer, if insurance is provided, or the Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against the City and its officers, officials,



employees, and volunteers for loss arising from work performed under this Agreement.

An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

## **4.2 Commercial General and Automobile Liability Insurance.**

**4.2.1 General requirements.** Consultant, at its own cost and expense, shall maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence, combined single limit coverage for risks associated with the work contemplated by this Agreement. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.

**4.2.2 Minimum scope of coverage.** Commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (ed. 11/88) or Insurance Services Office form number GL 0002 (ed. 1/73) covering comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability. Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90) Code 1 ("any auto"). No endorsement shall be attached limiting the coverage.

**4.2.3 Additional requirements.** Each of the following shall be included in the insurance coverage or added as an endorsement to the policy:

- a. City and its officers, employees, agents, contractors, consultants, and volunteers shall be covered as insureds with respect to each of the following: liability arising out of activities performed by or on behalf of Consultant, including the insured's general supervision of Consultant; products and completed operations of Consultant; premises owned, occupied, or used by Consultant; and automobiles owned, leased, or used by the Consultant. The coverage shall contain no special limitations on the scope of

protection afforded to City or its officers, employees, agents, contractors, consultants, or volunteers.

- b. The insurance shall cover on an occurrence or an accident basis, and not on a claims-made basis.
- c. An endorsement must state that coverage is primary insurance with respect to the City and its officers, officials, employees, contractors, consultants, and volunteers, and that no insurance or self-insurance maintained by the City shall be called upon to contribute to a loss under the coverage.
- d. Any failure of CONSULTANT to comply with reporting provisions of the policy shall not affect coverage provided to CITY and its officers, employees, agents, and volunteers.
- e. An endorsement shall state that coverage shall not be suspended, voided, or canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3 Professional Liability Insurance.** If Consultant shall be performing licensed professional services, Consultant shall maintain for the period covered by this Agreement professional liability insurance for licensed professionals performing work pursuant to this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000) covering the licensed professionals' errors and omissions.

**4.3.1** Any deductible or self-insured retention shall not exceed \$150,000 per claim.

**4.3.2** An endorsement shall state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**4.3.3** The policy must contain a cross liability clause.

**4.3.4** The following provisions shall apply if the professional liability coverages are written on a claims-made form:

- a. The retroactive date of the policy must be shown and must be before the date of the Agreement.

- b. Insurance must be maintained and evidence of insurance must be provided for at least three years after completion of the Agreement or the work, unless waived in writing by the City.
- c. If coverage is canceled or not renewed and it is not replaced with another claims-made policy form with a retroactive date that precedes the date of this Agreement, Consultant must provide extended reporting coverage for a minimum of five years after completion of the Agreement or the work. The City shall have the right to exercise, at the Consultant's sole cost and expense, any extended reporting provisions of the policy, if the Consultant cancels or does not renew the coverage.
- d. A copy of the claim reporting requirements must be submitted to the City prior to the commencement of any work under this Agreement.

#### **4.4 Requirements for All Policies.**

- 4.4.1 Acceptability of insurers.** All insurance required by this section is to be placed with insurers with a Bests' rating of no less than A.
- 4.4.2 Verification of coverage.** Prior to beginning any work under this Agreement, Consultant shall furnish City with certificates of insurance and with original endorsements effecting coverage required herein. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The City reserves the right to require complete, certified copies of all required insurance policies at any time.
- 4.4.3 Subcontractors.** Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.
- 4.4.4 Deductibles and Self-Insured Retentions.** Consultant shall disclose to and obtain the approval of City for the self-insured retentions and deductibles before beginning any of the services or work called for by any term of this Agreement.

During the period covered by this Agreement, only upon the prior express written authorization of the City, Consultant may increase such deductibles or self-insured retentions with respect to City, its officers, employees, agents, contractors, consultants, and volunteers. The City may condition approval of an increase in deductible or self-insured retention levels with a requirement that Consultant procure a bond,



guaranteeing payment of losses and related investigations, claim administration, and defense expenses that is satisfactory in all respects to the City.

**4.4.5 Notice of Reduction in Coverage.** In the event that any coverage required by this section is reduced, limited, or materially affected in any other manner, Consultant shall provide written notice to City at Consultant's earliest possible opportunity and in no case later than five days after Consultant is notified of the change in coverage.

**4.5 Remedies.** In addition to any other remedies City may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may, at its sole option exercise any of the following remedies, which are alternatives to other remedies City may have and are not the exclusive remedy for Consultant's breach:

- Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the Agreement;
- Order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof; and/or
- Declare Consultant in material breach of the Agreement and terminate the Agreement.

**4.6 Waiver.** The Risk Manager of the City has the authority to waive or vary any provision of Sections 4.2 through 4.5. Any such waiver or variation shall not be effective unless made in writing.

**Section 5. INDEMNIFICATION AND CONSULTANT'S RESPONSIBILITIES.** Consultant shall indemnify, defend with counsel reasonably acceptable to the City, and hold harmless the City and its officials, officers, employees, agents, contractors, consultants, and volunteers from and against any and all losses, liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to property, or any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct or negligent acts or omissions of Consultant or its employees, subcontractors, or agents, by acts for which they could be held strictly liable, or by the quality or character of their work. The foregoing obligation of Consultant shall not apply when (1) the injury, loss of life, damage to property, or violation of law arises wholly from the negligence or willful misconduct of the City or its officers, employees, agents, contractors, consultants, or volunteers and (2) the actions of Consultant or its employees, subcontractor, or agents have contributed in no part to the injury, loss of life, damage to property, or violation of law. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements

required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

## **Section 6. STATUS OF CONSULTANT.**

- 6.1 Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of City. City shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement and assignment of personnel pursuant to Subparagraph 1.3. Otherwise, City shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of City and entitlement to any contribution to be paid by City for employer contributions and/or employee contributions for PERS benefits.
- 6.2 Consultant No Agent.** Except as City may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

## **Section 7. LEGAL REQUIREMENTS.**

- 7.1 Governing Law.** The laws of the State of California shall govern this Agreement.
- 7.2 Compliance with Applicable Laws.** Consultant and any subcontractors shall comply with all laws applicable to the performance of the work hereunder.
- 7.3 Other Governmental Regulations.** To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any

subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.

**7.4 Licenses and Permits.** Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions. Consultant represents and warrants to City that Consultant and its employees, agents, any subcontractors shall, at their sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions and to perform this Agreement. In addition to the foregoing, Consultant and any subcontractors shall obtain and maintain during the term of this Agreement valid business license from City.

**7.5 Nondiscrimination and Equal Opportunity.** Consultant shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by Consultant under this Agreement. Consultant shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of Consultant thereby.

Consultant shall include the provisions of this Subsection in any subcontract approved by the City or this Agreement.

## **Section 8. TERMINATION AND MODIFICATION.**

**8.1 Termination.** City may terminate this Agreement at any time and without cause upon written notification to Consultant.

In the event of termination, Consultant shall be entitled to compensation for services performed prior to the effective date of termination as provided in Section 2. City, however, may condition payment of such compensation upon Consultant delivering to City any or all documents, photographs, computer software, video and audio tapes, and other materials provided to Consultant or prepared by or for Consultant or the City in connection with this Agreement.

**8.2 Extension.** City may, in its sole and exclusive discretion, extend the end date of this Agreement beyond that provided for in Subsection 1.1. Any such extension shall require a written amendment to this Agreement, as provided for herein. Consultant understands and agrees that, if City grants such an extension, City shall have no obligation to provide consultant with compensation beyond the



maximum amount provided for in this Agreement. Similarly, unless authorized by the City, City shall have no obligation to reimburse Consultant for any otherwise reimbursable expenses incurred during the extension period

- 8.3 Amendments.** The parties may amend this Agreement only by a writing signed by all the parties.
- 8.4 Assignment and Subcontracting.** City and Consultant recognize and agree that this Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's unique personal competence, experience, and specialized personal knowledge. Moreover, a substantial inducement to City for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the City. Consultant shall not subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors listed in the Consultant's proposal, without prior written approval of the City.
- 8.5 Survival.** All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating liability between City and Consultant shall survive the termination of this Agreement.
- 8.6 Options upon Breach by Consultant.** If Consultant materially breaches any of the terms of this Agreement, City's remedies shall include, but not be limited to, any or all of the following:
- 8.6.1** Immediate cancellation of the Agreement;
  - 8.6.2** Retention of the plans, specifications, drawings, reports, design documents, and any other work product prepared by Consultant pursuant to this Agreement prior to cancellation; and
  - 8.6.3** Retention of a different consultant at Consultant's cost to complete the work described in Exhibit A not finished by Consultant.

## **Section 9. KEEPING AND STATUS OF RECORDS.**

- 9.1 Records Created as Part of Consultant's Performance.** All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that Consultant prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of the City. Consultant hereby agrees to deliver those documents to the City at any time upon demand of the City. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily

suitable for any future or other use. Failure by Consultant to deliver these documents to the City within the time period specified by the City shall be a material breach of this Agreement. City and Consultant agree that, until final approval by City, all data, plans, specifications, reports and other documents are preliminary drafts not kept by the City in the ordinary course of business and will not be disclosed to third parties without prior written consent of both parties.

**9.2 Consultant's Books and Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement.

**9.3 Inspection and Audit of Records.** Any records or documents that Section 9.2 of this Agreement requires Consultant to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds TEN THOUSAND DOLLARS (\$10,000.00), the Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement.

## **Section 10 MISCELLANEOUS PROVISIONS.**

**10.1 Attorneys' Fees.** If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.

**10.2 Venue.** In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Santa Clara or in the United States District Court for the Northern District of California.

**10.3 Severability.** If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

**10.4 No Implied Waiver of Breach** The waiver of performance or any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.

- 10.5 **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the parties.
- 10.6 **Use of Recycled Products.** Consultant shall prepare and submit all reports, written studies and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.
- 10.7 **Conflict of Interest.** Consultant may serve other clients, but none whose activities within the corporate limits of City or whose business, regardless of location, would place Consultant in a "conflict of interest," as that term is defined in the Political Reform Act, codified at California Government Code Section 81000*et seq.*

Consultant shall not employ any City official in the work performed pursuant to this Agreement. No officer or employee of City shall have any financial interest in this Agreement that would violate California Government Code Sections 1090*et seq.*

Consultant hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of the City. If Consultant were an employee, agent, appointee, or official of the City in the previous twelve months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code §1090*et seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for services performed pursuant to this Agreement, including reimbursement of expenses, and Consultant will be required to reimburse the City for any sums paid to the Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of Government Code § 1090 and, if applicable, may be disqualified from holding public office in the State of California.

Consultant certifies that it has not paid any direct or contingent fee, contribution, donation or consideration of any kind to any firm, organization, or person (other than a bona fide employee of Consultant) in connection with procuring this Agreement, nor has Consultant agreed to employ or retain any firm, organization, or person in connection with the performance of this Agreement as a condition for obtaining this Agreement.

- 10.8 **Solicitation.** Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials.
- 10.9 **Contract Administration.** This Agreement shall be administered by City Engineer who is authorized to act for, and on behalf of, City. All correspondence shall be directed to or through the Contract Administrator or his or her designee.



**10.10 Notices.** Any written notice to Consultant shall be sent to:

Cyrus Kainpour, P.E, P.L.S - President  
CSG Consultants, Inc.  
1700 South Amphlett Boulevard, 3<sup>d</sup> Floor  
San Mateo, CA 94402

Any written notice to City shall be sent to:  
Steven J. Machida, Director of Engineering  
455 East Calaveras Boulevard  
Milpitas, California 95035

**10.11 Professional Seal.** Where applicable in the determination of the City, the first page of a technical report, first page of design specifications, and each page of construction drawings shall be stamped/sealed and signed by the licensed professional responsible for the report/design preparation.

**10.12 Integration.** This Agreement, including the exhibits, represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral.

**10.13 Exhibits.** All exhibits referenced in this Agreement are incorporated by reference herein.

CITY OF MILPITAS

CONSULTANT

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Thomas C. Williams, City Manager

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Cyrus Kianpour, President

Taxpayer Identification Number

APPROVED AS TO FORM:

---

Gary Baum, Interim City Attorney

APPROVED AS TO CONTENT:

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Steven J. Machida, Director or Engineering/City Engineer

## EXHIBIT A

### SCOPE OF SERVICES

#### CSG's CIP Scope of Work/Management Approach

CSG's proposed staff members are senior level engineers who have managed Capital Improvement Programs for various agencies. Our proposed staff is already familiar with the City CIP project needs and is ready to work jointly with the City on delivering its program. Our staff will also work with stakeholders, utility companies, and permitting agencies as required.

Below is CSG's plan for managing projects:

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Project and Task Order Management</b> | Our Project Managers will meet with the City, local agencies, utility companies and other stakeholders to confirm project goals and objectives, task assignments and responsibilities, cost requirements, and project schedule. A clear understanding of the interface between our staff and our role in the project is essential. This will allow each Project Manager to properly allocate resources and make the necessary commitments to the project.                                                                                                                                                                                                 |
| <b>Project Management Plan</b>           | Our Project Managers will develop or request a project management plan including all project elements establishing the project scope of work, budget, schedule, and design standards to allow for solid traceability and accountability for any changes or variances from the project baseline components. In addition, our staff identifies any potential variances early in the project phase allowing for the development of an alternative approach to prevent potential schedule or cost slippages. We implement this by offering real-time data to the City through our daily contact with the City's CIP Manager and weekly project team meetings. |
| <b>Scope/Control Management</b>          | Scope control will be enforced with the implementation of a well written scope of work (SOW) for all RFP's drafted for the CIP. If changes are required, a scope change process will be followed encompassing the cost and schedule impact of each potential change, as well as the additional scope description. Potential changes will be presented and discussed weekly with the City. As changes are approved or rejected, the appropriate revisions will be made to the scope of work and the schedule/cost baseline will be revised and resubmitted for approval by the City.                                                                       |
| <b>Schedule Management</b>               | An initial baseline schedule will be required and submitted for approval to the City for all projects. As work progresses on projects, the baseline schedule will be kept updated and required revisions will be submitted for review. Each schedule update will be compared to the previous submittal for variances. Once changes are approved, the schedule will be updated, and included in the project management plan.                                                                                                                                                                                                                               |
| <b>Budget/Cost Management</b>            | As project estimates become finalized, they will be included in the project budget and loaded into the project cost. Once a project change is approved, it will be tied to a change order and the schedule and budget will be revised accordingly. All baselines, revisions, and change orders will be tracked, documented, and presented to the City for approval prior to including in the Project Management Plan.                                                                                                                                                                                                                                     |
| <b>Quality Management</b>                | A Quality Assurance Plan will be required as part of the Project Management Plan. The Quality Assurance Plan will include the review and testing requirements throughout the design and construction phase. CSG Project Manager's will enforce the Quality                                                                                                                                                                                                                                                                                                                                                                                                |



Assurance Plan, thus reassuring the City that the consultant/ contractor will be delivering a quality product.

Before commencing any work, CSG's Project Managers will meet with City Staff to fully understand the assigned project and expectations. A detailed scope of work and cost of service estimate will be prepared for City review and approval. Once the scope and estimate is approved by the City, CSG will prepare a project implementation schedule.

## **Additional As Needed Services**

In addition to the steps above, CSG staff can assist the City with various tasks below:

- Preparation of Grant Applications, such as Hazard Elimination Safety (HES), Highway Bridge Program (HBP), Active Transportation Program (ATP) Grants, etc.
- Preparation of cost estimates for projects for budgeting purposes during the preliminary engineering phase
- Review plans, specifications, and estimates prepared by other consultants for accuracy, completeness, and conformance to City requirements
- Prepare supporting studies, such as drainage studies, hydraulic analysis, quantity calculations, pavement design reports and other calculations and studies needed to support CIP projects
- Review preferred and alternative alignment studies and preliminary construction cost estimates when requested by the City
- Prepare Water Quality Management Plans (WQMP) and Storm Water Pollution Plans (SWPPP). Both plans shall conform to the City's NPDES ordinance and the policies of the City
- Prepare plans, specifications & estimate (PS&E) packages for projects using AutoCAD.
- Perform constructability reviews of completed designs, specifications, cost estimates, legal descriptions, and related work for accuracy and completeness
- Process permits through regulatory agencies such as the County, Corps of Engineer, State Department of Fish & Wildlife, Water Quality Board, Caltrans and other agencies as necessary to obtain permits or clearance
- Prepare requests for proposals (RFP), Invitation for Bids and related documents; assist the City through the review process up to and including the recommendation for a contract award
- Coordinate with utility companies to resolve utility conflicts with proposed work
- Complete all applications to the appropriate utility companies and follow through to obtain the service in a timely manner
- Manage projects during the preconstruction, construction, and project closeout phases.
- Perform construction inspection of CIP projects, as requested
- Prepare independent project schedules and cost estimates for the CIP projects

## EXHIBIT B

### COMPENSATION SCHEDULE



### 2015 Engineering Hourly Rates

Services are billed on a time and materials basis according to our Standard Rates, shown below.

| Professional Engineering Services – Hourly Rates |       |
|--------------------------------------------------|-------|
| Senior Principal Engineer                        | \$205 |
| Principal Engineer                               | \$180 |
| Project Manager                                  | \$180 |
| Senior Engineer                                  | \$165 |
| Senior Structural Engineer                       | \$165 |
| Associate Engineer                               | \$145 |
| Assistant Engineer                               | \$125 |
| Engineering Designer                             | \$115 |
| Engineering Technician                           | \$105 |
| Resident Engineer                                | \$170 |
| Assistant Resident Engineer / Office Engineer    | \$130 |
| Senior Construction Inspector                    | \$130 |
| Construction Inspector                           | \$115 |
| Structural Representative                        | \$170 |
| Two Person Survey Crew                           | \$285 |

Rates reflect and include administrative costs and routine expenses such as local mileage, copying, fax, telephone, mail, in-house printing, software, and computer usage, etc. Reproduction and sub consultants are billed at cost plus 15%. Rates will remain effective through June 30, 2016.



**EXHIBIT C**  
**INSURANCE DOCUMENTS**

## MEETING MINUTES CITY OF MILPITAS

**Minutes of:** Regular Meeting of Milpitas City Council  
**Date:** Tuesday, September 15, 2015  
**Time:** 6:00 PM Study Session / 7:00 PM Open  
**Location:** Council Chambers, Milpitas City Hall,  
455 East Calaveras Blvd., Milpitas

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### CALL TO ORDER

Mayor Esteves called the meeting to order at 6:02 PM. The City Clerk noted the roll.

**PRESENT:** Mayor Esteves, Vice Mayor Montano, Councilmembers Barbadillo, Giordano and Grilli

**ABSENT:** None

### STUDY SESSION

Development Proposal for the Serra Center: Planning & Neighborhood Services Director Bill Ekern addressed the City Council explaining that the Serra Center property owners were here to address the City Council with some information about a potential zone change request at Serra Center, while there was no actual project proposal at this time.

Mr. Jeff Rhoads of the Argonaut Co. presented for the property owners.

Mayor Esteves asked about the desire to change zoning: was it to purely residential or to mixed use? Mr. Ekern responded the primary focus has been on residential development rather than the current land use and zoning for industrial/commercial use.

Councilmember Grilli wanted to know why the number was from 500 – 1000 dwellings for residential. Mr. Rhoads said they needed a sizable residential component to make it viable economically, with a mixed use stacked structure most likely.

Councilmember Barbadillo asked if the 10.6 acres (out of the larger total) was only to be redeveloped, would owners leave the remainder as is. Mr. Rhoads replied there were long term lease commitments for currently successful businesses (restaurant and hotels).

Councilmember Giordano described mixed use residential as a new phenomenon in Milpitas and it could be successful.

Councilmember Grilli asked what would be the percentage of residential development to commercial. Mr. Rhoads suggested it might be about 20% retail and 80% residential while there was not actual project proposed at this time yet. Mrs. Grilli remarked that the City Council recently did not allow mixed use in the Town Center and there were concerns for schools, and adding more residential concerned about.

Councilmember Barbadillo commented on remarks previously made at a meeting by the Economic Development Manager about the business needs of the City, referring to bringing in more businesses and working population. Mr. Ekern responded on that point.

Councilmember Giordano noted that Planning Commissioners were positive and favorable to a zoning change when this was brought for discussion. It was always a give-and-take for any development proposal. This could be a beautiful project, as a gateway to the City. She could be in favor of it, adding high quality density residential and was open to a zoning change.

Mayor Esteves thanked the group for coming forward and for being a pioneer, driving development in a “dead” area of Milpitas. Possibly the only way to change that area would be to allow residential in that space.

Vice Mayor Montano asked how this change would benefit surrounding neighborhoods. Mr. Rhoads said amenities added for shopping with a new upscale “downtown” area of Milpitas.

Councilmember Barbadillo agreed a gateway was needed, but how it was presented meant he did not have enough facts. The Council would need input from the school district for example and input from the people.

Councilmember Grilli felt if a project was proposed with an 80/20 mix, she did not understand how it would revitalize the area. She had seen success in neighboring cities of Fremont and San Jose, so lots of commercial was going in around Milpitas. She was not sure it should be residential on this Serra site.

Mayor Esteves invited comments from the audience.

Bob Nunez, Milpitas Unified School District board member, read aloud a letter from the Superintendent and submitted it to the City Clerk. He asked that no change in zoning occur on the Serra site and that the Board continue to work cooperatively with the City on any land use that had an impact on the district.

The Mayor spoke about past actions of City Council to control residential growth into specific areas. The majority of Council here appeared to want to bring this Serra Center concept forward to consider a specific project and zone change, in the future.

The Study Session was ended at 7:20 PM.

City Council then convened in Open Session at 7:20 PM.

#### **PLEDGE**

Boy Scouts Troop No. 92 presented the flags and led the pledge of allegiance.

#### **INVOCATION**

Councilmember Giordano quoted Abraham Lincoln.

#### **MEETING MINUTES**

Motion: to approve minutes of September 1, 2015 City Council meeting

Motion/Second: Councilmember Grilli/Councilmember Barbadillo

Motion carried by a vote of:

AYES: 4

NOES: 0

ABSTAIN: 1 (Giordano)

#### **SCHEDULE OF MEETINGS**

Motion: to approve the Council Calendars/Schedules of Meetings for September and October 2015, as amended

City Manager Williams announced the following meeting changes:

- 1) Special City Council meeting the following day at 4:30 pm, September 16
- 2) Economic Development Commission scheduled yesterday was canceled
- 3) League of California Cities annual conference would take place from September 30 through October 2, in San Jose. The Mayor, Vice Mayor and some city staff will attend

Motion/Second: Councilmember Giordano/Vice Mayor Montano

Motion carried by a vote of:

AYES: 5

NOES: 0

#### **PRESENTATIONS**

Mayor Esteves proclaimed Ovarian Cancer Awareness Month for September and the proclamation was accepted by Vicky Michelis.



Mayor Esteves commended Generation Taekwondo of Milpitas members for success at the recent national championships, where more than 10 student participants won medals. He thanked Grand Master Mr. Cruz and presented certificates to the youth members in attendance.

## **PUBLIC FORUM**

Rob Means, 1421 Yellowstone Ave resident, discussed Personal Rapid Transit and provided overhead slides with graphics and layout design with information.

Robert Marini, Milpitas resident, referred to a Finance Subcommittee meeting, and costs for sewerage were not discussed then. He displayed his own chart of costs for bimonthly water and sewage service for single family residences.

Sixteen speakers came to the podium and addressed the City Council with comments on odor problems, opposition to Newby Island, against Republic Services as Milpitas garbage company, rates paid to Republic, and the landfill generally as a public nuisance.

Mayor Esteves responded on two actions by the City: one) a resolution was already adopted by Council declaring the public nuisance; and, 2) a consultant was preparing the RFP to go out for trash collection service. Mayor Esteves remarked on the many speakers about the odor issue and thanked them for attending this meeting and speaking out.

## **ANNOUNCEMENTS**

City Manager Tom Williams announced four employees who were honored the previous week at the City Employees Barbecue at Higuera Adobe Park. Mayor Esteves and City Council thanked and recognized recent winners at the City of Milpitas Employee Recognition: Rising Star Award to Jean Andona from the Police Department; Rookies of the Year Gaby Manzo (Building) and David Sanchez (Recreation), and Employee of the Year Roberto Herrera (Public Works).

Councilmember Giordano asked to adjourn the meeting in memory of Ernie Wolf, a pioneering member of the community who'd recently passed away.

Vice Mayor Montano spoke regarding the Policy Advisory Committee of Santa Clara VTA. That agency planned to launch a new transit pilot program with buses called "VTA Flex" starting in October. She displayed what the vehicles would look like.

## **ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS**

City Attorney Baum asked City Councilmembers if they had any personal conflicts of interest or reportable campaign contributions. No conflicts or contributions were reported.

## **APPROVAL OF AGENDA**

Motion: to approve the agenda, as submitted

Motion/Second: Councilmember Giordano/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0

## **CONSENT CALENDAR**

Motion: to approve the Consent Calendar (items noted with \*asterisk), as amended

City Manager Williams requested to move item no. 5 (regulations for the Community Gardens) to consent.

Councilmember Giordano asked to remove item no. 12 (plastic bag ban ordinance) from consent.

Mayor Esteves requested to place item no. 6 (RSRAC workplan) onto consent.

Motion/Second: Councilmember Giordano/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0

- \* 2. RFP Ethics Hotline      Directed the City Manager to issue a Request for Proposals for a City Ethics Hotline.
  
- \* 4. Commission Appointments      Approved the Mayor's recommendation for appointments, as follows:
  - Youth Advisory Commission:**  
Re-appointed Commissioners Sabina King, Sahil Sandhu and Crystal Tran to one year terms that will expire in September 2016.
  
  - Moved Alternate No. 1 Jashandeep Chahal, Alternate No. 2 Claudia Wang, and Alternate No. 3 Ravit Sharma to voting member seats to terms that expire in September of 2016.
  
  - Moved Alternate No. 4 Christie Maly to Alternate No. 1 to a term that will expire in September of 2016.
  
  - Newly appointed Emerald Gilana as Alternate No. 2 to a term that will expire in September of 2016.
  
  - Sister Cities Commission:**  
Re-appointed Massoud Arefi to a new 3-year term that will expire in September of 2018.
  
- \*5. PRCRC – Community Garden Rules & Regulations      Approved the revised Rules and Regulations for the Cesar E. Chavez Community Garden, per recommendation of the Parks, Recreation and Cultural Resources Commission.
  
- \*6. RSRAC Workplan      Approved Recycling and Source Reduction Advisory Commission's 2015-16 Work Plan.
  
- \*11. Restoration of 7% PERS      Approved restoration of employer PERS 7% contribution for the City of Milpitas unrepresented employees.
  
- \*13. Resolution      Adopted Resolution No. 8501 granting initial acceptance of public improvements for SORA Milpitas (Shea Residential), Tract 10139, Project No. 2718 and approving a reduction in the performance bond, subject to a one-year warranty period and reduction of the faithful performance security to \$240,000.
  
- \*14. Resolution
  1. Adopted Resolution No. 8502 adding one Administrative Analyst II position and reclassify an existing Maintenance Custodian Position in the Public Works Department.
  2. Approved appropriation of funds from the General Fund in the amount of \$182,000 to fill a vacant unfunded Public Works Manager position in the Public Works Department.
  
- \*15. Resolution      Adopted Resolution No. 8503 and directed staff to send appropriate letters expressing the City of Milpitas' opposition to the project and trains carrying crude oil from travelling through the City.
  
- \*16. Amendment to agreement with Santa Clara VTA
  1. Approved Amendment No. 8 to the Master Agreement with the Santa Clara Valley Transportation Authority related to the Silicon Valley Rapid Transit Program Berryessa BART Extension Project extending the term to February 28, 2017 and increasing the agreement amount by \$646,100.
  2. Approved a budget appropriation of \$300,000 to Project No. 4265 – BART Extension coordination and planning in the CIP.
  
- \*17. Amendment to agreement with Vali Cooper & Associates      Approved Amendment No. 4 to the Agreement with Vali Cooper & Associates, Inc. extending the term to October 31, 2016 and increasing compensation in the additional amount of \$310,000 to continue support on the Silicon Valley Rapid Transit Program-Berryessa BART Extension and on the Montague Expressway Widening, Projects No. 4265 and No. 4179.
  
- \*18. Agreement with CSG for Engineering staff      Approved a consultant agreement with CSG Consultants, Inc. for Engineering Department staff augmentation services for Capital Improvement Program projects for an annual amount not-to-exceed \$150,000.

## **PUBLIC HEARING**

### **1. Annual CAPER for FY 2014-15 CDBG Funds**

Housing Manager Tim Wong gave a brief overview of the success of the distribution of federal Community Development Block Grant (CDBG) funds in FY 2014-15, as reported in the federally mandated annual Consolidated Annual Performance Evaluation Report (CAPER). He quoted many figures in the major accomplishments in Milpitas with services provided with those funds.

Mayor Esteves asked him for information on how to confirm the success rates reported by the non-profit groups and from staff, in order to maximize the impact of the funds. Mr. Wong described the quarterly reports due and site visits by staff to the agencies.

Vice Mayor Montano asked about the list of service providers for the organizers of Make a Difference Day and if it was given to that group, which staff confirmed.

Next, Mayor Esteves opened the public hearing for comments.

Robert Marini, Milpitas resident, asked why 65% would go to non-public services and what that actually funded. Staff replied that was terminology. “Public” services referred to administrative costs for the grants while the “non-public” services went to agencies and to non-capital services – as mandated by the federal agency.

Voltaire Montemayor, Milpitas resident, felt the agencies all helped everybody in the community and their presence was important.

(1) Motion: to close the public hearing, after hearing two speakers

Motion/Second: Councilmember Giordano/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0

(2) Motion: to adopt the FY 2014-15 Consolidated Annual Performance Evaluation Report (CAPER) regarding distribution of Community Development Block Grant funds to non-profit organizations

Motion/Second: Councilmember Giordano/Councilmember Grilli

Motion carried by a vote of: AYES: 5  
NOES: 0

## **UNFINISHED BUSINESS**

### **3. Wage Rates and Janitorial Service Contract**

City Manager Tom Williams provided a slide overhead with Janitorial Wage Rate Analysis 2015, as directed by the City Council back in August. The wage range displayed was from \$9.50 per hour by UBS (previous janitorial contractor for the City) to current \$9.00 per hour for Varsity (current provider). He mentioned the study that most Mayors in Santa Clara County agreed to recently, for a study on the minimum wage county-wide and that Mayor Esteves supported. He urged consideration of the status of current city employees, not all of whom have yet had wages restored from the time of cuts.

Vice Mayor Montano gave her opinion that janitors working at \$9.00 per hour could not afford to live here. There are a lot of working poor in the South Bay and there was an income inequality gap. She was surprised by the memo received from city unions. This was a crisis. Seeking a new bid for contracted janitors was a good idea and she did support the staff recommendation. Decent living wage was needed.



Councilmember Grilli was really glad that the Mayor supported the regional effort and study as proposed. She agreed with the Vice Mayor that this was an issue for families all across the South Bay.

Mayor Esteves felt the current rate of pay was not a livable rate for those workers. Large cities had already adjusted the minimum wage, like San Jose, San Francisco and Los Angeles. He supported staff Option 1 (as noted below).

Councilmember Grilli asked if the Mayor had a timeframe on the study to be completed. Mayor Esteves said no but as soon as possible for the conclusion on the study.

Mayor Esteves invited speakers from audience.

Robert Marini, Milpitas resident, asked if these were full time or part time employees that were being discussed. He urged to make a distinction if going out to bid.

Liz Ainsworth, President of the Chamber of Commerce, reported her organization was also looking at this issue. She was glad there would be a study. There was a difference between minimum wage and a “living wage.” Members wanted to safeguard their businesses. She requested to meet with the Mayor on this topic to give input.

Tom Valore, Milpitas resident, said people fool themselves when not paying paying a living wage. The question was, out of whose pocket the funds come from. Taxpayers ultimately paid for benefits that poor people may get from the government, when they did not earn enough to survive. It was best if those who can work to do that on a fair wage.

Voltaire Montemayor, Milpitas resident, was looking into the eyes of the workers who need more money, and they had pride. He was in favor.

Motion: to direct the City Manager to move forward on recommended Option 1 (continue current contract with Varsity, participate in county-wide wage study, and rebid contract) and direct staff to report back on the minimum wage study with recommendation to consider for all outside contracts

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 5  
NOES: 0

Mayor Esteves announced a break at 9:08 PM and returned at 9:21 PM.

## NEW BUSINESS

### 7. Rep. for South Bay Odor Group

City Engineer Steven Machida explained the need for the appointment process for a City representative to serve on the South Bay Odor Stakeholder Group.

Mayor Esteves asked the qualifications to serve. Mr. Machida said the person would need to be a resident and have some awareness of the issues being discussed regarding odor. Mayor Esteves announced this opportunity to the public and encouraged anyone interested to complete a City Commission application and submit it to the City Clerk.

Motion: to authorize the selection process to appoint a public Representative and Alternate to the South Bay Odor Stakeholder Group, and to report back to the City Council with the recommendation for appointments on October 20, 2015

Motion/Second: Vice Mayor Montano/Councilmember Grilli

Motion carried by a vote of: AYES: 5  
NOES: 0

**8. Super Community  
Committee Marketing**

Economic Development Manager Edesa Bitbadal reported that Levi Stadium in Santa Clara would host Super Bowl 50 on February 7, 2016. Milpitas and surrounding communities wanted to take advantage of the many visitors coming to the South Bay for the Super Bowl event and to encourage hotel patrons here to dine and shop here too. She listed ideas that would be pursued and a budget of \$35,000 recommended, after several meetings with the Economic Development Commission and local businesses. Funds would cover printing material, website, shuttle service, CBS video, welcome signs, billboard ads and “Milpitas Business Passport” to implement in January, after holidays.

Vice Mayor Montano asked if there would be promotion of the Century movie cinemas at the Great Mall. Staff replied yes and that General Manager of the mall was part of the committee. All entertainment venues would be advertised. The Vice Mayor also suggested ads on the light rail trains. Ms. Bitbadal responded that perhaps large banner ad across the street may be possible.

Mayor Esteves suggested a visitor’s hotline to call since there is no visitor’s bureau in the City. He also requested a marquee sign at City Hall, as a welcoming sign. He wanted to sign a Welcome letter from the Mayor himself to all visitors during the Super Bowl time.

Motion: to receive the oral report from the Economic Development Manager and direct staff to implement the Milpitas Super Community Committee Citywide Marketing Plan including approval of \$35,000 budget

Motion/Second: Councilmember Giordano/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0

**9. Update on Sports Center  
Fields Project**

City Engineer Steven Machida provided details of the work to accomplish for the major update to the Milpitas Sports Center playing fields, including new synthetic turf for the fields. He brought a sample of the “Field Turf” to display. Staff and the contractor had recognition of the time-critical schedule to have all work done by next year’s July 4<sup>th</sup> celebration. To expedite design and project delivery for the Sports Fields update, a “design/bid/build” approach would be used to move it along rapidly.

Councilmember Grilli asked lifespan of the turf and he replied 15–20 years maximum.

Councilmember Barbadillo asked questions on costs, and the preliminary cost estimate versus amount in the award of bid. Staff may forego some of the improvements, do it as value engineering as needed, to stay within budget. Additional questions were answered about the budget, projected costs and potential changes.

Vice Mayor Montano asked if “purple pipes” for use recycled water would be used at this project. Mr. Machida replied that staff was working to bring more available use of that water all throughout the city. Ms. Montano recommended decorative signs at the site.

Mayor Esteves further suggested perhaps the use of new public art funds could be used for the signs the Vice Mayor had suggested.

The Mayor also asked questions about protecting the surface during annual Relay for Life walk-a-thon event, as it would be different than how it was handled in the past on dirt field. He urged consideration for maintenance costs too.

Speaker: Voltaire Montemayor, Milpitas resident, said this project was worth it.

Motion: to receive a presentation from the City Engineer and approve the conceptual plan and proceed using Design-Build method for the Milpitas Sports Center Sports Fields Project No. 5104

Motion/Second: Councilmember Giordano/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0

**10. Preliminary FY 2014-15  
Year End Financial Report**

Finance Director Emma Karlen gave a summary preliminary financial report, starting with the General Fund Revenues and Expenditures, for the end of the FY 2014-15. Revenues were up by \$6.0 million more than budgeted, especially due to an increase in property tax receipts and the former Redevelopment Agency area tax proceeds distribution (RPTTF). Hotel tax revenue (TOT) was significantly higher as well.

On the expenditures side, approximately \$5.4 million in savings was experienced. In particular, salary savings occurred with turnover in staff positions, with vacancies.

Further discussion was held on sales tax revenue, which was very slightly down from the amount projected, and ways to consider increasing it in future budget years.

Ms. Karlen reviewed amounts for the General Fund Undesignated Reserve (aka "Rainy Day" funds of \$13.million (18% reserve) and noted funds available for the CIP.

Speaker: Voltaire Montemayor, Milpitas resident, responded on the actual figures versus the project budgeted revenue. He said that could not always be controlled.

Motion: to receive the preliminary year end financial report for the Fiscal Year ended June 30, 2015

Motion/Second: Councilmember Giordano/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0

**ORDINANCE**

**12. Ordinance No. 287**

Councilmember Giordano removed this from consent and referred to an e-mail she had received from a group that was opposed to the plastic bag ban. She wanted to be consistent with her past vote in opposition to the proposed ban. She agreed with the idea to wait until the statewide ballot initiative was voted upon in 2016.

Speakers:

Voltaire Montemayor, Milpitas resident, talked about going to the store without bags and there had been detrimental side efforts of a ban but now he saw benefits.

Rob Means, 1421 Yellowstone resident, mentioned the persons who signed the petitions for the statewide ballot measure. He felt some of those may have been duped or misled on what the measure was about. He also talked about corporate money in elections.

(1) Motion: to waive the second reading of Ordinance No. 287

Motion/Second: Councilmember Grilli/Vice Mayor Montano

Motion carried by a vote of: AYES: 5  
NOES: 0

(2) Motion: to adopt Ordinance No. 287 restricting the use of single-use carry-out bags

Motion/Second: Councilmember Grilli/Vice Mayor Montano



Motion carried by a vote of:

AYES: 4

NOES: 1 (Giordano)

**RESOLUTIONS**

Three resolutions were adopted on consent calendar.

**AGREEMENTS**

Three items were approved on the consent calendar.

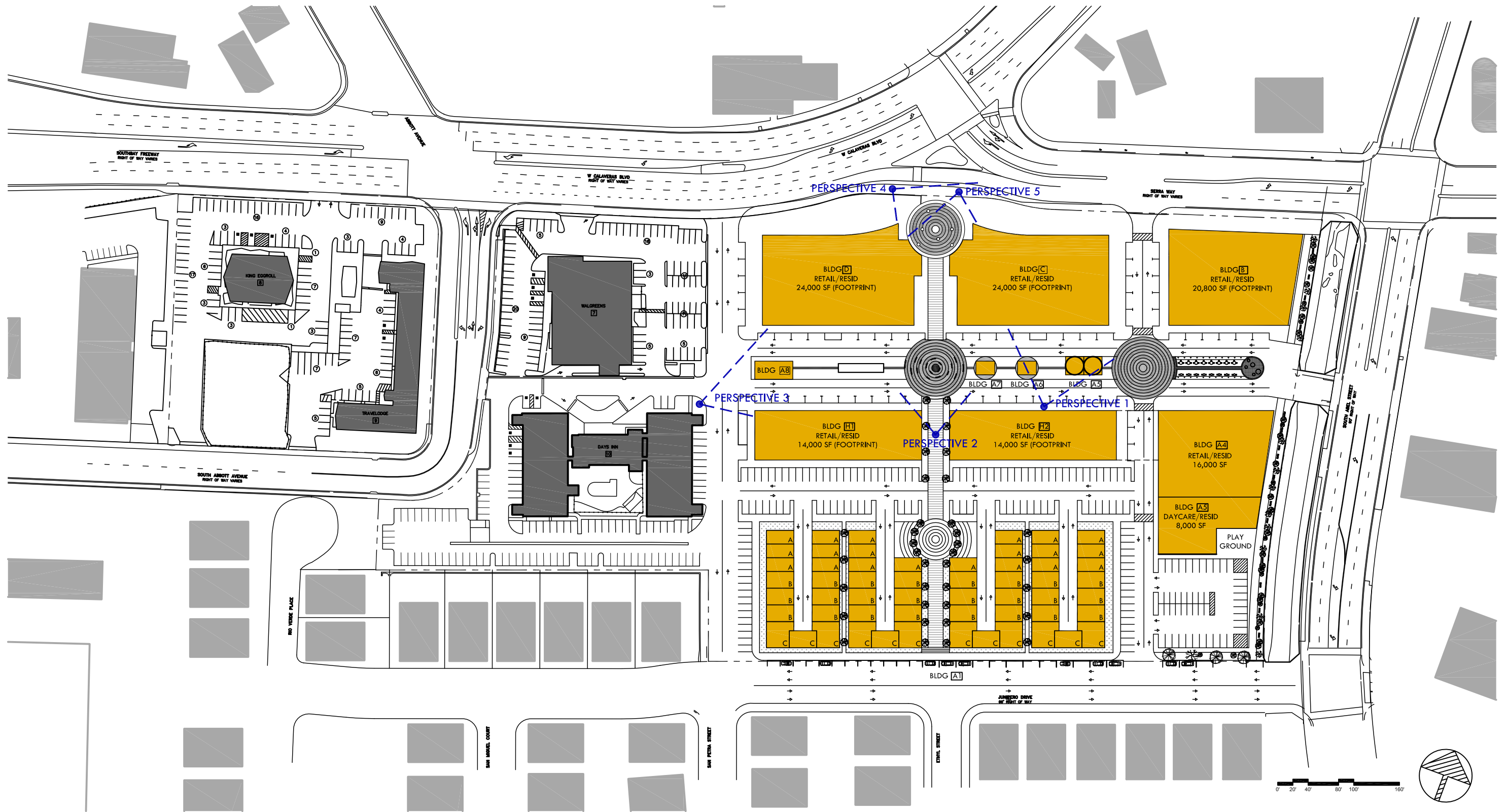
**ADJOURNMENT**

Mayor/Chair Esteves adjourned the City Council meeting at 11:00 PM in memory of Ernie Wolf.

**The foregoing minutes were approved by the Milpitas City Council on October 6, 2015.**

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**Mary Lavelle**  
**Milpitas City Clerk**



PERSPECTIVE VIEW PLAN  
1/128" = 1'-0"

1



620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408.933.3477  
650.618.2694

PROGRESS PRINT

SERRA WAY  
MILPITAS, CA 95035  
CITY SUBMITTAL - 08.20.15







PERSPECTIVE RENDERING





PERSPECTIVE RENDERING 2





PERSPECTIVE RENDERING

3



620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408.933.3477  
650.618.2694

**SERRA WAY**  
MILPITAS, CA 95035  
CLIENT MEETING - 08.12.15





PERSPECTIVE RENDERING 4





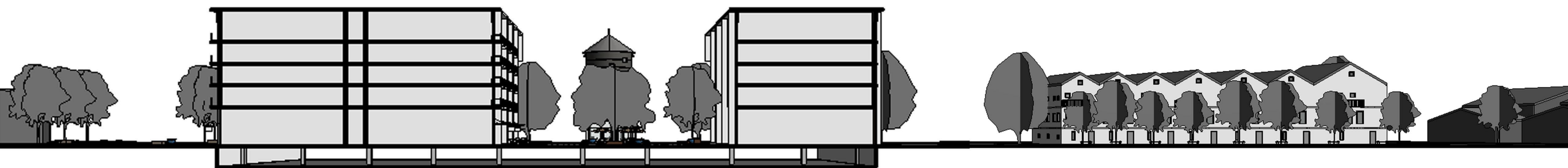
PERSPECTIVE RENDERING 5



620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408.933.3477  
650.618.2694

**SERRA WAY**  
MILPITAS, CA 95035  
CLIENT MEETING - 08.12.15





SECTION PERSPECTIVE RENDERING

6

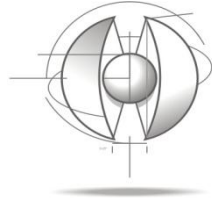


620 S. MAIN STREET, SUITE 200  
MILPITAS CA 95035  
408 933 3477  
650 618 2694

**SERRA WAY**  
MILPITAS, CA 95035

CLIENT MEETING - 08.12.15





archespaceGWSC  
architectural design + project management

# SERRA CENTER CITY COUNCIL WORKSHOP





# Serra Center Market and Economic Analysis

August 20, 2015



Contributors:

Wayne Okubo, CDM, CSM, CLS, CMD, CRX, CPM©  
Okubo Real Estate  
BRE#01019710

Jeffrey D. Rhoads, RA, LEED AP  
Argonaut Company  
87 Marina Court Drive  
San Rafael, CA 94901

Leah Segawa  
WesTerra Investments, LLC  
1563 Solano Ave #188  
Berkeley, CA 94706

Gary Wong  
Principal  
ArchespaceGWSC



archespaceGWSC  
an effective design • direct involvement

August 20, 2015

Darryl Boyd, Senior Planner  
City of Milpitas  
Community Development and Neighborhood Services  
455 East Calaveras Boulevard  
Milpitas, CA 95035

Subject: Submittals for the staff report for the September 1, 2015 City Council Workshop on Serra Center

Dear Darryl

Please find the attached submittals as a follow up to our meeting with Mayor Jose Esteves and City Manager Tom Williams on Monday August 17th. We were informed we could proceed with the City Council workshop at the earliest available City Council meeting.

The Serra Center team has conducted additional research and analysis in response to the comments received from the EDC and Planning Commission workshops and the meeting with senior city staff on June 1<sup>st</sup>. Our market/economic analysis is complete and included with this submittal. We modified the project design and program in response to the preliminary analysis findings and discussions with staff, the EDC, Planning Commission, and with City Council members and community leaders.

Agenda for the workshop:

- 1 Staff Report to City Council
2. Sharing Information (20 minute PowerPoint presentation by Serra Center and Q & A by the City Council)
  - Lessons learned from the workshops and meetings with staff



- Results of the market study and economic analysis: Opportunities and Constraints for development of Serra Center
- Response to June 1<sup>st</sup> meeting Staff comments and questions Identifying a market supported and economically viable development program
- Evolution of the project design direction and current design images
- Relationship to the Midtown Specific Plan
- Relationship to City economic development objectives
- Relationship to community aspirations

3. City Council Workshop/Brainstorming

- Receive questions and comments from the City Council
- Brainstorm ideas for the project in the context of the opportunities and constraints for the project and the community
- Summarize the workshop outcome
- Discuss next possible next steps

We have included the following documents for inclusion in your staff report:

- Meeting notes from the Planning Commission Workshop
- EDC Workshop presentation notes
- Meeting notes and response from the Senior Staff meeting June 1, 2015
- Market/economic analysis executive summary and supporting documents
- Project exhibits including a site transverse section, phasing and orientation plans and, perspective renderings

The following presentation material will be supplied:

- PowerPoint Presentation (to be provided prior to the City Council Meeting)

Please contact me if you have any questions, would like to offer input or guidance or need additional information for your staff report.

Sincerely,



Jeffrey D. Rhoads, RA LEED AP



## Planning Commission Workshop Meeting Notes

### Serra Center Project

By Jeffrey D. Rhoads

February 25, 2015

#### Staff Presentation by Adam Petersen and Steve Mc Harris (SMH)

1. *The Midtown Specific Plan states in several places a desire for first class office on the Serra Center site as a gateway project for the midtown area*
2. *The office overlay places additional focus on the site for office development*
3. *Specific Plan policies referenced include 3.16 Retail, 3.17 Office, 3.18 Density Bonus for office (FAR of 1.5)*
4. *Reference was made to the Cal Poly SLO planning project and the value of the work as a source of ideas if not site-specific planning solutions. An emphasis was placed on retail and entertainment on the Serra Center site rather than office.*
5. *A reminder was provided to the commission regarding the emerging policies in the city against changing zoning in commercial and industrial areas to classifications allowing residential.*

#### Planning commission comments in response to the staff presentation:

1. *Chair Mandal: Pacific Commons is an example of the development type and quality he would like to see for Serra Center. He asked if input by the Milpitas Economic Development Commission has been received on Serra Center Project (SMH: not to date). He encouraged the owner and development team to not undersell the site.*
2. *Commissioner Maglalang: Felt Santana Row was a good model for the kind of development he would like to see on the site. He suggested underground parking. (SMH: Noted that housing is a significant component in the Santana Row project)*
3. *Commissioner Sandhu: Asked the status of the last plan for Serra Center. (SMH stated the plan did not move forward due to the recession The owner is in the process of collecting input from stakeholders to prepare new submittals to move forward with a Serra Center project)*
4. *Commissioner Madnawat: Stated he was inclined to support increases in FAR for the site.*
5. *SMH Reminded the commission about some of the different classifications of mixed use in the city's zoning code. Some allow residential anywhere in the zone and MXT-2 requires commercial on the ground floor.*

Gary's Presentation of slides 1 – 7

1. *A Commissioner asked if a convention center had been considered for the site. Gary indicated this use had not been considered.*

#### Jeff's Presentation of slides 8-15

##### Slide 8 People and Iconic

1. *Commissioner Maglalang: Expressed a desire to see the kinds of uses developed on the property to be targeted to be more affordable. An example given was smaller housing units for people entering the workforce. He also recommended visiting Alviso Adobe Park and Murphy Park for Milpitas historic References. A specific reference to little cornfields was made.*
2. *Commissioner (?): Would like the project to have as mall town feel and felt the agricultural imagery was appropriate.*
3. *Vice Chair Ciardella: Likes the crop circle idea and expressed a need for people places in Milpitas where folks could relax, hang out and enjoy a cup of coffee.*

##### Slide 9 Creekside Trailways

1. *Chair Mandal: Felt the team's emphasis on creating nice spaces along the creek edge was appropriate.*

##### Slide 10 Street Events

1. *Chair Mandal: Encouraged the team to consider the bigger picture and Millennial values on the environment. Think long term. Consider alternative energy and sustainability*
2. *Commissioner Madnawat: Stated the site has been in commercial use longer than any other in Milpitas (This is not believed to be correct and may be mistaken for the village crossroads at the intersection of the Milpitas/Alviso Road and Oakland/San Jose Road today's intersection of Serra Way and Main Street). He thought the site should reflect Mission traditions.*
3. *Commissioner Morris: Referenced Seattle as a city that has walkability and an emphasis on Millennials*
4. *Commissioner Malalang: Liked City Walk (Universal City Los Angeles) as a reference for family oriented places*

##### Slide 11 Additional Main Street Images and Junipero Edge Conditions

1. *Two commissioners Madnawat and one other suggested moving the parking structure to front on Junipero. The idea of upholstering the parking structure was not well received. It was felt the units would only have windows on one side and wouldn't be desirable.*
2. *Commissioner Madnawat: Wasn't enamored with straight residential along Junipero.*

##### Slide 12 Residential Alternative

1. *Commissioner Morris: Seemed to support the idea of a lower density residential transition to the Junipero neighborhood.*



Slides 13-15 Building Massing from the northwest, Gateway to Prosperity,  
Perspective view down Serra Way

1. *Vice Chair Ciardell and others liked the gateway plaza concept and pavement based on the crop circle idea.*
2. *A Commissioner Expressed a concern about the ugly higher building on the plaza (The team responded This is the proposed location for an iconic building that hadn't been designed yet. The perspectives are conceptual massing models and not yet architecture)*
3. *Commissioners Morris and others: Responded favorably to the idea of LED panels incorporated into the buildings both on the main addressing street and the gateway plaza.*
4. *Chair Mandal: Was concerned the pork chops were not part of the gateway scheme. (SMH expressed the city's willingness to take the lead in working with Caltrans to incorporate the pork chops into the gateway)*
5. *Several commissioners expressed support for the design direction of the project. Commissioner Sandhu expressed a concern: Will the owners be able to implement all of the grand ideas and stick with the project through the multiple phases? (Team response: The project hasn't been designed yet and the objective is to get your input. Also by acting prudently, having housing as a component, and designing each phase in response to the market at the time of roll out the project would be successful)*

Respectfully submitted Jeffrey D Rhoads

The following are meeting notes provided by Steven McHarris in an e-mail to Gary Wong:

Hi Gary-

The next step will be to present to the Economic Development Commission. I will be working with the staff liaison to that Commission on a date. I would recommend you address each of their requests and points in your plans and for upcoming presentations. Adam Petersen will continue to be your Project Planner/Manager and you primary point of contact. The following is a brief summary of comments that I noted during the Planning Commission study session:

1. *Take item to Economic Development Commission*
2. *Enhance Economic Support of City*
3. *Obtain ideas from an economic team*
4. *Do not underestimate Milpitas*
5. *Look at Fremont Pacific Commons Center as example*
6. *Provide staff with experience in similar past project examples*
7. *Incorporate Cal Poly vision study*
8. *Work with Cal Poly to further the concept*
9. *Santana Row style activity*
10. *Revisit Floor Area Ratio*
11. *Gateway to the City*

- 12. Residential will be above commercial (no ground floor residential)*
- 13. Iconic appearance needed*
- 14. Affordable commercial and residential rents*
- 15. Serra Center theme, historic.*
- 16. Look at Alviso Park for history*
- 17. Attractive, enjoyable spaces and experience*
- 18. Incorporate alternative energy solutions*
- 19. Beautify and orient toward adjacent creek channel*
- 20. Emphasize pedestrian design*
- 21. Design for convertible internal street(s) (can be closed for festivals, events)*
- 22. Not in favor of residential along Junipero*
- 23. Consider moving parking structure closer to Junipero, no residential.*
- 24. Work on Serra Calaveras "pork chop" for gateway design.*



## Planning Commission Presentation

### Serra Center Project

By Jeffrey D. Rhoads

April 15, 2015

## Serra Center/ Milpitas Economic Development Commission Workshop

April 13, 2015

### 1. Introductions:

- Thank staff and EDC (Tom, Steve, Adam) for the opportunity to meet this evening
- Owner: Henry Horng
- Project Team Leader: Gary Wong of ArcheSpace
- Development Director (primary responsibility for entitlements and environmental clearance Serra Center): Jeff Rhoads
- What we do must be economic viable: no one wants a failing project
- The owner has not bias for any particular land uses - their primary concern is to be economically successful and build a project we can all be proud of
- It is time to move from conceptual planning to preparation of an application for a viable project

### 2. Purpose:

- Identify solutions that meet the city's and owners planning and economic development objectives
- Gain your input and expectations regarding economic development objectives in a context of what is supportable in the current Milpitas market
- Arrive at a mutually acceptable approach to conduct market focused economic analysis for the project

### 3. Overview (Slide 1)

- Owners purchased the property prior to the recession
- Revival of the economy and renewed project focus
- Conceptual consensus with Staff, Planning Commission, community stakeholders on the project design: Massing, Circulation – the idea of an internalized addressing street, Design theming, Circulation Framework and the notion of Gateway to mid town.



- Some variance in point of view regarding what can be a successful program
  - We have assembled a team to move forward with land uses applications, a specific plan amendment and EIR
5. Key Market and Economic Factors
    - Managing different least expiration dates: (This is not an unencumbered site)
    - Defining a development program for the initial phase that responds to market realities and meets our shared goals
    - Submitting a revised plan with viable products for the first phase
    - Designing the project, lease terms, reciprocal access and egress agreements with flexibility for later phases
    - We can't know exactly what build out will be as it will need to respond to changing market conditions and development phases over time
  6. Some lessons learned
    - In our efforts to engage consultants for economic analysis we identified three different perspectives and have proposals addressing each:
    - Brokers point of view: (Colliers Land Advisors)
    - Conventional empirical economic analysis of various product types: lease rates, vacancies, absorption velocities and the like: (Concord Group, Gruen Associates, and EPS)
    - A more nuanced point of view of merchandising retail, restaurants and entertainment and symbiotic relationships with other uses. (Main Street Property Services)
    - Our current plan (even if possible to proceed as a single phase development) doesn't meet cash on cash return expectations of equity investors or lenders
    - We will likely need to consider distributed parking and start off with a development program that can evolve with the market over several phases.
  7. Milestones
    - Conduct economic analysis that tests the current program and identifies viable product types and provides the basis for a revised program. Simply looks at what is possible now: Scope finalized proposal approved by May 1.
    - Present findings to a joint City Council/Economic Development Commission/Owner Workshop (Beginning of June)
    - Owner revises the conceptual design program for the project, submits land use applications, and applicable fees (Mid June)
    - Staff and Owner staff ifinalize scope for land use actions and EIR (Mid July)
  9. EDC Input
    - Open up to the EDC for input
  10. Next steps.



## **Milpitas City Senior City Staff Comments and Questions**

Meeting Date: June 1, 2015

*Serra Center Response Italicized and completed July 24, 2015 Rev Aug 10, 2015*

### **Meeting Attendees:**

City of Milpitas

Edesa Bitabadal, Economic Development Manager

Darrell Boyd, Planning and Neighborhood Services Project Planner

Bill Ekern, Planning and Neighborhood Services Interim Director

Adam Petersen, Planning and Neighborhood Services Senior Planner

Serra Center

Gary Wong, Principal ArcheSpace GWSC

Henry Horng, Owner Serra Center

Jeff Rhoads, Director Entitlements, Planning and Urban Design for ArcheSpace GWSC

### **Meeting Purpose:**

- Present Serra Center's preliminary findings on market conditions and economic viability of various land uses for the property
- Present Serra Center's preliminary development phasing findings for the property
- Present Serra Center's initial findings for a proposed Phase 1/1A development program
- Seek input for input, comments and guidance from City Staff

### **Comments and Guidance From City Staff:**

Edesa Bitabadal

1. Economic Development's primary objectives are to preserve and enhance the city's fiscal health by promoting activities that generate tax revenues and provide jobs.

*So noted*

2. Making sure that the community has a diversity of commercial and employment activities to support a range of choices and a high quality of life is also a priority.

*So Noted*

3. The city views land use decisions in the long term. Conversion of commercial and industrial land use to residential is seen as a decision that permanently removes these properties out of the city's inventory of land available for the generation of tax revenues and employment.

*So Noted*

4. Presently and in the recent past (following the recession) the city has received many requests to convert industrial and commercial lands to residential. A number of these have been approved. There have been a couple of recent discussions with project proponents to consider conversion of strip shopping center sites to residential.

*So Noted*

5. The city has received recent inquiries from potential investors regarding the Serra Center Site regarding potential for acquisition or participation in development.

*Serra Center welcomes any referrals from the city including potential tenants, build to suits and purchasers.*

6. A potential restaurant operator has expressed interest the King Egg Roll Building.

*Serra Center welcomes any referrals from the city including potential tenants, build to suits and purchasers.*

7. The city views the Serra Center site as the prime development opportunity property in the city.

*The owners also view the site as a prime development opportunity. However, constraints are placed on the site by the marketplace, real estate economics, existing leases and location limitations such as the adjacent land use context. Visibility is lacking from I 880 and constrained by a narrow view window on Calaveras Boulevard for the initial phase of the project.*

*The owners are committed to pursuing the highest and best use possible consistent with prudent economic analysis and risk including meeting or exceeding lender expectations for return on investment. If these criteria are not met financing will not be available for the project to be implemented.*

8. A potential use that could be used as an anchor for the site in addition to a grocery store is a Fitness Center. Based on observations elsewhere in the Silicon Valley, this kind of use has the potential to activate adjacent food and beverage, retail, and services.

*A potential incentive for including a major fitness center in the project is increasing foot traffic and associated sales in adjacent retail and restaurant space. In this scenario the rent for the fitness center would cover costs of construction and associated operating expenses but support higher rents from retail and food /beverage tenants. These higher rents would presumably offset the higher costs and in many cases non-existent return for the fitness center. This loss leader approach commonly applies with highly desirable anchor stores in a regional shopping center.*

*Subsequent to the meeting, the owners' team contacted brokers to determine fitness center operators in the market for sites in the Milpitas area, their programmatic requirements and*



*transaction terms. The findings did not support the scenario identified here. Trends in the full service fitness center business are to build “category killers”. Like a casino, their business model is based on providing a one stop immersive experience. You go in but you never leave! Fitness centers now provide a range of services including point of sale for soft goods and dietary supplements, day care and food and beverage sales. Unfortunately they act as destinations that don’t support adjacent tenants.*

*Additionally, current transactions in Milpitas at \$ 2.00 per sq ft VS \$ 3.00+ per square foot in Cupertino do not deliver sufficient rents to support the highly specialized and costly building type and high parking ratios. This use requires high ceiling heights, larger clear span spaces and elaborate mechanical systems. The land use type doesn’t meet return expectations in either Milpitas or Cupertino. It doesn’t support land values and construction costs.*

*Smaller fitness tenants including yoga, cross fit and similar tenants can be accommodated in conventional retail space and support external retail and services. These tenants match rents similar to other retail tenants and will be considered viable tenants for a retail center.*

*The project team continues to consider a specialty grocery store as a possible tenant for the project. The economics are challenging, as the rents are lower, the space is specialized, there are large service area requirements and higher parking ratios for this type of use VS conventional retail. Cross shopping is also not as robust as desired since possession of perishable and frozen goods discourages shopping elsewhere.*

9. Consideration of anchors and branding for an “A” retail center is important. *The ownership team is committed to an effective retail strategy and land use context that will be viewed by potential tenants as a quality retail location if not class “A” as defined in the trade as a high sales volume per square foot regional shopping center or highly productive glamour retail street location. Unfortunately many credit tenants (Apple, Gap, Anthropology, Tesla, Channel and the like) will not likely consider this an appropriate location in the regional context.*

10. A hotel operator has expressed an interest seeking a site in Milpitas. *Serra Center welcomes any referrals from the city including potential tenants, build to suits and purchasers.*

11. The city is having difficulty retaining industrial users due to a lack of suitable space. *So noted as a reference to the desire to maintain a robust employment base and land suitable for non-residential uses in the city. However, both the Mid Town Specific Plan and the owner do not anticipate industrial uses for this site.*

12. Edessa pointed out challenges associated with leasing vacant space at McCarthy Ranch and building out some of its vacant parcels due to the negative impact of the adjacent landfill operation northwest of the properties. She suspected this could be the cause of McCarthy Ranch vacancies rather than regional office demand.

*The owners’ team contacted brokers and others to dig deeper into the Milpitas/International Business Park class “A” office market and more specifically the Golden Triangle and McCarthy*

ranch markets subsequent to the meeting. The team sought answers to two initial questions: How much actual class "A" office space is in the Milpitas market, is there a differential in rents and vacancies between the Golden Triangle (the area south of SR 237 between I 880 and US 101), and if so why.

*Research Findings:*

- The class "A" office market is quite limited in Milpitas IBP market, less than 320,000 square feet. A substantial inventory of high quality class "B" space is available at McCarthy Ranch and the Milpitas portion of the "Golden Triangle". This class B space is also commonly referred to R&D space. It is typically available in recently built 2+ story tilt up buildings designed for tech tenants seeking large floor plates. Irvine Company's McCarthy ranch inventory has extensive well-landscaped surface parking, common areas and amenities such as a Pete's Coffee that also serves food. The project exhibits the characteristics of a well managed and maintained master planned business park. This includes first class maintenance of buildings and grounds, a consistent signage and graphics program and programmed activities for tenants. The property has vacancies in the mid teens, a large inventory of available space, sublease rents in the \$1.00 per foot range (asking rents in the \$ 1.60 range), visibility from I-880, and an established and respected brand. This represents formidable competition for new properties within the submarket area. Additionally there is a large inventory of vacant land with available utilities immediately available for development.
- A low-rise steel frame office building with structured parking on the Serra Center site would require rents in excess of \$3.00 per square foot to be economically supportable. The parking structure costs would need to be amortized solely through office rents. Pay parking would not be competitive in a market where free parking is the norm. The current submarket will not support the rent required for a viable project.
- A June 25, 2015 Interview of a long term employee of a company at the McCarthy Center offered the following observations: Odor from the landfill was noticeable inside of the buildings at the Irvine Company operated properties approximately 5 years ago. The landlord installed filtration equipment in the HVAC system (The tenant's employee said it was a carbon filtration system). Ever since the filtration equipment was installed odor has no longer been noticeable inside the building. In addition exterior odors are much less evident. (The tenant's employee believes this is due to a misting system on the perimeter of the landfill property).
- A subsequent interview with an executive of Irvine Company (owners of office/R&D space inventory at McCarthy Ranch) confirmed Edessa's observations about proximity to the landfill having a potentially negative impact on leasing. The executive noted the ongoing challenge of achieving full occupancy of their holdings. While he did not attribute this solely landfill proximity, it's a factor. Indoor air quality and odor is managed. Odor outdoors is dependent on wind direction and mitigation efforts by the landfill operator. He noted this was less of a problem on the southern portions of McCarthy Ranch. Unfortunately brokers, tenants, lenders and investors analyzing the Serra Center property consider McCarthy ranch rents in sub area market comps.
- Total Milpitas IBP (A+B) inventory is 830,112 sq ft. Available space (vacant and sublease) in the market is 104,066 sq ft. The current available inventory equates to 12.5% of total. The average annual absorption over the last nine-year period for combined A and B space is 3,684 sq ft. The market has been quite volatile with negative absorption in the years 2008

*through 2010 (the recent recession), and positive absorption from 2011 to present. Average annual absorption since the recession has been 32,683 sq ft. If this rate is sustainable, the available inventory will take approximately three years to lease up. (Source CBRE 6/16/15)*

- *Market data doesn't differentiate between the Golden Triangle and McCarthy Ranch. Antidotal evidence suggests the lease rates are higher and the vacancies lower in the Golden Triangle. According to brokers this isn't due to proximity to the landfill. Golden Triangle is perceived in the market as a preferred location. Reasons given include: Golden Triangle has a critical mass and concentration of tech companies, and it's a well-established sub market.*

13. Edesa encourages Serra Center to look ahead longer term and anticipate market conditions beyond the current. (Perhaps 3 to 5 years ahead and greater)

*The owners are committed long term to the Serra Center site. Financial prudence requires that each phase of the development is self-sustaining in the market that exists at the time it's built and leased. Any other action would result in failure for both the project and the city.*

14. Pacific Mall is a regional shopping center the city sees as a model for class "A" retail space of the type they would like to see on the Serra Center site.

*The project owners will continue to track the progress of the Pacific Mall and learn from its example. We would like to know more about the tenant mix for the mall. A different retail merchandising and branding strategy will be needed to successfully differentiate a project on the Serra Center site from competitors.*

Bill Ekern

1. The housing issue is a both a political as well as a fiscal one. Staff, city council members and the public have voiced growing concerns about the impact of housing growth on the fiscal health of the city and quality of life. While some of these concerns may be misplaced, perceptions are very important.

*The project owners are very sensitive to the public, city staff and the City Council concerns and are seeking land use solutions for the Serra Center property that reflect community values and aspirations while being economically feasible. We understand the city's fiscal objectives related to land use.*

2. Even if the city's fiscal and services concerns can be addressed technically, the political issues remain. A project that includes housing on a commercial site must address the political issues to receive support by staff and the city council.

*So noted and acknowledged. We will continue to seek guidance from staff and elected and appointed officials. The project team plans to engage in a community outreach effort. We are focused on reaching out to the community to understand their desires and concerns and gain their input on a development concept we believe will work on the site.*

3. Perhaps it may be possible to provide housing on the site in either a vertical or horizontal mixed-use format if adequate commercial/employment uses are also included on the site.

*This may well be a workable solution and will be considered in preparation for any land use actions for the project.*



4. Affordable housing is now a major concern by the city as reflected by comments received from the city council as recently as yesterday. A moratorium on housing approvals has been broached to consider identifying ways to address this problem. The city has not required residential projects to include a percentage of the units for reduced purchase price or rent. No in lieu fees for affordable housing have been required and none have been collected.

*Entry level market rate housing and other lower cost homes types including senior housing are not currently being delivered in the Milpitas market. These will be considered in more detail market and economic analysis as the project progresses.*

5. Consider a live work option along South Abel as a potential use for the critical visual frontage along this major arterial roadway and for its relationship to the Mid Town Mixed use district.

*The project team will give this consideration.*

6. Bill asked if the owner had offered the property for sale to other potential investors interested in proceeding with a first class office project on the site.

*The owner has not entertained any potential investors or purchasers for the site at this time. Our market analysis conclusions don't support a compelling case for office this location other than modest amounts of professional offices seeking a more retail environment. If the city identifies a user for a build to suit, the owners would welcome any referrals.*

7. He asked if providing a first class office development on a portion of the site would equate to an incremental land value increase for the remainder of the site.

*If the site were sufficiently large to build a sizable inventory of office space that could achieve market support, tenants and their brokers might consider the location a viable submarket. This scenario would equate to a symbiotic mass of office use that could support higher lease rates. Unfortunately this would require an order of magnitude more space than can be accommodated on the Serra Center site (or be supported by the market). Additionally McCarthy Ranch has a substantial inventory of completed office space and a very large inventory of served vacant land available for new office projects. No new office projects are proposed or under construction. This is compelling evidence of a weak submarket. Our conclusion is an incremental land value increase would not be realized on the remaining inventory from office development on a portion of the site. An unsuccessful office project would likely have a detrimental impact on adjacent land values.*

*While it's not uncommon to see support retail and services associated with successful and sizable concentrations of office space there are some significant challenges. These include:*

- Retail activity success is influenced by the success of the office leasing. High development and construction costs, high vacancies and low rents bring into question the probability of success for conventional office on this site resulting in no benefit to adjacent retail.*
- Poor shared parking profiles as both activities parking needs tend to overlap.*
- Office centered retail requires massive amounts of office space (Embarcadero Center in San Francisco is a good example of this).*
- Office centered retail has difficulty driving foot traffic after 6:00PM.*

- *Retail on this property will likely derive a substantial majority of its customers from off site regardless of other on site non-retail uses.*

8. The Integral site proponents are seeking modifications in the entitlements to allow 100,000 square feet of retail.

*The project owners will continue to track the progress of the Integral Site and learn from its example. A different retail merchandising and branding strategy will be needed to successfully differentiate a project on the Serra Center site from competitors.*

9. The Pacific Center Project is seeking adjustments in its entitlements that do not result in a reduction of the retail or the hotel.

*The project owners will continue to track the progress of the Pacific Center and learn from its example. We would like to know more about the specific uses. A different retail merchandising and branding strategy will be needed to successfully differentiate a project on the Serra Center site from competitors.*

Darrell Boyd:

1. Proposed Phase 1/1A lacks critical mass. Has the owner looked at the cost of buying out existing leases to determine if this makes economic sense and results in a better project?

*The project owners have and continue to consider the possibility of buying out leases from tenants. Unfortunately the length of critical leases will result in very high buy out costs. This adds to the imputed land values, which are already quite high due to the income generating uses on the property. Buying out leases could be justified if a compelling land use or uses with high potential returns could be identified for the property. The market analysis has not identified such compelling uses in spite of the team's motivation to do so.*

2. The City will likely ask the developer to provide a fiscal impact study to the city particularly if the development proposal reduces the scope of commercial and/or office development from what was proposed in the Mid Town Specific Plan.

*This is a request that none of the project team members (with many years of land development experience) have ever encountered. We are concerned the assumptions would be highly speculative. The uses envisioned in the Specific Plan reflect desires and intentions identified through the Specific Plan process; however, they are not based on market conditions or real estate development economics. We suspect the fiscal impact of vacant office space (as an example) would be far less attractive to the city than other successful uses including retail, professional offices and residential accessed at current market values and generating taxes at current levy rates.*

3. Has the owner considered identifying alternative sites in the city that would be better suited for office development than Serra Center and contractually restricting development of other site/s or transferring development rights as a condition of approval for residential on Serra Center? Edessa pointed out that this must not result in net loss of commercial/employment in the city.

*This is also a bit out of the norm and may require a landowner or landowners willing to accept development restrictions on their land. While we would consider transfer of development rights*

*to another parcel or parcels not owned by Serra Center our preference would be to transfer these rights (such as the O-O overlay and increased FAR) to future Serra Center development phases.*

4. If a mixed-use development were approved for the site, a likely condition of approval would be construction of the commercial office components before the housing components.

*While we are sensitive to the city's concerns, in all probability the owners would want components of a mixed use project to move forward concurrently considering the following: 1) Much of the building inventory would likely be vertical mixed use which would be designed to be built at one time, and 2) The project economics and marketing strategy would be to implement a complete environment and minimize disruptions to tenants associated with multiple small phases. In addition the success of the project would be based on creating a compelling district with extensively used and well-loved public and quasi-public places.*

5. The City Council Workshop is scheduled for August 18<sup>th</sup>.  
*So noted and on our project schedule.*

Meeting notes respectfully submitted by Jeff Rhoads June 2, 2015



# Serra Center Market and Economic Analysis

## Executive Summary:

Based on August 8, 2015 model run (rev August 19, 2015)

### Purpose:

The Serra Center preliminary Market and Economic Analysis (Analysis) has two primary objectives. These are: 1) To inform the owners of land uses and building types that are supportable by current local and regional market conditions and 2) To provide the project team evidence based findings to inform city staff, the community, elected and appointed officials of development scenarios that are most likely to be successful on the Serra Center site given the constraints of the Milpitas market and regional construction practices and costs.

### Methodology:

The market portion of the Analysis is based on data commonly available in the brokerage community as well as proprietary information available to the Analysis team members. This includes the specific knowledge of the team members, and interviews with brokers, potential tenants, contractors and construction managers.

Serra Center design documents are conceptual and are subject to considerable revisions and refinement as the project proceeds through land use actions, specific plan amendments and environmental clearance. The market conditions will likely change significantly as the project works through this process. Since the design is conceptual, hard and soft cost estimates are based on unit costs and building square footages (for example costs per square foot and per parking space) rather than more detail line item Construction Specification Institute (CSI) estimates based on quantity take offs from a highly developed set of construction documents.

This Analysis is a first pass. It will need to be supplemented with more robust and detailed analysis as the project proceeds to delivery. This will enable the owners and project team to target the land use product types based on up-to-date market information and tenant negotiations. Lending terms and requirements will also be better defined. In addition the project design will be much more complete enabling a higher level of confidence in cost estimating.

### Location

Milpitas lies between Fremont, Santa Clara and San Jose. Serra Center is the geographic center of Milpitas.

The property is well located with frontage on Highway 237 approximately ¼ mile east of the Interstate 880 interchange. High traffic volumes, excellent access and visibility and proximity to the core of the

Silicon Valley provide opportunities to be capitalized on. This is also the route to Milpitas' City Hall, which creates tremendous expectations of being the front door to the city. The design currently includes significant design elements such as a gateway plaza, a main addressing street with park plazas, special pavements and features such as structures reminiscent of barns and silos. And although these design elements increase the cost of the project, they are likely to be required in some form to satisfy the city and support project success.

Modification of driveway locations and curb cuts required for access and egress for more intensive land use will require approval by the city and Caltrans. There may be additional costs for queuing lanes and traffic signals that have not been incorporated into the projections.

### **Property**

Serra Center is a redevelopment project situated on 16.49 acres. There is 93,326 square feet of existing leasable area including a Big Lots! anchored shopping center with pad buildings. The building area excludes two motor inns on ground-leased parcels. The leases for these parcels expire far into the future. One NNN lease tenant, a Walgreens, is both long term and high value. Phasing of the project will be timed to allow leases to expire to avoid buy out costs. These were not a part of the costs included in the Analysis.

### **Zoning**

The zoning is currently C-2 general commercial with O-O office overlay on the portion of the site east of the Walgreens and Days Inn.

The project is subject to the Mid-Town Specific Plan. The plan contemplates a gateway development of retail and Class "A" office on the site. A recently passed ordinance has placed a moratorium on the conversion of retail and industrial land to residential or mixed use allowing residential. Up to the recent past, the City of Milpitas has approved zone change of a number of retail and industrial/office properties into classifications that allow residential. The city has made clear their intent to not allow this to occur until the existing inventory of zoned land permitting residential is 85% built out. They are currently committed to requiring commercial uses that provide employment and positive tax revenue on the Serra Center site. In a recent meeting with the City Manager, Mr. Williams mentioned the new ordinance is likely not applicable to the Mid Town Specific Plan area. This will require verification. Regardless, a compelling case will need to be made for residential land use as part of a mixed-use project. The community is concerned about quality of life issues such a school crowding and traffic congestion impacts of large new housing developments.

This Analysis has demonstrated a mixed-use format including higher density residential above retail with additional single use residential buildings as the only currently viable development scenario. Feed back from the community, and elected and appointed city officials has demonstrated a nearly universal desire for a Santana Row mixed use environment in the Mid Town area. Santana Row required a major residential component to achieve financial success that was not initially assured.

## **Below Market Rate and Entry Level Housing**

Milpitas currently does not require Below Market Rate (BMR) residential units as a condition to development approval. This is commonly required in other Bay Area cities. As such has it has provided entitlements to projects that are market or higher than market rate and have not produced any BMR units. A major recent concern expressed by the City Council is the lack of affordable housing. The community may view Serra Center's ability to provide housing opportunities for entry level, senior and other underserved populations as beneficial.

## **Market**

Each of several different types of products including office, retail, residential, hotel and other miscellaneous uses have been investigated to determine possible development opportunities for the project.

### **Office market**

Since there is an office overlay on part of the project site, the City of Milpitas has requested the investigation of this product type's feasibility. Unfortunately regional market factors show office not to be a viable use for the site. Milpitas has some of the highest office vacancies and the lowest rents in the Bay Area/Silicon Valley surveys that were collected. Substantial vacant inventory of high quality R & D space (in the high teens) in a highly amenitized and well managed master planned business park is available directly across the 1 880 freeway at McCarthy Ranch. A large inventory of served vacant land is also available.

Further analysis of costs associated with constructing the class A office space contemplated by the Mid Town specific plan and associated structured parking was conducted following the June 1, 2015 meeting with senior city staff. The break-even rental rate for fully served space is \$4.00 per square per month. This exceeds current transactions for Irvine Company's McCarthy Ranch holdings by \$2.50 per square foot (nearly three times the current market rate).

### **Retail**

There is an abundance of retail in Milpitas, but the absorption has continued to reduce vacancy rates in recent years. This is particularly the case for well-anchored B centers, but not so for C and aging centers. Phase 1/1A of Serra Center is an aging C center.

Milpitas has evolved to be a net importer of retail sales mostly in the category killer, mid-market and value market segments. In spite of this, brick and mortar soft and durable goods retail is under considerable pressure from online shopping. The future success of Milpitas retail offerings will be dependant on how effectively the shopping centers and retailers manage this trend.

Phase 1/1A of the Serra Center site is not large enough to accommodate big or medium box stores. These store types are typically located in centers with floor area ratios in the .25 to .30 range and have large surface parking lots. These factors and high initial land cost make them unable to meet project



performance expectations. The development type is also not consistent with the Mid Town Specific Plan goals.

The Analysis has identified a lifestyle neighborhood center as the optimal retail format for the Serra Center site. Rental rates are sufficient to support hard and soft development costs and deliver good returns. Lifestyle centers are less impacted by online sales. Their primary attraction is providing a compelling experience and convenience for patrons. Santana Row is an example of a well-merchandised lifestyle center. Food and beverage establishments comprise a high ratio (60 – 70 %) of the tenants. These serve as the anchors for the center. Other tenants provide services and impulse retail. The tenant mix is less susceptible to competition from Internet sales. Success is dependent on creating a highly attractive and desirable place with the right tenant mix to attract patrons. Lifestyle centers require high quality finishes, good design and landscaping and top tier management. They're where people want to go, be seen and have fun. Currently Milpitas is a prime opportunity for this type of place.

The amount of retail that is programmed into the Serra Center project is about 200,000 square feet (113,600 square feet in Phase 1/1A), located on the ground floor. This allows for the parking to be provided below the building in a podium, which makes it easier to control and more convenient than a centralized parking structure.

### **Residential**

Milpitas has distinguished itself as a key provider of housing in an intensely undersupplied regional market. Much of this has been for sale townhomes and condominiums. Although current housing demand is very high, Milpitas housing experienced substantial price devaluation in the last recession. A concern is the impact of the next recession on housing prices and timing to product delivery. Strategies include identifying product types not currently being supplied in the Milpitas Market. Senior and entry-level housing are currently undersupplied.

The planned residential component for phase 1/1A of the project will be upwards of 429,298 square feet. Residential was identified as the use with the highest potential return. A mixture of units including micro-units of 450 square feet, condominiums of 850 square feet and townhouses of 1100 square feet were used in the Analysis. This reflects reduction in unit size and is at the lower end of the sizes available in Milpitas. The micro-units are considerably larger than new units offered in San Francisco, a reflection of a more suburban market.

On site residential also serves as a significant customer base for the contemplated retail providing "roof tops" and supporting extended hours of activity.

### **Hotel**

There are a significant number of hotel rooms in Milpitas. In recent years Milpitas hotel rooms have been enjoying higher occupancy and room rates that exceed the dismal performance experienced during the recession. This is strictly because overflow from other Silicon Valley cities' employment growth and office demand, has impacted Milpitas. When the economic cycle enters into a recession in

the future, room occupancies will likely return to about the fifty to sixty+ percent (50-60+%) range and room rates will also likely decline to previous non economically supportable levels. Recognizing this cyclical and volatile impact on the hotel rental market, it would be impractical to develop additional hotel rooms, especially at higher room rates driven by current high construction and carry costs. The introduction of Levi's stadium in the market has had a positive impact on room occupancy and exerted some upward pressure on room rates. However, the size and configuration of the venue limit the number of events booked and stabilized market impact has not yet been established.

Typical ground lessees for a hotel return a five to nine percent (5-9%) cap rate in this market (annualized basis). The returns on hotel joint ventures tend to be low because operations costs can be manipulated to conceal profits. The primary benefit results from efficient and effective operation of the hotel and benefiting from the cash flow generated.

### **Grocery**

Typically, grocery use has been not conducive as a contributor to cross-shopping, since they are destinations that require a large amount of area for parking, shopping carts, loading and service. When someone goes to the grocery store they plan on going home shortly afterwards, since they commonly have perishables or frozen products that will spoil or melt if left in the vehicle. Further, these types of facilities require high spaces and large footprints that are difficult to re-lease, while paying rents that do not meet the pro forma requirements.

Therefore, possible alternatives include grocery/delis that primarily provide hot food and specialties for defined ethnic and demographic targets. These stores are smaller, typically between 2000-4000 square feet, and will fit into spaces being planned for the project. Certain smaller specialty grocery store formats may prove viable based on tenant motivations and transaction terms.

### **Miscellaneous**

There are a number of dedicated uses, such as a medical center or fitness center that are purpose built facilities imposing additional costs. These do not provide commensurate compensation to economically justify development. The problem is they have use specific requirements (height, depth of space, heating, ventilation and air conditioning, refrigeration, parking, plumbing, and subsurface utilities, etc.) and costs that are not adequately offset by local rental rates. In addition, rental income will not be sufficient to pay for conversion of the spaces for alternate uses. They do not act as retail "loss leaders" since they do not promote cross shopping.

## **SERRA CENTER PARAMETERS**

### **Design**

The general project design for the initial phases envisions two basic building types. The predominant is a mixed-use building type with a steel and concrete two level parking and retail/commercial "podium" and three to four stories of wood framed residential construction above. The second building type is three story wood framed townhome type residences with individual garages at the ground level. The

typical floor-to-floor heights for the mixed-use building are 11 feet in the parking level, 18 feet in the retail commercial level and an average of 10 feet for each of the residential levels. The townhomes are projected to have 10 foot to floor heights except for the main level, which is proposed at 11 feet.

The overall development at build out of all phases includes commercial/retail projected at approximately 200,000 square feet and residential at approximately 600,000 square feet. The building envelope meets the height and setback requirements with one floor of partially underground parking for the mixed-use buildings. The amount and type of residential is currently allocated between townhouses, condominium/apartments, and micro units. A portion of the residences may be age restricted for seniors. The retail/commercial space is allocated between general retail/quasi-office and restaurant/fast food. Each of these components has differing parking requirements that are incorporated into the project cost. The townhome styled units with ground level garages are proposed for a portion of the site along Junipero Drive. Financial performance for the project would improve significantly, with margins achieving lender and investor expectations, if the town homes were replaced by apartment style homes over a podium.

### **Parking**

Studies have been performed comparing podium versus structured parking. The approachable design, cost and convenience of podium parking versus structured parking outweigh the efficiency of building a parking garage. Certain housing types such as micro units and senior housing require fewer spaces per unit. A larger number of micro units could replace conventional units, however the bedroom count will remain approximately the same for the total residential square footage. A primary goal of project programming is to limit parking to a one-story podium constructed above the water table. A shared parking analysis will optimize parking provided for the project.

### **Development Phasing**

The total project build out is contemplated about 1,031,000 square feet. This is projected to occur over three phases. The phasing areas are identified as 1) Phase 1/1A: the existing Serra Center retail, office and restaurant inline shops, pad tenants and parking area east of Walgreens and Days Inn, 2) Phase 2: Heritage Motor Inn (Travelodge), King Egg Roll and a vacant parcel west and north of Abbott Avenue, and 3) Phase 3: the central portion of the holdings including Days Inn and Walgreens. The project team contemplates proceeding with Phase 1/1A for land use actions and environmental clearance. Subsequent phases will proceed independently as justified by the market, owner's investment objectives and lease terminations.

The Analysis is based on Phase 1/1A at approximately 10.481 acres and 542,943 gross square feet of mixed-use building area. This includes approximately 113,600 square feet of retail/service and 429,898 square feet of residential. The mixed-use buildings contain 555 residential units. An additional 56 townhome units totaling approximately 71,440 square feet with private garages are also included in the Analysis separate from the mixed use buildings. As a rule of thumb the Analysis generally supports a ratio of approximately 15/20% commercial floor area to 80/85% residential. Parking is not included in the building floor area calculations.



The conceptual land plan shows Phase 2 with a land area of approximately 2.559 acres and 287,749 rentable square feet. This includes 71,937 sq ft of retail and 215,812 sq ft of residential.

The conceptual land plan shows Phase 3 with a land area of approximately 3.449 acres and 95,800 rentable square feet. This includes 23,950 sq ft of retail and 71,850 sq ft of residential.

### **Construction Costs**

The costs have been projected based on current unit costs that were experienced in projects in the Bay Area's Silicon Valley. These construction costs will need to be further refined for this specific project, but regional unit costs give an indication of where the project is heading as programmed.

Mixed-use buildings with concrete podiums and wood-frame construction above are widely accepted as a development standard in the region and are used to manage costs. The residential hard and soft costs are based on \$178 and \$51 per square foot respectively with a parking cost of just above \$10,000 per stall. The retail/commercial hard and soft costs are based on \$112 and \$35 per square foot respectively with the parking at the same cost per stall for residential. Projects can be built with all concrete or steel at additional cost. The costs utilized are general rough order of magnitude and do not include possible additional or specific costs that will be allocated to this project through fully detailed plans and general contractor CSI line item bidding. In addition they do not include tenant improvement costs for the commercial spaces.

### **Edges and Buffers**

Discussions about the project with city staff and appointed and elected officials underscore the need to create an appropriate condition along the Junipero Drive edge of the site. This southerly edge is adjacent to an existing low-density multifamily residential neighborhood. The project team will be conducting a community outreach effort to better understand the concerns and opinions of the neighborhood. This will help inform land use and design along Junipero Drive and potentially elsewhere around Serra Center.

While buffering such as landscape setbacks and a linear park may be potential solutions, the design team will focus on building community support for townhomes or other types of residences on the north side of Junipero Drive. A linear park open space amenity can provide an active area between the two differing uses and result in density credits for additional building height and more residential units. The team's preference is to internalize amenities to add value to the project and serve the needs of project tenants and customers.

### **Imputed land Value**

The imputed land values are based on the purchase price of the various parcels by the Serra Center owners. These values are reflected in the property tax records. Since the purchase transactions occurred prior to the last recession, it is probable the land cost basis is higher than current market value. The land values at purchase are included in the calculation of cash on cash return. Accrued opportunity cost during Serra Center owners' holding period is not considered in the calculations.

## **Rents**

The rents are based on the rental information provided CoStar and the surveys from brokerage companies.

The rents in the simplified pro forma utilized CoStar's research information based on monthly rental rates. The office rents range from \$1.48 to \$2.10 per square foot. The rents for retail and restaurant range from \$2.50 per square foot to \$3.00 per square foot respectively. The rents for apartments are about \$2.50 per square foot. The rents for residential micro units will likely be higher than conventional apartments.

The Net Operating Income (NOI) deducts the operating expenses from the rents. This amount is typically about ten to fifteen percent (10-15%).

## **Valuation**

The valuation is based on income capitalization, where anticipated operating expenses are deducted from the rents to provide the net operating income (NOI). NOI is the basis for the valuation of the project, where time value of money, certain costs applicable specifically to the property and absorption have not been taken into consideration at this point in time. The valuation provided is based on investment market driven income capitalization rates that have been experienced on other projects in the Silicon Valley and the Bay Area. The NOI divided by the capitalization rate provides the value of the property in dollars.

- The capitalization rate for office is seven and a half percent (7.5%).
- The capitalization rate for retail is seven and a quarter percent (7.25%).
- The capitalization rate for residential is five and half percent (5.5%).
- The capitalization rate for hotels is seven percent (7.0%).

## **Financing**

The project has migrated from its initial layout to a mixed-use program that provides for returns that avail financing in the following parameters that have been experienced recently:

- Typical financing is at usually between fifty to fifty-five percent (50-55%) of the cost of the project with a rebalance if the project's appraised loan to value ratio exceeds sixty-five percent (65%) upon completion.
- The interest rate is determined by the project itself and its ability to pay back the loan. Typical interest rates are based on simple interest that is interest only during construction, which is usually between two to three+ percent (2-3+ %) plus monthly LIBOR. The financial institution typically requires some sort of interest hedge.
- The points or costs associated with the loan origination are currently between seventy-five to one hundred fifty basis points (.75-1.5%) of the loan amount.

- The loan duration is typically three (3) years with up to two (2) one year extensions, usually with a quarter to half percent (.25-.50%) fee for each extension, so that the property can stabilize its operations. The debt yield is typically between seven to eleven percent (7-11%) and if during the extension if the property fails to meet its stabilization requirements the loan will need to be rebalanced (a reduction of the loan amount with the repayment of proceeds).
- The amount of owner equity (land and cash) is to be put up initially before any of the loan proceeds about drawn upon. Evidence of funds is required as a part of qualifying for the loan.
- The owner must also maintain a certain level of liquidity and net worth during the term of the loan.
- The property needs to be held in a single-purpose entity. In other words, each phase of the property needs to be held individually, in order to encumber only the specific phase property with the loan and these requirements.
- The loans are typically recourse with a completion guaranty.
- There are a number of tests that need to be met in order for the loan to qualify for approval and quarterly tests to remain in good standing.

### **Investment Return Objectives**

The threshold return for investment quality real estate development is approximately 60% cash on cash return. If a project takes 3 years from construction mobilization to pro forma lease occupancy (generally 95%) the internal rate of return percentage equates to the high teens on an annualized basis. A cash on cash return of 50% will generally meet financial institutional underwriting requirements with a 50% loan to value ratio of the cost of the project. The imputed land values are likely to be reset downward to reflect current market values. A cash and/or equity contribution may be required to achieve a 50% loan to value ratio.

### **Project Financial Performance**

Several pro forma runs have been completed with alternative land use scenarios and programs for the full 16.49 acre land inventory including Phases 1/1A, Phase 2 and Phase 3. Existing lease terms will delay Phase 2 and 3 beyond a predictable market analysis time horizon. This serves as justification for focusing the analysis is on 10.48 Acre Phase 1/1A. Expiring leases will allow redevelopment of this portion of the site to proceed over the next few years.

The pro forma process is iterative. Revisions in the building program including land uses, building and site improvement areas, and parking requirements result in different outcomes. The most recent Phase 1/1A was completed based on the site plan submitted to the city of Milpitas on July 24, 2015.

### **Key Assumption Metrics for Phase 1/1A (8.8.15 Run):**

- Total site area 10.48 (some improvements may be required on phase 3 area for access and utilities)
- Total Building Area: 647,440 sq ft
- Mixed Use Building Area: 542, 943 sq ft



- Mixed Use Building Retail and Other Uses Area: 113,600 sq ft
- Mixed Use Building and surface parking: 1,475 spaces
- Mixed Use Building residential units: 555
- Townhomes Area: 71,440 sq ft
- Townhome units: 52
- Townhomes parking: 112 spaces

**Performance:**

- Margin (Cash on Cash Return): 39.69%

**Conclusions:**

The margin of 39.69% is not yet an a minimum required level of 60% based on a three year build out and lease up of Phase 1/1A. Parking provided on the site appears to meet the needs based on a high ratio of restaurant tenants. A shared parking analysis will determine the desired number of spaces when the parking requirements for the residential products and breakdown of retail uses are better defined. While the trend for financial performance has improved as the program has been refined, further changes will be required to achieve the minimum required performance to attract lender participation. The most promising means to achieve the margin is to increase the number of residential units and/or reduce the retail area. Replacing the townhomes with podium parked residential at approximately 50 units per acre density (4 stories of wood framed apartments or townhomes above a concrete parking podium) will likely achieve the performance required.

**Serra Center**  
**Office Market Analysis**  
as of June 5, 2015

**Prepared for 200 Serra Way LLC**

c/o Gary Wong, ArcheSpace GWSC

Prepared By:

Wayne Okubo, CDP, CSM, CLS, CMD, CRX, CPM®  
Okubo Real Estate  
BRE #01019710

And

WesTerra Investments LLC  
1563 Solano Ave #188  
Berkeley, CA 94706

## **Executive Summary**

1. Milpitas is a minor market and has a scant 320,000 sf of Class A inventory.
2. Milpitas is at the periphery of the Silicon Valley whose path of growth is northward toward San Francisco and in the opposite direction.
3. The vacancy rate in the Milpitas R&D market is higher than the Silicon Valley average.
4. The Milpitas rents for both Office and R&D space are substantially lower than the Silicon Valley average.
5. There has been little rental growth in both Milpitas office and R&D product during the past 8 years making it a less attractive investment for property owners and investors.
6. The prominent McCarthy Ranch office property with excellent I-880 visibility and a superior location to Serra Center has a 20% vacancy rate and its asking rents are \$1.50psf with a range from \$0.90-\$1.50psf.
7. The permitted Class A Equity Office project is not being marketed and doesn't appear on its owner's website.
8. Development of office product on the Serra Center site is further disadvantaged by the need to build structured parking as opposed to having on-grade parking as in the McCarthy Ranch project.
9. The above facts, taken together, do not support the expected return requirements for office investors nor does it support the required safety margins to secure project financing.



## Background

200 Serra Way LLC, the owner of Serra Center, has directed the preparation of this Milpitas office market analysis in order to determine if the site supports Class A office development as indicated in the Milpitas Midtown Specific Plan, updated 2010.

The site is comprised of several parcels containing approximately 10 acres and is located near the southeastern quadrant of Interstate 880 and State Highway 237 bounded by Calaveras Boulevard and Serra Way to the north, South Abel Street to the east, Junipero Way to the south and the adjacent Walgreens and Travelodge and Day's Inn motels to the west. The site is divided into two potential phases, 1 and 1A depending on the existing retail tenant expirations. At this time, Phase 1 is expected to be ready for development in 2017 and Phase 1A in 2019.

The site is currently developed with a series of eight, one- and two-story office/retail buildings for a total of 84,442 sq. The owners also own adjacent parcels that contain the existing Walgreens store and the Travelodge and Day's Inn motel structures and because the underlying leases have long remaining terms, they are excluded from this study.

Phases 1 and 1a are currently zoned General Commercial (C2) with an Office Overlay (-00) in order to encourage Class A office development to visually strengthen one of the main entrances into the City. The City wishes to encourage the development of up to six-story office buildings by increasing the FAR at this location to 1.5.

## The Milpitas Office and R&D Market

Located at the southern end of the San Francisco Bay and the eastern edge of Santa Clara County, the City of Milpitas is an integral part of high-tech Silicon Valley since its incorporation in 1954. The City is a strong employment center with a diverse population, quality schools, conveniently located neighborhood parks and a variety of retail options. Milpitas is often called the "Crossroads of Silicon Valley" as most of its 13.6 square mile area is situated between two major freeways (I-880 and I-680), State Route 237 and a County expressway. Furthermore Milpitas is served by Valley Transportation Authority and in 2017, a new BART station at the southern end of the city.

Milpitas has long been known as an industrial and warehouse market and, while the city contains 1.1% of the land area of Silicon Valley, it contains 5.1% of its industrial space and 12.1% of its warehouse space.

**Figure 1: Milpitas as a Percent of Silicon Valley's Industrial Space**

|                        | <b>Milpitas</b> | <b>Santa Clara Co</b> | <b>% of SCC</b> |
|------------------------|-----------------|-----------------------|-----------------|
| <b>Area (Sq Miles)</b> | 13.6            | 1290.1                | 1.1%            |
| <b>Industrial (sf)</b> | 3,084,176       | 60,399,467            | 5.1%            |
| <b>Warehouse (sf)</b>  | 4,577,739       | 37,859,144            | 12.1%           |

Source: Colliers International IQ 2015 Silicon Valley Market Report

This fact is further reinforced by the data presented in Figure 2 below which compares the office and R&D inventory of Milpitas with the Silicon Valley. Here, the 319,665 square-foot Class A office inventory of Milpitas represents less than 1% of the Silicon Valley total while its Class B, Class C and R&D inventory make up increasing larger percentages of Valley's total inventory for these product types although less than the 12.1% of warehouse space shown above. These two tables together indicate that the City of Milpitas is small Class A office market due to its inventory, and furthermore, that inventory of is of proportionately lower-quality than the rest of the Silicon Valley, i.e. it contains more Class C space than Class A space.

**Figure 2: Milpitas as a Percentage of Silicon Valley's Office Space**

|                | <b>Milpitas</b> | <b>Santa Clara Co*</b> | <b>% of SCC</b> |
|----------------|-----------------|------------------------|-----------------|
| Office Class A | 319,665         | 36,356,129             | 0.9%            |
| Office Class B | 399,578         | 20,021,115             | 2.0%            |
| Office Class C | 625,978         | 9,630,327              | 6.5%            |
| R&D            | 11,674,473      | 151,354,966            | 7.7%            |

Source: CBRE IQ 2015 Silicon Valley Market Report

\* Plus Fremont and Newark

Historically, the heart of the Silicon Valley has been Palo Alto with Stanford University as a major source of intellectual capital and the venture capital offices along Sand Hill Road representing the financial capital. Rents in Palo Alto are generally the highest in the Silicon Valley and during recessions, its vacancy rate is typically the lowest. Correspondingly, the cities that surround Palo Alto--Cupertino, Mountain View and Sunnyvale--tend to experience higher demand for both office and R&D space, lower vacancies and higher rents. As you move further south and east into Santa Clara and San Jose, vacancies tend to remain higher and rental rates lower for longer periods of time even during recoveries. And Milpitas is even further removed.

It is important to note that Silicon Valley has been expanding in a northerly direction into the City of San Francisco which offers the cultural 24/7 amenities of a world-class city that helps expanding companies attract and retain its workforce. The result of this would be to shift the path of growth, or at least infill growth, in a direction away from Milpitas.

Figure 3 compares the Milpitas office market with the whole of the Silicon Valley from the fourth quarter of 2006 through the first quarter of 2015 and shows the effects of the market changes from the last economic boom, through the crippling 2008 recession and into the current economic surge. While the office availability in Milpitas was lower than the Silicon Valley during this period, its rents were startlingly lower. This would indicate that despite a proportionately smaller amount of supply, demand for Milpitas office space was not strong enough to be able to match the asking rental rates in the rest of the Valley. Even today, in this current economic boom, average office rents are \$1.48psf compared

Figure 3: Milpitas/Silicon Valley Office Market--Comparative Statistics

|                                | 4Q 2006   | 4Q 2007   | 4Q 2008   | 4Q 2009   | 4Q 2010   | 4Q 2011   | 4Q 2012   | 4Q 2013   | 4Q 2014   | 1Q 2015   |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Milpitas/IBP* Office Submarket |           |           |           |           |           |           |           |           |           |           |
| Class A                        | N/A       | 356,618   | 319,655   | 319,655   | 319,665   | 319,665   | 319,665   | 319,665   | 319,665   | 319,665   |
| Class B                        | N/A       | 332,756   | 339,456   | 350,652   | 350,652   | 350,652   | 399,578   | 399,578   | 399,578   | 399,578   |
| Class C                        | N/A       | 503,662   | 521,462   | 625,978   | 625,978   | 625,978   | 625,978   | 625,978   | 625,978   | 625,978   |
| Total Office:                  | 1,180,217 | 1,193,036 | 1,180,573 | 1,296,285 | 1,296,295 | 1,296,295 | 1,345,221 | 1,345,221 | 1,345,221 | 1,345,221 |
| Total Availability Rate        | 11.9%     | 9.3%      | 7.5%      | 13.7%     | 19.4%     | 16.7%     | 13.8%     | 12.7%     | 8.0%      | 6.9%      |
| Avg Asking Rate Class A        | \$1.93    | \$2.19    | \$2.08    | \$1.75    | \$1.60    | \$1.70    | \$1.85    | \$1.85    | \$2.07    | \$2.10    |
| Avg Asking Rate Class B        | \$1.49    | \$1.68    | \$1.60    | \$1.25    | \$1.19    | \$1.29    | \$1.40    | \$1.40    | \$1.44    | \$1.48    |

Class A 1Q15/4Q06 Rental Growth = 9%  
Class B 1Q15/4Q06 Rental Growth = -1%

|                         | 4Q 2006    | 4Q 2007    | 4Q 2008    | 4Q 2009    | 4Q 2010    | 4Q 2011    | 4Q 2012    | 4Q 2013    | 4Q 2014    | 1Q 2015    |
|-------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Silicon Valley Office** |            |            |            |            |            |            |            |            |            |            |
| Class A                 | N/A        | 28,293,422 | 29,456,804 | 31,447,507 | 32,103,218 | 31,288,152 | 31,943,174 | 33,350,219 | 35,917,397 | 36,356,129 |
| Class B                 | N/A        | 19,048,910 | 19,773,409 | 21,066,297 | 20,940,697 | 18,684,380 | 18,486,216 | 19,755,670 | 20,087,430 | 20,021,115 |
| Class C                 | N/A        | 10,803,568 | 10,469,175 | 10,456,556 | 10,287,661 | 10,116,421 | 10,218,728 | 9,793,736  | 9,715,922  | 9,630,327  |
| Total Office:           | 56,988,490 | 58,145,900 | 59,699,388 | 62,970,360 | 63,331,576 | 60,088,953 | 60,648,118 | 62,899,625 | 65,720,749 | 66,007,571 |
| Total Availability Rate | 11.3%      | 11.1%      | 16.1%      | 21.7%      | 20.3%      | 14.5%      | 13.0%      | 12.8%      | 10.3%      | 9.8%       |
| Avg Asking Rate Class A | \$2.70     | \$3.50     | \$3.49     | \$2.81     | \$2.80     | \$3.31     | \$3.62     | \$3.95     | \$4.44     | \$4.60     |
| Avg Asking Rate Class B | \$2.12     | \$2.88     | \$2.81     | \$2.34     | \$2.39     | \$2.76     | \$3.03     | \$3.25     | \$3.48     | \$3.60     |

Class A 1Q15/4Q06 Rental Growth = 70%  
Class B 1Q15/4Q06 Rental Growth = 70%

|                                    |       |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Milpitas Market as % of Silicon V: | 2.1%  | 2.1%  | 2.0%  | 2.1%  | 2.0%  | 2.2%  | 2.2%  | 2.1%  | 2.0%  | 2.0%  |
| Difference in Availability Rates:  | 0.6%  | -1.8% | -8.6% | -8.0% | -0.9% | 2.2%  | 0.8%  | -0.1% | -2.3% | -2.9% |
| Milpitas Class A Rents as % of SV: | 71.5% | 62.6% | 59.6% | 62.3% | 57.1% | 51.4% | 51.1% | 46.8% | 46.6% | 45.7% |
| Milpitas Class B Rents as % of SV: | 70.3% | 58.3% | 56.9% | 53.4% | 49.8% | 46.7% | 46.2% | 43.1% | 41.4% | 41.1% |

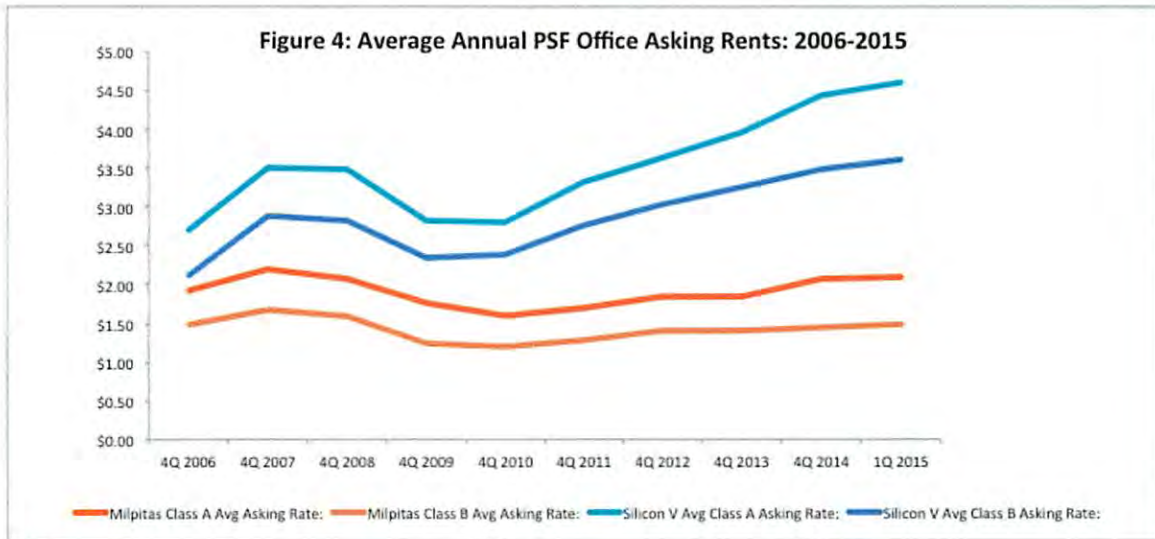
\* International Business Park in San Jose

\*\* Santa Clara Co + Fremont/Newark

Source: CBRE Market Reports



to average Silicon Valley office rents at \$3.93psf--a 165% difference. In fact, the City of Milpitas has the lowest average rental rates than any other city in the Silicon Valley. Similarly, average Class A asking rents in Milpitas of \$2.10psf and \$1.48psf for Class B compares very unfavorably with average rental rates in the Silicon Valley of \$4.60psf for Class A space and \$3.60psf for Class B. Growth in the rental rates during this period, as shown in Figure 4 below, was 9% for Class A office and (-1%) for Class B while rental rates for both classes of Silicon Valley office space increased by 70% during that same time. See Appendix B for detailed office market data.



In Milpitas, which has more than its proportionate share of the R&D market, the vacancy rates were significantly higher than the rest of the Silicon Valley during this timeframe, the difference in its rental rates growing increasingly larger over time from about a 20% difference at the end of 2006 to an almost 40% difference in the first quarter of 2015 as can be seen in Figure 5. Correspondingly, the growth in rental rates during this 8-year period was 29% in the Milpitas market compared with 78% in the Silicon Valley as shown in Figure 6.

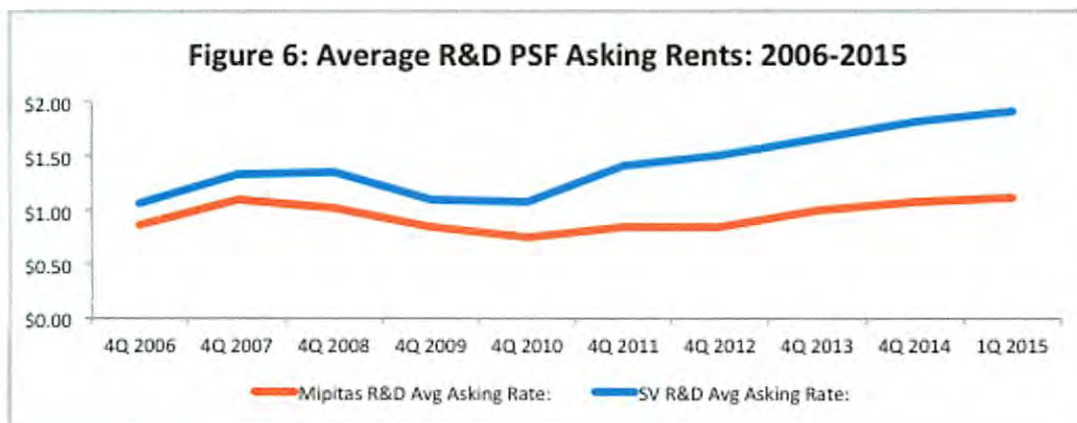


Figure 5: Milpitas/Silicon Valley R&D Market--Comparative Statistics

|                          | 4Q 2006    | 4Q 2007    | 4Q 2008    | 4Q 2009    | 4Q 2010    | 4Q 2011    | 4Q 2012    | 4Q 2013    | 4Q 2014    | 1Q 2015    |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Milpitas** R&D Submarket | 12,263,128 | 12,297,445 | 12,531,324 | 12,499,875 | 12,481,583 | 11,919,158 | 11,279,521 | 11,391,742 | 11,362,492 | 11,674,473 |
| Total Availability Rate  | 23.3%      | 20.6%      | 22.4%      | 25.3%      | 26.8%      | 21.4%      | 18.8%      | 15.9%      | 12.4%      | 12.0%      |
| Avg Asking Rate          | \$0.87     | \$1.10     | \$1.03     | \$0.85     | \$0.75     | \$0.86     | \$0.86     | \$1.00     | \$1.09     | \$1.12     |

1Q15/4Q06 Rental Growth = 29%

|                           | 4Q 2006     | 4Q 2007     | 4Q 2008     | 4Q 2009     | 4Q 2010     | 4Q 2011     | 4Q 2012     | 4Q 2013     | 4Q 2014     | 1Q 2015     |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Silicon Valley R&D Market | 157,348,761 | 155,199,918 | 154,656,633 | 153,403,451 | 153,026,615 | 153,598,790 | 153,178,233 | 149,784,886 | 150,933,978 | 151,354,966 |
| Total Availability Rate   | 17.5%       | 17.0%       | 17.2%       | 20.9%       | 21.2%       | 16.5%       | 14.6%       | 14.1%       | 11.6%       | 11.7%       |
| Avg Asking Rate           | \$1.07      | \$1.33      | \$1.35      | \$1.11      | \$1.08      | \$1.41      | \$1.51      | \$1.65      | \$1.81      | \$1.90      |

1Q15/4Q06 Rental Growth = 78%

|                                    |       |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Milpitas Market as % of Silicon V: | 7.8%  | 7.9%  | 8.1%  | 8.1%  | 8.2%  | 7.8%  | 7.4%  | 7.6%  | 7.5%  | 7.7%  |
| Difference in Availability Rates:  | 5.8%  | 3.6%  | 5.2%  | 4.4%  | 5.6%  | 4.9%  | 4.2%  | 1.8%  | 0.8%  | 0.3%  |
| Milpitas R&D Rents as % of SV:     | 81.3% | 82.7% | 76.3% | 76.6% | 69.4% | 61.0% | 57.0% | 60.6% | 60.2% | 58.9% |

Source: CBRE Market Reports

## **Serra Center as an Office Location**

Next, the appropriateness of not only an office zoning designation but in particular the “Class A” Office Overlay zoning designation for this study site is reviewed. The answer is provided in the case of the Irvine Company’s McCarthy Ranch office complex running along the west side of I-880. In the CBRE data used in this report, these “office” buildings are designated as R&D buildings due to the presence of lab space and R&D-type loading dock configurations within a portion of the project rendering it not true office product.

Regardless of this distinction, this project, from every aspect is superior in type and in location to that of Serra Center. The McCarthy Ranch project is, for all intents and purposes, a Class-A office park. It has well-designed buildings in a well-landscaped campus setting with excellent freeway visibility for tenant signage. It has easily accessible surface parking and is adjacent neighboring retail and food services. Nevertheless, this property has an overall 20.82% vacancy rate and an average asking rate of \$1.50psf/mo which is well below the average asking rate for Class-A space in Milpitas of \$2.10 psf. The asking rents in the available space in this project range from as low as \$0.90psf/mo to \$1.50psf/mo.

Another Class-A office building, 1533 California Circle, has almost 27,000sf of rental space on the market and they are asking \$1.30psf.

During a time when cities such as Cupertino and Mountain View cannot build enough new office space to accommodate the rapid growth of its existing tenants, this high-quality office property is not able to attract users and its asking rental rates are substantially below average both Milpitas Class A and Silicon Valley office rents. This indicates that the users of the existing office space in Milpitas are smaller and local-to-Milpitas tenants. In fact, Equity Office has an approved office project adjacent this property with the rights to build 424,814 square feet in six, 5-story buildings, and has yet to do so. In conversations with office brokers, Equity Office is not even marketing the site indicating that they are not able to attract build-to-suit tenants.

Compared to McCarthy Ranch, the Serra Center site is vastly inferior. Serra Center has no freeway visibility and although it is located on a busy arterial, it enjoys a fraction of the visibility of the McCarthy Ranch property. Any Serra Center office development would be an isolated office project with no other neighboring office users reinforcing the notion that this was an office location. The quality of the surrounding retail services is notably lower and less visually cohesive than McCarthy Ranch. In fact, the most prominent retail neighbors are the gasoline station on the other side of Serra Way and the adjacent Walgreens store. Additionally, the cost to build a Serra Center project would be substantially higher than McCarthy Ranch as this site would require structured parking. Finally, the rents Serra Center would be able to command would be significantly lower than those of McCarthy Ranch due to its inferior location. Therefore, it would be



economically unfeasible to build this project on a speculative basis, and the owners are unlikely to find a build-to-suit user (which the better located Equity Office project, with its better financed owners cannot do), the lower rents that this property would command, would not generate the returns necessary to obtain lender financing.

**Appendices:**

A: Nova Biannual Workforce Index 2011/2012

B: CBRE Office Market Reports: 4Q2016-1Q2015

C: CBRE R&D Market Reports: 4Q2006-1Q2015

D: CBRE Available Class A Office space and Available Irvine Park (McCarthy Ranch)

E: CBRE For Sale and Absorption Reports

**Appendix A:**  
**Nova Biannual Workforce Index 2011/2012**



We are pleased to provide you with the Fiscal Year 2011/12 issue of NOVA's **Workforce Index** for the city of Milpitas. This biannual report presents a summary of the services that were provided to the residents and businesses of Milpitas between July 2011 and June 2012, as well as a snapshot of workforce and demographic data for the city and region.

All reports point to the fact that the economy — after a long downward slide — is improving, and Silicon Valley is key to this recovery.

Steve Levy, director of the Center for the Continuing Study of the California Economy, and long-time NOVA Workforce Board member, believes that California's economy is "in strong recovery mode" and that these trends bode well for continued job gains. Some of the indicators that spark this optimism include the fact that California's 2.6%, year-over-year job growth is double that experienced by the U.S. for the same period, and that the 365,100 jobs added between July 2011 and July 2012 is the largest 12-month gain since the height of the dot-com boom in 2000.

Locally, the nine-county San Francisco Bay Area remains "the State's job-growth leader" with gains of more than 91,000 within the San Francisco, San José, and East Bay metropolitan statistical areas (MSAs) representing one-quarter of the annual growth within the state. This positive movement is further illustrated in the region's unemployment rates: San Francisco's 7.3% unemployment rate was significantly below both the state (10.9%) and national (8.6%) rates for July, and San José's slightly higher 8.7% was still seventh lowest of California's 28 MSAs.

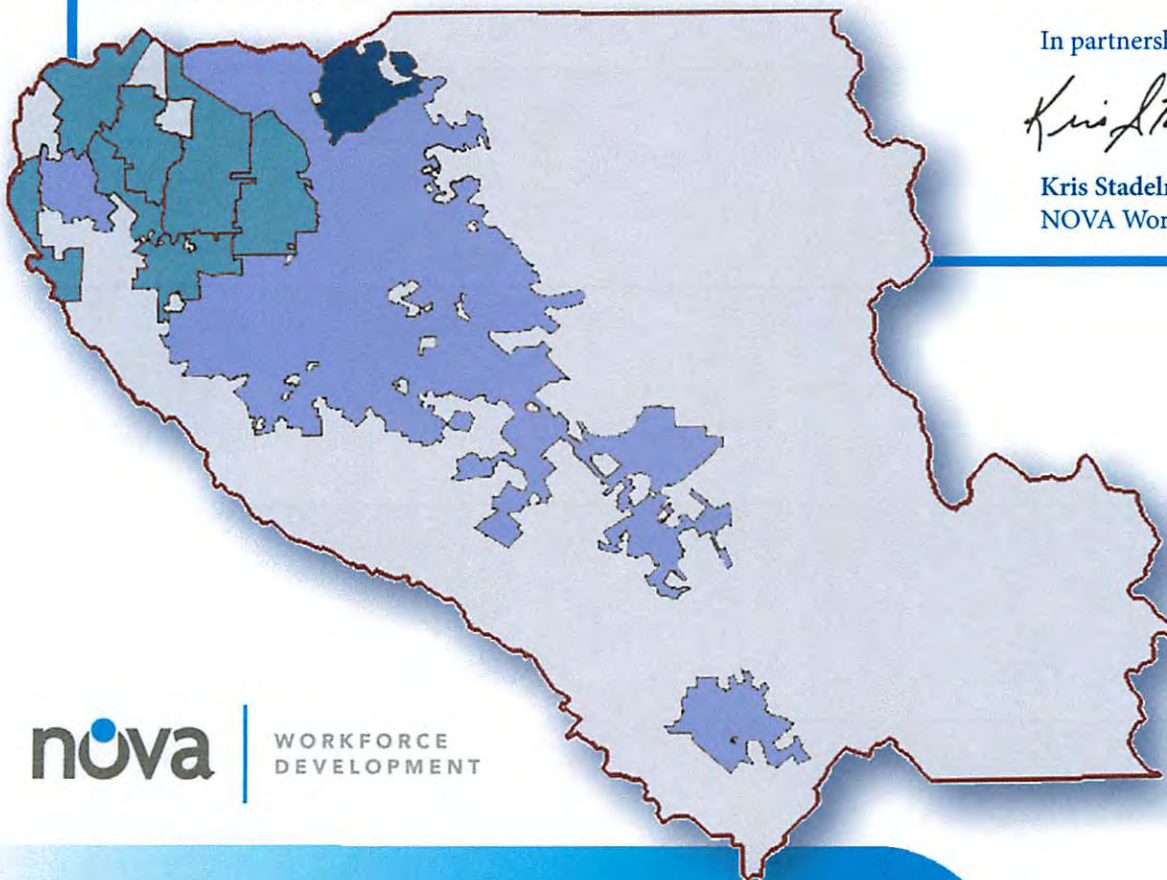
As Silicon Valley's innovation economy continues to drive the state's recovery, we want you to remain aware of NOVA as a key resource, providing you, your residents, and your companies with essential workforce development services.

To learn more about NOVA, the services we provide and the impact that we continue to have on your community, I invite you to contact us. We are, after all, *your* workforce investment board.

In partnership,



Kris Stadelman, Director  
NOVA Workforce Board

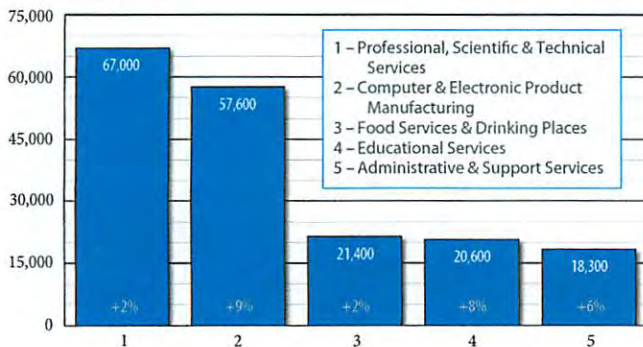




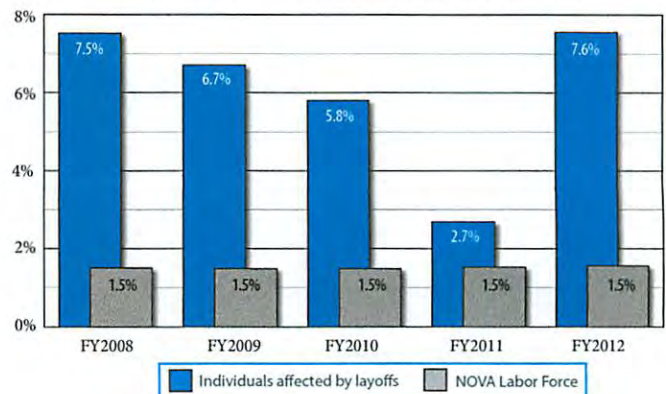
# nova Workforce Index

## Workforce Characteristics

Largest Industry Sectors (employed individuals; Q1 2011) & Change (Q2 2010–Q1 2011)<sup>2</sup>



NOVA's Share of Layoffs (FY data) & Labor Force (June data) relative to California<sup>3</sup>



## NOVA Client Data<sup>1</sup>

Services provided to Milpitas residents and businesses by NOVA from July 2011 through June 2012.

### Universal Services

#### CONNECT Job Seeker Center

|                                                          |          |
|----------------------------------------------------------|----------|
| Milpitas residents enrolled in FY12                      | 165      |
| Total Milpitas residents receiving services in FY12      | 243      |
| Total services accessed by Milpitas residents:           | 4,944    |
| • Number of drop-in career advising appointments         | 312      |
| • Number of job-search workshops attended                | 123      |
| Duration of unemployment for Milpitas participants (avg) | 174 days |

#### Youth@Work (ages 16–24)

|                                                   |    |
|---------------------------------------------------|----|
| Milpitas youth receiving counseling assistance    | 7  |
| Milpitas youth attending pre-employment workshops | 25 |

#### ProMatch: Professional Networking Group

|                                          |    |
|------------------------------------------|----|
| Milpitas residents participating in FY12 | 32 |
|------------------------------------------|----|

### Business Services

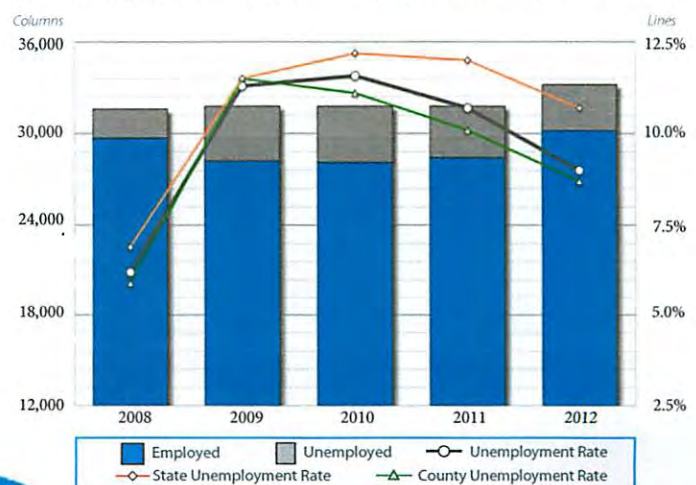
|                                                    |     |
|----------------------------------------------------|-----|
| Milpitas companies receiving pre-layoff assistance | 12  |
| Workers affected by layoffs at these companies     | 443 |

## EDD's Labor Force Data<sup>4</sup>

The number of Milpitas residents employed and unemployed in June 2008 and June 2012, and the net change.

|                                   |          |
|-----------------------------------|----------|
| Labor force (2008)                | 31,500   |
| Labor force (2012)                | 33,200   |
| • Change in labor force (2008–12) | + 1,700  |
| • Percent change (2008–12)        | + 5.4 %  |
| Employed (2008)                   | 29,500   |
| Employed (2012)                   | 30,200   |
| • Change in employed (2008–12)    | + 700    |
| • Percent change (2008–12)        | + 2.4 %  |
| Unemployed (2008)                 | 1,900    |
| Unemployed (2012)                 | 3,000    |
| • Change in unemployed (2008–12)  | + 1,100  |
| • Percent change (2008–12)        | + 57.9 % |
| Unemployment rate (2008)          | 6.1 %    |
| Unemployment rate (2012)          | 9.0 %    |

Labor Force: Employed, Unemployed & Unemployment Rate (Milpitas, June data)<sup>4</sup>



1. U.S. Census Bureau, Local Employment Dynamics (Avg, quarterly employment: Q1 2010–Q1 2011)  
 2. California Employment Development Dept., WARD data (2012)  
 3. NOVA Management Information Systems (2012)  
 4. California Employment Development Dept., Labor Market Information Division (2012; June data)  
 5. U.S. Census Bureau, American Community Survey (2008–10)

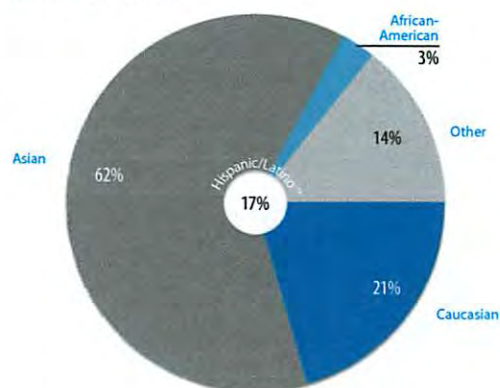


Demographic, social, and economic information and the respective changes over time. When data is not city-specific, it is provided at a broader geographic level and noted as such.

## Demographic Characteristics<sup>5</sup>

|                                                        |             |
|--------------------------------------------------------|-------------|
| Population (2002) <sup>6</sup>                         | 62,572      |
| Population (2012) <sup>6</sup>                         | 66,966      |
| • Change in population (2002–12)                       | + 4,394     |
| • Average annual growth rate (2002–12)                 | + 1.4 %     |
| Estimated daytime population (2009) <sup>8</sup>       | 74,395      |
| Working-age population (16+)                           | 53,107      |
| Median age                                             | 36.1        |
| Share of population under age 18                       | 23 %        |
| Share of population 65 and older                       | 10 %        |
| Gender ratio [Male : Female]                           | 1.00 : 0.96 |
| Hispanic/Latino ethnicity ( <i>unrelated to race</i> ) | 17 %        |

Racial Distribution<sup>5</sup>

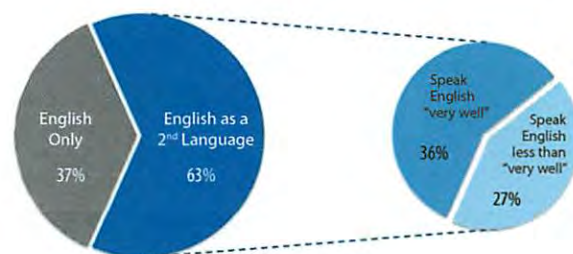


\* Other includes "Decline to state," "Native American," and "Two or more races."  
 \*\* Hispanic/Latino ethnicity is independent of race.

## Social Characteristics<sup>5</sup>

|                                                                    |       |
|--------------------------------------------------------------------|-------|
| Educational attainment (cumulative share of population 25+):       |       |
| • High school diploma or equivalent and higher                     | 86 %  |
| • Bachelor's degree and higher                                     | 40 %  |
| • Graduate/Professional degree and higher                          | 14 %  |
| Individuals with a disability (population aged 21–64) <sup>9</sup> | 1,838 |
| • Share of these individuals employed                              | 30 %  |
| Foreign-born (share of total population)                           | 50 %  |
| • Share of these individuals entering U.S. 2000 or later           | 29 %  |

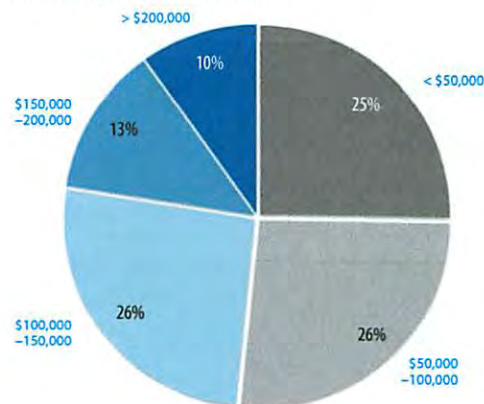
Language Spoken at Home<sup>5</sup>



## Economic Characteristics<sup>5</sup>

|                                                                  |           |
|------------------------------------------------------------------|-----------|
| Total households                                                 | 18,564    |
| Median household income                                          | \$ 96,599 |
| Average household size                                           | 3.4       |
| Median income by gender:                                         |           |
| • Male full-time, year-round workers                             | \$ 62,647 |
| • Female full-time, year-round workers                           | \$ 47,761 |
| Per capita income                                                | \$ 31,335 |
| Poverty status:                                                  |           |
| • Federal poverty guideline (family of four, 2012) <sup>10</sup> | \$ 23,050 |
| • Share of families below poverty line                           | 4 %       |
| • Share of individuals below poverty line                        | 5 %       |
| San Francisco-Oakland-San José: Combined MSAs <sup>11</sup>      |           |
| • Change in Consumer Price Index (2008–12)                       | + 6.5 %   |

Household Income Distribution<sup>5</sup>



6. California Department of Finance (2012)  
 7. U.S. Census Bureau, Estimated Daytime Population (2009)  
 8. U.S. Census Bureau, Census 2000  
 9. U.S. Department of Health and Human Services (2012)  
 10. U.S. Bureau of Labor Statistics (Benchmark: 1982–84 = 100)



# Developing a skilled workforce for Silicon Valley

## About NOVA

NOVA is a nonprofit, federally funded employment and training agency that provides customer-focused workforce development services to job seekers and businesses throughout northern Santa Clara County. We work closely with local businesses, educational institutions, training providers, community-based organizations, and government to ensure that our programs provide opportunities that build the knowledge, skills and attitudes necessary to address the unique workforce needs of Silicon Valley.

*Services to job seekers and businesses include:*

- One-stop resource center for job seekers
- Job-search & interviewing workshops
- Labor market research
- Youth@Work online job-listing site
- Pre-layoff assistance & outplacement services
- Staffing & recruitment
- Employee training & retention services
- Professional development programs

NOVA is directed by the NOVA Workforce Board, which works on behalf of a seven-city consortium composed of Cupertino, Los Altos, Milpitas, Mountain View, Palo Alto, Santa Clara, and Sunnyvale.

## Purpose Statement

The purpose of NOVA is to support the mobility of the workforce by easing workers' transitions from opportunity to opportunity throughout the cycles of their careers. To advance transitions with economic sustainability, NOVA provides:

- *advocacy for necessary infrastructure to support workers while unemployed between opportunities;*
- *navigation tools for the new labor market;*
- *just-in-time labor market information about the skills in demand;*
- *skill building and enhancements to match market demand; and*
- *interconnected support system for multiple career pathways for youth.*

## Contact Info

Visit NOVA at [www.novaworks.org](http://www.novaworks.org) or contact us at 408-730-7232 or [info@novaworks.org](mailto:info@novaworks.org) to find out more about what we do or to learn how you can contribute to **developing a skilled workforce for Silicon Valley.**



**nova** | WORKFORCE  
DEVELOPMENT

505 West Olive Avenue, Suite 550  
Sunnyvale, CA 94086  
408-730-7232  
[www.novaworks.org](http://www.novaworks.org)

**Appendix B:**  
**CBRE Office Market Reports: 4Q2016-1Q2015**



## Silicon Valley Office, Q1 2015

# Construction positions market for another record year



Vacancy Rate  
8.2%



Lease Rate  
\$3.93 PSF



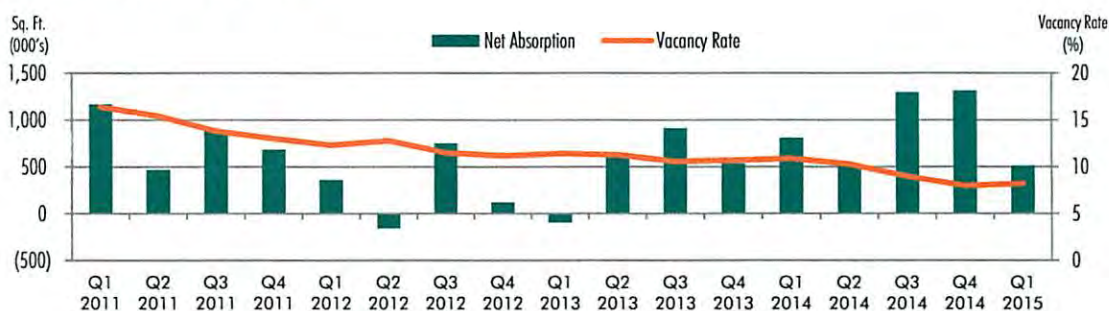
Net Absorption  
512K SF



Under Construction  
8.1 MSF

Figure 1: Total Vacancy vs. Net Absorption

\*Arrows indicate change from previous quarter.



Source: CBRE Research, Q1 2015.

Following a record year in 2014, Silicon Valley is looking to roll that success into 2015 with 512,235 sq. ft. of positive net absorption in the first quarter. Leasing activity declined 50.7% from Q4 2014, but topped 2.0 million sq. ft., a 39.8% increase from Q1 2014. There were 4 leases over 50,000 sq. ft. for a total of 903,655 sq. ft., a drop from 8 leases for over 2.7 million sq. ft. in Q4 2014.

Class A accounted for 435,793 sq. ft. of positive net absorption, most of which came from pre-leased construction completions at 690 Middlefield Rd, Mountain View (340,000 sq. ft.) and 260 California Ave, Palo Alto (25,972 sq. ft.). Another large contribution to absorption came from a 107,155 sq. ft. lease by Blue Coat in Sunnyvale. Santa Clara had significant negative absorption, because Webex's (now Cisco) 161,449 sq. ft. lease at 3979 Freedom Circle expired. Only 25,543 sq. ft. has been leased at that address since

Despite positive net absorption due to pre-leased construction completions, vacancy rose 20 basis points (bps) to 8.2%. Several large vacancies hit the market in Santa Clara, pushing local vacancy to 10.5%. Overall market vacancy is still 12.8% below the most recent peak of 21.0% in Q4 2009 and is down 270 bps year-over-year. Although vacancy rose slightly quarter-over-quarter, average asking rates climbed 2.9% to \$3.93 overall, driven by a 6.7% increase in Palo Alto and a 4.8% increase in the surging West Valley, where vacancy fell 80 bps to 3.8% overall.

There is currently 8.1 million sq. ft. of office under construction in the Silicon Valley, of which 73.2% million sq. ft. is pre-leased or user-owned. 44.9% of construction is slated for completion in 2015, which will result in 2.2 million sq. ft. of net absorption in 2015, putting the Silicon Valley market in position to continue the positive growth seen in the last 5 years.



Figure 2: Total Office Market Statistics

| Submarket                           | Net Rentable Area | Total Vacancy % | Total Availability % | Average Asking Rate (\$/SF) | Q1 Net Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|----------------------|-----------------------------|-------------------|--------------------|
| San Jose - Downtown                 | 10,412,214        | 13.8            | 16.1                 | 2.56                        | (26,931)          | (26,931)           |
| Class A - CBD                       | 4,262,390         | 13.1            | 14.9                 | 3.32                        | (596)             | (596)              |
| San Jose - North                    | 9,368,065         | 14.2            | 18.4                 | 2.76                        | 34,816            | 34,816             |
| Class A                             | 6,106,640         | 11.8            | 15.1                 | 2.98                        | 33,869            | 33,869             |
| San Jose - South <sup>1</sup>       | 2,006,573         | 12.8            | 13.4                 | 1.78                        | 4,376             | 4,376              |
| Class A                             | 625,786           | 21.6            | 21.6                 | 2.27                        | 0                 | 0                  |
| West Valley <sup>2</sup>            | 5,011,218         | 3.8             | 6.2                  | 2.91                        | 36,307            | 36,307             |
| Class A                             | 1,449,340         | 4.9             | 8.9                  | 4.17                        | 47,560            | 47,560             |
| Milpitas/IBP                        | 1,345,211         | 6.6             | 6.9                  | 1.48                        | 6,415             | 6,415              |
| Class A                             | 319,655           | 15.5            | 16.3                 | 2.10                        | (1,383)           | (1,383)            |
| Cupertino                           | 4,026,993         | 0.8             | 2.6                  | 4.14                        | 2,321             | 2,321              |
| Class A                             | 2,635,222         | 0.1             | 2.1                  | 4.58                        | 0                 | 0                  |
| Santa Clara                         | 10,478,562        | 10.5            | 12.4                 | 3.39                        | (12,581)          | (12,581)           |
| Class A                             | 6,478,125         | 12.6            | 14.2                 | 3.86                        | (103,273)         | (103,273)          |
| Sunnyvale                           | 7,413,659         | 4.1             | 7.6                  | 4.54                        | 73,901            | 73,901             |
| Class A                             | 6,155,000         | 4.1             | 6.0                  | 4.84                        | 79,577            | 79,577             |
| Mountain View/Los Altos             | 6,890,693         | 1.3             | 2.3                  | 6.51                        | 376,090           | 376,090            |
| Class A                             | 4,169,953         | 0.7             | 1.5                  | 7.12                        | 378,978           | 378,978            |
| Palo Alto                           | 6,931,984         | 5.6             | 6.5                  | 7.53                        | 3,735             | 3,735              |
| Class A                             | 3,200,850         | 5.9             | 6.3                  | 8.75                        | (3,807)           | (3,807)            |
| Fremont                             | 2,122,399         | 8.9             | 10.3                 | 1.69                        | 13,786            | 13,786             |
| Class A                             | 542,736           | 7.3             | 9.7                  | 2.04                        | 4,868             | 4,868              |
| <b>Silicon Valley Office Market</b> | <b>66,007,571</b> | <b>8.2</b>      | <b>10.4</b>          | <b>3.93</b>                 | <b>512,235</b>    | <b>512,235</b>     |
| <b>Class A</b>                      | <b>36,356,129</b> | <b>7.9</b>      | <b>9.8</b>           | <b>4.60</b>                 | <b>435,793</b>    | <b>435,793</b>     |

Source: CBRE Research, Q1 2015.

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South Submarkets

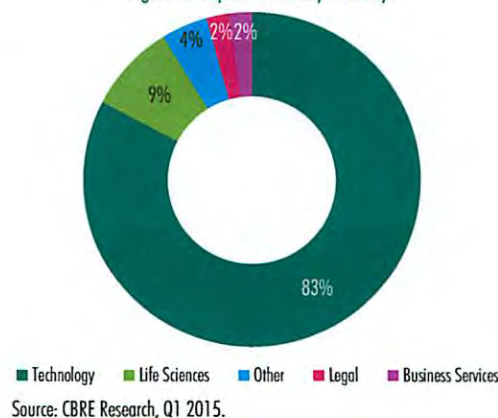
<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

Figure 3: Top Leases / Top Sales

| Lease (Tenant)     | Address                          | Total SF |
|--------------------|----------------------------------|----------|
| Confidential       | 505 Mathilda Ave, Sunnyvale      | 424,000  |
| Confidential       | Stevens Creek Blvd, Cupertino    | 275,000  |
| Blue Coat Systems  | 384 Santa Trinita Ave, Sunnyvale | 107,155  |
| Sale (Buyer)       | Address                          | Total SF |
| PNC                | 160 W. Santa Clara St, San Jose  | 212,181  |
| New York Life      | 2665 N. First St, San Jose       | 130,723  |
| Wayzata Investment | 2150 N. First St, San Jose       | 123,714  |

Source: CBRE Research, Q1 2015.

Figure 4: Top 25 Leases by Industry





### LEASE RATES

Asking rates increased for the eighteenth consecutive quarter to \$3.93, a 3.8% increase quarter-over-quarter, and the highest rate since Q2 2001. Class A asking rates rose to \$4.60, a 3.6% increase quarter-over-quarter. The largest increases came in Palo Alto, where overall rates rose 6.7% to \$7.53, and West Valley, which rose 4.8% to \$2.91. San Jose CBD rose 4.4% overall to \$2.82 as Class A asking rates increased to \$3.32.

### NET ABSORPTION

Q1 2015 generated 512,235 sq. ft. of net absorption, marking the eighth consecutive quarter of positive net absorption. Class A accounted for 435,793 sq. ft. of the total net absorption, with 376,090 sq. ft. in Mountain View/Los Altos, mostly from 690 Middlefield Rd. Sunnyvale had 73,901 sq. ft. of positive net absorption. Santa Clara has a notable 103,273 sq. ft. of negative net absorption in Class A.

### VACANCY & AVAILABILITY

Market-wide vacancy rose 20 bps to 8.2% and availability rose 10 bps to 10.4% quarter-over-quarter. Most of the market remained relatively flat except for Santa Clara's 160 bps increase and Sunnyvale's 100 bps decrease to 4.1%, the lowest it has been since 2001. Mountain View/Los Altos vacancy fell 70 bps to 1.3% and Cupertino fell 20 bps to 0.8%, the lowest marks since Q3 2000 for each submarket.

### CONSTRUCTION COMPLETIONS

Two office projects completed this quarter, including 340,000 sq. ft. at 690 Middlefield Rd in Mountain View and 25,972 sq. ft. at 260 California Ave in Palo Alto. There is currently 8.1 million sq. ft. under construction in the Silicon Valley with another 12.1million sq. ft. approved in the pipeline. 73.2% of construction is pre-leased and 44.9% scheduled for completion in 2015. Construction activity remains high as tenant demand continues at an elevated level.

Figure 5: Lease Rates



Figure 6: Net Absorption

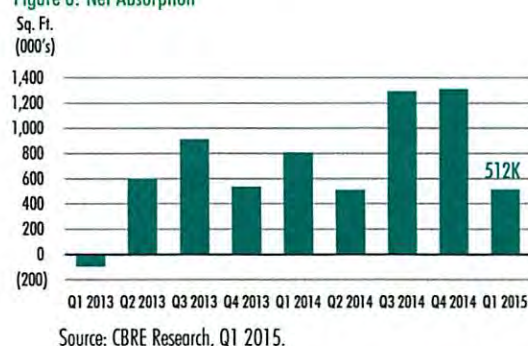
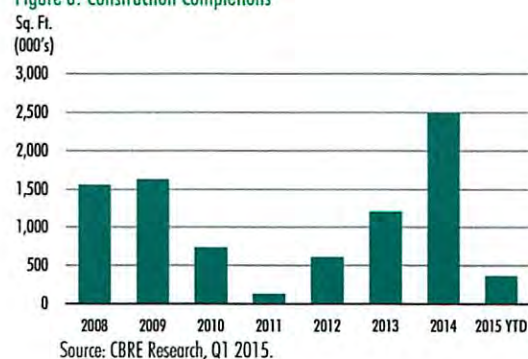
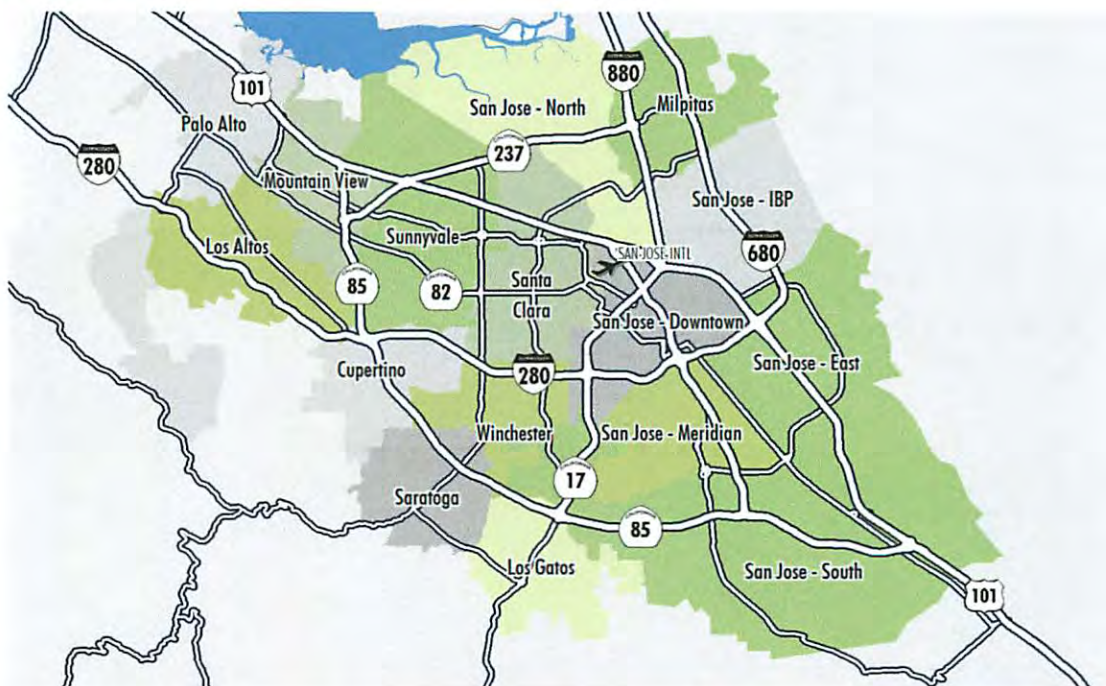


Figure 7: Vacancy & Availability



Figure 8: Construction Completions



**SUBMARKET MAP**

**CONTACT**

**Diana Beck**  
*Researcher*  
 +1 408 467 7547  
[diana.beck@cbre.com](mailto:diana.beck@cbre.com)

**Will Schmidt**  
*Researcher*  
 +1 408 467 7544  
[will.schmidt@cbre.com](mailto:will.schmidt@cbre.com)

**Sam Cimino**  
*Researcher*  
 +1 408 467 7545  
[samuel.cimino@cbre.com](mailto:samuel.cimino@cbre.com)

**Wen Sun**  
*Senior Research Analyst*  
 +1 408 467 7516  
[wen.sun@cbre.com](mailto:wen.sun@cbre.com)

**CBRE OFFICE**

Silicon Valley  
 225 W. Santa Clara Street, 10th Floor  
 San Jose, CA 95113

**DEFINITIONS**

*Average Asking Rate* Direct Monthly Lease Rates, Full Service Gross. *Availability* All existing space being marketed for lease. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy. *CBD* Central Business District in downtown San Jose.

**SURVEY CRITERIA**

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in Silicon Valley, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

To learn more about CBRE Global Research, or to access additional research reports, please visit the Global Research Gateway at [www.cbre.com/researchgateway](http://www.cbre.com/researchgateway).

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.



## Silicon Valley Office, Q1 2015

Figure 1: Statistics and Transactions

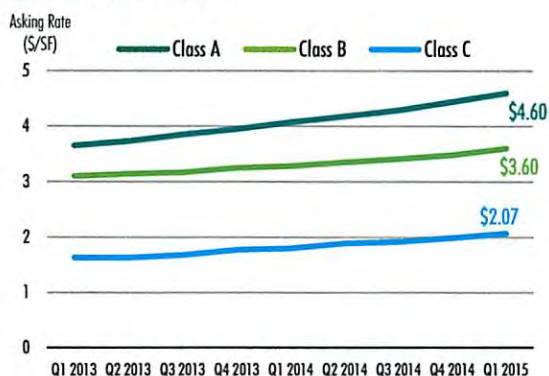
| Submarket                  | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>1</sup> (\$/SF) | Q1 Net Absorption | Q1 Gross Absorption | YTD Net Absorption |
|----------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|------------------------------------------|-------------------|---------------------|--------------------|
| San Jose - Downtown        | 10,412,214        | 13.8            | 1,441,046        | 16.1                 | 1,579,752              | 101,677                  | 2.56                                     | (26,931)          | 117,839             | (26,931)           |
| Metro                      | 2,742,577         | 5.9             | 160,804          | 8.7                  | 237,720                | 1,753                    | 1.83                                     | 6,782             | 20,583              | 6,782              |
| CBD                        | 7,669,637         | 16.7            | 1,280,242        | 18.8                 | 1,342,032              | 99,924                   | 2.82                                     | (33,713)          | 97,256              | (33,713)           |
| Class A                    | 4,262,390         | 13.1            | 559,489          | 14.9                 | 572,290                | 63,862                   | 3.32                                     | (596)             | 28,952              | (596)              |
| Class B                    | 2,867,724         | 22.2            | 637,859          | 25.2                 | 686,848                | 36,062                   | 2.26                                     | (33,117)          | 68,304              | (33,117)           |
| Class C                    | 539,523           | 15.4            | 82,894           | 15.4                 | 82,894                 | 0                        | 1.79                                     | 0                 | 0                   | 0                  |
| San Jose - North           | 9,368,065         | 14.2            | 1,329,847        | 18.4                 | 1,537,712              | 184,807                  | 2.76                                     | 34,816            | 171,715             | 34,816             |
| Class A                    | 6,106,640         | 11.8            | 720,569          | 15.1                 | 775,092                | 147,807                  | 2.98                                     | 33,869            | 99,121              | 33,869             |
| Class B                    | 2,328,186         | 22.4            | 520,750          | 30.3                 | 668,362                | 37,000                   | 2.51                                     | (8,781)           | 53,713              | (8,781)            |
| Class C                    | 933,239           | 9.5             | 88,528           | 10.1                 | 94,258                 | 0                        | 1.99                                     | 9,728             | 18,881              | 9,728              |
| San Jose - South           | 2,006,573         | 12.8            | 257,739          | 13.4                 | 267,258                | 620                      | 1.78                                     | 4,376             | 10,022              | 4,376              |
| Class A                    | 625,786           | 21.6            | 135,159          | 21.6                 | 135,159                | 0                        | 2.27                                     | 0                 | 0                   | 0                  |
| Class B                    | 632,548           | 5.2             | 33,087           | 5.4                  | 33,868                 | 0                        | 1.71                                     | (3,519)           | 1,602               | (3,519)            |
| Class C                    | 748,239           | 12.0            | 89,493           | 13.2                 | 89,231                 | 620                      | 1.42                                     | 7,895             | 8,420               | 7,895              |
| West Valley                | 5,011,218         | 3.8             | 188,346          | 6.2                  | 278,494                | 32,801                   | 2.91                                     | 36,307            | 178,780             | 36,307             |
| Class A                    | 1,449,340         | 4.9             | 71,141           | 8.9                  | 117,790                | 11,459                   | 4.17                                     | 47,560            | 106,237             | 47,560             |
| Class B                    | 1,683,106         | 2.9             | 49,354           | 4.2                  | 54,540                 | 15,794                   | 2.89                                     | 2,084             | 36,252              | 2,084              |
| Class C                    | 1,878,772         | 3.6             | 67,851           | 5.9                  | 106,164                | 5,548                    | 1.95                                     | (13,337)          | 36,291              | (13,337)           |
| IBP/Milpitas               | 1,345,211         | 6.6             | 89,259           | 6.9                  | 90,785                 | 2,599                    | 1.48                                     | 6,415             | 27,564              | 6,415              |
| Class A                    | 319,655           | 15.5            | 49,544           | 16.3                 | 49,544                 | 2,599                    | 2.10                                     | (1,383)           | 3,261               | (1,383)            |
| Class B                    | 399,578           | 4.6             | 18,376           | 5.0                  | 19,902                 | 0                        | 1.48                                     | 7,798             | 17,635              | 7,798              |
| Class C                    | 625,978           | 3.4             | 21,339           | 3.4                  | 21,339                 | 0                        | 1.17                                     | 0                 | 6,668               | 0                  |
| Cupertino                  | 4,026,993         | 0.8             | 32,797           | 2.6                  | 106,234                | 0                        | 4.14                                     | 2,321             | 314,594             | 2,321              |
| Class A                    | 2,635,222         | 0.1             | 2,030            | 2.1                  | 55,255                 | 0                        | 4.58                                     | 0                 | 284,238             | 0                  |
| Class B                    | 1,370,183         | 2.2             | 30,767           | 3.7                  | 50,979                 | 0                        | 3.32                                     | 2,321             | 30,356              | 2,321              |
| Class C                    | 21,588            | 0.0             | 0                | 0.0                  | 0                      | 0                        | 2.43                                     | 0                 | 0                   | 0                  |
| Santa Clara                | 10,478,562        | 10.5            | 1,102,217        | 12.4                 | 1,174,763              | 122,973                  | 3.39                                     | (12,581)          | 311,971             | (12,581)           |
| Class A                    | 6,478,125         | 12.6            | 813,279          | 14.2                 | 827,096                | 94,430                   | 3.86                                     | (103,273)         | 162,444             | (103,273)          |
| Class B                    | 2,116,258         | 9.6             | 202,769          | 13.0                 | 246,430                | 28,543                   | 2.94                                     | 77,753            | 138,297             | 77,753             |
| Class C                    | 1,884,179         | 4.6             | 86,169           | 5.4                  | 101,237                | 0                        | 2.26                                     | 12,939            | 11,230              | 12,939             |
| Sunnyvale                  | 7,413,659         | 4.1             | 305,167          | 7.6                  | 414,731                | 149,600                  | 4.54                                     | 73,901            | 565,150             | 73,901             |
| Class A                    | 6,155,000         | 4.1             | 251,096          | 6.0                  | 223,895                | 147,307                  | 4.84                                     | 79,577            | 547,857             | 79,577             |
| Class B                    | 624,515           | 6.4             | 40,274           | 25.8                 | 161,140                | 0                        | 3.54                                     | (3,980)           | 3,650               | (3,980)            |
| Class C                    | 634,144           | 2.2             | 13,797           | 5.0                  | 29,696                 | 2,293                    | 2.61                                     | (1,696)           | 13,643              | (1,696)            |
| Mountain View/Los Altos    | 6,890,693         | 1.3             | 92,391           | 2.3                  | 110,023                | 45,666                   | 6.51                                     | 376,090           | 134,811             | 376,090            |
| Class A                    | 4,169,953         | 0.7             | 30,306           | 1.5                  | 26,046                 | 37,336                   | 7.12                                     | 378,978           | 57,397              | 378,978            |
| Class B                    | 2,495,961         | 2.2             | 55,440           | 3.4                  | 77,332                 | 8,330                    | 5.70                                     | (291)             | 73,366              | (291)              |
| Class C                    | 224,779           | 3.0             | 6,645            | 3.0                  | 6,645                  | 0                        | 4.34                                     | (2,597)           | 4,048               | (2,597)            |
| Palo Alto                  | 6,931,984         | 5.6             | 388,476          | 6.5                  | 335,651                | 112,048                  | 7.53                                     | 3,735             | 288,775             | 3,735              |
| Class A                    | 3,200,850         | 5.9             | 187,769          | 6.3                  | 135,597                | 65,700                   | 8.75                                     | (3,807)           | 168,453             | (3,807)            |
| Class B                    | 3,279,036         | 6.1             | 199,382          | 7.5                  | 198,729                | 46,348                   | 6.70                                     | (6,973)           | 99,405              | (6,973)            |
| Class C                    | 452,098           | 0.3             | 1,325            | 0.3                  | 1,325                  | 0                        | 4.95                                     | 14,515            | 20,917              | 14,515             |
| Fremont                    | 2,122,399         | 8.9             | 189,509          | 10.3                 | 203,436                | 15,712                   | 1.69                                     | 13,786            | 41,995              | 13,786             |
| Class A                    | 542,736           | 7.3             | 39,454           | 9.7                  | 38,281                 | 14,614                   | 2.04                                     | 4,868             | 12,236              | 4,868              |
| Class B                    | 988,515           | 13.5            | 133,320          | 14.7                 | 145,030                | 0                        | 1.65                                     | 6,044             | 19,107              | 6,044              |
| Class C                    | 591,148           | 2.8             | 16,735           | 3.6                  | 20,125                 | 1,098                    | 1.43                                     | 2,874             | 10,652              | 2,874              |
| <b>Total Office Market</b> | <b>66,007,571</b> | <b>8.2</b>      | <b>5,416,794</b> | <b>10.4</b>          | <b>6,098,839</b>       | <b>768,503</b>           | <b>3.93</b>                              | <b>512,235</b>    | <b>2,163,216</b>    | <b>512,235</b>     |
| <b>Class A</b>             | <b>36,356,129</b> | <b>7.9</b>      | <b>2,865,581</b> | <b>9.8</b>           | <b>2,961,790</b>       | <b>585,114</b>           | <b>4.60</b>                              | <b>435,793</b>    | <b>1,470,196</b>    | <b>435,793</b>     |
| <b>Class B</b>             | <b>20,021,115</b> | <b>10.0</b>     | <b>1,999,178</b> | <b>13.3</b>          | <b>2,497,876</b>       | <b>173,830</b>           | <b>3.60</b>                              | <b>51,667</b>     | <b>557,064</b>      | <b>51,667</b>      |
| <b>Class C</b>             | <b>9,630,327</b>  | <b>5.7</b>      | <b>552,035</b>   | <b>6.7</b>           | <b>639,173</b>         | <b>9,559</b>             | <b>2.07</b>                              | <b>24,775</b>     | <b>135,956</b>      | <b>24,775</b>      |

Source: CBRE Research, Q1 2015.

<sup>1</sup>Monthly Direct Lease Rates, Full Service Gross

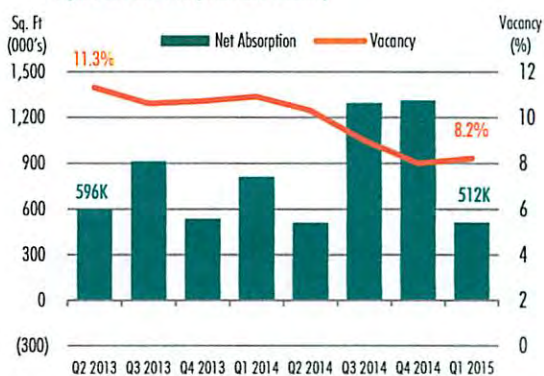


Figure 2: Average Asking Rates



Source: CBRE Research, Q1 2015.

Figure 3: Net Absorption and Vacancy



Source: CBRE Research, Q1 2015.

Figure 4: Significant Lease Transactions of the Quarter

| Lessee               | Address                             | Total SF | Class | Lease Type |
|----------------------|-------------------------------------|----------|-------|------------|
| Confidential         | 505 Mathilda Ave, Sunnyvale         | 424,000  | A     | Sublease   |
| Confidential         | Stevens Creek Blvd, Cupertino       | 275,000  | A     | New Lease  |
| Blue Coat Systems    | 384 Santa Trinita Ave, Sunnyvale    | 107,155  | A     | New Lease  |
| Jazz Pharmaceuticals | 3170 Porter Dr, Palo Alto           | 96,562   | A     | New Lease  |
| Hitachi America      | 3315 Scott Blvd, Santa Clara        | 41,252   | A     | New Lease  |
| FriendFinder         | 910 E. Hamilton Ave, Campbell       | 29,767   | A     | New Lease  |
| Endicia              | 274-278 Castro St, Mountain View    | 28,821   | B     | Sublease   |
| White & Case         | 3000 El Camino Real, Palo Alto      | 28,500   | A     | Renewal    |
| Arrow Electronics    | 1732 N. First St, San Jose          | 27,867   | A     | New Lease  |
| Hortonworks          | 2755 Great America Way, Santa Clara | 27,723   | A     | New Lease  |

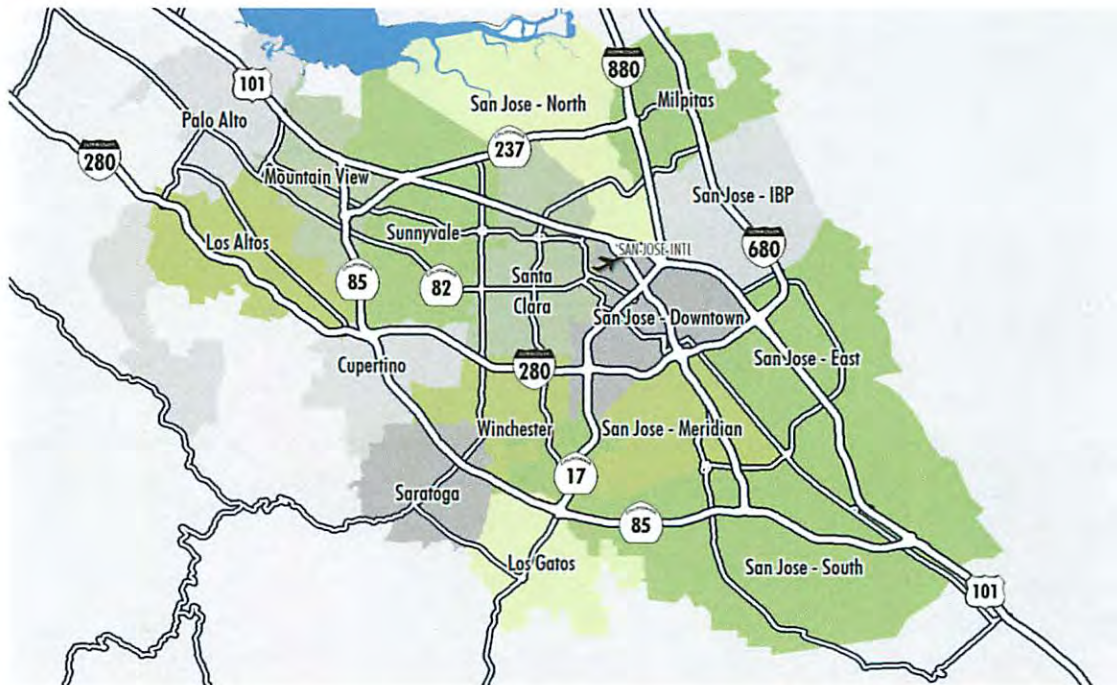
Source: CBRE Research, Q1 2015.

Figure 5: Significant Sale Transactions of the Quarter

| Buyer                       | Address                        | Total SF | Class | Type       |
|-----------------------------|--------------------------------|----------|-------|------------|
| PNC                         | 160 W. Santa Clara St, San Jos | 212,181  | A     | Investment |
| New York Life               | 2665 N. First St, San Jose     | 130,723  | B     | Investment |
| Wayzata Investment Partners | 2150 N. First St, San Jose     | 123,714  | A     | Investment |
| Healthcare Realty Trust     | 39141 Civic Center Dr, Fremont | 110,000  | A     | Investment |

Source: CBRE Research, Q1 2015.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.

**SUBMARKET MAP**

**CONTACT**

**Diana Beck**  
*Researcher*  
 +1 408 467 7547  
[diana.beck@cbre.com](mailto:diana.beck@cbre.com)

**Will Schmidt**  
*Researcher*  
 +1 408 467 7544  
[will.schmidt@cbre.com](mailto:will.schmidt@cbre.com)

**Sam Cimino**  
*Researcher*  
 +1 408 467 7545  
[samuel.cimino@cbre.com](mailto:samuel.cimino@cbre.com)

**Wen Sun**  
*Senior Research Analyst*  
 +1 408 467 7516  
[wen.sun@cbre.com](mailto:wen.sun@cbre.com)

**CBRE OFFICE**

Silicon Valley  
 225 W. Santa Clara Street, 10th Floor  
 San Jose, CA 95113

**DEFINITIONS**

*Average Asking Rate* Direct Monthly Lease Rates, Full Service Gross. *Availability* All existing space being marketed for lease. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy. *CBD* Central Business District in downtown San Jose.

**SURVEY CRITERIA**

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in Silicon Valley, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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## Silicon Valley Office, Q4 2014

# Highest net absorption rate since 2000



**Vacancy Rate**  
8.0%



**Lease Rate**  
\$3.78 PSF



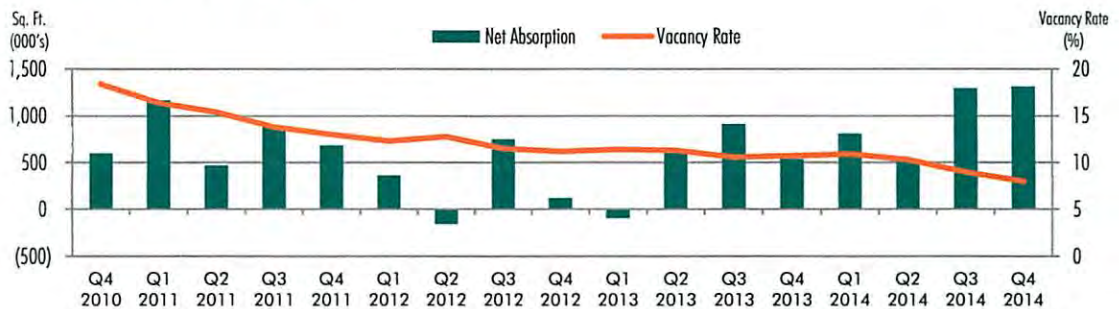
**Net Absorption**  
1.3 MSF



**Under Construction**  
8.6 MSF

Figure 1: Total Vacancy vs. Net Absorption

\*Arrows indicate change from previous quarter.



Source: CBRE Research, Q4 2014.

The market absorbed 3.9 million sq. ft. in 2014, or 6.0% of the total product, the highest rate since 6.2% in 2000. The fourth quarter closed out 2014 with the largest single quarter occupancy gain since Q4 2003. Class A product accounted for 997,482 sq. ft. of positive net absorption, including large contributions from pre-leased construction completions at 625-685 Clyde Ave in Mountain View (385,000 sq. ft.) and 815 11th Ave in Sunnyvale (232,000 sq. ft.), as well as leases by Service Now and TSMC totaling 462,513 sq. ft. in Santa Clara.

Vacancy fell 100 basis points (bps) to 8.0%, the lowest rate in since Q4 2000. Santa Clara experienced the largest drop in vacancy, falling 280 bps quarter-over-quarter and 620 bps year-over-year. Nine submarkets had a reduction in vacancy of at least 50 bps.

Average asking rates in the Silicon Valley rose every quarter over the past 4 years to \$3.78, up

3.3% for the quarter and 11.5% for the year. The largest increase occurred in North San Jose, which grew 5.9% quarter-over-quarter to \$2.68.

Overall, leasing activity picked up as gross absorption nearly doubled from Q3 2014. This quarter was dominated by large leases, with 10 this quarter over 50,000 sq. ft. nearly doubling the amount from the third quarter. Total sales activity by square footage increased more than 170%, including over 1.1 million sq. ft. of investment sales.

There was a total of 687,251 sq. ft. in construction completions this quarter. 8.6 million sq. ft. is currently under construction in the Silicon Valley, with 4.1 million sq. ft. slated for completion in 2015. With 73% of construction projects pre-leased or user-owned, and office tenant demand remaining at a consistently high level, all signs point to continued growth during the next year.



Figure 2: Total Office Market Statistics

| Submarket                           | Net Rentable Area | Total Vacancy % | Total Availability % | Average Asking Rate (\$/SF) | Q4 Net Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|----------------------|-----------------------------|-------------------|--------------------|
| San Jose - Downtown                 | 10,412,214        | 13.2            | 15.0                 | 2.47                        | 80,677            | 416,617            |
| Class A - CBD                       | 4,262,390         | 12.4            | 15.3                 | 3.18                        | (25,353)          | 163,501            |
| San Jose - North                    | 9,368,065         | 13.8            | 17.5                 | 2.68                        | 222,050           | 3,237              |
| Class A                             | 6,106,640         | 11.4            | 13.8                 | 2.87                        | 38,733            | (90,310)           |
| San Jose - South <sup>1</sup>       | 2,006,573         | 13.7            | 14.2                 | 1.76                        | (6,542)           | 27,680             |
| Class A                             | 625,786           | 21.6            | 21.6                 | 2.22                        | (14,880)          | (14,880)           |
| West Valley <sup>2</sup>            | 5,039,898         | 4.6             | 6.7                  | 2.77                        | 25,331            | 127,180            |
| Class A                             | 1,449,340         | 8.7             | 12.5                 | 4.03                        | 5,053             | 38,609             |
| Milpitas/IBP                        | 1,345,211         | 7.1             | 8.0                  | 1.44                        | 12,261            | 65,560             |
| Class A                             | 319,655           | 15.1            | 16.4                 | 2.07                        | 7,134             | 40,888             |
| Cupertino                           | 4,026,993         | 1.0             | 1.5                  | 4.01                        | 9,267             | (4,695)            |
| Class A                             | 2,635,222         | 0.1             | 0.1                  | 4.45                        | -                 | 3,089              |
| Santa Clara                         | 10,516,787        | 8.9             | 14.7                 | 3.31                        | 308,689           | 1,158,693          |
| Class A                             | 6,478,125         | 10.7            | 15.4                 | 3.77                        | 316,159           | 1,122,051          |
| Sunnyvale                           | 7,447,659         | 5.1             | 5.2                  | 4.45                        | 185,305           | 1,511,369          |
| Class A                             | 6,189,000         | 5.3             | 5.3                  | 4.74                        | 203,169           | 1,537,815          |
| Mountain View/Los Altos             | 6,550,693         | 2.0             | 3.2                  | 6.32                        | 456,400           | 515,667            |
| Class A                             | 3,829,953         | 1.8             | 3.1                  | 6.93                        | 458,481           | 465,654            |
| Palo Alto                           | 6,884,257         | 4.2             | 6.2                  | 7.06                        | (3,776)           | 42,737             |
| Class A                             | 3,068,118         | 2.5             | 4.3                  | 8.55                        | 8,986             | 62,445             |
| Fremont                             | 2,122,399         | 9.7             | 11.1                 | 1.69                        | 20,503            | 49,308             |
| Class A                             | 542,736           | 8.2             | 10.7                 | 2.04                        | -                 | 848                |
| <b>Silicon Valley Office Market</b> | <b>65,720,749</b> | <b>8.0</b>      | <b>10.3</b>          | <b>3.78</b>                 | <b>1,310,165</b>  | <b>3,923,043</b>   |
| <b>Class A</b>                      | <b>35,917,397</b> | <b>7.7</b>      | <b>9.8</b>           | <b>4.44</b>                 | <b>997,482</b>    | <b>3,338,355</b>   |

Source: CBRE Research, Q4 2014.

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South Submarkets

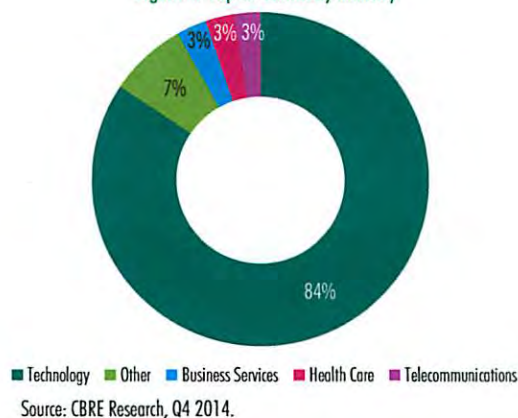
<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

Figure 3: Top Leases / Top Sales

| Lease (Tenant)      | Address                     | Total SF  |
|---------------------|-----------------------------|-----------|
| Confidential        | 1152 Bordeaux Dr, Sunnyvale | 1,944,132 |
| Service Now         | 2215 Lawson Ln, Santa Clara | 306,900   |
| TSMC                | 2851 Junction Ave, San Jose | 155,613   |
| Sale (Buyer)        | Address                     | Total SF  |
| Ellis Partners, LLC | 1901 Bascom Ave, Campbell   | 351,249   |
| KBS Realty Advisors | 10 Almaden Blvd, San Jose   | 309,255   |
| Lennar Corporation  | 3689 Kifer Rd, Santa Clara  | 188,000   |

Source: CBRE Research, Q4 2014.

Figure 4: Top 25 Leases by Industry





### LEASE RATES

Asking rates increased for the seventeenth consecutive quarter, as the overall asking lease rate increased 3.3% to \$3.78, the highest mark since Q2 2001. Class A asking rates rose to \$4.44, a 3.5% increase quarter-over-quarter. The largest increases came in North San Jose, where overall rates rose 5.9% to \$2.68, and Santa Clara, which rose 4.6% to \$3.31. San Jose CBD rose 1.9% overall to \$2.70 as Class A asking rates increased to \$3.18.

### NET ABSORPTION

Net absorption for the fourth quarter topped 1.3 million sq. ft., the seventh straight quarter of positive net absorption and the highest total since Q4 2003. Much of the absorption was driven by several construction completions as well as a number of new Class A leases, including vacancies filled at 2215-2225 Lawson Ln, Santa Clara and 2851 Junction Ave, Santa Clara. Class A accounted for over 76% of the net absorption in Q4 2014.

### VACANCY & AVAILABILITY

Market wide vacancy fell 100 bps to 8% and availability fell 130 bps to 10.3%, the lowest marks since Q4 2000 and Q3 2007, respectively. The largest decreases in vacancy and availability occurred in Santa Clara. Vacancy fell 280 bps to 8.9% and availability fell 330 bps to 14.7%. Another significant vacancy decrease includes a 260 bps drop in North San Jose as vacancy fell for a third consecutive quarter.

### CONSTRUCTION COMPLETIONS

4 total office construction projects completed this quarter, including 434,052 sq. ft. in Mountain View, 21,199 sq. ft. in Los Altos, and 232,000 sq. ft. in Sunnyvale. There is currently 8.6 M sq. ft. under construction with another 7.6 M sq. ft. approved, 4.1 million sq. ft. of which is scheduled to finish within the next year. Construction activity will continue to remain high as tenant demand remains at an elevated level.

Figure 5: Lease Rates



Figure 6: Net Absorption

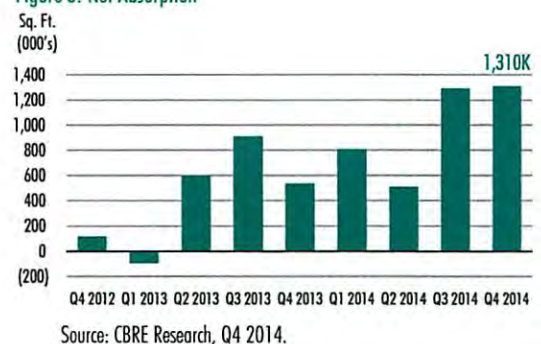


Figure 7: Vacancy & Availability

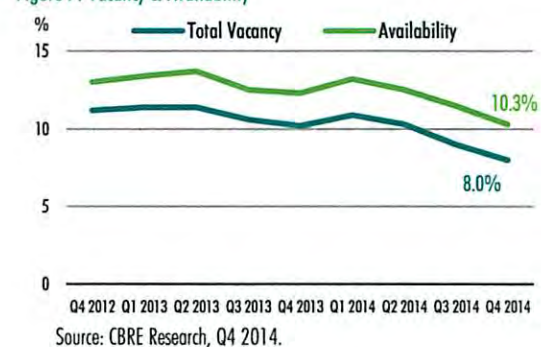
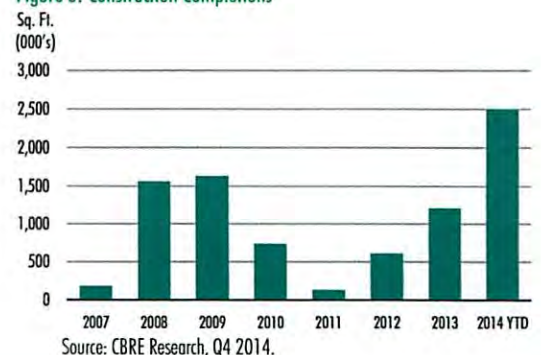


Figure 8: Construction Completions





# Silicon Valley Office, Q4 2014

Figure 1: Statistics and Transactions

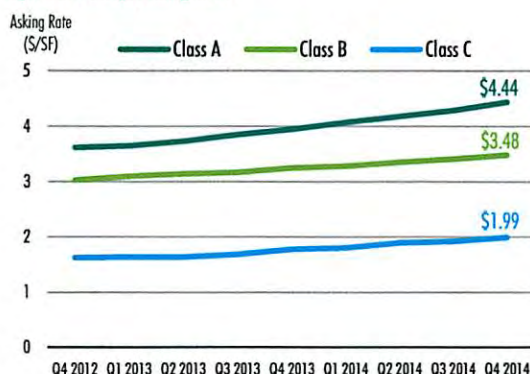
| Submarket                  | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>1</sup> (\$/SF) | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|----------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|------------------------------------------|-------------------|---------------------|--------------------|
| San Jose - Downtown        | 10,412,214        | 13.2            | 1,369,500        | 15.0                 | 1,506,911              | 50,881                   | 2.47                                     | 80,677            | 297,002             | 416,617            |
| Metro                      | 2,742,577         | 6.3             | 171,538          | 6.8                  | 183,918                | 1,753                    | 1.82                                     | 44,297            | 57,010              | 75,691             |
| CBD                        | 7,669,637         | 15.6            | 1,197,962        | 17.9                 | 1,322,993              | 49,128                   | 2.70                                     | 36,380            | 239,992             | 340,926            |
| Class A                    | 4,262,390         | 12.4            | 530,635          | 15.3                 | 610,814                | 39,577                   | 3.18                                     | (25,353)          | 135,368             | 163,501            |
| Class B                    | 2,867,724         | 20.4            | 584,433          | 22.0                 | 622,136                | 9,551                    | 2.16                                     | 61,733            | 104,624             | 138,171            |
| Class C                    | 539,523           | 15.4            | 82,894           | 16.7                 | 90,043                 | 0                        | 1.75                                     | 0                 | 0                   | 39,254             |
| San Jose - North           | 9,368,065         | 13.8            | 1,293,472        | 17.5                 | 1,451,153              | 185,118                  | 2.68                                     | 222,050           | 416,495             | 3,237              |
| Class A                    | 6,106,640         | 11.4            | 693,259          | 13.8                 | 695,535                | 146,599                  | 2.87                                     | 38,733            | 185,437             | (90,310)           |
| Class B                    | 2,328,186         | 21.7            | 506,213          | 29.3                 | 644,119                | 38,519                   | 2.46                                     | 163,908           | 211,271             | 81,614             |
| Class C                    | 933,239           | 10.1            | 94,000           | 11.9                 | 111,499                | 0                        | 1.95                                     | 19,409            | 19,787              | 11,933             |
| San Jose - South           | 2,006,573         | 13.7            | 275,491          | 14.2                 | 281,696                | 3,543                    | 1.76                                     | (6,542)           | 13,148              | 27,680             |
| Class A                    | 625,786           | 21.6            | 135,159          | 21.6                 | 135,159                | 0                        | 2.22                                     | (14,880)          | 0                   | (14,880)           |
| Class B                    | 632,548           | 4.7             | 29,568           | 5.4                  | 34,211                 | 0                        | 1.71                                     | 6,026             | 5,760               | 39,518             |
| Class C                    | 748,239           | 14.8            | 110,764          | 15.5                 | 112,326                | 3,543                    | 1.42                                     | 2,312             | 7,388               | 3,042              |
| West Valley                | 5,039,898         | 4.6             | 232,195          | 6.7                  | 286,679                | 49,835                   | 2.77                                     | 25,331            | 260,140             | 127,180            |
| Class A                    | 1,449,340         | 8.7             | 126,243          | 12.5                 | 149,077                | 32,381                   | 4.03                                     | 5,053             | 96,220              | 38,609             |
| Class B                    | 1,683,106         | 3.1             | 51,438           | 5.5                  | 78,606                 | 14,470                   | 2.73                                     | 19,805            | 94,633              | 65,378             |
| Class C                    | 1,907,452         | 2.9             | 54,514           | 3.2                  | 58,996                 | 2,984                    | 1.86                                     | 473               | 69,287              | 23,193             |
| IBP/Milpitas               | 1,345,211         | 7.1             | 95,674           | 8.0                  | 97,200                 | 10,791                   | 1.44                                     | 12,261            | 24,299              | 65,560             |
| Class A                    | 319,655           | 15.1            | 48,161           | 16.4                 | 48,161                 | 4,123                    | 2.07                                     | 7,134             | 19,172              | 40,888             |
| Class B                    | 399,578           | 6.6             | 26,174           | 6.9                  | 27,700                 | 0                        | 1.44                                     | 1,841             | 1,841               | 7,561              |
| Class C                    | 625,978           | 3.4             | 21,339           | 4.5                  | 21,339                 | 6,668                    | 1.12                                     | 3,286             | 3,286               | 17,111             |
| Cupertino                  | 4,026,993         | 1.0             | 39,568           | 1.5                  | 54,417                 | 5,902                    | 4.01                                     | 9,267             | 40,540              | (4,695)            |
| Class A                    | 2,635,222         | 0.1             | 2,030            | 0.1                  | 2,030                  | 0                        | 4.45                                     | 0                 | 0                   | 3,089              |
| Class B                    | 1,370,183         | 2.7             | 37,538           | 4.3                  | 52,387                 | 5,902                    | 3.20                                     | 9,267             | 39,359              | (7,784)            |
| Class C                    | 21,588            | 0.0             | 0                | 0.0                  | 0                      | 0                        | 2.35                                     | 0                 | 1,181               | 0                  |
| Santa Clara                | 10,516,787        | 8.9             | 935,796          | 14.7                 | 1,386,127              | 159,302                  | 3.31                                     | 308,689           | 585,457             | 1,158,693          |
| Class A                    | 6,478,125         | 10.7            | 693,985          | 15.4                 | 902,793                | 97,073                   | 3.77                                     | 316,159           | 440,055             | 1,122,051          |
| Class B                    | 2,154,483         | 6.6             | 142,703          | 20.1                 | 371,886                | 62,229                   | 2.88                                     | (11,512)          | 133,902             | 8,265              |
| Class C                    | 1,884,179         | 5.3             | 99,108           | 5.9                  | 111,448                | 0                        | 2.21                                     | 4,042             | 11,500              | 28,377             |
| Sunnyvale                  | 7,447,659         | 5.1             | 378,074          | 5.2                  | 355,408                | 33,000                   | 4.45                                     | 185,305           | 2,090,150           | 1,511,369          |
| Class A                    | 6,189,000         | 5.3             | 329,679          | 5.3                  | 296,679                | 33,000                   | 4.74                                     | 203,169           | 2,070,528           | 1,537,815          |
| Class B                    | 624,515           | 5.8             | 36,294           | 5.8                  | 36,294                 | 0                        | 3.49                                     | (15,807)          | 16,524              | (31,085)           |
| Class C                    | 634,144           | 1.9             | 12,101           | 3.5                  | 22,435                 | 0                        | 2.55                                     | (2,057)           | 3,098               | 4,639              |
| Mountain View/Los Altos    | 6,550,693         | 2.0             | 134,076          | 3.2                  | 160,263                | 52,347                   | 6.32                                     | 456,400           | 239,303             | 515,667            |
| Class A                    | 3,829,953         | 1.8             | 67,055           | 3.1                  | 71,021                 | 46,506                   | 6.93                                     | 458,481           | 156,619             | 465,654            |
| Class B                    | 2,495,961         | 2.5             | 62,973           | 3.4                  | 79,314                 | 5,841                    | 5.58                                     | (15,002)          | 65,452              | 45,744             |
| Class C                    | 224,779           | 1.8             | 4,048            | 4.4                  | 9,928                  | 0                        | 4.26                                     | 12,921            | 17,232              | 4,269              |
| Palo Alto                  | 6,884,257         | 4.2             | 285,451          | 6.2                  | 343,809                | 82,994                   | 7.06                                     | (3,776)           | 197,030             | 42,737             |
| Class A                    | 3,068,118         | 2.5             | 77,202           | 4.3                  | 97,701                 | 34,605                   | 8.55                                     | 8,986             | 39,534              | 62,445             |
| Class B                    | 3,307,126         | 5.8             | 192,409          | 7.3                  | 195,368                | 45,789                   | 6.35                                     | (5,287)           | 144,846             | (14,737)           |
| Class C                    | 509,013           | 3.1             | 15,840           | 10.5                 | 50,740                 | 2,600                    | 3.85                                     | (7,475)           | 12,650              | (4,971)            |
| Fremont                    | 2,122,399         | 9.7             | 206,620          | 11.1                 | 235,427                | 1,098                    | 1.69                                     | 20,503            | 32,904              | 49,308             |
| Class A                    | 542,736           | 8.2             | 44,322           | 10.7                 | 57,988                 | 0                        | 2.04                                     | 0                 | 5,350               | 848                |
| Class B                    | 988,515           | 14.4            | 142,689          | 16.0                 | 157,830                | 0                        | 1.65                                     | 17,808            | 20,385              | 30,062             |
| Class C                    | 591,148           | 3.3             | 19,609           | 3.5                  | 19,609                 | 1,098                    | 1.43                                     | 2,695             | 7,169               | 18,398             |
| <b>Total Office Market</b> | <b>65,720,749</b> | <b>8.0</b>      | <b>5,245,917</b> | <b>10.3</b>          | <b>6,159,090</b>       | <b>634,811</b>           | <b>3.78</b>                              | <b>1,310,165</b>  | <b>4,196,468</b>    | <b>3,923,043</b>   |
| Class A                    | 35,917,397        | 7.7             | 2,753,475        | 9.8                  | 3,072,703              | 433,864                  | 4.44                                     | 997,482           | 3,148,283           | 3,338,355          |
| Class B                    | 20,087,430        | 9.5             | 1,902,560        | 12.8                 | 2,394,794              | 184,054                  | 3.48                                     | 252,679           | 870,664             | 384,781            |
| Class C                    | 9,715,922         | 6.1             | 589,882          | 7.3                  | 691,593                | 16,893                   | 1.99                                     | 60,004            | 177,521             | 199,907            |

Source: CBRE Research, Q4 2014.

<sup>1</sup>Monthly Direct Lease Rates, Full Service Gross

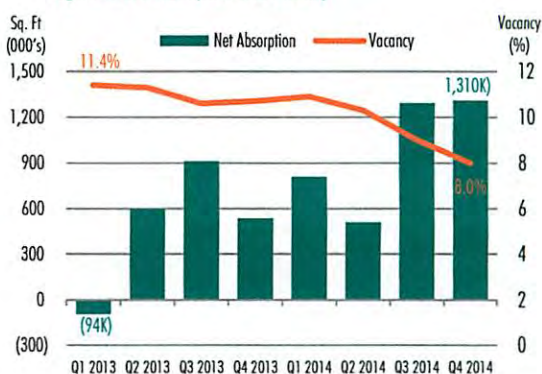


Figure 2: Average Asking Rates



Source: CBRE Research, Q4 2014.

Figure 3: Net Absorption and Vacancy



Source: CBRE Research, Q4 2014.

Figure 4: Significant Lease Transactions of the Quarter

| Lessee                        | Address                            | Total SF  | Class | Lease Type |
|-------------------------------|------------------------------------|-----------|-------|------------|
| Confidential                  | 1152 Bordeaux Dr, Sunnyvale        | 1,944,132 | A     | New Lease  |
| Service Now                   | 2215 Lawson Ln, Santa Clara        | 306,900   | A     | New Lease  |
| TSMC                          | 2851 Junction Ave, San Jose        | 155,613   | B     | New Lease  |
| LinkedIn                      | 4440 El Camino Real, Los Altos     | 96,562    | A     | New Lease  |
| Santa Clara University        | 455 El Camino Real, Santa Clara    | 75,598    | A     | New Lease  |
| Equinix                       | 1188 Arques Ave, Sunnyvale         | 71,241    | A     | Renewal    |
| Morrison & Foerster           | 755 Page Mill Rd, Palo Alto        | 70,244    | B     | New Lease  |
| Folio Architects              | 4633 Old Ironsides Dr, Santa Clara | 50,000    | B     | New Lease  |
| Heritage Commerce Corporation | 150 Almaden Blvd, San Jose         | 36,772    | A     | Renewal    |
| Invensense, Inc.              | 1745 Technology Dr, San Jose       | 29,357    | A     | New Lease  |

Source: CBRE Research, Q4 2014.

Figure 5: Significant Sale Transactions of the Quarter

| Buyer               | Address                      | Total SF | Class | Type       |
|---------------------|------------------------------|----------|-------|------------|
| Ellis Partners, LLC | 1901 Bascom Ave, Campbell    | 351,249  | A     | Investment |
| KBS Realty Advisors | 10 Almaden Blvd, San Jose    | 309,255  | A     | Investment |
| Lennar Corporation  | 3689 Kifer Rd, Santa Clara   | 188,000  | B     | Investment |
| Wealthcap           | 303 Bryant St, Mountain View | 56,250   | A     | Investment |

Source: CBRE Research, Q4 2014.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.



# Silicon Valley, Office Statistics & Transactions

Q4 2013

CBRE Global Research and Consulting

| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | Annual Net Absorption |
|-------------------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|-----------------------|
| <b>San Jose - Downtown</b>          | <b>10,414,087</b> | <b>17.2%</b>    | <b>1,789,984</b> | <b>19.8%</b>         | <b>1,922,722</b>       | <b>139,714</b>           | <b>\$2.19</b>        | <b>121,605</b>    | <b>316,606</b>      | <b>159,520</b>        |
| Metro <sup>1</sup>                  | 2,742,577         | 9.2%            | 250,987          | 13.1%                | 276,778                | 83,278                   | \$1.71               | 25,665            | 58,450              | 26,790                |
| <b>CBD</b>                          | <b>7,671,510</b>  | <b>20.1%</b>    | <b>1,538,997</b> | <b>22.2%</b>         | <b>1,645,944</b>       | <b>56,436</b>            | <b>\$2.36</b>        | <b>95,940</b>     | <b>258,156</b>      | <b>132,730</b>        |
| Class A                             | 4,261,826         | 16.3%           | 694,245          | 18.9%                | 786,269                | 20,857                   | \$2.71               | 96,049            | 197,252             | 61,569                |
| Class B                             | 2,870,161         | 25.2%           | 722,604          | 26.9%                | 737,527                | 35,579                   | \$1.97               | (14,312)          | 46,701              | 38,168                |
| Class C                             | 539,523           | 22.6%           | 122,148          | 22.6%                | 122,148                | 0                        | \$1.70               | 14,203            | 14,203              | 32,993                |
| <b>San Jose - North</b>             | <b>9,271,739</b>  | <b>14.1%</b>    | <b>1,309,061</b> | <b>20.8%</b>         | <b>1,820,520</b>       | <b>104,206</b>           | <b>\$2.34</b>        | <b>154,487</b>    | <b>368,325</b>      | <b>255,356</b>        |
| Class A                             | 6,106,640         | 9.9%            | 605,774          | 16.5%                | 926,386                | 82,406                   | \$2.53               | 203,668           | 249,011             | 315,635               |
| Class B                             | 2,231,860         | 26.8%           | 597,354          | 36.0%                | 785,624                | 17,291                   | \$2.10               | (39,977)          | 117,161             | (38,992)              |
| Class C                             | 933,239           | 11.4%           | 105,933          | 12.1%                | 108,510                | 4,509                    | \$1.65               | (9,204)           | 2,153               | (21,287)              |
| <b>San Jose - South<sup>2</sup></b> | <b>1,988,077</b>  | <b>15.2%</b>    | <b>302,644</b>   | <b>15.6%</b>         | <b>302,017</b>         | <b>8,455</b>             | <b>\$1.70</b>        | <b>7,835</b>      | <b>21,782</b>       | <b>19,743</b>         |
| Class A                             | 625,786           | 19.2%           | 120,279          | 19.2%                | 120,279                | 0                        | \$2.17               | 1,034             | 1,034               | (8,966)               |
| Class B                             | 632,548           | 10.9%           | 69,086           | 11.1%                | 70,436                 | 0                        | \$1.65               | (4,609)           | 3,260               | 17,359                |
| Class C                             | 729,743           | 15.5%           | 113,279          | 16.4%                | 111,302                | 8,455                    | \$1.34               | 11,410            | 17,488              | 11,350                |
| <b>West Valley<sup>3</sup></b>      | <b>5,039,898</b>  | <b>7.5%</b>     | <b>376,246</b>   | <b>8.9%</b>          | <b>408,365</b>         | <b>42,618</b>            | <b>\$2.50</b>        | <b>45,824</b>     | <b>221,015</b>      | <b>57,388</b>         |
| Class A                             | 1,449,340         | 12.4%           | 179,318          | 14.7%                | 178,758                | 33,622                   | \$3.59               | 32,749            | 83,583              | 11,759                |
| Class B                             | 1,683,106         | 7.0%            | 118,570          | 8.5%                 | 143,100                | 0                        | \$2.56               | (675)             | 89,520              | 5,289                 |
| Class C                             | 1,907,452         | 4.1%            | 78,358           | 5.0%                 | 86,507                 | 8,996                    | \$1.63               | 13,750            | 47,912              | 40,340                |
| <b>IBP/Milpitas</b>                 | <b>1,345,211</b>  | <b>12.0%</b>    | <b>161,234</b>   | <b>12.7%</b>         | <b>152,968</b>         | <b>17,760</b>            | <b>\$1.37</b>        | <b>(10,174)</b>   | <b>27,184</b>       | <b>12,183</b>         |
| Class A                             | 319,655           | 27.9%           | 89,049           | 28.7%                | 80,783                 | 11,092                   | \$1.85               | (3,563)           | 20,707              | (8,263)               |
| Class B                             | 399,578           | 8.4%            | 33,735           | 8.4%                 | 33,735                 | 0                        | \$1.40               | (3,621)           | 5,714               | 34,042                |
| Class C                             | 625,978           | 6.1%            | 38,450           | 7.2%                 | 38,450                 | 6,668                    | \$1.10               | (2,990)           | 763                 | (13,596)              |
| <b>Santa Clara</b>                  | <b>9,855,880</b>  | <b>15.1%</b>    | <b>1,487,828</b> | <b>16.3%</b>         | <b>1,480,030</b>       | <b>127,068</b>           | <b>\$2.76</b>        | <b>47,481</b>     | <b>257,015</b>      | <b>452,215</b>        |
| Class A                             | 5,889,790         | 20.5%           | 1,205,967        | 22.4%                | 1,194,183              | 125,632                  | \$3.10               | 118,787           | 151,811             | 429,548               |
| Class B                             | 2,006,601         | 7.7%            | 154,376          | 7.9%                 | 157,785                | 0                        | \$2.60               | (68,069)          | 82,217              | 21,024                |
| Class C                             | 1,959,489         | 6.5%            | 127,485          | 6.6%                 | 128,062                | 1,436                    | \$1.90               | (3,237)           | 22,987              | 1,643                 |
| <b>Cupertino</b>                    | <b>4,026,993</b>  | <b>0.9%</b>     | <b>35,439</b>    | <b>1.8%</b>          | <b>74,200</b>          | <b>0</b>                 | <b>\$3.85</b>        | <b>34,906</b>     | <b>52,120</b>       | <b>632</b>            |
| Class A                             | 2,635,222         | 0.2%            | 5,119            | 1.0%                 | 25,883                 | 0                        | \$4.25               | 10,426            | 13,095              | (5,119)               |
| Class B                             | 1,370,183         | 2.2%            | 30,320           | 3.5%                 | 48,317                 | 0                        | \$3.10               | 24,480            | 37,885              | 5,751                 |
| Class C                             | 21,588            | 0.0%            | 0                | 0.0%                 | 0                      | 0                        | \$2.02               | 0                 | 1,140               | 0                     |
| <b>Sunnyvale</b>                    | <b>6,111,101</b>  | <b>9.0%</b>     | <b>552,885</b>   | <b>10.0%</b>         | <b>564,873</b>         | <b>44,145</b>            | <b>\$4.01</b>        | <b>6,182</b>      | <b>25,944</b>       | <b>94,659</b>         |
| Class A                             | 4,852,442         | 10.9%           | 530,936          | 11.8%                | 530,707                | 43,945                   | \$4.35               | 0                 | 0                   | 40,412                |
| Class B                             | 624,515           | 0.8%            | 5,209            | 1.7%                 | 10,128                 | 200                      | \$3.01               | (812)             | 14,157              | 31,287                |
| Class C                             | 634,144           | 2.6%            | 16,740           | 3.8%                 | 24,038                 | 0                        | \$2.35               | 6,994             | 11,787              | 22,960                |
| <b>Mountain View/Los Altos</b>      | <b>5,982,880</b>  | <b>2.5%</b>     | <b>147,790</b>   | <b>3.5%</b>          | <b>199,397</b>         | <b>9,938</b>             | <b>\$5.68</b>        | <b>114,471</b>    | <b>288,293</b>      | <b>744,072</b>        |
| Class A                             | 3,265,387         | 0.9%            | 30,756           | 1.8%                 | 50,542                 | 8,872                    | \$6.25               | 90,390            | 134,621             | 729,985               |
| Class B                             | 2,492,714         | 4.4%            | 108,717          | 5.7%                 | 140,538                | 1,066                    | \$5.10               | 18,492            | 88,328              | 10,509                |
| Class C                             | 224,779           | 3.7%            | 8,317            | 3.7%                 | 8,317                  | 0                        | \$3.75               | 5,589             | 14,427              | 3,578                 |
| <b>Palo Alto</b>                    | <b>6,801,360</b>  | <b>4.6%</b>     | <b>313,839</b>   | <b>5.3%</b>          | <b>265,071</b>         | <b>77,755</b>            | <b>\$6.81</b>        | <b>(2,613)</b>    | <b>425,228</b>      | <b>83,133</b>         |
| Class A                             | 2,990,963         | 4.1%            | 123,703          | 4.9%                 | 87,240                 | 59,899                   | \$8.20               | 28,939            | 230,199             | 154,258               |
| Class B                             | 3,280,384         | 5.5%            | 179,267          | 6.1%                 | 166,962                | 17,856                   | \$6.15               | (36,956)          | 187,145             | (65,236)              |
| Class C                             | 530,013           | 2.1%            | 10,869           | 2.1%                 | 10,869                 | 0                        | \$3.05               | 5,404             | 7,884               | (5,889)               |
| <b>Fremont</b>                      | <b>2,062,399</b>  | <b>13.0%</b>    | <b>268,370</b>   | <b>13.8%</b>         | <b>285,349</b>         | <b>0</b>                 | <b>\$1.68</b>        | <b>15,349</b>     | <b>37,430</b>       | <b>69,986</b>         |
| Class A                             | 542,736           | 8.3%            | 45,170           | 9.0%                 | 48,960                 | 0                        | \$2.00               | (3,688)           | 5,223               | 10,388                |
| Class B                             | 928,515           | 19.9%           | 185,193          | 21.4%                | 198,382                | 0                        | \$1.65               | 14,674            | 24,081              | 40,732                |
| Class C                             | 591,148           | 6.4%            | 38,007           | 6.4%                 | 38,007                 | 0                        | \$1.43               | 4,363             | 8,126               | 18,866                |
| <b>Silicon Valley Office Market</b> | <b>62,899,625</b> | <b>10.7%</b>    | <b>6,745,320</b> | <b>12.8%</b>         | <b>7,475,512</b>       | <b>571,659</b>           | <b>\$3.39</b>        | <b>535,353</b>    | <b>2,040,942</b>    | <b>1,948,887</b>      |
| Class A                             | 33,350,219        | 10.9%           | 3,635,016        | 13.3%                | 4,034,690              | 386,325                  | \$3.95               | 574,791           | 1,142,916           | 1,731,206             |
| Class B                             | 19,755,670        | 11.7%           | 2,320,391        | 14.1%                | 2,619,879              | 149,381                  | \$3.25               | (76,920)          | 749,716             | 147,320               |
| Class C                             | 9,793,736         | 8.1%            | 789,913          | 8.7%                 | 820,943                | 35,953                   | \$1.77               | 37,482            | 148,310             | 70,361                |

<sup>1</sup> Metro is comprised of buildings within Downtown and outside of CBD

<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\*Direct Monthly Lease Rates, Full Service Gross



Chart #1: Lease Rates

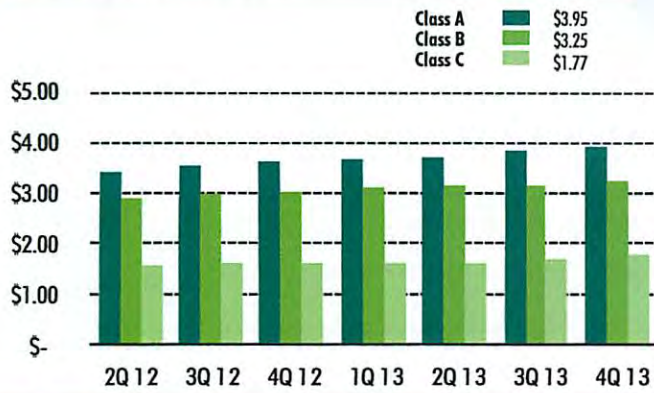


Chart #2: Net Absorption &amp; Vacancy

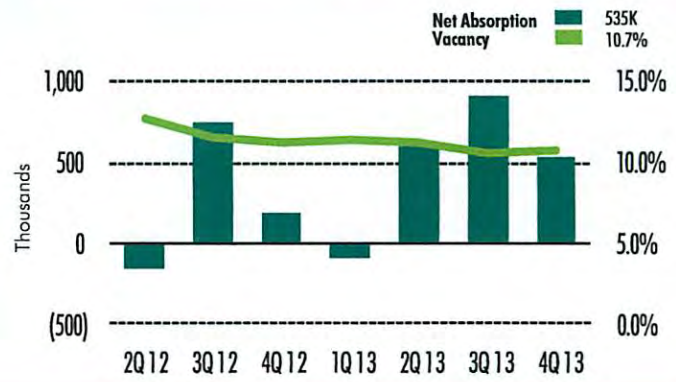


Table 1: Significant Lease Transactions of the Quarter

| Lessee                         | Address                                  | Total SF | Class | Type      |
|--------------------------------|------------------------------------------|----------|-------|-----------|
| Fenwick & West                 | 400 Castro St, Mountain View             | 128,781  | A     | Renewal   |
| Cavium Networks                | 2315 N First St, San Jose                | 110,881  | A     | New Lease |
| Akamai                         | 3333 Scott Blvd, Santa Clara             | 76,146   | A     | New Lease |
| Ernst & Young                  | 303 Almaden Blvd, San Jose               | 73,229   | A     | Renewal   |
| Virident Systems, Inc.         | 1745 Technology Dr, San Jose             | 67,861   | A     | New Lease |
| Morgan Lewis                   | 1400 Page Mill Rd, Palo Alto             | 60,000   | A     | New Lease |
| Roku, Inc.                     | 12900 Saratoga & 18764 Cox Ave, Saratoga | 56,852   | B     | Renewal   |
| Morgan Lewis                   | 3000 El Camino Real, Palo Alto           | 53,164   | A     | Renewal   |
| Apigee                         | 10 Almaden Blvd, San Jose                | 41,151   | A     | New Lease |
| NTT Innovation Institute, Inc. | 1950 University Ave, East Palo Alto      | 28,207   | A     | New Lease |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                                | Address                        | Total SF | Class | Type     |
|--------------------------------------|--------------------------------|----------|-------|----------|
| USAA Real Estate Company             | America Center, San Jose       | 430,852  | A     | Investor |
| Principal Real Estate Investors, LLC | 225 W Santa Clara St, San Jose | 349,318  | A     | Investor |
| LaSalle Investment Management        | 60 S Market St, San Jose       | 232,500  | A     | Investor |
| Invesco                              | 525 Almanor Ave, Sunnyvale     | 166,300  | A     | Investor |

Table 3: Significant Construction Projects

| Project                      | City           | Total SF | % Pre-Committed |
|------------------------------|----------------|----------|-----------------|
| 555 N Mathilda (LinkedIn)    | Sunnyvale      | 657,230  | 100%            |
| Samsung HQ                   | North San Jose | 650,000  | 100%            |
| Santa Clara Gateway Phase II | Santa Clara    | 465,643  | 35%             |
| 625-685 Clyde Dr             | Mountain View  | 385,730  | 100%            |
| Moffett Towers Phase II      | Sunnyvale      | 357,000  | 100%            |
| 690 E Middlefield Rd         | Mountain View  | 340,913  | 100%            |
| 5403 Stevens Creek Blvd      | Santa Clara    | 300,000  | 100%            |
| Technology Corners           | Sunnyvale      | 232,000  | 100%            |



# Silicon Valley, Office Statistics & Transactions

Q4 2012

CBRE Global Research and Consulting

| Submarket                           | NRA               | Total<br>Vacancy<br>% | Total<br>Vacant SF | Total<br>Availability<br>% | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rate* | Q4 Net<br>Absorption | Q4 Gross<br>Absorption | Annual Net<br>Absorption |
|-------------------------------------|-------------------|-----------------------|--------------------|----------------------------|------------------------------|--------------------------------|----------------------------|----------------------|------------------------|--------------------------|
| <b>San Jose - Downtown</b>          | <b>10,282,648</b> | <b>19.5%</b>          | <b>1,999,993</b>   | <b>21.3%</b>               | <b>2,136,350</b>             | <b>51,208</b>                  | <b>\$2.02</b>              | <b>78,288</b>        | <b>153,436</b>         | <b>22,051</b>            |
| Metro <sup>1</sup>                  | 2,659,076         | 10.3%                 | 274,607            | 11.4%                      | 267,508                      | 7,099                          | \$1.46                     | 27,247               | 56,547                 | 26,495                   |
| <b>CBD</b>                          | <b>7,623,572</b>  | <b>22.6%</b>          | <b>1,725,386</b>   | <b>24.7%</b>               | <b>1,839,874</b>             | <b>44,109</b>                  | <b>\$2.21</b>              | <b>51,041</b>        | <b>96,889</b>          | <b>(4,444)</b>           |
| Class A                             | 4,350,888         | 19.4%                 | 844,273            | 20.9%                      | 891,635                      | 16,700                         | \$2.51                     | 44,096               | 55,793                 | 36,005                   |
| Class B                             | 2,733,161         | 26.1%                 | 712,252            | 29.2%                      | 771,062                      | 27,409                         | \$1.89                     | 8,135                | 41,096                 | (26,625)                 |
| Class C                             | 539,523           | 31.3%                 | 168,861            | 32.8%                      | 177,177                      | 0                              | \$1.45                     | (1,190)              | 0                      | (13,824)                 |
| <b>San Jose - North</b>             | <b>8,947,004</b>  | <b>15.8%</b>          | <b>1,415,186</b>   | <b>18.4%</b>               | <b>1,453,458</b>             | <b>188,812</b>                 | <b>\$2.09</b>              | <b>(154,056)</b>     | <b>219,138</b>         | <b>(84,053)</b>          |
| Class A                             | 6,114,448         | 15.2%                 | 932,100            | 18.5%                      | 949,201                      | 183,295                        | \$2.27                     | (27,702)             | 68,385                 | (631)                    |
| Class B                             | 1,902,242         | 20.9%                 | 398,440            | 22.1%                      | 414,698                      | 5,517                          | \$1.83                     | (116,604)            | 150,753                | (87,820)                 |
| Class C                             | 930,314           | 9.1%                  | 84,646             | 9.6%                       | 89,559                       | 0                              | \$1.46                     | (9,750)              | 0                      | 4,398                    |
| <b>San Jose - South<sup>2</sup></b> | <b>1,988,077</b>  | <b>16.6%</b>          | <b>330,461</b>     | <b>17.1%</b>               | <b>340,502</b>               | <b>0</b>                       | <b>\$1.68</b>              | <b>(126,043)</b>     | <b>12,385</b>          | <b>(54,530)</b>          |
| Class A                             | 625,786           | 18.7%                 | 116,779            | 19.2%                      | 120,279                      | 0                              | \$2.11                     | (116,779)            | 0                      | (95,171)                 |
| Class B                             | 632,548           | 13.7%                 | 86,445             | 14.7%                      | 92,986                       | 0                              | \$1.65                     | 8,210                | 8,210                  | 9,597                    |
| Class C                             | 729,743           | 17.4%                 | 127,237            | 17.4%                      | 127,237                      | 0                              | \$1.34                     | (17,474)             | 4,175                  | 31,044                   |
| <b>West Valley<sup>3</sup></b>      | <b>5,059,493</b>  | <b>9.5%</b>           | <b>482,028</b>     | <b>12.8%</b>               | <b>599,341</b>               | <b>47,590</b>                  | <b>\$2.14</b>              | <b>(34,020)</b>      | <b>122,089</b>         | <b>90,678</b>            |
| Class A                             | 1,803,573         | 11.6%                 | 208,506            | 18.8%                      | 311,408                      | 27,969                         | \$3.03                     | (22,544)             | 49,926                 | 86,177                   |
| Class B                             | 905,844           | 8.4%                  | 75,885             | 11.9%                      | 102,737                      | 5,040                          | \$2.21                     | 10,889               | 23,124                 | (9,445)                  |
| Class C                             | 2,350,076         | 8.4%                  | 197,637            | 8.5%                       | 185,196                      | 14,581                         | \$1.43                     | (22,365)             | 49,039                 | 13,946                   |
| <b>IBP/Milpitas</b>                 | <b>1,345,211</b>  | <b>13.4%</b>          | <b>180,743</b>     | <b>13.8%</b>               | <b>185,743</b>               | <b>0</b>                       | <b>\$1.37</b>              | <b>28,431</b>        | <b>68,324</b>          | <b>38,403</b>            |
| Class A                             | 319,655           | 27.6%                 | 88,112             | 27.6%                      | 88,112                       | 0                              | \$1.85                     | 28,616               | 28,616                 | 35,631                   |
| Class B                             | 399,578           | 17.0%                 | 67,777             | 18.2%                      | 72,777                       | 0                              | \$1.40                     | 266                  | 33,074                 | 7,744                    |
| Class C                             | 625,978           | 4.0%                  | 24,854             | 4.0%                       | 24,854                       | 0                              | \$1.10                     | (451)                | 6,634                  | (4,972)                  |
| <b>Santa Clara</b>                  | <b>8,883,899</b>  | <b>12.6%</b>          | <b>1,116,726</b>   | <b>15.9%</b>               | <b>1,259,689</b>             | <b>148,647</b>                 | <b>\$2.43</b>              | <b>124,129</b>       | <b>420,118</b>         | <b>288,235</b>           |
| Class A                             | 4,875,842         | 13.5%                 | 657,570            | 18.7%                      | 777,171                      | 135,764                        | \$2.78                     | 49,186               | 193,277                | 312,288                  |
| Class B                             | 2,048,653         | 13.1%                 | 268,467            | 14.9%                      | 298,746                      | 5,966                          | \$2.25                     | 72,524               | 168,368                | (58,305)                 |
| Class C                             | 1,959,404         | 9.7%                  | 190,689            | 9.7%                       | 183,772                      | 6,917                          | \$1.73                     | 2,419                | 58,473                 | 34,252                   |
| <b>Cupertino</b>                    | <b>4,026,993</b>  | <b>1.1%</b>           | <b>45,734</b>      | <b>1.4%</b>                | <b>47,431</b>                | <b>9,663</b>                   | <b>\$3.72</b>              | <b>16,499</b>        | <b>40,837</b>          | <b>44,191</b>            |
| Class A                             | 2,635,222         | 0.0%                  | 0                  | 0.1%                       | 1,962                        | 0                              | \$4.05                     | 14,363               | 17,710                 | 12,885                   |
| Class B                             | 1,370,183         | 3.3%                  | 45,734             | 4.0%                       | 45,469                       | 9,663                          | \$3.10                     | 2,136                | 23,127                 | 30,087                   |
| Class C                             | 21,588            | 0.0%                  | 0                  | 0.0%                       | 0                            | 0                              | \$2.02                     | 0                    | 0                      | 1,219                    |
| <b>Sunnyvale</b>                    | <b>5,991,971</b>  | <b>4.8%</b>           | <b>289,977</b>     | <b>7.0%</b>                | <b>400,297</b>               | <b>18,230</b>                  | <b>\$3.86</b>              | <b>176,282</b>       | <b>222,423</b>         | <b>541,967</b>           |
| Class A                             | 4,736,262         | 4.5%                  | 213,781            | 7.0%                       | 317,733                      | 16,048                         | \$4.19                     | 25,834               | 40,651                 | 503,423                  |
| Class B                             | 624,515           | 5.8%                  | 36,496             | 6.0%                       | 37,562                       | 0                              | \$2.95                     | 121,615              | 136,814                | 821                      |
| Class C                             | 631,194           | 6.3%                  | 39,700             | 7.5%                       | 45,002                       | 2,182                          | \$2.33                     | 28,833               | 44,958                 | 37,723                   |
| <b>Mountain View/Los Altos</b>      | <b>5,232,684</b>  | <b>4.5%</b>           | <b>235,623</b>     | <b>4.6%</b>                | <b>210,868</b>               | <b>27,945</b>                  | <b>\$5.15</b>              | <b>18,122</b>        | <b>158,816</b>         | <b>41,636</b>            |
| Class A                             | 2,561,355         | 2.2%                  | 56,709             | 2.3%                       | 38,358                       | 19,367                         | \$5.72                     | (24,093)             | 134,621                | (22,756)                 |
| Class B                             | 2,456,465         | 6.8%                  | 167,019            | 6.9%                       | 160,615                      | 8,578                          | \$4.71                     | 40,616               | 130,739                | 68,384                   |
| Class C                             | 214,864           | 5.5%                  | 11,895             | 5.5%                       | 11,895                       | 0                              | \$3.40                     | 1,599                | 14,427                 | (3,992)                  |
| <b>Palo Alto</b>                    | <b>6,772,633</b>  | <b>5.6%</b>           | <b>378,068</b>     | <b>6.5%</b>                | <b>386,458</b>               | <b>50,499</b>                  | <b>\$6.30</b>              | <b>(5,604)</b>       | <b>206,650</b>         | <b>101,880</b>           |
| Class A                             | 2,966,975         | 8.6%                  | 254,209            | 8.6%                       | 208,681                      | 46,457                         | \$7.70                     | (9,547)              | 83,327                 | (3,584)                  |
| Class B                             | 3,275,645         | 3.6%                  | 118,879            | 5.2%                       | 165,139                      | 4,042                          | \$5.50                     | (6,117)              | 107,251                | 70,669                   |
| Class C                             | 530,013           | 0.9%                  | 4,980              | 2.4%                       | 12,638                       | 0                              | \$3.45                     | 10,060               | 16,072                 | 34,795                   |
| <b>Fremont</b>                      | <b>2,117,505</b>  | <b>16.0%</b>          | <b>338,696</b>     | <b>16.6%</b>               | <b>342,058</b>               | <b>9,424</b>                   | <b>\$1.63</b>              | <b>(3,614)</b>       | <b>102,711</b>         | <b>40,053</b>            |
| Class A                             | 542,736           | 10.2%                 | 55,558             | 11.0%                      | 59,619                       | 0                              | \$2.00                     | (3,434)              | 0                      | 35,553                   |
| Class B                             | 983,621           | 23.0%                 | 226,265            | 23.9%                      | 225,566                      | 9,424                          | \$1.65                     | (8,747)              | 75,049                 | (12,669)                 |
| Class C                             | 591,148           | 9.6%                  | 56,873             | 9.6%                       | 56,873                       | 0                              | \$1.25                     | 8,567                | 27,662                 | 17,169                   |
| <b>Silicon Valley Office Market</b> | <b>60,648,118</b> | <b>11.2%</b>          | <b>6,813,235</b>   | <b>13.0%</b>               | <b>7,362,195</b>             | <b>552,018</b>                 | <b>\$3.10</b>              | <b>118,414</b>       | <b>1,713,893</b>       | <b>1,070,511</b>         |
| Class A                             | 31,943,174        | 10.7%                 | 3,432,297          | 13.3%                      | 3,788,859                    | 445,600                        | \$3.62                     | (42,004)             | 426,081                | 905,526                  |
| Class B                             | 18,486,216        | 12.8%                 | 2,363,836          | 14.2%                      | 2,548,295                    | 75,639                         | \$3.03                     | 145,975              | 1,056,112              | (14,907)                 |
| Class C                             | 10,218,728        | 10.0%                 | 1,017,102          | 10.3%                      | 1,025,041                    | 30,779                         | \$1.62                     | 14,443               | 231,700                | 179,892                  |

<sup>1</sup> Metro is comprised of buildings within Downtown and outside of CBD

<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\*Direct Monthly Lease Rates, Full Service Gross





Chart #1: Lease Rates

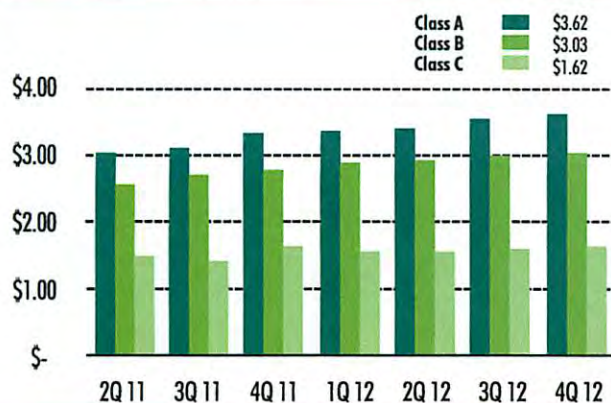


Chart #2: Net Absorption &amp; Vacancy

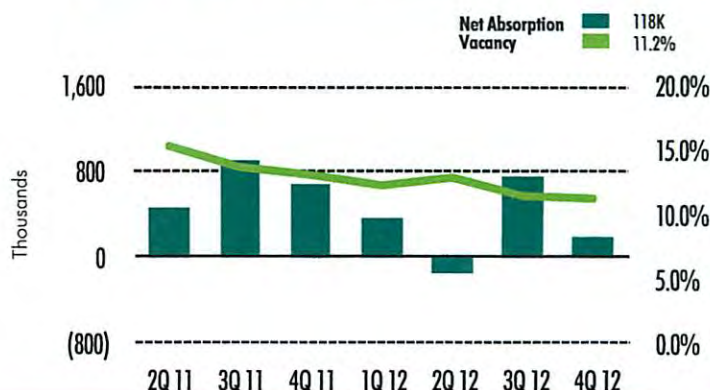


Table 1: Significant Lease Transactions of the Quarter

| Lessee                        | Address                             | Total SF | Class | Type      |
|-------------------------------|-------------------------------------|----------|-------|-----------|
| Global Foundries U.S., Inc.   | 2755 Great America Way, Santa Clara | 136,630  | A     | New Lease |
| Apple                         | 410 N Mary Ave, Sunnyvale           | 116,586  | B     | New Lease |
| SurveyMonkey                  | 101 Lytton Ave, Palo Alto           | 58,000   | A     | New Lease |
| KNO, Inc.                     | 5155 Old Ironsides Dr, Santa Clara  | 30,400   | B     | New Lease |
| Entropic Communications, Inc. | 2560 N First St, San Jose           | 29,179   | B     | New Lease |
| Inphi Corporation             | 2953 Bunker Hill Ln, Santa Clara    | 28,957   | B     | New Lease |
| Semtech Corporation           | 2580 N First St, San Jose           | 24,283   | B     | Renewal   |
| AppSense                      | 100 Mathilda Pl, Sunnyvale          | 22,465   | A     | New Lease |
| Malware Bytes                 | 10 Almaden Blvd, San Jose           | 21,924   | A     | New Lease |
| Palantir Technologies, Inc.   | 181 Lytton Ave, Palo Alto           | 15,724   | B     | New Lease |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                 | Address                        | Total SF | Class | Type          |
|-----------------------|--------------------------------|----------|-------|---------------|
| Kilroy                | 555 Mathilda Ave, Sunnyvale    | 662,000  | A     | Investor Sale |
| CBRE Global Investors | 50 W San Fernando St, San Jose | 325,984  | A     | Investor Sale |
| Dinapoli              | 160 W Santa Clara St, San Jose | 202,973  | A     | Investor Sale |
| TMG                   | 2851 Junction Ave, San Jose    | 152,432  | B     | Investor Sale |

Table 3: Significant Construction

| Project                 | City          | Total SF | % Pre-Committed |
|-------------------------|---------------|----------|-----------------|
| Santa Clara Gateway     | Santa Clara   | 879,000  | 66%             |
| 3333 Scott Blvd         | Santa Clara   | 459,647  | 0%              |
| Moffett Towers Phase II | Sunnyvale     | 357,000  | 100%            |
| 5403 Stevens Creek Blvd | Sunnyvale     | 187,500  | 0%              |
| 580 N Mary Ave          | Sunnyvale     | 125,000  | 0%              |
| Oakmead Tower           | Sunnyvale     | 100,000  | 0%              |
| 590 Middlefield Rd      | Mountain View | 99,800   | 100%            |



# MarketView

## Silicon Valley Office Report

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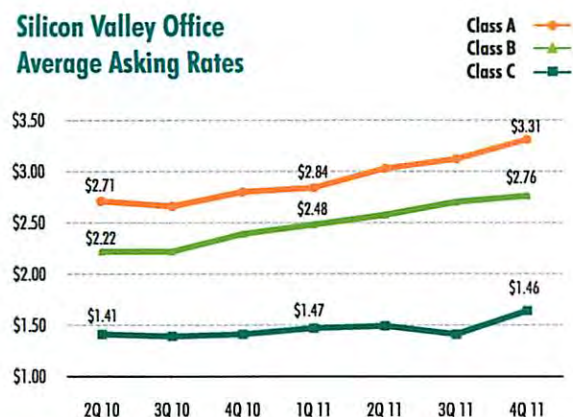
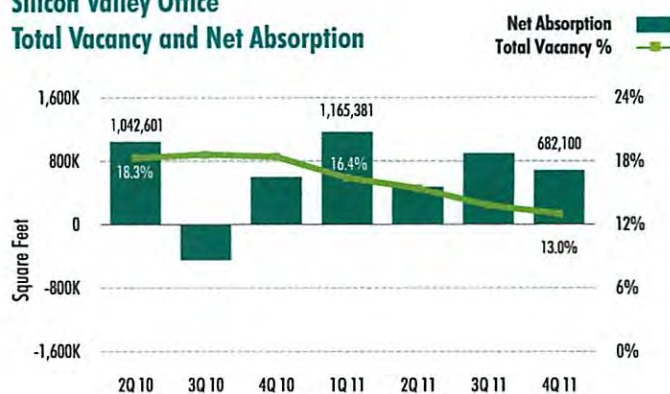
| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF  | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| <b>San Jose - Downtown</b>          | <b>10,529,812</b> | <b>20.5%</b>    | <b>2,163,770</b> | <b>22.2%</b>         | <b>2,260,855</b>       | <b>70,947</b>            | <b>\$1.52</b>        | <b>(1,174)</b>    | <b>163,899</b>      | <b>(84,686)</b>    |
| CBD <sup>1</sup>                    | 7,889,446         | 23.6%           | 1,862,668        | 25.3%                | 1,928,806              | 69,737                   | \$2.12               | (15,940)          | 125,464             | (111,692)          |
| Class A                             | 4,329,877         | 22.1%           | 957,840          | 22.9%                | 969,907                | 20,527                   | \$2.35               | 46,041            | 48,181              | (13,725)           |
| Class B                             | 3,023,126         | 24.8%           | 749,791          | 28.0%                | 797,149                | 49,210                   | \$1.89               | (25,078)          | 63,856              | 2,016              |
| Class C                             | 536,443           | 28.9%           | 155,037          | 30.2%                | 161,750                | 0                        | \$1.57               | (36,903)          | 13,427              | (99,983)           |
| <b>San Jose - North</b>             | <b>8,931,884</b>  | <b>15.2%</b>    | <b>1,358,553</b> | <b>18.8%</b>         | <b>1,463,503</b>       | <b>227,731</b>           | <b>\$1.83</b>        | <b>282,149</b>    | <b>477,691</b>      | <b>709,871</b>     |
| Class A                             | 6,106,082         | 15.5%           | 943,998          | 17.9%                | 912,172                | 191,417                  | \$1.98               | 232,422           | 375,379             | 759,709            |
| Class B                             | 1,895,488         | 16.5%           | 313,544          | 25.3%                | 444,066                | 36,314                   | \$1.61               | 56,176            | 102,312             | (46,635)           |
| Class C                             | 930,314           | 10.9%           | 101,011          | 11.5%                | 107,265                | 0                        | \$1.30               | (6,449)           | 0                   | (3,203)            |
| <b>San Jose - South<sup>2</sup></b> | <b>1,956,153</b>  | <b>12.2%</b>    | <b>239,261</b>   | <b>12.4%</b>         | <b>240,888</b>         | <b>2,200</b>             | <b>\$1.60</b>        | <b>2,708</b>      | <b>18,948</b>       | <b>(16,137)</b>    |
| Class A                             | 605,790           | 3.6%            | 21,608           | 3.6%                 | 21,608                 | 0                        | \$1.91               | 0                 | 0                   | 5,550              |
| Class B                             | 632,548           | 15.2%           | 96,042           | 15.5%                | 96,042                 | 2,200                    | \$1.63               | 5,674             | 12,723              | (5,126)            |
| Class C                             | 717,815           | 16.9%           | 121,611          | 17.2%                | 123,238                | 0                        | \$1.32               | (2,966)           | 6,225               | (16,561)           |
| <b>West Valley<sup>3</sup></b>      | <b>5,090,182</b>  | <b>11.6%</b>    | <b>590,550</b>   | <b>12.6%</b>         | <b>628,027</b>         | <b>13,363</b>            | <b>\$1.96</b>        | <b>70,766</b>     | <b>240,842</b>      | <b>153,941</b>     |
| Class A                             | 1,803,573         | 16.6%           | 298,968          | 18.3%                | 323,878                | 6,417                    | \$2.71               | (12,903)          | 80,873              | 17,771             |
| Class B                             | 936,533           | 8.5%            | 79,999           | 10.1%                | 89,457                 | 5,389                    | \$1.92               | 41,209            | 77,416              | 51,558             |
| Class C                             | 2,350,076         | 9.0%            | 211,583          | 9.2%                 | 214,692                | 1,557                    | \$1.39               | 42,460            | 82,553              | 84,612             |
| <b>IBP/Milpitas</b>                 | <b>1,296,285</b>  | <b>16.6%</b>    | <b>214,588</b>   | <b>16.7%</b>         | <b>214,317</b>         | <b>2,750</b>             | <b>\$1.29</b>        | <b>20,456</b>     | <b>29,108</b>       | <b>5,385</b>       |
| Class A                             | 319,655           | 38.7%           | 123,743          | 39.5%                | 123,472                | 2,750                    | \$1.70               | 20,923            | 26,075              | 4,887              |
| Class B                             | 350,652           | 18.1%           | 63,581           | 18.1%                | 63,581                 | 0                        | \$1.29               | 3,033             | 3,033               | 8,273              |
| Class C                             | 625,978           | 4.4%            | 27,264           | 4.4%                 | 27,264                 | 0                        | \$1.09               | (3,500)           | 0                   | (7,775)            |
| <b>Santa Clara</b>                  | <b>8,480,687</b>  | <b>14.7%</b>    | <b>1,247,509</b> | <b>15.5%</b>         | <b>969,213</b>         | <b>346,230</b>           | <b>\$2.14</b>        | <b>31,963</b>     | <b>241,338</b>      | <b>185,866</b>     |
| Class A                             | 4,495,130         | 16.3%           | 732,492          | 16.6%                | 443,373                | 302,140                  | \$2.50               | (38,853)          | 82,099              | 121,847            |
| Class B                             | 2,112,137         | 12.8%           | 271,301          | 14.6%                | 298,614                | 10,282                   | \$1.95               | 71,303            | 128,277             | 139,159            |
| Class C                             | 1,873,420         | 13.0%           | 243,716          | 13.9%                | 227,226                | 33,808                   | \$1.50               | (487)             | 30,962              | (75,140)           |
| <b>Cupertino</b>                    | <b>3,935,488</b>  | <b>1.8%</b>     | <b>70,907</b>    | <b>2.4%</b>          | <b>75,160</b>          | <b>21,187</b>            | <b>\$3.36</b>        | <b>49,776</b>     | <b>204,581</b>      | <b>225,971</b>     |
| Class A                             | 2,635,222         | 0.5%            | 12,885           | 0.5%                 | 9,085                  | 3,800                    | \$3.67               | 14,251            | 42,750              | 94,354             |
| Class B                             | 1,278,678         | 4.4%            | 56,803           | 6.4%                 | 64,856                 | 17,387                   | \$2.76               | 35,525            | 161,831             | 129,030            |
| Class C                             | 21,588            | 5.6%            | 1,219            | 5.6%                 | 1,219                  | 0                        | \$1.94               | 0                 | 0                   | 2,587              |
| <b>Sunnyvale</b>                    | <b>5,810,730</b>  | <b>14.4%</b>    | <b>837,654</b>   | <b>16.1%</b>         | <b>849,269</b>         | <b>87,540</b>            | <b>\$3.14</b>        | <b>266,719</b>    | <b>338,182</b>      | <b>1,652,243</b>   |
| Class A                             | 4,555,021         | 15.7%           | 717,204          | 17.7%                | 717,204                | 87,540                   | \$3.37               | 265,031           | 266,551             | 1,549,713          |
| Class B                             | 624,515           | 6.2%            | 38,837           | 6.5%                 | 40,288                 | 0                        | \$2.61               | (4,635)           | 52,194              | 81,754             |
| Class C                             | 631,194           | 12.9%           | 81,613           | 14.5%                | 91,777                 | 0                        | \$2.01               | 6,323             | 19,437              | 20,776             |
| <b>Mountain View/Los Altos</b>      | <b>5,162,797</b>  | <b>5.4%</b>     | <b>278,478</b>   | <b>7.1%</b>          | <b>347,785</b>         | <b>17,297</b>            | <b>\$4.89</b>        | <b>(18,803)</b>   | <b>234,048</b>      | <b>204,280</b>     |
| Class A                             | 2,548,159         | 0.8%            | 20,757           | 3.5%                 | 85,005                 | 3,500                    | \$5.51               | 12,540            | 134,621             | 152,671            |
| Class B                             | 2,434,774         | 10.3%           | 249,818          | 11.0%                | 254,877                | 13,797                   | \$4.37               | (34,057)          | 70,550              | 51,577             |
| Class C                             | 179,864           | 4.4%            | 7,903            | 4.4%                 | 7,903                  | 0                        | \$3.11               | 2,714             | 14,427              | 32                 |
| <b>Palo Alto**</b>                  | <b>6,741,833</b>  | <b>6.7%</b>     | <b>449,448</b>   | <b>7.3%</b>          | <b>408,577</b>         | <b>85,167</b>            | <b>\$6.08</b>        | <b>(44,293)</b>   | <b>194,547</b>      | <b>192,337</b>     |
| Class A                             | 2,936,475         | 7.5%            | 220,125          | 7.5%                 | 160,065                | 60,060                   | \$7.70               | (24,965)          | 50,586              | 21,966             |
| Class B                             | 3,275,345         | 5.8%            | 189,548          | 6.5%                 | 189,016                | 25,107                   | \$5.05               | (8,353)           | 121,489             | 165,246            |
| Class C                             | 530,013           | 7.5%            | 39,775           | 11.2%                | 59,496                 | 0                        | \$3.45               | (10,975)          | 22,472              | 5,125              |
| <b>Fremont</b>                      | <b>2,153,102</b>  | <b>17.7%</b>    | <b>380,149</b>   | <b>18.5%</b>         | <b>393,143</b>         | <b>5,074</b>             | <b>\$1.62</b>        | <b>21,833</b>     | <b>76,171</b>       | <b>13,087</b>      |
| Class A                             | 542,736           | 16.8%           | 91,111           | 17.7%                | 92,899                 | 3,391                    | \$2.00               | 21,608            | 30,656              | 42,419             |
| Class B                             | 985,533           | 21.7%           | 213,596          | 22.0%                | 214,673                | 1,683                    | \$1.65               | 1,947             | 40,661              | (36,251)           |
| Class C                             | 624,833           | 12.1%           | 75,442           | 13.7%                | 85,571                 | 0                        | \$1.25               | (1,722)           | 4,854               | 6,919              |
| <b>Silicon Valley Office Market</b> | <b>60,088,953</b> | <b>13.0%</b>    | <b>7,830,867</b> | <b>14.5%</b>         | <b>7,850,737</b>       | <b>879,486</b>           | <b>\$2.83</b>        | <b>682,100</b>    | <b>2,219,355</b>    | <b>3,242,158</b>   |
| Class A                             | 31,288,152        | 13.3%           | 4,151,137        | 14.6%                | 3,889,074              | 681,542                  | \$3.31               | 536,895           | 1,164,208           | 2,754,212          |
| Class B                             | 18,684,380        | 13.3%           | 2,475,692        | 15.4%                | 2,710,727              | 161,369                  | \$2.76               | 173,757           | 870,456             | 592,334            |
| Class C                             | 10,116,421        | 11.9%           | 1,204,038        | 12.8%                | 1,250,936              | 36,575                   | \$1.46               | (28,552)          | 184,691             | (104,388)          |

<sup>1</sup> CBD is comprised of buildings within the San Jose - Downtown submarket<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\* Direct Monthly Lease Rates, Full Service Gross

\*\* NRA base changes were made to more accurately reflect the market



Silicon Valley Office  
Average Asking RatesSilicon Valley Office  
Total Vacancy and Net Absorption

## Significant Lease Transactions of the Quarter

| Lessee                              | Address                             | Total SF | Class | Type      |
|-------------------------------------|-------------------------------------|----------|-------|-----------|
| Synopsys, Inc.                      | 690 E Middlefield Rd, Mountain View | 340,000  | A     | New Lease |
| Flextronics                         | 6201 America Center Dr, San Jose    | 130,455  | A     | New Lease |
| Magma Design                        | 1650 Technology Dr, San Jose        | 109,453  | A     | New Lease |
| Omniceil, Inc.                      | 590 Middlefield Rd, Mountain View   | 99,800   | B     | New Lease |
| Financial Engines, Inc.             | 1040 Enterprise Way, Sunnyvale      | 80,995   | A     | New Lease |
| Motorola                            | 1000 Enterprise Way, Sunnyvale      | 80,669   | A     | Expansion |
| Confidential                        | 1160 Enterprise Way, Sunnyvale      | 56,882   | A     | Expansion |
| Paul Hastings Janofsky & Walker LLP | 1117 California Ave, Palo Alto      | 43,000   | A     | Renewal   |
| Blakely, Sokoloff, Taylor & Zafman  | 1279 Oakmead Pkwy, Sunnyvale        | 41,114   | B     | Renewal   |
| SimonMed Imaging Professional Corp. | 14651 S Bascom Ave, Los Gatos       | 37,000   | B     | New Lease |

## Significant Sale Transactions of the Quarter

| Buyer                    | Address                                     | Total SF | Class | Type     |
|--------------------------|---------------------------------------------|----------|-------|----------|
| American Realty Advisors | 20300 & 20330 Stevens Creek Blvd, Cupertino | 300,285  | A     | Investor |
| Confidential             | 1861 Landings Dr, Mountain View             | 272,594  | B     | Investor |
| Boston Properties, Inc.  | 2440 W El Camino Real, Mountain View        | 133,500  | A     | Investor |

## Significant Construction

| Project                | City          | Total SF | % Pre-Committed |
|------------------------|---------------|----------|-----------------|
| Juniper                | Sunnyvale     | 636,000  | 100%            |
| Great America & 237    | Santa Clara   | 430,000  | 0%              |
| Network Appliance      | Sunnyvale     | 175,000  | 100%            |
| 2200 Lawson Ln, Bldg A | Santa Clara   | 153,450  | 0%              |
| 590 Middlefield Rd     | Mountain View | 99,800   | 100%            |
| 265 Lytton Ave         | Palo Alto     | 30,500   | 100%            |
| 278 University Ave     | Palo Alto     | 23,752   | 0%              |
| 317-323 University Ave | Palo Alto     | 15,799   | 0%              |



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CBRE  
225 W Santa Clara Street  
10<sup>th</sup> Floor  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
www.cbre.com/siliconvalley  
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# MarketView

## Silicon Valley Office Report

www.cbcre.com/research

Fourth Quarter 2010

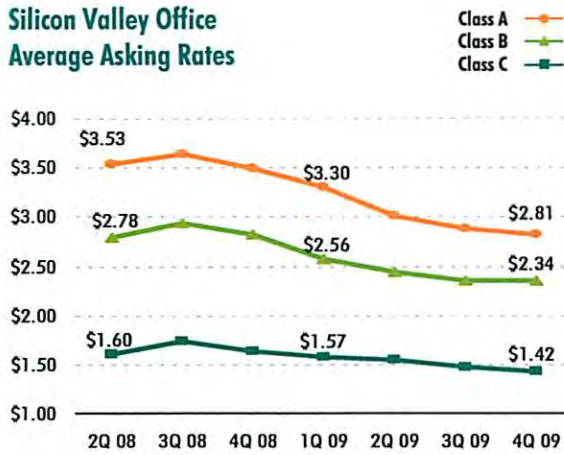
| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| <b>San Jose - Downtown</b>          | <b>10,556,812</b> | <b>20.5%</b>    | <b>2,165,028</b>  | <b>23.1%</b>         | <b>2,337,837</b>       | <b>105,362</b>           | <b>\$1.68</b>        | <b>244,178</b>    | <b>404,858</b>      | <b>190,118</b>     |
| CBD <sup>1</sup>                    | 7,916,446         | 23.2%           | 1,836,920         | 26.3%                | 1,975,751              | 103,950                  | \$1.96               | 268,447           | 371,072             | 186,138            |
| Class A                             | 4,329,877         | 23.6%           | 1,022,611         | 28.6%                | 1,212,112              | 25,409                   | \$2.37               | 232,293           | 299,331             | 139,952            |
| Class B                             | 3,038,126         | 25.0%           | 759,255           | 25.9%                | 708,585                | 78,541                   | \$1.51               | 17,735            | 52,369              | 36,936             |
| Class C                             | 548,443           | 10.0%           | 55,054            | 10.0%                | 55,054                 | 0                        | \$1.16               | 18,419            | 19,372              | 9,250              |
| <b>San Jose - North</b>             | <b>9,492,884</b>  | <b>21.6%</b>    | <b>2,052,806</b>  | <b>23.1%</b>         | <b>2,038,685</b>       | <b>152,875</b>           | <b>\$1.75</b>        | <b>(90,215)</b>   | <b>143,339</b>      | <b>463,900</b>     |
| Class A                             | 6,667,082         | 25.3%           | 1,688,089         | 27.2%                | 1,668,586              | 145,169                  | \$1.89               | (93,084)          | 86,218              | 422,459            |
| Class B                             | 1,895,488         | 14.1%           | 266,909           | 14.8%                | 272,291                | 7,706                    | \$1.53               | 9,155             | 53,238              | 37,232             |
| Class C                             | 930,314           | 10.5%           | 97,808            | 10.5%                | 97,808                 | 0                        | \$1.19               | (6,286)           | 3,883               | 4,209              |
| <b>San Jose - South<sup>2</sup></b> | <b>1,951,929</b>  | <b>11.4%</b>    | <b>223,124</b>    | <b>11.4%</b>         | <b>223,124</b>         | <b>0</b>                 | <b>\$1.38</b>        | <b>(5,181)</b>    | <b>28,238</b>       | <b>(30,242)</b>    |
| Class A                             | 605,790           | 4.5%            | 27,158            | 4.5%                 | 27,158                 | 0                        | \$1.65               | (2,377)           | 0                   | (2,377)            |
| Class B                             | 632,548           | 14.4%           | 90,916            | 14.4%                | 90,916                 | 0                        | \$1.39               | (7,815)           | 13,822              | (27,754)           |
| Class C                             | 713,591           | 14.7%           | 105,050           | 14.7%                | 105,050                | 0                        | \$1.14               | 5,011             | 14,416              | (111)              |
| <b>West Valley<sup>3</sup></b>      | <b>5,090,182</b>  | <b>15.1%</b>    | <b>769,814</b>    | <b>16.2%</b>         | <b>789,399</b>         | <b>36,672</b>            | <b>\$1.82</b>        | <b>52,218</b>     | <b>221,205</b>      | <b>184,861</b>     |
| Class A                             | 1,803,573         | 18.6%           | 335,368           | 20.2%                | 344,065                | 20,027                   | \$2.51               | 36,052            | 79,463              | 141,325            |
| Class B                             | 906,533           | 15.3%           | 138,251           | 15.3%                | 127,278                | 11,656                   | \$1.82               | 30,341            | 106,083             | 30,427             |
| Class C                             | 2,380,076         | 12.4%           | 296,195           | 13.6%                | 318,056                | 4,989                    | \$1.29               | (14,175)          | 35,659              | 13,109             |
| <b>IBP/Milpitas</b>                 | <b>1,296,285</b>  | <b>17.0%</b>    | <b>219,973</b>    | <b>19.4%</b>         | <b>237,046</b>         | <b>14,314</b>            | <b>\$1.24</b>        | <b>5,778</b>      | <b>7,613</b>        | <b>(70,751)</b>    |
| Class A                             | 319,655           | 40.2%           | 128,630           | 49.5%                | 143,813                | 14,314                   | \$1.60               | 6,608             | 4,894               | (38,133)           |
| Class B                             | 350,652           | 20.5%           | 71,854            | 20.5%                | 71,854                 | 0                        | \$1.19               | 1,164             | 2,329               | (30,452)           |
| Class C                             | 625,978           | 3.1%            | 19,489            | 3.4%                 | 21,379                 | 0                        | \$1.09               | (1,994)           | 390                 | (2,166)            |
| <b>Santa Clara</b>                  | <b>8,475,747</b>  | <b>18.7%</b>    | <b>1,586,666</b>  | <b>22.2%</b>         | <b>1,372,066</b>       | <b>506,317</b>           | <b>\$1.79</b>        | <b>116,951</b>    | <b>329,481</b>      | <b>43,233</b>      |
| Class A                             | 4,495,130         | 20.7%           | 930,798           | 26.5%                | 717,469                | 472,580                  | \$2.04               | 76,502            | 197,766             | (19,516)           |
| Class B                             | 2,112,137         | 19.0%           | 400,507           | 20.5%                | 401,611                | 30,617                   | \$1.65               | 51,157            | 105,061             | 96,986             |
| Class C                             | 1,868,480         | 13.7%           | 255,361           | 13.7%                | 252,986                | 3,120                    | \$1.35               | (10,708)          | 26,654              | (34,237)           |
| <b>Cupertino</b>                    | <b>3,935,488</b>  | <b>7.5%</b>     | <b>296,878</b>    | <b>8.4%</b>          | <b>240,112</b>         | <b>92,358</b>            | <b>\$2.89</b>        | <b>160,938</b>    | <b>322,532</b>      | <b>135,064</b>     |
| Class A                             | 2,635,222         | 4.1%            | 107,239           | 5.2%                 | 57,234                 | 79,458                   | \$3.21               | 82,419            | 224,695             | 24,329             |
| Class B                             | 1,278,678         | 14.5%           | 185,833           | 15.0%                | 179,072                | 12,900                   | \$2.25               | 79,738            | 97,837              | 114,541            |
| Class C                             | 21,588            | 17.6%           | 3,806             | 17.6%                | 3,806                  | 0                        | \$1.33               | (1,219)           | 0                   | (3,806)            |
| <b>Sunnyvale</b>                    | <b>5,653,770</b>  | <b>43.2%</b>    | <b>2,442,527</b>  | <b>43.2%</b>         | <b>2,180,786</b>       | <b>261,741</b>           | <b>\$2.51</b>        | <b>227,637</b>    | <b>454,198</b>      | <b>271,519</b>     |
| Class A                             | 4,398,061         | 50.5%           | 2,219,547         | 50.5%                | 1,957,806              | 261,741                  | \$2.71               | 220,952           | 399,477             | 213,747            |
| Class B                             | 624,515           | 19.3%           | 120,591           | 19.3%                | 120,591                | 0                        | \$2.00               | 22,436            | 34,625              | 55,909             |
| Class C                             | 631,194           | 16.2%           | 102,389           | 16.2%                | 102,389                | 0                        | \$1.65               | (15,751)          | 20,096              | 1,863              |
| <b>Mountain View/Los Altos</b>      | <b>5,232,237</b>  | <b>10.5%</b>    | <b>547,247</b>    | <b>11.0%</b>         | <b>544,027</b>         | <b>29,462</b>            | <b>\$3.24</b>        | <b>(130,717)</b>  | <b>81,425</b>       | <b>39,993</b>      |
| Class A                             | 2,678,681         | 7.4%            | 199,475           | 8.4%                 | 201,534                | 22,149                   | \$3.85               | (103,889)         | 20,688              | 501                |
| Class B                             | 2,351,772         | 14.5%           | 339,837           | 14.5%                | 334,558                | 7,313                    | \$2.65               | (25,085)          | 60,737              | 23,840             |
| Class C                             | 201,784           | 3.9%            | 7,935             | 3.9%                 | 7,935                  | 0                        | \$2.00               | (1,743)           | 0                   | 15,652             |
| <b>Palo Alto</b>                    | <b>9,493,140</b>  | <b>9.9%</b>     | <b>935,395</b>    | <b>13.3%</b>         | <b>974,353</b>         | <b>291,972</b>           | <b>\$4.64</b>        | <b>29,882</b>     | <b>238,653</b>      | <b>295,864</b>     |
| Class A                             | 3,216,979         | 7.5%            | 242,091           | 11.6%                | 209,796                | 163,158                  | \$6.00               | (6,141)           | 119,114             | 203,341            |
| Class B                             | 5,629,664         | 11.5%           | 646,354           | 15.0%                | 718,617                | 127,804                  | \$4.00               | 43,287            | 113,280             | 85,558             |
| Class C                             | 646,497           | 7.3%            | 46,950            | 7.3%                 | 45,940                 | 1,010                    | \$3.40               | (7,264)           | 6,259               | 6,965              |
| <b>Fremont</b>                      | <b>2,153,102</b>  | <b>19.1%</b>    | <b>410,806</b>    | <b>20.0%</b>         | <b>414,651</b>         | <b>16,644</b>            | <b>\$1.68</b>        | <b>(15,299)</b>   | <b>56,200</b>       | <b>(29,622)</b>    |
| Class A                             | 542,736           | 26.7%           | 145,013           | 27.5%                | 134,269                | 14,961                   | \$1.95               | 1,970             | 8,944               | 19,382             |
| Class B                             | 985,533           | 18.2%           | 179,025           | 19.8%                | 193,614                | 1,683                    | \$1.65               | (2,414)           | 27,075              | (28,311)           |
| Class C                             | 624,833           | 13.9%           | 86,768            | 13.9%                | 86,768                 | 0                        | \$1.50               | (14,855)          | 20,181              | (20,693)           |
| <b>Silicon Valley Office Market</b> | <b>63,331,576</b> | <b>18.4%</b>    | <b>11,650,264</b> | <b>20.3%</b>         | <b>11,352,086</b>      | <b>1,507,717</b>         | <b>\$2.44</b>        | <b>596,170</b>    | <b>2,287,742</b>    | <b>1,493,937</b>   |
| Class A                             | 32,103,218        | 22.0%           | 7,053,475         | 24.7%                | 6,701,298              | 1,218,966                | \$2.80               | 451,305           | 1,440,590           | 1,099,734          |
| Class B                             | 20,940,697        | 16.3%           | 3,403,897         | 17.7%                | 3,428,022              | 279,632                  | \$2.39               | 209,069           | 677,931             | 404,311            |
| Class C                             | 10,287,661        | 11.6%           | 1,192,892         | 12.0%                | 1,222,766              | 9,119                    | \$1.41               | (64,204)          | 169,221             | (10,108)           |

<sup>1</sup> CBD is comprised of buildings within the San Jose - Downtown submarket<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

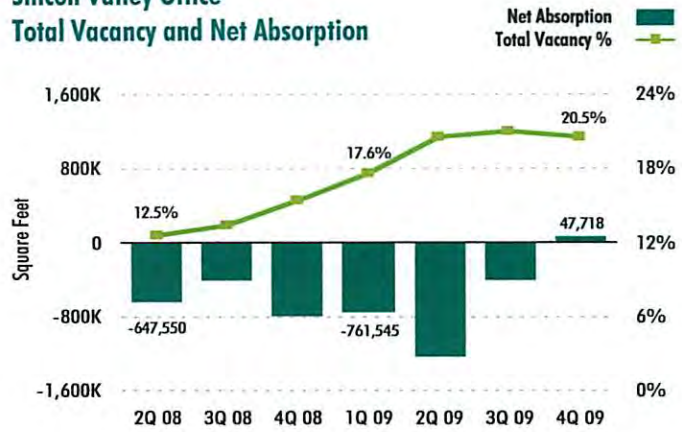
\* Direct Monthly Lease Rates, Full Service Gross



### Silicon Valley Office Average Asking Rates



### Silicon Valley Office Total Vacancy and Net Absorption



### Significant Lease Transactions of the Quarter

| Lessee             | Address                         | Total SF | Class | Type      |
|--------------------|---------------------------------|----------|-------|-----------|
| Juniper Networks   | 1184 N Mathilda Ave, Sunnyvale  | 424,740  | A     | Renewal   |
| Rambus             | 1040 Enterprise Way, Sunnyvale  | 125,000  | A     | Direct    |
| Cortina            | 1376 Bordeaux Dr, Sunnyvale     | 61,921   | A     | Direct    |
| Trend Micro, Inc.  | 10101 N De Anza Blvd, Cupertino | 53,225   | A     | Renewal   |
| Namco              | 1740 Technology Dr, San Jose    | 30,652   | A     | Expansion |
| Hensel Phelps      | 1732 N First St, San Jose       | 27,867   | A     | Renewal   |
| Gartner Technology | 1650 Technology Dr, San Jose    | 23,722   | A     | Sublease  |
| Motorola           | 809 11th Ave, Sunnyvale         | 21,610   | A     | Expansion |
| TrialPay           | 303 Bryant St, Mountain View    | 17,589   | A     | Sublease  |
| URS                | 100 W San Fernando St, San Jose | 16,838   | A     | Direct    |

### Significant Sale Transactions of the Quarter

| Buyer                               | Address                                   | Total SF | Class | Type     |
|-------------------------------------|-------------------------------------------|----------|-------|----------|
| Lane Partners/Walton Street Capital | 20300-20330 Stevens Creek Blvd, Cupertino | 300,041  | A     | Investor |

### Significant Construction

| Project      | City      | Total SF | % Pre-Committed |
|--------------|-----------|----------|-----------------|
| @First       | San Jose  | 561,000  | 100%            |
| 657 Alma St. | Palo Alto | 15,861   | 0%              |
|              |           | 576,861  |                 |





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| Submarket                           | NRA               | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|-------------------------------------|-------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| <b>San Jose - Downtown</b>          | <b>10,525,492</b> | <b>22.5%</b>    | <b>2,365,442</b>  | <b>23.1%</b>         | <b>2,268,469</b>       | <b>158,646</b>           | <b>\$1.96</b>        | <b>(93,198)</b>   | <b>134,528</b>      | <b>(381,848)</b>   |
| CBD <sup>1</sup>                    | 7,896,626         | 25.7%           | 2,030,867         | 26.2%                | 1,915,673              | 156,867                  | \$2.12               | (78,873)          | 117,471             | (323,894)          |
| Class A                             | 4,597,842         | 26.6%           | 1,222,246         | 26.6%                | 1,188,262              | 33,984                   | \$2.55               | (69,215)          | 18,916              | (116,481)          |
| Class B                             | 2,748,161         | 27.3%           | 750,427           | 28.0%                | 669,217                | 98,910                   | \$1.60               | (9,358)           | 98,555              | (189,203)          |
| Class C                             | 550,623           | 10.6%           | 58,194            | 14.9%                | 58,194                 | 23,973                   | \$1.11               | (300)             | 0                   | (18,210)           |
| <b>San Jose - North</b>             | <b>9,297,459</b>  | <b>23.6%</b>    | <b>2,190,705</b>  | <b>26.8%</b>         | <b>2,290,662</b>       | <b>199,530</b>           | <b>\$1.95</b>        | <b>(92,835)</b>   | <b>185,218</b>      | <b>(397,279)</b>   |
| Class A                             | 6,110,609         | 25.9%           | 1,581,977         | 30.7%                | 1,740,884              | 132,768                  | \$2.19               | (27,998)          | 112,935             | (257,479)          |
| Class B                             | 2,153,536         | 20.6%           | 442,771           | 20.9%                | 383,821                | 66,762                   | \$1.65               | (67,287)          | 48,250              | (111,135)          |
| Class C                             | 1,033,314         | 16.1%           | 165,957           | 16.1%                | 165,957                | 0                        | \$1.15               | 2,450             | 24,033              | (28,665)           |
| <b>San Jose - South<sup>2</sup></b> | <b>1,972,617</b>  | <b>10.3%</b>    | <b>202,554</b>    | <b>10.3%</b>         | <b>200,362</b>         | <b>2,192</b>             | <b>\$1.49</b>        | <b>(10,471)</b>   | <b>13,566</b>       | <b>(101,937)</b>   |
| Class A                             | 605,790           | 4.1%            | 24,781            | 4.1%                 | 24,781                 | 0                        | \$1.80               | 0                 | 0                   | (9,801)            |
| Class B                             | 632,548           | 10.3%           | 65,354            | 10.3%                | 63,162                 | 2,192                    | \$1.49               | 1,219             | 5,582               | (34,021)           |
| Class C                             | 734,279           | 15.3%           | 112,419           | 15.3%                | 112,419                | 0                        | \$1.23               | (11,690)          | 7,984               | (58,115)           |
| <b>West Valley<sup>3</sup></b>      | <b>4,914,270</b>  | <b>19.5%</b>    | <b>956,874</b>    | <b>19.6%</b>         | <b>903,370</b>         | <b>59,561</b>            | <b>\$1.79</b>        | <b>40,288</b>     | <b>176,667</b>      | <b>(130,275)</b>   |
| Class A                             | 1,643,573         | 29.1%           | 478,892           | 29.2%                | 454,032                | 26,412                   | \$2.47               | 24,386            | 80,229              | (42,471)           |
| Class B                             | 901,094           | 18.7%           | 168,678           | 19.1%                | 141,963                | 30,582                   | \$1.79               | (8,099)           | 27,963              | (68,798)           |
| Class C                             | 2,369,603         | 13.1%           | 309,304           | 13.1%                | 307,375                | 2,567                    | \$1.31               | 24,001            | 68,475              | (19,006)           |
| <b>IBP/Milpitas</b>                 | <b>1,296,285</b>  | <b>11.1%</b>    | <b>143,769</b>    | <b>13.7%</b>         | <b>145,996</b>         | <b>31,612</b>            | <b>\$1.33</b>        | <b>10,469</b>     | <b>21,297</b>       | <b>(65,600)</b>    |
| Class A                             | 319,655           | 25.7%           | 82,207            | 25.7%                | 53,432                 | 28,775                   | \$1.75               | 7,380             | 12,412              | (49,639)           |
| Class B                             | 350,652           | 11.8%           | 41,402            | 21.5%                | 72,404                 | 2,837                    | \$1.25               | 2,060             | 4,660               | (6,741)            |
| Class C                             | 625,978           | 3.2%            | 20,160            | 3.2%                 | 20,160                 | 0                        | \$1.15               | 1,029             | 4,225               | (9,220)            |
| <b>Santa Clara</b>                  | <b>8,958,651</b>  | <b>21.2%</b>    | <b>1,895,327</b>  | <b>23.0%</b>         | <b>1,501,630</b>       | <b>557,160</b>           | <b>\$1.89</b>        | <b>(107,915)</b>  | <b>95,508</b>       | <b>(858,459)</b>   |
| Class A                             | 4,514,528         | 20.5%           | 927,440           | 23.3%                | 604,310                | 446,483                  | \$2.20               | (97,098)          | 35,824              | (502,684)          |
| Class B                             | 2,510,643         | 29.7%           | 744,817           | 31.3%                | 689,557                | 95,370                   | \$1.70               | 9,508             | 47,330              | (240,448)          |
| Class C                             | 1,933,480         | 11.5%           | 223,070           | 11.5%                | 207,763                | 15,307                   | \$1.43               | (20,325)          | 12,354              | (115,327)          |
| <b>Cupertino</b>                    | <b>3,793,967</b>  | <b>13.7%</b>    | <b>519,680</b>    | <b>13.7%</b>         | <b>440,691</b>         | <b>79,989</b>            | <b>\$2.77</b>        | <b>51,303</b>     | <b>87,397</b>       | <b>(71,482)</b>    |
| Class A                             | 2,598,856         | 9.5%            | 246,555           | 9.5%                 | 189,539                | 57,016                   | \$2.97               | 55,624            | 55,991              | (16,485)           |
| Class B                             | 1,173,523         | 23.3%           | 273,125           | 23.4%                | 251,152                | 22,973                   | \$2.35               | (4,421)           | 27,763              | (54,997)           |
| Class C                             | 21,588            | 0.0%            | 0                 | 0.0%                 | 0                      | 0                        | \$1.33               | 100               | 3,643               | 0                  |
| <b>Sunnyvale</b>                    | <b>5,252,367</b>  | <b>48.9%</b>    | <b>2,567,742</b>  | <b>49.1%</b>         | <b>2,233,895</b>       | <b>344,749</b>           | <b>\$2.36</b>        | <b>241,092</b>    | <b>693,270</b>      | <b>149,922</b>     |
| Class A                             | 3,949,809         | 57.9%           | 2,286,990         | 57.9%                | 1,949,439              | 337,551                  | \$2.55               | 244,823           | 669,564             | 210,701            |
| Class B                             | 671,364           | 26.3%           | 176,500           | 27.7%                | 178,608                | 7,198                    | \$1.93               | 0                 | 11,750              | (36,804)           |
| Class C                             | 631,194           | 16.5%           | 104,252           | 16.8%                | 105,848                | 0                        | \$1.65               | (3,731)           | 11,956              | (23,975)           |
| <b>Mountain View/Los Altos</b>      | <b>5,151,664</b>  | <b>12.9%</b>    | <b>665,382</b>    | <b>13.0%</b>         | <b>516,093</b>         | <b>155,515</b>           | <b>\$2.68</b>        | <b>(77,303)</b>   | <b>127,333</b>      | <b>(327,906)</b>   |
| Class A                             | 2,568,108         | 10.4%           | 267,976           | 10.7%                | 153,274                | 120,928                  | \$3.01               | (54,583)          | 61,458              | (136,357)          |
| Class B                             | 2,381,772         | 15.7%           | 373,819           | 15.7%                | 342,972                | 30,847                   | \$2.43               | (36,296)          | 51,699              | (179,440)          |
| Class C                             | 201,784           | 11.7%           | 23,587            | 11.7%                | 19,847                 | 3,740                    | \$1.32               | 13,576            | 14,176              | (12,109)           |
| <b>Palo Alto</b>                    | <b>9,654,486</b>  | <b>10.6%</b>    | <b>1,020,240</b>  | <b>12.2%</b>         | <b>525,668</b>         | <b>652,368</b>           | <b>\$4.45</b>        | <b>78,866</b>     | <b>181,625</b>      | <b>(119,886)</b>   |
| Class A                             | 3,585,569         | 13.2%           | 473,293           | 17.1%                | 212,533                | 401,586                  | \$5.55               | 63,160            | 81,888              | 111,406            |
| Class B                             | 5,422,420         | 9.1%            | 493,032           | 9.4%                 | 258,585                | 250,782                  | \$3.85               | 10,681            | 80,170              | (211,402)          |
| Class C                             | 646,497           | 8.3%            | 53,915            | 8.4%                 | 54,550                 | 0                        | \$3.35               | 5,025             | 19,567              | (19,890)           |
| <b>Fremont</b>                      | <b>2,153,102</b>  | <b>18.0%</b>    | <b>388,004</b>    | <b>18.0%</b>         | <b>375,060</b>         | <b>13,264</b>            | <b>\$1.85</b>        | <b>7,422</b>      | <b>56,126</b>       | <b>(61,850)</b>    |
| Class A                             | 542,736           | 30.3%           | 164,395           | 30.3%                | 162,462                | 1,933                    | \$2.25               | (10,997)          | 5,345               | (33,464)           |
| Class B                             | 985,533           | 16.0%           | 157,534           | 16.0%                | 149,571                | 7,963                    | \$1.85               | (9,425)           | 18,413              | (23,255)           |
| Class C                             | 624,833           | 10.6%           | 66,075            | 10.6%                | 63,027                 | 3,368                    | \$1.50               | 27,844            | 32,368              | (5,131)            |
| <b>Silicon Valley Office Market</b> | <b>62,970,360</b> | <b>20.5%</b>    | <b>12,915,719</b> | <b>21.7%</b>         | <b>11,401,896</b>      | <b>2,254,586</b>         | <b>\$2.42</b>        | <b>47,718</b>     | <b>1,772,535</b>    | <b>(2,366,600)</b> |
| Class A                             | 31,447,507        | 24.7%           | 7,758,932         | 26.5%                | 6,755,128              | 1,587,436                | \$2.81               | 134,955           | 1,134,562           | (844,934)          |
| Class B                             | 21,066,297        | 18.5%           | 3,903,910         | 19.1%                | 3,415,684              | 618,195                  | \$2.34               | (119,088)         | 433,881             | (1,190,992)        |
| Class C                             | 10,456,556        | 12.0%           | 1,252,877         | 12.2%                | 1,231,084              | 48,955                   | \$1.42               | 31,851            | 204,092             | (330,674)          |

<sup>1</sup> CBD is comprised of buildings within the San Jose - Downtown submarket

<sup>2</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>3</sup> West Valley is comprised of the Los Gatos, Campbell, Saratoga and Winchester submarkets

\* Direct Monthly Lease Rates, Full Service Gross



## Silicon Valley Office Report

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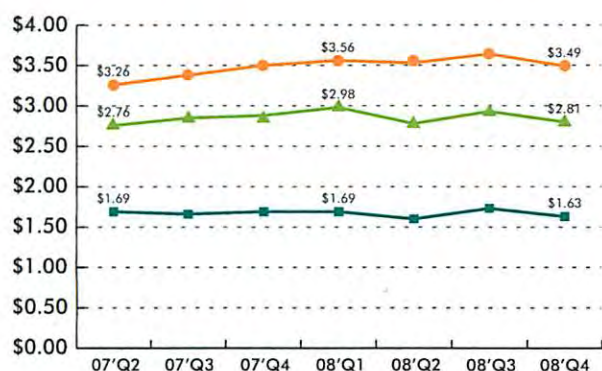
Fourth Quarter 2008

| Submarket                               | NRA               | Total<br>Vacancy<br>Rate | Total<br>Vacant<br>SF | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rate | Q4 Net<br>Absorption | 4Q Gross<br>Absorption | Y-T-D Net<br>Absorption |
|-----------------------------------------|-------------------|--------------------------|-----------------------|-------------------------------|------------------------------|--------------------------------|---------------------------|----------------------|------------------------|-------------------------|
| <b>San Jose - Central</b>               | <b>10,014,460</b> | <b>16.8%</b>             | <b>1,685,462</b>      | <b>17.3%</b>                  | <b>1,679,594</b>             | <b>54,054</b>                  | <b>\$2.37</b>             | <b>(54,813)</b>      | <b>116,261</b>         | <b>(429,452)</b>        |
| <b>CBD</b>                              | <b>7,628,197</b>  | <b>18.3%</b>             | <b>1,393,385</b>      | <b>18.8%</b>                  | <b>1,382,327</b>             | <b>54,054</b>                  | <b>\$2.43</b>             | <b>(59,594)</b>      | <b>68,272</b>          | <b>(415,017)</b>        |
| Class A                                 | 4,455,309         | 18.0%                    | 801,633               | 18.1%                         | 800,280                      | 7,119                          | \$2.83                    | (30,858)             | 34,467                 | (345,322)               |
| Class B                                 | 2,709,238         | 20.8%                    | 563,768               | 22.2%                         | 554,063                      | 46,935                         | \$1.97                    | (28,240)             | 33,805                 | (47,903)                |
| Class C                                 | 463,650           | 6.0%                     | 27,984                | 6.0%                          | 27,984                       | 0                              | \$1.32                    | (496)                | 0                      | (21,792)                |
| <b>San Jose - North</b>                 | <b>8,819,359</b>  | <b>16.2%</b>             | <b>1,428,942</b>      | <b>16.5%</b>                  | <b>1,255,158</b>             | <b>200,791</b>                 | <b>\$2.36</b>             | <b>(287,858)</b>     | <b>180,994</b>         | <b>(493,833)</b>        |
| Class A                                 | 5,593,951         | 15.8%                    | 883,828               | 16.3%                         | 770,512                      | 140,323                        | \$2.67                    | (300,771)            | 95,834                 | (451,680)               |
| Class B                                 | 2,053,972         | 17.7%                    | 363,161               | 17.7%                         | 313,657                      | 49,504                         | \$2.07                    | 42,372               | 79,575                 | 37,256                  |
| Class C                                 | 1,171,436         | 15.5%                    | 181,953               | 15.5%                         | 170,989                      | 10,964                         | \$1.40                    | (29,459)             | 5,585                  | (79,409)                |
| <b>San Jose - South</b>                 | <b>2,171,910</b>  | <b>4.4%</b>              | <b>96,271</b>         | <b>5.4%</b>                   | <b>117,212</b>               | <b>0</b>                       | <b>\$1.77</b>             | <b>31,600</b>        | <b>44,994</b>          | <b>65,582</b>           |
| Class A                                 | 605,790           | 2.5%                     | 14,980                | 2.5%                          | 14,980                       | 0                              | \$2.31                    | 0                    | 0                      | 0                       |
| Class B                                 | 689,548           | 3.4%                     | 23,222                | 3.9%                          | 26,831                       | 0                              | \$1.79                    | 37,534               | 39,963                 | 80,324                  |
| Class C                                 | 876,572           | 6.6%                     | 58,069                | 8.6%                          | 75,401                       | 0                              | \$1.39                    | (5,934)              | 5,031                  | (14,742)                |
| <b>West Valley</b>                      | <b>4,828,580</b>  | <b>17.3%</b>             | <b>833,009</b>        | <b>18.3%</b>                  | <b>813,854</b>               | <b>71,923</b>                  | <b>\$2.14</b>             | <b>(69,544)</b>      | <b>112,789</b>         | <b>(235,909)</b>        |
| Class A                                 | 1,555,653         | 25.1%                    | 391,147               | 26.7%                         | 386,698                      | 28,324                         | \$2.99                    | (68,580)             | 51,676                 | (169,907)               |
| Class B                                 | 863,483           | 15.8%                    | 136,430               | 16.5%                         | 103,096                      | 39,141                         | \$2.22                    | (17,046)             | 18,325                 | (19,075)                |
| Class C                                 | 2,409,444         | 12.7%                    | 305,432               | 13.6%                         | 324,060                      | 4,458                          | \$1.56                    | 16,082               | 42,788                 | (46,927)                |
| <b>IBP/Milpitas</b>                     | <b>1,180,573</b>  | <b>6.2%</b>              | <b>73,669</b>         | <b>7.5%</b>                   | <b>84,233</b>                | <b>4,145</b>                   | <b>\$1.58</b>             | <b>(31,833)</b>      | <b>21,868</b>          | <b>(10,070)</b>         |
| Class A                                 | 319,655           | 13.8%                    | 44,177                | 13.8%                         | 44,177                       | 0                              | \$2.08                    | (28,787)             | 21,368                 | (45,244)                |
| Class B                                 | 339,456           | 5.9%                     | 19,952                | 10.2%                         | 31,824                       | 2,837                          | \$1.60                    | 0                    | 500                    | 22,970                  |
| Class C                                 | 521,462           | 1.8%                     | 9,540                 | 1.8%                          | 8,232                        | 1,308                          | \$1.27                    | (3,046)              | 0                      | 12,204                  |
| <b>Santa Clara</b>                      | <b>8,624,166</b>  | <b>13.1%</b>             | <b>1,130,490</b>      | <b>14.0%</b>                  | <b>1,077,867</b>             | <b>128,700</b>                 | <b>\$2.45</b>             | <b>(95,669)</b>      | <b>244,591</b>         | <b>(367,554)</b>        |
| Class A                                 | 4,195,310         | 10.5%                    | 439,325               | 11.5%                         | 421,545                      | 59,423                         | \$2.95                    | (23,164)             | 173,393                | (114,907)               |
| Class B                                 | 2,555,643         | 22.5%                    | 576,102               | 23.7%                         | 555,640                      | 50,371                         | \$2.25                    | (85,108)             | 46,080                 | (241,098)               |
| Class C                                 | 1,873,213         | 6.1%                     | 115,063               | 6.4%                          | 100,682                      | 18,906                         | \$1.61                    | 12,603               | 25,118                 | (11,549)                |
| <b>Cupertino</b>                        | <b>3,805,203</b>  | <b>9.8%</b>              | <b>372,078</b>        | <b>9.9%</b>                   | <b>273,222</b>               | <b>103,303</b>                 | <b>\$3.25</b>             | <b>18,107</b>        | <b>81,922</b>          | <b>(186,995)</b>        |
| Class A                                 | 2,518,227         | 5.8%                     | 145,858               | 5.8%                          | 62,298                       | 83,560                         | \$3.57                    | 44,872               | 62,170                 | (1,241)                 |
| Class B                                 | 1,246,575         | 18.0%                    | 224,488               | 18.4%                         | 209,192                      | 19,743                         | \$2.65                    | (25,033)             | 17,991                 | (186,253)               |
| Class C                                 | 40,401            | 4.3%                     | 1,732                 | 4.3%                          | 1,732                        | 0                              | \$1.78                    | (1,732)              | 1,761                  | 499                     |
| <b>Sunnyvale</b>                        | <b>4,598,806</b>  | <b>44.3%</b>             | <b>2,034,989</b>      | <b>44.3%</b>                  | <b>1,696,839</b>             | <b>338,150</b>                 | <b>\$3.07</b>             | <b>(31,393)</b>      | <b>48,001</b>          | <b>149,450</b>          |
| Class A                                 | 3,238,486         | 55.7%                    | 1,804,490             | 55.7%                         | 1,467,749                    | 336,741                        | \$3.47                    | (39,454)             | 5,726                  | 22,513                  |
| Class B                                 | 686,406           | 20.9%                    | 143,132               | 20.9%                         | 143,132                      | 0                              | \$2.49                    | 15,414               | 32,465                 | 108,571                 |
| Class C                                 | 673,914           | 13.0%                    | 87,367                | 13.0%                         | 85,958                       | 1,409                          | \$1.71                    | (7,353)              | 9,810                  | 18,366                  |
| <b>Mountain View/Los Altos</b>          | <b>5,111,475</b>  | <b>7.5%</b>              | <b>382,957</b>        | <b>7.6%</b>                   | <b>344,531</b>               | <b>41,396</b>                  | <b>\$3.50</b>             | <b>(24,694)</b>      | <b>97,513</b>          | <b>2,061</b>            |
| Class A                                 | 2,511,858         | 4.6%                     | 115,051               | 4.6%                          | 99,741                       | 15,310                         | \$4.02                    | (26,116)             | 5,320                  | 15,215                  |
| Class B                                 | 2,430,833         | 10.5%                    | 256,428               | 10.7%                         | 233,312                      | 26,086                         | \$3.06                    | 1,322                | 90,588                 | (24,634)                |
| Class C                                 | 168,784           | 6.8%                     | 11,478                | 6.8%                          | 11,478                       | 0                              | \$1.99                    | 100                  | 1,605                  | 11,480                  |
| <b>Palo Alto</b>                        | <b>8,391,754</b>  | <b>9.4%</b>              | <b>790,913</b>        | <b>11.3%</b>                  | <b>503,030</b>               | <b>449,020</b>                 | <b>\$5.60</b>             | <b>(237,192)</b>     | <b>142,426</b>         | <b>(365,637)</b>        |
| Class A                                 | 3,734,789         | 13.3%                    | 495,547               | 13.8%                         | 191,293                      | 322,835                        | \$6.50                    | (249,587)            | 82,021                 | (284,682)               |
| Class B                                 | 4,088,771         | 6.4%                     | 262,856               | 9.5%                          | 263,667                      | 126,185                        | \$4.95                    | 1,195                | 44,690                 | (55,625)                |
| Class C                                 | 568,194           | 5.7%                     | 32,510                | 8.5%                          | 48,070                       | 0                              | \$4.29                    | 11,200               | 15,715                 | (25,330)                |
| <b>Fremont</b>                          | <b>2,153,102</b>  | <b>15.4%</b>             | <b>330,532</b>        | <b>17.4%</b>                  | <b>344,171</b>               | <b>30,877</b>                  | <b>\$1.90</b>             | <b>(21,740)</b>      | <b>14,884</b>          | <b>(62,980)</b>         |
| Class A                                 | 542,736           | 24.6%                    | 133,378               | 25.5%                         | 125,788                      | 12,681                         | \$2.25                    | (13,915)             | 7,364                  | (12,303)                |
| Class B                                 | 985,533           | 13.8%                    | 136,210               | 14.4%                         | 129,127                      | 12,642                         | \$1.95                    | 814                  | 6,220                  | (29,794)                |
| Class C                                 | 624,833           | 9.8%                     | 60,944                | 15.2%                         | 89,256                       | 5,554                          | \$1.50                    | (8,639)              | 1,300                  | (20,883)                |
| <b>Silicon Valley<br/>Office Market</b> | <b>59,699,388</b> | <b>15.3%</b>             | <b>9,159,312</b>      | <b>16.1%</b>                  | <b>8,189,711</b>             | <b>1,422,359</b>               | <b>\$2.94</b>             | <b>(805,029)</b>     | <b>1,106,243</b>       | <b>(1,935,337)</b>      |
| Class A                                 | 29,456,804        | 17.9%                    | 5,269,414             | 18.3%                         | 4,385,061                    | 1,006,316                      | \$3.49                    | (736,360)            | 539,339                | (1,387,558)             |
| Class B                                 | 19,773,409        | 14.6%                    | 2,890,908             | 15.8%                         | 2,748,700                    | 373,444                        | \$2.81                    | (45,910)             | 443,679                | (347,455)               |
| Class C                                 | 10,469,175        | 9.5%                     | 998,990               | 10.5%                         | 1,055,950                    | 42,599                         | \$1.63                    | (22,759)             | 123,225                | (200,324)               |



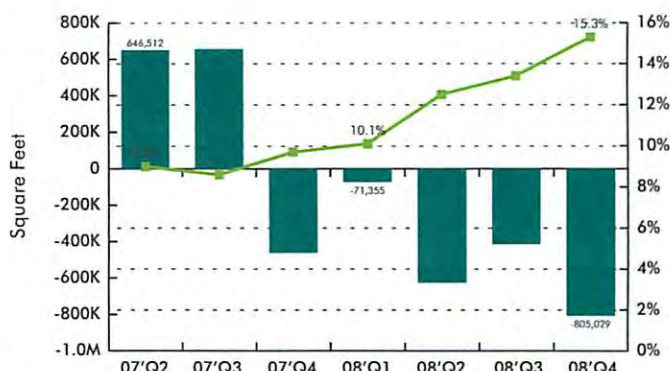
## Silicon Valley Average Asking Rates

Class A  
Class B  
Class C



## Silicon Valley Vacancy and Net Absorption

Net Absorption  
Historical Vacancy



## Significant Lease Transactions of the Quarter

| Lessee                          | Address                              | Square Feet | Class | Type              |
|---------------------------------|--------------------------------------|-------------|-------|-------------------|
| Citrix                          | 4555 Great America Pkwy, Santa Clara | 51,593      | A     | Sublease          |
| Morgan Lewis                    | 3000 El Camino Real, Palo Alto       | 67,715      | A     | Renewal/Expansion |
| Aeris Communications            | 2033 Gateway Pl, San Jose            | 23,233      | A     | Direct            |
| Osram Opto Semiconductors       | 1150 Kifer Rd, Sunnyvale             | 22,698      | B     | Direct            |
| Alfa Tech Consulting            | 97 E Brokaw Rd, San Jose             | 19,722      | B     | Renewal           |
| Palo Alto Medical Foundation    | 2350 W El Camino Real, Mountain View | 18,295      | B     | Direct            |
| Global Knowledge                | 5201 Great America Pkwy, Santa Clara | 15,838      | A     | Renewal           |
| Bank of America                 | 560 S Winchester Blvd, San Jose      | 13,533      | A     | Renewal           |
| Johanson & Yau Accountancy Corp | 160 W Santa Clara St, San Jose       | 10,774      | A     | Renewal           |
| Numonyx, Inc.                   | 2550 N First St, San Jose            | 10,450      | B     | Direct            |

## Significant Construction

| Project                          | City      | Total SF  | %Pre-Committed |
|----------------------------------|-----------|-----------|----------------|
| Moffett Tower                    | Sunnyvale | 676,513   | 0              |
| The Office at Downtown Sunnyvale | Sunnyvale | 336,699   | 0              |
| 300 Park Ave, RiverPark Tower II | San Jose  | 319,000   | 0              |
| University Plaza                 | Palo Alto | 183,178   | 0              |
| 10900 N Tantau                   | Cupertino | 102,540   | 0              |
| 300 Santana Row                  | San Jose  | 65,000    | 0              |
| 325 Lytton Ave.                  | Palo Alto | 32,575    | 0              |
|                                  |           | 1,715,505 |                |



# Silicon Valley Market

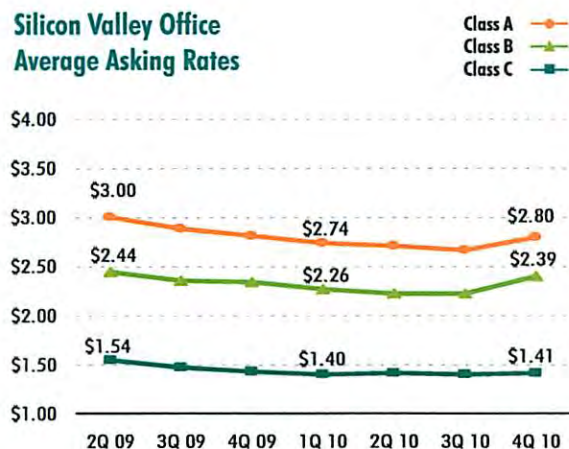
## OFFICE REPORT

FOURTH QUARTER 2007

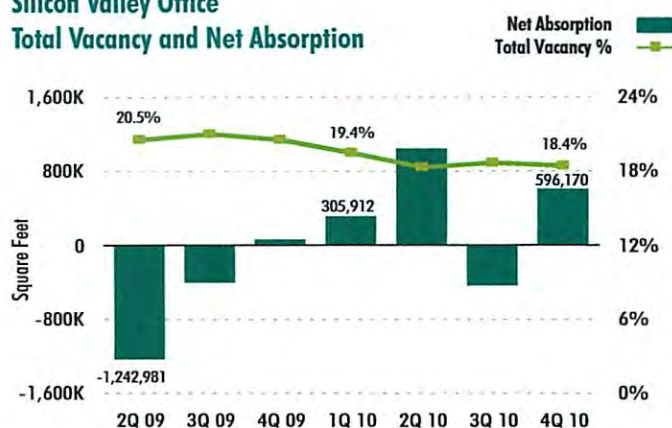
| Submarkets                              | NRA               | Total<br>Vacancy<br>Rate | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4<br>Net<br>Absorption | Q4<br>Gross<br>Absorption | Y-T-D<br>Net<br>Absorption | Under<br>Construction |
|-----------------------------------------|-------------------|--------------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|-------------------------|---------------------------|----------------------------|-----------------------|
| <b>San Jose - Central</b>               | <b>10,031,411</b> | <b>13.0%</b>             | <b>13.7%</b>                  | <b>1,296,699</b>             | <b>79,178</b>                  | <b>\$2.24</b>              | <b>(51,836)</b>         | <b>211,048</b>            | <b>562,245</b>             | <b>319,000</b>        |
| <b>CBD</b>                              | <b>7,653,232</b>  | <b>13.6%</b>             | <b>14.4%</b>                  | <b>1,026,795</b>             | <b>73,272</b>                  | <b>\$2.51</b>              | <b>(6,373)</b>          | <b>112,107</b>            | <b>562,078</b>             | <b>319,000</b>        |
| Class A                                 | 4,480,344         | 10.3%                    | 10.5%                         | 431,475                      | 38,321                         | \$2.93                     | (22,266)                | 53,999                    | 476,263                    | 319,000               |
| Class B                                 | 2,709,238         | 19.9%                    | 21.1%                         | 543,804                      | 28,441                         | \$2.01                     | 33,833                  | 56,258                    | 110,745                    | 0                     |
| Class C                                 | 463,650           | 8.6%                     | 12.5%                         | 51,516                       | 6,510                          | \$1.32                     | (17,940)                | 1,850                     | (24,930)                   | 0                     |
| <b>San Jose - North</b>                 | <b>8,661,912</b>  | <b>11.1%</b>             | <b>14.6%</b>                  | <b>1,064,454</b>             | <b>196,912</b>                 | <b>\$2.59</b>              | <b>(147,561)</b>        | <b>142,192</b>            | <b>(162,171)</b>           | <b>0</b>              |
| Class A                                 | 5,589,765         | 7.7%                     | 12.3%                         | 544,426                      | 141,160                        | \$2.97                     | (115,279)               | 49,035                    | (95,141)                   | 0                     |
| Class B                                 | 1,900,711         | 21.7%                    | 23.0%                         | 392,546                      | 43,785                         | \$2.18                     | (46,742)                | 69,699                    | (89,889)                   | 0                     |
| Class C                                 | 1,171,436         | 9.7%                     | 11.9%                         | 127,482                      | 11,967                         | \$1.47                     | 14,460                  | 23,458                    | 22,859                     | 0                     |
| <b>San Jose - South</b>                 | <b>2,175,737</b>  | <b>8.7%</b>              | <b>9.3%</b>                   | <b>176,057</b>               | <b>25,312</b>                  | <b>\$1.91</b>              | <b>(77,662)</b>         | <b>46,924</b>             | <b>(144,324)</b>           | <b>0</b>              |
| Class A                                 | 605,790           | 2.5%                     | 2.5%                          | 14,980                       | 0                              | \$2.53                     | 0                       | 0                         | (11,416)                   | 0                     |
| Class B                                 | 693,375           | 17.1%                    | 17.7%                         | 98,481                       | 23,946                         | \$1.92                     | (65,929)                | 36,463                    | (107,598)                  | 0                     |
| Class C                                 | 876,572           | 6.4%                     | 7.3%                          | 62,596                       | 1,366                          | \$1.47                     | (11,733)                | 10,461                    | (21,986)                   | 0                     |
| <b>West Valley</b>                      | <b>4,796,863</b>  | <b>12.4%</b>             | <b>13.0%</b>                  | <b>541,316</b>               | <b>79,950</b>                  | <b>\$2.38</b>              | <b>(74,426)</b>         | <b>179,872</b>            | <b>(110,089)</b>           | <b>0</b>              |
| Class A                                 | 1,540,554         | 14.6%                    | 15.6%                         | 203,834                      | 36,112                         | \$3.15                     | (46,123)                | 68,369                    | (46,225)                   | 0                     |
| Class B                                 | 848,590           | 13.1%                    | 13.5%                         | 106,078                      | 8,348                          | \$2.31                     | 4,627                   | 74,977                    | 3,480                      | 0                     |
| Class C                                 | 2,407,719         | 10.7%                    | 11.1%                         | 231,404                      | 35,490                         | \$1.67                     | (32,930)                | 36,526                    | (67,344)                   | 0                     |
| <b>IBP/Milpitas</b>                     | <b>1,193,036</b>  | <b>8.0%</b>              | <b>9.3%</b>                   | <b>105,000</b>               | <b>6,486</b>                   | <b>\$1.66</b>              | <b>26,197</b>           | <b>45,202</b>             | <b>32,426</b>              | <b>0</b>              |
| Class A                                 | 356,618           | 9.2%                     | 9.2%                          | 27,663                       | 5,178                          | \$2.19                     | (13,759)                | 3,534                     | (7,778)                    | 0                     |
| Class B                                 | 332,756           | 10.9%                    | 15.7%                         | 52,222                       | 0                              | \$1.68                     | 40,227                  | 26,414                    | 24,966                     | 0                     |
| Class C                                 | 503,662           | 5.2%                     | 5.2%                          | 25,115                       | 1,308                          | \$1.27                     | (271)                   | 15,254                    | 15,238                     | 0                     |
| <b>Santa Clara</b>                      | <b>8,811,504</b>  | <b>10.4%</b>             | <b>11.9%</b>                  | <b>815,255</b>               | <b>231,076</b>                 | <b>\$2.59</b>              | <b>48,607</b>           | <b>153,886</b>            | <b>(5,095)</b>             | <b>0</b>              |
| Class A                                 | 4,532,738         | 9.5%                     | 10.1%                         | 293,765                      | 166,238                        | \$3.21                     | 918                     | 50,854                    | (15,827)                   | 0                     |
| Class B                                 | 2,329,119         | 14.9%                    | 19.0%                         | 382,819                      | 60,551                         | \$2.23                     | 60,042                  | 72,307                    | (12,447)                   | 0                     |
| Class C                                 | 1,949,647         | 7.0%                     | 7.3%                          | 138,671                      | 4,287                          | \$1.56                     | (12,353)                | 30,725                    | 23,179                     | 0                     |
| <b>Cupertino</b>                        | <b>3,745,533</b>  | <b>3.2%</b>              | <b>3.4%</b>                   | <b>41,516</b>                | <b>84,947</b>                  | <b>\$3.12</b>              | <b>(45,019)</b>         | <b>57,143</b>             | <b>(14,397)</b>            | <b>59670</b>          |
| Class A                                 | 2,458,557         | 3.5%                     | 3.5%                          | 1,050                        | 84,947                         | \$3.41                     | (60,200)                | 15,432                    | (37,551)                   | 59670                 |
| Class B                                 | 1,246,575         | 2.6%                     | 3.1%                          | 38,235                       | 0                              | \$2.58                     | 14,472                  | 34,686                    | 19,346                     | 0                     |
| Class C                                 | 40,401            | 5.5%                     | 5.5%                          | 2,231                        | 0                              | \$1.78                     | 709                     | 7,025                     | 3,808                      | 0                     |
| <b>Sunnyvale</b>                        | <b>3,085,684</b>  | <b>16.9%</b>             | <b>17.7%</b>                  | <b>239,838</b>               | <b>305,061</b>                 | <b>\$2.67</b>              | <b>(39,334)</b>         | <b>60,025</b>             | <b>(17,513)</b>            | <b>1,190,442</b>      |
| Class A                                 | 2,078,532         | 19.0%                    | 19.0%                         | 89,796                       | 305,061                        | \$3.05                     | (23,093)                | 0                         | (33,827)                   | 1,190,442             |
| Class B                                 | 289,797           | 6.9%                     | 7.4%                          | 21,348                       | 0                              | \$2.20                     | 3,653                   | 9,894                     | 16,491                     | 0                     |
| Class C                                 | 717,355           | 14.7%                    | 17.9%                         | 128,694                      | 0                              | \$1.77                     | (19,894)                | 50,131                    | (177)                      | 0                     |
| <b>Mountain View/Los Altos</b>          | <b>5,094,209</b>  | <b>7.3%</b>              | <b>7.8%</b>                   | <b>347,614</b>               | <b>44,882</b>                  | <b>\$3.45</b>              | <b>(28,771)</b>         | <b>106,534</b>            | <b>104,823</b>             | <b>0</b>              |
| Class A                                 | 2,511,858         | 5.2%                     | 5.4%                          | 106,289                      | 28,747                         | \$3.92                     | (4,883)                 | 36,939                    | 58,124                     | 0                     |
| Class B                                 | 2,413,567         | 9.0%                     | 9.8%                          | 217,095                      | 16,135                         | \$3.06                     | (27,742)                | 65,141                    | 51,060                     | 0                     |
| Class C                                 | 168,784           | 13.6%                    | 14.4%                         | 24,230                       | 0                              | \$2.09                     | 3,854                   | 4,454                     | (4,361)                    | 0                     |
| <b>Palo Alto</b>                        | <b>8,121,196</b>  | <b>4.1%</b>              | <b>5.3%</b>                   | <b>351,985</b>               | <b>78,910</b>                  | <b>\$5.57</b>              | <b>(57,330)</b>         | <b>345,224</b>            | <b>670,027</b>             | <b>153,917</b>        |
| Class A                                 | 3,431,981         | 4.0%                     | 4.7%                          | 88,125                       | 72,008                         | \$6.50                     | (56,089)                | 76,955                    | 527,141                    | 109,075               |
| Class B                                 | 4,121,021         | 4.6%                     | 6.2%                          | 249,819                      | 6,552                          | \$5.00                     | (12,735)                | 256,775                   | 127,456                    | 44,842                |
| Class C                                 | 568,194           | 1.3%                     | 2.5%                          | 14,041                       | 350                            | \$4.02                     | 11,494                  | 11,494                    | 15,430                     | 0                     |
| <b>Fremont</b>                          | <b>2,428,815</b>  | <b>10.7%</b>             | <b>13.0%</b>                  | <b>236,851</b>               | <b>77,976</b>                  | <b>\$2.24</b>              | <b>(11,616)</b>         | <b>30,472</b>             | <b>(71,474)</b>            | <b>0</b>              |
| Class A                                 | 521,645           | 19.2%                    | 19.2%                         | 85,926                       | 14,149                         | \$2.46                     | 21,934                  | 21,934                    | (7,003)                    | 0                     |
| Class B                                 | 1,053,533         | 10.3%                    | 15.2%                         | 103,530                      | 57,109                         | \$2.07                     | (3,876)                 | 7,301                     | (22,871)                   | 0                     |
| Class C                                 | 853,637           | 6.2%                     | 6.3%                          | 47,395                       | 6,718                          | \$1.76                     | (29,674)                | 1,237                     | (41,600)                   | 0                     |
| <b>Silicon Valley<br/>Office Market</b> | <b>58,145,900</b> | <b>9.7%</b>              | <b>11.1%</b>                  | <b>5,216,585</b>             | <b>1,210,690</b>               | <b>\$2.96</b>              | <b>(458,751)</b>        | <b>1,311,553</b>          | <b>844,458</b>             | <b>1,723,029</b>      |
| Class A                                 | 28,293,422        | 8.6%                     | 9.8%                          | 1,887,329                    | 891,921                        | \$3.50                     | (337,579)               | 378,801                   | 825,349                    | 1,678,187             |
| Class B                                 | 19,048,910        | 12.2%                    | 13.9%                         | 2,399,014                    | 250,773                        | \$2.88                     | (29,692)                | 729,947                   | 81,725                     | 44,842                |
| Class C                                 | 10,803,568        | 8.3%                     | 9.2%                          | 930,242                      | 67,996                         | \$1.69                     | (91,480)                | 202,805                   | (62,616)                   | 0                     |



### Silicon Valley Office Average Asking Rates



### Silicon Valley Office Total Vacancy and Net Absorption



### Significant Lease Transactions of the Quarter

| Lessee                                  | Address                              | Total SF | Class | Type              |
|-----------------------------------------|--------------------------------------|----------|-------|-------------------|
| Broadcom                                | 100, 150, 190 Mathilda Pl, Sunnyvale | 257,184  | A     | Renewal/Expansion |
| Price Waterhouse Coopers                | 488 Almaden Blvd, San Jose           | 209,151  | A     | Direct            |
| LAB 126                                 | 10201 Torre Ave, Cupertino           | 88,580   | B     | Direct            |
| Apple                                   | 20300 Stevens Creek Blvd, Cupertino  | 79,432   | A     | Direct            |
| Tellabs Operations, Inc.                | 4555 Great America Pkwy, Santa Clara | 74,453   | A     | Expansion         |
| Arista Networks                         | 5450 Great America Pkwy, Santa Clara | 66,137   | A     | Sublease          |
| Sonic Solutions                         | 455 El Camino Real, Santa Clara      | 45,550   | A     | Renewal           |
| Plaxo Inc.                              | 1050 Enterprise Wy, Sunnyvale        | 40,448   | A     | Direct            |
| SuVolta, Inc.                           | 130 Knowles Blvd, Los Gatos          | 33,720   | B     | Direct            |
| Sheppard, Mullin, Richter & Hampton LLP | 379 Lytton Ave, Palo Alto            | 29,705   | A     | Direct            |

### Significant Sale Transactions of the Quarter

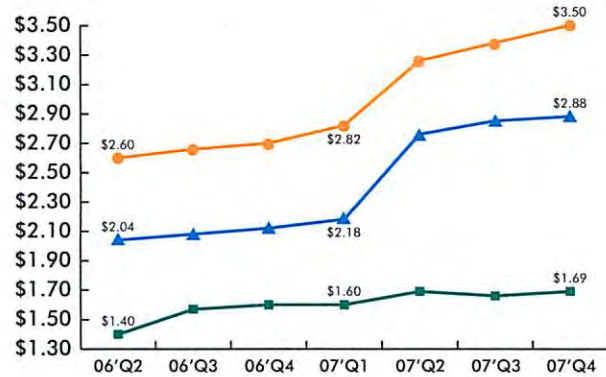
| Buyer              | Address                             | Total SF  | Class | Type     |
|--------------------|-------------------------------------|-----------|-------|----------|
| Apple              | HP Cupertino                        | 1,453,828 | N/A   | User     |
| Seagate Technology | 10200 South De Anza Blvd, Cupertino | 142,276   | A     | User     |
| Seagate Properties | 2465 Latham St, Mountain View       | 43,377    | A     | Investor |

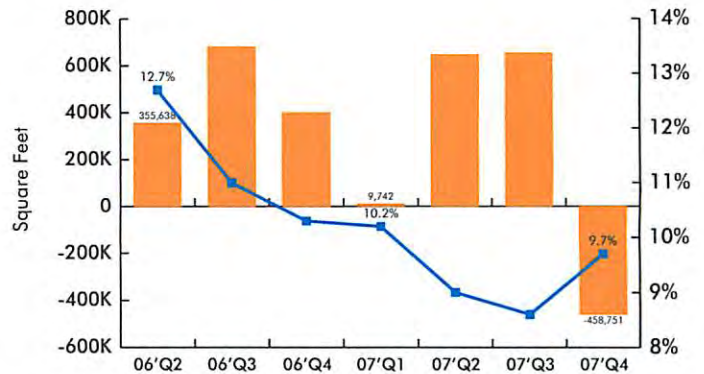
### Significant Construction

| Project                | City      | Total SF | % Pre-Committed |
|------------------------|-----------|----------|-----------------|
| Network Appliance Inc. | Sunnyvale | 175,000  | 100%            |
| 245 Lytton Ave         | Palo Alto | 30,500   | 0%              |



**SILICON VALLEY  
OFFICE PROPERTY LEASE RATES**

 Class A  
Class B  
Class C

**SILICON VALLEY  
VACANCY AND NET ABSORPTION**

 Net Absorption  
Historical Vacancy

**Significant Transactions of the Quarter**
**Sale Transactions**

| Address              | City          | Buyer                | Total SF |
|----------------------|---------------|----------------------|----------|
| 150 Almaden Blvd     | San Jose      | BPG Properties, Ltd. | 652,872  |
| 100 Mathilda Place   | Sunnyvale     | JP Morgan            | 468,710  |
| 1801 Page Mill Rd.   | Palo Alto     | Lionstone            | 199,100  |
| 20 S Santa Cruz      | Los Gatos     | D&K Holdings, LLC    | 43,367   |
| 399 W El Camino Real | Mountain View | The Swig Company     | 24,865   |

**Lease Transactions**

| Address                  | City       | Lessee                | Total SF |
|--------------------------|------------|-----------------------|----------|
| 2450 Watson Ct.          | Palo Alto  | Stanford University   | 70,000   |
| 910 E Hamilton Avenue    | Campbell   | Move, Inc.            | 29,767   |
| 2560 N First Street      | San Jose   | MCI Communications    | 29,179   |
| 160 W Santa Clara Street | San Jose   | CUIAB                 | 23,804   |
| 1150 Kifer Rd.           | Sunnyvale  | Motorola, Inc.        | 23,284   |
| 160 Scott Drive          | Menlo Park | Latham Watkins        | 21,360   |
| 75 E Santa Clara Street  | San Jose   | Global Netoptex, Inc. | 20,401   |
| 60 S. Market             | San Jose   | Burr, Pilger, Mayer   | 17,108   |

**Significant Construction**

| Address                               | City      | Total SF |
|---------------------------------------|-----------|----------|
| Moffett Tower                         | Sunnyvale | 900,600  |
| 339 W. San Carlos, RiverPark Tower II | San Jose  | 319,000  |
| 525 Almanor                           | Sunnyvale | 166,000  |
| 1376-1380 Bordeaux Dr.                | Sunnyvale | 123,842  |
| 2450 Watson Ct                        | Palo Alto | 77,956   |
| 10495 N. De Anza Blvd.                | Cupertino | 59,670   |
| 250-260 Homer Ave                     | Palo Alto | 34,342   |
| 325 Lytton                            | Palo Alto | 31,119   |

**SILICON VALLEY**

 CB Richard Ellis, Inc.  
225 West Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)
**PALO ALTO**

 CB Richard Ellis, Inc.  
Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
main: 650.494.5100  
fax: 650.494.5102  
[www.cbre.com/paloalto](http://www.cbre.com/paloalto)

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## SILICON VALLEY SUBMARKET MAP



## MARKET AREA DESCRIPTIONS

- Campbell consists of 1.9 million square feet (3.3%) of the office market NRA.
- Cupertino consists of 3.7 million square feet (6.4%) of the office market NRA.
- Central San Jose consists of 10.0 million square feet (17.3%) of the office market NRA.
- E. San Jose consists of 0.1 million square feet (0.2%) of the office market NRA.
- I.B.P. consists of 0.2 million square feet (0.3%) of the office market NRA.
- Los Altos consists of 0.8 million square feet (1.5%) of the office market NRA.
- Los Gatos consists of 1.1 million square feet (1.8%) of the office market NRA.
- Meridian consists of 1.0 million square feet (1.7%) of the office market NRA.
- Milpitas consists of 1.0 million square feet (1.7%) of the office market NRA.
- Mountain View consists of 4.3 million square feet (7.3%) of the office market NRA.
- N. San Jose consists of 8.7 million square feet (14.9%) of the office market NRA.
- Palo Alto consists of 8.1 million square feet (14.0%) of the office market NRA.
- S. San Jose consists of 1.1 million square feet (1.9%) of the office market NRA.
- Santa Clara consists of 8.8 million square feet (15.2%) of the office market NRA.
- Saratoga\* consists of 0.2 million square feet (0.4%) of the office market NRA.
- Sunnyvale consists of 3.1 million square feet (5.3%) of the office market NRA.
- Winchester\* consists of 1.6 million square feet (2.7%) of the office market NRA.
- Fremont consists of 2.4 million square feet (4.2%) of the office market NRA.

## LOCAL OFFICES

## SAN FRANCISCO

## PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

## OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

## PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA 94588  
1.925.251.4600

## SAN FRANCISCO

## DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

## SILICON VALLEY

225 W. Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
1.408.453.7400

## PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.494.5100

## WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

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## AVAILABLE SQUARE FEET

Vacant Square Feet plus space that is marketed as available but not currently vacant, plus sublease space.

## AVAILABILITY RATE

Available Square Feet divided by the NRA.

## AVERAGE ASKING DIRECT LEASE RATE

The rate determined by multiplying the asking full service lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

## FULL SERVICE LEASES

Includes all lease types whereby the Landlord assumes responsibility for all of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

## MARKET COVERAGE

Includes office buildings 10,000 square feet and larger located within defined submarkets. It excludes medical office buildings and government owned office buildings.

## NET ABSORPTION

The change in Occupied Square Feet from one period to the next.

## NET RENTABLE AREA (NRA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

## OCCUPIED SQUARE FEET

NRA not considered vacant.

## UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by foundation work.

## VACANCY RATE

Vacant Square Feet divided by the NRA.

## VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available. Includes sublease space.

## QUICK STATS

|                          |         | Change from last |
|--------------------------|---------|------------------|
|                          | Current | Yr. Qtr.         |
| Vacancy                  | 9.7%    | ↓ ↑              |
| Lease Rates              | \$2.96  | ↑ ↑              |
| Net Absorption*          | -458.8K | ↓ ↓              |
| Construction Completions | 164K    | ↔ ↑              |

\* The Quick Stats shows six trend indicators over the specified time period and do not represent a positive or negative value. E.g. absorption could be negative, but still represent a positive trend over a specific period.

## HOT TOPICS

- Availability increased by 110 basis points to 11.1%
- Negative net absorption for the first time in seven quarters
- > 840,000 square feet of positive net absorption in 2007
- Available sublease space increased 2.2% to 18.9%
- Thirteenth consecutive quarter of asking rate increases

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# MarketView

## Silicon Valley Office

FOURTH QUARTER 2007

The Silicon Valley Office market ended 2007 with the first signs of a slowdown in overall activity. After bucking the national trend for most of 2007, the Silicon Valley witnessed reduced levels of sale and lease activity during the fourth quarter. Uncertain economic conditions have resulted in reduced levels of investor confidence. Future government assistance programs in the sub-prime credit markets may improve confidence in the near future but concerns remain over the length of the expected economic slowdown.

After seven consecutive quarters of positive net absorption, the market experienced its first decline with 458,751 square feet of negative absorption, reducing YTD positive absorption to 844,458 square feet. The market continues to report tight levels of vacancy and available space after increasing 110 basis points each to 9.7% and 11.1% in the fourth quarter, but declining 60 bps and 20 bps overall this year. After a record year of job growth and business expansion, at year end many corporations opted to stay in their current positions, leading to reduced overall activity.

The North San Jose market was the most stagnant, with negative net absorption of 147,561 square feet. Vacancy and availability rose 230 and 460 basis points, respectively. West Valley and South San

Jose were the other primary contributors to negative absorption levels with a combined 152,088 square feet of negative absorption. Major leasing deals of the quarter included Stanford University leasing 70,000 square feet in Palo Alto, Move, Inc. occupying 29,767 square feet in Campbell, and MCI Communications taking 29,179 square feet in San Jose. The most noteworthy sale transactions in the market included BPG Properties 652,872 square foot purchase of

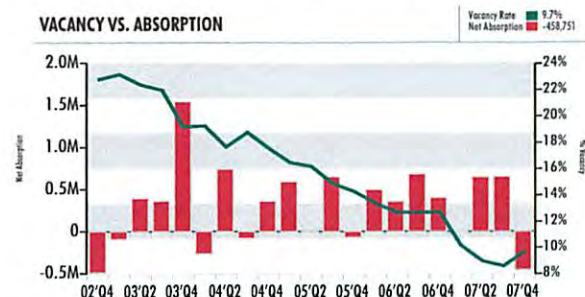
Park Center Plaza in downtown San Jose, JP Morgan's 468,710 square foot purchase of 100 Mathilda in Sunnyvale, and Lionstone's 199,100 square foot purchase at 1801 Page Mill Road in Palo Alto.

Overall 2007 was a very strong year with Class A space contributing 825,349 square feet of positive net absorption and single digit vacancy and availability levels. However,

reduced levels of corporate growth and increased available space produced slightly negative results to close the year. After successfully weathering a hazy national economic landscape with twelve consecutive positive quarters of growth, we are beginning to see a modest retraction. Market asking rates have increased 26% in 2007 and are expected to continue to grow, albeit at a more stable pace. As evidence of strong demand for Class A space, construction activity is pushing forward while infusing the market with desirable space.

*Overall 2007 was a very strong year with Class A space contributing 825,349 square feet of positive net absorption and single digit vacancy and availability levels. However, reduced levels of corporate growth and increased available space produced slightly negative results to close the year.*

## VACANCY VS. ABSORPTION

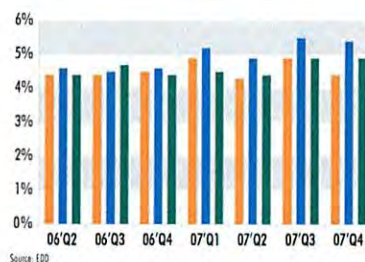


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| SUBMARKET                           | NET RENTABLE AREA | TOTAL VACANCY RATE | TOTAL AVAILABILITY RATE | AVG. ASKING RATE |               | Q4 NET ABSORPTION | YTD NET ABSORPTION |
|-------------------------------------|-------------------|--------------------|-------------------------|------------------|---------------|-------------------|--------------------|
|                                     |                   |                    |                         | CLASS A          | CLASS B       |                   |                    |
| Central San Jose                    | 10,031,411        | 13.0%              | 13.7%                   | \$2.71           | \$2.01        | (51,836)          | 562,245            |
| North San Jose                      | 8,661,912         | 11.1%              | 14.8%                   | \$2.97           | \$2.18        | (147,561)         | (162,171)          |
| South San Jose                      | 2,175,737         | 8.7%               | 9.3%                    | \$2.53           | \$1.92        | (77,662)          | (144,324)          |
| West Valley                         | 4,796,863         | 12.4%              | 13.0%                   | \$3.15           | \$2.31        | (74,426)          | (110,089)          |
| San Jose IBP / Milpitas             | 1,193,036         | 8.0%               | 9.3%                    | \$2.19           | \$1.68        | 26,197            | 32,426             |
| Santa Clara                         | 8,811,504         | 10.4%              | 11.9%                   | \$3.21           | \$2.23        | 48,607            | (5,095)            |
| Cupertino                           | 3,745,533         | 3.2%               | 3.4%                    | \$3.41           | \$2.58        | (45,019)          | (14,397)           |
| Sunnyvale                           | 3,085,684         | 16.9%              | 17.7%                   | \$3.05           | \$2.20        | (39,334)          | (17,513)           |
| Mt. View / Los Altos                | 5,094,209         | 7.3%               | 7.8%                    | \$3.92           | \$3.06        | (28,771)          | 104,823            |
| Palo Alto                           | 8,121,196         | 4.1%               | 5.3%                    | \$6.50           | \$5.00        | (57,330)          | 670,027            |
| Fremont                             | 2,428,815         | 10.7%              | 13.0%                   | \$2.46           | \$2.07        | (11,616)          | (71,474)           |
| <b>SILICON VALLEY OFFICE MARKET</b> | <b>58,145,900</b> | <b>9.7%</b>        | <b>11.1%</b>            | <b>\$3.50</b>    | <b>\$2.88</b> | <b>(458,751)</b>  | <b>844,458</b>     |

## UNEMPLOYMENT RATES



Source: BLS

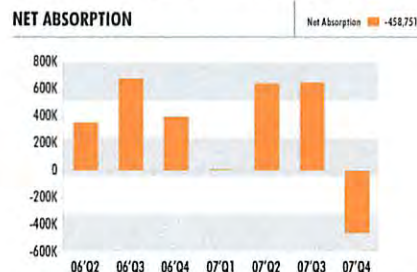
National real GDP increased at an annual rate of 4.9% in the third quarter according to the Bureau of Economic Analysis. The acceleration of GDP in the third quarter reflected positively in exports, these were offset by a negative contribution from residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased in the third quarter. Silicon Valley venture capital investment remained stable throughout the third quarter closing with 287 deals valued at over \$2.48 billion. Silicon Valley accounted for 35% of venture capital investment nationwide. The total number of jobs in the South Bay grew by 6,900 to bring the unemployment rate to 4.9%. The California unemployment rate decreased 10 basis points to 5.4% with non-farm payrolls increasing by 7,300. The national unemployment rate decreased 50 basis points to 4.4%.

## VACANCY/AVAILABILITY



Office vacancy increased 110 basis points to 9.7% in the fourth quarter, while availability increased 110 basis points to 11.1%. Vacancy and availability rates have fallen significantly in 2007 by 60 and 20 basis points, respectively. Santa Clara experienced the strongest declines with a 60 basis point decrease in availability to 11.9% and vacancy falling 50 basis points to 10.4%. Due to new space at the Guadalupe Corporate Center, availability rose in the North San Jose submarket by 460 basis points to 14.6%, with vacancy rising 230 basis points to 11.1%. South San Jose vacancy increased 350 basis points after a large number of spaces came onto the market. Overall, Class A vacancy and availability increased to 8.6% from 6.9% and 9.8% from 7.8%. Class B vacancy increased only slightly to 12.2%, as Class C raised 80 basis points to 8.3%. Available sublease space increased 2.2% to over 1.2 million square feet, accounting for 18.8% of all available space.

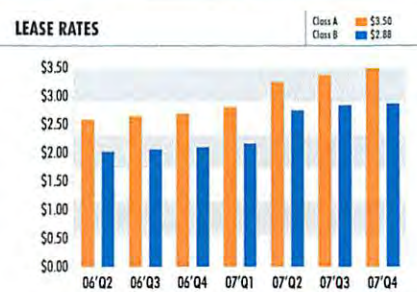
## NET ABSORPTION



The Silicon Valley office market experienced negative net absorption of 458,751 square feet for the first time since the end of 2005. Yet despite this downturn, 2007 was a thriving year with 844,458 square feet of net absorption. Upbeat activity is primarily attributed to the Santa Clara and IBP/Milpitas submarkets that posted 48,607 and 26,197 square feet of net absorption, respectively. North and South San Jose witnessed a combined 225,223 square feet of negative net absorption. Sunnyvale also saw a large decline with negative 39,334 square feet, followed by the West Valley with 74,426 square feet of negative net absorption. All other major submarkets posted minimal negative absorption. Class A space accounted for the majority of negative net absorption with (337,579) square feet, with Class B exhibiting less activity by posting (29,692) square feet. Although high-end space remains the most enticing, affordability has become increasingly important as the economic conditions remain uncertain. Continued increases in asking rates are pushing cost conscious companies into lower-end space.

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## LEASE RATES



Lease rates in the Silicon Valley office market increased for the thirteenth consecutive quarter, with overall average asking lease rates increasing to \$2.96 and reaching their highest point since early 2001. Representing the summit of the market, Palo Alto jumped 8.8% to \$5.57 full service. Sunnyvale also witnessed strong increases, particularly in the Class A sector, increasing 4% to \$3.05. Overall Class A asking rates increased by 3.6% to \$3.50. Other notable activity came from the Central Business District, where Class A rates increased \$0.6 to \$2.93. Other submarkets remained stable with rates compressed.

## CONSTRUCTION ACTIVITY

The Moffett Towers office park in Sunnyvale is under construction and will offer three buildings totaling 900,600 square feet of office space. The estimated completion date is early 2008, with Phase II beginning shortly. RiverPark Tower II has begun construction and will offer 319,000 square feet of Class A space downtown. A large project at 525 Almonor in Sunnyvale will offer 166,000 square feet. Bordeaux Center is now under construction and will offer 123,842 square feet in Sunnyvale. In addition, 10495 N. De Anza Blvd. in Cupertino is under construction and will offer 59,670 square feet of space. Palo Alto has three projects underway, including a 77,956 square foot development at 2450 Watson Avenue, and two other locations with approximately 35,000 square feet of net rentable area.

## MARKET OUTLOOK

As the year comes to a close, the Silicon Valley has begun to see reduced demand for high-end space. Competitive asking rates are expected to continue in 2008, but at more stable levels as significant Class A construction projects (such as the multi-tenant Moffett Towers) become available.

Concerns over the residential market have ultimately affected confidence and sentiment in the commercial arena, but the Silicon Valley continues to separate itself from the rest of the nation and post actual rental growth. However, it is expected that commercial lenders will become even more selective in seeking prospective borrowers and properties in 2008. Despite being a dynamic destination for venture capital investment, corporate expansion, and continued job growth, it is expected that 2008 will present additional challenges in the Silicon Valley commercial market.





- Campbell\* consists of 1.8 million square feet (3.5%) of the office market NRA.
- Cupertino consists of 2.6 million square feet (4.8%) of the office market NRA.
- Central San Jose consists of 9.9 million square feet (18.7%) of the office market NRA.
- E. San Jose consists of 0.0 million square feet (0.0%) of the office market NRA.
- I.B.P consists of 1.1 million square feet (2.0%) of the office market NRA.
- Los Altos consists of 0.7 million square feet (1.4%) of the office market NRA.
- Los Gatos\* consists of 0.8 million square feet (1.5%) of the office market NRA.
- Meridian consists of 0.9 million square feet (1.7%) of the office market NRA.
- Milpitas consists of 0.9 million square feet (1.7%) of the office market NRA.
- Mountain View consists of 4.0 million square feet (7.6%) of the office market NRA.
- N. San Jose consists of 8.5 million square feet (16.0%) of the office market NRA.
- Palo Alto consists of 7.0 million square feet (13.3%) of the office market NRA.
- S. San Jose consists of 0.8 million square feet (1.5%) of the office market NRA.
- Santa Clara consists of 8.0 million square feet (15.0%) of the office market NRA.
- Saratoga\* consists of 0.2 million square feet (0.4%) of the office market NRA.
- Sunnyvale consists of 2.9 million square feet (5.5%) of the office market NRA.
- Winchester\* consists of 1.6 million square feet (3.0%) of the office market NRA.
- Fremont consists of 2.2 million square feet (4.1%) of the office market NRA.

|                                                                                                                    |                                                                                                                       |                                                                                                  |                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>SAN FRANCISCO</b><br><b>PENINSULA</b><br>950 Tower Lane<br>Suite 870<br>Foster City, CA 94404<br>1.650.577.2900 | <b>OAKLAND</b><br>555 12th Street<br>Suite 900<br>Oakland, CA 94610<br>1.510.874.1900                                 | <b>PLEASANTON</b><br>5000 Hopyard Road<br>Suite 180<br>Pleasanton, CA<br>94588<br>1.925.251.4600 | <b>SAN FRANCISCO</b><br><b>DOWNTOWN</b><br>101 California Street<br>4th Floor<br>San Francisco, CA 94111<br>1.415.772.0123 |
| <b>SILICON VALLEY</b><br>225 W. Santa Clara Street<br>Suite 1050<br>San Jose, CA 95113<br>1.408.453.7400           | <b>PALO ALTO</b><br>Two Palo Alto Square<br>3000 El Camino Real<br>Suite 100<br>Palo Alto, CA 94306<br>1.650.494.5100 |                                                                                                  |                                                                                                                            |



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Vacant Square Feet plus space that is marketed as available but not currently vacant, plus sublease space.

Available Square Feet divided by the NRA.

**AVERAGE ASKING DIRECT LEASE RATE**  
The rate determined by multiplying the asking full-service lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

**FULL SERVICE LEASES**  
Includes all lease types whereby the Landlord assumes responsibility for all of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**MARKET COVERAGE**  
Includes office buildings 10,000 square feet and larger located within defined submarkets. It excludes medical office buildings and government owned office buildings.

The change in Occupied Square Feet from one period to the next.

**NET RENTABLE AREA (NRA)**  
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

NRA not considered vacant.

**UNDER CONSTRUCTION**  
Buildings which have begun construction as evidenced by site excavation or foundation work.

Vacant Square Feet divided by the NRA

Available NRA which is either physically vacant or immediately available. Includes sublease space.

|                          | Current | Change from last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Vacancy                  | 10.3%   | ↓                | ↓    |
| Lease Rates              | \$2.35  | ↑                | ↑    |
| Net Absorption*          | 398.7K  | ↑                | ↓    |
| Construction Completions | 0       | ↔↔↔              | ↔↔↔  |

\* The Quick Start arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g., absorption could be negative, but still represent a positive trend over a specific period.)

- Nearly two million square feet of positive absorption in 2006
- Lease rates at highest level in more than four years
- Lowest vacancy rate in 5 ½ years
- Ninth consecutive quarter of declining vacancy
- North San Jose closed the year with significant absorption

# RE MarketView ELLIS Silicon Valley Office

FOURTH QUARTER 2006

The Silicon Valley Office market ended 2006 with positive absorption, strong and steady lease rates and its ninth consecutive quarter of lower vacancy—the lowest in 5 ½ years. The market experienced positive absorption throughout 2006, ending the year with over 1.9 million square feet in occupancy gains. Healthy levels of absorption pushed vacancy down 400 basis points this year to end at 10.3%. Market rates have remained competitive and are now at the highest level they have been in over four years, with continued spikes anticipated in 2007.

The North San Jose market was especially active this quarter with 473,939 square feet of positive absorption. CBRE was involved in the submarket's three largest leasing transactions this quarter. These transactions included the Micron Technology deal of 264,964 square feet, Sony occupying 155,917, and Magma leasing

109,722, all occurring in North San Jose.

Improving market conditions fueled by high levels of investment activity and continued job growth saw the Silicon Valley Office market improve dramatically through 2006. Strong investment sales continued, with the most significant deals of the quarter being Pollock Financial's 127,757 square foot purchase of 1230-1290 Oakmead Parkway and Behringer Harvard's 95,562 square foot acquisition of 4440 El Camino Real.

**5 ½ years.** The Silicon Valley office market remains a primary target for investment and lease activity, with a record flow of capital coming from institutional investors. With falling vacancy rates and rental rate increases, the office sector is demonstrating strong fundamentals that should continue through 2007.

*The Silicon Valley office market ended 2006 with positive absorption, strong and steady lease rates and its ninth consecutive quarter of lower vacancy – the lowest in 5 ½ years.*

The chart displays two metrics over time from 01'04 to 06'04. The left Y-axis represents Net Absorption in millions, ranging from -1.0M to 2.0M. The right Y-axis represents Vacancy percentage, ranging from 10% to 24%. Net absorption is shown as a green line, and vacancy percentage is shown as a red bar chart.

| Period | Net Absorption (M) | Vacancy % |
|--------|--------------------|-----------|
| 01'04  | -0.2               | 13.5      |
| 02'04  | 0.5                | 13.5      |
| 03'04  | 1.7                | 13.5      |
| 04'04  | 1.8                | 13.5      |
| 05'04  | 1.5                | 13.5      |
| 06'04  | 0.9                | 13.5      |
| 07'04  | 0.9                | 13.5      |
| 08'04  | 0.7                | 13.5      |
| 09'04  | 0.4                | 13.5      |
| 10'04  | 0.2                | 13.5      |
| 11'04  | 0.0                | 13.5      |
| 12'04  | -0.2               | 13.5      |
| 01'05  | -0.4               | 13.5      |
| 02'05  | -0.6               | 13.5      |
| 03'05  | -0.8               | 13.5      |
| 04'05  | -1.0               | 13.5      |
| 05'05  | -0.8               | 13.5      |
| 06'05  | -0.6               | 13.5      |
| 07'05  | -0.4               | 13.5      |
| 08'05  | -0.2               | 13.5      |
| 09'05  | 0.0                | 13.5      |
| 10'05  | 0.2                | 13.5      |
| 11'05  | 0.4                | 13.5      |
| 12'05  | 0.6                | 13.5      |
| 01'06  | 0.8                | 13.5      |
| 02'06  | 1.0                | 13.5      |
| 03'06  | 1.2                | 13.5      |
| 04'06  | 1.4                | 13.5      |
| 05'06  | 1.6                | 13.5      |
| 06'06  | 1.8                | 13.5      |
| 07'06  | 2.0                | 13.5      |
| 08'06  | 1.8                | 13.5      |
| 09'06  | 1.6                | 13.5      |
| 10'06  | 1.4                | 13.5      |
| 11'06  | 1.2                | 13.5      |
| 12'06  | 1.0                | 13.5      |
| 01'07  | 0.8                | 13.5      |
| 02'07  | 0.6                | 13.5      |
| 03'07  | 0.4                | 13.5      |
| 04'07  | 0.2                | 13.5      |
| 05'07  | 0.0                | 13.5      |
| 06'07  | -0.2               | 13.5      |
| 07'07  | -0.4               | 13.5      |
| 08'07  | -0.6               | 13.5      |
| 09'07  | -0.8               | 13.5      |
| 10'07  | -1.0               | 13.5      |
| 11'07  | -0.8               | 13.5      |
| 12'07  | -0.6               | 13.5      |
| 01'08  | -0.4               | 13.5      |
| 02'08  | -0.2               | 13.5      |
| 03'08  | 0.0                | 13.5      |
| 04'08  | 0.2                | 13.5      |
| 05'08  | 0.4                | 13.5      |
| 06'08  | 0.6                | 13.5      |
| 07'08  | 0.8                | 13.5      |
| 08'08  | 1.0                | 13.5      |
| 09'08  | 1.2                | 13.5      |
| 10'08  | 1.4                | 13.5      |
| 11'08  | 1.6                | 13.5      |
| 12'08  | 1.8                | 13.5      |
| 01'09  | 2.0                | 13.5      |
| 02'09  | 1.8                | 13.5      |
| 03'09  | 1.6                | 13.5      |
| 04'09  | 1.4                | 13.5      |
| 05'09  | 1.2                | 13.5      |
| 06'09  | 1.0                | 13.5      |
| 07'09  | 0.8                | 13.5      |
| 08'09  | 0.6                | 13.5      |
| 09'09  | 0.4                | 13.5      |
| 10'09  | 0.2                | 13.5      |
| 11'09  | 0.0                | 13.5      |
| 12'09  | -0.2               | 13.5      |
| 01'10  | -0.4               | 13.5      |
| 02'10  | -0.6               | 13.5      |
| 03'10  | -0.8               | 13.5      |
| 04'10  | -1.0               | 13.5      |
| 05'10  | -0.8               | 13.5      |
| 06'10  | -0.6               | 13.5      |
| 07'10  | -0.4               | 13.5      |
| 08'10  | -0.2               | 13.5      |
| 09'10  | 0.0                | 13.5      |
| 10'10  | 0.2                | 13.5      |
| 11'10  | 0.4                | 13.5      |
| 12'10  | 0.6                | 13.5      |
| 01'11  | 0.8                | 13.5      |
| 02'11  | 1.0                | 13.5      |
| 03'11  | 1.2                | 13.5      |
| 04'11  | 1.4                | 13.5      |
| 05'11  | 1.6                | 13.5      |
| 06'11  | 1.8                | 13.5      |
| 07'11  | 2.0                | 13.5      |
| 08'11  | 1.8                | 13.5      |
| 09'11  | 1.6                | 13.5      |
| 10'11  | 1.4                | 13.5      |
| 11'11  | 1.2                | 13.5      |
| 12'11  | 1.0                | 13.5      |
| 01'12  | 0.8                | 13.5      |
| 02'12  | 0.6                | 13.5      |
| 03'12  | 0.4                | 13.5      |
| 04'12  | 0.2                | 13.5      |
| 05'12  | 0.0                | 13.5      |
| 06'12  | -0.2               | 13.5      |
| 07'12  | -0.4               | 13.5      |
| 08'12  | -0.6               | 13.5      |
| 09'12  | -0.8               | 13.5      |

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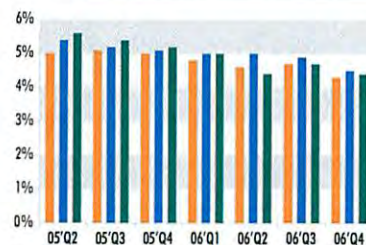
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| SUBMARKET                            | NET RENTABLE AREA | TOTAL VACANCY RATE | TOTAL AVAILABILITY RATE | AVG. ASKING RATE |               | Q4 NET ABSORPTION | YTD NET ABSORPTION |
|--------------------------------------|-------------------|--------------------|-------------------------|------------------|---------------|-------------------|--------------------|
|                                      |                   |                    |                         | CLASS A          | CLASS B       |                   |                    |
| Central San Jose                     | 9,954,795         | 18.6%              | 19.9%                   | \$2.53           | \$1.93        | (47,013)          | 141,936            |
| North San Jose                       | 9,204,895         | 8.6%               | 9.4%                    | \$2.17           | \$1.73        | 473,939           | 645,967            |
| South San Jose                       | 2,145,381         | 2.3%               | 2.3%                    | \$2.07           | \$1.65        | (10,737)          | 58,698             |
| West Valley                          | 4,810,066         | 10.1%              | 12.4%                   | \$2.89           | \$2.15        | 805               | (29,131)           |
| San Jose IBP / Milpitas              | 1,180,217         | 11.3%              | 11.9%                   | \$1.93           | \$1.49        | (23,038)          | (49,499)           |
| Santa Clara                          | 8,305,882         | 11.1%              | 11.8%                   | \$2.45           | \$1.83        | 36,060            | 286,520            |
| Cupertino                            | 3,714,972         | 3.5%               | 3.8%                    | \$2.93           | \$2.23        | 30,167            | 306,770            |
| Sunnyvale                            | 3,085,684         | 13.5%              | 18.0%                   | \$2.55           | \$1.92        | (45,579)          | 150,571            |
| Mt. View / Los Altos                 | 5,103,209         | 9.5%               | 10.2%                   | \$3.39           | \$2.57        | (47,080)          | 319,324            |
| Palo Alto                            | 7,057,648         | 5.8%               | 6.1%                    | \$4.75           | \$4.25        | 47,992            | 181,756            |
| Fremont                              | 2,425,741         | 8.8%               | 9.3%                    | \$2.42           | \$2.04        | (16,786)          | (82,333)           |
| <b>SILICON VALLEY OFFICE MARKET*</b> | <b>56,988,490</b> | <b>10.3%</b>       | <b>11.3%</b>            | <b>\$2.70</b>    | <b>\$2.12</b> | <b>398,730</b>    | <b>1,930,579</b>   |

\* NRA changes were made this quarter to more accurately reflect the competitive leasing market in Silicon Valley.

## UNEMPLOYMENT RATES



Source: DOD

The economy grew at an annual rate of 2.0% in the third quarter, a 20 basis points decrease from the preliminary estimates and 60 basis points less than in the second quarter. The deceleration in third-quarter GDP growth primarily reflected an acceleration in imports and a larger decrease in residential fixed investment and government spending. However, corporate venture capital investment is reported to be stable, hitting the six billion dollar mark for the third consecutive quarter. Biotech and life sciences sectors remain as the focus, with telecommunications, energy, and industrial sectors on the rise. In the third quarter, Silicon Valley led the rest of the nation with 34.9% of total year to date venture capital funding, a slight decrease of 1% from the same period in 2005. The labor force in Santa Clara County increased by 8,900 from September to November, and approximately 9,000 jobs were added in Santa Clara County in the same period, helping to drop the unemployment rate to 4.4%. The unemployment for California slid to 4.5% in November and the national unemployment rate down to 4.3% during the same period.

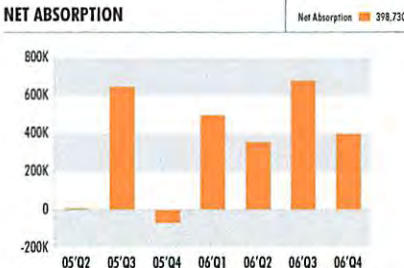
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## VACANCY/AVAILABILITY



Office vacancy dropped 70 basis points to 10.3% in the fourth quarter, while availability declined 60 basis points this quarter to 11.3%. Vacancy fell 400 basis points in 2006, with availability rates down 360 basis points during the same period. Of the major submarkets in the Class A sector, North San Jose and Cupertino experienced the largest declines of the quarter. North San Jose Class A vacancy dropped a remarkable 780 basis points to 5.6%. Cupertino experienced a 160 basis point drop in Class A vacancy to one of the market's lowest levels at 3.0%. Overall, Class B vacancy increased by 80 basis points in the fourth quarter to 12.4%, but was down 270 basis points over the year. Available sublease space is now at 1,316,543 square feet, accounting for 25.6% of all available space.

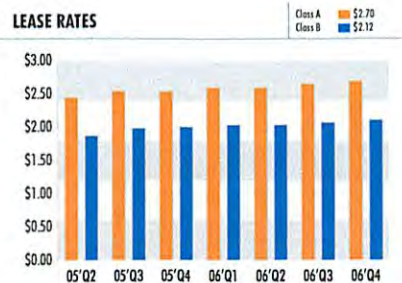
## NET ABSORPTION



The Silicon Valley office market experienced an exceptional year, with net absorption of 1,930,579 square feet in 2006, the highest level in three years. Led by the Class A sector, the market experienced fourth quarter net absorption of 398,730 square feet. North San Jose alone accounted for 473,939 square feet in positive absorption. Santa Clara witnessed 36,060 square feet of positive absorption. This was the fourth consecutive quarter of positive absorption, indicating a thriving market economy.

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## LEASE RATES



Lease rates in the Silicon Valley office market increased for the ninth straight quarter, with overall average asking lease rates now at \$2.35. Lease rates are currently at their highest point in four years. In the fourth quarter Sunnyvale experienced an increase of \$0.10 in Class A rates and Cupertino rose \$0.07 in Class A, while other submarkets remained steady. Aside from Palo Alto, the Mountain View/Los Altos submarket posted the highest overall lease rate in Silicon Valley at \$3.04. Silicon Valley Class A lease rates have increased 5.8% for the year to \$2.70 per square foot. Class B rates are up \$0.11 to \$2.12 and Class C rates experienced a \$0.19 increase in 2006 to \$1.60.

## CONSTRUCTION ACTIVITY

The Moffett Towers office park in Sunnyvale is under construction and will offer three buildings totaling 900,600 square feet of office space. The estimated completion date is October, 2007. A project at 200 North Almaden in San Jose is under construction and will offer 15,986 square feet of space. Palo Alto has two projects underway, a 65,000 square foot project at 2300 East Bayshore and a 34,474 square foot project at 250-260 Homer Avenue.

## MARKET OUTLOOK

The office sector in Silicon Valley is currently one of the best performing segments of all real estate investments, with continued job and economic growth in the Valley expected to continue to drive down vacancy rates further in 2007. The combination of expansion among existing firms combined with new start-up ventures has resulted in job growth and increased demand for office space. Increases in institutional capital investment have led to rising levels of absorption and higher asking rates. Expect 2007 to foster continued rising costs of construction and increases in sales activity, with historically low vacancy levels and balanced escalations in rent.

**Appendix C:**  
**CBRE R&D Market Reports: 4Q2006-1Q2015**



## Silicon Valley R&amp;D, Q4 2014

# Lease rates rise against dwindling supply



Vacancy Rate  
9.1%



Lease Rate  
\$1.81 PSF



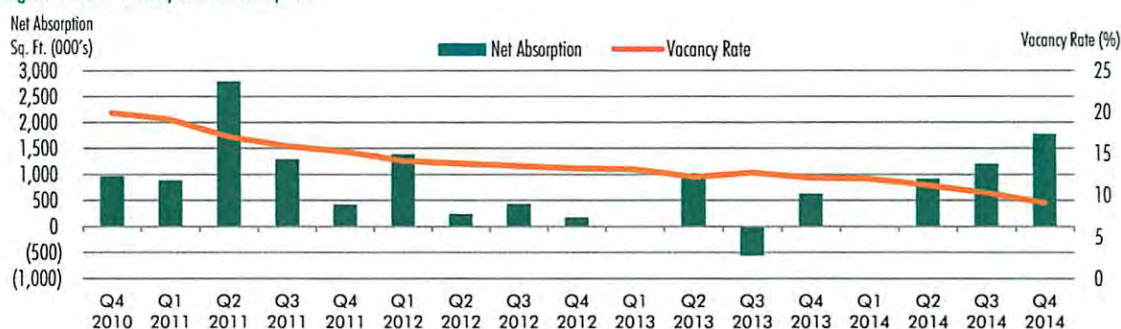
Net Absorption  
1.8 MSF



Under Construction  
0 SF

Figure 1: Total Vacancy vs. Net Absorption

\*Arrows indicate change from previous quarter.



Source: CBRE Research, Q4 2014.

The Silicon Valley R&D market rode a wave of historic tenant demand to an excellent year end performance, posting strong numbers in every measurable category. R&D closed the fourth quarter with 1,766,931 sq. ft. of positive net absorption, the highest total of the past fifteen quarters. Additionally, every submarket posted positive net absorption on the year for the first time in three years. Vacancy continues to decline, with every submarket witnessing a reduction for the second consecutive quarter.

Of the 1.8 million sq. ft. of positive net absorption, 25.3% occurred in Fremont, which continues to perform as one of the top R&D submarkets. Despite a lack of headline-grabbing deals, Fremont saw 14 new leases over 10,000 sq. ft., as well as two user sales exceeding 50,000 sq. ft. In addition to Fremont, five other submarkets posted occupancy gains of over 100,000 sq. ft, demonstrating the overall strength of the market.

The average asking rate for Silicon Valley rose \$0.05 on the quarter, marking the sixteenth

consecutive quarter with increased rates. At \$1.81 NNN, R&D asking rates have reached their highest total since the fourth quarter of 2001. Every submarket, with the exception of South San Jose, saw an increase in asking rates. Santa Clara's average asking rate rose \$0.05 to \$1.81, matching the overall rate for the Silicon Valley. Lease rates project to continue rising as available supply dwindles.

R&D sales activity remains strong, keeping pace with the robust totals of recent quarters. Both users and investors are eager to take advantage of the hot market, with 3.5 million sq. ft. of R&D product changing hands during the fourth quarter, pushing the yearly total to over 13 million sq. ft.

The Silicon Valley R&D market performed at a high level in 2014, picking up steam every quarter. With lease rates climbing, vacancy falling and strong Office/R&D tenant demand, 2015 is poised to continue where 2014 left off: marching towards the record setting numbers of the dot-com era.

Figure 2: Total R&D Market Statistics

| Submarket             | Net Rentable Area  | Total Vacancy % | Total Availability % | Avg. Asking Rate* (\$/SF) | Q4 Net Absorption | YTD Net Absorption |
|-----------------------|--------------------|-----------------|----------------------|---------------------------|-------------------|--------------------|
| San Jose - Downtown   | 773,601            | 0.9%            | 1.2%                 | \$1.11                    | (7,100)           | 68,601             |
| Meridian              | 360,672            | 0.0%            | 0.0%                 | \$1.11                    | 0                 | 0                  |
| San Jose - North      | 23,366,770         | 11.7%           | 15.3%                | \$1.74                    | 374,776           | 978,302            |
| IBP                   | 9,812,137          | 7.3%            | 8.3%                 | \$0.99                    | 44,501            | 255,799            |
| San Jose - East       | 472,658            | 3.9%            | 3.9%                 | \$0.90                    | (6,034)           | (4,372)            |
| San Jose - South      | 9,802,825          | 18.3%           | 22.3%                | \$0.96                    | 150,909           | 39,317             |
| Milpitas              | 11,362,492         | 9.8%            | 12.4%                | \$1.09                    | 150,918           | 380,370            |
| Santa Clara           | 20,028,303         | 11.5%           | 14.4%                | \$1.81                    | 282,735           | 179,454            |
| Campbell              | 1,201,641          | 7.9%            | 8.6%                 | \$1.68                    | 10,221            | 20,362             |
| Los Gatos             | 658,627            | 0.0%            | 0.0%                 | \$1.57                    | 29,127            | 0                  |
| Cupertino             | 4,762,869          | 0.0%            | 0.0%                 | \$2.67                    | 2,442             | 6,064              |
| Sunnyvale             | 21,806,778         | 6.7%            | 8.9%                 | \$2.07                    | 33,234            | 352,194            |
| Mountain View         | 12,589,752         | 1.2%            | 1.8%                 | \$2.46                    | 65,816            | 230,910            |
| Los Altos             | 12,326             | 0.0%            | 0.0%                 | \$2.38                    | 0                 | 0                  |
| Palo Alto             | 10,683,133         | 1.1%            | 1.3%                 | \$4.75                    | 208,617           | 498,078            |
| Fremont/Newark        | 23,239,394         | 13.9%           | 17.9%                | \$0.86                    | 426,769           | 806,511            |
| <b>Silicon Valley</b> | <b>150,933,978</b> | <b>9.1%</b>     | <b>11.6%</b>         | <b>\$1.81</b>             | <b>1,766,931</b>  | <b>3,811,590</b>   |

Source: CBRE Research, Q4 2014.

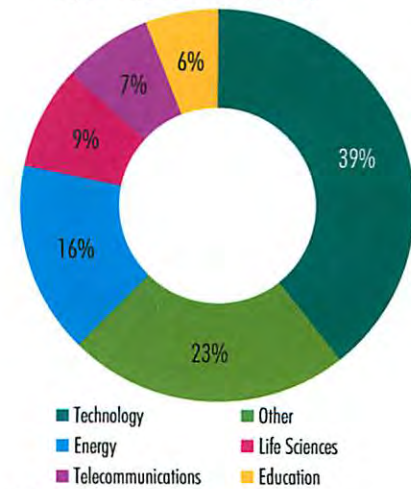
\* Direct Monthly Lease Rates, Triple Net (NNN)

Figure 3: Top Leases / Top Sales

| Lease (Tenant)  | City        | Total SF |
|-----------------|-------------|----------|
| Confidential    | Palo Alto   | 96,422   |
| ASML            | San Jose    | 92,842   |
| Miasole Hi-Tech | Sunnyvale   | 92,820   |
| Mediatek USA    | San Jose    | 81,046   |
| Sale (Buyer)    | City        | Total SF |
| MetLife         | San Jose    | 418,830  |
| CrowsNest       | Fremont     | 371,761  |
| Prudential      | Santa Clara | 359,000  |
| CBREI           | Sunnyvale   | 261,000  |

Source: CBRE Research, Q4 2014.

Figure 4: Top 25 Leases by Industry



Source: CBRE Research, Q4 2014.



### LEASE RATES

The average asking rate for Silicon Valley rose \$.05 on the quarter, marking the sixteenth consecutive quarter with increased rates. At \$1.81 NNN, R&D asking rates have reached their highest total since the fourth quarter of 2001. Every submarket, with the exception of South San Jose, saw an increase in asking rates. Santa Clara's average asking rate rose \$.05 to \$1.81, matching the overall rate for the Silicon Valley. Lease rates project to continue rising as available supply dwindles.

### NET ABSORPTION

The Silicon Valley R&D market posted 1.6M sq. ft. of occupancy gains in the fourth quarter. This marked the fifth consecutive quarter of positive net absorption. Every submarket experienced positive net absorption, with four exceeding 200K sq. ft. The Fremont submarket saw occupancy gains of over 400K sq. ft., the largest of any submarket. Despite a lack of headline-grabbing deals, Fremont saw 14 new leases over 10K sq. ft., as well as two user sales exceeding 50K sq. ft.

### VACANCY & AVAILABILITY

Overall vacancy dropped 100 basis points (bps) in the fourth quarter, surpassing the vacancy decrease from the previous quarter. This marks the lowest rate since the dot-com era, and a 1,140 bps drop since the most recent peak in the third quarter of 2010. Five submarkets experienced vacancy declines of over 100 bps. South San Jose led the way with a reduction of 240 points, followed by the Fremont/Newark submarket, with a reduction of 190 bps.

### CONSTRUCTION COMPLETIONS

The R&D market saw one completion on the quarter, a 20,219 sq. ft. building at 2690 Scott Blvd in Santa Clara. There are currently no R&D buildings under construction in the Valley, but National Avenue Investors LLC has been approved for 145,906 sq. ft. on 600 National Ave in Mountain View, and hopes to start construction this summer. Additionally, Herman Christensen is planning 500,000 sq. ft. of R&D product on Paseo Padre in Fremont.

Figure 5: Lease Rates



Source: CBRE Research, Q4 2014.

Figure 6: Net Absorption



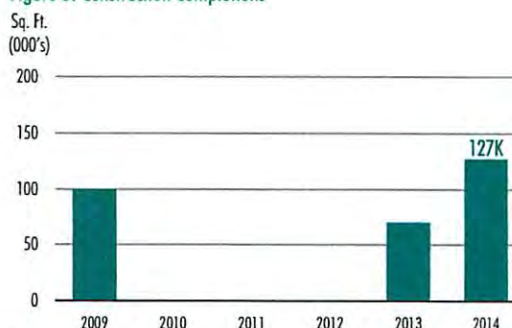
Source: CBRE Research, Q4 2014.

Figure 7: Vacancy & Availability



Source: CBRE Research, Q4 2014.

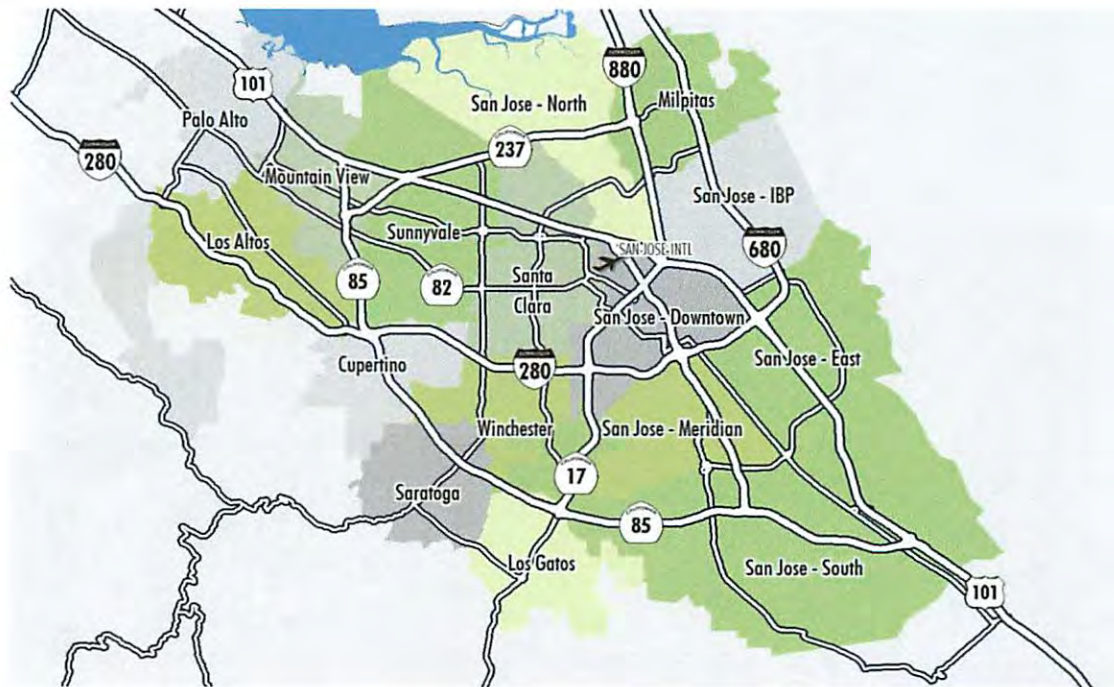
Figure 8: Construction Completions



Source: CBRE Research, Q4 2014.



**SUBMARKET MAP**



**CONTACT**

**Will Schmidt**  
*Researcher*  
 +1 408 467 7544  
[will.schmidt@cbre.com](mailto:will.schmidt@cbre.com)

**Diana Beck**  
*Researcher*  
 +1 408 467 7547  
[diana.beck@cbre.com](mailto:diana.beck@cbre.com)

**Sam Cimino**  
*Researcher*  
 +1 408 467 7545  
[samuel.cimino@cbre.com](mailto:samuel.cimino@cbre.com)

**Wen Sun**  
*Senior Research Analyst*  
 +1 408 467 7516  
[wen.sun@cbre.com](mailto:wen.sun@cbre.com)

**CBRE OFFICE**

Silicon Valley  
 225 W. Santa Clara Street, 10th Floor  
 San Jose, CA 95113

**DEFINITIONS**

*Average Asking Rate* Direct Monthly Lease Rates, Full Service Gross. *Availability* All existing space being marketed for lease. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy. *CBD* Central Business District in downtown San Jose.

**SURVEY CRITERIA**

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 7,500+ sq. ft. in Silicon Valley, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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## Silicon Valley R&D, Q1 2015

Figure 1: Statistics and Transactions

| Submarket                            | NRA                | Total Vacancy % <sup>1</sup> | Total Vacant SF   | Total Availability % <sup>2</sup> | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>3</sup> (\$) | Q1 Net Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|------------------------------|-------------------|-----------------------------------|------------------------|--------------------------|---------------------------------------|-------------------|--------------------|
| San Jose - Downtown/IBP              | 10,521,056         | 5.6                          | 585,774           | 9.1                               | 756,561                | 199,894                  | 1.02                                  | (1,151)           | (1,151)            |
| San Jose - North                     | 23,872,647         | 12.0                         | 2,873,704         | 14.7                              | 3,068,742              | 431,220                  | 1.82                                  | (15,030)          | (15,030)           |
| San Jose - South <sup>4</sup>        | 10,675,970         | 18.6                         | 1,987,217         | 21.3                              | 2,269,088              | 2,880                    | 0.99                                  | (51,660)          | (51,660)           |
| Milpitas                             | 11,674,473         | 10.6                         | 1,235,431         | 12.0                              | 1,190,542              | 211,458                  | 1.12                                  | (114,472)         | (114,472)          |
| Santa Clara                          | 19,960,055         | 10.7                         | 2,143,672         | 15.0                              | 2,501,420              | 494,845                  | 1.90                                  | 222,623           | 222,623            |
| West Valley <sup>5</sup>             | 6,590,137          | 1.5                          | 99,151            | 1.9                               | 93,621                 | 30,190                   | 2.39                                  | (4,655)           | (4,655)            |
| Sunnyvale                            | 21,797,146         | 6.4                          | 1,397,402         | 8.8                               | 1,726,192              | 184,302                  | 2.15                                  | (92,391)          | (92,391)           |
| Mountain View/Los Altos              | 12,500,560         | 2.1                          | 257,327           | 3.0                               | 247,981                | 133,221                  | 2.59                                  | (92,798)          | (92,798)           |
| Palo Alto                            | 10,594,870         | 1.2                          | 131,672           | 2.1                               | 120,668                | 104,033                  | 5.25                                  | (19,219)          | (19,219)           |
| Fremont/Newark                       | 23,168,052         | 12.9                         | 2,984,674         | 17.1                              | 3,663,257              | 294,989                  | 0.89                                  | 324,374           | 324,374            |
| <b>Silicon Valley R&amp;D Market</b> | <b>151,354,966</b> | <b>9.0</b>                   | <b>13,696,024</b> | <b>11.7</b>                       | <b>15,638,072</b>      | <b>2,087,032</b>         | <b>1.90</b>                           | <b>155,621</b>    | <b>155,621</b>     |

Source: CBRE Research, Q1 2015.

<sup>1</sup> Total Vacancy Rate = Direct Vacancy + Sublease Vacancy

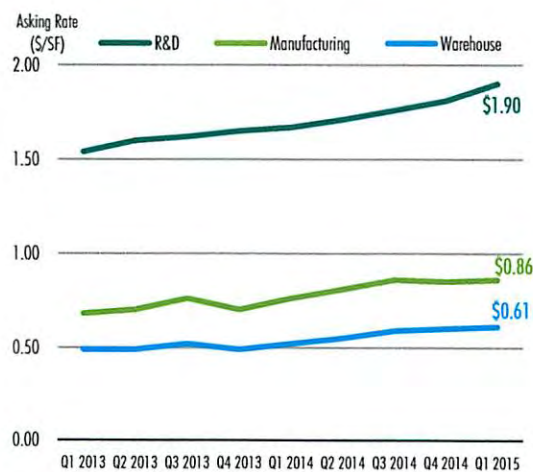
<sup>2</sup> Total Availability Rate = All existing space being marketed for lease

<sup>3</sup> Monthly Direct Lease Rates, NNN

<sup>4</sup> San Jose-South is comprised of the Meridian, San Jose East and San Jose South submarkets

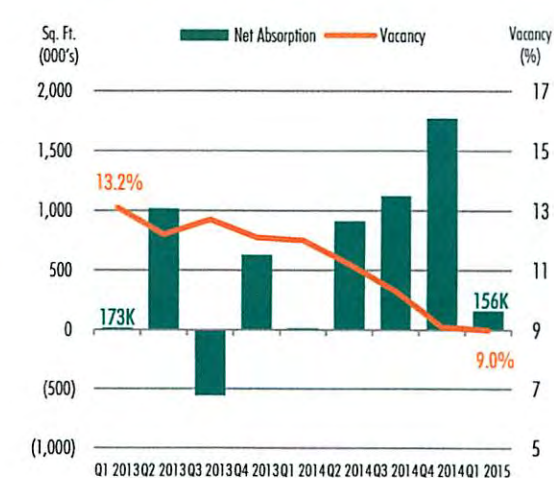
<sup>5</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

Figure 2: Average Asking Rates



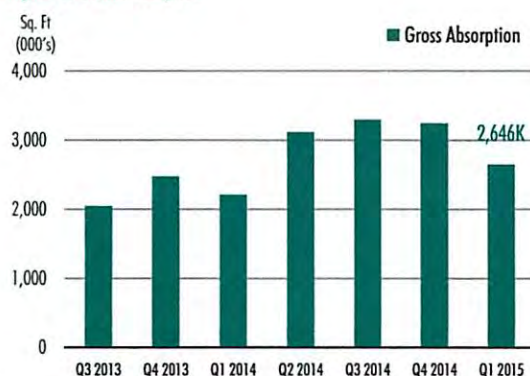
Source: CBRE Research, Q1 2015.

Figure 3: Net Absorption and Vacancy

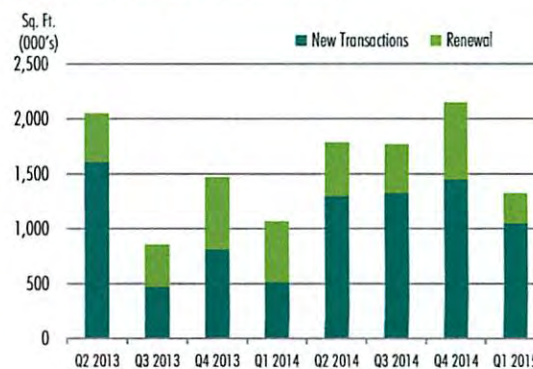


Source: CBRE Research, Q1 2015.



**Figure 4: Gross Absorption**


Source: CBRE Research, Q1 2015.

**Figure 5: Renewal vs. New Transaction Activity\***


Source: CBRE Research, Q1 2015.

\* Leases over 25,000 sq. ft.

**Figure 6: Significant Lease Transactions of the Quarter**

| Lessee                      | Address                                | Total SF | Lease Type |
|-----------------------------|----------------------------------------|----------|------------|
| Tibco Software              | 3301 Hillview Ave, Palo Alto           | 292,013  | New Lease  |
| Silevo                      | 47700 Kato Rd & 1055 Page Ave, Fremont | 199,352  | New Lease  |
| MapR                        | 350 Holger Wy, San Jose                | 96,710   | Sublease   |
| ABB, Inc.                   | 3055 Orchard Dr, San Jose              | 94,170   | New Lease  |
| F5 Networks                 | 3545 First St, San Jose                | 79,838   | New Lease  |
| AOSense                     | 929 Arques Ave, Sunnyvale              | 58,688   | Sublease   |
| Elixir Medical              | 920 McCarthy Blvd, Milpitas            | 53,666   | New Lease  |
| DeVry Education Group       | 5883 Rue Ferrari St, San Jose          | 48,802   | New Lease  |
| Imagine Communications Corp | 390 W Java Dr, Sunnyvale               | 48,480   | Renewal    |
| Plexus Corporation          | 431 Kato Terrace, Fremont              | 45,930   | Renewal    |

Source: CBRE Research, Q1 2015.

**Figure 7: Significant Sale Transactions of the Quarter**

| Buyer                           | Address                                              | Total SF  | Type       |
|---------------------------------|------------------------------------------------------|-----------|------------|
| Global Logistics Properties/GIC | IndCor Portfolio                                     | 2,229,399 | Investment |
| Select Income REIT              | Cole Corporate Income Trust Silicon Valley Portfolio | 501,293   | Investment |
| The Irvine Company              | 3900-3990 Freedom Cir, Santa Clara                   | 455,303   | Investment |
| Westport Capital Partners       | Lifescan Campus, Milpitas                            | 394,742   | Investment |
| Carlyle Group                   | 200-250 Hacienda Ave, Campbell                       | 317,091   | Investment |
| Morgan Stanley                  | 3301-3307 Hillview Ave, Palo Alto                    | 292,013   | Investment |
| Westcore                        | 2701 Orchard Pkwy, San Jose                          | 207,006   | Investment |
| Lennar Corporation              | 1390-1400 Kifer Rd, Sunnyvale                        | 165,497   | Investment |

Source: CBRE Research, Q1 2015.



## Silicon Valley R&D, Q4 2014

Figure 1: Statistics and Transactions

| Submarket                            | NRA                | Total Vacancy % <sup>1</sup> | Total Vacant SF   | Total Availability % <sup>2</sup> | Total Direct Available | Total Sublease Available | Average Asking Rate <sup>3</sup> (\$/SF) | Q4 Net Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|------------------------------|-------------------|-----------------------------------|------------------------|--------------------------|------------------------------------------|-------------------|--------------------|
| San Jose - Downtown/IBP              | 10,585,738         | 6.8%                         | 719,975           | 7.8%                              | 792,696                | 32,801                   | \$1.00                                   | 37,401            | 324,400            |
| San Jose- North                      | 23,366,770         | 11.7%                        | 2,732,660         | 15.3%                             | 3,034,193              | 547,835                  | \$1.74                                   | 374,776           | 978,302            |
| San Jose - South <sup>4</sup>        | 10,636,155         | 17.0%                        | 1,809,116         | 20.7%                             | 2,184,906              | 22,000                   | \$0.96                                   | 144,875           | 34,945             |
| Milpitas                             | 11,362,492         | 9.8%                         | 1,109,077         | 12.4%                             | 1,278,479              | 129,210                  | \$1.09                                   | 150,918           | 380,370            |
| Santa Clara                          | 20,028,303         | 11.5%                        | 2,307,412         | 14.4%                             | 2,600,544              | 275,602                  | \$1.81                                   | 282,735           | 179,454            |
| West Valley <sup>5</sup>             | 6,623,137          | 1.4%                         | 94,496            | 1.6%                              | 97,825                 | 5,530                    | \$2.38                                   | 41,790            | 26,426             |
| Sunnyvale                            | 21,806,778         | 6.7%                         | 1,456,132         | 8.9%                              | 1,842,012              | 94,827                   | \$2.07                                   | 33,234            | 352,194            |
| Mountain View/Los Altos              | 12,602,078         | 1.2%                         | 157,078           | 1.8%                              | 82,667                 | 144,565                  | \$2.46                                   | 65,816            | 230,910            |
| Palo Alto                            | 10,683,133         | 1.1%                         | 112,453           | 1.3%                              | 41,601                 | 92,852                   | \$4.75                                   | 208,617           | 498,078            |
| Fremont/Newark                       | 23,239,394         | 13.9%                        | 3,232,445         | 17.9%                             | 3,911,266              | 243,629                  | \$0.86                                   | 426,769           | 806,511            |
| <b>Silicon Valley R&amp;D Market</b> | <b>150,933,978</b> | <b>9.1%</b>                  | <b>13,730,844</b> | <b>11.6%</b>                      | <b>15,866,189</b>      | <b>1,588,851</b>         | <b>\$1.81</b>                            | <b>1,766,931</b>  | <b>3,811,590</b>   |

Source: CBRE Research, Q4 2014.

<sup>1</sup> Total Vacancy Rate = Direct Vacancy + Sublease Vacancy

<sup>2</sup> Total Availability Rate = All existing space being marketed for lease

<sup>3</sup> Monthly Direct Lease Rates, Full Service Gross

<sup>4</sup> San Jose-South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>5</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

Figure 2: Average Asking Rates

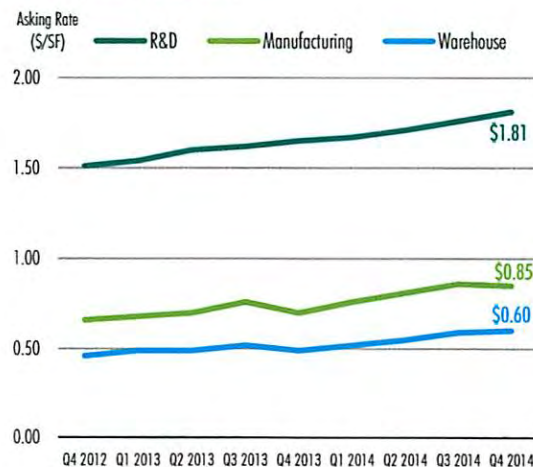
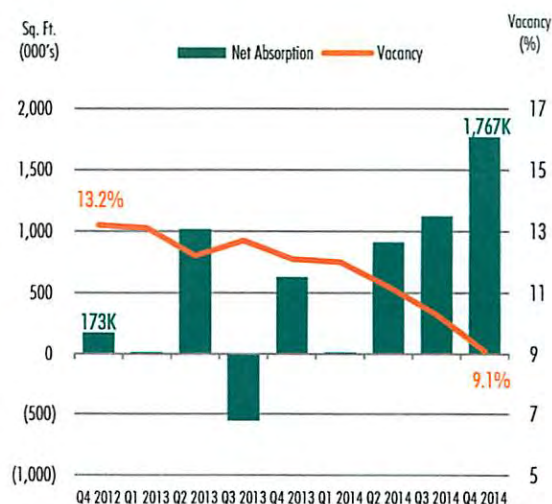
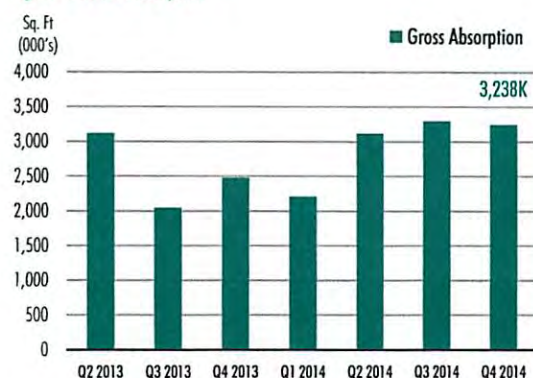


Figure 3: Net Absorption and Vacancy



**Figure 4: Gross Absorption**


Source: CBRE Research, Q4 2014.

**Figure 5: Renewal vs. New Transaction Activity**


Source: CBRE Research, Q4 2014.

**Figure 6: Significant Lease Transactions of the Quarter**

| Lessee                              | Address                                  | Total SF | Lease Type |
|-------------------------------------|------------------------------------------|----------|------------|
| Confidential                        | 4001-4015 Miranda Ave, Palo Alto         | 96,422   | New Lease  |
| ASML                                | 399 Trimble Rd, San Jose                 | 92,842   | New Lease  |
| Miasole Hi-Tech                     | 435 Oakmead Pkwy, Sunnyvale              | 92,820   | Renewal    |
| Mediatek USA                        | 2840 Junction Ave, San Jose              | 81,046   | New Lease  |
| International Technology University | 2711 First St, San Jose                  | 76,568   | New Lease  |
| Intermatix Corporation              | 46400-46410, 46430 Fremont Blvd, Fremont | 75,765   | Renewal    |
| Ralph's Furniture                   | 980 Walsh Ave, Santa Clara               | 65,000   | New Lease  |
| Lam Research                        | 45365 Northport Loop, Fremont            | 64,218   | New Lease  |
| Aoptix                              | 675 Campbell Technology Pkwy, Campbell   | 61,400   | New Lease  |
| Solar Junction                      | 401 Charcot Ave, San Jose                | 56,610   | New Lease  |

Source: CBRE Research, Q4 2014.

**Figure 7: Significant Sale Transactions of the Quarter**

| Buyer                   | Address                                 | Total SF | Type       |
|-------------------------|-----------------------------------------|----------|------------|
| MetLife                 | 2305 Mission College Blvd, Santa Clara  | 418,830  | Investment |
| CrowsNest               | 45540 E Northport Loop, Fremont         | 371,761  | Investment |
| Prudential              | 2305 Mission College Blvd, Santa Clara  | 359,000  | Investment |
| CBREI                   | 1320 Bordeaux Dr, Sunnyvale             | 261,000  | Investment |
| Kilroy Realty Corp      | 1310 Chesapeake Terr, Sunnyvale         | 259,147  | Investment |
| Lane Partners LLC       | 501 Macara Ave, Sunnyvale/Mountain View | 200,492* | Investment |
| Kinship Capital         | 5301 Patrick Henry Dr, Santa Clara      | 126,000  | Investment |
| PS Business Parks, Inc. | 828 Charcot Ave, San Jose               | 119,828  | Investment |

Source: CBRE Research, Q4 2014.

\*Portfolio Sale: 146,000 Sq. Ft. R&amp;D

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.



# Silicon Valley, R&D Statistics & Transactions

Q4 2013

CBRE Global Research and Consulting

| Submarket                            | NRA                | Total<br>Vacancy<br>% | Total<br>Vacant SF | Total<br>Availability<br>% | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rate* | Q4 Net<br>Absorption | Q4 Gross<br>Absorption | YTD Net<br>Absorption |
|--------------------------------------|--------------------|-----------------------|--------------------|----------------------------|------------------------------|--------------------------------|----------------------------|----------------------|------------------------|-----------------------|
| San Jose – Downtown/IBP              | 10,569,967         | 10.9%                 | 1,152,646          | 12.4%                      | 1,281,261                    | 32,801                         | \$0.90                     | 227,738              | 348,985                | 127,670               |
| San Jose – North                     | 22,765,017         | 15.7%                 | 3,571,007          | 17.5%                      | 3,553,318                    | 420,049                        | \$1.55                     | 188,420              | 436,088                | 468,708               |
| San Jose – South*                    | 10,625,285         | 18.6%                 | 1,978,512          | 23.6%                      | 2,482,347                    | 22,000                         | \$0.86                     | (40,880)             | 75,763                 | (263,982)             |
| Milpitas                             | 11,391,742         | 13.8%                 | 1,570,225          | 15.9%                      | 1,643,759                    | 171,781                        | \$1.00                     | 68,157               | 213,649                | 425,201               |
| Santa Clara                          | 19,804,373         | 12.6%                 | 2,502,337          | 14.8%                      | 2,631,241                    | 301,207                        | \$1.65                     | 83,269               | 414,849                | 245,973               |
| West Valley*                         | 6,590,137          | 1.8%                  | 118,480            | 2.0%                       | 121,393                      | 7,921                          | \$2.35                     | (23,042)             | 87,266                 | 13,430                |
| Sunnyvale                            | 21,911,197         | 8.1%                  | 1,765,628          | 9.6%                       | 1,806,050                    | 304,517                        | \$1.90                     | 9,500                | 194,176                | (324,573)             |
| Mountain View/Los Altos              | 12,504,668         | 3.7%                  | 465,668            | 5.5%                       | 460,062                      | 221,954                        | \$2.25                     | 129,515              | 282,326                | 28,671                |
| Palo Alto                            | 10,127,971         | 5.7%                  | 574,312            | 5.8%                       | 156,912                      | 431,057                        | \$4.45                     | 7,075                | 48,755                 | (120,817)             |
| Fremont/Newark                       | 23,494,529         | 18.7%                 | 4,393,381          | 21.3%                      | 4,506,361                    | 499,449                        | \$0.77                     | (20,782)             | 422,967                | 502,319               |
| <b>Silicon Valley R&amp;D Market</b> | <b>149,784,886</b> | <b>12.1%</b>          | <b>18,092,196</b>  | <b>14.1%</b>               | <b>18,642,704</b>            | <b>2,412,736</b>               | <b>\$1.65</b>              | <b>628,970</b>       | <b>2,524,824</b>       | <b>1,102,600</b>      |

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

Chart #1: Lease Rates

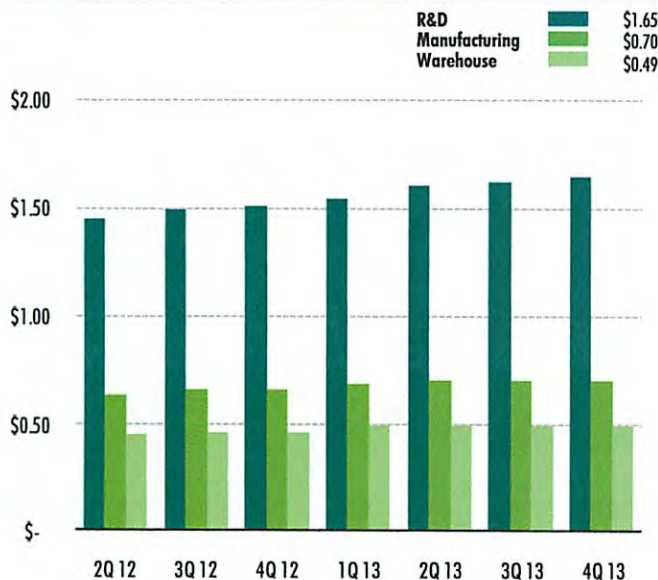


Chart #2: Net Absorption & Vacancy

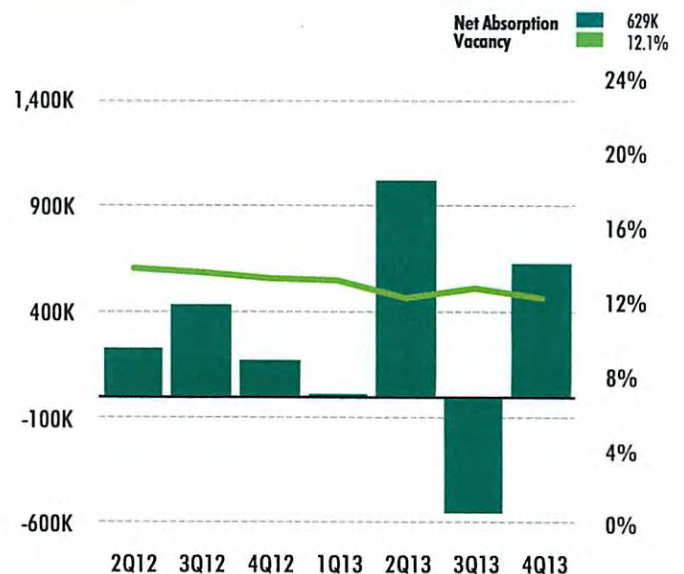
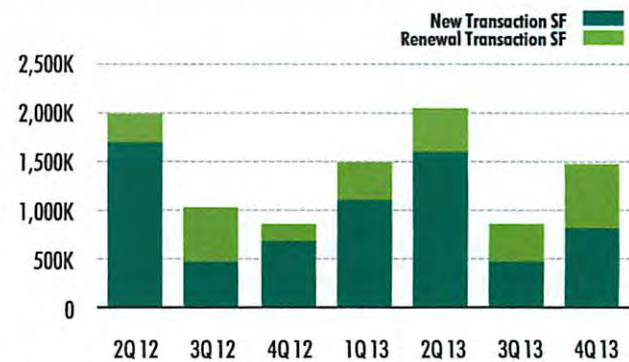




Chart #3: Gross Absorption



Chart #4: Renewal vs. New Transaction Activity\*



\* In transactions over 25,000 SF

Table 1: Significant Lease Transactions of the Quarter

| Lessee               | Address                          | Total SF | Type              |
|----------------------|----------------------------------|----------|-------------------|
| Intermolecular, Inc. | 3011 N First St, San Jose        | 146,159  | Renewal           |
| Arris                | 2450-2500 Walsh Ave, Santa Clara | 131,680  | Renewal/Expansion |
| Micron               | 540 & 570 Alder Dr, Milpitas     | 97,962   | New Lease         |
| Allierre Corporation | 1980 Concourse Dr, San Jose      | 85,367   | Renewal           |
| Aptina               | 2600 Zanker Rd, San Jose         | 68,252   | New Lease         |
| Shoretel             | 960 Stewart Dr, Sunnyvale        | 63,781   | Renewal           |
| Lumasense & Luxtron  | 3301 Leonard Ct, Santa Clara     | 63,417   | Renewal           |
| Tessera              | 3025 Orchard Pkwy, San Jose      | 60,704   | Renewal           |
| Green Circuits       | 1130 Ringwood Ct, San Jose       | 58,760   | New Lease         |
| Avnet                | 2580 Junction Ave, San Jose      | 51,985   | New Lease         |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                             | Address                                                     | Total SF | Type     |
|-----------------------------------|-------------------------------------------------------------|----------|----------|
| MWest                             | Equity Portfolio (3 business parks), San Jose               | 825,098  | Investor |
| Lane Partners/PIMCO               | Deutsche Asset & Wealth Mgmt Portfolio, Sunnyvale           | 508,945  | Investor |
| Brookfield                        | Rio Robles Technology Park, San Jose                        | 459,859  | Investor |
| Pearlmark Real Estate Partners    | 2305 Mission College Blvd, Santa Clara                      | 359,000  | Investor |
| Embarcadero Capital Partners      | 2100-2190 Gold St, San Jose                                 | 305,224  | Investor |
| Select Income REIT                | 51, 77, 145 Rio Robles & 3939 N 1st St, San Jose            | 250,731  | Investor |
| Downtown Properties Holdings, LLC | 10100 N Tantau, Cupertino & 5425 Stevens Creek, Santa Clara | 220,762  | Investor |
| TA Associates                     | Montague Square, San Jose                                   | 214,450  | Investor |
| Cole Real Estate Investments      | 3250-3270 Jay St, Santa Clara                               | 148,704  | Investor |
| South Bay Development             | 3011 N 1st St, San Jose                                     | 146,159  | Investor |



# Silicon Valley, R&D Statistics & Transactions

Q4 2012

CBRE Global Research and Consulting

| Submarket                            | NRA                | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| San Jose – Downtown/IBP              | 10,569,126         | 12.1%           | 1,280,076         | 12.7%                | 1,235,515              | 104,750                  | \$0.89               | 220,767           | 253,265             | 791,491            |
| San Jose – North                     | 25,228,440         | 16.1%           | 4,051,015         | 18.9%                | 4,426,703              | 345,037                  | \$1.35               | (8,633)           | 291,543             | (204,471)          |
| San Jose – South*                    | 10,562,022         | 16.3%           | 1,719,895         | 18.1%                | 1,660,237              | 247,161                  | \$0.86               | (7,095)           | 69,858              | 105,769            |
| Milpitas                             | 11,279,521         | 18.2%           | 2,052,595         | 18.8%                | 1,990,682              | 125,512                  | \$0.86               | (135,322)         | 186,968             | 111,052            |
| Santa Clara                          | 20,483,314         | 14.6%           | 2,984,759         | 16.6%                | 3,057,972              | 349,692                  | \$1.42               | 171,807           | 508,040             | 200,440            |
| West Valley*                         | 6,590,137          | 2.5%            | 166,947           | 2.6%                 | 134,998                | 35,213                   | \$2.22               | (21,040)          | 30,605              | 22,732             |
| Sunnyvale                            | 22,443,002         | 7.6%            | 1,707,254         | 8.7%                 | 1,729,650              | 232,621                  | \$1.72               | 193,067           | 491,461             | 658,549            |
| Mountain View/Los Altos              | 12,405,242         | 4.2%            | 523,863           | 4.8%                 | 486,600                | 113,148                  | \$2.04               | 41,217            | 248,991             | 253,384            |
| Palo Alto                            | 10,095,689         | 4.5%            | 453,495           | 5.5%                 | 184,181                | 367,904                  | \$4.38               | (334,692)         | 330,679             | 43,397             |
| Fremont/Newark                       | 23,521,740         | 22.3%           | 5,238,011         | 23.4%                | 5,237,744              | 269,314                  | \$0.73               | 53,066            | 596,762             | 245,960            |
| <b>Silicon Valley R&amp;D Market</b> | <b>153,178,233</b> | <b>13.2%</b>    | <b>20,177,910</b> | <b>14.6%</b>         | <b>20,144,282</b>      | <b>2,190,352</b>         | <b>\$1.51</b>        | <b>173,142</b>    | <b>3,008,172</b>    | <b>2,228,303</b>   |

<sup>1</sup> San Jose - South is comprised of the Meridian, San Jose East and San Jose South submarkets

<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

Chart #1: Lease Rates

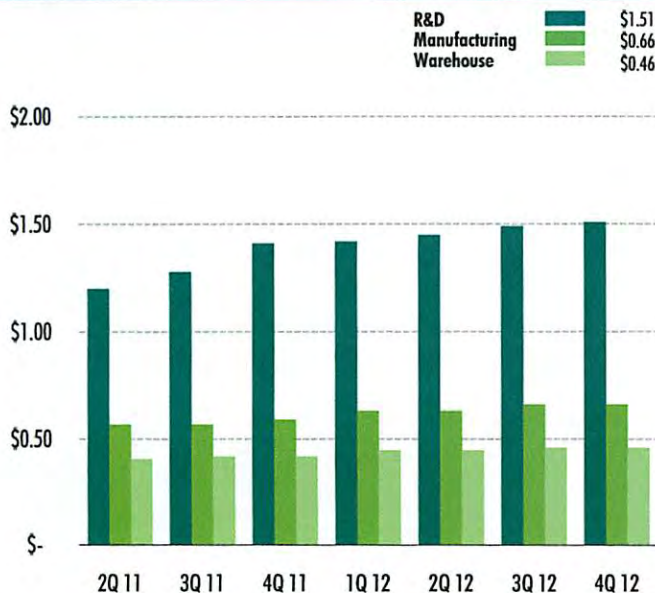


Chart #2: Net Absorption & Vacancy

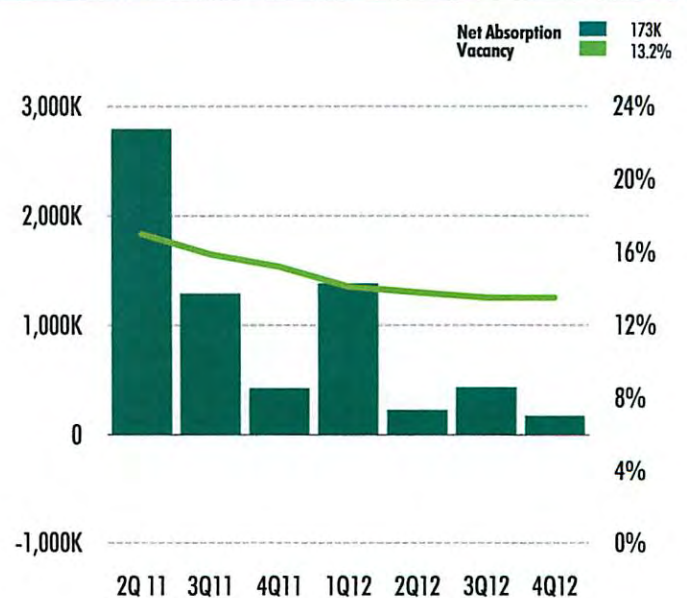
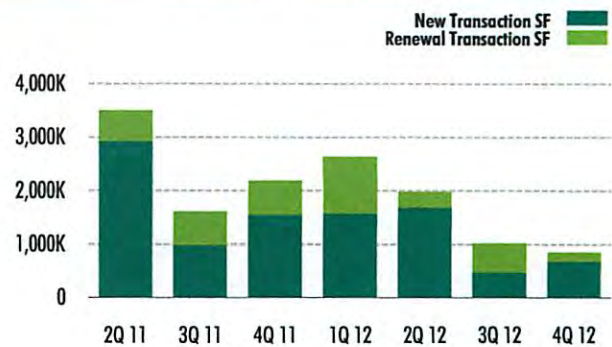




Chart #3: Gross Absorption



Chart #4: Renewal vs. New Transaction Activity\*



\* In transactions over 25,000 SF

Table 1: Significant Lease Transactions of the Quarter

| Lessee                | Address                              | Total SF | Type      |
|-----------------------|--------------------------------------|----------|-----------|
| ServiceNow            | 3250-3270 Jay St, Santa Clara        | 148,704  | New Lease |
| ARM                   | 150 Rose Orchard Wy, San Jose        | 92,448   | Renewal   |
| Conceptus             | 1011 McCarthy Blvd, Milpitas         | 74,044   | New Lease |
| Apple, Inc.           | 5425 Stevens Creek Blvd, Santa Clara | 59,384   | New Lease |
| Aver Information      | 440 Mission Ct, Fremont              | 54,892   | New Lease |
| Apple, Inc.           | 928 E Arques Ave, Sunnyvale          | 51,450   | New Lease |
| Samsung Semiconductor | 215 Devcon Dr, San Jose              | 51,151   | New Lease |
| National Instruments  | 4600 Patrick Henry Dr, Santa Clara   | 50,138   | New Lease |
| ASML US, Inc.         | 4201 Burton Dr, Santa Clara          | 49,232   | New Lease |
| VSS Monitoring        | 920 Deguigne Dr, Sunnyvale           | 45,724   | New Lease |

Table 2: Significant Sale Transactions of the Quarter

| Buyer                   | Address                                              | Total SF  | Type          |
|-------------------------|------------------------------------------------------|-----------|---------------|
| Divco/TPG & Berg Family | Multiple Buildings Throughout Valley                 | 7,625,320 | Investor Sale |
| LBA Realty              | W Plumeria, Orchard, N First & E Tasman, San Jose    | 486,603   | Investor Sale |
| KBS Realty Advisors     | Palo Alto Tech Center (aka The Harbor), Palo Alto    | 265,000   | Investor Sale |
| TA Associates           | 2560, 2570, 2580 & 2590 Orchard Pkwy, San Jose       | 258,048   | Investor Sale |
| Bixby Land Company      | 375 W Trimble Rd, San Jose                           | 234,123   | Investor Sale |
| Westport Capital        | 1010, 1020 & 1060 Rincon, San Jose                   | 201,661   | Investor Sale |
| Ridge Capital           | 145 Rio Robles St, San Jose                          | 185,704   | Investor Sale |
| Prologis                | 225 Charcot Ave, San Jose                            | 166,640   | Investor Sale |
| Jay Paul Company        | 441 Moffett Park, 1221 Crossman, 480 Java, Sunnyvale | 151,077   | Investor Sale |
| Zoll Circulation        | 2000 Ringwood Ave, Santa Clara                       | 124,000   | User Sale     |

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# MarketView

## Silicon Valley R&D

www.cbre.com/research

Fourth Quarter 2011

### Quick Stats

|                          | Current | Change from Last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Total Vacancy            | 15.2%   | ↓                | ↓    |
| Direct Lease Rate        | \$1.41  | ↑                | ↑    |
| Net Absorption           | 422,330 | ↓                | ↓    |
| Construction Completions | 0       | ↔                | ↔    |

\*The arrows indicate a trend and do not represent a positive or negative value for the underlying statistic (e.g. Net Absorption could be negative, but still represent a positive trend over the time period.)

### Hot Topics

- Fifth consecutive quarter of positive net absorption
- Vacancy rates down 70 basis points over the quarter
- 3.8 MSF of gross absorption
- Fourth consecutive quarter of rising average asking rates to \$1.41 NNN

During the first three quarters of 2011, the Silicon Valley R&D market witnessed dynamic post recession transaction activity. The tech industry was the main driver behind the extremely active quarters that took the Valley's absorption levels above those seen in the R&D market since late 2005. Although the fourth quarter closed out the year with positive fundamentals, as expected, the levels were below the marks set in the first three quarters. Landlord and investor confidence carried over as investor/developer sales accounted for eight of the top ten sales. The positive end to 2011 bodes well for the upcoming year as R&D leasing and sale activity are expected to remain stable during the uncertainty in the national economy.

Net absorption on the quarter was positive with occupancy gains totaling 422,330 SF, increasing the net absorption to over 5.3 MSF for the year. LinkedIn signed the largest lease on the quarter as they renewed and expanded into a total of 303,000 SF at 2019 and 2025-2061 Stierlin Ct in Britannia Shoreline Technology Park. Other top leases on the quarter included Apple Inc, taking down nearly 325,000 SF at multiple properties in Sunnyvale and Microsemi signing on 179,000 SF in San Jose. A leading technology company was the top user sale on the quarter, acquiring 187,380 SF with their purchase of 1545-1585 Charleston Rd in Mountain View. Occupancy numbers in North San Jose struggled to post positive consecutive quarters this year; however, the submarket closed out the final quarter on a positive note with over

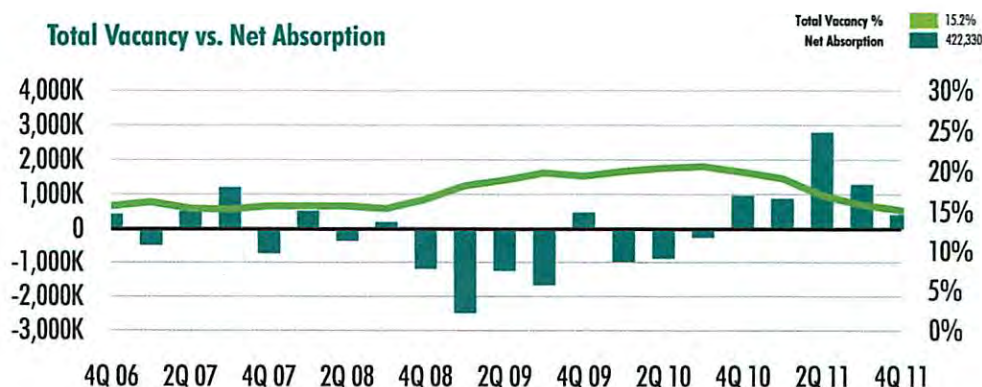
340,000 SF of positive absorption, nearly doubling year-to-date numbers. The two major tenants contributing to these positive numbers were Microsemi and A10 Networks, as they both signed large leases in the North San Jose submarket.

This marks the fifth consecutive quarter of decreasing vacancy rates, down 70 basis points to 15.2% quarter-over-quarter. The North San Jose submarket posted the most significant decrease, down 220 basis points from last quarter. However, countering this was the Downtown/I.B.P. submarket as it reduced its overall occupancy by over 104,000 SF; increasing its vacancy rate by 100 basis points quarter-over-quarter. Downtown/I.B.P., along with Sunnyvale and Palo Alto were the only three submarkets with elevated vacancies.

Average asking rates increased for the fourth consecutive quarter, up 10.2% quarter-over-quarter to \$1.41 NNN; rates this high have not been witnessed in the Valley since fourth quarter of 2008. Seven of the ten submarkets witnessed increasing rates over the quarter, while all others remained flat. Looking into 2012, rates are expected to increase at a similar pace as many prominent tenants are still seeking space.

Closing out 2011 at positive yet less aggressive levels than earlier this year may be an indicator of a stabilizing market. Moving forward into 2012, the overall Silicon Valley R&D market is expected to yield similar results to 2011 as demand for space is anticipated to remain strong.

### Total Vacancy vs. Net Absorption





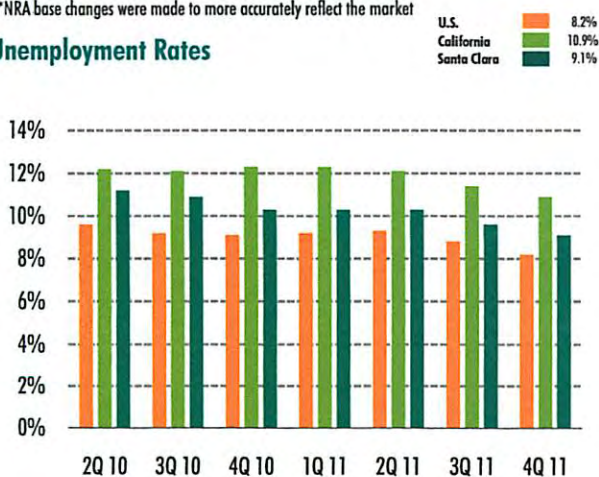
## Market Statistics

| Submarket                 | Net Rentable Area  | Total Vacancy % | Total Availability % | Average Asking Rate | Q4 Net Absorption | YTD Net Absorption | Under Construction |
|---------------------------|--------------------|-----------------|----------------------|---------------------|-------------------|--------------------|--------------------|
| San Jose Downtown         | 771,479            | 0%              | 0.3%                 | \$1.00              | 0                 | (9,484)            | 0                  |
| Meridian                  | 282,900            | 12.2%           | 12.2%                | \$1.07              | (1,227)           | 10,479             | 0                  |
| San Jose - North          | 25,263,941         | 16.4%           | 17.9%                | \$1.12              | 340,383           | 676,882            | 0                  |
| IBP                       | 9,795,525          | 21.2%           | 22.9%                | \$0.68              | (104,271)         | 59,328             | 0                  |
| San Jose - East           | 472,658            | 5.9%            | 5.9%                 | \$0.90              | 2,292             | (4,158)            | 0                  |
| San Jose - South          | 9,647,058          | 18.1%           | 19.5%                | \$0.86              | 106,597           | 429,124            | 0                  |
| Milpitas                  | 11,919,158         | 19.0%           | 21.4%                | \$0.86              | 48,361            | 375,395            | 0                  |
| Santa Clara               | 20,565,396         | 16.9%           | 17.5%                | \$1.35              | 46,539            | 29,360             | 0                  |
| Campbell                  | 1,201,552          | 14.3%           | 14.3%                | \$1.37              | 14,185            | 64,988             | 0                  |
| Los Gatos                 | 658,627            | 2.2%            | 2.6%                 | \$1.32              | 12,664            | (14,114)           | 0                  |
| Cupertino                 | 4,729,869          | 0.3%            | 2.4%                 | \$2.36              | 0                 | 315,436            | 0                  |
| Sunnyvale                 | 22,482,110         | 11.2%           | 13.7%                | \$1.51              | (26,859)          | 537,834            | 0                  |
| Mountain View             | 12,395,915         | 6.3%            | 7.0%                 | \$1.97              | (33,847)          | 1,108,318          | 0                  |
| Los Altos                 | 12,326             | 0%              | 0%                   | \$1.80              | 0                 | 0                  | 0                  |
| Palo Alto**               | 10,091,298         | 5.1%            | 7.0%                 | \$4.37              | (28,936)          | 903,208            | 0                  |
| <b>Santa Clara County</b> | <b>130,289,812</b> | <b>13.6%</b>    | <b>15.2%</b>         | <b>\$1.54</b>       | <b>375,881</b>    | <b>4,482,596</b>   | <b>0</b>           |
| Fremont/Newark            | 23,308,978         | 23.7%           | 24.0%                | \$0.69              | 46,449            | 902,569            | 0                  |
| <b>Silicon Valley</b>     | <b>153,598,790</b> | <b>15.2%</b>    | <b>16.5%</b>         | <b>\$1.41</b>       | <b>422,330</b>    | <b>5,385,165</b>   | <b>0</b>           |

\* Direct Monthly Lease Rates, Triple Net (NNN)

\*\*NRA base changes were made to more accurately reflect the market

## Unemployment Rates

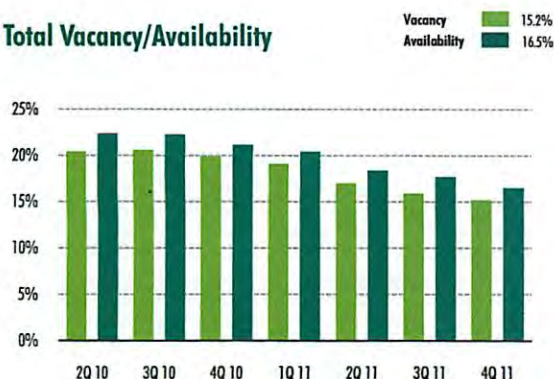


Source: EDD

The unemployment rate for Santa Clara County dropped to 9.1% in the fourth quarter, representing a 50 basis point decrease over the last three months, and a 120 basis point decrease from this time last year. The California Employment Development Department reported that since October of this year employment rose by 3,600 jobs in Santa Clara County. According to the San Jose-Sunnyvale-Santa Clara MSA report for November, the professional and business services industry netted an increase of 16,800 jobs, with scientific and technical services posting the largest growth. The information sector was the hardest hit, as it witnessed a 40% decline annually, down 800 jobs. The past year, however, showed an overall improvement in job development as the United States unemployment rates, decreased 60 basis points to 8.2%, casting a positive outlook for future job growth.

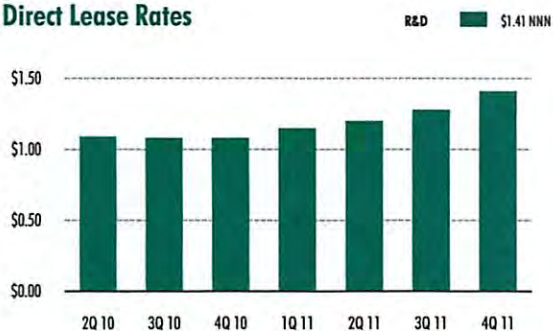


## Total Vacancy/Availability



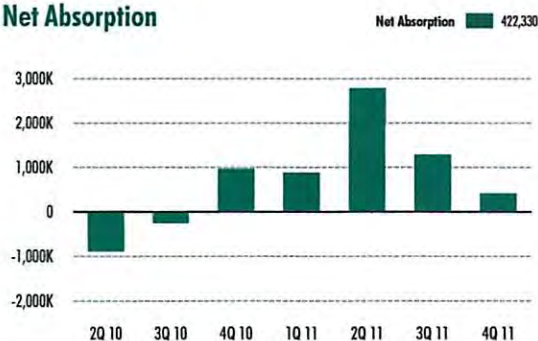
This quarter represented the fifth consecutive quarter of declining vacancy rates, down 70 basis points to 15.2%. Availability rates decreased for the sixth consecutive quarter to 16.5%, representing a 120 basis point decrease. Seven of the ten markets had declines in their overall vacancy, contributing to the overall positive movement. North San Jose showed the largest drop in rates, down 220 basis points in vacancy and 260 basis points in availability. The submarket witnessed high leasing activity on the quarter as Microsemi, A10 Networks, eBay and Kovio all took space upwards of 61,000 SF. Since the fourth quarter of 2010, the overall Silicon Valley R&D market witnessed a 470 basis point drop in availability and vacancy.

## Direct Lease Rates



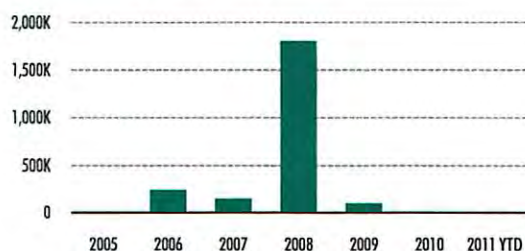
Average asking rates continued to climb for the fourth consecutive quarter, up by 10.2% this quarter and up 30.6% from a year ago. The overall Silicon Valley R&D market posted average asking rates of \$1.41 NNN; rates this high have not been witnessed in the Valley since third quarter of 2008. Seven of the ten submarkets witnessed increasing rates over the quarter. Palo Alto saw the largest spike in its rates, increasing \$1.42 or 48.2% over the quarter to \$4.37 NNN. Santa Clara, North San Jose and Milpitas also contributed large gains, posting increases over 3.5%. Looking into 2012, rates are expected to increase at a similar pace as levels of demand are sustained.

## Net Absorption



The Silicon Valley R&D market posted positive net absorption for the fifth consecutive quarter. Net absorption totaled over 422,000 SF, with six of the ten submarkets witnessing an increase in their overall occupancy. These levels were less aggressive than marks set by the first three quarters of the year; however still maintained positive fundamentals within the market. Apple, Inc. and Microsemi contributed a significant portion of the positive absorption on the quarter as both signed new leases on large blocks of space in Sunnyvale and North San Jose. Although net absorption decreased quarter-over-quarter, year-to-date numbers have increased by 6.5 MSF from the fourth quarter of 2010.

## Construction Completions



The construction pipeline remains dry in the Silicon Valley R&D market due to an ample supply of available space within the Valley. It has been two years since the last new development hit the R&D market, and as for the near future, little change is expected. However, with elevated demand and decreasing vacancy, specifically in the northern submarkets, there is increasing potential for new projects. As growth continues in the tech industry, and the supply of large spaces continues to dwindle, companies may begin to look at built-to-suit options. Progression on these projects, however, may be slowed until the 2012 presidential elections are over, and financial market volatility has settled.



## MarketView Silicon Valley R&D

### Market Area Descriptions

- Downtown consists of 0.8 million square feet (0.5%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 25.3 million square feet (16.4%) of the R&D market NRA.
- I.B.P consists of 9.8 million square feet (6.4%) of the R&D market NRA.
- E. San Jose consists of 0.5 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.6 million square feet (6.2%) of the R&D market NRA.
- Milpitas consists of 11.9 million square feet (7.7%) of the R&D market NRA.
- Santa Clara consists of 20.6 million square feet (13.4%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.5%) of the R&D market NRA.
- Cupertino consists of 4.7 million square feet (3.1%) of the R&D market NRA.
- Sunnyvale consists of 22.5 million square feet (14.6%) of the R&D market NRA.
- Mountain View consists of 12.4 million square feet (8.1%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 10.1 million square feet (6.6%) of the R&D market NRA.
- Fremont consists of 19.9 million square feet (13.0%) of the R&D market NRA.
- Newark consists of 3.4 million square feet (2.2%) of the R&D market NRA.

### Silicon Valley Submarket Map



### Local Offices

#### SAN FRANCISCO PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

#### OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

#### PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

#### SAN FRANCISCO DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

#### SILICON VALLEY

225 W. Santa Clara Street  
10th Floor  
San Jose, CA 95113  
1.408.453.7400

#### PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.949.5100

#### WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

#### Available Square Feet

Vacant Square Feet plus space that is marketed as available but not currently vacant, includes sublease space.

#### Availability Rate

Available Square Feet divided by the NRA.

#### Average Asking Lease Rate

The rate determined by multiplying the asking triple net lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

#### Triple Net (NNN) Lease

A lease in which the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, including both fixed and variable expenses.

#### Market Coverage

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

#### Net Absorption

The change in Occupied Square Feet from one period to the next.

#### Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

#### Occupied Square Feet

Building area not considered vacant.

#### Under Construction

Buildings which have begun construction as evidenced by foundation work.

#### Vacancy Rate

Vacant Square Feet divided by the NRA.

#### Vacant Square Feet

Available square feet which is either physically vacant or immediately available, includes sublease space.



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# MarketView

## Silicon Valley R&D Report

www.cbcre.com/research

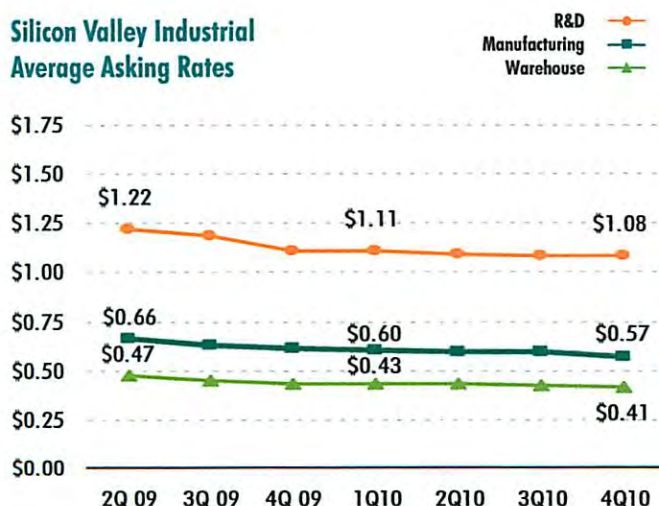
Fourth Quarter 2010

| Submarket                            | NRA                | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | YTD Net Absorption |
|--------------------------------------|--------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|--------------------|
| San Jose – Downtown/IBP              | 10,621,162         | 20.7%           | 2,203,454         | 21.5%                | 2,062,560              | 226,050                  | \$0.70               | (107,637)         | 251,490             | 220,509            |
| San Jose – North                     | 25,687,957         | 21.2%           | 5,435,648         | 22.4%                | 5,189,771              | 573,239                  | \$0.95               | 768,276           | 1,298,532           | (82,265)           |
| San Jose – South <sup>1</sup>        | 10,402,370         | 22.7%           | 2,358,835         | 22.8%                | 2,131,337              | 240,998                  | \$0.87               | 305,475           | 339,883             | 136,913            |
| Milpitas                             | 12,481,583         | 24.4%           | 3,047,312         | 26.8%                | 2,540,753              | 808,556                  | \$0.75               | (88,278)          | 131,615             | 20,658             |
| Santa Clara                          | 20,750,507         | 18.4%           | 3,814,331         | 19.6%                | 3,768,029              | 307,449                  | \$1.15               | 91,445            | 335,683             | (134,583)          |
| West Valley <sup>2</sup>             | 6,590,048          | 9.1%            | 597,693           | 10.0%                | 620,999                | 36,432                   | \$1.98               | 112,030           | 128,509             | 37,470             |
| Sunnyvale                            | 22,562,644         | 13.7%           | 3,099,994         | 16.0%                | 3,284,643              | 326,724                  | \$1.26               | 141,672           | 737,814             | 200,353            |
| Mountain View/Los Altos              | 12,643,185         | 16.9%           | 2,130,963         | 18.0%                | 1,613,156              | 667,270                  | \$1.63               | (184,584)         | 176,093             | (175,854)          |
| Palo Alto                            | 8,166,092          | 15.4%           | 1,257,257         | 16.1%                | 1,142,049              | 168,121                  | \$1.65               | 136,079           | 270,761             | (797,692)          |
| Fremont/Newark                       | 23,121,067         | 28.1%           | 6,490,961         | 29.2%                | 6,490,623              | 262,407                  | \$0.67               | (209,093)         | 401,592             | (487,614)          |
| <b>Silicon Valley R&amp;D Market</b> | <b>153,026,615</b> | <b>19.9%</b>    | <b>30,436,448</b> | <b>21.2%</b>         | <b>28,843,920</b>      | <b>3,617,246</b>         | <b>\$1.08</b>        | <b>965,385</b>    | <b>4,071,972</b>    | <b>(1,169,742)</b> |

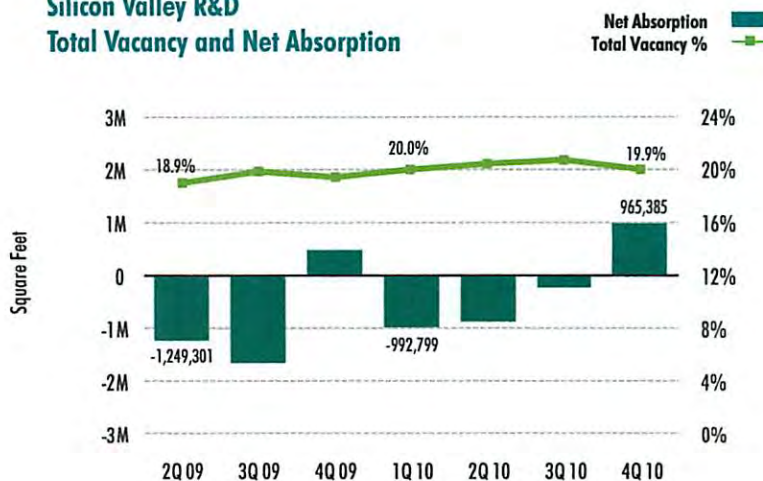
<sup>1</sup> San Jose – South is comprised of the Meridian, San Jose East and San Jose South submarkets<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

### Silicon Valley Industrial Average Asking Rates

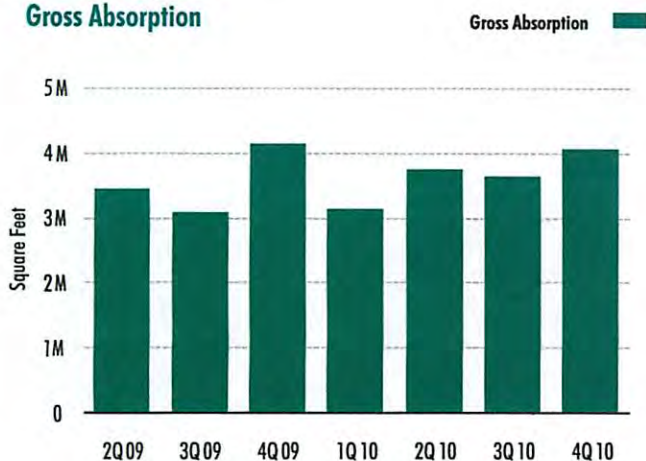


### Silicon Valley R&D Total Vacancy and Net Absorption

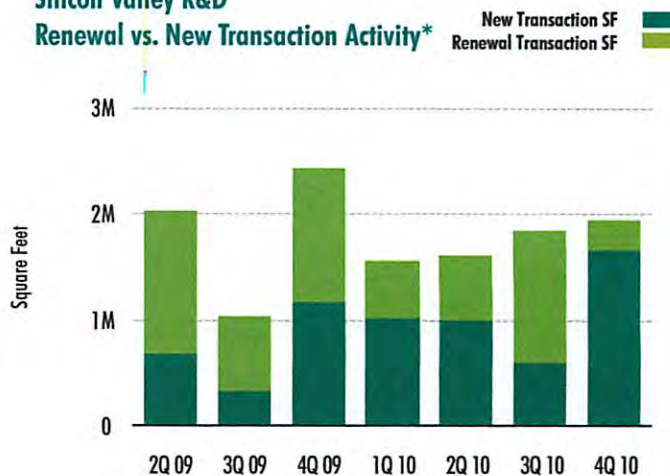




## Silicon Valley R&D Gross Absorption



## Silicon Valley R&D Renewal vs. New Transaction Activity\*



\* In transactions over 25,000 sq. ft.

## Significant Lease Transactions of the Quarter

| Lessee                 | Address                                     | Total SF | Type        |
|------------------------|---------------------------------------------|----------|-------------|
| Stion Corporation      | 6331 San Ignacio Ave, San Jose              | 264,719  | Direct      |
| SunPower               | 51-145 Rio Robles St, San Jose              | 185,704  | Direct      |
| Trimble Navigation     | 935 Stewart Dr & 510 Deguigne Dr, Sunnyvale | 138,874  | Renewal/Exp |
| Alta Devices           | 545 Oakmead Pkwy, Sunnyvale                 | 115,000  | Direct      |
| Palo Alto Networks     | 3300 Olcott St, Santa Clara                 | 105,664  | Direct      |
| Broadcom               | 3100 First St, San Jose                     | 100,362  | Direct      |
| Stanford               | 3165 Porter Dr, Palo Alto                   | 91,644   | Sublease    |
| Olympus America Inc    | 2400 Ringwood Ave, San Jose                 | 80,000   | Renewal     |
| F5 Networks            | 90 Rio Robles St, San Jose                  | 53,889   | Direct      |
| TriQuint Semiconductor | 3099 Orchard Dr, San Jose                   | 51,505   | Direct      |

## Significant Sale Transactions of the Quarter

| Buyer               | Address                                                        | Total SF | Type     |
|---------------------|----------------------------------------------------------------|----------|----------|
| Maxim               | 160 Rio Robles St, San Jose                                    | 434,653  | User     |
| Lane Partners       | 120-175 San Gabriel Dr, 177 Wolfe Rd & 707 Kifer Rd, Sunnyvale | 270,024  | Investor |
| Menlo Equities, LLC | 510 Cottonwood Dr, Milpitas                                    | 180,667  | Investor |
| Bixby Land Company  | 4211 Starboard Dr, Fremont                                     | 129,808  | Investor |
| Kurdex Corporation  | 217 Humboldt Ct, Sunnyvale                                     | 60,030   | User     |





# MarketView

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Fourth Quarter 2009

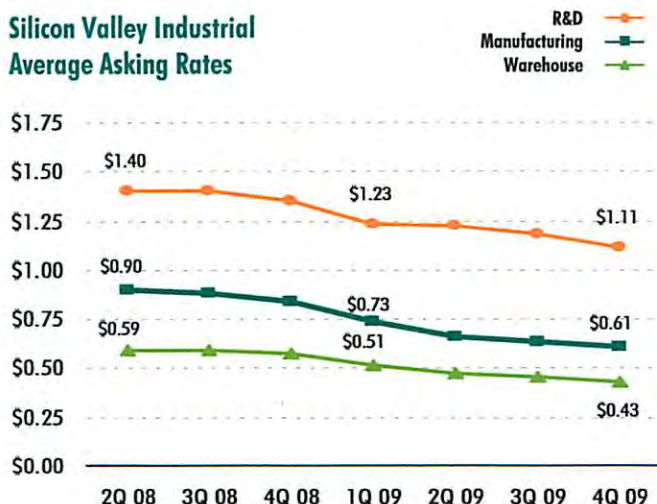
| Submarket                            | NRA                | Total Vacancy % | Total Vacant SF   | Total Availability % | Total Direct Available | Total Sublease Available | Average Asking Rate* | Q4 Net Absorption | Q4 Gross Absorption | Y-T-D Net Absorption |
|--------------------------------------|--------------------|-----------------|-------------------|----------------------|------------------------|--------------------------|----------------------|-------------------|---------------------|----------------------|
| San Jose – Downtown/IBP              | 10,904,115         | 21.3%           | 2,324,188         | 21.7%                | 2,156,411              | 212,220                  | \$0.70               | 20,624            | 227,146             | (515,932)            |
| San Jose – North                     | 25,347,678         | 19.7%           | 4,997,677         | 23.3%                | 5,261,523              | 642,295                  | \$0.95               | 217,803           | 738,688             | (656,893)            |
| San Jose – South <sup>1</sup>        | 10,550,141         | 24.8%           | 2,611,529         | 25.6%                | 2,440,617              | 265,440                  | \$0.90               | (90,547)          | 241,798             | (306,002)            |
| Milpitas                             | 12,499,875         | 25.1%           | 3,136,650         | 25.3%                | 2,399,360              | 767,258                  | \$0.85               | (29,940)          | 161,016             | (461,369)            |
| Santa Clara                          | 21,043,691         | 16.5%           | 3,473,241         | 17.5%                | 3,363,707              | 322,640                  | \$1.16               | (55,369)          | 449,452             | (767,459)            |
| West Valley <sup>2</sup>             | 6,619,242          | 8.9%            | 586,956           | 9.5%                 | 519,900                | 107,245                  | \$1.98               | (10,163)          | 146,557             | (22,680)             |
| Sunnyvale                            | 22,766,463         | 16.3%           | 3,711,621         | 17.8%                | 3,375,062              | 695,754                  | \$1.32               | (190,109)         | 849,336             | (943,519)            |
| Mountain View/Los Altos              | 12,893,232         | 17.4%           | 2,249,524         | 18.8%                | 1,481,232              | 940,343                  | \$1.63               | 64,672            | 177,761             | (728,331)            |
| Palo Alto                            | 7,442,125          | 6.8%            | 503,065           | 6.8%                 | 270,244                | 234,204                  | \$1.86               | 162,704           | 265,000             | (110,468)            |
| Fremont/Newark                       | 23,336,889         | 26.6%           | 6,216,846         | 28.5%                | 6,059,854              | 587,823                  | \$0.68               | 387,168           | 897,858             | (409,736)            |
| <b>Silicon Valley R&amp;D Market</b> | <b>153,403,451</b> | <b>19.4%</b>    | <b>29,811,297</b> | <b>20.9%</b>         | <b>27,327,910</b>      | <b>4,775,222</b>         | <b>\$1.11</b>        | <b>476,843</b>    | <b>4,154,612</b>    | <b>(4,922,389)</b>   |

<sup>1</sup> San Jose – South is comprised of the Meridian, San Jose East and San Jose South submarkets

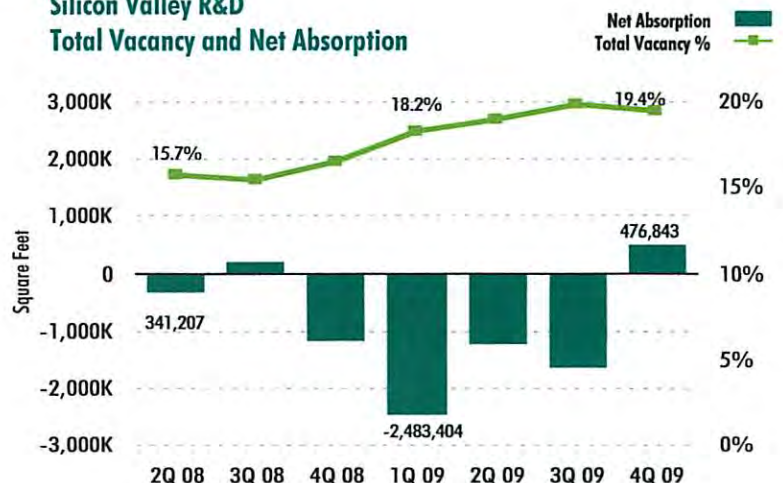
<sup>2</sup> West Valley is comprised of the Los Gatos, Campbell and Cupertino submarkets

\* Direct Monthly Lease Rates, Triple Net (NNN)

## Silicon Valley Industrial Average Asking Rates



## Silicon Valley R&D Total Vacancy and Net Absorption





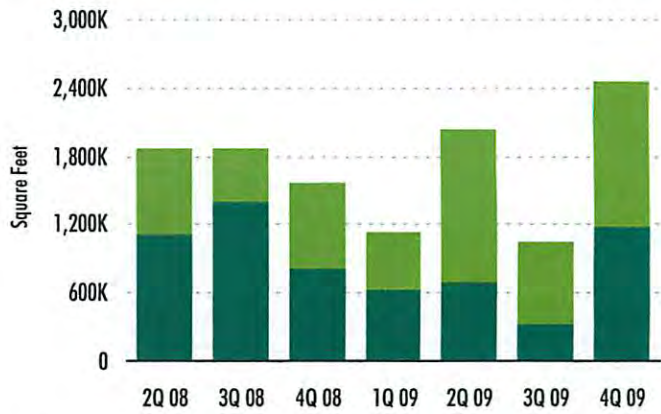
## Silicon Valley R&D Gross Absorption

Gross Absorption



## Silicon Valley R&D Renewal vs. New Transaction Activity\*

New Transaction SF  
Renewal Transaction SF



\* In transactions over 25,000 sq. ft.

## Significant Lease Transactions of the Quarter

| Lessee                  | Address                                | Total SF | Product Type | Type        |
|-------------------------|----------------------------------------|----------|--------------|-------------|
| Facebook                | 1050 Page Mill Rd, Palo Alto           | 265,000  | R&D          | Sublease    |
| Harmonic, Inc.          | 4300 N First St, San Jose              | 188,332  | R&D          | Direct      |
| Harris Stratex Networks | 5200 Great America Pkwy, Santa Clara   | 128,540  | R&D          | Direct      |
| Accuray                 | 1310 - 1320 Chesapeake Terr, Sunnyvale | 113,616  | R&D          | Renewal/Exp |
| Morpho Detection, Inc.  | 7151 Gateway Blvd, Newark              | 111,926  | R&D          | Renewal     |
| TSMC                    | 2585 - 2895 Junction Ave, San Jose     | 110,590  | R&D          | Renewal     |
| Photon Dynamics, Inc.   | 5970 Optical Ct, San Jose              | 109,800  | R&D          | Renewal     |
| Western Digital         | 1250 Reliance Wy, Fremont              | 101,882  | R&D          | Sublease    |
| Aruba Networks          | 1344 Crossman Ave, Sunnyvale           | 98,836   | R&D          | Renewal/Exp |
| Ultratech, Inc.         | 3050 Zanker Rd, San Jose               | 97,910   | R&D          | Renewal     |

## Significant Sale Transactions of the Quarter

| Buyer                      | Address                                              | Total SF | Product Type | Type       |
|----------------------------|------------------------------------------------------|----------|--------------|------------|
| Mentor Graphics            | 46859 - 46885 Bayside Pkwy, Fremont                  | 196,000  | R&D          | User       |
| Digital Realty Trust, Inc. | 1350 - 1380 Duane Ave & 3080 Raymond St, Santa Clara | 185,000  | R&D          | Investment |
| Micrel                     | 2180 Fortune Dr, San Jose                            | 57,000   | R&D          | User       |
| GSI Technology, Inc.       | 1213 Elko Dr, Sunnyvale                              | 44,277   | R&D          | User       |
| SVOTek                     | 44141 - 44153 S Grimmer Blvd, Fremont                | 21,791   | R&D          | User       |

## Significant Construction

| Project        | City    | Total SF | % Pre Committed |
|----------------|---------|----------|-----------------|
| Solyndra Fab 2 | Fremont | 606,000  | 100%            |



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CB Richard Ellis, Inc.  
225 W Santa Clara Street  
10<sup>th</sup> Floor  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)

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## Quick Stats

|                          | Current | Change from last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Total Vacancy            | 19.4%   | ↑                | ↓    |
| Direct Lease Rate        | \$1.11  | ↓                | ↓    |
| Net Absorption           | 476,843 | ↑                | ↑    |
| Construction Completions | 0       | ↔                | ↔    |

\*The arrows indicate a trend and do not represent a positive or negative value for the underlying statistic (e.g. Net Absorption could be negative, but still represent a positive trend over the time period.)

## Hot Topics

- Market-wide vacancy decreases 40 basis points to 19.4%
- Positive net absorption for the first time since 3Q 08
- > 4.1 million SF of gross absorption
- Average asking rates decrease ~ 6%

The close of the fourth quarter showed signs of improvement as the Silicon Valley R&D market posted positive absorption for the first time in over a year. Activity in both sales and leasing was healthier compared to past quarters. However, although signs of stabilization are beginning to appear, recovery is expected to remain slow and moderate at best as unemployment will likely remain at an elevated level through 2010. That being said, it appears that the economy has hit bottom and the coming year may bring a return of positive market fundamentals to the Silicon Valley.

Positive net absorption totaled approximately 476,843 SF in the fourth quarter and vacancy declined for the first time since the third quarter of 2008 by decreasing 40 basis points to 19.4%. There were only a few large blocks of vacant space to hit the market this quarter and only one topped 100,000 SF. The largest vacant space to hit the market was due to Abbott Labs vacating approximately 117,000 SF at 5301 Patrick Henry in Santa Clara. Over the past year the majority of large vacant buildings have been delivered to the market; however, there are still a few significant vacancies that have yet to hit the market. For instance, KLA Tencor and Atmel could potentially deliver over 725,000 SF of vacant space within the first half of 2010.

The trend of consolidations and renewals continued well into the fourth quarter of 2009 as six of the top 10 lease transactions were renewals. Nevertheless, there were still significant direct and sublease

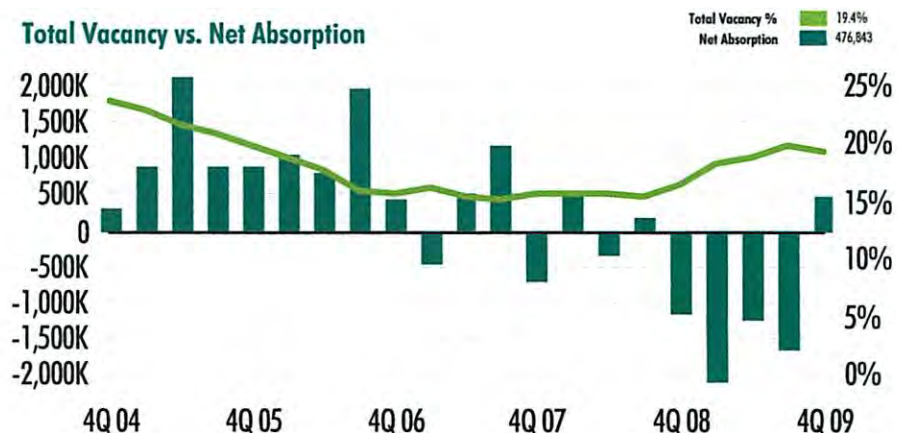
transactions signed in December confirming that companies are beginning to regain confidence in the economy as well as take advantage of potentially short lived rock bottom rental rates for premium R&D space. Facebook recently expanded its Palo Alto footprint by subleasing 265,000 SF at 1050 Page Mill Rd and Harmonic Inc. recently consolidated its Sunnyvale headquarters to approximately 188,000 SF at 4300 N. First St. in San Jose. The previously owned Cisco building had been vacant for the past eight years.

Digital Realty Trust, Inc purchased two buildings in Santa Clara; it was the lone investment sale in the fourth quarter. The combined buildings total 185,000 SF and were 100% leased at the time of purchase.

Asking lease rates fell moderately as they dropped a nominal 6% to \$1.11 NNN on average. This is the lowest average asking rates have been since 2007. Asking rates will likely continue to remain low until there is a consistent decrease in vacancy.

Decreasing vacancy and positive absorption levels are some encouraging signs of things to come. The large amount of vacant space that hit the market in 2009 has been noteworthy, yet overall tenant demand is at its highest point since 2007. Although we may still be some time away from a significant recovery, the modest improvement in market fundamentals is positive news after enduring one of the toughest years of the decade.

## Total Vacancy vs. Net Absorption



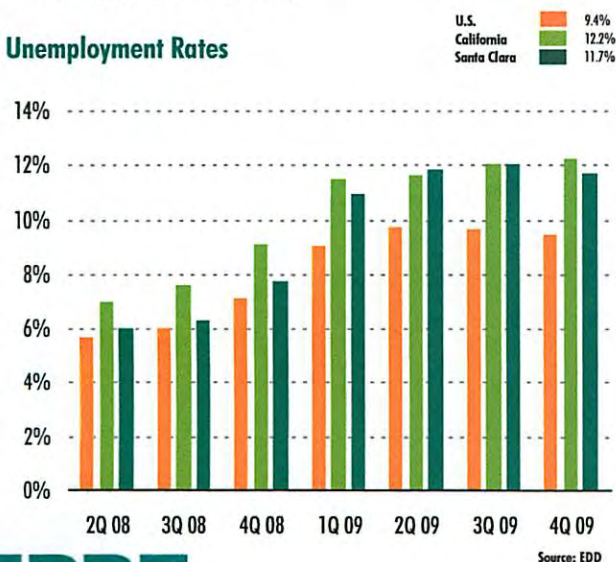


## Market Statistics

| Submarket                 | Net Rentable Area  | Total Vacancy % | Total Availability % | Average Asking Rate | Q4 Net Absorption | YTD Net Absorption | Under Construction |
|---------------------------|--------------------|-----------------|----------------------|---------------------|-------------------|--------------------|--------------------|
| San Jose Downtown         | 771,479            | 5.4%            | 5.4%                 | \$1.00              | (116)             | (14,040)           | 0                  |
| Meridian                  | 266,600            | 12.5%           | 12.5%                | \$1.11              | 0                 | 39,031             | 0                  |
| San Jose - North          | 25,347,678         | 19.7%           | 23.3%                | \$0.95              | 217,803           | (656,893)          | 0                  |
| IBP                       | 10,132,636         | 22.5%           | 23.0%                | \$0.68              | 20,740            | (501,892)          | 0                  |
| San Jose - East           | 472,658            | 7.7%            | 7.7%                 | \$0.99              | 1,128             | (13,414)           | 0                  |
| San Jose - South          | 9,810,883          | 25.9%           | 26.9%                | \$0.89              | (91,675)          | (331,619)          | 0                  |
| Milpitas                  | 12,499,875         | 25.1%           | 25.3%                | \$0.85              | (29,940)          | (461,369)          | 0                  |
| Santa Clara               | 21,043,691         | 16.5%           | 17.5%                | \$1.16              | (55,369)          | (767,459)          | 0                  |
| Campbell                  | 1,196,098          | 27.4%           | 27.4%                | \$1.29              | (6,939)           | (29,490)           | 0                  |
| Los Gatos                 | 658,627            | 12.7%           | 12.7%                | \$1.26              | (11,565)          | (7,609)            | 0                  |
| Cupertino                 | 4,764,517          | 3.7%            | 4.5%                 | \$2.25              | 8,341             | 14,419             | 0                  |
| Sunnyvale                 | 22,766,463         | 16.3%           | 17.8%                | \$1.32              | (190,109)         | (943,519)          | 0                  |
| Mountain View             | 12,880,906         | 17.5%           | 18.8%                | \$1.63              | 64,672            | (728,331)          | 0                  |
| Los Altos                 | 12,326             | 0.0%            | 0.0%                 | \$1.63              | 0                 | 0                  | 0                  |
| Palo Alto                 | 7,442,125          | 6.8%            | 6.8%                 | \$1.86              | 162,704           | (110,468)          | 0                  |
| <b>Santa Clara County</b> | <b>130,066,562</b> | <b>18.1%</b>    | <b>19.6%</b>         | <b>\$1.19</b>       | <b>89,675</b>     | <b>(4,512,653)</b> | <b>0</b>           |
| Fremont/Newark            | 23,336,889         | 26.6%           | 28.5%                | \$0.68              | 387,168           | (409,736)          | 606,000            |
| <b>Silicon Valley</b>     | <b>153,403,451</b> | <b>19.4%</b>    | <b>20.9%</b>         | <b>\$1.11</b>       | <b>476,843</b>    | <b>(4,922,389)</b> | <b>606,000</b>     |

\* Direct Monthly Lease Rates, Triple Net (NNN)

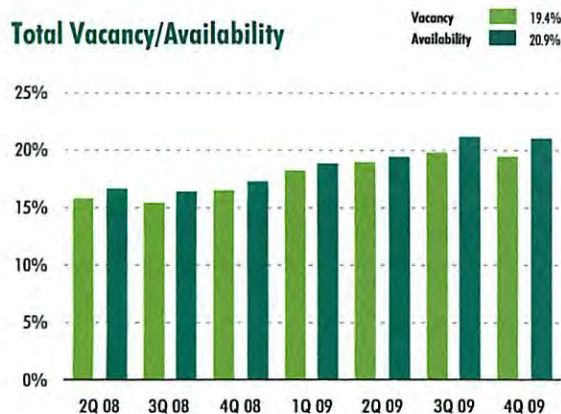
## Unemployment Rates



The unemployment rate for Santa Clara County decreased over the quarter to 11.7%; this marks a 30 basis point decrease from last quarter and a 400 basis point increase from this time last year. The California Employment Development Department reported that over the last year Santa Clara County has lost 42,700 jobs. Manufacturing was hit the hardest as it shed 13,700 jobs, primarily within computer and electronic products. However, employment in the local public schools sector grew the most as this sector gained 1,300 jobs. In addition, private health care and social assistance also grew as these sectors gained 1,000 jobs respectively. The unemployment rate for the state also remained at an elevated level. California's unemployment rate increased 20 basis points to 12.2%, the highest since current record-keeping began in 1976. From September to November, California shed 78,100 jobs and year-over-year job losses total 883,600. The national unemployment witnessed a moderate decrease as it dropped 20 basis points from Q3'09 figures to 9.4%.

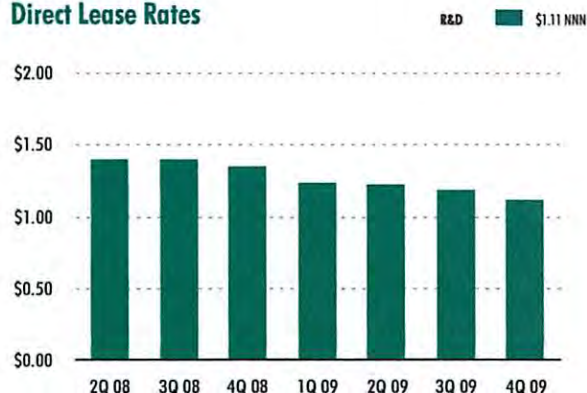


## Total Vacancy/Availability



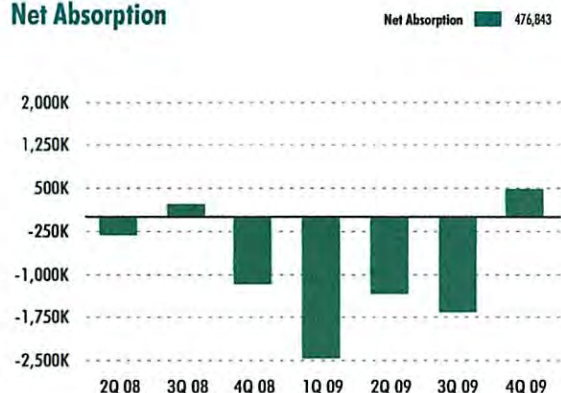
The average vacancy and availability rates for the Silicon Valley R&D market decreased 40 and 20 basis points from last quarter to 19.4% and 20.9%, respectively, the first decrease in either category since the third quarter of 2008. The largest decrease in vacancy occurred in Fremont, which experienced a 220 basis point decrease from last quarter to 23.5%. A large contributor to this drop in vacancy was the user sale of three buildings from TMG Partners to Mentor Graphics for 196,000 SF. North San Jose also experienced declining vacancy as it dropped 90 basis points from last quarter to 19.7%, due in large part to Harmonic Inc. leasing 188,000 SF at 4300 N First St. Downtown/IBP, Mountain View, and Palo Alto were the other submarkets that saw declining vacancy rates.

## Direct Lease Rates



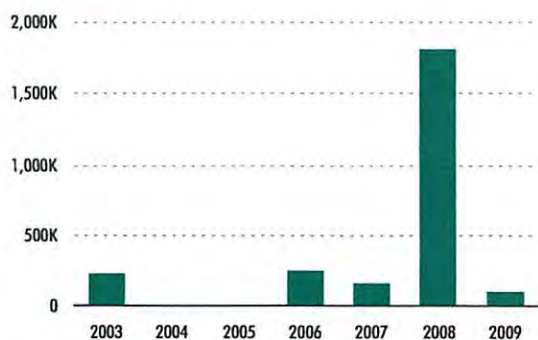
Average asking lease rates in the Silicon Valley R&D market decreased \$0.07 over the quarter to \$1.11 NNN; this marks a 6% decrease from last quarter and an 18% decrease from this time last year. The Palo Alto submarket experienced the steepest decline, dropping \$0.24 to \$1.86 NNN; an 11% decrease from last quarter. Fremont/Newark and South San Jose submarkets also experienced steep declines, dropping \$0.07 and \$0.09 respectively to \$0.68 NNN and \$0.89 NNN; a 9% decrease compared to last quarter. Furthermore, North San Jose average asking rates also dropped \$0.08 to \$0.95 NNN; this marks an 8% decrease from third quarter rates. Over the course of 2009, the market witnessed numerous declines in average asking rates across the board with the steepest drops recorded in the first three quarters of the year. This trend of decreasing rents may continue, but at a slower pace.

## Net Absorption



The Silicon Valley R&D market posted 476,843 SF of net absorption in the fourth quarter. The Fremont/Newark submarket posted the greatest amount of positive absorption as the market absorbed over 387,000 SF of vacant space over the quarter. Western Digital subleased 101,882 SF on 1250 Reliance Wy. Following Fremont/Newark, North San Jose posted over 217,000 SF of positive absorption. In addition, Palo Alto ended the year with positive absorption greater than 162,000 SF. Facebook subleased 265,000 SF at 1050 Page Mill Rd. Sunnyvale was the hardest hit with 190,109 SF of negative net absorption; a large contributor was Synplicity vacating approximately 67,000 SF at 600 W California Ave.

## Construction Completions



Solyndra continues its construction in Fremont on the 606,000 SF project located near its current facility on Kato Rd. Solyndra currently estimates the construction will employ over 3,000 people, and the ongoing operation will create an additional 1,000 jobs. Overall in 2009, there was only 100,000 SF of construction completions. Of the 100,000 SF of new product delivered to the market in 2009, 100% remains vacant. With unemployment at elevated levels most developers/investors do not have any incentive to initiate new projects in the R&D sector.



## MarketView Silicon Valley R&D

### Market Area Descriptions

- Downtown consists of 0.8 million square feet (0.5%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 25.3 million square feet (16.5%) of the R&D market NRA.
- I.B.P consists of 10.1 million square feet (6.6%) of the R&D market NRA.
- E. San Jose consists of 0.5 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.8 million square feet (6.4%) of the R&D market NRA.
- Milpitas consists of 12.5 million square feet (8.1%) of the R&D market NRA.
- Santa Clara consists of 21.1 million square feet (13.7%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.4%) of the R&D market NRA.
- Cupertino consists of 4.8 million square feet (3.1%) of the R&D market NRA.
- Sunnyvale consists of 22.8 million square feet (14.8%) of the R&D market NRA.
- Mountain View consists of 12.9 million square feet (8.4%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 7.4 million square feet (5.0%) of the R&D market NRA.
- Fremont consists of 19.8 million square feet (12.9%) of the R&D market NRA.
- Newark consists of 3.5 million square feet (2.3%) of the R&D market NRA.

### Silicon Valley Submarket Map



### Local Offices

#### SAN FRANCISCO PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

#### OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

#### PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

#### SAN FRANCISCO DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

#### SILICON VALLEY

225 W. Santa Clara Street  
10th Floor  
San Jose, CA 95113  
1.408.453.7400

#### PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.949.5100

#### WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

#### Available Square Feet

Vacant Square Feet plus space that is marketed as available but not currently vacant, includes sublease space.

#### Availability Rate

Available Square Feet divided by the NRA.

#### Average Asking Lease Rate

The rate determined by multiplying the asking triple net lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

#### Triple Net (NNN) Lease

A lease in which the tenant is responsible for all expenses associated with their proportional share of occupancy of the building, including both fixed and variable expenses.

#### Market Coverage

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

#### Net Absorption

The change in Occupied Square Feet from one period to the next.

#### Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

#### Occupied Square Feet

Building area not considered vacant.

#### Under Construction

Buildings which have begun construction as evidenced by foundation work.

#### Vacancy Rate

Vacant Square Feet divided by the NRA.

#### Vacant Square Feet

Available square feet which is either physically vacant or immediately available, includes sublease space.

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# MarketView

## Silicon Valley R&D

www.cbre.com/research

Fourth Quarter 2008

### Quick Stats

|                          | Current | Change from last |      |
|--------------------------|---------|------------------|------|
|                          |         | Yr.              | Qtr. |
| Vacancy                  | 16.5%   | ↑                | ↑    |
| Lease Rates              | \$1.35  | ↑                | ↓    |
| Net Absorption*          | (1.1M)  | ↓                | ↓    |
| Construction Completions | 196.5K  | ↑                | ↑    |

\* The Quick Stats arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g. absorption could be negative, but still represent a positive trend over a specific period)

### Hot Topics

- YTD negative net absorption of 805,671 sq. ft.
- Vacancy stands at 16.5%, the highest rate seen since Q2'06
- Santa Clara experienced positive absorption >47,000 sq. ft.
- >196,000 sq. ft. of construction completed in Fremont and Palo Alto

The Silicon Valley R&D market felt the impact of a weakening economy in the fourth quarter as negative absorption exceeded 1.1 million sq. ft. The commercial real estate market is finally beginning to feel the effects of the layoffs, bankruptcies and economic uncertainty in the U.S. However, that being said, Silicon Valley still remains a favored market as it has proven to be resilient compared to surrounding competitive markets.

Gross absorption fell below three million sq. ft. for the second time since 2006, while vacancy rates increased 110 basis points to 16.5%; the highest rate seen in Silicon Valley since the second quarter of 2006. Despite increasing vacancy the Silicon Valley still saw many large lease transactions from companies such as TSMC North America, Ausra Solar, Synaptics, and Aurora Networks, all over 60,000 sq. ft.

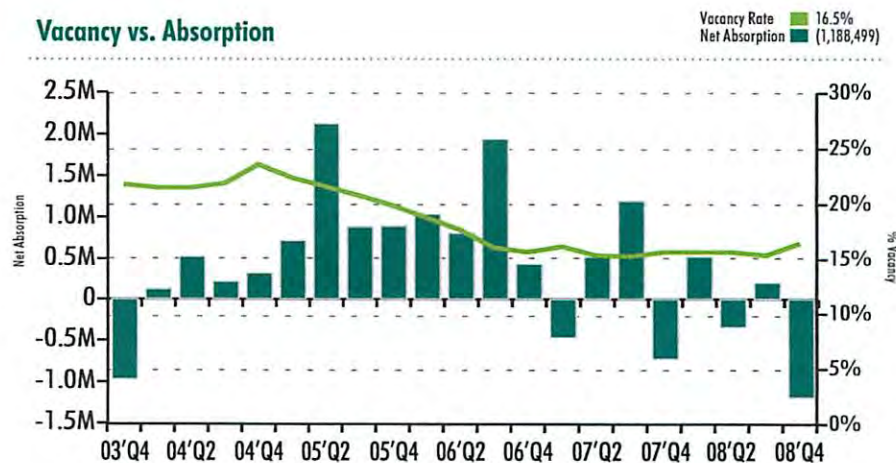
Investment sales have slowed considerably over the last two quarters as buyers remain cautious of current financial market turmoil. There were only four investment sales recorded during the fourth quarter, all of which were scattered across the Silicon Valley from Fremont to Cupertino. Favorably located properties that can boast high tenancy with long term leases appear to be garnering attention from well qualified buyers. Among the largest investment sale transactions this quarter, Google topped the list by purchasing the Mountain View

Life Sciences Portfolio totaling over 238,000 sq. ft. The portfolio consists of four properties and the project was 100% leased at the time of purchase. Levy Fremont Boulevard purchased 3 buildings totaling 181,560 sq. ft. located at 48401 – 48481 Fremont Blvd. The buildings were 28% leased at the time of purchase. Also, Apple topped the list of the largest user sale transactions by purchasing 293,407 sq. ft. from Hewlett Packard.

Average asking rates dropped 4% to \$1.35 NNN, marking the first decline in average rates since the fourth quarter of 2004. Landlords have begun offering tenants more concessions such as tenant improvements and free rent in order to prevent a sudden decline in asking rates. With vacancy and availability rates rising it is expected that the Silicon Valley will continue to see increased pressure on rates and reduced activity levels for the next few quarters or until demand rebounds.

Increasing unemployment and the effects of the recession appear to have finally caught up with the Silicon Valley R&D market. It is predicted that large blocks of sublease space will hit the market in the near future as a result of companies contracting or going out of business. However, as demand for technology based product continues and venture capital spending maintains respectable levels, the Silicon Valley R&D sector will continue to fare well compared to similar markets.

### Vacancy vs. Absorption

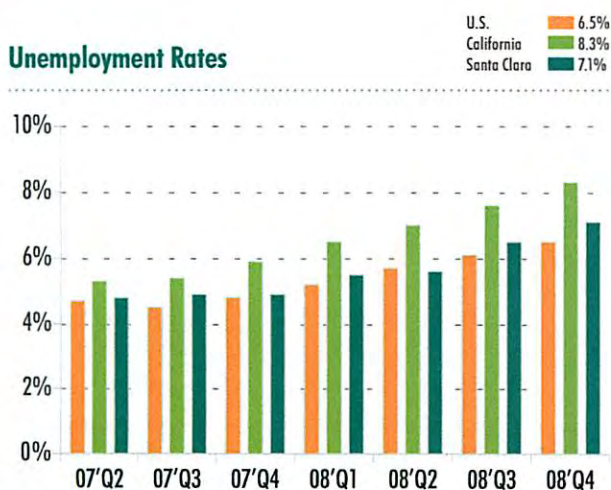




## Market Statistics

| Submarket                 | Net Rentable Area  | Total Vacancy Rate | Total Availability Rate | Avg. Asking Rate | Q4 Net Absorption  | YTD Net Absorption | Construction |
|---------------------------|--------------------|--------------------|-------------------------|------------------|--------------------|--------------------|--------------|
| San Jose Downtown         | 1,814,252          | 2.6%               | 2.6%                    | \$1.10           | 2,600              | (10,000)           | 0            |
| Meridian                  | 295,234            | 24.5%              | 24.5%                   | \$1.11           | 0                  | (21,181)           | 0            |
| North San Jose            | 24,564,166         | 18.2%              | 19.2%                   | \$1.09           | (236,247)          | 221,316            | 0            |
| I.B.P.                    | 10,193,854         | 17.9%              | 18.5%                   | \$0.79           | (60,882)           | (312,581)          | 0            |
| East San Jose             | 435,258            | 5.3%               | 6.1%                    | \$0.99           | 6,000              | (3,027)            | 0            |
| South San Jose            | 9,843,676          | 23.6%              | 23.6%                   | \$1.17           | 1,298              | 514,407            | 0            |
| Milpitas                  | 12,531,324         | 21.5%              | 22.4%                   | \$1.03           | (273,307)          | (59,278)           | 0            |
| Santa Clara               | 21,328,989         | 12.1%              | 12.2%                   | \$1.50           | 47,817             | 156,040            | 0            |
| Campbell                  | 1,176,741          | 25.3%              | 25.3%                   | \$1.75           | (38,561)           | (124,100)          | 0            |
| Los Gatos                 | 673,627            | 11.3%              | 11.3%                   | \$1.75           | (16,964)           | (24,761)           | 0            |
| Cupertino                 | 4,817,265          | 4.0%               | 4.3%                    | \$2.25           | 1,000              | 95,038             | 0            |
| Sunnyvale                 | 23,357,683         | 11.4%              | 12.7%                   | \$1.59           | (71,741)           | 8,532              | 0            |
| Mountain View             | 12,941,154         | 13.2%              | 15.1%                   | \$1.92           | (243,052)          | (427,175)          | 0            |
| Los Altos                 | 12,326             | 0.0%               | 0.0%                    | \$1.75           | 0                  | 0                  | 0            |
| Palo Alto                 | 7,750,607          | 5.1%               | 6.4%                    | \$2.75           | (142,838)          | (284,648)          | 0            |
| <b>Santa Clara County</b> | <b>131,736,156</b> | <b>14.7%</b>       | <b>15.5%</b>            | <b>\$1.45</b>    | <b>(1,024,877)</b> | <b>(271,418)</b>   | <b>0</b>     |
| Fremont/Newark            | 22,920,477         | 26.5%              | 26.8%                   | \$0.78           | (163,622)          | (534,253)          | 0            |
| <b>Silicon Valley</b>     | <b>154,656,633</b> | <b>16.5%</b>       | <b>17.2%</b>            | <b>\$1.35</b>    | <b>(1,188,499)</b> | <b>(805,671)</b>   | <b>0</b>     |

## Unemployment Rates

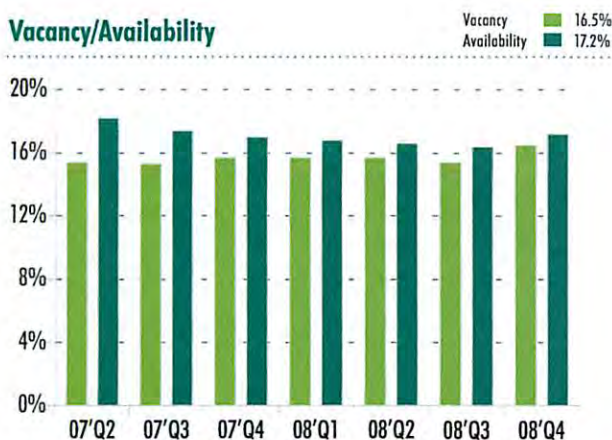


Source: EDD

National real GDP decreased at an annual rate of 0.5% in the third quarter of 2008 according to estimates released by the Bureau of Economic Analysis. The decrease in real GDP reflected negative contributions from residential fixed investment, personal consumption expenditures, and equipment and software. These were slightly offset by positive contributions to real GDP from private inventory investment, nonresidential structures, exports, federal government spending, and state and local government spending. The Santa Clara county labor force has decreased by 3,100 since October to 884,700; directly translating to the unemployment rate increasing 20 basis points to 7.1%. The unemployment rate for California increased to 8.3% from 7.5% and the national unemployment rate increased 50 basis points to 6.5%.



## Vacancy/Availability



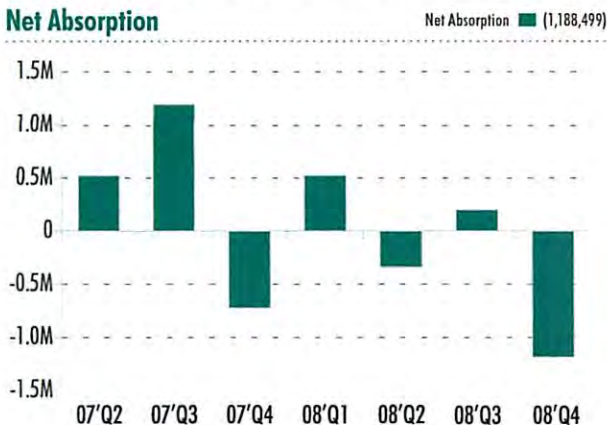
The average vacancy rate for the Silicon Valley R&D market increased 110 basis points from last quarter to 16.5%, the highest vacancy rate seen since the second quarter of 2006. The largest increase in vacancy occurred in Mountain View which experienced a 380 basis point increase from last quarter to 13.2%. Google's decision to sublease three buildings was a large contributor to this spike in vacancy. Palo Alto also experienced an increase in vacancy rising 280 basis points to 5.1% due in large part to Beckman Coulter adding 222,025 sq. ft. of sublease space at 1050 Page Mill Rd. In contrast, the Santa Clara submarket experienced the largest decrease in vacancy by declining 40 basis points to 12.1% due to several large transactions.

## Lease Rates



Average asking lease rates in the Silicon Valley R&D decreased \$0.05 over the quarter to \$1.35 NNN; this marks a 4% decrease in the last quarter. North San Jose average asking rates experienced the steepest decline, dropping \$0.11 to \$1.09 NNN; a 10% decrease compared to last quarter. Milpitas average asking rates also declined by dropping \$0.07 to \$1.03 NNN; marking a 10% decrease from third quarter rates. Fremont and Newark remain the most affordable at \$0.79 and \$0.73 NNN respectively. As transaction velocity declines expect landlords to offer more concessions in hopes of keeping rents up.

## Net Absorption



The Silicon Valley R&D market recorded negative net absorption posting 1,188,499 sq. ft. in the fourth quarter. Santa Clara saw the highest positive net absorption with 47,817 sq. ft. Transactions with Aurora Networks for 61,358 sq. ft. and ZillionTV for 57,649 sq. ft. were major contributors to this submarket. In contrast, Milpitas and Mountain View experienced the largest negative net gains this quarter posting negative 273,307 sq. ft. and 243,052 sq. ft. respectively. North San Jose also experienced significant negative net absorption of 236,247 sq. ft.

## New Construction



Given the existing availabilities of R&D product in the market, investors and landlords do not have an incentive to initiate new projects in the R&D sector at this time. However, construction at 6750 Dumbarton Circle located along Highway 84 reached completion and delivered approximately 118,535 sq. ft. to the Fremont submarket. The two-story Peery Arrillaga project is 100% vacant and ready for occupancy. Construction at 3420 Hillview Ave in Palo Alto also reached completion and delivered 78,000 sq. ft. to the Palo Alto market. The single story structure is 100% fully leased to SAP.



### Market Area Descriptions

- Downtown consists of 1.8 million square feet (1.2%) of the R&D market NRA.
- Meridian consists of 0.2 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 24.5 million square feet (15.9%) of the R&D market NRA.
- I.B.P consists of 10.1 million square feet (6.6%) of the R&D market NRA.
- E. San Jose consists of 0.4 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.8 million square feet (6.4%) of the R&D market NRA.
- Milpitas consists of 12.5 million square feet (8.1%) of the R&D market NRA.
- Santa Clara consists of 21.3 million square feet (13.8%) of the R&D market NRA.
- Campbell consists of 1.1 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.6 million square feet (0.4%) of the R&D market NRA.
- Cupertino consists of 4.8 million square feet (3.1%) of the R&D market NRA.
- Sunnyvale consists of 23.3 million square feet (15.1%) of the R&D market NRA.
- Mountain View consists of 12.9 million square feet (8.4%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 7.7 million square feet (5.0%) of the R&D market NRA.
- Fremont consists of 19.4 million square feet (12.6%) of the R&D market NRA.
- Newark consists of 3.4 million square feet (2.3%) of the R&D market NRA.

### Silicon Valley Submarket Map



### Local Offices

#### SAN FRANCISCO PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

#### OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

#### PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA 94588  
1.925.251.4600

#### SAN FRANCISCO DOWNTOWN

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44th Floor  
San Francisco, CA 94111  
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San Jose, CA 95113  
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Suite 100  
Palo Alto, CA 94306  
1.650.494.5100

#### WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

#### Available Square Feet

Vacant Square Feet plus space that is marketed as available but not currently vacant, includes sublease space.

#### Availability Rate

Available Square Feet divided by the NRA.

#### Average Asking Direct Lease Rate

The rate determined by multiplying the asking full service lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

#### Full Service Leases

Includes all types whereby the Landlord assumes responsibility for most or all of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

#### Market Coverage

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

#### Net Absorption

The change in Occupied Square Feet from one period to the next.

#### Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

#### Occupied Square Feet

Building Area not considered vacant.

#### Under Construction

Buildings which have begun construction as evidenced by foundation work.

#### Vacancy Rate

Vacant Square Feet divided by the NRA.

#### Vacant Square Feet

Available square feet which is either physically vacant or immediately available, includes sublease space.

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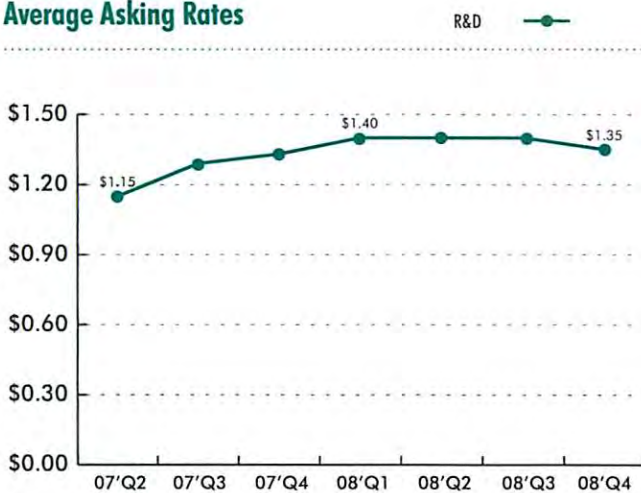
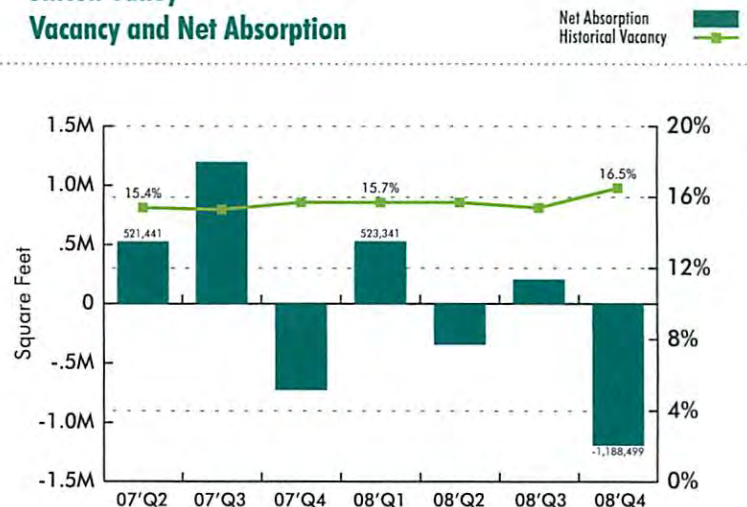
## Silicon Valley R&amp;D Report

www.cbre.com/research

Fourth Quarter 2008

| Submarkets                           | NRA                | Total<br>Vacancy<br>Rate | Total<br>Vacant<br>SF | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4 Net<br>Absorption | Q4 Gross<br>Absorption | Y-T-D<br>Absorption |
|--------------------------------------|--------------------|--------------------------|-----------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|----------------------|------------------------|---------------------|
| San Jose – Downtown/IBP              | 12,008,106         | 15.6%                    | 1,876,446             | 16.1%                         | 1,756,497                    | 181,556                        | \$0.84                     | (58,282)             | 136,634                | (322,581)           |
| San Jose – North                     | 24,564,166         | 18.2%                    | 4,480,662             | 19.2%                         | 4,407,725                    | 299,556                        | \$1.09                     | (236,247)            | 366,634                | 221,316             |
| San Jose - Meridian/East/<br>South   | 10,574,168         | 22.9%                    | 2,417,018             | 22.9%                         | 1,841,417                    | 579,249                        | \$1.16                     | 7,298                | 36,634                 | 490,199             |
| Milpitas                             | 12,531,324         | 21.5%                    | 2,698,168             | 22.4%                         | 2,075,219                    | 734,161                        | \$1.03                     | (273,307)            | 35,132                 | (59,278)            |
| Santa Clara                          | 21,328,989         | 12.1%                    | 2,577,196             | 12.2%                         | 2,223,277                    | 377,720                        | \$1.50                     | 47,817               | 386,572                | 156,040             |
| West Valley*                         | 6,679,959          | 8.4%                     | 564,276               | 8.7%                          | 498,459                      | 84,361                         | \$2.11                     | (54,525)             | 313,440                | (53,823)            |
| Sunnyvale                            | 23,357,683         | 11.4%                    | 2,666,634             | 12.7%                         | 2,527,334                    | 432,924                        | \$1.59                     | (71,741)             | 386,527                | 8,532               |
| Mountain View                        | 12,941,154         | 13.2%                    | 1,708,596             | 15.1%                         | 951,875                      | 1,003,814                      | \$1.92                     | (243,052)            | 316,140                | (427,175)           |
| Palo Alto                            | 7,750,607          | 5.1%                     | 398,395               | 6.4%                          | 143,897                      | 348,328                        | \$2.75                     | (142,838)            | 46,298                 | (284,648)           |
| Fremont/Newark                       | 22,920,477         | 26.5%                    | 6,084,625             | 26.8%                         | 5,554,741                    | 597,251                        | \$0.78                     | (163,622)            | 438,861                | (534,253)           |
| <b>Silicon Valley R&amp;D Market</b> | <b>154,656,633</b> | <b>16.5%</b>             | <b>25,472,016</b>     | <b>17.2%</b>                  | <b>21,980,441</b>            | <b>4,638,920</b>               | <b>\$1.35</b>              | <b>(1,188,499)</b>   | <b>2,462,872</b>       | <b>(805,671)</b>    |

\* West Valley is comprised of the Los Gatos, Campbell, Cupertino and Los Altos Markets

Silicon Valley  
Average Asking RatesSilicon Valley  
Vacancy and Net Absorption



**Significant Lease Transactions of the Quarter**

| Lessee                   | Address                            | Total SF | Product Type | Type     |
|--------------------------|------------------------------------|----------|--------------|----------|
| TSMC North America       | 2585 - 2595 Junction Ave, San Jose | 110,590  | R&D          | Renewal  |
| Ausra Solar              | 303 Ravendale Dr, Mt. View         | 67,000   | R&D          | Direct   |
| Synaptics                | 2251 Lawson Ln, San Jose           | 62,500   | R&D          | Direct   |
| Aurora Networks          | 5400 Betsy Ross Dr, Santa Clara    | 61,358   | R&D          | Direct   |
| Payment Processing, Inc. | 8200 Central Ave, Newark           | 59,020   | R&D          | Renewal  |
| Conceptus                | 331 E Evelyn Ave, Mt. View         | 58,242   | R&D          | Renewal  |
| ZillionTV                | 1170 Kifer Rd, Santa Clara         | 57,649   | R&D          | Sublease |
| FM Industries            | 221 - 231 E Warren Ave, Fremont    | 57,360   | R&D          | Renewal  |
| General Electric Capital | 2300 - 2320 Owen St, Santa Clara   | 46,621   | R&D          | Direct   |
| Silicon Labs             | 940 Stewart Dr, Sunnyvale          | 44,702   | R&D          | Direct   |

**Significant Sale Transactions of the Quarter**

| Buyer                              | Address                                    | Total SF | Product Type | Type     |
|------------------------------------|--------------------------------------------|----------|--------------|----------|
| Apple                              | 19333 Vallco Pkwy, Cupertino               | 293,407  | R&D          | User     |
| Google                             | Mt. View Life Sciences Portfolio, Mt. View | 238,809  | R&D          | Investor |
| Levy Fremont Boulevard I & II, LLC | 48401 Fremont Blvd, Fremont                | 181,560  | R&D          | Investor |
| KBS Realty                         | 350 E Plumeria Dr, San Jose                | 142,700  | R&D          | Investor |
| Menlo Equities Associates          | 18880 Homestead Rd, Cupertino              | 101,373  | R&D          | Investor |
| Intuitive Surgical                 | 1450 Kifer Rd, Sunnyvale                   | 78,181   | R&D          | User     |



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**SILICON VALLEY**  
 CB Richard Ellis, Inc.  
 225 West Santa Clara Street  
 10th Floor  
 San Jose, CA 95113  
 main: 408.453.7400  
 fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)



### QUICK STATS

|                          | Current | Yr. | Qtr. |
|--------------------------|---------|-----|------|
| Vacancy                  | 15.7%   | ↔   | ↑    |
| Lease Rates              | \$1.33  | ↑   | ↑    |
| Net Absorption*          | -723.8K | ↓   | ↓    |
| Construction Completions | 0       | ↓   | ↔    |

\* The Quick Stats arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g. absorption could be negative, but still represent a positive trend over a specific period)

### HOT TOPICS

- YTD net absorption of positive 520,120 square feet.
- Eighth consecutive quarter of increased average asking rates and highest annual average asking rates since 2002.
- Four consecutive quarters of > three million square feet in gross absorption.
- Over 214,000 square feet of construction expected to reach completion in 2008.

The Silicon Valley R&D market continued its stabilization through the end of 2007, providing a positive outlook as market fundamentals tightened further. Investors remain cautiously optimistic leasing demand will continue to accelerate, but at a more modest pace. Vacancy levels inched up to 15.7% as the market posted 723,787 square feet of negative net absorption; lowering the year-to-date total to over a half a million square feet of positive net absorption.

Gross absorption eclipsed three million square feet for the fourth consecutive quarter and stands above 14.9 million square feet for 2007; all due to large lease transactions from valley stalwarts such as Cisco, Google, Yahoo, and Netgear. New construction is also taking place in Silicon Valley with over 214,000 square feet of new R&D space expected to be delivered to the market in 2008.

Venture capital spending totaled over \$2.48 billion invested in Silicon Valley for the year, which is the highest amount invested outside of 1999 and 2000. Leasing activity is expected to strengthen as tenant demand for quality R&D product continues. As a result landlords will be offering fewer concessions to new tenants.

Investors took a back seat in the fourth quarter with large investment and user sales on the decline.

Evidence suggests investors are remaining cautiously optimistic that demand will soon pick-up. Cohen Asset Management topped the list of large transactions this quarter by purchasing two buildings for 148,763 square feet on 39700 Eureka Drive in Newark, for a total of \$19 million.

Average asking rates for the Silicon Valley R&D market increased for the eighth consecutive quarter.

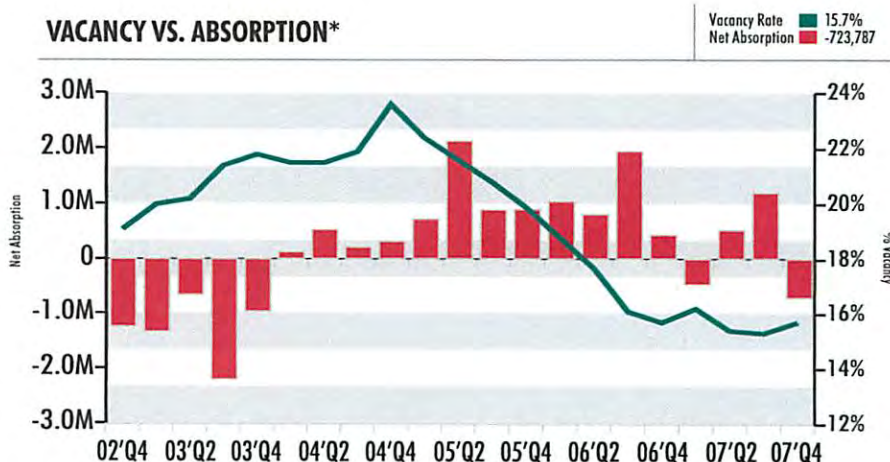
*Average asking rates for the Silicon Valley R&D market increased for the eighth consecutive quarter. With vacancy holding under 16% rates are expected to remain stable.*

With vacancy holding under 16% rates are expected to remain stable. It is still uncertain whether tenants will absorb enough space to encourage significant rent growth in the upcoming quarters; however, average rents are currently at a five year high of \$1.33 NNN.

Overall, 2007 marked a record setting year, posting a record number of transactions, increased leasing rates, and falling vacancy levels all fueled by investors and burgeoning demand; but, the near term appears to be stabilizing as

activity has decelerated and the national economy is at the heels of a transitioning real estate market. However, investors remain optimistic and anticipate a positive trend through 2008, but at a more modest pace to what has been a resilient market.

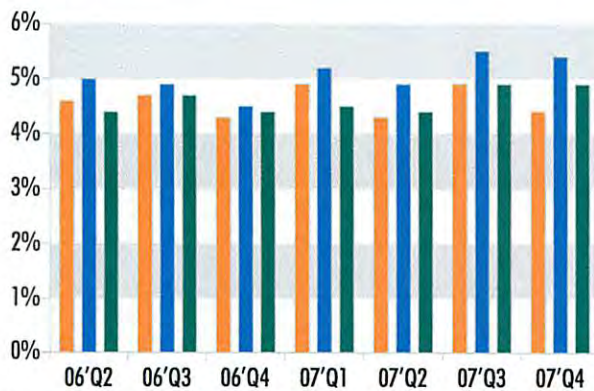
### VACANCY VS. ABSORPTION\*





| SUBMARKET                                | NET<br>RENTABLE<br>AREA | TOTAL<br>VACANCY RATE | TOTAL<br>AVAILABILITY<br>RATE | AVG. ASKING<br>RATE | Q4 NET<br>ABSORPTION | YTD NET<br>ABSORPTION | CONSTRUCTION   |
|------------------------------------------|-------------------------|-----------------------|-------------------------------|---------------------|----------------------|-----------------------|----------------|
| San Jose Downtown                        | 1,814,252               | 2.1%                  | 2.8%                          | \$1.15              | 163,958              | 188,957               | 0              |
| Meridian                                 | 295,234                 | 17.3%                 | 17.3%                         | \$1.18              | 0                    | (51,022)              | 0              |
| North San Jose                           | 25,167,832              | 19.2%                 | 20.1%                         | \$1.20              | (211,617)            | 261,681               | 0              |
| I.B.P.                                   | 10,168,338              | 15.2%                 | 16.0%                         | \$0.82              | (75,264)             | 180,418               | 0              |
| East San Jose                            | 446,258                 | 4.5%                  | 4.9%                          | \$1.03              | 532                  | 7,805                 | 0              |
| South San Jose                           | 9,635,101               | 26.0%                 | 27.1%                         | \$1.22              | (140,464)            | (269,640)             | 0              |
| Milpitas                                 | 12,297,445              | 20.1%                 | 20.6%                         | \$1.10              | 375,166              | (238,338)             | 0              |
| Santa Clara                              | 21,900,401              | 12.9%                 | 13.7%                         | \$1.43              | (328,491)            | 90,415                | 0              |
| Campbell                                 | 1,174,280               | 12.6%                 | 24.7%                         | \$1.75              | (28,672)             | (15,667)              | 0              |
| Los Gatos                                | 673,627                 | 8.0%                  | 10.5%                         | \$1.75              | (13,251)             | (6,216)               | 0              |
| Cupertino                                | 4,679,178               | 7.0%                  | 7.5%                          | \$1.75              | (202,412)            | (162,175)             | 0              |
| Sunnyvale                                | 23,824,673              | 12.5%                 | 12.9%                         | \$1.50              | 88,329               | 453,443               | 0              |
| Mountain View                            | 12,874,141              | 6.6%                  | 10.6%                         | \$1.73              | (27,694)             | 85,197                | 0              |
| Los Altos                                | 12,326                  | 0.0%                  | 0.0%                          | \$1.75              | 0                    | 0                     | 0              |
| Palo Alto                                | 7,659,965               | 3.7%                  | 7.5%                          | \$2.75              | (189,037)            | (103,606)             | 78,000         |
| <b>Santa Clara County</b>                | <b>132,623,051</b>      | <b>14.3%</b>          | <b>15.6%</b>                  | <b>\$1.35</b>       | <b>(588,917)</b>     | <b>421,252</b>        | <b>0</b>       |
| Fremont / Newark                         | 22,576,867              | 25.1%                 | 26.5%                         | \$0.80              | (134,870)            | 98,868                | 136,730        |
| <b>SILICON VALLEY<br/>R&amp;D MARKET</b> | <b>155,199,918</b>      | <b>15.7%</b>          | <b>17.0%</b>                  | <b>\$1.33</b>       | <b>(723,787)</b>     | <b>520,120</b>        | <b>214,730</b> |

## UNEMPLOYMENT RATES



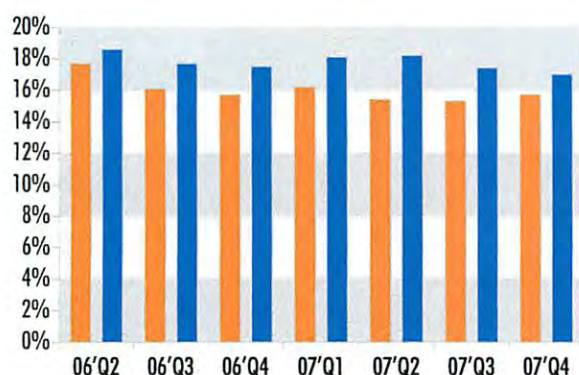
Source: EDD

National real GDP increased at an annual rate of 4.9% in the third quarter according to the Bureau of Economic Analysis. The acceleration of GDP in the third quarter reflected positively in exports, these were offset by a negative contribution from residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased in the third quarter. Silicon Valley venture capital investment remained stable throughout the third quarter closing with 287 deals valued at over \$2.48 billion. Silicon Valley accounted for 35% of venture capital investment nationwide. The total number of jobs in the South Bay grew by 6,900 to bring the unemployment rate to 4.9%. The California unemployment rate decreased 10 basis points to 5.4% with non-farm payrolls increasing by 7,300. The national unemployment rate decreased 50 basis points to 4.4%.



## VACANCY/AVAILABILITY

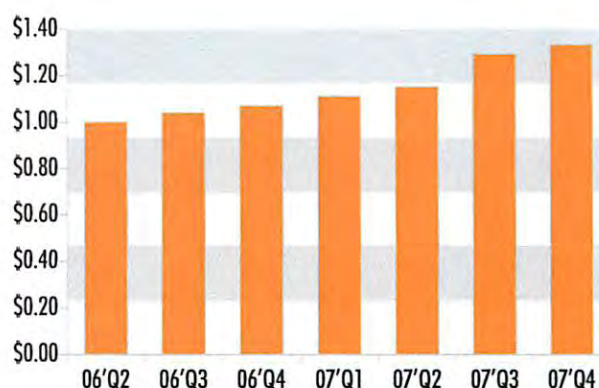
Vacancy 15.7%  
Availability 17.0%



The average vacancy rate for the Silicon Valley R&D market increased 40 basis points to 15.7%. Milpitas experienced the largest drop in vacancy dipping 300 basis points to 20.1% due in large part to Cisco Systems leasing 471,607 square feet on 115 N McCarthy Blvd. Vacancy for the Downtown/IBP submarket dropped 130 basis points from the previous quarter to 13.2%. In contrast, the Santa Clara and the West Valley submarkets posted the largest increases in vacancy rates. The West Valley submarket vacancy rate increased 370 basis points to 8.1%, and Santa Clara jumped up 140 basis points to 12.9%.

## LEASE RATES

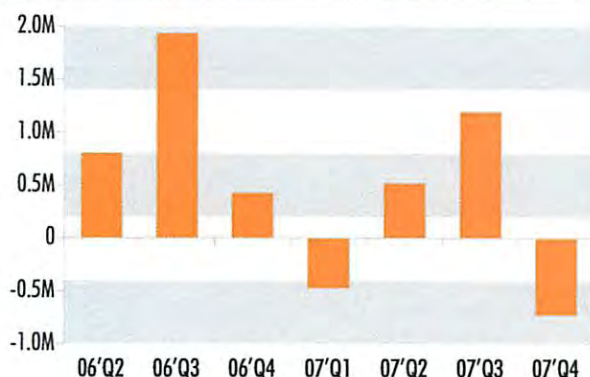
R&D \$1.33



Average asking lease rates for Silicon Valley R&D product continued to increase for the eighth consecutive quarter, to \$1.33 NNN, an increase of 2.3% from the previous quarter, and 24.5% from the same time last year. Mountain View, Sunnyvale, and West Valley submarkets all experienced dramatic increases. Mountain View and West Valley reported asking rates were up 5% and 6% respectively. Expect lease rates to continue a steady climb as leasing activity strengthens.

## NET ABSORPTION

Net Absorption -723,787



Although the Silicon Valley R&D market posted negative net absorption in the fourth quarter, absorption for the year stood at 520,120 square feet marking the fourth consecutive year of positive absorption. Milpitas saw the largest gain in absorption at 375,166 square feet, an aggressive recovery after recording negative net absorption in the third quarter. The San Jose Downtown/I.B.P submarkets also posted positive absorption of 88,694 square feet due in part to large lease transactions from 2Wire and Vocera Communications.

## CONSTRUCTION ACTIVITY

Construction on the Fremont Tech Center is currently underway and is projected to deliver approximately 137,000 square feet and will include ten R&D buildings ranging in size from 5,000 to 30,000 square feet. Fremont could be considered a good option for tenants looking for quality R&D space in the near future due to favorable rates and location in a tightening R&D market. Construction has also broken ground at 3412 Hillview in Palo Alto. The single tenant structure is expected to deliver 78,000 square feet and is already 100% fully leased to SAP.

## MARKET OUTLOOK

The Silicon Valley R&D market has posted another solid year of healthy leasing activity and will look to continue this trend in 2008. Although investment deals may decelerate, leasing activity will remain stable as venture capital spending continues to fuel the market, keeping R&D product in high demand. As vacancy rates decline and the market tightens further in 2008, tenants will see consistent rental rates with few concessions in quality R&D product. The trends indicate the Silicon Valley R&D market will remain resilient and should look positive in 2008.



## SILICON VALLEY SUBMARKET MAP



## MARKET AREA DESCRIPTIONS

- Downtown consists of 1.8 million square feet (1.2%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 25.1 million square feet (16.2%) of the R&D market NRA.
- I.B.P. consists of 10.2 million square feet (6.6%) of the R&D market NRA.
- E. San Jose consists of 0.4 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.6 million square feet (6.2%) of the R&D market NRA.
- Milpitas consists of 12.3 million square feet (7.9%) of the R&D market NRA.
- Santa Clara consists of 21.9 million square feet (14.1%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.4%) of the R&D market NRA.
- Cupertino consists of 4.7 million square feet (3.0%) of the R&D market NRA.
- Sunnyvale consists of 23.8 million square feet (15.4%) of the R&D market NRA.
- Mountain View consists of 12.9 million square feet (8.3%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 7.7 million square feet (4.9%) of the R&D market NRA.
- Fremont consists of 19.1 million square feet (12.3%) of the R&D market NRA.
- Newark consists of 3.5 million square feet (2.3%) of the R&D market NRA.

## LOCAL OFFICES

SAN FRANCISCO  
PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

## OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

## PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

SAN FRANCISCO  
DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

## SILICON VALLEY

225 W. Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
1.408.453.7400

## PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.494.5100

## WALNUT CREEK

2175 N. California Blvd.  
Suite 300  
Walnut Creek, CA 94596  
1.925.296.7700

## AVAILABILITY RATE

Available Square Feet divided by the NRA.

## AVAILABLE SQUARE FEET

Vacant Square Feet plus space that is available but not currently vacant, plus sublease space.

## AVERAGE ASKING DIRECT LEASE RATE

The rate determined by multiplying the asking triple-net lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

## MARKET COVERAGE

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

## NET ABSORPTION

The change in Occupied Square Feet from one period to the next.

## NET LEASES

Includes all lease types whereby the Tenant assumes responsibility for most, or all, of the operating expenses and taxes for the property.

## NET RENTABLE AREA (NRA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

## OCCUPIED SQUARE FEET

NRA not considered vacant.

## UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by foundation work.

## VACANCY RATE

Vacant Square Feet divided by the NRA.

## VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available. Includes sublease space.

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# Silicon Valley Market

## R&D REPORT

FOURTH QUARTER 2007

| Submarkets                           | NRA                | Total<br>Vacancy<br>Rate | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4<br>Net<br>Absorption | Q4<br>Gross<br>Absorption | Y-T-D<br>Net<br>Absorption |
|--------------------------------------|--------------------|--------------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|-------------------------|---------------------------|----------------------------|
| San Jose – Downtown/IBP              | 11,982,590         | 13.2%                    | 14.0%                         | 1,436,633                    | 244,320                        | \$0.87                     | 88,694                  | 305,134                   | 369,375                    |
| San Jose – North                     | 25,167,832         | 19.2%                    | 20.0%                         | 4,478,858                    | 567,781                        | \$1.20                     | (211,617)               | 463,074                   | 261,681                    |
| San Jose - Meridian/East/South       | 10,376,593         | 24.8%                    | 25.8%                         | 2,157,748                    | 523,635                        | \$1.21                     | (139,932)               | 82,619                    | (312,857)                  |
| Milpitas                             | 12,297,445         | 20.1%                    | 20.6%                         | 1,998,136                    | 533,952                        | \$1.10                     | 375,166                 | 621,265                   | (238,338)                  |
| Santa Clara                          | 21,900,401         | 12.9%                    | 13.7%                         | 2,489,005                    | 505,483                        | \$1.43                     | (328,491)               | 563,971                   | 90,415                     |
| West Valley*                         | 6,539,411          | 8.1%                     | 10.9%                         | 643,052                      | 67,028                         | \$1.75                     | (244,335)               | 21,025                    | (184,058)                  |
| Sunnyvale                            | 23,824,673         | 12.5%                    | 12.9%                         | 2,729,470                    | 354,433                        | \$1.50                     | 88,329                  | 615,734                   | 453,443                    |
| Mountain View                        | 12,874,141         | 6.6%                     | 10.6%                         | 1,040,114                    | 319,108                        | \$1.73                     | (27,694)                | 212,517                   | 85,197                     |
| Palo Alto                            | 7,659,965          | 3.7%                     | 7.5%                          | 223,650                      | 354,353                        | \$2.75                     | (189,037)               | 122,670                   | (103,606)                  |
| Fremont/Newark                       | 22,576,867         | 23.9%                    | 23.9%                         | 5,282,630                    | 390,532                        | \$0.80                     | (134,870)               | 487,950                   | 98,868                     |
| <b>Silicon Valley R&amp;D Market</b> | <b>155,199,918</b> | <b>15.7%</b>             | <b>17.0%</b>                  | <b>22,479,296</b>            | <b>3,860,625</b>               | <b>\$1.33</b>              | <b>(723,787)</b>        | <b>3,495,959</b>          | <b>520,120</b>             |

\* West Valley is comprised of the Los Gatos, Campbell, Cupertino and Los Altos markets.

### Significant Transactions of the Quarter

#### Lease Transactions

| Address                 | City        | Tenant                   | Total SF | Type |
|-------------------------|-------------|--------------------------|----------|------|
| 115 N McCarthy Blvd     | Milpitas    | Cisco                    | 471,607  | New  |
| 401 Kato Terr           | Fremont     | All Quality and Services | 72,536   | New  |
| 600 W California Ave    | Sunnyvale   | Synplicity               | 66,212   | Rnwl |
| 5425 Stevens Creek Blvd | Santa Clara | LiveOps, Inc.            | 59,384   | New  |
| 929 E Arques Ave        | Sunnyvale   | Maxim                    | 58,688   | New  |
| 1768 Automation Pkwy    | San Jose    | 2Wire, Inc.              | 53,741   | New  |
| 4050 Starboard Dr       | Fremont     | Flash Electronics        | 52,232   | Rnwl |
| 525 Race St             | San Jose    | Vocera Communications    | 46,395   | New  |
| 940 - 980 Mission Ct    | Fremont     | VIA Technologies         | 36,348   | New  |
| 965 E Arques Ave        | Sunnyvale   | Innovalight              | 35,537   | New  |

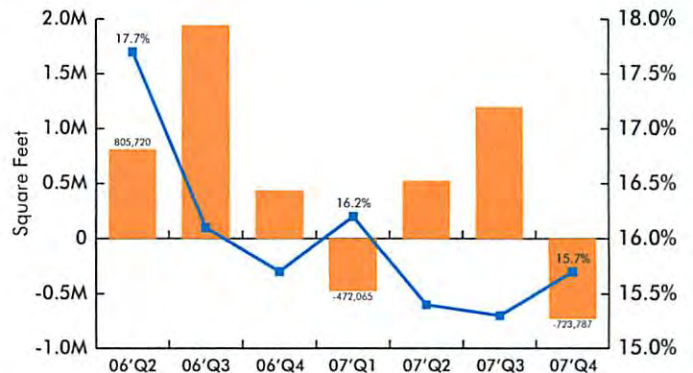


### SILICON VALLEY R&D PROPERTY LEASE RATES

Lease Rates



### SILICON VALLEY VACANCY AND NET ABSORPTION

Net Absorption  
Historical Vacancy

### Sale Transactions

| Address                  | City        | Buyer                  | Total SF | Type |
|--------------------------|-------------|------------------------|----------|------|
| 39700 Eureka Dr          | Newark      | Cohen Asset Management | 148,763  | Inv  |
| 1980 - 1998 Concourse Dr | San Jose    | Fox Creek Fund LLC     | 85,367   | Inv  |
| 1015 - 1025 E Brokaw Rd  | San Jose    | Dollinger Properties   | 83,800   | Inv  |
| 3745 - 3775 N First St   | San Jose    | DR Stephens            | 67,582   | Inv  |
| 430 - 438 W Maude Ave    | Sunnyvale   | Trinity Baptist Church | 60,000   | User |
| 220 Humboldt Ct          | Sunnyvale   | Batton                 | 50,760   | Inv  |
| 1306 - 1310 Orleans Dr   | Sunnyvale   | Orchard Commercial     | 50,256   | Inv  |
| 455 Deguigne Dr          | Sunnyvale   | Westcore Properties    | 46,104   | Inv  |
| 550 - 576 Sycamore Dr    | Milpitas    | DR Stephens & Co LLC   | 40,455   | Inv  |
| 3200 - 3226 Scott Blvd   | Santa Clara | Devcon Construction    | 36,000   | Inv  |

### Significant Construction

| Address                            | City      | Building NRA | Developer |
|------------------------------------|-----------|--------------|-----------|
| Fremont Tech Center - 10 Buildings | Fremont   | 136,730      | Opus      |
| 3412 Hillview Ave                  | Palo Alto | 78,000       | Devcon    |

#### SILICON VALLEY

CB Richard Ellis, Inc.  
225 West Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
main: 408.453.7400  
fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)

#### PALO ALTO

CB Richard Ellis, Inc.  
Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
main: 650.494.5100  
fax: 650.494.5102  
[www.cbre.com/paloalto](http://www.cbre.com/paloalto)

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### QUICK STATS

|                          | Current | Yr. | Qtr. |
|--------------------------|---------|-----|------|
| Vacancy                  | 15.7%   | ↓   | ↓    |
| Lease Rates              | \$1.07  | ↑   | ↑    |
| Net Absorption*          | 431.2K  | ↓   | ↓    |
| Construction Completions | 37,470  | ↑   | ↑    |

\* The Quick Stats arrows are trend indicators over the specified time period and do not represent a positive or negative value. (E.g., absorption could be negative, but still represent a positive trend over a specific period.)

### HOT TOPICS

- Third consecutive year of positive net absorption
- Both vacancy and availability dropped for the ninth consecutive quarter
- The market posted the lowest vacancy rate in over four years
- Average asking rates increased more than 9% in 2006

The Silicon Valley's R&D market posted another solid year in 2006. Thanks largely to high-tech giants Google, Apple Computer and Yahoo! expanding and gobbling up properties in Mountain View, Cupertino and Santa Clara, the market saw gross activity reach almost 12 million square feet in 2006. The future for high-tech companies in the area is bright, exhibited by the consistent level of venture capital funding being pumped into the Silicon Valley. Investment sales also drove the market in 2006, marked by enormous acquisitions by RREEF, Hines REIT and JER/Lane in multiple cities. These factors resulted in a third year of positive net absorption, falling vacancies and significant rent growth as the supply of available space decreased throughout the year.

The R&D market showed mixed results in the fourth quarter, posting over two million square feet of gross absorption, yet only 431,219 square feet of net absorption. Leasing activity was still robust, but due to a substantial amount of vacant space

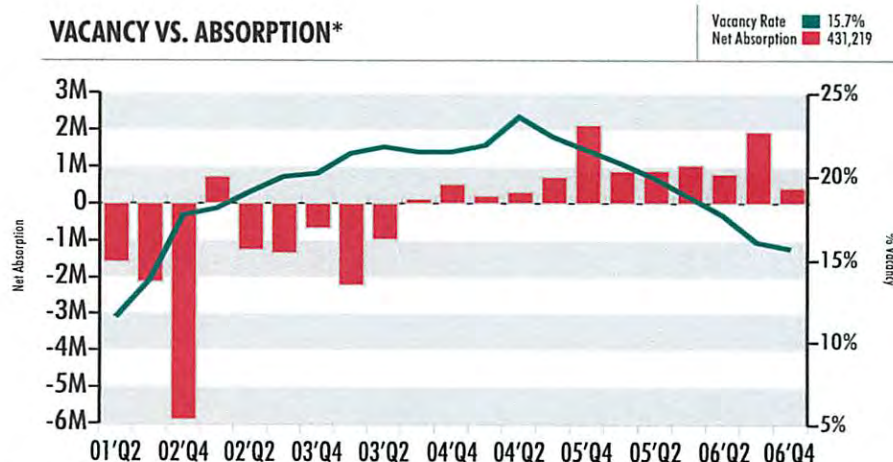
made available in previous quarters occupancy gains this quarter were not as strong as predicted. Overall, vacancy rates dropped 417 basis points in 2006 to 15.7% as net absorption hit another high of 4.2 million square feet and average asking rate increased 9.2% to \$1.07 NNN. Sublease space now stands at 17.5%, up 182 basis points in the quarter but down 294 basis points for the year.

Despite six buildings becoming vacant in the Pacific Research Center in Newark, market-wide activity levels were still strong enough to offset the half million square feet of vacant biotech space owned by BioMed. Milpitas led the rest of the market in activity, posting 411,451 square feet of gross absorption. Significant lease transactions in the fourth quarter

included Interwoven leasing 110,000 square feet in North San Jose, Greater Bay Bank inking 107,332 square feet in the McCarthy Center and Spectra taking 93,324 square feet in Milpitas.

*Thanks largely to high-tech giants Google, Apple Computer and Yahoo! expanding and gobbling up properties in Mountain View, Cupertino and Santa Clara, the market saw the gross activity reach almost 12 million square feet in 2006*

### VACANCY VS. ABSORPTION\*



\* Silicon Valley industrial base reflects reclassifications and NRA changes in Q3 & Q4 2004

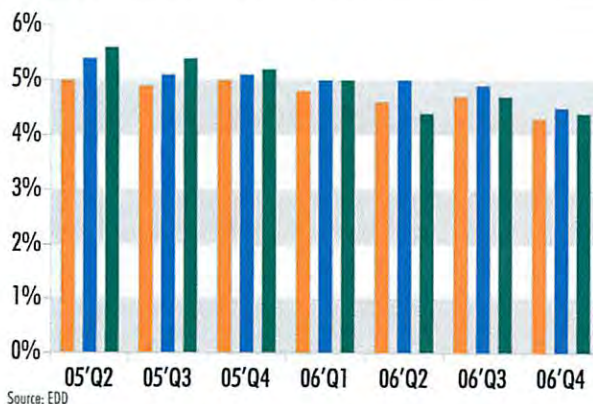


| SUBMARKET                                  | NET<br>RENTABLE<br>AREA | TOTAL<br>VACANCY RATE | TOTAL<br>AVAILABILITY<br>RATE | AVG. ASKING<br>RATE | Q4 NET<br>ABSORPTION | YTD NET<br>ABSORPTION | CONSTRUCTION*  |
|--------------------------------------------|-------------------------|-----------------------|-------------------------------|---------------------|----------------------|-----------------------|----------------|
| San Jose Downtown                          | 1,812,241               | 12.5%                 | 12.5%                         | \$1.17              | 1,000                | (49,663)              | 0              |
| Meridian                                   | 295,234                 | 0.0%                  | 0.0%                          | -                   | 0                    | 4,370                 | 0              |
| North San Jose                             | 24,821,007              | 19.2%                 | 20.1%                         | \$0.96              | (76,061)             | 546,230               | 0              |
| I.B.P.                                     | 10,461,601              | 18.9%                 | 19.1%                         | \$0.74              | 46,589               | (243,118)             | 0              |
| East San Jose                              | 446,258                 | 6.2%                  | 6.6%                          | \$1.02              | (7,896)              | (7,273)               | 0              |
| South San Jose                             | 9,286,108               | 22.3%                 | 27.7%                         | \$1.12              | 61,353               | (22,201)              | 0              |
| Milpitas                                   | 12,263,128              | 20.4%                 | 23.3%                         | \$0.87              | 253,926              | 788,375               | 127,986        |
| Santa Clara                                | 22,751,196              | 12.9%                 | 13.5%                         | \$1.05              | 7,383                | 1,519,831             | 0              |
| Campbell                                   | 1,160,431               | 8.3%                  | 10.9%                         | \$1.33              | 113,423              | 191,998               | 0              |
| Los Gatos                                  | 673,627                 | 4.7%                  | 7.1%                          | \$1.28              | (10,194)             | (9,412)               | 0              |
| Cupertino                                  | 4,569,979               | 3.6%                  | 6.0%                          | \$1.40              | (12,748)             | 80,198                | 0              |
| Sunnyvale                                  | 23,785,095              | 12.9%                 | 14.3%                         | \$1.04              | 80,724               | 694,448               | 0              |
| Mountain View                              | 13,036,759              | 10.7%                 | 11.3%                         | \$1.20              | 147,358              | 450,516               | 0              |
| Los Altos                                  | 12,326                  | 0.0%                  | 0.0%                          | -                   | 0                    | 0                     | 0              |
| Palo Alto                                  | 9,643,930               | 2.2%                  | 2.2%                          | \$2.15              | 43,690               | 92,718                | 0              |
| <b>Santa Clara County</b>                  | <b>135,018,920</b>      | <b>14.4%</b>          | <b>15.8%</b>                  | <b>\$1.14</b>       | <b>648,547</b>       | <b>4,037,017</b>      | <b>127,986</b> |
| Fremont / Newark                           | 22,329,841              | 23.7%                 | 28.2%                         | \$0.73              | (217,328)            | 174,069               | 0              |
| <b>SILICON VALLEY<br/>R&amp;D MARKET**</b> | <b>157,348,761</b>      | <b>15.7%</b>          | <b>17.5%</b>                  | <b>\$1.07</b>       | <b>431,219</b>       | <b>4,211,086</b>      | <b>127,986</b> |

\* Six months or less to completion.

\*\* The Silicon Valley R&D base underwent a reconciliation in Q3 & Q4 2004. The decrease in the base reflects reclassifications, NRA changes, and the rezoning of industrial properties. Absorption calculations were adjusted accordingly, and accurately represent changes in occupancy.

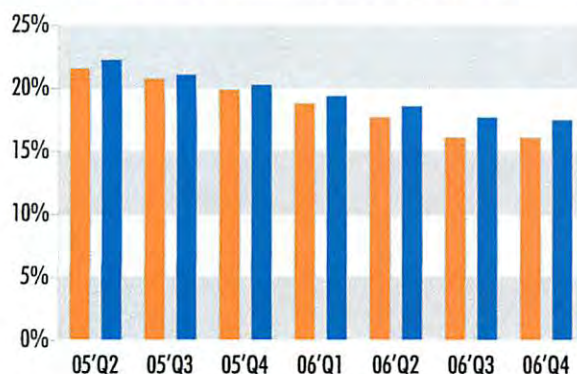
## UNEMPLOYMENT RATES



The economy grew at an annual rate of 2.0% in the third quarter, a 20 basis points decrease from the preliminary estimates and 60 basis points less than in the second quarter. The deceleration in third-quarter GDP growth primarily reflected an acceleration in imports and a larger decrease in residential fixed investment and government spending. However, corporate venture capital investment is reported to be stable, hitting the six billion dollar mark for the third consecutive quarter. Biotech and life sciences sectors remain as the focus, with telecommunications, energy, and industrial sectors on the rise. In the third quarter, Silicon Valley led the rest of the nation with 34.9% of total year to date venture capital funding, a slight decrease of 1% from the same period in 2005. The labor force in Santa Clara County increased by 8,900 from September to November, and approximately 9,000 jobs were added in Santa Clara County in the same period, helping to drop the unemployment rate to 4.4%. The unemployment for California slid to 4.5% in November and the national unemployment rate down to 4.3% during the same period.

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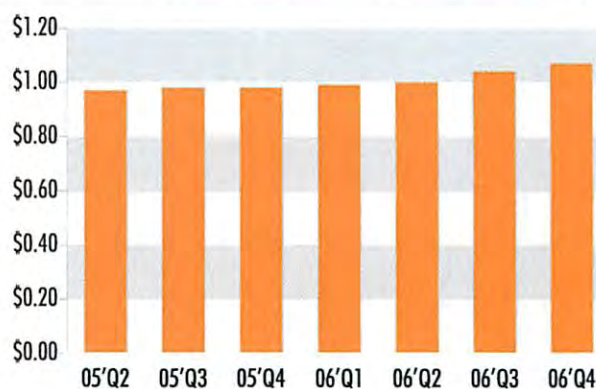


**VACANCY/AVAILABILITY**Vacancy 15.7%  
Availability 17.5%

The availability rate for Silicon Valley dropped to 17.5% this quarter, whereas vacancy decreased 36 basis points to 15.7%. The vacancy rate dropped 416 basis points over the year. Palo Alto remains the tightest submarket, posting a 90 basis point drop in vacancy during the year to close the quarter at 2.2%. The Milpitas submarket showed the most improvement this quarter, posting a 180 basis point drop in vacancy. Overall, Campbell, Santa Clara, Milpitas and Mountain View led the rest of the market in 2006, with 1420, 920, 880, and 500 basis points drops in vacancy, respectively. Due to the space coming on the market in the former Sun campus, Newark still lags behind the rest of the market, with nearly 60% of R&D space remaining available. The volume of sublease space on the market dropped 1.6 million square feet in 2006, and now represents 17.5% of all available space.

**LEASE RATES**

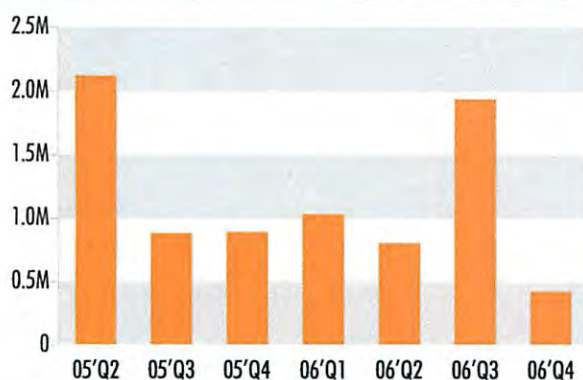
R&amp;D \$1.07



The overall average asking rate increased to \$1.07 this quarter, and is up 9.2% in the past year. The majority of submarkets saw significant improvement in rates over the year, a direct result of improved market conditions. Palo Alto still had the highest asking rate, largely due to desirable location and limited space available on the market. Additionally, lease rate escalations of 4% have been installed in the majority of recent transactions.

**NET ABSORPTION**

Net Absorption 431,219



The Silicon Valley R&D market posted positive absorption for the third consecutive year, with the market experiencing 431,219 square feet of positive absorption in the fourth quarter. Occupancy gains took a slight hit due to a substantial amount of newly vacated space. Milpitas had the most significant positive absorption with 253,926 square feet, while Newark experienced over half a million square feet of negative net absorption.

**CONSTRUCTION ACTIVITY**

The McGlinchy Center was completed in the fourth quarter, delivering two buildings consisting of 24 condominiums ranging from 576 to 2,279 square feet in West Valley. A new Venture Commerce project of 12 buildings is currently under construction in Milpitas. Upon completion in March 2007, 32 condominiums and four free standing buildings will be delivered. eBay also started the construction of its own campus in North San Jose.

**MARKET OUTLOOK**

The combination of expansion from existing corporations and growth from new companies made 2006 a very successful year for Silicon Valley. High-tech corporations became the dominant player in committing to acquire vast amount of properties and land to own or construct their own campuses. The investment market also thrived as investors sought income growth through value added properties and investment development opportunities. As the market tightens further in 2007, landlords will capture more negotiating leverage from tenants due to shrinking supplies, and significant rental rate increases are expected for the upcoming year.



## SILICON VALLEY SUBMARKET MAP



## MARKET AREA DESCRIPTIONS

- Downtown consists of 1.8 million square feet (1.2%) of the R&D market NRA.
- Meridian consists of 0.3 million square feet (0.2%) of the R&D market NRA.
- N. San Jose consists of 24.8 million square feet (16.2%) of the R&D market NRA.
- I.B.P consists of 10.5 million square feet (6.8%) of the R&D market NRA.
- E. San Jose consists of 0.4 million square feet (0.3%) of the R&D market NRA.
- S. San Jose consists of 9.3 million square feet (6.0%) of the R&D market NRA.
- Milpitas consists of 9.3 million square feet (6.0%) of the R&D market NRA.
- Santa Clara consists of 22.7 million square feet (14.8%) of the R&D market NRA.
- Campbell consists of 1.2 million square feet (0.8%) of the R&D market NRA.
- Los Gatos consists of 0.7 million square feet (0.4%) of the R&D market NRA.
- Cupertino consists of 4.6 million square feet (3.0%) of the R&D market NRA.
- Sunnyvale consists of 23.8 million square feet (15.5%) of the R&D market NRA.
- Mountain View consists of 13.0 million square feet (8.5%) of the R&D market NRA.
- Los Altos consists of 0.01 million square feet (0.0%) of the R&D market NRA.
- Palo Alto consists of 9.6 million square feet (6.3%) of the R&D market NRA.
- Fremont consists of 18.6 million square feet (12.1%) of the R&D market NRA.
- Newark consists of 3.0 million square feet (2.0%) of the R&D market NRA.

## LOCAL OFFICES

SAN FRANCISCO  
PENINSULA

950 Tower Lane  
Suite 870  
Foster City, CA 94404  
1.650.577.2900

## OAKLAND

555 12th Street  
Suite 900  
Oakland, CA 94610  
1.510.874.1900

## PLEASANTON

5000 Hopyard Road  
Suite 180  
Pleasanton, CA  
94588  
1.925.251.4600

SAN FRANCISCO  
DOWNTOWN

101 California Street  
44th Floor  
San Francisco, CA 94111  
1.415.772.0123

## SILICON VALLEY

225 W. Santa Clara Street  
Suite 1050  
San Jose, CA 95113  
1.408.453.7400

## PALO ALTO

Two Palo Alto Square  
3000 El Camino Real  
Suite 100  
Palo Alto, CA 94306  
1.650.494.5100

## AVAILABILITY RATE

Available Square Feet divided by the NRA.

## AVAILABLE SQUARE FEET

Vacant Square Feet plus space that is available but not currently vacant, plus sublease space.

## AVERAGE ASKING DIRECT LEASE RATE

The rate determined by multiplying the asking triple-net lease rate for each building in the summary by its associated NRA, summing the products, then dividing by the sum of the NRA. Rates are reported on a monthly basis.

## MARKET COVERAGE

Includes R&D buildings 7,500 square feet and larger located within defined submarkets.

## NET ABSORPTION

The change in Occupied Square Feet from one period to the next.

## NET LEASES

Includes all lease types whereby the Tenant assumes responsibility for most, or all, of the operating expenses and taxes for the property.

## NET RENTABLE AREA (NRA)

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

## OCCUPIED SQUARE FEET

NRA not considered vacant.

## UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

## VACANCY RATE

Vacant Square Feet divided by the NRA.

## VACANT SQUARE FEET

Available NRA which is either physically vacant or immediately available. Includes sublease space.

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# Silicon Valley Market

## R&D REPORT

FOURTH QUARTER 2006

| Submarkets                           | NRA                | Total<br>Vacancy<br>Rate | Total<br>Availability<br>Rate | Total<br>Direct<br>Available | Total<br>Sublease<br>Available | Average<br>Asking<br>Rates | Q4<br>Net<br>Absorption | Q4<br>Gross<br>Absorption | Y-T-D<br>Net<br>Absorption |
|--------------------------------------|--------------------|--------------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|-------------------------|---------------------------|----------------------------|
| San Jose – Downtown/IBP              | 12,273,842         | 18.0%                    | 18.1%                         | 1,719,335                    | 484,667                        | \$0.80                     | 47,589                  | 96,726                    | (292,781)                  |
| San Jose – North                     | 24,821,007         | 19.2%                    | 20.1%                         | 4,494,698                    | 501,958                        | \$0.96                     | (76,061)                | 245,297                   | 546,230                    |
| San Jose - Meridian/East/South       | 10,027,600         | 20.9%                    | 26.0%                         | 1,809,167                    | 796,011                        | \$1.12                     | 53,457                  | 70,828                    | (25,104)                   |
| Milpitas                             | 12,263,128         | 20.4%                    | 23.3%                         | 2,416,845                    | 443,693                        | \$0.87                     | 253,926                 | 411,451                   | 788,375                    |
| Santa Clara                          | 22,751,196         | 12.9%                    | 13.5%                         | 2,550,185                    | 511,809                        | \$1.05                     | 7,383                   | 253,002                   | 1,519,831                  |
| West Valley*                         | 6,416,363          | 4.5%                     | 7.0%                          | 380,127                      | 67,650                         | \$1.37                     | 90,481                  | 123,842                   | 262,784                    |
| Sunnyvale                            | 23,785,095         | 12.9%                    | 14.3%                         | 2,924,241                    | 487,404                        | \$1.04                     | 80,724                  | 249,096                   | 694,448                    |
| Mountain View                        | 13,036,759         | 10.7%                    | 11.3%                         | 1,098,255                    | 380,818                        | \$1.20                     | 147,358                 | 221,581                   | 450,516                    |
| Palo Alto                            | 9,643,930          | 2.2%                     | 2.2%                          | 78,966                       | 135,460                        | \$2.15                     | 43,690                  | 43,690                    | 92,718                     |
| Fremont/Newark                       | 22,329,841         | 23.7%                    | 28.2%                         | 5,083,138                    | 1,027,977                      | \$0.73                     | (217,328)               | 367,319                   | 174,069                    |
| <b>Silicon Valley R&amp;D Market</b> | <b>157,348,761</b> | <b>15.7%</b>             | <b>17.5%</b>                  | <b>22,554,957</b>            | <b>4,837,447</b>               | <b>\$1.07</b>              | <b>431,219</b>          | <b>2,082,832</b>          | <b>4,211,086</b>           |

\* West Valley is comprised of the Los Gatos, Campbell, Cupertino and Los Altos markets.

### Significant Transactions of the Quarter

#### Lease Transactions

| Address                   | City          | Tenant                 | Total SF |
|---------------------------|---------------|------------------------|----------|
| 160 Tasman Dr             | San Jose      | Interwoven             | 110,000  |
| 920 & 940 McCarthy Blvd   | Milpitas      | Greater Bay Bank       | 107,332  |
| 250-280 Bernardo Ave      | Mountain View | AVID Technology        | 106,460  |
| 525 Sycamore Dr           | Milpitas      | Spectra Laboratories   | 93,324   |
| 640 McCarthy Blvd         | Milpitas      | Infineon Technologies  | 62,874   |
| 47100 Bayside Pkwy        | Fremont       | Virage Logic           | 61,454   |
| 3165-3175 Winchester Blvd | Campbell      | Baraccuda Networks     | 61,424   |
| 2308 Zanker Rd            | San Jose      | Mos Plastics           | 54,375   |
| 1315 Chesapeake Terr      | Sunnyvale     | Accuray Inc.           | 52,992   |
| 160 Gibraltar Ct          | Sunnyvale     | Juniper Networks       | 50,311   |
| 5353 Betsy Ross Dr        | Santa Clara   | Atheros Communications | 50,200   |



**Sale Transactions**

| Address                                                                                                                                                             | City                                      | Buyer                               | Total SF |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------|----------|
| 1701 Ridder Park, 1701-1733, 1745-1751 Fox, 48501-48531 Warm Springs, 890-894 Ross, 3033 Scott, 207-209 Java, 200-250 Hacienda, 1315 & 1353 Dell, 2202-2270 N First | Fremont, San Jose, Sunnyvale, Santa Clara | Hines Interests Limited Partnership | 726,331  |
| 310-324 Mary, 884-919 Hermosa, 345 & 477 Potrero                                                                                                                    | Sunnyvale                                 | Archon Group                        | 468,323  |
| Results Way Corporate Park                                                                                                                                          | Cupertino                                 | Embarcadero Capital                 | 373,402  |
| 110-180 Rose Orchard Wy                                                                                                                                             | San Jose                                  | Rockpoint Group                     | 310,000  |
| 1623 & 804 Buckeye, 1656 & 1708 McCarthy, 575 Cottonwood                                                                                                            | Milpitas                                  | The Carlyle Group                   | 272,690  |
| 2233-2245 Samaritan Dr                                                                                                                                              | San Jose                                  | Summerhill Homes                    | 235,983  |
| 1310 & 1320 Ridder Park Dr                                                                                                                                          | San Jose                                  | Embarcadero Capital                 | 216,714  |
| 2217-2219, 2221-2223 Oakland Rd                                                                                                                                     | San Jose                                  | South Bay Development Company       | 140,240  |
| 1290-1300 Terra Bella Ave                                                                                                                                           | Mountain View                             | Embarcadero Capital                 | 112,819  |
| 680 Vaqueros Ave, 755 N Mathilda Ave                                                                                                                                | Sunnyvale                                 | ING Clarion                         | 105,000  |
| 1331 California Cir                                                                                                                                                 | Milpitas                                  | South Bay Development Company       | 100,026  |
| 6835 Via Del Oro                                                                                                                                                    | San Jose                                  | D.R. Stephens Co.                   | 99,576   |
| 48761 Kato Rd                                                                                                                                                       | Fremont                                   | Keating Family Property, LLC        | 91,275   |
| 880 Fox Dr                                                                                                                                                          | San Jose                                  | CN Fox, LLC                         | 85,891   |
| 2222 Qume Dr                                                                                                                                                        | San Jose                                  | Beckton Dickinson & Co              | 81,500   |
| 1525 McCarthy Blvd                                                                                                                                                  | Milpitas                                  | David Soo Investment Trust          | 75,744   |
| 675 Almanor Ave                                                                                                                                                     | Sunnyvale                                 | Dollinger Properties                | 59,284   |

**Under Construction**

| Address                 | City     | Total SF |
|-------------------------|----------|----------|
| Venture Commerce Center | Milpitas | 127,986  |

CB Richard Ellis, Inc.  
 225 West Santa Clara Street  
 Suite 1050  
 San Jose, CA 95113  
 main: 408.453.7400  
 fax: 408.437.3170  
[www.cbre.com/siliconvalley](http://www.cbre.com/siliconvalley)

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**Appendix D:**  
**CBRE Available Class A Office space and Available Irvine Park (McCarthy Ranch)**

## Irvine Park Stats

|              | SQUARE FOOTAGE & AVAILABILITY |                  |                |               |                |               | ASKING LEASE RATES |               |               |
|--------------|-------------------------------|------------------|----------------|---------------|----------------|---------------|--------------------|---------------|---------------|
| CITY         | BLDGS                         | BLDG SF          | AVAIL SF       | % AVAIL       | VACANT SF      | % VACANT      | AVG DIR RATE       | LOW           | HIGH          |
| 110448080    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452034    | 1                             | 63,440           | 0              | 0.00%         | 0              | 0.00%         | \$1.25             | \$1.25        | \$1.25        |
| 110452035    | 1                             | 63,222           | 0              | 0.00%         | 0              | 0.00%         | \$0.00             | \$0.00        | \$0.00        |
| 110452036    | 1                             | 53,666           | 0              | 0.00%         | 0              | 0.00%         | \$0.00             | \$0.00        | \$0.00        |
| 110452037    | 1                             | 53,666           | 12,831         | 23.91%        | 12,831         | 23.91%        | \$1.50             | \$1.50        | \$1.50        |
| 110452120    | 1                             | 53,284           | 13,262         | 24.89%        | 13,262         | 24.89%        | \$1.50             | \$1.50        | \$1.50        |
| 110452121    | 1                             | 62,874           | 31,437         | 50.00%        | 31,437         | 50.00%        | \$1.50             | \$1.50        | \$1.50        |
| 110452138    | 1                             | 43,694           | 32,770         | 75.00%        | 32,770         | 75.00%        | \$1.50             | \$1.50        | \$1.50        |
| 110452473    | 1                             | 62,874           | 32,092         | 51.04%        | 17,838         | 28.37%        | \$1.50             | \$1.50        | \$1.50        |
| 110452475    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452476    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452477    | 1                             | 62,874           | 0              | 0.00%         | 0              | 0.00%         | \$0.00             | \$0.00        | \$0.00        |
| 110452478    | 1                             | 53,284           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452480    | 1                             | 53,284           | 26,642         | 50.00%        | 26,642         | 50.00%        | \$1.50             | \$1.50        | \$1.50        |
| 110452481    | 1                             | 62,874           | 62,874         | 100.00%       | 62,874         | 100.00%       | \$1.50             | \$1.50        | \$1.50        |
| 110452482    | 1                             | 44,096           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452483    | 1                             | 53,666           | 0              | 0.00%         | 0              | 0.00%         | \$1.25             | \$1.25        | \$1.25        |
| 110452484    | 1                             | 53,666           | 0              | 0.00%         | 0              | 0.00%         | \$0.90             | \$0.90        | \$0.90        |
| 110452486    | 1                             | 53,284           | 21,733         | 40.79%        | 21,733         | 40.79%        | \$1.50             | \$1.50        | \$1.50        |
| Milpitas     | 19                            | 1,053,600        | 233,641        | 22.18%        | 219,387        | 20.82%        | \$1.50             | \$0.90        | \$1.50        |
| <b>TOTAL</b> | <b>19</b>                     | <b>1,053,600</b> | <b>233,641</b> | <b>22.18%</b> | <b>219,387</b> | <b>20.82%</b> | <b>\$1.50</b>      | <b>\$0.90</b> | <b>\$1.50</b> |

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## Class A Office Space For Lease in Milpitas

### Property Information

### Available Space Information

1



**1533 California Cir  
Milpitas, CA 95035  
Floor: 1 Suite: BLDG**

**Bldg / Site Size:** 26,976 SF / 0.53 acres  
**Property Dev Type:** General Office  
**Property Status:** Existing  
**Property ID:** 110446434

**Avail SF:**  
**Min Avail SF:**  
**Max Contig SF:**  
**Avail Date:**  
**Space Type:**  
**Vacant:**  
**Sublease:**

26,976  
12,550  
26,976  
  
ReLet  
Yes  
No

**Lease Rate:** \$1.30 NNN  
**Tls:**  
**NNN Charges:** \$0.41/sf  
**Parking Cost:**

**Term:**  
**For Sale:** No

**Listing:** CBRE Thomas Taylor 408/453-7417  
**Notes:** Brand New Nexterior Upgrades; Dramatic, Modernized two-story Lobby with Pendant Lighting; High-End Market Ready Second Floor; Great Glass Line, Open Floor Plan; Building Signage visible from 880; Second floor upgraded to Class A standards.

2



**Hillview Executive Park  
830 Hillview Ct  
Milpitas, CA 95035-4550  
Floor: 1 Suite: 245**

**Bldg / Site Size:** 36,963 SF / 7.46 acres  
**Property Dev Type:** General Office  
**Property Status:** Existing  
**Property ID:** 110446695

**Avail SF:**  
**Min Avail SF:**  
**Max Contig SF:**  
**Avail Date:**  
**Space Type:**  
**Vacant:**  
**Sublease:**

1,926  
1,926  
1,926  
  
ReLet  
Yes  
No

**Lease Rate:** \$1.75 FSG  
**Tls:**  
**NNN, CAM:**  
**Parking Cost:**

**Term:**  
**For Sale:** No

**Listing:** Newmark Cornish & Carey Tom Todd 408/727-9600  
**Notes:**

3



**Hillview Executive Park  
830 Hillview Ct  
Milpitas, CA 95035-4550  
Floor: 2 Suite: 210**

**Bldg / Site Size:** 36,963 SF / 7.46 acres  
**Property Dev Type:** General Office  
**Property Status:** Existing  
**Property ID:** 110446695

**Avail SF:**  
**Min Avail SF:**  
**Max Contig SF:**  
**Avail Date:**  
**Space Type:**  
**Vacant:**  
**Sublease:**

1,924  
1,924  
1,924  
06/08/09  
ReLet  
Yes  
No

**Lease Rate:** \$1.75 FSG  
**Tls:**  
**NNN, CAM:**  
**Parking Cost:**

**Term:**  
**For Sale:** No

**Listing:** Newmark Cornish & Carey Tom Todd 408/727-9600  
**Notes:**

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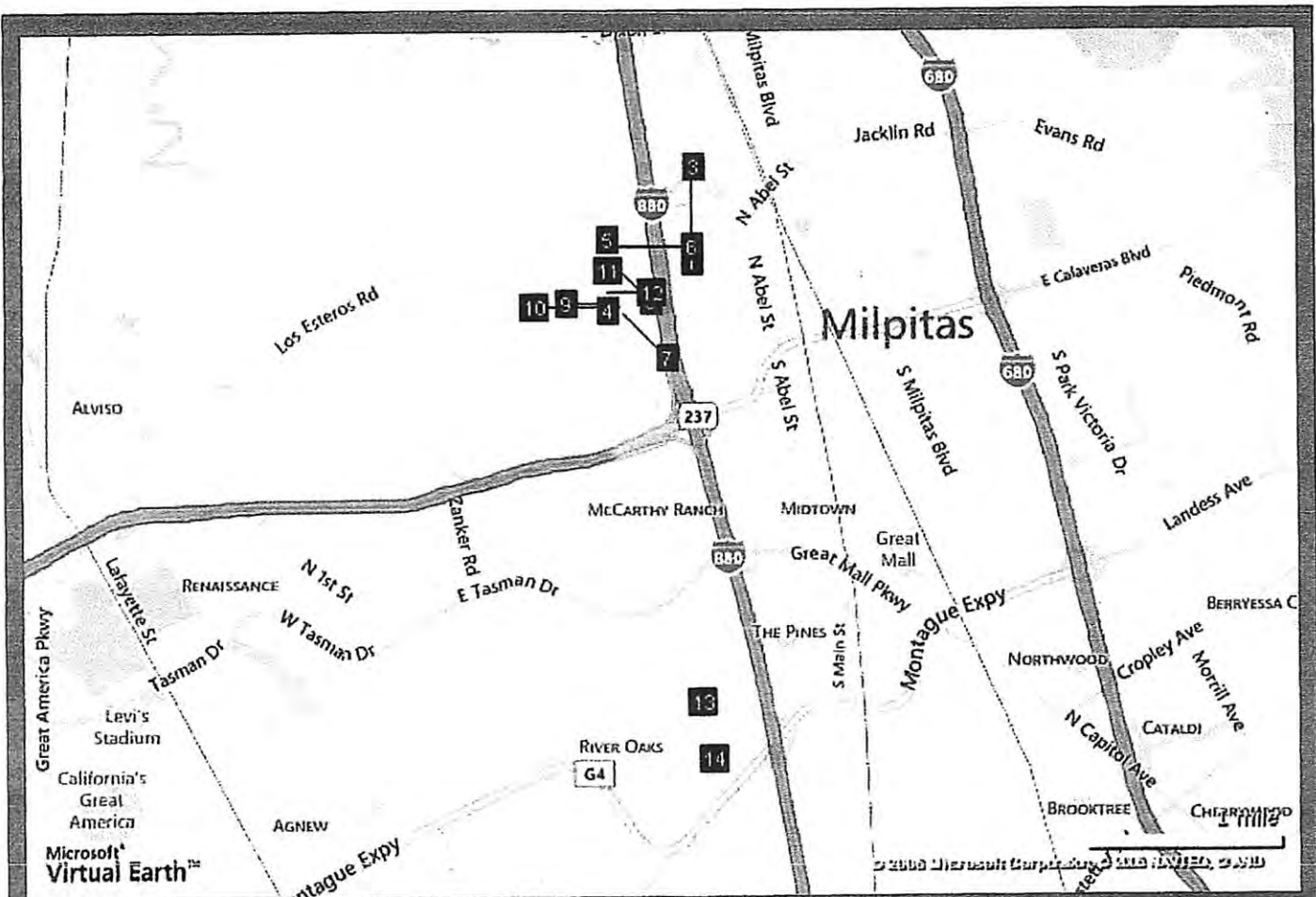


## Class A Office Space For Lease in Milpitas

| Property Information |                                                                                    |                                | Available Space Information |                  |                          |                                                                                                                                                                                                                                                                    |
|----------------------|------------------------------------------------------------------------------------|--------------------------------|-----------------------------|------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4                    |    | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>2,521</b>     | <b>Lease Rate:</b>       | <b>\$1.95 FSG</b>                                                                                                                                                                                                                                                  |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>2,521</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>2,521</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 150</b>     | <b>Avail Date:</b>          |                  | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>Yes</b>       | <b>Listing:</b>          | <b>CBRE Paul Schmidt 408/453-7426</b>                                                                                                                                                                                                                              |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>No</b>        | <b>Notes:</b>            | <b>Centrally Located in Milpitas; Easy Access to Highway 237, Calaveras Blvd and I-680; Retail and Hotel Amenities; Ample On-Site Parking; High Ceiling Main Lobby With Stone Floor; Comcast Business Services.</b>                                                |
|                      |                                                                                    | <b>Property ID:</b>            |                             |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |
| 5                    |    | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>2,599</b>     | <b>Lease Rate:</b>       | <b>TBD (Type: FSG)</b>                                                                                                                                                                                                                                             |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>2,599</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>2,599</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 260</b>     | <b>Avail Date:</b>          |                  | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>No</b>        | <b>Sublease Listing:</b> | <b>CBRE Paul Lyles 408/453-7443</b>                                                                                                                                                                                                                                |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>Yes</b>       | <b>Notes:</b>            | <b>Centrally Located; Easy Access to Highway 237, Calaveras Blvd and I-680; Retail and Hotel Within Walking Distance; Ample On-Site Parking; High Ceiling Main Lobby With Stone Floor.</b>                                                                         |
|                      |                                                                                    | <b>Property ID:</b>            | <b>Sublease Exp Date:</b>   |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |
| 6                    |    | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>9,789</b>     | <b>Lease Rate:</b>       | <b>\$1.95 FSG</b>                                                                                                                                                                                                                                                  |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>9,789</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>9,789</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 300</b>     | <b>Avail Date:</b>          | <b>Immediate</b> | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>Yes</b>       | <b>Listing:</b>          | <b>CBRE Mark Schmidt 408/453-7440</b>                                                                                                                                                                                                                              |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>No</b>        | <b>Notes:</b>            | <b>Main lobby entrance; Two large conference rooms; Seven privates; Break room; Large open area; Divisible; Reception area; Access to Highway 237, Calaveras Boulevard and I-680; Rich landscaping with tree shaded areas; Comcast Business Services available</b> |
|                      |                                                                                    | <b>Property ID:</b>            |                             |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |
| 7                    |  | <b>Hillview Executive Park</b> | <b>Avail SF:</b>            | <b>4,156</b>     | <b>Lease Rate:</b>       | <b>\$1.95 FSG</b>                                                                                                                                                                                                                                                  |
|                      |                                                                                    | <b>860 Hillview Ct</b>         | <b>Min Avail SF:</b>        | <b>4,156</b>     | <b>Term:</b>             |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Milpitas, CA 95035-0000</b> | <b>Max Contig SF:</b>       | <b>4,156</b>     | <b>Tls:</b>              | <b>No</b>                                                                                                                                                                                                                                                          |
|                      |                                                                                    | <b>Floor: 1 Suite: 310</b>     | <b>Avail Date:</b>          |                  | <b>NNN, CAM:</b>         |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Bldg / Site Size:</b>       | <b>Space Type:</b>          | <b>ReLet</b>     | <b>Parking Cost:</b>     |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    | <b>Property Dev Type:</b>      | <b>Vacant:</b>              | <b>Yes</b>       | <b>Listing:</b>          | <b>CBRE Mark Schmidt 408/453-7440</b>                                                                                                                                                                                                                              |
|                      |                                                                                    | <b>Property Status:</b>        | <b>Sublease:</b>            | <b>No</b>        | <b>Notes:</b>            | <b>Centrally located in Milpitas; Easy access to 237, Calaveras Blvd, and 680; Nearby amenities; Ample on-site parking; High ceiling main lobby w/ stone floor; Rich landscaping w/ tree shaded areas; Comcast business services available.</b>                    |
|                      |                                                                                    | <b>Property ID:</b>            |                             |                  |                          |                                                                                                                                                                                                                                                                    |
|                      |                                                                                    |                                |                             |                  |                          |                                                                                                                                                                                                                                                                    |

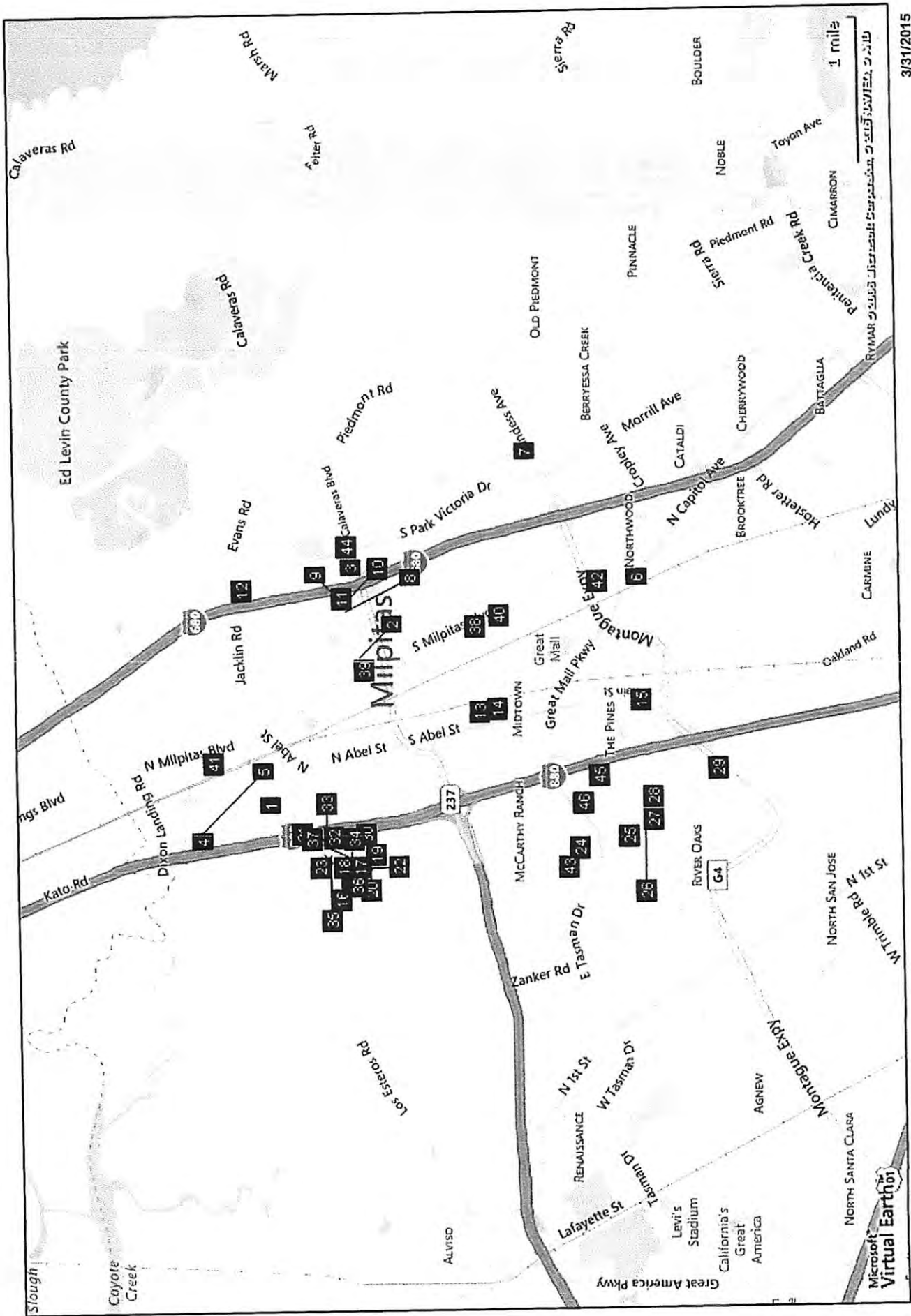
We obtained the information above from sources we believe to be reliable. However, we have not verified its accuracy and make no guarantee, warranty or representation about it. It is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice. We include projections, opinions, assumptions or estimates for example only, and they may not represent current or future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.

**Appendix E:**  
**CBRE For Sale and Absorption Reports**



|    | Address               | City     | Property Info                      | Sale Info                        |
|----|-----------------------|----------|------------------------------------|----------------------------------|
| 1  | 1144-1158 Cadillac Ct | Milpitas | 12,638 SF Class B Office Building  | Sale Price: \$435,000            |
| 2  | 354-372 Fairview Way  | Milpitas | 15,513 SF Class B Office Building  | Sale Price: \$288,800            |
| 3  | 354-372 Fairview Way  | Milpitas | 15,513 SF Class B Office Building  | Sale Price: \$425,000            |
| 4  | McCarthy Blvd         | Milpitas | 124,040 SF Class B Office Building | Sale Price: an undisclosed price |
| 5  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 6  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 7  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 8  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 9  | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 10 | McCarthy Blvd         | Milpitas | 99,232 SF Class B Office Building  | Sale Price: an undisclosed price |
| 11 | McCarthy Blvd         | Milpitas | 124,040 SF Class B Office Building | Sale Price: an undisclosed price |
| 12 | McCarthy Blvd         | Milpitas | 124,040 SF Class B Office Building | Sale Price: an undisclosed price |
| 13 | 1708 McCarthy Blvd    | Milpitas | 47,363 SF Class B Office Building  | Sale Price: \$12,000,000         |
| 14 | 1851 McCarthy Blvd    | Milpitas | 46,159 SF Class B Office Building  | Sale Price: \$8,299,999          |





## Availability and Vacancy Analysis

### Grand Totals

|  | Bldgs | Existing<br>Rentable<br>Bldg Area | Direct SF<br>Vacant | Vacant<br>Rate % | Direct w/<br>Sublet SF<br>Vacant | Vacant<br>% with<br>Sublet | Total SF<br>Available | Direct SF<br>Available | Sublet SF<br>Available | Max SF<br>Contig | Avg<br>Rate |
|--|-------|-----------------------------------|---------------------|------------------|----------------------------------|----------------------------|-----------------------|------------------------|------------------------|------------------|-------------|
|  | 46    | 1,851,428                         | 501,422             | 27.1%            | 537,805                          | 29.0%                      | 843,223               | 731,009                | 112,214                | 151,428          | \$19.40/fs  |

### Building Absorption Report

| Building                                                                   | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                            |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 1144-1158 Cadillac Ct<br>Building C<br>Milpitas, CA 95035<br>12,638 SF RBA | Current | 10,963            | 0                | 0      | 0     | 1,780          | 0      | 1,780   | 1,780            | 0      | 1,780 | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 4Q | 9,183             | 1,780            | 0      | 1,780 | 0              | 0      | 0       | 0                | 0      | 0     | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 3Q | 9,183             | 0                | 0      | 0     | (1,780)        | 0      | (1,780) | 0                | 0      | 0     | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 2Q | 10,963            | 0                | 0      | 0     | (1,675)        | 0      | (1,675) | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 4Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 3Q | 12,638            | 1,765            | 0      | 1,765 | 0              | 0      | 0       | 1,765            | 0      | 1,765 | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 2Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2013 1Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2012 4Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2012 3Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                            | 2012 2Q | 12,638            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA            | Current | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 4Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 3Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 2Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 1Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 4Q | 61,157            | 0                | 0      | 0     | (826)          | 0      | (826)   | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 3Q | 61,983            | 3,344            | 0      | 3,344 | 3,390          | 0      | 3,390   | 3,390            | 0      | 3,390 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 2Q | 58,593            | 0                | 0      | 0     | (1,080)        | 0      | (1,080) | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 1Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 4Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 3Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 2Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
| 1181 E Calaveras Blvd<br>Milpitas, CA 95035<br>7,379 SF RBA                | Current | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 4Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 3Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 2Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 4Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 3Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 2Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 1Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 4Q | 1,190             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 3Q | 1,190             | 0                | 0      | 0     | 1,189          | 0      | 1,189   | 1,189            | 0      | 1,189 | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 2Q | 1                 | 1,189            | 0      | 1,189 | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |



### Building Absorption Report

| Building                                                                        | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|-------------|-------------|
|                                                                                 |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total  | Direct       | Sublet      | Total       |
| 1521 California Cir<br>California Circle<br>Milpitas, CA 95035<br>24,892 SF RBA | Current | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 12,446            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 12,446            | 0                | 0      | 0      | 0              | 12,446 | 12,446   | 0                | 12,446 | 12,446 | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 0                 | 0                | 12,437 | 12,437 | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
|                                                                                 | 2012 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
| 1533 California Cir<br>California Circle<br>Milpitas, CA 95035<br>26,976 SF RBA | Current | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 13,488            | 0                | 0      | 0      | 13,488         | 0      | 13,488   | 13,488           | 0      | 13,488 | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 0                 | 0                | 0      | 0      | (13,488)       | 0      | (13,488) | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 2Q | 13,488            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 4Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 3Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 2Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 1Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 4Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 3Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 2Q | 3,905             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 1Q | 3,905             | 0                | 0      | 0      | (5,785)        | 0      | (5,785)  | 0                | 0      | 0      | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2012 4Q | 9,690             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -           |
|                                                                                 | 2012 3Q | 9,690             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -           |
|                                                                                 | 2012 2Q | 9,690             | 0                | 0      | 0      | 300            | 0      | 300      | 300              | 0      | 300    | \$39.00/nnn  | -           | \$39.00/nnn |

# Building Absorption Report

| Building                                                                                | Quarter | Total Occupied SF | Leasing Activity |        |         | Net Absorption |         |         | Gross Absorption |            |            | Average Rate |            |       |
|-----------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|---------|----------------|---------|---------|------------------|------------|------------|--------------|------------|-------|
|                                                                                         |         |                   | Leasing Activity |        | Total   | Net Absorption |         | Total   | Gross Absorption |            | Total      | Average Rate |            |       |
|                                                                                         |         |                   | Direct           | Sublet |         | Direct         | Sublet  |         | Direct           | Sublet     |            | Direct       | Sublet     | Total |
| 1750-1798 Clear Lake Ave<br>Parktown Office Bldg<br>Milpitas, CA 95035<br>18,670 SF RBA | Current | 17,746            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0          | \$15.00/mg | -            | \$15.00/mg |       |
|                                                                                         | 2014 4Q | 17,746            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0          | \$15.00/mg | -            | \$15.00/mg |       |
|                                                                                         | 2014 3Q | 17,746            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0          | \$15.00/mg | -            | \$15.00/mg |       |
|                                                                                         | 2014 2Q | 17,746            | 0                | 0      | 0       | (924)          | (924)   | 0       | 0                | 0          | \$15.00/mg | -            | \$15.00/mg |       |
|                                                                                         | 2014 1Q | 18,670            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0          | \$15.00/fs | -            | \$15.00/fs |       |
|                                                                                         | 2013 4Q | 18,670            | 959              | 0      | 959     | 959            | 0       | 959     | 959              | 0          | \$15.00/fs | -            | \$15.00/fs |       |
|                                                                                         | 2013 3Q | 17,711            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0          | \$15.00/fs | -            | \$15.00/fs |       |
|                                                                                         | 2013 2Q | 17,711            | 549              | 0      | 549     | 549            | 0       | 549     | 549              | 0          | \$15.92/fs | -            | \$15.92/fs |       |
|                                                                                         | 2013 1Q | 17,162            | 0                | 0      | 0       | 1,540          | 1,540   | 0       | 1,540            | 1,540      | \$15.00/fs | -            | \$15.00/fs |       |
|                                                                                         | 2012 4Q | 15,622            | 2,089            | 0      | 2,089   | 0              | 0       | 0       | 0                | 0          | \$14.35/fs | -            | \$14.35/fs |       |
| 2012 3Q                                                                                 | 15,622  | 0                 | 0                | 0      | (2,629) | (2,629)        | 0       | 0       | 0                | \$14.35/fs | -          | \$14.35/fs   |            |       |
| 2012 2Q                                                                                 | 18,251  | 0                 | 0                | 0      | 0       | 0              | 0       | 0       | 0                | \$14.28/fs | -          | \$14.28/fs   |            |       |
| 830 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>73,926 SF RBA                        | Current | 70,076            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2014 4Q | 70,076            | 3,710            | 0      | 3,710   | 3,710          | 0       | 3,710   | 3,710            | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2014 3Q | 66,366            | 4,074            | 0      | 4,074   | 9,122          | 0       | 9,122   | 9,122            | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2014 2Q | 57,244            | 5,972            | 0      | 5,972   | (2,271)        | 0       | (2,271) | 924              | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2014 1Q | 59,515            | 1,718            | 0      | 1,718   | (487)          | 0       | (487)   | 1,718            | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2013 4Q | 60,002            | 1,718            | 0      | 1,718   | 0              | 0       | 0       | 0                | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2013 3Q | 60,002            | 1,203            | 0      | 1,203   | 1,203          | 0       | 1,203   | 1,203            | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2013 2Q | 58,799            | 0                | 0      | 0       | (1,203)        | 0       | (1,203) | 0                | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2013 1Q | 60,002            | 0                | 0      | 0       | 0              | 0       | 0       | 0                | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2012 4Q | 60,002            | 1,203            | 0      | 1,203   | 1,203          | 0       | 1,203   | 1,203            | 0          | \$21.00/fs | -            | \$21.00/fs |       |
| 2012 3Q                                                                                 | 58,799  | 0                 | 0                | 0      | 0       | 0              | 0       | 0       | 0                | \$21.00/fs | -          | \$21.00/fs   |            |       |
| 2012 2Q                                                                                 | 58,799  | 0                 | 0                | 0      | (9,616) | (9,616)        | 0       | (9,616) | 0                | \$21.00/fs | -          | \$21.00/fs   |            |       |
| 860 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>56,087 SF RBA                        | Current | 37,383            | 0                | 0      | 0       | 0              | (2,599) | (2,599) | 0                | 0          | \$23.40/fs | -            | \$23.40/fs |       |
|                                                                                         | 2014 4Q | 39,982            | 5,170            | 0      | 5,170   | 1,903          | 0       | 1,903   | 5,170            | 0          | \$23.40/fs | -            | \$23.40/fs |       |
|                                                                                         | 2014 3Q | 38,079            | 9,469            | 0      | 9,469   | 5,297          | 0       | 5,297   | 9,469            | 0          | \$22.57/fs | -            | \$22.57/fs |       |
|                                                                                         | 2014 2Q | 32,782            | 7,836            | 0      | 7,836   | 7,836          | 0       | 7,836   | 7,836            | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2014 1Q | 24,946            | 0                | 0      | 0       | (9,345)        | 0       | (9,345) | 0                | 0          | \$18.75/fs | -            | \$18.75/fs |       |
|                                                                                         | 2013 4Q | 34,291            | 0                | 0      | 0       | 3,986          | 0       | 3,986   | 3,986            | 0          | \$19.08/fs | -            | \$19.08/fs |       |
|                                                                                         | 2013 3Q | 30,305            | 4,846            | 0      | 4,846   | 860            | 0       | 860     | 4,846            | 0          | \$18.47/fs | -            | \$18.47/fs |       |
|                                                                                         | 2013 2Q | 29,445            | 0                | 0      | 0       | 998            | 0       | 998     | 998              | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2013 1Q | 28,447            | 10,675           | 0      | 10,675  | 7,813          | 0       | 7,813   | 10,720           | 0          | \$21.00/fs | -            | \$21.00/fs |       |
|                                                                                         | 2012 4Q | 20,634            | 11,320           | 0      | 11,320  | 12,952         | 0       | 12,952  | 12,952           | 0          | \$21.00/fs | -            | \$21.00/fs |       |
| 2012 3Q                                                                                 | 7,682   | 0                 | 0                | 0      | (5,982) | 0              | (5,982) | 3,986   | 0                | \$21.00/fs | -          | \$21.00/fs   |            |       |
| 2012 2Q                                                                                 | 13,664  | 3,986             | 0                | 3,986  | (435)   | 0              | (435)   | 0       | 0                | \$20.84/fs | -          | \$20.84/fs   |            |       |

### Building Absorption Report

| Building                                                                                   | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |         | Gross Absorption |        |        | Average Rate |        |             |
|--------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|---------|------------------|--------|--------|--------------|--------|-------------|
|                                                                                            |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total   | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 890 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>56,087 SF RBA                           | Current | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 39,612            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 39,612            | 0                | 0      | 0      | 3,357          | 0      | 3,357   | 6,183            | 0      | 6,183  | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 4Q | 36,255            | 6,183            | 0      | 6,183  | (5,364)        | 0      | (5,364) | 0                | 0      | 0      | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 3Q | 41,619            | 4,123            | 0      | 4,123  | (4,210)        | 0      | (4,210) | 4,123            | 0      | 4,123  | \$19.35/fs   | -      | \$19.35/fs  |
|                                                                                            | 2013 2Q | 45,829            | 1,998            | 0      | 1,998  | (2,125)        | 0      | (2,125) | 1,998            | 0      | 1,998  | \$22.04/fs   | -      | \$22.04/fs  |
|                                                                                            | 2013 1Q | 47,954            | 0                | 0      | 0      | (3,200)        | 0      | (3,200) | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 51,154            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 51,154            | 0                | 0      | 0      | 10,924         | 0      | 10,924  | 10,924           | 0      | 10,924 | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 40,230            | 10,924           | 0      | 10,924 | 36,721         | 0      | 36,721  | 36,721           | 0      | 36,721 | \$16.49/fs   | -      | \$16.49/fs  |
| 920 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>44,652 SF RBA                           | Current | 37,529            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 37,529            | 3,286            | 0      | 3,286  | 3,286          | 0      | 3,286   | 3,286            | 0      | 3,286  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 34,243            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 34,243            | 0                | 0      | 0      | 1,634          | 0      | 1,634   | 1,634            | 0      | 1,634  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 32,609            | 1,634            | 0      | 1,634  | 12,529         | 0      | 12,529  | 12,529           | 0      | 12,529 | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 4Q | 20,080            | 12,529           | 0      | 12,529 | (9,590)        | 0      | (9,590) | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 3Q | 29,670            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 2Q | 29,670            | 0                | 0      | 0      | 3,783          | 0      | 3,783   | 3,783            | 0      | 3,783  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 1Q | 25,887            | 3,738            | 0      | 3,738  | (4,916)        | 0      | (4,916) | 3,783            | 0      | 3,783  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 30,803            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 30,803            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 30,803            | 1,375            | 0      | 1,375  | (8,691)        | 0      | (8,691) | 1,375            | 0      | 1,375  | \$21.00/fs   | -      | \$21.00/fs  |
| 1120-1158 Jacklin Rd<br>Jacklin Professional Center<br>Milpitas, CA 95035<br>14,021 SF RBA | Current | 11,828            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 4Q | 11,828            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 3Q | 11,828            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 2Q | 11,828            | 0                | 0      | 0      | (2,193)        | 0      | (2,193) | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 1Q | 14,021            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 4Q | 14,021            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 3Q | 14,021            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 2Q | 14,021            | 0                | 0      | 0      | 1,578          | 0      | 1,578   | 1,578            | 0      | 1,578  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 1Q | 12,443            | 1,578            | 0      | 1,578  | 0              | 0      | 0       | 3,736            | 0      | 3,736  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 4Q | 12,443            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 3Q | 12,443            | 0                | 0      | 0      | 3,736          | 0      | 3,736   | 3,736            | 0      | 3,736  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 2Q | 8,707             | 3,736            | 0      | 3,736  | 0              | 0      | 0       | 0                | 0      | 0      | \$18.00/nnn  | -      | \$18.00/nnn |



# Building Absorption Report

| Building                                                                          | Quarter | Total Occupied SF |        |       | Leasing Activity |        |       | Net Absorption |        |       | Gross Absorption |        |       | Average Rate |        |       |
|-----------------------------------------------------------------------------------|---------|-------------------|--------|-------|------------------|--------|-------|----------------|--------|-------|------------------|--------|-------|--------------|--------|-------|
|                                                                                   |         | Direct            | Sublet | Total | Direct           | Sublet | Total | Direct         | Sublet | Total | Direct           | Sublet | Total | Direct       | Sublet | Total |
| 529 S Main St<br>Milpitas, CA 95035<br>6,005 SF RBA                               | Current | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 4Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 3Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 2Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2014 1Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 4Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 3Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 2Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2013 1Q | 5                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/nnn  | -      | -     |
|                                                                                   | 2012 4Q | 6,005             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | -            | -      | -     |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA | Current | 10,749            | 0      | 0     | 0                | 0      | 0     | 1,100          | 0      | 1,100 | 1,100            | 0      | 1,100 | \$21.60/mg   | -      | -     |
|                                                                                   | 2014 4Q | 9,649             | 1,100  | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.90/fs   | -      | -     |
|                                                                                   | 2014 3Q | 9,649             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.90/fs   | -      | -     |
|                                                                                   | 2014 2Q | 9,649             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$40.20/fs   | -      | -     |
|                                                                                   | 2014 1Q | 9,649             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$22.20/fs   | -      | -     |
|                                                                                   | 2013 4Q | 7,349             | 1,100  | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 1,100            | 0      | 1,100 | \$22.20/fs   | -      | -     |
|                                                                                   | 2013 3Q | 7,949             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$22.20/fs   | -      | -     |
|                                                                                   | 2013 2Q | 7,699             | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$22.20/fs   | -      | -     |
|                                                                                   | 2013 1Q | 10,749            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.00/mg   | -      | -     |
|                                                                                   | 2012 4Q | 10,749            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$21.00/mg   | -      | -     |
| 1633-1649 S Main St<br>Bldg B<br>Milpitas, CA<br>34,985 SF RBA                    | Current | 31,527            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$18.00/mg   | -      | -     |
|                                                                                   | 2014 4Q | 31,527            | 0      | 0     | 0                | 0      | 0     | 1,285          | 0      | 1,285 | 1,285            | 0      | 1,285 | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 3Q | 30,242            | 6,085  | 0     | 0                | 0      | 0     | 2,788          | 0      | 2,788 | 4,800            | 0      | 4,800 | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 2Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 1Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$14.40/mg   | -      | -     |
|                                                                                   | 2013 4Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.88/mg   | -      | -     |
|                                                                                   | 2013 3Q | 32,254            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fs   | -      | -     |
|                                                                                   | 2013 2Q | 33,539            | 2,496  | 0     | 0                | 0      | 0     | 2,496          | 0      | 2,496 | 2,496            | 0      | 2,496 | \$10.20/fs   | -      | -     |
|                                                                                   | 2013 1Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.96/fs   | -      | -     |
|                                                                                   | 2012 4Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fs   | -      | -     |
| McCarthy Blvd<br>Bldg 1<br>Milpitas, CA 95035<br>124,040 SF RBA                   | Current | 0                 | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | -            | -      | -     |
|                                                                                   | 2012 2Q | 33,539            | 1,285  | 0     | 0                | 0      | 0     | 3,781          | 0      | 3,781 | 3,781            | 0      | 3,781 | \$15.00/fs   | -      | -     |
|                                                                                   | 2012 3Q | 33,539            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fs   | -      | -     |
|                                                                                   | 2012 4Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$15.00/fs   | -      | -     |
|                                                                                   | 2013 1Q | 31,043            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$10.20/fs   | -      | -     |
|                                                                                   | 2013 2Q | 33,539            | 2,496  | 0     | 0                | 0      | 0     | 2,496          | 0      | 2,496 | 2,496            | 0      | 2,496 | \$10.20/fs   | -      | -     |
|                                                                                   | 2013 3Q | 32,254            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.52/fs   | -      | -     |
|                                                                                   | 2013 4Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$11.88/mg   | -      | -     |
|                                                                                   | 2014 1Q | 27,454            | 0      | 0     | 0                | 0      | 0     | 0              | 0      | 0     | 0                | 0      | 0     | \$14.40/mg   | -      | -     |
|                                                                                   | 2014 2Q | 30,242            | 6,085  | 0     | 0                | 0      | 0     | 2,788          | 0      | 2,788 | 4,800            | 0      | 4,800 | \$14.40/mg   | -      | -     |

### Building Absorption Report

| Building                                                                              | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |       | Gross Absorption |        |       | Average Rate |             |             |
|---------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|-------|------------------|--------|-------|--------------|-------------|-------------|
|                                                                                       |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total | Direct           | Sublet | Total | Direct       | Sublet      | Total       |
| McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>124,040 SF RBA                       | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 3<br>Milpitas, CA 95035<br>124,040 SF RBA                       | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 4<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 5<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 6<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 7<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>99,232 SF RBA                        | Current | 0                 | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
| 1011 McCarthy Blvd<br>Murphy Crossing - Bldg 2<br>Milpitas, CA 95035<br>74,026 SF RBA | Current | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 4Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 3Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 2Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2014 1Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2013 4Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
|                                                                                       | 2013 3Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | -            | -           | -           |
|                                                                                       | 2013 2Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2013 1Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 4Q | 74,026            | 72,580           | 0      | 72,580 | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 3Q | 74,026            | 72,580           | 0      | 72,580 | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 2Q | 74,026            | 0                | 0      | 0      | 0              | 0      | 0     | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |

### Building Absorption Report

| Building                                                   | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |           | Gross Absorption |        |        | Average Rate |            |             |
|------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|-----------|------------------|--------|--------|--------------|------------|-------------|
|                                                            |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total     | Direct           | Sublet | Total  | Direct       | Sublet     | Total       |
| 1501 McCarthy Blvd<br>Milpitas, CA 95035<br>132,179 SF RBA | Current | 0                 | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$22.20/nnn  | -          | \$22.20/nnn |
|                                                            | 2014 4Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$19.80/nnn  | -          | \$19.80/nnn |
|                                                            | 2014 3Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$19.80/nnn  | -          | \$19.80/nnn |
|                                                            | 2014 2Q | 0                 | 0                | 0      | 0     | (3,359)        | 0      | (3,359)   | 0                | 0      | 0      | \$19.80/nnn  | -          | \$19.80/nnn |
|                                                            | 2014 1Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 4Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 3Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 2Q | 3,359             | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2013 1Q | 3,359             | 0                | 0      | 0     | (128,820)      | 0      | (128,820) | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2012 4Q | 132,179           | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2012 3Q | 132,179           | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
|                                                            | 2012 2Q | 132,179           | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$9.00/nnn   | -          | \$9.00/nnn  |
| 1525 McCarthy Blvd<br>Milpitas, CA 95035<br>76,284 SF RBA  | Current | 76,284            | 0                | 0      | 0     | 3,206          | 0      | 3,206     | 3,206            | 0      | 3,206  | \$22.20/fs   | -          | \$22.20/fs  |
|                                                            | 2014 4Q | 73,078            | 3,206            | 0      | 3,206 | 3,163          | 0      | 3,163     | 3,163            | 0      | 3,163  | \$22.20/fs   | -          | \$22.20/fs  |
|                                                            | 2014 3Q | 69,915            | 3,163            | 0      | 3,163 | 1,982          | 0      | 1,982     | 1,982            | 0      | 1,982  | \$21.00/fs   | -          | \$21.00/fs  |
|                                                            | 2014 2Q | 67,933            | 1,982            | 0      | 1,982 | 2,932          | 0      | 2,932     | 2,932            | 0      | 2,932  | \$21.00/fs   | -          | \$21.00/fs  |
|                                                            | 2014 1Q | 65,001            | 0                | 0      | 0     | (1,982)        | 0      | (1,982)   | 0                | 0      | 0      | \$20.65/fs   | -          | \$20.65/fs  |
|                                                            | 2013 4Q | 66,983            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2013 3Q | 66,983            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2013 2Q | 66,983            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2013 1Q | 66,983            | 0                | 0      | 0     | (1,626)        | 0      | (1,626)   | 0                | 0      | 0      | \$20.58/fs   | -          | \$20.58/fs  |
|                                                            | 2012 4Q | 68,609            | 0                | 0      | 0     | (6,369)        | 0      | (6,369)   | 0                | 0      | 0      | \$20.49/fs   | -          | \$20.49/fs  |
|                                                            | 2012 3Q | 74,978            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$18.00/fs   | -          | \$18.00/fs  |
|                                                            | 2012 2Q | 74,978            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$18.00/fs   | -          | \$18.00/fs  |
| 1551 McCarthy Blvd<br>Milpitas, CA 95035<br>48,926 SF RBA  | Current | 45,451            | 1,991            | 0      | 1,991 | (1,991)        | 0      | (1,991)   | 0                | 0      | 0      | \$22.20/mg   | -          | \$22.20/mg  |
|                                                            | 2014 4Q | 47,442            | 1,841            | 0      | 1,841 | 1,841          | 0      | 1,841     | 1,841            | 0      | 1,841  | \$22.20/mg   | -          | \$22.20/mg  |
|                                                            | 2014 3Q | 45,601            | 0                | 0      | 0     | (3,325)        | 0      | (3,325)   | 0                | 0      | 0      | \$22.20/mg   | -          | \$22.20/mg  |
|                                                            | 2014 2Q | 48,926            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$18.42/mg   | -          | \$18.42/mg  |
|                                                            | 2014 1Q | 48,926            | 8,091            | 0      | 8,091 | 6,065          | 0      | 6,065     | 8,091            | 0      | 8,091  | \$18.42/mg   | -          | \$18.42/mg  |
|                                                            | 2013 4Q | 42,861            | 800              | 0      | 800   | 0              | 0      | 0         | 4,164            | 0      | 4,164  | \$18.38/mg   | -          | \$18.38/mg  |
|                                                            | 2013 3Q | 42,861            | 3,364            | 0      | 3,364 | 0              | 0      | 0         | 0                | 0      | 0      | \$18.00/mg   | -          | \$18.00/mg  |
|                                                            | 2013 2Q | 42,861            | 9,884            | 0      | 9,884 | 7,878          | 0      | 7,878     | 9,884            | 0      | 9,884  | \$16.80/mg   | -          | \$16.80/mg  |
|                                                            | 2013 1Q | 34,983            | 908              | 0      | 908   | (4,449)        | 0      | (4,449)   | 908              | 0      | 908    | \$16.80/mg   | -          | \$16.80/mg  |
|                                                            | 2012 4Q | 39,432            | 0                | 0      | 0     | 0              | 0      | 0         | 0                | 0      | 0      | \$16.80/mg   | -          | \$16.80/mg  |
|                                                            | 2012 3Q | 39,432            | 5,909            | 0      | 5,909 | 1,227          | 4,782  | 6,009     | 5,889            | 4,782  | 10,671 | \$18.67/mg   | -          | \$18.67/mg  |
|                                                            | 2012 2Q | 33,423            | 1,991            | 0      | 1,991 | 1,991          | 0      | 1,991     | 1,991            | 0      | 1,991  | \$12.32/mg   | \$11.88/fs | \$12.32/mg  |



### Building Absorption Report

| Building                                                               | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |          |         | Gross Absorption |        |        | Average Rate |            |             |
|------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|----------|---------|------------------|--------|--------|--------------|------------|-------------|
|                                                                        |         |                   | Direct           | Sublet | Total  | Direct         | Sublet   | Total   | Direct           | Sublet | Total  | Direct       | Sublet     | Total       |
| 1656 McCarthy Blvd<br>Milpitas, CA 95035<br>80,060 SF RBA              | Current | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 4Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 3Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 2Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 1Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 4Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 3Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 2Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 1Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2012 4Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2012 3Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2012 2Q | 80,060            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
| 1900 McCarthy Blvd<br>1900 Bldg<br>Milpitas, CA 95035<br>76,616 SF RBA | Current | 73,865            | 0                | 0      | 0      | 0              | 4,123    | 4,123   | 0                | 4,123  | 4,123  | \$25.80/fs   | -          | \$25.80/fs  |
|                                                                        | 2014 4Q | 69,742            | 0                | 0      | 0      | 2,337          | 5,828    | 8,165   | 2,337            | 5,828  | 8,165  | \$25.80/fs   | \$18.00/fs | \$21.12/fs  |
|                                                                        | 2014 3Q | 61,577            | 6,975            | 0      | 6,975  | (30)           | 0        | (30)    | 4,638            | 0      | 4,638  | \$23.40/fs   | \$18.66/fs | \$21.00/fs  |
|                                                                        | 2014 2Q | 61,607            | 0                | 5,828  | 5,828  | 0              | 1,141    | 1,141   | 0                | 5,264  | 5,264  | \$23.40/fs   | \$19.32/fs | \$20.34/fs  |
|                                                                        | 2014 1Q | 60,466            | 0                | 5,264  | 5,264  | 0              | 0        | 0       | 0                | 0      | 0      | \$23.40/fs   | \$18.69/fs | \$20.17/fs  |
|                                                                        | 2013 4Q | 60,466            | 3,657            | 0      | 3,657  | 7,304          | 0        | 7,304   | 9,611            | 0      | 9,611  | \$23.15/fs   | \$18.69/fs | \$20.65/fs  |
|                                                                        | 2013 3Q | 53,162            | 19,894           | 0      | 19,894 | 17,380         | (11,092) | 6,288   | 18,194           | 0      | 18,194 | \$21.80/fs   | \$18.69/fs | \$20.45/fs  |
|                                                                        | 2013 2Q | 46,874            | 4,254            | 0      | 4,254  | (8,789)        | 0        | (8,789) | 0                | 0      | 0      | \$21.00/fs   | -          | \$21.00/fs  |
|                                                                        | 2013 1Q | 55,663            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | \$21.00/fs   | -          | \$21.00/fs  |
|                                                                        | 2012 4Q | 55,663            | 5,591            | 0      | 5,591  | 5,598          | 0        | 5,598   | 5,598            | 0      | 5,598  | \$20.62/fs   | -          | \$20.62/fs  |
|                                                                        | 2012 3Q | 50,065            | 0                | 0      | 0      | 12,981         | 0        | 12,981  | 12,981           | 0      | 12,981 | \$19.20/fs   | -          | \$19.20/fs  |
|                                                                        | 2012 2Q | 37,084            | 14,339           | 0      | 14,339 | (9,620)        | 0        | (9,620) | 1,358            | 0      | 1,358  | \$19.20/fs   | -          | \$19.20/fs  |
| 490 N McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>53,666 SF RBA   | Current | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 4Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 3Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2014 2Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 12,831           | 0      | 12,831 | -            | -          | -           |
|                                                                        | 2014 1Q | 53,666            | 12,831           | 0      | 12,831 | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 4Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 3Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 2Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | -            | -          | -           |
|                                                                        | 2013 1Q | 53,666            | 0                | 0      | 0      | 0              | 0        | 0       | 0                | 0      | 0      | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                        | 2012 4Q | 53,666            | 0                | 0      | 0      | 39,664         | 0        | 39,664  | 39,664           | 0      | 39,664 | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                        | 2012 3Q | 14,002            | 12,854           | 0      | 12,854 | 0              | 0        | 0       | 0                | 0      | 0      | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                        | 2012 2Q | 14,002            | 26,833           | 0      | 26,833 | 0              | 0        | 0       | 0                | 0      | 0      | \$15.00/nnn  | -          | \$15.00/nnn |

# Building Absorption Report

| Building                                                              | Quarter | Leasing Activity  |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |             |       |
|-----------------------------------------------------------------------|---------|-------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|-------------|-------|
|                                                                       |         | Total Occupied SF | Direct | Sublet | Total          | Direct | Sublet   | Total            | Direct | Sublet | Direct       | Sublet      | Total |
| 680 N McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>62,874 SF RBA  | Current | 48,620            | 0      | 0      | 0              | 0      | (14,254) | 0                | 0      | 0      | \$10.80/nnn  | \$9.47/nnn  | -     |
|                                                                       | 2014 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2014 3Q | 62,874            | 15,126 | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2014 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2014 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2013 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2013 3Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | \$10.80/nnn | -     |
|                                                                       | 2013 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/nnn  | \$12.00/nnn | -     |
|                                                                       | 2013 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/nnn  | \$12.00/nnn | -     |
|                                                                       | 2012 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/nnn  | \$12.00/nnn | -     |
| 820 N McCarthy Blvd<br>Bldg 11<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 4Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 3Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 2Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 1Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 4Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 3Q | 31,551            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 2Q | 53,284            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 1Q | 53,284            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2012 4Q | 53,284            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
| 840 N McCarthy Blvd<br>Bldg 12<br>Milpitas, CA 95035<br>62,874 SF RBA | Current | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 3Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2014 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 3Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 2Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2013 1Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |
|                                                                       | 2012 4Q | 62,874            | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -     |

# Building Absorption Report

| Building                                                              | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |        | Gross Absorption |        |        | Average Rate |        |             |
|-----------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|--------|------------------|--------|--------|--------------|--------|-------------|
|                                                                       |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total  | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 860 N McCarthy Blvd<br>Bldg 13<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 26,642            | 0                | 0      | 0      | 26,642         | 0      | 26,642 | 26,642           | 0      | 26,642 | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
| 880 N McCarthy Blvd<br>Bldg 15<br>Milpitas, CA 95035<br>62,674 SF RBA | 2012 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | Current | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
| 890 N McCarthy Blvd<br>Bldg 16<br>Milpitas, CA 95035<br>43,694 SF RBA | 2013 1Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | 2012 2Q | 31,237            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | Current | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                       | 2014 4Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                       | 2014 3Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                       | 2014 2Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2014 1Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 4Q | 43,694            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 3Q | 32,740            | 10,954           | 0      | 10,954 | 10,954         | 0      | 10,954 | 10,954           | 0      | 10,954 | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 2Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 32,770            | 0                | 0      | 0      | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |



### Building Absorption Report

| Building                                                                   | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |        | Gross Absorption |        |        | Average Rate |        |             |
|----------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|--------|------------------|--------|--------|--------------|--------|-------------|
|                                                                            |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total  | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 920 N McCarthy Blvd<br>Bldg 17<br>Milpitas, CA 95035<br>53,666 SF RBA      | Current | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 4Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 3Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 2Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2014 1Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2013 4Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2013 3Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                            | 2013 2Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2013 1Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2012 4Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2012 3Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                            | 2012 2Q | 53,666            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/nnn  | -      | \$15.00/nnn |
| 673 Milpitas Blvd<br>Milpitas, CA 95035<br>44,550 SF RBA                   | Current | 44,550            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                            | 2014 4Q | 44,550            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                            | 2014 3Q | 44,550            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                            | 2014 2Q | 44,550            | 0                | 0      | 0     | 22,404         | 0      | 22,404 | 22,404           | 0      | 22,404 | -            | -      | -           |
|                                                                            | 2014 1Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | -            | -      | -           |
|                                                                            | 2013 4Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2013 3Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2013 2Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2013 1Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2012 4Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2012 3Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                            | 2012 2Q | 22,146            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$15.00/fs   | -      | \$15.00/fs  |
| 100 N Milpitas Blvd<br>Shapell Bldg<br>Milpitas, CA 95035<br>39,518 SF RBA | Current | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 4Q | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 3Q | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 2Q | 36,112            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2014 1Q | 36,112            | 0                | 0      | 0     | 3,726          | 0      | 3,726  | 3,726            | 0      | 3,726  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 4Q | 32,386            | 3,726            | 0      | 3,726 | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 3Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 2Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2013 1Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2012 4Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2012 3Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                            | 2012 2Q | 32,386            | 0                | 0      | 0     | 0              | 0      | 0      | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |

### Building Absorption Report

| Building                                                                       | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |        |             |
|--------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|--------|-------------|
|                                                                                |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 691 S Milpitas Blvd<br>Project #5 Bldg<br>Milpitas, CA 95035<br>104,000 SF RBA | Current | 55,084            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 4Q | 55,084            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 3Q | 55,084            | 0                | 0      | 0      | 0              | 0      | 0        | 12,952           | 0      | 12,952 | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 2Q | 55,084            | 12,952           | 0      | 12,952 | 10,355         | 0      | 10,355   | 10,355           | 0      | 10,355 | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2014 1Q | 44,729            | 10,355           | 0      | 10,355 | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2013 4Q | 44,729            | 0                | 0      | 0      | (37,754)       | 0      | (37,754) | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 3Q | 82,483            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 2Q | 82,483            | 0                | 0      | 0      | 414            | 0      | 414      | 6,285            | 0      | 6,285  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 1Q | 82,069            | 6,254            | 0      | 6,254  | 0              | 0      | 0        | 0                | 0      | 0      | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 4Q | 82,069            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 3Q | 82,069            | 0                | 0      | 0      | (5,987)        | 0      | (5,987)  | 0                | 0      | 0      | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 2Q | 88,056            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -      | -           |
| 1346-1376 Minnis Cir<br>Milpitas, CA 95035<br>19,533 SF RBA                    | Current | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 4Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 3Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 2Q | 14,733            | 0                | 0      | 0      | 2,400          | 0      | 2,400    | 2,400            | 0      | 2,400  | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 1Q | 12,333            | 2,400            | 0      | 2,400  | 0              | 0      | 0        | 0                | 0      | 0      | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 4Q | 12,333            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 3Q | 12,333            | 0                | 0      | 0      | (2,400)        | 0      | (2,400)  | 0                | 0      | 0      | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 2Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2013 1Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 4Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 3Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 2Q | 14,733            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$12.00/mg   | -      | \$12.00/mg  |
| 720 Montague Expy<br>Milpitas, CA 95035<br>39,976 SF RBA                       | Current | 30,294            | 0                | 0      | 0      | (1,722)        | 0      | (1,722)  | 0                | 0      | 0      | \$10.20/mg   | -      | \$10.20/mg  |
|                                                                                | 2014 4Q | 32,016            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2014 3Q | 32,016            | 0                | 0      | 0      | 700            | 0      | 700      | 700              | 0      | 700    | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2014 2Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2014 1Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 4Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 3Q | 31,316            | 2,800            | 0      | 2,800  | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 2Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2013 1Q | 31,316            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2012 4Q | 31,316            | 0                | 0      | 0      | 7,078          | 0      | 7,078    | 9,878            | 0      | 9,878  | \$11.16/mg   | -      | \$11.16/mg  |
|                                                                                | 2012 3Q | 24,238            | 9,849            | 0      | 9,849  | 0              | 0      | 0        | 0                | 0      | 0      | \$8.59/nnn   | -      | \$8.59/nnn  |
|                                                                                | 2012 2Q | 24,238            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$8.59/nnn   | -      | \$8.59/nnn  |

### Building Absorption Report

| Building                                                                                    | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|--------|--------------|-------------|-------------|
|                                                                                             |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total  | Direct       | Sublet      | Total       |
| 911-915 Murphy Ranch Rd<br>Bldg 5<br>Milpitas, CA 95035<br>92,220 SF RBA                    | Current | 2,310             | 0                | 0      | 0      | 0              | 2,310  | 2,310    | 0                | 2,310  | 2,310  | -            | -           | -           |
|                                                                                             | 2014 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | -           | -           |
|                                                                                             | 2014 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                             | 2014 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                             | 2014 1Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                             | 2013 4Q | 0                 | 0                | 0      | 0      | (70,380)       | 17,791 | (52,589) | 0                | 17,791 | 17,791 | -            | -           | -           |
|                                                                                             | 2013 3Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2013 2Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2013 1Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2012 4Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2012 3Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                             | 2012 2Q | 52,589            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | -            | \$5.88/nnn  | \$5.88/nnn  |
| 40 N Park Victoria Dr<br>Park Victoria Medical Center<br>Milpitas, CA 95035<br>7,114 SF RBA | Current | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 4Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 3Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 2Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2014 1Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 4Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 3Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 2Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2013 1Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2012 4Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2012 3Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                             | 2012 2Q | 5,294             | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$28.20/mg   | -           | \$28.20/mg  |
| 501 Sycamore Dr<br>Milpitas, CA 95035<br>71,472 SF RBA                                      | Current | 37,622            | 0                | 0      | 0      | (78)           | 0      | (78)     | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 4Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 3Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 2Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2014 1Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 4Q | 37,700            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 3Q | 37,700            | 0                | 0      | 0      | 35,937         | 0      | 35,937   | 35,949           | 0      | 35,949 | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 2Q | 1,763             | 0                | 0      | 0      | 1,763          | 0      | 1,763    | 1,763            | 0      | 1,763  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2013 1Q | 0                 | 35,937           | 0      | 35,937 | 0              | 0      | 0        | 0                | 0      | 0      | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                             | 2012 4Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | -           | \$10.80/nnn |
|                                                                                             | 2012 3Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.80/nnn  | -           | \$10.80/nnn |
|                                                                                             | 2012 2Q | 0                 | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0      | \$10.20/nnn  | -           | \$10.20/nnn |



### Building Absorption Report

| Building                                                               | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |          | Gross Absorption |        |       | Average Rate |        |             |
|------------------------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|----------|------------------|--------|-------|--------------|--------|-------------|
|                                                                        |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total    | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 694-700 Tasman Dr<br>Building 9<br>Milpitas, CA 95035<br>38,318 SF RBA | Current | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 4Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 3Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 2Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 1Q | 26,384            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | \$17.40/nnn  | -      | \$17.40/nnn |
|                                                                        | 2013 4Q | 26,384            | 0                | 0      | 0      | (11,934)       | 0      | (11,934) | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                        | 2013 3Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2013 2Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2013 1Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2012 4Q | 38,318            | 11,949           | 0      | 11,949 | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2012 3Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |
|                                                                        | 2012 2Q | 38,318            | 0                | 0      | 0      | 0              | 0      | 0        | 0                | 0      | 0     | -            | -      | -           |

**Grand Totals:**

| Quarter | Existing Inventory |           | Delivered Inventory |     | Tot. Occupied SF | Leasing Activity |        |         | Net Absorption |          |           | Gross Absorption |        |        | Average Rate |            |            |
|---------|--------------------|-----------|---------------------|-----|------------------|------------------|--------|---------|----------------|----------|-----------|------------------|--------|--------|--------------|------------|------------|
|         | # of Bldgs         | RBA       | # of Bldgs          | RBA |                  | Direct           | Sublet | Total   | Direct         | Sublet   | Total     | Direct           | Sublet | Total  | Direct       | Sublet     | Total      |
| Current | 38                 | 1,851,428 | 0                   | 0   | 1,313,623        | 1,991            | 0      | 1,991   | 28,937         | (10,420) | 18,517    | 32,728           | 6,433  | 39,161 | \$19.71/fs   | \$16.35/fs | \$19.40/fs |
| 2014 4Q | 38                 | 1,851,428 | 0                   | 0   | 1,295,106        | 20,093           | 0      | 20,093  | 16,240         | 5,828    | 22,068    | 34,633           | 5,828  | 40,461 | \$19.14/fs   | \$18.00/fs | \$19.05/fs |
| 2014 3Q | 38                 | 1,851,428 | 0                   | 0   | 1,273,038        | 38,807           | 0      | 38,807  | 13,251         | 0        | 13,251    | 40,148           | 0      | 40,148 | \$18.69/fs   | \$20.14/fs | \$18.87/fs |
| 2014 2Q | 38                 | 1,851,428 | 0                   | 0   | 1,259,787        | 34,827           | 5,828  | 40,655  | 39,927         | 1,141    | 41,068    | 66,116           | 5,264  | 71,380 | \$18.59/fs   | \$21.07/fs | \$18.91/fs |
| 2014 1Q | 38                 | 1,851,428 | 0                   | 0   | 1,218,719        | 37,029           | 5,264  | 42,293  | 16,163         | 0        | 16,163    | 34,547           | 0      | 34,547 | \$15.57/fs   | \$21.07/fs | \$16.23/fs |
| 2013 4Q | 38                 | 1,851,428 | 0                   | 0   | 1,202,556        | 30,672           | 0      | 30,672  | (118,045)      | 17,791   | (100,254) | 30,774           | 17,791 | 48,565 | \$16.52/fs   | \$18.69/fs | \$16.56/fs |
| 2013 3Q | 38                 | 1,851,428 | 0                   | 0   | 1,302,810        | 52,293           | 0      | 52,293  | 29,362         | (11,092) | 18,270    | 69,720           | 0      | 69,720 | \$16.53/fs   | \$12.08/fs | \$16.15/fs |
| 2013 2Q | 38                 | 1,851,428 | 0                   | 0   | 1,284,540        | 16,685           | 2,496  | 19,181  | 716            | 2,496    | 3,212     | 26,838           | 2,496  | 29,334 | \$17.05/fs   | \$10.51/fs | \$16.59/fs |
| 2013 1Q | 38                 | 1,851,428 | 0                   | 0   | 1,281,328        | 60,550           | 0      | 60,550  | (131,955)      | 0        | (131,955) | 35,635           | 0      | 35,635 | \$16.74/fs   | \$5.88/fs  | \$16.05/fs |
| 2012 4Q | 38                 | 1,851,428 | 0                   | 0   | 1,413,283        | 104,732          | 0      | 104,732 | 60,126         | 9,950    | 70,076    | 69,295           | 12,446 | 81,741 | \$16.55/fs   | \$5.88/fs  | \$15.88/fs |
| 2012 3Q | 38                 | 1,851,428 | 0                   | 0   | 1,343,207        | 101,192          | 12,437 | 113,629 | 1,971          | 4,782    | 6,753     | 38,705           | 4,782  | 43,487 | \$16.68/fs   | \$7.94/fs  | \$15.96/fs |
| 2012 2Q | 38                 | 1,851,428 | 0                   | 0   | 1,336,454        | 65,658           | 0      | 65,658  | 14,431         | 0        | 14,431    | 45,526           | 0      | 45,526 | \$17.26/fs   | \$8.23/fs  | \$16.52/fs |

### Building Historical Vacancy Report

| Building                                                                   | Period  | SF Vacant |        |       | % Vacant |        |        | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|--------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                            |         | Direct    | Sublet | Total | Direct   | Sublet | Total  | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 1144-1158 Cadillac Ct<br>Building C<br>Milpitas, CA 95035<br>12,638 SF RBA | Current | 1,675     | 0      | 1,675 | 13.3%    | 0.0%   | 13.3%  | 1,675               | 0      | 1,675 | 13.3%              | 0.0%   | 13.3% | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 4Q | 3,455     | 0      | 3,455 | 27.3%    | 0.0%   | 27.3%  | 3,455               | 0      | 3,455 | 27.3%              | 0.0%   | 27.3% | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 3Q | 3,455     | 0      | 3,455 | 27.3%    | 0.0%   | 27.3%  | 3,455               | 0      | 3,455 | 27.3%              | 0.0%   | 27.3% | \$17.38/nnn  | -      | \$17.38/nnn |
|                                                                            | 2014 2Q | 1,675     | 0      | 1,675 | 13.3%    | 0.0%   | 13.3%  | 1,675               | 0      | 1,675 | 13.3%              | 0.0%   | 13.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$20.40/nnn  | -      | \$20.40/nnn |
|                                                                            | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                            | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA            | Current | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 3Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 2Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2014 1Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%   | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                            | 2013 3Q | 1,080     | 0      | 1,080 | 1.7%     | 0.0%   | 1.7%   | 1,080               | 0      | 1,080 | 1.7%               | 0.0%   | 1.7%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 2Q | 4,470     | 0      | 4,470 | 7.1%     | 0.0%   | 7.1%   | 4,470               | 0      | 4,470 | 7.1%               | 0.0%   | 7.1%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2013 1Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 4Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 3Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                            | 2012 2Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%   | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
| 1181 E Calaveras Blvd<br>Milpitas, CA 95035<br>7,379 SF RBA                | Current | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 4Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 3Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 2Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2014 1Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 4Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 3Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 2Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2013 1Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 4Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 3Q | 6,189     | 0      | 6,189 | 83.9%    | 0.0%   | 83.9%  | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                            | 2012 2Q | 7,378     | 0      | 7,378 | 100.0%   | 0.0%   | 100.0% | 6,189               | 0      | 6,189 | 83.9%              | 0.0%   | 83.9% | \$18.00/nnn  | -      | \$18.00/nnn |

### Building Historical Vacancy Report

| Building                                                                        | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|-------------|-------------|
|                                                                                 |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet      | Total       |
| 1521 California Cir<br>California Circle<br>Milpitas, CA 95035<br>24,892 SF RBA | Current | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 12,446    | 0      | 12,446 | 50.0%    | 0.0%   | 50.0%  | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 12,446    | 12,446 | 24,892 | 50.0%    | 50.0%  | 100.0% | 12,446              | 0      | 12,446 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
|                                                                                 | 2012 2Q | 12,446    | 12,446 | 24,892 | 50.0%    | 50.0%  | 100.0% | 12,446              | 12,446 | 24,892 | 50.0%              | 50.0%  | 100.0% | \$11.40/nnn  | \$10.80/nnn | \$11.20/nnn |
| 1533 California Cir<br>California Circle<br>Milpitas, CA 95035<br>26,976 SF RBA | Current | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 4Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 3Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 2Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2014 1Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 4Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 3Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 2Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$14.64/nnn  | -           | \$14.64/nnn |
|                                                                                 | 2013 1Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 4Q | 26,976    | 0      | 26,976 | 100.0%   | 0.0%   | 100.0% | 26,976              | 0      | 26,976 | 100.0%             | 0.0%   | 100.0% | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 3Q | 26,976    | 0      | 26,976 | 100.0%   | 0.0%   | 100.0% | 26,976              | 0      | 26,976 | 100.0%             | 0.0%   | 100.0% | \$11.40/nnn  | -           | \$11.40/nnn |
|                                                                                 | 2012 2Q | 13,488    | 0      | 13,488 | 50.0%    | 0.0%   | 50.0%  | 13,488              | 0      | 13,488 | 50.0%              | 0.0%   | 50.0%  | \$11.40/nnn  | -           | \$11.40/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 4Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 3Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 2Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2014 1Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 4Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 3Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 2Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2013 1Q | 6,585     | 0      | 6,585  | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585  | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -           | \$25.20/nnn |
|                                                                                 | 2012 4Q | 800       | 0      | 800    | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800    | 7.6%               | 0.0%   | 7.6%   | -            | -           | -           |
|                                                                                 | 2012 3Q | 800       | 0      | 800    | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800    | 7.6%               | 0.0%   | 7.6%   | -            | -           | -           |
|                                                                                 | 2012 2Q | 800       | 0      | 800    | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800    | 7.6%               | 0.0%   | 7.6%   | \$39.00/nnn  | -           | \$39.00/nnn |



### Building Historical Vacancy Report

| Building                                                                                | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |            |
|-----------------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|------------|
|                                                                                         |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total      |
| 1750-1798 Clear Lake Ave<br>Parktown Office Bldg<br>Milpitas, CA 95035<br>18,670 SF RBA | Current | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 4Q | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 3Q | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 2Q | 924       | 0      | 924    | 4.9%     | 0.0%   | 4.9%  | 924                 | 0      | 924    | 4.9%               | 0.0%   | 4.9%  | \$15.00/mg   | -      | \$15.00/mg |
|                                                                                         | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2013 3Q | 959       | 0      | 959    | 5.1%     | 0.0%   | 5.1%  | 959                 | 0      | 959    | 5.1%               | 0.0%   | 5.1%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2013 2Q | 959       | 0      | 959    | 5.1%     | 0.0%   | 5.1%  | 959                 | 0      | 959    | 5.1%               | 0.0%   | 5.1%  | \$15.92/fs   | -      | \$15.92/fs |
|                                                                                         | 2013 1Q | 1,508     | 0      | 1,508  | 8.1%     | 0.0%   | 8.1%  | 1,508               | 0      | 1,508  | 8.1%               | 0.0%   | 8.1%  | \$15.00/fs   | -      | \$15.00/fs |
|                                                                                         | 2012 4Q | 3,048     | 0      | 3,048  | 16.3%    | 0.0%   | 16.3% | 3,048               | 0      | 3,048  | 16.3%              | 0.0%   | 16.3% | \$14.35/fs   | -      | \$14.35/fs |
|                                                                                         | 2012 3Q | 3,048     | 0      | 3,048  | 16.3%    | 0.0%   | 16.3% | 3,048               | 0      | 3,048  | 16.3%              | 0.0%   | 16.3% | \$14.35/fs   | -      | \$14.35/fs |
|                                                                                         | 2012 2Q | 419       | 0      | 419    | 2.2%     | 0.0%   | 2.2%  | 419                 | 0      | 419    | 2.2%               | 0.0%   | 2.2%  | \$14.28/fs   | -      | \$14.28/fs |
| 830 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>73,926 SF RBA                        | Current | 3,850     | 0      | 3,850  | 5.2%     | 0.0%   | 5.2%  | 3,850               | 0      | 3,850  | 5.2%               | 0.0%   | 5.2%  | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 4Q | 3,850     | 0      | 3,850  | 5.2%     | 0.0%   | 5.2%  | 3,850               | 0      | 3,850  | 5.2%               | 0.0%   | 5.2%  | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 3Q | 7,560     | 0      | 7,560  | 10.2%    | 0.0%   | 10.2% | 7,560               | 0      | 7,560  | 10.2%              | 0.0%   | 10.2% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 2Q | 16,682    | 0      | 16,682 | 22.6%    | 0.0%   | 22.6% | 11,634              | 0      | 11,634 | 15.7%              | 0.0%   | 15.7% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 1Q | 14,411    | 0      | 14,411 | 19.5%    | 0.0%   | 19.5% | 14,411              | 0      | 14,411 | 19.5%              | 0.0%   | 19.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 4Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 12,206              | 0      | 12,206 | 16.5%              | 0.0%   | 16.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 3Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 13,924              | 0      | 13,924 | 18.8%              | 0.0%   | 18.8% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 2Q | 15,127    | 0      | 15,127 | 20.5%    | 0.0%   | 20.5% | 15,127              | 0      | 15,127 | 20.5%              | 0.0%   | 20.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 1Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 13,924              | 0      | 13,924 | 18.8%              | 0.0%   | 18.8% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 4Q | 13,924    | 0      | 13,924 | 18.8%    | 0.0%   | 18.8% | 13,924              | 0      | 13,924 | 18.8%              | 0.0%   | 18.8% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 3Q | 15,127    | 0      | 15,127 | 20.5%    | 0.0%   | 20.5% | 15,127              | 0      | 15,127 | 20.5%              | 0.0%   | 20.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 2Q | 15,127    | 0      | 15,127 | 20.5%    | 0.0%   | 20.5% | 15,127              | 0      | 15,127 | 20.5%              | 0.0%   | 20.5% | \$21.00/fs   | -      | \$21.00/fs |
| 860 Hillview Ct<br>Bldg 1<br>Milpitas, CA 95035<br>56,087 SF RBA                        | Current | 16,105    | 2,599  | 18,704 | 28.7%    | 4.6%   | 33.3% | 16,105              | 2,599  | 18,704 | 28.7%              | 4.6%   | 33.3% | \$23.40/fs   | -      | \$23.40/fs |
|                                                                                         | 2014 4Q | 16,105    | 0      | 16,105 | 28.7%    | 0.0%   | 28.7% | 16,105              | 0      | 16,105 | 28.7%              | 0.0%   | 28.7% | \$23.40/fs   | -      | \$23.40/fs |
|                                                                                         | 2014 3Q | 18,008    | 0      | 18,008 | 32.1%    | 0.0%   | 32.1% | 18,008              | 0      | 18,008 | 32.1%              | 0.0%   | 32.1% | \$22.57/fs   | -      | \$22.57/fs |
|                                                                                         | 2014 2Q | 23,305    | 0      | 23,305 | 41.6%    | 0.0%   | 41.6% | 23,305              | 0      | 23,305 | 41.6%              | 0.0%   | 41.6% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2014 1Q | 31,141    | 0      | 31,141 | 55.5%    | 0.0%   | 55.5% | 31,141              | 0      | 31,141 | 55.5%              | 0.0%   | 55.5% | \$18.75/fs   | -      | \$18.75/fs |
|                                                                                         | 2013 4Q | 21,796    | 0      | 21,796 | 38.9%    | 0.0%   | 38.9% | 21,796              | 0      | 21,796 | 38.9%              | 0.0%   | 38.9% | \$19.08/fs   | -      | \$19.08/fs |
|                                                                                         | 2013 3Q | 25,782    | 0      | 25,782 | 46.0%    | 0.0%   | 46.0% | 21,796              | 0      | 21,796 | 38.9%              | 0.0%   | 38.9% | \$18.47/fs   | -      | \$18.47/fs |
|                                                                                         | 2013 2Q | 26,642    | 0      | 26,642 | 47.5%    | 0.0%   | 47.5% | 26,642              | 0      | 26,642 | 47.5%              | 0.0%   | 47.5% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2013 1Q | 27,640    | 0      | 27,640 | 49.3%    | 0.0%   | 49.3% | 27,640              | 0      | 27,640 | 49.3%              | 0.0%   | 49.3% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 4Q | 35,453    | 0      | 35,453 | 63.2%    | 0.0%   | 63.2% | 35,453              | 0      | 35,453 | 63.2%              | 0.0%   | 63.2% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 3Q | 48,405    | 0      | 48,405 | 86.3%    | 0.0%   | 86.3% | 48,405              | 0      | 48,405 | 86.3%              | 0.0%   | 86.3% | \$21.00/fs   | -      | \$21.00/fs |
|                                                                                         | 2012 2Q | 42,423    | 0      | 42,423 | 75.6%    | 0.0%   | 75.6% | 35,916              | 0      | 35,916 | 64.0%              | 0.0%   | 64.0% | \$20.84/fs   | -      | \$20.84/fs |

### Building Historical Vacancy Report

| Building                                                                                   | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                            |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 890 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>56,087 SF RBA                           | Current | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 16,475    | 0      | 16,475 | 29.4%    | 0.0%   | 29.4% | 16,475              | 0      | 16,475 | 29.4%              | 0.0%   | 29.4% | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 4Q | 19,832    | 0      | 19,832 | 35.4%    | 0.0%   | 35.4% | 13,649              | 0      | 13,649 | 24.3%              | 0.0%   | 24.3% | \$18.00/fs   | -      | \$18.00/fs  |
|                                                                                            | 2013 3Q | 14,468    | 0      | 14,468 | 25.8%    | 0.0%   | 25.8% | 14,468              | 0      | 14,468 | 25.8%              | 0.0%   | 25.8% | \$19.35/fs   | -      | \$19.35/fs  |
|                                                                                            | 2013 2Q | 10,258    | 0      | 10,258 | 18.3%    | 0.0%   | 18.3% | 10,258              | 0      | 10,258 | 18.3%              | 0.0%   | 18.3% | \$22.04/fs   | -      | \$22.04/fs  |
|                                                                                            | 2013 1Q | 8,133     | 0      | 8,133  | 14.5%    | 0.0%   | 14.5% | 8,133               | 0      | 8,133  | 14.5%              | 0.0%   | 14.5% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 4,933     | 0      | 4,933  | 8.8%     | 0.0%   | 8.8%  | 4,933               | 0      | 4,933  | 8.8%               | 0.0%   | 8.8%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 4,933     | 0      | 4,933  | 8.8%     | 0.0%   | 8.8%  | 4,933               | 0      | 4,933  | 8.8%               | 0.0%   | 8.8%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 15,857    | 0      | 15,857 | 28.3%    | 0.0%   | 28.3% | 4,933               | 0      | 4,933  | 8.8%               | 0.0%   | 8.8%  | \$16.49/fs   | -      | \$16.49/fs  |
| 920 Hillview Ct<br>Bldg 2<br>Milpitas, CA 95035<br>44,652 SF RBA                           | Current | 7,123     | 0      | 7,123  | 16.0%    | 0.0%   | 16.0% | 7,123               | 0      | 7,123  | 16.0%              | 0.0%   | 16.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 4Q | 7,123     | 0      | 7,123  | 16.0%    | 0.0%   | 16.0% | 7,123               | 0      | 7,123  | 16.0%              | 0.0%   | 16.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 3Q | 10,409    | 0      | 10,409 | 23.3%    | 0.0%   | 23.3% | 10,409              | 0      | 10,409 | 23.3%              | 0.0%   | 23.3% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 2Q | 10,409    | 0      | 10,409 | 23.3%    | 0.0%   | 23.3% | 10,409              | 0      | 10,409 | 23.3%              | 0.0%   | 23.3% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2014 1Q | 12,043    | 0      | 12,043 | 27.0%    | 0.0%   | 27.0% | 10,409              | 0      | 10,409 | 23.3%              | 0.0%   | 23.3% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 4Q | 24,572    | 0      | 24,572 | 55.0%    | 0.0%   | 55.0% | 12,043              | 0      | 12,043 | 27.0%              | 0.0%   | 27.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 3Q | 14,982    | 0      | 14,982 | 33.6%    | 0.0%   | 33.6% | 14,982              | 0      | 14,982 | 33.6%              | 0.0%   | 33.6% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 2Q | 14,982    | 0      | 14,982 | 33.6%    | 0.0%   | 33.6% | 14,982              | 0      | 14,982 | 33.6%              | 0.0%   | 33.6% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2013 1Q | 18,765    | 0      | 18,765 | 42.0%    | 0.0%   | 42.0% | 14,982              | 0      | 14,982 | 33.6%              | 0.0%   | 33.6% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 4Q | 13,849    | 0      | 13,849 | 31.0%    | 0.0%   | 31.0% | 13,849              | 0      | 13,849 | 31.0%              | 0.0%   | 31.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 3Q | 13,849    | 0      | 13,849 | 31.0%    | 0.0%   | 31.0% | 13,849              | 0      | 13,849 | 31.0%              | 0.0%   | 31.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                            | 2012 2Q | 13,849    | 0      | 13,849 | 31.0%    | 0.0%   | 31.0% | 13,849              | 0      | 13,849 | 31.0%              | 0.0%   | 31.0% | \$21.00/fs   | -      | \$21.00/fs  |
| 1120-1158 Jacklin Rd<br>Jacklin Professional Center<br>Milpitas, CA 95035<br>14,021 SF RBA | Current | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 4Q | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 3Q | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 2Q | 2,193     | 0      | 2,193  | 15.6%    | 0.0%   | 15.6% | 2,193               | 0      | 2,193  | 15.6%              | 0.0%   | 15.6% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2013 1Q | 1,578     | 0      | 1,578  | 11.3%    | 0.0%   | 11.3% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 4Q | 1,578     | 0      | 1,578  | 11.3%    | 0.0%   | 11.3% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 3Q | 1,578     | 0      | 1,578  | 11.3%    | 0.0%   | 11.3% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                                            | 2012 2Q | 5,314     | 0      | 5,314  | 37.9%    | 0.0%   | 37.9% | 1,578               | 0      | 1,578  | 11.3%              | 0.0%   | 11.3% | \$18.00/nnn  | -      | \$18.00/nnn |

### Building Historical Vacancy Report

| Building                                                                          | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |            |             |
|-----------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|------------|-------------|
|                                                                                   |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet     | Total       |
| 529 S Main St<br>Milpitas, CA 95035<br>6,005 SF RBA                               | Current | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 4Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 3Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 2Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2014 1Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 4Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 3Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 2Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                                   | 2013 1Q | 6,000     | 0      | 6,000 | 99.9%    | 0.0%   | 99.9% | 6,000               | 0      | 6,000 | 99.9%              | 0.0%   | 99.9% | -            | -          | -           |
|                                                                                   | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                                   | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                                   | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA | Current | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.60/mg   | -          | \$21.60/mg  |
|                                                                                   | 2014 4Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.90/fs   | -          | \$21.90/fs  |
|                                                                                   | 2014 3Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$21.90/fs   | -          | \$21.90/fs  |
|                                                                                   | 2014 2Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$40.20/fs   | -          | \$40.20/fs  |
|                                                                                   | 2014 1Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 4Q | 3,400     | 0      | 3,400 | 31.6%    | 0.0%   | 31.6% | 3,400               | 0      | 3,400 | 31.6%              | 0.0%   | 31.6% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 3Q | 2,800     | 0      | 2,800 | 26.0%    | 0.0%   | 26.0% | 2,800               | 0      | 2,800 | 26.0%              | 0.0%   | 26.0% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 2Q | 3,050     | 0      | 3,050 | 28.4%    | 0.0%   | 28.4% | 3,050               | 0      | 3,050 | 28.4%              | 0.0%   | 28.4% | \$22.20/fs   | -          | \$22.20/fs  |
|                                                                                   | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -          | \$21.00/mg  |
|                                                                                   | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -          | \$21.00/mg  |
|                                                                                   | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -          | \$21.00/mg  |
|                                                                                   | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
| 1633-1649 S Main St<br>Bldg B<br>Milpitas, CA<br>34,985 SF RBA                    | Current | 3,458     | 0      | 3,458 | 9.9%     | 0.0%   | 9.9%  | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$18.00/mg   | -          | \$18.00/mg  |
|                                                                                   | 2014 4Q | 3,458     | 0      | 3,458 | 9.9%     | 0.0%   | 9.9%  | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2014 3Q | 3,458     | 0      | 3,458 | 9.9%     | 0.0%   | 9.9%  | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2014 2Q | 4,743     | 0      | 4,743 | 13.6%    | 0.0%   | 13.6% | 3,458               | 0      | 3,458 | 9.9%               | 0.0%   | 9.9%  | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2014 1Q | 7,531     | 0      | 7,531 | 21.5%    | 0.0%   | 21.5% | 7,531               | 0      | 7,531 | 21.5%              | 0.0%   | 21.5% | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2013 4Q | 7,531     | 0      | 7,531 | 21.5%    | 0.0%   | 21.5% | 7,531               | 0      | 7,531 | 21.5%              | 0.0%   | 21.5% | \$14.40/mg   | -          | \$14.40/mg  |
|                                                                                   | 2013 3Q | 2,731     | 0      | 2,731 | 7.8%     | 0.0%   | 7.8%  | 2,731               | 0      | 2,731 | 7.8%               | 0.0%   | 7.8%  | \$11.88/mg   | -          | \$11.88/mg  |
|                                                                                   | 2013 2Q | 1,446     | 0      | 1,446 | 4.1%     | 0.0%   | 4.1%  | 1,446               | 0      | 1,446 | 4.1%               | 0.0%   | 4.1%  | \$13.80/fs   | \$10.20/fs | \$11.52/fs  |
|                                                                                   | 2013 1Q | 1,446     | 2,496  | 3,942 | 4.1%     | 7.1%   | 11.3% | 1,446               | 2,496  | 3,942 | 4.1%               | 7.1%   | 11.3% | \$15.00/fs   | \$10.20/fs | \$11.96/fs  |
|                                                                                   | 2012 4Q | 1,446     | 2,496  | 3,942 | 4.1%     | 7.1%   | 11.3% | 1,446               | 2,496  | 3,942 | 4.1%               | 7.1%   | 11.3% | \$15.00/fs   | \$10.20/fs | \$11.96/fs  |
|                                                                                   | 2012 3Q | 1,446     | 0      | 1,446 | 4.1%     | 0.0%   | 4.1%  | 1,446               | 0      | 1,446 | 4.1%               | 0.0%   | 4.1%  | \$15.00/fs   | -          | \$15.00/fs  |
|                                                                                   | 2012 2Q | 1,446     | 0      | 1,446 | 4.1%     | 0.0%   | 4.1%  | 1,446               | 0      | 1,446 | 4.1%               | 0.0%   | 4.1%  | \$15.00/fs   | -          | \$15.00/fs  |



# Building Historical Vacancy Report

| Building                                                        | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |       |
|-----------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------|
|                                                                 |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total |
| McCarthy Blvd<br>Bldg 1<br>Milpitas, CA 95035<br>124,040 SF RBA | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>124,040 SF RBA | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 3<br>Milpitas, CA 95035<br>124,040 SF RBA | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 4<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 5<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 6<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 7<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |
| McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>99,232 SF RBA  | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -     |

### Building Historical Vacancy Report

| Building                                                                              | Period  | SF Vacant |        |         | % Vacant |        |        | SF Vacant Available |        |         | % Vacant Available |        |        | Average Rate |             |             |
|---------------------------------------------------------------------------------------|---------|-----------|--------|---------|----------|--------|--------|---------------------|--------|---------|--------------------|--------|--------|--------------|-------------|-------------|
|                                                                                       |         | Direct    | Sublet | Total   | Direct   | Sublet | Total  | Direct              | Sublet | Total   | Direct             | Sublet | Total  | Direct       | Sublet      | Total       |
| 1011 McCarthy Blvd<br>Murphy Crossing - Bldg 2<br>Milpitas, CA 95035<br>74,026 SF RBA | Current | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$18.00/nnn | \$18.00/nnn |
|                                                                                       | 2014 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2014 1Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                       | 2013 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | -           | -           |
|                                                                                       | 2013 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | -            | -           | -           |
|                                                                                       | 2013 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2013 1Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                       | 2012 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.80/nnn  | -           | \$22.80/nnn |
| 1501 McCarthy Blvd<br>Milpitas, CA 95035<br>132,179 SF RBA                            | Current | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$22.20/nnn  | -           | \$22.20/nnn |
|                                                                                       | 2014 4Q | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$19.80/nnn  | -           | \$19.80/nnn |
|                                                                                       | 2014 3Q | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$19.80/nnn  | -           | \$19.80/nnn |
|                                                                                       | 2014 2Q | 132,179   | 0      | 132,179 | 100.0%   | 0.0%   | 100.0% | 132,179             | 0      | 132,179 | 100.0%             | 0.0%   | 100.0% | \$19.80/nnn  | -           | \$19.80/nnn |
|                                                                                       | 2014 1Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 4Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 3Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 2Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2013 1Q | 128,820   | 0      | 128,820 | 97.5%    | 0.0%   | 97.5%  | 128,820             | 0      | 128,820 | 97.5%              | 0.0%   | 97.5%  | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2012 4Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2012 3Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$9.00/nnn   | -           | \$9.00/nnn  |
|                                                                                       | 2012 2Q | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$9.00/nnn   | -           | \$9.00/nnn  |
| 1525 McCarthy Blvd<br>Milpitas, CA 95035<br>76,284 SF RBA                             | Current | 0         | 0      | 0       | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0       | 0.0%               | 0.0%   | 0.0%   | \$22.20/fs   | -           | \$22.20/fs  |
|                                                                                       | 2014 4Q | 3,206     | 0      | 3,206   | 4.2%     | 0.0%   | 4.2%   | 3,206               | 0      | 3,206   | 4.2%               | 0.0%   | 4.2%   | \$22.20/fs   | -           | \$22.20/fs  |
|                                                                                       | 2014 3Q | 6,369     | 0      | 6,369   | 8.3%     | 0.0%   | 8.3%   | 3,206               | 0      | 3,206   | 4.2%               | 0.0%   | 4.2%   | \$21.00/fs   | -           | \$21.00/fs  |
|                                                                                       | 2014 2Q | 8,351     | 0      | 8,351   | 10.9%    | 0.0%   | 10.9%  | 6,369               | 0      | 6,369   | 8.3%               | 0.0%   | 8.3%   | \$21.00/fs   | -           | \$21.00/fs  |
|                                                                                       | 2014 1Q | 11,283    | 0      | 11,283  | 14.8%    | 0.0%   | 14.8%  | 11,283              | 0      | 11,283  | 14.8%              | 0.0%   | 14.8%  | \$20.65/fs   | -           | \$20.65/fs  |
|                                                                                       | 2013 4Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2013 3Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2013 2Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2013 1Q | 9,301     | 0      | 9,301   | 12.2%    | 0.0%   | 12.2%  | 9,301               | 0      | 9,301   | 12.2%              | 0.0%   | 12.2%  | \$20.58/fs   | -           | \$20.58/fs  |
|                                                                                       | 2012 4Q | 7,675     | 0      | 7,675   | 10.1%    | 0.0%   | 10.1%  | 7,675               | 0      | 7,675   | 10.1%              | 0.0%   | 10.1%  | \$20.49/fs   | -           | \$20.49/fs  |
|                                                                                       | 2012 3Q | 1,306     | 0      | 1,306   | 1.7%     | 0.0%   | 1.7%   | 1,306               | 0      | 1,306   | 1.7%               | 0.0%   | 1.7%   | \$18.00/fs   | -           | \$18.00/fs  |
|                                                                                       | 2012 2Q | 1,306     | 0      | 1,306   | 1.7%     | 0.0%   | 1.7%   | 1,306               | 0      | 1,306   | 1.7%               | 0.0%   | 1.7%   | \$18.00/fs   | -           | \$18.00/fs  |

### Building Historical Vacancy Report

| Building                                                               | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |            |            |
|------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|------------|------------|
|                                                                        |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet     | Total      |
| 1551 McCarthy Blvd<br>Milpitas, CA 95035<br>48,926 SF RBA              | Current | 3,475     | 0      | 3,475  | 7.1%     | 0.0%   | 7.1%  | 1,484               | 0      | 1,484  | 3.0%               | 0.0%   | 3.0%  | \$22.20/mg   | -          | \$22.20/mg |
|                                                                        | 2014 4Q | 1,484     | 0      | 1,484  | 3.0%     | 0.0%   | 3.0%  | 1,484               | 0      | 1,484  | 3.0%               | 0.0%   | 3.0%  | \$22.20/mg   | -          | \$22.20/mg |
|                                                                        | 2014 3Q | 3,325     | 0      | 3,325  | 6.8%     | 0.0%   | 6.8%  | 3,325               | 0      | 3,325  | 6.8%               | 0.0%   | 6.8%  | \$22.20/mg   | -          | \$22.20/mg |
|                                                                        | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.42/mg   | -          | \$18.42/mg |
|                                                                        | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$18.42/mg   | -          | \$18.42/mg |
|                                                                        | 2013 4Q | 6,065     | 0      | 6,065  | 12.4%    | 0.0%   | 12.4% | 6,065               | 0      | 6,065  | 12.4%              | 0.0%   | 12.4% | \$18.38/mg   | -          | \$18.38/mg |
|                                                                        | 2013 3Q | 6,065     | 0      | 6,065  | 12.4%    | 0.0%   | 12.4% | 2,701               | 0      | 2,701  | 5.5%               | 0.0%   | 5.5%  | \$18.00/mg   | -          | \$18.00/mg |
|                                                                        | 2013 2Q | 6,065     | 0      | 6,065  | 12.4%    | 0.0%   | 12.4% | 6,065               | 0      | 6,065  | 12.4%              | 0.0%   | 12.4% | \$16.80/mg   | -          | \$16.80/mg |
|                                                                        | 2013 1Q | 13,943    | 0      | 13,943 | 28.5%    | 0.0%   | 28.5% | 13,943              | 0      | 13,943 | 28.5%              | 0.0%   | 28.5% | \$16.80/mg   | -          | \$16.80/mg |
|                                                                        | 2012 4Q | 9,494     | 0      | 9,494  | 19.4%    | 0.0%   | 19.4% | 9,494               | 0      | 9,494  | 19.4%              | 0.0%   | 19.4% | \$16.80/mg   | -          | \$16.80/mg |
|                                                                        | 2012 3Q | 9,494     | 0      | 9,494  | 19.4%    | 0.0%   | 19.4% | 9,494               | 0      | 9,494  | 19.4%              | 0.0%   | 19.4% | \$18.67/mg   | -          | \$18.67/mg |
|                                                                        | 2012 2Q | 10,721    | 4,782  | 15,503 | 21.9%    | 9.8%   | 31.7% | 10,721              | 4,782  | 15,503 | 21.9%              | 9.8%   | 31.7% | \$12.32/mg   | \$11.88/fs | \$12.32/mg |
| 1656 McCarthy Blvd<br>Milpitas, CA 95035<br>80,060 SF RBA              | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
|                                                                        | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -          |
| 1900 McCarthy Blvd<br>1900 Bldg<br>Milpitas, CA 95035<br>76,616 SF RBA | Current | 2,751     | 0      | 2,751  | 3.6%     | 0.0%   | 3.6%  | 2,751               | 0      | 2,751  | 3.6%               | 0.0%   | 3.6%  | \$25.80/fs   | -          | \$25.80/fs |
|                                                                        | 2014 4Q | 2,751     | 4,123  | 6,874  | 3.6%     | 5.4%   | 9.0%  | 2,751               | 4,123  | 6,874  | 3.6%               | 5.4%   | 9.0%  | \$25.80/fs   | \$18.00/fs | \$21.12/fs |
|                                                                        | 2014 3Q | 5,088     | 9,951  | 15,039 | 6.6%     | 13.0%  | 19.6% | 2,751               | 9,951  | 12,702 | 3.6%               | 13.0%  | 16.6% | \$23.40/fs   | \$18.66/fs | \$21.00/fs |
|                                                                        | 2014 2Q | 5,058     | 9,951  | 15,009 | 6.6%     | 13.0%  | 19.6% | 5,058               | 9,951  | 15,009 | 6.6%               | 13.0%  | 19.6% | \$23.40/fs   | \$19.32/fs | \$20.34/fs |
|                                                                        | 2014 1Q | 5,058     | 11,092 | 16,150 | 6.6%     | 14.5%  | 21.1% | 5,058               | 11,092 | 16,150 | 6.6%               | 14.5%  | 21.1% | \$23.40/fs   | \$18.69/fs | \$20.17/fs |
|                                                                        | 2013 4Q | 5,058     | 11,092 | 16,150 | 6.6%     | 14.5%  | 21.1% | 5,058               | 11,092 | 16,150 | 6.6%               | 14.5%  | 21.1% | \$23.15/fs   | \$18.69/fs | \$20.65/fs |
|                                                                        | 2013 3Q | 12,362    | 11,092 | 23,454 | 16.1%    | 14.5%  | 30.6% | 6,408               | 11,092 | 17,500 | 8.4%               | 14.5%  | 22.8% | \$21.80/fs   | \$18.69/fs | \$20.45/fs |
|                                                                        | 2013 2Q | 29,742    | 0      | 29,742 | 38.8%    | 0.0%   | 38.8% | 13,578              | 0      | 13,578 | 17.7%              | 0.0%   | 17.7% | \$21.00/fs   | -          | \$21.00/fs |
|                                                                        | 2013 1Q | 20,953    | 0      | 20,953 | 27.3%    | 0.0%   | 27.3% | 20,953              | 0      | 20,953 | 27.3%              | 0.0%   | 27.3% | \$21.00/fs   | -          | \$21.00/fs |
|                                                                        | 2012 4Q | 20,953    | 0      | 20,953 | 27.3%    | 0.0%   | 27.3% | 20,953              | 0      | 20,953 | 27.3%              | 0.0%   | 27.3% | \$20.62/fs   | -          | \$20.62/fs |
|                                                                        | 2012 3Q | 26,551    | 0      | 26,551 | 34.7%    | 0.0%   | 34.7% | 26,551              | 0      | 26,551 | 34.7%              | 0.0%   | 34.7% | \$19.20/fs   | -          | \$19.20/fs |
|                                                                        | 2012 2Q | 39,532    | 0      | 39,532 | 51.6%    | 0.0%   | 51.6% | 26,551              | 0      | 26,551 | 34.7%              | 0.0%   | 34.7% | \$19.20/fs   | -          | \$19.20/fs |



### Building Historical Vacancy Report

| Building                                                              | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |            |             |
|-----------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|------------|-------------|
|                                                                       |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet     | Total       |
| 490 N McCarthy Blvd<br>Bldg 2<br>Milpitas, CA 95035<br>53,666 SF RBA  | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                       | 2012 3Q | 39,664    | 0      | 39,664 | 73.9%    | 0.0%   | 73.9% | 12,831              | 0      | 12,831 | 23.9%              | 0.0%   | 23.9% | \$15.00/nnn  | -          | \$15.00/nnn |
|                                                                       | 2012 2Q | 39,664    | 0      | 39,664 | 73.9%    | 0.0%   | 73.9% | 12,831              | 0      | 12,831 | 23.9%              | 0.0%   | 23.9% | \$15.00/nnn  | -          | \$15.00/nnn |
| 680 N McCarthy Blvd<br>Bldg 9<br>Milpitas, CA 95035<br>62,874 SF RBA  | Current | 0         | 14,254 | 14,254 | 0.0%     | 22.7%  | 22.7% | 0                   | 14,254 | 14,254 | 0.0%               | 22.7%  | 22.7% | \$10.80/nnn  | \$7.80/nnn | \$9.47/nnn  |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -          | \$10.80/nnn |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -          | \$12.00/nnn |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -          | \$12.00/nnn |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -          | \$12.00/nnn |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
| 820 N McCarthy Blvd<br>Bldg 11<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 4Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 3Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 2Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2014 1Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2013 4Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2013 3Q | 21,733    | 0      | 21,733 | 40.8%    | 0.0%   | 40.8% | 21,733              | 0      | 21,733 | 40.8%              | 0.0%   | 40.8% | -            | -          | -           |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -          | -           |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$11.40/nnn  | -          | \$11.40/nnn |

### Building Historical Vacancy Report

| Building                                                              | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|-----------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                       |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 840 N McCarthy Blvd<br>Bldg 12<br>Milpitas, CA 95035<br>62,874 SF RBA | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
| 860 N McCarthy Blvd<br>Bldg 13<br>Milpitas, CA 95035<br>53,284 SF RBA | Current | 26,642    | 0      | 26,642 | 50.0%    | 0.0%   | 50.0%  | 26,642              | 0      | 26,642 | 50.0%              | 0.0%   | 50.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 53,284    | 0      | 53,284 | 100.0%   | 0.0%   | 100.0% | 53,284              | 0      | 53,284 | 100.0%             | 0.0%   | 100.0% | \$15.00/nnn  | -      | \$15.00/nnn |
| 880 N McCarthy Blvd<br>Bldg 15<br>Milpitas, CA 95035<br>62,674 SF RBA | Current | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                       | 2012 2Q | 31,437    | 0      | 31,437 | 50.2%    | 0.0%   | 50.2%  | 31,437              | 0      | 31,437 | 50.2%              | 0.0%   | 50.2%  | \$15.00/nnn  | -      | \$15.00/nnn |

### Building Historical Vacancy Report

| Building                                                              | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|-----------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                       |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 890 N McCarthy Blvd<br>Bldg 16<br>Milpitas, CA 95035<br>43,694 SF RBA | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 3Q | 10,954    | 0      | 10,954 | 25.1%    | 0.0%   | 25.1% | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 2Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 10,924    | 0      | 10,924 | 25.0%    | 0.0%   | 25.0% | 10,924              | 0      | 10,924 | 25.0%              | 0.0%   | 25.0% | \$15.00/nnn  | -      | \$15.00/nnn |
| 920 N McCarthy Blvd<br>Bldg 17<br>Milpitas, CA 95035<br>53,666 SF RBA | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                       | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$12.00/nnn  | -      | \$12.00/nnn |
|                                                                       | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$15.00/nnn  | -      | \$15.00/nnn |
| 673 Milpitas Blvd<br>Milpitas, CA 95035<br>44,550 SF RBA              | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                       | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$23.40/fs   | -      | \$23.40/fs  |
|                                                                       | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                       | 2014 1Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | -            | -      | -           |
|                                                                       | 2013 4Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2013 3Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2013 2Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2013 1Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2012 4Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2012 3Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |
|                                                                       | 2012 2Q | 22,404    | 0      | 22,404 | 50.3%    | 0.0%   | 50.3% | 22,404              | 0      | 22,404 | 50.3%              | 0.0%   | 50.3% | \$15.00/fs   | -      | \$15.00/fs  |



### Building Historical Vacancy Report

| Building                                                                       | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 100 N Milpitas Blvd<br>Shapell Bldg<br>Milpitas, CA 95035<br>39,518 SF RBA     | Current | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 4Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 3Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 2Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2014 1Q | 3,406     | 0      | 3,406  | 8.6%     | 0.0%   | 8.6%  | 3,406               | 0      | 3,406  | 8.6%               | 0.0%   | 8.6%  | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 4Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 3Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 2Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 1Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2012 4Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2012 3Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2012 2Q | 7,132     | 0      | 7,132  | 18.0%    | 0.0%   | 18.0% | 7,132               | 0      | 7,132  | 18.0%              | 0.0%   | 18.0% | \$21.00/fs   | -      | \$21.00/fs  |
| 691 S Milpitas Blvd<br>Project #5 Bldg<br>Milpitas, CA 95035<br>104,000 SF RBA | Current | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 4Q | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 3Q | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                | 2014 2Q | 48,916    | 0      | 48,916 | 47.0%    | 0.0%   | 47.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2014 1Q | 59,271    | 0      | 59,271 | 57.0%    | 0.0%   | 57.0% | 48,916              | 0      | 48,916 | 47.0%              | 0.0%   | 47.0% | \$13.20/nnn  | -      | \$13.20/nnn |
|                                                                                | 2013 4Q | 59,271    | 0      | 59,271 | 57.0%    | 0.0%   | 57.0% | 59,271              | 0      | 59,271 | 57.0%              | 0.0%   | 57.0% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 3Q | 21,517    | 0      | 21,517 | 20.7%    | 0.0%   | 20.7% | 21,517              | 0      | 21,517 | 20.7%              | 0.0%   | 20.7% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 2Q | 21,517    | 0      | 21,517 | 20.7%    | 0.0%   | 20.7% | 21,517              | 0      | 21,517 | 20.7%              | 0.0%   | 20.7% | \$21.00/fs   | -      | \$21.00/fs  |
|                                                                                | 2013 1Q | 21,931    | 0      | 21,931 | 21.1%    | 0.0%   | 21.1% | 15,646              | 0      | 15,646 | 15.0%              | 0.0%   | 15.0% | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 4Q | 21,931    | 0      | 21,931 | 21.1%    | 0.0%   | 21.1% | 21,931              | 0      | 21,931 | 21.1%              | 0.0%   | 21.1% | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 3Q | 21,931    | 0      | 21,931 | 21.1%    | 0.0%   | 21.1% | 21,931              | 0      | 21,931 | 21.1%              | 0.0%   | 21.1% | \$19.80/fs   | -      | \$19.80/fs  |
|                                                                                | 2012 2Q | 15,944    | 0      | 15,944 | 15.3%    | 0.0%   | 15.3% | 15,944              | 0      | 15,944 | 15.3%              | 0.0%   | 15.3% | -            | -      | -           |
| 1346-1376 Minnis Cir<br>Milpitas, CA 95035<br>19,533 SF RBA                    | Current | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 4Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 3Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 2Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$13.20/mg   | -      | \$13.20/mg  |
|                                                                                | 2014 1Q | 7,200     | 0      | 7,200  | 36.9%    | 0.0%   | 36.9% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 4Q | 7,200     | 0      | 7,200  | 36.9%    | 0.0%   | 36.9% | 7,200               | 0      | 7,200  | 36.9%              | 0.0%   | 36.9% | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 3Q | 7,200     | 0      | 7,200  | 36.9%    | 0.0%   | 36.9% | 7,200               | 0      | 7,200  | 36.9%              | 0.0%   | 36.9% | \$12.40/mg   | -      | \$12.40/mg  |
|                                                                                | 2013 2Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2013 1Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 4Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 3Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |
|                                                                                | 2012 2Q | 4,800     | 0      | 4,800  | 24.6%    | 0.0%   | 24.6% | 4,800               | 0      | 4,800  | 24.6%              | 0.0%   | 24.6% | \$12.00/mg   | -      | \$12.00/mg  |

### Building Historical Vacancy Report

| Building                                                                                                                | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |             |             |
|-------------------------------------------------------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|-------|--------------|-------------|-------------|
|                                                                                                                         |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet      | Total       |
| <b>720 Montague Expy</b><br><b>Milpitas, CA 95035</b><br><b>39,976 SF RBA</b>                                           | Current | 9,682     | 0      | 9,682  | 24.2%    | 0.0%   | 24.2%  | 9,682               | 0      | 9,682  | 24.2%              | 0.0%   | 24.2% | \$10.20/mg   | -           | \$10.20/mg  |
|                                                                                                                         | 2014 4Q | 7,960     | 0      | 7,960  | 19.9%    | 0.0%   | 19.9%  | 7,960               | 0      | 7,960  | 19.9%              | 0.0%   | 19.9% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2014 3Q | 7,960     | 0      | 7,960  | 19.9%    | 0.0%   | 19.9%  | 7,960               | 0      | 7,960  | 19.9%              | 0.0%   | 19.9% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2014 2Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2014 1Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 4Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 3Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 2Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2013 1Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2012 4Q | 8,660     | 0      | 8,660  | 21.7%    | 0.0%   | 21.7%  | 8,660               | 0      | 8,660  | 21.7%              | 0.0%   | 21.7% | \$11.16/mg   | -           | \$11.16/mg  |
|                                                                                                                         | 2012 3Q | 15,738    | 0      | 15,738 | 39.4%    | 0.0%   | 39.4%  | 5,860               | 0      | 5,860  | 14.7%              | 0.0%   | 14.7% | \$8.59/nnn   | -           | \$8.59/nnn  |
|                                                                                                                         | 2012 2Q | 15,738    | 0      | 15,738 | 39.4%    | 0.0%   | 39.4%  | 15,738              | 0      | 15,738 | 39.4%              | 0.0%   | 39.4% | \$8.59/nnn   | -           | \$8.59/nnn  |
| <b>911-915 Murphy Ranch Rd</b><br><b>Bldg 5</b><br><b>Milpitas, CA 95035</b><br><b>92,220 SF RBA</b>                    | Current | 70,380    | 19,530 | 89,910 | 76.3%    | 21.2%  | 97.5%  | 70,380              | 19,530 | 89,910 | 76.3%              | 21.2%  | 97.5% | -            | -           | -           |
|                                                                                                                         | 2014 4Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | -           | -           |
|                                                                                                                         | 2014 3Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                                                         | 2014 2Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                                                         | 2014 1Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | \$19.80/nnn | \$19.80/nnn |
|                                                                                                                         | 2013 4Q | 70,380    | 21,840 | 92,220 | 76.3%    | 23.7%  | 100.0% | 70,380              | 0      | 70,380 | 76.3%              | 0.0%   | 76.3% | -            | -           | -           |
|                                                                                                                         | 2013 3Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2013 2Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2013 1Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 39,631 | 39,631 | 0.0%               | 43.0%  | 43.0% | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2012 4Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2012 3Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
|                                                                                                                         | 2012 2Q | 0         | 39,631 | 39,631 | 0.0%     | 43.0%  | 43.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | \$5.88/nnn  | \$5.88/nnn  |
| <b>40 N Park Victoria Dr</b><br><b>Park Victoria Medical Center</b><br><b>Milpitas, CA 95035</b><br><b>7,114 SF RBA</b> | Current | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 4Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 3Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 2Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2014 1Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 4Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 3Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 2Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2013 1Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2012 4Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2012 3Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |
|                                                                                                                         | 2012 2Q | 1,820     | 0      | 1,820  | 25.6%    | 0.0%   | 25.6%  | 1,820               | 0      | 1,820  | 25.6%              | 0.0%   | 25.6% | \$28.20/mg   | -           | \$28.20/mg  |

### Building Historical Vacancy Report

| Building                                                               | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                        |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 501 Sycamore Dr<br>Milpitas, CA 95035<br>71,472 SF RBA                 | Current | 33,850    | 0      | 33,850 | 47.4%    | 0.0%   | 47.4%  | 33,850              | 0      | 33,850 | 47.4%              | 0.0%   | 47.4%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 4Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 3Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 2Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2014 1Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 4Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 3Q | 33,772    | 0      | 33,772 | 47.3%    | 0.0%   | 47.3%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 2Q | 69,709    | 0      | 69,709 | 97.5%    | 0.0%   | 97.5%  | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2013 1Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 33,772              | 0      | 33,772 | 47.3%              | 0.0%   | 47.3%  | \$11.40/nnn  | -      | \$11.40/nnn |
|                                                                        | 2012 4Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 71,472              | 0      | 71,472 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                        | 2012 3Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 71,472              | 0      | 71,472 | 100.0%             | 0.0%   | 100.0% | \$10.80/nnn  | -      | \$10.80/nnn |
|                                                                        | 2012 2Q | 71,472    | 0      | 71,472 | 100.0%   | 0.0%   | 100.0% | 71,472              | 0      | 71,472 | 100.0%             | 0.0%   | 100.0% | \$10.20/nnn  | -      | \$10.20/nnn |
| 694-700 Tasman Dr<br>Building 9<br>Milpitas, CA 95035<br>38,318 SF RBA | Current | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 4Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 3Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 2Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                        | 2014 1Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$17.40/nnn  | -      | \$17.40/nnn |
|                                                                        | 2013 4Q | 11,934    | 0      | 11,934 | 31.1%    | 0.0%   | 31.1%  | 11,934              | 0      | 11,934 | 31.1%              | 0.0%   | 31.1%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                        | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                        | 2012 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |



### Building Historical Vacancy Report

| Period  | Properties | RBA       | SF Vacant |        |         | % Vacant |        |       | SF Vacant Available |        |         | % Vacant Available |        |       | Average Rate |            |            |
|---------|------------|-----------|-----------|--------|---------|----------|--------|-------|---------------------|--------|---------|--------------------|--------|-------|--------------|------------|------------|
|         |            |           | Direct    | Sublet | Total   | Direct   | Sublet | Total | Direct              | Sublet | Total   | Direct             | Sublet | Total | Direct       | Sublet     | Avg Rate   |
| Current | 46         | 2,719,708 | 501,422   | 36,383 | 537,805 | 18.4%    | 1.3%   | 19.8% | 499,431             | 36,383 | 535,814 | 18.4%              | 1.3%   | 19.7% | \$19.71/fs   | \$16.35/fs | \$19.40/fs |
| 2014 4Q | 38         | 1,851,428 | 530,359   | 25,963 | 556,322 | 28.6%    | 1.4%   | 30.0% | 529,259             | 4,123  | 533,382 | 28.6%              | 0.2%   | 28.8% | \$19.14/fs   | \$18.00/fs | \$19.05/fs |
| 2014 3Q | 38         | 1,851,428 | 546,599   | 31,791 | 578,390 | 29.5%    | 1.7%   | 31.2% | 541,099             | 9,951  | 551,050 | 29.2%              | 0.5%   | 29.8% | \$18.69/fs   | \$20.14/fs | \$18.87/fs |
| 2014 2Q | 38         | 1,851,428 | 559,850   | 31,791 | 591,641 | 30.2%    | 1.7%   | 32.0% | 551,535             | 9,951  | 561,486 | 29.8%              | 0.5%   | 30.3% | \$18.59/fs   | \$21.07/fs | \$18.91/fs |
| 2014 1Q | 38         | 1,851,428 | 599,777   | 32,932 | 632,709 | 32.4%    | 1.8%   | 34.2% | 585,388             | 11,092 | 596,480 | 31.6%              | 0.6%   | 32.2% | \$15.57/fs   | \$21.07/fs | \$16.23/fs |
| 2013 4Q | 38         | 1,851,428 | 615,940   | 32,932 | 648,872 | 33.3%    | 1.8%   | 35.0% | 595,510             | 11,092 | 606,602 | 32.2%              | 0.6%   | 32.8% | \$16.52/fs   | \$18.69/fs | \$16.56/fs |
| 2013 3Q | 38         | 1,851,428 | 497,895   | 50,723 | 548,618 | 26.9%    | 2.7%   | 29.6% | 473,637             | 11,092 | 484,729 | 25.6%              | 0.6%   | 26.2% | \$16.53/fs   | \$12.08/fs | \$16.15/fs |
| 2013 2Q | 38         | 1,851,428 | 527,257   | 39,631 | 566,888 | 28.5%    | 2.1%   | 30.6% | 475,156             | 0      | 475,156 | 25.7%              | 0.0%   | 25.7% | \$17.05/fs   | \$10.51/fs | \$16.59/fs |
| 2013 1Q | 38         | 1,851,428 | 527,973   | 42,127 | 570,100 | 28.5%    | 2.3%   | 30.8% | 480,205             | 42,127 | 522,332 | 25.9%              | 2.3%   | 28.2% | \$16.74/fs   | \$5.88/fs  | \$16.05/fs |
| 2012 4Q | 38         | 1,851,428 | 396,018   | 42,127 | 438,145 | 21.4%    | 2.3%   | 23.7% | 396,018             | 2,496  | 398,514 | 21.4%              | 0.1%   | 21.5% | \$16.55/fs   | \$5.88/fs  | \$15.88/fs |
| 2012 3Q | 38         | 1,851,428 | 456,144   | 52,077 | 508,221 | 24.6%    | 2.8%   | 27.5% | 419,433             | 0      | 419,433 | 22.7%              | 0.0%   | 22.7% | \$16.68/fs   | \$7.94/fs  | \$15.96/fs |
| 2012 2Q | 38         | 1,851,428 | 458,115   | 56,859 | 514,974 | 24.7%    | 3.1%   | 27.8% | 395,945             | 17,228 | 413,173 | 21.4%              | 0.9%   | 22.3% | \$17.26/fs   | \$8.23/fs  | \$16.52/fs |

# Leasing Activity Report

3/24/2015 to 03/31/2015

| Building Address        | RBA           | SF Leased       | Rent Paid/yr    | Leasing Company / Phone                             | Tenant Name      |
|-------------------------|---------------|-----------------|-----------------|-----------------------------------------------------|------------------|
| Building/Park Name      | Typical Floor | Sign Date       | Space Use/Type  | Leasing Company Brokers                             | Transaction Type |
| Submarket               | Building Type | Move Date       | Mailing Suite   | Tenant Rep / Phone                                  |                  |
| City                    | Class         | Expiration Date | Leased Floor #s | Tenant Rep Brokers                                  |                  |
| 1551 McCarthy Blvd      | 48,926 SF     | 1,991 SF        | \$22.20/mg(est) | CBRE / (408) 453-7400                               | -                |
| Oak Creek Business Park | 24,463 SF     | 03/25/2015      | Office/DIRECT   | Christopher Shepherd, Nick Whitstone, Scott Prosser | Move In          |
| Milpitas                | Office        | 04/24/2015      | 208             | -                                                   |                  |
| Milpitas, CA 95035      | B             | -               | 2               | -                                                   |                  |

***DRAFT***

**Serra Center**  
**Retail Market Highlights**  
as of June 5, 2015

**Prepared for 200 Serra Way LLC**

c/o Gary Wong, ArcheSpace GWSC

Prepared By:

Wayne Okubo, CDP, CSM, CLS, CMD, CRX, CPM®  
Okubo Real Estate  
BRE #01019710

And

WesTerra Investments LLC  
1563 Solano Ave #188  
Berkeley, CA 94706



## **Retail Market Highlights**

1. The City of Milpitas has a tremendous amount of prominent retail centers including the Great Mall (1.4 million square feet), McCarthy Ranch (435,000 square feet), Milpitas Town Center and Milpitas Square with 99 Ranch as its anchor. Additionally, it is approximately 9 miles from regional shopping centers Santana Row in San Jose and Valley Fair Mall in Santa Clara.
2. According to CoStar, the vacancy rate has been reduced from over 34% to just over 17% during the last three years while increasing the inventory by 500,000 square feet. It should be noted that these high vacancy levels are not sustainable by property owners nor will they allow financial institutions to underwrite new projects.
3. Although there has been absorption of new retail space, there also is a large persistent vacancy in older strip shopping centers, where despite offering very competitive rental rates, tenants remain disinterested in them as stated in the DTZ Santa Clara County Retail Report attached as Appendix A.
4. This report states that the retail market is being dictated by dual trends of consumer frugality and by e-commerce which leads to the expansion of luxury chains and discount chains while the mid-priced hard goods market is moving toward, and in many cases is being replaced by, food concepts (groceries and restaurants) and service concepts.
5. Despite the fact that this is the strongest real estate market since the 2008 recession across all property types, this trend is evident in three pending retail projects in Milpitas. The 600 Barber Lane high-rise residential project that was to have included 149,000sf of multi-story retail is currently listed as "off market". The Pacific Mall Silicon Valley project, which was to have converted a portion of the existing McCarthy Ranch retail center into a 240-room hotel and 285,000sf of retail condominium space is also on hold. And in the mixed-use residential/retail property recently sold by Integral Partners to Lyon Communities, the amount of retail has been reduced from 75,000 to 57,000sf and the stated use has been identified as a grocery store.
6. The rental rate over the last three (3) years has increased from \$24 per square foot to almost \$28 per square foot. For the Serra Center project to be successful, it will need to achieve retail rents of approximately \$30 per square foot NNN.
7. Serra Center has excellent street visibility and access. If retail is to be successful here, it is recommended that the area be kept to about 10-15% of the overall square footage of the project and that the center be designed primarily for food uses (60-70%) and the remainder as convenience/service uses such as dry cleaners, beauty shops, mail service centers with a lifestyle and convenience orientation.

**Appendix A:**

**DTZ Retail Market Summary; Santa Clara County  
First Quarter 2015**

## SANTA CLARA COUNTY

# Retail Market Summary

First Quarter • 2015

**DTZ Retail**  
Terranomics

### SANTA CLARA COUNTY RETAIL

#### Economic Indicators

|                              | Q1 14 | Q1 15 | 12-Month Forecast |
|------------------------------|-------|-------|-------------------|
| Santa Clara Co. Employment   | 880K  | 974K  | ▲                 |
| Santa Clara Co. Unemployment | 6.1%  | 4.3%  | ▼                 |
| U.S. Unemployment            | 6.6%  | 5.5%  | ▼                 |

#### Market Indicators

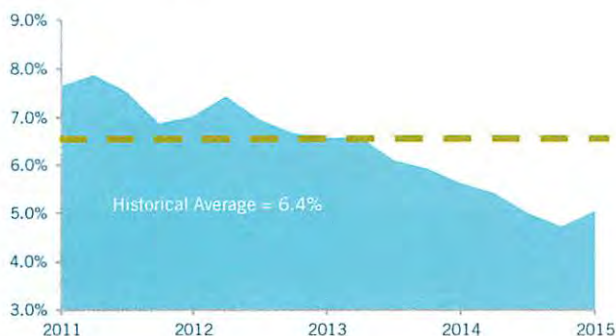
|                           | Q1 14   | Q1 15   | 12-Month Forecast |
|---------------------------|---------|---------|-------------------|
| Overall Vacancy           | 5.6%    | 5.0%    | ▼                 |
| Net Absorption SF         | 257K    | -68K    | ▲                 |
| Under Construction SF     | 520K    | 322K    | ▲                 |
| Average Asking Rent (NNN) | \$26.94 | \$27.85 | ▲                 |

#### Net Absorption/Asking Rent (NNN)

NET ABSORPTION 1Q TRAILING AVERAGE



#### Overall Vacancy



#### Lack of Class A Space = Growth Slowdown

At the close of Q1 2015, shopping center vacancy in Santa Clara County stood at 5.0%, down from the 5.6% rate of a year ago but a slight increase from the 4.7% rate posted three months ago. This increase comes almost solely from the San Jose (Downtown/South/Campbell/Los Gatos) submarket, where vacancy ticked up from 3.9% to 4.9% in Q1 as -139,000 square feet (SF) of space was returned to market. Of all the region's trade areas, only the San Jose market posted significant declines in Q1. Occupancy growth was modestly positive in Sunnyvale/Cupertino, Santa Clara and Morgan Hill/Gilroy. It was essentially flat (+/- 10,000 SF) in Palo Alto/Mountain View/Los Altos, Milpitas/North San Jose. But all told, the region's shopping center market saw occupancy decline by -68,000 SF in Q1.

This quarter's occupancy decline, however, is less the beginning of a new trend than an aberration. We tracked 59,000 SF of new space that was delivered in Q1, nearly all of which was occupied upon completion. We are also currently tracking 322,000 SF of product in the development pipeline. This space is slated for delivery through later this year and roughly half of it already has tenants in place. We anticipate that 80% or more of this space will be accounted for by the time it is completed and that lease up times will be short for the remainder of this product. Tenant demand remains robust, particularly for new Class A/B+ space.

There is just roughly 2.0 million square feet (MSF) of retail space available in Santa Clara County but about 90% of this is concentrated in local Class B-/C centers. Tenant demand continues to be impacted by two primary forces; consumer frugality and e-commerce. Frugality has meant that retail expansion has been driven by the extremes of the economic spectrum; the luxury chains and the discount chains. In terms of sheer numbers most of the action has been driven by the discounters and dollar stores who continue to expand aggressively though some off-price concepts and categories are now starting to reach saturation levels. The rise of e-commerce has meant that many of the same mid-priced hard goods chains that have been squeezed by frugality are also in the process of shifting their models towards omni-channel growth (I.E. closing weaker locations while aggressively expanding their e-commerce capabilities). Bricks and mortar growth is increasingly being driven by retail concepts that don't compete with e-commerce; food concepts (grocery and restaurants) and service concepts. But one thing has, so



# Retail Market Summary

First Quarter • 2015

far, remained a constant with the lion's share of retail concepts expanding their store counts and that is demand for Class A/B+ product. The challenge is that there is little Class A/B+ vacancy, which is why growth totals fell in Q1. Limited availability is hampering growth and deal activity; we tracked just 202,000 SF of gross absorption in Q1. Last year, the market averaged 423,000 SF of quarterly deal activity. So far, space users have continued to demonstrate that they are willing to pay top dollar for Class A/B+ product but that they are also willing to forego deals if the only options available to them are in Class B-/C centers (even if those projects are offering comparative bargains).

Space users have continued to demonstrate that they are willing to pay top dollar for Class A/B+ product and that they aren't interested in bargains at the lesser space...

The current average asking rent in the region is \$27.85 per square foot (PSF) on an annual triple net basis. This metric has increased by just 3.3% over the past year but is somewhat misleading. Premium shop space in new centers is now regularly leasing for \$72.00 PSF or more, and trophy center rents have climbed by more than 10.0% in the past year. The overall metrics have been weighed down by low asking rates in Class C projects, where the leasing environment remains extremely competitive. This isn't likely to change any time soon; occupancy gains from new construction will result in positive growth tallies for Q2 though overall vacancy levels won't change much. Rental rate growth will continue to be aggressive for quality space while the leasing environment for older Class B-/C centers will remain competitive.

## Outlook

- Despite this quarter's slick uptick in vacancy, demand is up everywhere. Residential growth, low employment and top national income stats are helping to drive significant retailer interest in Santa Clara County.
- The Palo Alto/Mountain View/Los Altos submarket is the regions tightest with just 3.3% vacancy.
- The San Jose market posted occupancy declines in Q1 they were limited to Class B-/C space. Demand remains hot in both Downtown and the Stevens Creek Boulevard Corridor.

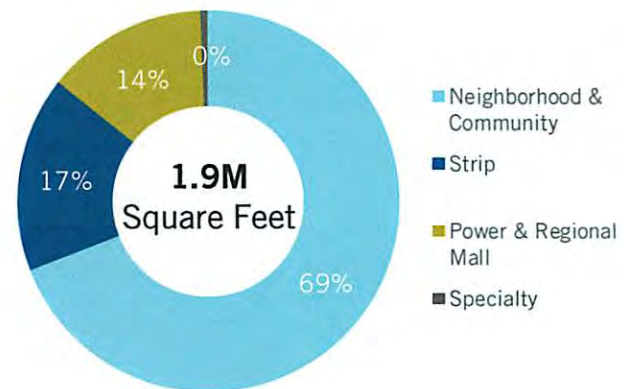
## Average Asking Rate by Market (NNN)

SANTA CLARA COUNTY RETAIL RENTS INFLUENCED BY TECH BOOM



## Availabilities by Center Type

SPACE PREDOMINANTLY IN NEIGHBORHOOD &amp; COMMUNITY CENTERS



## Average Asking Rate by Type (NNN)

STRIP CENTERS SEE RISE IN RENTS FOR Q1





# SANTA CLARA COUNTY

# Retail Market Summary

First Quarter • 2015

|                                        | INVENTORY         | SUBLEASE<br>AVAILABLE<br>SPACE | DIRECT<br>AVAILABLE<br>SPACE | TOTAL<br>AVAILABLE<br>SPACE | VACANCY<br>RATE | Q1-15 NET<br>ABSORPTION | YTD NET<br>ABSORPTION | AVERAGE<br>ASKING<br>RENT NNN |
|----------------------------------------|-------------------|--------------------------------|------------------------------|-----------------------------|-----------------|-------------------------|-----------------------|-------------------------------|
| <b>Submarket</b>                       |                   |                                |                              |                             |                 |                         |                       |                               |
| San Jose (DT/South)/Campbell/Los Gatos | 18,527,673        | 846,119                        | 62,286                       | 908,405                     | 4.9%            | (138,526)               | (138,526)             | \$30.00                       |
| Sunnyvale/Cupertino                    | 4,612,272         | 158,072                        | 6,246                        | 164,318                     | 3.6%            | 19,949                  | 19,949                | \$35.66                       |
| Santa Clara                            | 2,530,509         | 77,550                         | 33,350                       | 110,900                     | 4.4%            | 14,900                  | 14,900                | \$32.16                       |
| Palo Alto/Mountain View/Los Altos      | 2,713,079         | 89,255                         | 0                            | 89,255                      | 3.3%            | (407)                   | (407)                 | \$31.56                       |
| Milpitas/North San Jose                | 4,876,107         | 260,651                        | 2,940                        | 263,591                     | 5.4%            | 6,176                   | 6,176                 | \$27.62                       |
| Morgan Hill/Gilroy                     | 4,718,147         | 375,370                        | 0                            | 375,370                     | 8.0%            | 29,847                  | 29,847                | \$18.66                       |
| <b>Shopping Centers by Type</b>        |                   |                                |                              |                             |                 |                         |                       |                               |
| Neighborhood & Community               | 26,192,769        | 1,271,218                      | 82,357                       | 1,353,575                   | 5.2%            | (22,396)                | (22,396)              | \$27.57                       |
| Strip                                  | 5,824,612         | 318,428                        | 6,246                        | 324,674                     | 5.6%            | (8,748)                 | (8,748)               | \$28.77                       |
| Power & Regional                       | 5,166,201         | 247,312                        | 20,645                       | 267,957                     | 5.2%            | (33,272)                | (33,272)              | \$28.75                       |
| Specialty                              | 1,690,438         | 11,305                         | 0                            | 11,305                      | 0.7%            | (3,900)                 | (3,900)               | N/A                           |
| <b>TOTAL</b>                           | <b>38,874,020</b> | <b>1,848,263</b>               | <b>109,248</b>               | <b>1,957,511</b>            | <b>5.0%</b>     | <b>(68,316)</b>         | <b>(68,316)</b>       | <b>\$27.85</b>                |

## Key Lease Transactions Q1 15

| PROPERTY         | SF      | TENANT              | TRANSACTION TYPE | CITY        |
|------------------|---------|---------------------|------------------|-------------|
| 1600 Monterey Rd | 100,088 | Walmart             | New Lease        | Santa Clara |
| 20580 Homestead  | 38,413  | Ross Dress for Less | New Lease        | Cupertino   |
| 1322 Mary S.     | 23,200  | Zanotto's           | New Lease        | San Jose    |
| 8595 Monterey    | 16,637  | Sunbelt Rentals     | New Lease        | Gilroy      |

## Key Investment Sale Transactions Q1 15

| PROPERTY            | SF      | BUYER                           | SALE PRICE    | MARKET        |
|---------------------|---------|---------------------------------|---------------|---------------|
| Village Oaks        | 175,000 | DS Village Oaks, LP             | \$111,000,000 | San Jose      |
| San Antonio Center  | 368,912 | Federal Realty Investment Trust | \$49,760,000  | Mountain View |
| Cambrian Park Plaza | 170,427 | Weingarten Realty Investors     | \$49,000,000  | San Jose      |



# Retail Market Summary

First Quarter • 2015

## Retail Submarkets

Santa Clara County



## About DTZ

DTZ is a global leader in commercial real estate services providing occupiers, tenants and investors around the world with a full spectrum of property solutions. The company's core capabilities include agency leasing, tenant representation, corporate and global occupier services, property management, facilities management, facilities services, capital markets, investment and asset management, valuation, research, consulting, and project and development management. DTZ provides property management for 1.9 billion square feet, or 171 million square meters, and facilities management for 1.3 billion square feet, or 124 million square meters. The company completed \$63 billion in transaction volume globally in 2014 on behalf of institutional, corporate, government and private clients. Headquartered in Chicago, DTZ has more than 28,000 employees who operate across more than 260 offices in 50 countries and represent the company's culture of excellence, client advocacy, integrity and collaboration. For further information, visit: [www.dtz.com](http://www.dtz.com) or follow us on Twitter @DTZ.

### Garrick Brown

VP of Research, West Region  
Garrick.Brown@dtz.com

201 California Street  
Suite 800  
San Francisco, CA 94111  
Tel: 916.329.1558  
Fax: 415.956.3381

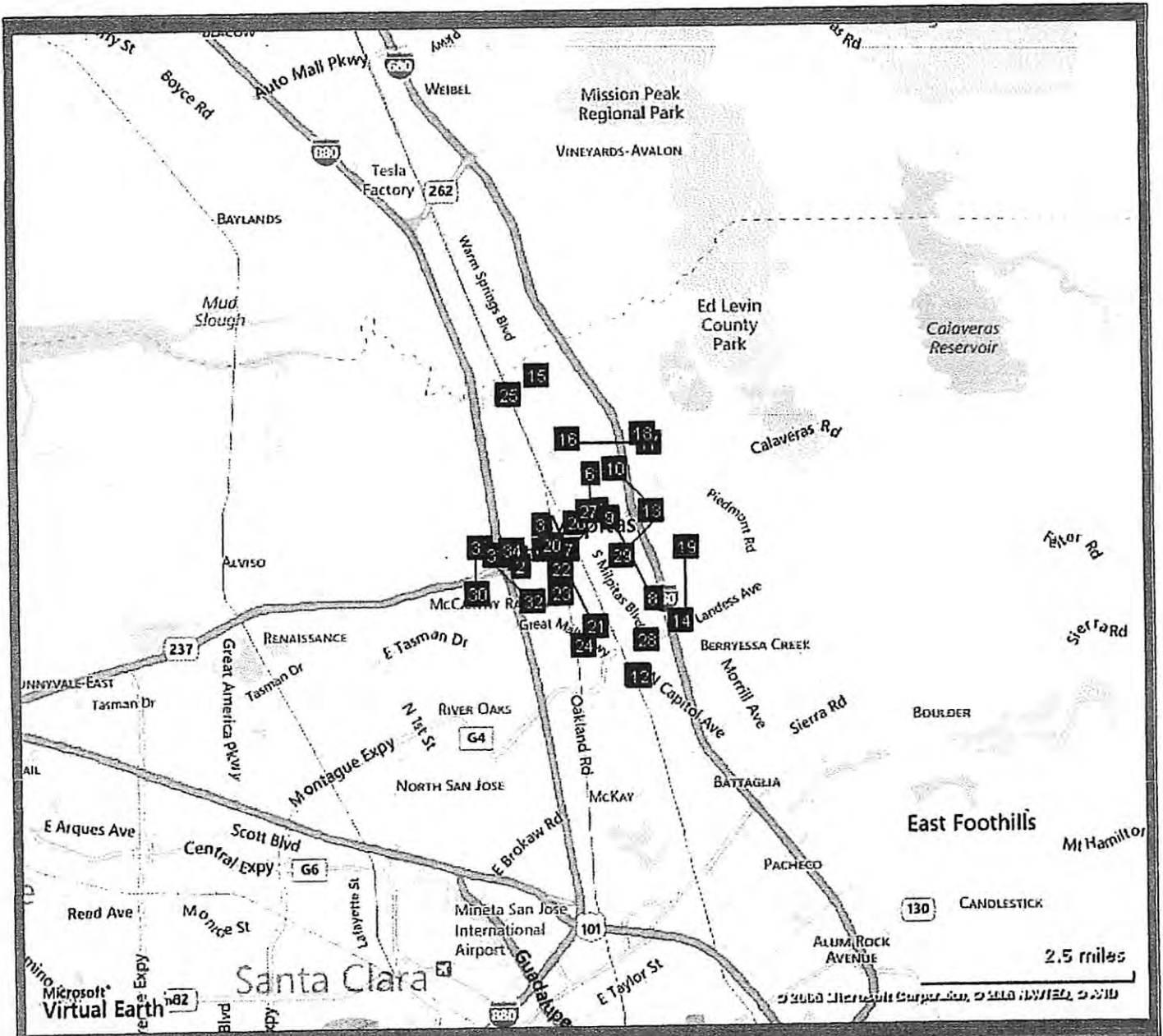
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**Appendix B:**

**Costar Retail Listing Information  
as of March 31, 2015**



1



**55-79 S Abbott Ave**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

**Building Type: Retail**  
**Status: Built 1969**  
**Building Size: 9,364 SF**  
**Land Area: 0.91 AC**  
**Stories: 1**  
**Expenses: 2014 Tax @ \$0.47/sf; 2012 Ops @ \$2.52/sf**

**Space Avail: 1,100 SF**  
**Max Contig: 1,100 SF**  
**Smallest Space: 1,100 SF**  
**Rent/SF/Yr: \$24.00**  
**% Leased: 88.3%**

|   |  |                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                       |
|---|--|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 |  | <p>301-315 S Abbott Ave<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>SWC of Calaveras and Hwy 880<br/>Milpitas Submarket</p> | <p>Building Type: Retail/(Strip Ctr)<br/>Status: Built 1990, Renov May 2007<br/>Building Size: 11,965 SF<br/>Land Area: 1.18 AC<br/>Stories: 1<br/>Expenses: 2012 Ops @ \$4.80/sf</p> <p>Space Avail: 1,331 SF<br/>Max Config: 1,331 SF<br/>Smallest Space: 1,331 SF<br/>Rent/SF/Yr: \$33.00<br/>% Leased: 88.9%</p>                                  |
| 3 |  | <p>200 N Abel St<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>                                         | <p>Building Type: Retail/Storefront Retail/Office<br/>Status: Built 1987<br/>Building Size: 3,660 SF<br/>Land Area: 0.69 AC<br/>Stories: 1<br/>Expenses: 2009 Tax @ \$6.32/sf</p> <p>Space Avail: 1,330 SF<br/>Max Config: 1,330 SF<br/>Smallest Space: 1,330 SF<br/>Rent/SF/Yr: \$27.00-\$30.00<br/>% Leased: 63.7%</p>                              |
| 4 |  | <p>122-148 Calaveras Blvd<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>                                | <p>Building Type: Retail/Freestanding (Strip Ctr)<br/>Status: Built 1977<br/>Building Size: 10,000 SF<br/>Land Area: 0.98 AC<br/>Stories: 1<br/>Expenses: 2014 Tax @ \$1.96/sf</p> <p>Space Avail: 1,015 SF<br/>Max Config: 1,015 SF<br/>Smallest Space: 1,015 SF<br/>Rent/SF/Yr: \$19.80<br/>% Leased: 100%</p>                                      |
| 5 |  | <p>595-649 E Calaveras Ave<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>                               | <p>Building Type: Retail/Freestanding (Community Ctr)<br/>Status: Built 1961<br/>Building Size: 48,109 SF<br/>Land Area: 46 AC<br/>Stories: 1<br/>Expenses: 2012 Tax @ \$2.50/sf, 2012 Ops @ \$7.68/sf</p> <p>Space Avail: 19,093 SF<br/>Max Config: 11,400 SF<br/>Smallest Space: 1,400 SF<br/>Rent/SF/Yr: \$24.00-\$39.00<br/>% Leased: 84.0%</p>   |
| 6 |  | <p>521-581 E Calaveras Blvd<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>                              | <p>Building Type: Retail/Freestanding<br/>Status: Built 2000<br/>Building Size: 63,063 SF<br/>Land Area: 22.42 AC<br/>Stories: 1<br/>Expenses: 2012 Tax @ \$2.50/sf, 2012 Ops @ \$7.68/sf</p> <p>Space Avail: 1,906 SF<br/>Max Config: 1,080 SF<br/>Smallest Space: 826 SF<br/>Rent/SF/Yr: \$24.00-\$39.00<br/>% Leased: 97.0%</p>                    |
| 7 |  | <p>749 E Calaveras Blvd<br/>Milpitas, CA 95035<br/>Santa Clara County<br/>Milpitas Submarket</p>                                  | <p>Building Type: Retail/Freestanding<br/>Status: Built 1982, Renov Jun 2007<br/>Building Size: 75,060 SF<br/>Land Area: 6.91 AC<br/>Stories: 1<br/>Expenses: 2014 Tax @ \$1.88/sf, 2012 Ops @ \$7.68/sf</p> <p>Space Avail: 73,709 SF<br/>Max Config: 73,709 SF<br/>Smallest Space: 18,750 SF<br/>Rent/SF/Yr: \$24.00-\$39.00<br/>% Leased: 1.8%</p> |



|    |                                                                                     |                                                                                                                                                   |                                                                                                                                                                                                                                                                                             |                                                                                                                                                                |
|----|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8  |    | <b>750-752 E Calaveras Blvd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                            | Building Type: <b>Retail/Storefront Retail/Office</b><br>Status: <b>Built 1980, Renov 1995</b><br>Building Size: <b>25,000 SF</b><br>Land Area: <b>1 AC</b><br>Stories: <b>2</b><br>Expenses: <b>2014 Tax @ \$2.03/sf; 2009 Ops @ \$7.08/sf</b>                                             | Space Avail: <b>4,200 SF</b><br>Max Contig: <b>2,400 SF</b><br>Smallest Space: <b>1,800 SF</b><br>Rent/SF/Yr: <b>\$33.00-\$36.00</b><br>% Leased: <b>83.2%</b> |
| 9  |    | <b>757-767 E Calaveras Blvd</b><br><b>Big 5</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>            | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1989</b><br>Building Size: <b>14,045 SF</b><br>Land Area: <b>1.13 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$1.57/sf; 2012 Ops @ \$7.68/sf</b>                                                                  | Space Avail: <b>3,850 SF</b><br>Max Contig: <b>1,981 SF</b><br>Smallest Space: <b>1,869 SF</b><br>Rent/SF/Yr: <b>\$24.00-\$39.00</b><br>% Leased: <b>72.6%</b> |
| 10 |    | <b>1301 E Calaveras Blvd</b><br><b>Victorian Square</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>    | Building Type: <b>Retail/Storefront Retail/Office</b><br>Status: <b>Built 1979</b><br>Building Size: <b>7,737 SF</b><br>Land Area: <b>0.69 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2012 Tax @ \$3.38/sf; 2012 Ops @ \$6.96/sf</b>                                                       | Space Avail: <b>3,478 SF</b><br>Max Contig: <b>3,478 SF</b><br>Smallest Space: <b>1,000 SF</b><br>Rent/SF/Yr: <b>\$30.00</b><br>% Leased: <b>55.1%</b>         |
| 14 |  | <b>774-880 E Capitol Ave</b><br><b>Bldg B</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>              | Building Type: <b>Class B Office</b><br>Status: <b>Built Sep 2008</b><br>Building Size: <b>10,490 SF</b><br>Typical Floor Size: <b>5,245 SF</b><br>Stories: <b>2</b><br>Expenses: <b>2009 Tax @ \$2.57/sf</b>                                                                               | Space Avail: <b>6,585 SF</b><br>Max Contig: <b>4,585 SF</b><br>Smallest Space: <b>800 SF</b><br>Rent/SF/Yr: <b>\$25.20-\$42.00</b><br>% Leased: <b>37.2%</b>   |
| 12 |  | <b>888 E Capitol Ave</b><br><b>Bldg A</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                  | Building Type: <b>Class B Office/Medical</b><br>Status: <b>Built Aug 2008</b><br>Building Size: <b>2,035 SF</b><br>Typical Floor Size: <b>2,035 SF</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$3.39/sf</b>                                                                        | Space Avail: <b>2,035 SF</b><br>Max Contig: <b>2,035 SF</b><br>Smallest Space: <b>2,035 SF</b><br>Rent/SF/Yr: <b>\$42.00</b><br>% Leased: <b>0%</b>            |
| 13 |  | <b>49-91 Dempsey Rd</b><br><b>Calaveras Dempsey Retail</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b> | Building Type: <b>Retail/Freestanding (Strip Ctr)</b><br>Status: <b>Built 1987</b><br>Building Size: <b>11,027 SF</b><br>Land Area: <b>0.98 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$4.08/sf, 2011 Est Tax @ \$3.80/sf; 2014 Ops @ \$10.08/sf, 2012 Est Ops @ \$5.04/sf</b> | Space Avail: <b>2,110 SF</b><br>Max Contig: <b>2,110 SF</b><br>Smallest Space: <b>2,110 SF</b><br>Rent/SF/Yr: <b>Withheld</b><br>% Leased: <b>80.9%</b>        |

|    |                                                                                     |                                                                                                                                                            |                                                                                                                                                                                                                                  |                                                                                                                                                                |
|----|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 |    | <b>1400-1426 Dempsey Rd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                         | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1987</b><br>Building Size: <b>16,228 SF</b><br>Land Area: <b>1.26 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$3.28/sf; 2013 Ops @ \$4.08/sf</b>       | Space Avail: <b>2,554 SF</b><br>Max Contig: <b>1,514 SF</b><br>Smallest Space: <b>1,040 SF</b><br>Rent/SF/Yr: <b>\$22.80-\$23.40</b><br>% Leased: <b>93.6%</b> |
| 15 |    | <b>127-141 E Dixon Rd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                           | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1965</b><br>Building Size: <b>5,652 SF</b><br>Land Area: <b>0.51 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$2.22/sf</b>                              | Space Avail: <b>1,850 SF</b><br>Max Contig: <b>1,000 SF</b><br>Smallest Space: <b>850 SF</b><br>Rent/SF/Yr: <b>\$22.68-\$24.00</b><br>% Leased: <b>67.3%</b>   |
| 16 |    | <b>275-473 Jacklin Rd</b><br><b>Foothill Square Shopping Center</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b> | Building Type: <b>Retail/(Neighborhood Ctr)</b><br>Status: <b>Built 1988</b><br>Building Size: <b>78,404 SF</b><br>Land Area: <b>2.56 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$0.51/sf; 2011 Ops @ \$5.64/sf</b> | Space Avail: <b>41,947 SF</b><br>Max Contig: <b>36,022 SF</b><br>Smallest Space: <b>900 SF</b><br>Rent/SF/Yr: <b>\$18.00-\$27.00</b><br>% Leased: <b>92.4%</b> |
| 17 |  | <b>487-495 Jacklin Rd</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                           | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1988</b><br>Building Size: <b>5,399 SF</b><br>Land Area: <b>2.61 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$4.19/sf; 2011 Ops @ \$5.64/sf</b>        | Space Avail: <b>3,063 SF</b><br>Max Contig: <b>3,063 SF</b><br>Smallest Space: <b>3,063 SF</b><br>Rent/SF/Yr: <b>\$21.00</b><br>% Leased: <b>43.3%</b>         |
| 18 |  | <b>1301-1369 Jacklin Rd</b><br><b>Milpitas, CA</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                               | Building Type: <b>Retail/Freestanding (Strip Ctr)</b><br>Status: <b>Built 1988</b><br>Building Size: <b>18,629 SF</b><br>Land Area: <b>1.51 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$2.81/sf</b>                 | Space Avail: <b>3,563 SF</b><br>Max Contig: <b>1,500 SF</b><br>Smallest Space: <b>841 SF</b><br>Rent/SF/Yr: <b>\$18.00</b><br>% Leased: <b>80.9%</b>           |
| 19 |  | <b>1455-1487 Landess Ave</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                        | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1989</b><br>Building Size: <b>10,000 SF</b><br>Land Area: <b>1.05 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$4.39/sf</b>                             | Space Avail: <b>3,700 SF</b><br>Max Contig: <b>3,700 SF</b><br>Smallest Space: <b>1,500 SF</b><br>Rent/SF/Yr: <b>\$36.00-\$42.00</b><br>% Leased: <b>63.0%</b> |

|    |                                                                                     |                                                                                                                                                                                  |                                                                                                                                                                                                                                                                  |                                                                                                                                                            |
|----|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20 |    | <b>81-91 S Main St</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                                                    | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1968</b><br>Building Size: <b>4,190 SF</b><br>Land Area: <b>0.40 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2013 Tax @ \$2.12/sf; 2013 Est Ops @ \$1.68/sf</b>                                    | Space Avail: <b>1,172 SF</b><br>Max Contig: <b>1,172 SF</b><br>Smallest Space: <b>1,172 SF</b><br>Rent/SF/Yr: <b>\$15.00</b><br>% Leased: <b>72.0%</b>     |
| 21 |    | <b>134-158 S Main St</b><br><b>Central Plaza</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Serra Way &amp; Calaveras Blvd</b><br><b>Milpitas Submarket</b> | Building Type: <b>Retail</b><br>Status: <b>Built 1962</b><br>Building Size: <b>8,400 SF</b><br>Land Area: <b>1.04 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2013 Tax @ \$4.32/sf, 2011 Est Tax @ \$0.50/sf; 2013 Ops @ \$1.44/sf, 2011 Est Ops @ \$4.32/sf</b> | Space Avail: <b>1,200 SF</b><br>Max Contig: <b>1,200 SF</b><br>Smallest Space: <b>1,200 SF</b><br>Rent/SF/Yr: <b>\$19.20</b><br>% Leased: <b>85.7%</b>     |
| 22 |    | <b>372-396 S Main St</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                                                  | Building Type: <b>Retail/Freestanding</b><br>Status: <b>Built 1964</b><br>Building Size: <b>7,500 SF</b><br>Land Area: <b>0.71 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$1.55/sf</b>                                                              | Space Avail: <b>1,421 SF</b><br>Max Contig: <b>800 SF</b><br>Smallest Space: <b>621 SF</b><br>Rent/SF/Yr: <b>\$24.00-\$29.04</b><br>% Leased: <b>81.1%</b> |
| 23 |  | <b>621-643 S Main St</b><br><b>Villa Milpitas Center</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Near Curtis Ave</b><br><b>Milpitas Submarket</b>        | Building Type: <b>Retail/(Strip Ctr)</b><br>Status: <b>Built 1975</b><br>Building Size: <b>10,749 SF</b><br>Land Area: <b>0.72 AC</b><br>Stories: <b>2</b><br>Expenses: <b>2014 Tax @ \$2.01/sf</b>                                                              | Space Avail: <b>1,450 SF</b><br>Max Contig: <b>1,450 SF</b><br>Smallest Space: <b>1,450 SF</b><br>Rent/SF/Yr: <b>\$21.60</b><br>% Leased: <b>100%</b>      |
| 24 |  | <b>McCandless Dr @ Great Mall Pkwy</b><br><b>The District at Milpitas</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Great Mall Pkwy @ McCandless Dr.</b>   | Building Type: <b>Class A Multi-Family/Apartments</b><br>Status: <b>Proposed, breaks ground Jul 2015</b><br>Building Size: <b>500,000 SF</b><br>Land Area: <b>-</b><br>Stories: <b>6</b><br>Expenses: <b>2012 Tax @ \$33.68/Unit</b>                             | Space Avail: <b>80,000 SF</b><br>Max Contig: <b>80,000 SF</b><br>Smallest Space: <b>80,000 SF</b><br>Rent/SF/Yr: <b>Withheld</b><br>% Leased: <b>0%</b>    |
| 25 |  | <b>1774-1838 Milmont Dr</b><br><b>Milpitas, CA 95035</b><br><b>Santa Clara County</b><br><b>Milpitas Submarket</b>                                                               | Building Type: <b>Retail/(Strip Ctr)</b><br>Status: <b>Built 1991</b><br>Building Size: <b>19,375 SF</b><br>Land Area: <b>1.86 AC</b><br>Stories: <b>1</b><br>Expenses: <b>2014 Tax @ \$3.65/sf; 2013 Ops @ \$4.68/sf</b>                                        | Space Avail: <b>687 SF</b><br>Max Contig: <b>687 SF</b><br>Smallest Space: <b>687 SF</b><br>Rent/SF/Yr: <b>\$22.80</b><br>% Leased: <b>96.5%</b>           |



26



**15-85 N Milpitas Blvd**  
**City Square**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Storefront**  
 (Neighborhood Ctr)

Status: **Built 1983**  
 Building Size: **81,238 SF**  
 Land Area: **8.37 AC**  
 Stories: **1**

Expenses: **2014 Tax @ \$1.41/sf; 2011 Ops @ \$6.27/sf**

Space Avail: **4,640 SF**  
 Max Contig: **2,940 SF**  
 Smallest Space: **1,700 SF**  
 Rent/SF/Yr: **\$24.00-\$28.20**  
 % Leased: **97.9%**

27



**136-148 N Milpitas Blvd**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**

Status: **Built 1986**  
 Building Size: **8,417 SF**  
 Land Area: **22.42 AC**  
 Stories: **1**

Expenses: **2012 Tax @ \$3.15/sf; 2012 Ops @ \$9.67/sf**

Space Avail: **1,300 SF**  
 Max Contig: **1,300 SF**  
 Smallest Space: **1,300 SF**  
 Rent/SF/Yr: **\$24.00-\$39.00**  
 % Leased: **84.6%**

28



**985 Montague Expy**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Class C Warehouse**

Status: **Built 1967**  
 Building Size: **9,760 SF**  
 Land Area: **4.60 AC**  
 Stories: **1**

Expenses: **2009 Tax @ \$4.95/sf**

Space Avail: **9,760 SF**  
 Max Contig: **9,760 SF**  
 Smallest Space: **9,760 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **0%**

29



**102-118 S Park Victoria Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**

Status: **Built 1978**  
 Building Size: **6,646 SF**  
 Land Area: **5.95 AC**  
 Stories: **1**

Expenses: **2012 Tax @ \$0.58/sf; 2012 Ops @ \$2.40/sf**

Space Avail: **1,275 SF**  
 Max Contig: **1,275 SF**  
 Smallest Space: **1,275 SF**  
 Rent/SF/Yr: **\$24.00**  
 % Leased: **80.8%**

30



**15-63 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Storefront**

Status: **Built 1994**  
 Building Size: **97,250 SF**  
 Land Area: **6.67 AC**  
 Stories: **1**

Expenses: **2011 Tax @ \$4.25/sf**

Space Avail: **46,000 SF**  
 Max Contig: **25,000 SF**  
 Smallest Space: **21,000 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **100%**

31



**111-251 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Hwy 880 & State Hwy 237**  
**Milpitas Submarket**

Building Type: **Retail/(Power Ctr)**

Status: **Built 1994**  
 Building Size: **141,870 SF**  
 Land Area: **15.25 AC**  
 Stories: **1**

Expenses: **2011 Tax @ \$2.99/sf; 2010 Est Ops @ \$2.18/sf**

Space Avail: **42,704 SF**  
 Max Contig: **42,704 SF**  
 Smallest Space: **42,704 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **69.9%**

32



**120-158 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**  
 Status: **Built 1996**  
 Building Size: **75,803 SF**  
 Land Area: **8.47 AC**  
 Stories: **1**  
 Expenses: **2014 Tax @ \$2.17/sf; 2009 Ops @ \$1.88/sf**

Space Avail: **20,250 SF**  
 Max Contig: **20,250 SF**  
 Smallest Space: **20,250 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **73.3%**

33



**198-252 Ranch Dr**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail**  
 Status: **Built 1996**  
 Building Size: **23,658 SF**  
 Land Area: **0.23 AC**  
 Stories: **1**  
 Expenses: **2014 Tax @ \$0.43/sf**

Space Avail: **5,000 SF**  
 Max Contig: **5,000 SF**  
 Smallest Space: **5,000 SF**  
 Rent/SF/Yr: **Withheld**  
 % Leased: **78.9%**

34



**41 Serra Way**  
**Milpitas, CA 95035**  
**Santa Clara County**  
**Milpitas Submarket**

Building Type: **Retail/Freestanding**  
 Status: **Built 1999**  
 Building Size: **6,712 SF**  
 Land Area: **0.65 AC**  
 Stories: **1**  
 Expenses: **2009 Tax @ \$1.79/sf**

Space Avail: **2,037 SF**  
 Max Contig: **2,037 SF**  
 Smallest Space: **2,037 SF**  
 Rent/SF/Yr: **\$28.20**  
 % Leased: **69.7%**

## Availability and Vacancy Analysis

### Grand Totals

|  | Bldgs | Existing<br>Rentable<br>Bldg Area | Direct SF<br>Vacant | Vacant<br>Rate % | Direct w/<br>Sublet SF<br>Vacant | Vacant<br>% with<br>Sublet | Total SF<br>Available | Direct SF<br>Available | Sublet SF<br>Available | Max SF<br>Contig | Avg<br>Rate |
|--|-------|-----------------------------------|---------------------|------------------|----------------------------------|----------------------------|-----------------------|------------------------|------------------------|------------------|-------------|
|  | 34    | 927,435                           | 240,724             | 26.0%            | 243,664                          | 26.3%                      | 317,315               | 314,375                | 2,940                  | 73,709           | \$27.69/nnn |



# Building Absorption Report

| Building                                                    | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|-------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                             |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 55-79 S Abbott Ave<br>Milpitas, CA 95035<br>9,364 SF RBA    | Current | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 4Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 3Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 2Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 1Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 4Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 3Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 2Q | 8,264             | 2,200            | 0      | 2,200 | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 1Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 4Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
| 301-315 S Abbott Ave<br>Milpitas, CA 95035<br>11,965 SF RBA | 2012 3Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 2Q | 8,264             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | Current | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 4Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 3Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 2Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 1Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 4Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 3Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 2Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
| 200 N Abel St<br>Milpitas, CA 95035<br>3,660 SF RBA         | 2013 1Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2012 4Q | 10,634            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                             | 2012 3Q | 10,634            | 1,069            | 0      | 1,069 | 1,069          | 0      | 1,069   | 1,069            | 0      | 1,069 | \$25.66/nnn  | -      | \$25.66/nnn |
|                                                             | 2012 2Q | 9,565             | 0                | 0      | 0     | (2,400)        | 0      | (2,400) | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | Current | 2,330             | 0                | 0      | 0     | (1,330)        | 0      | (1,330) | 0                | 0      | 0     | \$28.50/nnn  | -      | \$28.50/nnn |
|                                                             | 2014 4Q | 3,660             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2014 3Q | 3,660             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2014 2Q | 3,660             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2014 1Q | 3,660             | 0                | 0      | 0     | 1,330          | 0      | 1,330   | 1,330            | 0      | 1,330 | -            | -      | -           |
|                                                             | 2013 4Q | 2,330             | 1,330            | 0      | 1,330 | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 2013 3Q                                                     | 2,330   | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2013 2Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2013 1Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 4Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 3Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 2Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                             | 2012 1Q | 2,330             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |

### Building Absorption Report

| Building                                                        | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|-----------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                 |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 122-148 Calaveras Blvd<br>Milpitas, CA 95035<br>10,000 SF RBA   | Current | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 4Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 3Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 2Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2014 1Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 4Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 3Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 2Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2013 1Q | 10,000            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2012 4Q | 10,000            | 2,900            | 0      | 2,900 | 2,900          | 0      | 2,900   | 2,900            | 0      | 2,900 | -            | -      | -           |
|                                                                 | 2012 3Q | 7,100             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                 | 2012 2Q | 7,100             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 595-649 E Calaveras Ave<br>Milpitas, CA 95035<br>48,109 SF RBA  | Current | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 3Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 2Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 1Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 4Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 3Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 2Q | 40,416            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.72/nnn  | -      | \$30.72/nnn |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA | Current | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 61,157            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 61,157            | 0                | 0      | 0     | (826)          | 0      | (826)   | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 3Q | 61,983            | 3,344            | 0      | 3,344 | 3,390          | 0      | 3,390   | 3,390            | 0      | 3,390 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 2Q | 58,593            | 0                | 0      | 0     | (1,080)        | 0      | (1,080) | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 1Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 4Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 3Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 2Q | 59,673            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |

### Building Absorption Report

| Building                                                                 | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                          |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 749 E Calaveras Blvd<br>Milpitas, CA 95035<br>75,060 SF RBA              | Current | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 4Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 3Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 2Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 1Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 4Q | 1,351             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 3Q | 1,351             | 0                | 0      | 0     | 1,351          | 0      | 1,351   | 1,351            | 0      | 1,351 | -            | -      | -           |
|                                                                          | 2012 2Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 750-752 E Calaveras Blvd<br>Milpitas, CA 95035<br>25,000 SF RBA          | Current | 20,800            | 0                | 0      | 0     | (2,400)        | 0      | (2,400) | 0                | 0      | 0     | \$34.29/nnn  | -      | \$34.29/nnn |
|                                                                          | 2014 4Q | 23,200            | 600              | 0      | 600   | 2,035          | 0      | 2,035   | 2,035            | 0      | 2,035 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 3Q | 21,165            | 2,635            | 0      | 2,635 | (1,200)        | 0      | (1,200) | 1,200            | 0      | 1,200 | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 2Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 1Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 4Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 3Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 2Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2013 1Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 4Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 3Q | 22,365            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 2Q | 22,365            | 3,600            | 0      | 3,600 | 3,600          | 0      | 3,600   | 3,600            | 0      | 3,600 | \$25.63/nnn  | -      | \$25.63/nnn |
| 757-767 E Calaveras Blvd<br>Big 5<br>Milpitas, CA 95035<br>14,045 SF RBA | Current | 10,195            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 10,195            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 10,195            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 10,195            | 0                | 0      | 0     | 112            | 0      | 112     | 112              | 0      | 112   | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 10,083            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 4Q | 10,083            | 0                | 0      | 0     | (1,981)        | 0      | (1,981) | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 3Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 2Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 1Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 4Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 3Q | 12,064            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 2Q | 12,064            | 0                | 0      | 0     | (1,981)        | 0      | (1,981) | 0                | 0      | 0     | \$31.50/nnn  | -      | \$31.50/nnn |



### Building Absorption Report

| Building                                                                        | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|---------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                                 |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 1301 E Calaveras Blvd<br>Victorian Square<br>Milpitas, CA 95035<br>7,737 SF RBA | Current | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 4Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 3Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 2Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 1Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 4Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 3Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 2Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 1Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 4Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 3Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 2Q | 4,259             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$30.00/nnn  | -      | \$30.00/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 4Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 3Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 2Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 1Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 4Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 3Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 2Q | 3,905             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 1Q | 3,905             | 0                | 0      | 0     | (5,785)        | 0      | (5,785) | 0                | 0      | 0     | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2012 4Q | 9,690             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 3Q | 9,690             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 2Q | 9,690             | 0                | 0      | 0     | 300            | 0      | 300     | 300              | 0      | 300   | \$39.00/nnn  | -      | \$39.00/nnn |
| 888 E Capitol Ave<br>Bldg A<br>Milpitas, CA 95035<br>2,035 SF RBA               | Current | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 4Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 3Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 2Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2014 1Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 4Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 3Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 2Q | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2013 1Q | 0                 | 0                | 0      | 0     | (2,035)        | 0      | (2,035) | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 4Q | 2,035             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 3Q | 2,035             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                 | 2012 2Q | 2,035             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |

### Building Absorption Report

| Building                                                                            | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |             |             |
|-------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|-------------|-------------|
|                                                                                     |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet      | Total       |
| 49-91 Dempsey Rd<br>Calaveras Dempsey Retail<br>Milpitas, CA 95035<br>11,027 SF RBA | Current | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2014 4Q | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 3Q | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 2Q | 8,917             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 1Q | 8,917             | 1,803            | 0      | 1,803 | 1,803          | 0      | 1,803   | 1,803            | 0      | 1,803 | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 4Q | 7,114             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 3Q | 7,114             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 2Q | 7,114             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 1Q | 7,114             | 1,185            | 0      | 1,185 | 1,185          | 0      | 1,185   | 1,185            | 0      | 1,185 | \$21.16/nnn  | -           | \$21.16/nnn |
|                                                                                     | 2012 4Q | 5,929             | 693              | 0      | 693   | 2,809          | 0      | 2,809   | 2,809            | 0      | 2,809 | \$21.28/nnn  | -           | \$21.28/nnn |
|                                                                                     | 2012 3Q | 3,120             | 2,116            | 0      | 2,116 | 0              | 0      | 0       | 0                | 0      | 0     | \$21.43/nnn  | -           | \$21.43/nnn |
|                                                                                     | 2012 2Q | 3,120             | 0                | 0      | 0     | (1,751)        | 0      | (1,751) | 0                | 0      | 0     | \$21.43/nnn  | -           | \$21.43/nnn |
| 1400-1426 Dempsey Rd<br>Milpitas, CA 95035<br>16,228 SF RBA                         | Current | 15,188            | 0                | 0      | 0     | (1,040)        | 0      | (1,040) | 0                | 0      | 0     | \$23.04/nnn  | -           | \$23.04/nnn |
|                                                                                     | 2014 4Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 3Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 2Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 1Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 4Q | 16,228            | 1,725            | 0      | 1,725 | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 3Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 2Q | 16,228            | 4,005            | 0      | 4,005 | 0              | 0      | 0       | 2,965            | 0      | 2,965 | -            | -           | -           |
|                                                                                     | 2013 1Q | 16,228            | 1,725            | 0      | 1,725 | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2012 4Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2012 3Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                                     | 2012 2Q | 16,228            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |
| 127-141 E Dixon Rd<br>Milpitas, CA 95035<br>5,652 SF RBA                            | Current | 3,802             | 0                | 0      | 0     | (850)          | 0      | (850)   | 0                | 0      | 0     | \$23.39/nnn  | -           | \$23.39/nnn |
|                                                                                     | 2014 4Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -           | \$24.00/nnn |
|                                                                                     | 2014 3Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 2Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 1Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 4Q | 4,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 3Q | 4,652             | 0                | 0      | 0     | (1,000)        | 0      | (1,000) | 0                | 0      | 0     | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 2Q | 5,652             | 0                | 0      | 0     | 0              | 900    | 900     | 0                | 900    | 900   | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2013 1Q | 4,752             | 0                | 0      | 0     | 0              | (900)  | (900)   | 0                | 0      | 0     | \$17.04/nnn  | \$17.04/nnn | \$17.04/nnn |
|                                                                                     | 2012 4Q | 5,652             | 900              | 0      | 900   | 900            | 0      | 900     | 900              | 0      | 900   | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 3Q | 4,752             | 0                | 0      | 0     | (900)          | 0      | (900)   | 0                | 0      | 0     | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 2Q | 5,652             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -           | -           |

### Building Absorption Report

| Building                                                                                     | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                                              |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 275-473 Jacklin Rd<br>Foothill Square Shopping Center<br>Milpitas, CA 95035<br>78,404 SF RBA | Current | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 4Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 3Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 2Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 1Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 4Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 3Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 2Q | 72,479            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2013 1Q | 72,479            | 0                | 0      | 0     | (900)          | 0      | (900)   | 0                | 0      | 0     | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2012 4Q | 73,379            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 3Q | 73,379            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 2Q | 73,379            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$23.39/nnn  | -      | \$23.39/nnn |
| 487-495 Jacklin Rd<br>Milpitas, CA 95035<br>5,399 SF RBA                                     | Current | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 4Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 3Q | 2,336             | 4,841            | 0      | 4,841 | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 2Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 1Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 4Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 3Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 2Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 1Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 4Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 3Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 2Q | 2,336             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
| 1301-1369 Jacklin Rd<br>Milpitas, CA<br>18,629 SF RBA                                        | Current | 15,066            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 4Q | 15,066            | 0                | 0      | 0     | (1,222)        | 0      | (1,222) | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 3Q | 16,288            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 2Q | 16,288            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 1Q | 16,288            | 0                | 0      | 0     | (1,500)        | 0      | (1,500) | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 4Q | 17,788            | 0                | 0      | 0     | 1,062          | 0      | 1,062   | 1,062            | 0      | 1,062 | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 3Q | 16,726            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 2Q | 16,726            | 0                | 0      | 0     | (841)          | 0      | (841)   | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 1Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 4Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 3Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 2Q | 17,567            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/mg   | -      | \$18.00/mg  |



# Building Absorption Report

| Building                                                                 | Quarter | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------|---------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                          |         | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 1455-1487 Landess Ave<br>Milpitas, CA 95035<br>10,000 SF RBA             | Current | 6,300            | 0      | 0     | (2,200)        | 0      | (2,200) | 0                | 0      | 0     | \$39.57/nnn  | -      | \$39.57/nnn |
|                                                                          | 2014 4Q | 8,500            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 3Q | 8,500            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 2Q | 8,500            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 1Q | 8,500            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 4Q | 8,500            | 0      | 0     | 0              | 0      | (1,500) | 0                | 0      | 0     | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 3Q | 10,000           | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 2Q | 10,000           | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2013 1Q | 10,000           | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 4Q | 10,000           | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 3Q | 10,000           | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 2Q | 10,000           | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 81-91 S Main St<br>Milpitas, CA 95035<br>4,190 SF RBA                    | Current | 3,018            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 4Q | 3,018            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 3Q | 2,718            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 2Q | 2,718            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 1Q | 2,718            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 4Q | 2,718            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 3Q | 2,718            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 2Q | 2,718            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 1Q | 2,718            | 951    | 0     | (1,472)        | 0      | (1,472) | 0                | 0      | 0     | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2012 4Q | 4,190            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 3Q | 4,190            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 2Q | 4,190            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 1Q | 4,190            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 134-158 S Main St<br>Central Plaza<br>Milpitas, CA 95035<br>8,400 SF RBA | Current | 7,200            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 4Q | 7,200            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 3Q | 7,200            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 2Q | 7,200            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 1Q | 7,200            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.60/nnn  | -      | \$18.60/nnn |
|                                                                          | 2013 4Q | 7,200            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                          | 2013 3Q | 7,200            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                          | 2013 2Q | 8,400            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$17.88/mg   | -      | \$17.88/mg  |
|                                                                          | 2013 1Q | 8,400            | 1,200  | 0     | 0              | 0      | 0       | 1,200            | 0      | 1,200 | \$17.88/mg   | -      | \$17.88/mg  |
|                                                                          | 2012 4Q | 8,400            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 3Q | 8,400            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 2Q | 8,400            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                          | 2012 1Q | 8,400            | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |

### Building Absorption Report

| Building                                                                                                | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |        |         | Gross Absorption |        |       | Average Rate |        |             |
|---------------------------------------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|--------|---------|------------------|--------|-------|--------------|--------|-------------|
|                                                                                                         |         |                   | Direct           | Sublet | Total | Direct         | Sublet | Total   | Direct           | Sublet | Total | Direct       | Sublet | Total       |
| 372-396 S Main St<br>Milpitas, CA 95035<br>7,500 SF RBA                                                 | Current | 6,079             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 4Q | 6,079             | 0                | 0      | 0     | (621)          | 0      | (621)   | 0                | 0      | 0     | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 3Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 2Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 1Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 4Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 3Q | 6,700             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 2Q | 6,700             | 0                | 0      | 0     | (800)          | 0      | (800)   | 0                | 0      | 0     | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 1Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                                         | 2012 4Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                                         | 2012 3Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
|                                                                                                         | 2012 2Q | 7,500             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA                       | Current | 10,749            | 0                | 0      | 0     | 1,100          | 0      | 1,100   | 1,100            | 0      | 1,100 | \$21.60/mg   | -      | \$21.60/mg  |
|                                                                                                         | 2014 4Q | 9,649             | 1,100            | 0      | 1,100 | 0              | 0      | 0       | 0                | 0      | 0     | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 3Q | 9,649             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 2Q | 9,649             | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$40.20/fs   | -      | \$40.20/fs  |
|                                                                                                         | 2014 1Q | 9,649             | 0                | 0      | 0     | 2,300          | 0      | 2,300   | 2,300            | 0      | 2,300 | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 4Q | 7,349             | 1,100            | 0      | 1,100 | (600)          | 0      | (600)   | 1,100            | 0      | 1,100 | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 3Q | 7,949             | 0                | 0      | 0     | 250            | 0      | 250     | 250              | 0      | 250   | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 2Q | 7,699             | 0                | 0      | 0     | (3,050)        | 0      | (3,050) | 0                | 0      | 0     | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 1Q | 10,749            | 1,460            | 0      | 1,460 | 0              | 0      | 0       | 1,460            | 0      | 1,460 | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 4Q | 10,749            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 3Q | 10,749            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 2Q | 10,749            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| McCandless Dr @ Great Mall<br>Pkway<br>The District at Milpitas<br>Milpitas, CA 95035<br>500,000 SF RBA | Current | 0                 | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | -            | -      | -           |
| 1774-1838 Milmont Dr<br>Milpitas, CA 95035<br>19,375 SF RBA                                             | Current | 18,688            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -      | \$22.80/nnn |
|                                                                                                         | 2014 4Q | 18,688            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$22.80/nnn  | -      | \$22.80/nnn |
|                                                                                                         | 2014 3Q | 18,688            | 0                | 0      | 0     | 366            | 0      | 366     | 1,053            | 0      | 1,053 | \$22.80/nnn  | -      | \$22.80/nnn |
|                                                                                                         | 2014 2Q | 18,322            | 2,213            | 0      | 2,213 | 1,160          | 0      | 1,160   | 1,160            | 0      | 1,160 | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2014 1Q | 17,162            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 4Q | 17,162            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 3Q | 17,162            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 2Q | 17,162            | 1,218            | 0      | 1,218 | 1,218          | 0      | 1,218   | 1,218            | 0      | 1,218 | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                                         | 2013 1Q | 15,944            | 3,431            | 0      | 3,431 | 0              | 0      | 0       | 3,431            | 0      | 3,431 | \$20.85/nnn  | -      | \$20.85/nnn |
|                                                                                                         | 2012 4Q | 15,944            | 0                | 0      | 0     | 0              | 0      | 0       | 0                | 0      | 0     | \$20.70/nnn  | -      | \$20.70/nnn |
|                                                                                                         | 2012 3Q | 15,944            | 687              | 0      | 687   | (531)          | 0      | (531)   | 687              | 0      | 687   | \$21.35/nnn  | -      | \$21.35/nnn |
|                                                                                                         | 2012 2Q | 16,475            | 987              | 0      | 987   | 993            | 0      | 993     | 993              | 0      | 993   | \$24.60/nnn  | -      | \$24.60/nnn |

### Building Absorption Report

| Building                                                                    | Quarter | Total Occupied SF | Leasing Activity |        |       | Net Absorption |         |         | Gross Absorption |        |       | Average Rate |             |             |
|-----------------------------------------------------------------------------|---------|-------------------|------------------|--------|-------|----------------|---------|---------|------------------|--------|-------|--------------|-------------|-------------|
|                                                                             |         |                   | Direct           | Sublet | Total | Direct         | Sublet  | Total   | Direct           | Sublet | Total | Direct       | Sublet      | Total       |
| 15-85 N Milpitas Blvd<br>City Square<br>Milpitas, CA 95035<br>81,238 SF RBA | Current | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 4Q | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 3Q | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 2Q | 76,598            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 1Q | 76,598            | 0                | 0      | 0     | (1,700)        | 0       | (1,700) | 0                | 0      | 0     | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2013 4Q | 78,298            | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 3Q | 78,298            | 1,200            | 0      | 1,200 | 0              | 0       | 0       | 1,200            | 0      | 1,200 | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 2Q | 78,298            | 0                | 0      | 0     | 1,400          | 0       | 1,400   | 1,400            | 0      | 1,400 | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 1Q | 76,898            | 1,400            | 0      | 1,400 | 0              | (2,940) | (2,940) | 0                | 0      | 0     | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2012 4Q | 79,838            | 0                | 0      | 0     | 3,600          | 0       | 3,600   | 5,000            | 0      | 5,000 | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                             | 2012 3Q | 76,238            | 5,000            | 0      | 5,000 | 0              | 0       | 0       | 0                | 0      | 0     | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                             | 2012 2Q | 76,238            | 5,000            | 0      | 5,000 | 0              | 0       | 0       | 0                | 0      | 0     | \$27.00/nnn  | -           | \$27.00/nnn |
| 136-148 N Milpitas Blvd<br>Milpitas, CA 95035<br>8,417 SF RBA               | Current | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 4Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 3Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 2Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 1Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 4Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 3Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 2Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 1Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 4Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 3Q | 7,117             | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 2Q | 7,117             | 0                | 0      | 0     | (1,300)        | 0       | (1,300) | 0                | 0      | 0     | \$31.50/nnn  | -           | \$31.50/nnn |
| 985 Montague Expy<br>Milpitas, CA 95035<br>9,760 SF RBA                     | Current | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 4Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 3Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 2Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2014 1Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 4Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 3Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 2Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2013 1Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2012 4Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2012 3Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |
|                                                                             | 2012 2Q | 0                 | 0                | 0      | 0     | 0              | 0       | 0       | 0                | 0      | 0     | -            | -           | -           |



## Building Absorption Report

[illegible]

### Building Absorption Report

| Building                                                | Quarter | Total Occupied SF | Leasing Activity |        |        | Net Absorption |        |         | Gross Absorption |        |        | Average Rate |        |             |
|---------------------------------------------------------|---------|-------------------|------------------|--------|--------|----------------|--------|---------|------------------|--------|--------|--------------|--------|-------------|
|                                                         |         |                   | Direct           | Sublet | Total  | Direct         | Sublet | Total   | Direct           | Sublet | Total  | Direct       | Sublet | Total       |
| 120-158 Ranch Dr<br>Milpitas, CA 95035<br>75,803 SF RBA | Current | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 4Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 3Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 2Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 1Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 4Q | 55,553            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 3Q | 55,553            | 0                | 0      | 0      | 43,485         | 0      | 43,485  | 43,485           | 0      | 43,485 | -            | -      | -           |
|                                                         | 2013 2Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 1Q | 12,068            | 43,485           | 0      | 43,485 | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 4Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 3Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 2Q | 12,068            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
| 198-252 Ranch Dr<br>Milpitas, CA 95035<br>23,658 SF RBA | Current | 18,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 4Q | 18,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 3Q | 18,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 2Q | 18,658            | 0                | 0      | 0      | (5,000)        | 0      | (5,000) | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 1Q | 23,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 4Q | 23,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 3Q | 23,658            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2013 2Q | 23,658            | 1,920            | 0      | 1,920  | 1,920          | 0      | 1,920   | 1,920            | 0      | 1,920  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2013 1Q | 21,738            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2012 4Q | 21,738            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2012 3Q | 21,738            | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                         | 2012 2Q | 21,738            | 0                | 0      | 0      | (1,920)        | 0      | (1,920) | 0                | 0      | 0      | \$30.00/nnn  | -      | \$30.00/nnn |
| 41 Serra Way<br>Milpitas, CA 95035<br>6,712 SF RBA      | Current | 4,675             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                         | 2014 4Q | 4,675             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                         | 2014 3Q | 4,675             | 0                | 0      | 0      | (2,037)        | 0      | (2,037) | 0                | 0      | 0      | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                         | 2014 2Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2014 1Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 4Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 3Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 2Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2013 1Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 4Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 3Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |
|                                                         | 2012 2Q | 6,712             | 0                | 0      | 0      | 0              | 0      | 0       | 0                | 0      | 0      | -            | -      | -           |

# Building Absorption Report

Grand Totals:

| Quarter | Existing Inventory |         | Delivered Inventory |     | Tot. Occupied SF | Leasing Activity |        |        | Net Absorption |         |          | Gross Absorption |        |        | Average Rate |             |             |
|---------|--------------------|---------|---------------------|-----|------------------|------------------|--------|--------|----------------|---------|----------|------------------|--------|--------|--------------|-------------|-------------|
|         | # of Bldgs         | RBA     | # of Bldgs          | RBA |                  | Direct           | Sublet | Total  | Direct         | Sublet  | Total    | Direct           | Sublet | Total  | Direct       | Sublet      | Total       |
| Current | 33                 | 927,435 | 0                   | 0   | 683,771          | 0                | 0      | 0      | (7,995)        | 0       | (7,995)  | 1,100            | 0      | 1,100  | \$27.75/nnn  | \$24.00/nnn | \$27.69/nnn |
| 2014 4Q | 33                 | 927,435 | 0                   | 0   | 691,766          | 1,700            | 0      | 1,700  | 492            | 0       | 492      | 2,335            | 0      | 2,335  | \$27.42/nnn  | \$24.00/nnn | \$27.36/nnn |
| 2014 3Q | 33                 | 927,435 | 0                   | 0   | 691,274          | 7,476            | 0      | 7,476  | (2,871)        | 0       | (2,871)  | 2,253            | 0      | 2,253  | \$27.46/nnn  | \$24.00/nnn | \$27.40/nnn |
| 2014 2Q | 33                 | 927,435 | 0                   | 0   | 694,145          | 2,213            | 0      | 2,213  | (3,728)        | 0       | (3,728)  | 1,272            | 0      | 1,272  | \$27.34/nnn  | \$24.00/nnn | \$27.28/nnn |
| 2014 1Q | 33                 | 927,435 | 0                   | 0   | 697,873          | 1,803            | 0      | 1,803  | 2,233          | 0       | 2,233    | 5,433            | 0      | 5,433  | \$24.00/nnn  | \$24.00/nnn | \$24.00/nnn |
| 2013 4Q | 33                 | 927,435 | 0                   | 0   | 695,640          | 4,155            | 0      | 4,155  | (3,845)        | 0       | (3,845)  | 2,162            | 0      | 2,162  | \$23.35/nnn  | \$24.00/nnn | \$23.38/nnn |
| 2013 3Q | 33                 | 927,435 | 0                   | 0   | 699,485          | 6,744            | 0      | 6,744  | 65,925         | 0       | 65,925   | 69,360           | 0      | 69,360 | \$23.44/nnn  | \$24.00/nnn | \$23.46/nnn |
| 2013 2Q | 33                 | 927,435 | 0                   | 0   | 633,560          | 53,143           | 0      | 53,143 | 23,767         | 900     | 24,667   | 32,503           | 900    | 33,403 | \$27.26/nnn  | \$24.00/nnn | \$27.08/nnn |
| 2013 1Q | 33                 | 927,435 | 0                   | 0   | 608,893          | 54,837           | 0      | 54,837 | (9,007)        | (3,840) | (12,847) | 7,276            | 0      | 7,276  | \$27.02/nnn  | \$22.37/nnn | \$26.72/nnn |
| 2012 4Q | 33                 | 927,435 | 0                   | 0   | 621,740          | 47,978           | 0      | 47,978 | 10,209         | 0       | 10,209   | 11,609           | 0      | 11,609 | \$24.03/nnn  | -           | \$24.03/nnn |
| 2012 3Q | 33                 | 927,435 | 0                   | 0   | 611,531          | 9,872            | 0      | 9,872  | 1,989          | 0       | 1,989    | 4,107            | 0      | 4,107  | \$23.96/nnn  | -           | \$23.96/nnn |
| 2012 2Q | 33                 | 927,435 | 0                   | 0   | 609,542          | 9,587            | 0      | 9,587  | (1,039)        | 0       | (1,039)  | 8,313            | 0      | 8,313  | \$24.05/nnn  | -           | \$24.05/nnn |



### Building Historical Vacancy Report

| Building                                                    | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|-------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                             |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 55-79 S Abbott Ave<br>Milpitas, CA 95035<br>9,364 SF RBA    | Current | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 4Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 3Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 2Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2014 1Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 4Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 3Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 2Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2013 1Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 4Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 3Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                             | 2012 2Q | 1,100     | 0      | 1,100 | 11.7%    | 0.0%   | 11.7% | 1,100               | 0      | 1,100 | 11.7%              | 0.0%   | 11.7% | \$24.00/nnn  | -      | \$24.00/nnn |
| 301-315 S Abbott Ave<br>Milpitas, CA 95035<br>11,965 SF RBA | Current | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 4Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 3Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 2Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2014 1Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 4Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 3Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 2Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2013 1Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                             | 2012 4Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                             | 2012 3Q | 1,331     | 0      | 1,331 | 11.1%    | 0.0%   | 11.1% | 1,331               | 0      | 1,331 | 11.1%              | 0.0%   | 11.1% | \$25.66/nnn  | -      | \$25.66/nnn |
|                                                             | 2012 2Q | 2,400     | 0      | 2,400 | 20.1%    | 0.0%   | 20.1% | 2,400               | 0      | 2,400 | 20.1%              | 0.0%   | 20.1% | \$24.00/nnn  | -      | \$24.00/nnn |
| 200 N Abel St<br>Milpitas, CA 95035<br>3,660 SF RBA         | Current | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | \$28.50/nnn  | -      | \$28.50/nnn |
|                                                             | 2014 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2014 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2013 4Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                             | 2013 3Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2013 2Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2013 1Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2012 4Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2012 3Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |
|                                                             | 2012 2Q | 1,330     | 0      | 1,330 | 36.3%    | 0.0%   | 36.3% | 1,330               | 0      | 1,330 | 36.3%              | 0.0%   | 36.3% | -            | -      | -           |

### Building Historical Vacancy Report

| Building                                                        | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|-----------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                 |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 122-148 Calaveras Blvd<br>Milpitas, CA 95035<br>10,000 SF RBA   | Current | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                 | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                 | 2012 3Q | 2,900     | 0      | 2,900 | 29.0%    | 0.0%   | 29.0% | 2,900               | 0      | 2,900 | 29.0%              | 0.0%   | 29.0% | -            | -      | -           |
|                                                                 | 2012 2Q | 2,900     | 0      | 2,900 | 29.0%    | 0.0%   | 29.0% | 2,900               | 0      | 2,900 | 29.0%              | 0.0%   | 29.0% | -            | -      | -           |
| 595-649 E Calaveras Ave<br>Milpitas, CA 95035<br>48,109 SF RBA  | Current | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 3Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 2Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2013 1Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 4Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 3Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
|                                                                 | 2012 2Q | 7,693     | 0      | 7,693 | 16.0%    | 0.0%   | 16.0% | 7,693               | 0      | 7,693 | 16.0%              | 0.0%   | 16.0% | \$30.72/nnn  | -      | \$30.72/nnn |
| 521-581 E Calaveras Blvd<br>Milpitas, CA 95035<br>63,063 SF RBA | Current | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 3Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 2Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2014 1Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 4Q | 1,906     | 0      | 1,906 | 3.0%     | 0.0%   | 3.0%  | 1,906               | 0      | 1,906 | 3.0%               | 0.0%   | 3.0%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                 | 2013 3Q | 1,080     | 0      | 1,080 | 1.7%     | 0.0%   | 1.7%  | 1,080               | 0      | 1,080 | 1.7%               | 0.0%   | 1.7%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 2Q | 4,470     | 0      | 4,470 | 7.1%     | 0.0%   | 7.1%  | 4,470               | 0      | 4,470 | 7.1%               | 0.0%   | 7.1%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2013 1Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 4Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 3Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                 | 2012 2Q | 3,390     | 0      | 3,390 | 5.4%     | 0.0%   | 5.4%  | 3,390               | 0      | 3,390 | 5.4%               | 0.0%   | 5.4%  | \$36.00/nnn  | -      | \$36.00/nnn |

### Building Historical Vacancy Report

| Building                                                                 | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|--------------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                          |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 749 E Calaveras Blvd<br>Milpitas, CA 95035<br>75,060 SF RBA              | Current | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 4Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 3Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 2Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2013 1Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2012 4Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2012 3Q | 73,709    | 0      | 73,709 | 98.2%    | 0.0%   | 98.2%  | 73,709              | 0      | 73,709 | 98.2%              | 0.0%   | 98.2%  | -            | -      | -           |
|                                                                          | 2012 2Q | 75,060    | 0      | 75,060 | 100.0%   | 0.0%   | 100.0% | 75,060              | 0      | 75,060 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
| 750-752 E Calaveras Blvd<br>Milpitas, CA 95035<br>25,000 SF RBA          | Current | 4,200     | 0      | 4,200  | 16.8%    | 0.0%   | 16.8%  | 4,200               | 0      | 4,200  | 16.8%              | 0.0%   | 16.8%  | \$34.29/nnn  | -      | \$34.29/nnn |
|                                                                          | 2014 4Q | 1,800     | 0      | 1,800  | 7.2%     | 0.0%   | 7.2%   | 1,800               | 0      | 1,800  | 7.2%               | 0.0%   | 7.2%   | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 3Q | 3,835     | 0      | 3,835  | 15.3%    | 0.0%   | 15.3%  | 2,400               | 0      | 2,400  | 9.6%               | 0.0%   | 9.6%   | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 2Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 1Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 4Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 3Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 2Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2013 1Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 4Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 3Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$33.00/nnn  | -      | \$33.00/nnn |
|                                                                          | 2012 2Q | 2,635     | 0      | 2,635  | 10.5%    | 0.0%   | 10.5%  | 2,635               | 0      | 2,635  | 10.5%              | 0.0%   | 10.5%  | \$25.63/nnn  | -      | \$25.63/nnn |
| 757-767 E Calaveras Blvd<br>Big 5<br>Milpitas, CA 95035<br>14,045 SF RBA | Current | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 4Q | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 3Q | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 2Q | 3,850     | 0      | 3,850  | 27.4%    | 0.0%   | 27.4%  | 3,850               | 0      | 3,850  | 27.4%              | 0.0%   | 27.4%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2014 1Q | 3,962     | 0      | 3,962  | 28.2%    | 0.0%   | 28.2%  | 3,962               | 0      | 3,962  | 28.2%              | 0.0%   | 28.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 4Q | 3,962     | 0      | 3,962  | 28.2%    | 0.0%   | 28.2%  | 3,962               | 0      | 3,962  | 28.2%              | 0.0%   | 28.2%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 3Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 2Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2013 1Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 4Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 3Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |
|                                                                          | 2012 2Q | 1,981     | 0      | 1,981  | 14.1%    | 0.0%   | 14.1%  | 1,981               | 0      | 1,981  | 14.1%              | 0.0%   | 14.1%  | \$31.50/nnn  | -      | \$31.50/nnn |



### Building Historical Vacancy Report

| Building                                                                        | Period  | SF Vacant |        |       | % Vacant |        |        | SF Vacant Available |        |       | % Vacant Available |        |        | Average Rate |        |             |
|---------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|--------|---------------------|--------|-------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                                 |         | Direct    | Sublet | Total | Direct   | Sublet | Total  | Direct              | Sublet | Total | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 1301 E Calaveras Blvd<br>Victorian Square<br>Milpitas, CA 95035<br>7,737 SF RBA | Current | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 4Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 3Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 2Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2014 1Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 4Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 3Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 2Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2013 1Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 4Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 3Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                                                 | 2012 2Q | 3,478     | 0      | 3,478 | 45.0%    | 0.0%   | 45.0%  | 3,478               | 0      | 3,478 | 45.0%              | 0.0%   | 45.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
| 774-880 E Capitol Ave<br>Bldg B<br>Milpitas, CA 95035<br>10,490 SF RBA          | Current | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 4Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 3Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 2Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2014 1Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 4Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 3Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 2Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2013 1Q | 6,585     | 0      | 6,585 | 62.8%    | 0.0%   | 62.8%  | 6,585               | 0      | 6,585 | 62.8%              | 0.0%   | 62.8%  | \$25.20/nnn  | -      | \$25.20/nnn |
|                                                                                 | 2012 4Q | 800       | 0      | 800   | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800   | 7.6%               | 0.0%   | 7.6%   | -            | -      | -           |
|                                                                                 | 2012 3Q | 800       | 0      | 800   | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800   | 7.6%               | 0.0%   | 7.6%   | -            | -      | -           |
|                                                                                 | 2012 2Q | 800       | 0      | 800   | 7.6%     | 0.0%   | 7.6%   | 800                 | 0      | 800   | 7.6%               | 0.0%   | 7.6%   | \$39.00/nnn  | -      | \$39.00/nnn |
| 888 E Capitol Ave<br>Bldg A<br>Milpitas, CA 95035<br>2,035 SF RBA               | Current | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 4Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 3Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 2Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2014 1Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 4Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 3Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 2Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2013 1Q | 2,035     | 0      | 2,035 | 100.0%   | 0.0%   | 100.0% | 2,035               | 0      | 2,035 | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                                 | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                                 | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                                 | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |

### Building Historical Vacancy Report

| Building                                                                            | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |             |             |
|-------------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|-------------|-------------|
|                                                                                     |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet      | Total       |
| 49-91 Dempsey Rd<br>Calaveras Dempsey Retail<br>Milpitas, CA 95035<br>11,027 SF RBA | Current | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | -            | -           | -           |
|                                                                                     | 2014 4Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 3Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 2Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2014 1Q | 2,110     | 0      | 2,110 | 19.1%    | 0.0%   | 19.1% | 2,110               | 0      | 2,110 | 19.1%              | 0.0%   | 19.1% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 4Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 3Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 2Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$19.94/nnn  | -           | \$19.94/nnn |
|                                                                                     | 2013 1Q | 3,913     | 0      | 3,913 | 35.5%    | 0.0%   | 35.5% | 3,913               | 0      | 3,913 | 35.5%              | 0.0%   | 35.5% | \$21.16/nnn  | -           | \$21.16/nnn |
|                                                                                     | 2012 4Q | 5,098     | 0      | 5,098 | 46.2%    | 0.0%   | 46.2% | 5,098               | 0      | 5,098 | 46.2%              | 0.0%   | 46.2% | \$21.28/nnn  | -           | \$21.28/nnn |
|                                                                                     | 2012 3Q | 7,907     | 0      | 7,907 | 71.7%    | 0.0%   | 71.7% | 5,791               | 0      | 5,791 | 52.5%              | 0.0%   | 52.5% | \$21.43/nnn  | -           | \$21.43/nnn |
|                                                                                     | 2012 2Q | 7,907     | 0      | 7,907 | 71.7%    | 0.0%   | 71.7% | 7,907               | 0      | 7,907 | 71.7%              | 0.0%   | 71.7% | \$21.43/nnn  | -           | \$21.43/nnn |
| 1400-1426 Dempsey Rd<br>Milpitas, CA 95035<br>16,228 SF RBA                         | Current | 1,040     | 0      | 1,040 | 6.4%     | 0.0%   | 6.4%  | 1,040               | 0      | 1,040 | 6.4%               | 0.0%   | 6.4%  | \$23.04/nnn  | -           | \$23.04/nnn |
|                                                                                     | 2014 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                                     | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
|                                                                                     | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |
| 127-141 E Dixon Rd<br>Milpitas, CA 95035<br>5,652 SF RBA                            | Current | 1,850     | 0      | 1,850 | 32.7%    | 0.0%   | 32.7% | 1,850               | 0      | 1,850 | 32.7%              | 0.0%   | 32.7% | \$23.39/nnn  | -           | \$23.39/nnn |
|                                                                                     | 2014 4Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$24.00/nnn  | -           | \$24.00/nnn |
|                                                                                     | 2014 3Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 2Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2014 1Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 4Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 3Q | 1,000     | 0      | 1,000 | 17.7%    | 0.0%   | 17.7% | 1,000               | 0      | 1,000 | 17.7%              | 0.0%   | 17.7% | \$19.20/nnn  | -           | \$19.20/nnn |
|                                                                                     | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2013 1Q | 0         | 900    | 900   | 0.0%     | 15.9%  | 15.9% | 0                   | 900    | 900   | 0.0%               | 15.9%  | 15.9% | \$17.04/nnn  | \$17.04/nnn | \$17.04/nnn |
|                                                                                     | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 3Q | 900       | 0      | 900   | 15.9%    | 0.0%   | 15.9% | 900                 | 0      | 900   | 15.9%              | 0.0%   | 15.9% | \$17.04/nnn  | -           | \$17.04/nnn |
|                                                                                     | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -           | -           |

### Building Historical Vacancy Report

| Building                                                                                     | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                              |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 275-473 Jacklin Rd<br>Foothill Square Shopping Center<br>Milpitas, CA 95035<br>78,404 SF RBA | Current | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 4Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 3Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 2Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2014 1Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 4Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 3Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$18.84/nnn  | -      | \$18.84/nnn |
|                                                                                              | 2013 2Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2013 1Q | 5,925     | 0      | 5,925 | 7.6%     | 0.0%   | 7.6%  | 5,925               | 0      | 5,925 | 7.6%               | 0.0%   | 7.6%  | \$23.94/nnn  | -      | \$23.94/nnn |
|                                                                                              | 2012 4Q | 5,025     | 0      | 5,025 | 6.4%     | 0.0%   | 6.4%  | 5,025               | 0      | 5,025 | 6.4%               | 0.0%   | 6.4%  | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 3Q | 5,025     | 0      | 5,025 | 6.4%     | 0.0%   | 6.4%  | 5,025               | 0      | 5,025 | 6.4%               | 0.0%   | 6.4%  | \$23.39/nnn  | -      | \$23.39/nnn |
|                                                                                              | 2012 2Q | 5,025     | 0      | 5,025 | 6.4%     | 0.0%   | 6.4%  | 5,025               | 0      | 5,025 | 6.4%               | 0.0%   | 6.4%  | \$23.39/nnn  | -      | \$23.39/nnn |
| 487-495 Jacklin Rd<br>Milpitas, CA 95035<br>5,399 SF RBA                                     | Current | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 4Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 3Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 2Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2014 1Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 4Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 3Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 2Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2013 1Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 4Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 3Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
|                                                                                              | 2012 2Q | 3,063     | 0      | 3,063 | 56.7%    | 0.0%   | 56.7% | 3,063               | 0      | 3,063 | 56.7%              | 0.0%   | 56.7% | \$21.00/nnn  | -      | \$21.00/nnn |
| 1301-1369 Jacklin Rd<br>Milpitas, CA<br>18,629 SF RBA                                        | Current | 3,563     | 0      | 3,563 | 19.1%    | 0.0%   | 19.1% | 3,563               | 0      | 3,563 | 19.1%              | 0.0%   | 19.1% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 4Q | 3,563     | 0      | 3,563 | 19.1%    | 0.0%   | 19.1% | 3,563               | 0      | 3,563 | 19.1%              | 0.0%   | 19.1% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 3Q | 2,341     | 0      | 2,341 | 12.6%    | 0.0%   | 12.6% | 2,341               | 0      | 2,341 | 12.6%              | 0.0%   | 12.6% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 2Q | 2,341     | 0      | 2,341 | 12.6%    | 0.0%   | 12.6% | 2,341               | 0      | 2,341 | 12.6%              | 0.0%   | 12.6% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2014 1Q | 2,341     | 0      | 2,341 | 12.6%    | 0.0%   | 12.6% | 2,341               | 0      | 2,341 | 12.6%              | 0.0%   | 12.6% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 4Q | 841       | 0      | 841   | 4.5%     | 0.0%   | 4.5%  | 841                 | 0      | 841   | 4.5%               | 0.0%   | 4.5%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 3Q | 1,903     | 0      | 1,903 | 10.2%    | 0.0%   | 10.2% | 1,903               | 0      | 1,903 | 10.2%              | 0.0%   | 10.2% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 2Q | 1,903     | 0      | 1,903 | 10.2%    | 0.0%   | 10.2% | 1,903               | 0      | 1,903 | 10.2%              | 0.0%   | 10.2% | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2013 1Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 4Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 3Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |
|                                                                                              | 2012 2Q | 1,062     | 0      | 1,062 | 5.7%     | 0.0%   | 5.7%  | 1,062               | 0      | 1,062 | 5.7%               | 0.0%   | 5.7%  | \$18.00/mg   | -      | \$18.00/mg  |



### Building Historical Vacancy Report

| Building                                                                 | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|--------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                          |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 1455-1487 Landess Ave<br>Milpitas, CA 95035<br>10,000 SF RBA             | Current | 3,700     | 0      | 3,700 | 37.0%    | 0.0%   | 37.0% | 3,700               | 0      | 3,700 | 37.0%              | 0.0%   | 37.0% | \$39.57/nnn  | -      | \$39.57/nnn |
|                                                                          | 2014 4Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$36.00/nnn  | -      | \$36.00/nnn |
|                                                                          | 2014 3Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 2Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2014 1Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 4Q | 1,500     | 0      | 1,500 | 15.0%    | 0.0%   | 15.0% | 1,500               | 0      | 1,500 | 15.0%              | 0.0%   | 15.0% | \$39.00/nnn  | -      | \$39.00/nnn |
|                                                                          | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 81-91 S Main St<br>Milpitas, CA 95035<br>4,190 SF RBA                    | Current | 1,172     | 0      | 1,172 | 28.0%    | 0.0%   | 28.0% | 1,172               | 0      | 1,172 | 28.0%              | 0.0%   | 28.0% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 4Q | 1,172     | 0      | 1,172 | 28.0%    | 0.0%   | 28.0% | 1,172               | 0      | 1,172 | 28.0%              | 0.0%   | 28.0% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 3Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 2Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2014 1Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 4Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 3Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 2Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2013 1Q | 1,472     | 0      | 1,472 | 35.1%    | 0.0%   | 35.1% | 1,472               | 0      | 1,472 | 35.1%              | 0.0%   | 35.1% | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                          | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 134-158 S Main St<br>Central Plaza<br>Milpitas, CA 95035<br>8,400 SF RBA | Current | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 4Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 3Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 2Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.20/nnn  | -      | \$19.20/nnn |
|                                                                          | 2014 1Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$18.60/nnn  | -      | \$18.60/nnn |
|                                                                          | 2013 4Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$18.00/nnn  | -      | \$18.00/nnn |
|                                                                          | 2013 3Q | 1,200     | 0      | 1,200 | 14.3%    | 0.0%   | 14.3% | 1,200               | 0      | 1,200 | 14.3%              | 0.0%   | 14.3% | \$19.80/nnn  | -      | \$19.80/nnn |
|                                                                          | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.88/mg   | -      | \$17.88/mg  |
|                                                                          | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$17.88/mg   | -      | \$17.88/mg  |
|                                                                          | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                          | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |

### Building Historical Vacancy Report

| Building                                                                                                | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|---------------------------------------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                                                                         |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 372-396 S Main St<br>Milpitas, CA 95035<br>7,500 SF RBA                                                 | Current | 1,421     | 0      | 1,421 | 18.9%    | 0.0%   | 18.9% | 1,421               | 0      | 1,421 | 18.9%              | 0.0%   | 18.9% | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 4Q | 1,421     | 0      | 1,421 | 18.9%    | 0.0%   | 18.9% | 1,421               | 0      | 1,421 | 18.9%              | 0.0%   | 18.9% | \$26.20/nnn  | -      | \$26.20/nnn |
|                                                                                                         | 2014 3Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 2Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2014 1Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 4Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 3Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 2Q | 800       | 0      | 800   | 10.7%    | 0.0%   | 10.7% | 800                 | 0      | 800   | 10.7%              | 0.0%   | 10.7% | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                                                         | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
| 621-643 S Main St<br>Villa Milpitas Center<br>Milpitas, CA 95035<br>10,749 SF RBA                       | Current | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.60/mg   | -      | \$21.60/mg  |
|                                                                                                         | 2014 4Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 3Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$21.90/fs   | -      | \$21.90/fs  |
|                                                                                                         | 2014 2Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$40.20/fs   | -      | \$40.20/fs  |
|                                                                                                         | 2014 1Q | 1,100     | 0      | 1,100 | 10.2%    | 0.0%   | 10.2% | 1,100               | 0      | 1,100 | 10.2%              | 0.0%   | 10.2% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 4Q | 3,400     | 0      | 3,400 | 31.6%    | 0.0%   | 31.6% | 3,400               | 0      | 3,400 | 31.6%              | 0.0%   | 31.6% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 3Q | 2,800     | 0      | 2,800 | 26.0%    | 0.0%   | 26.0% | 2,800               | 0      | 2,800 | 26.0%              | 0.0%   | 26.0% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 2Q | 3,050     | 0      | 3,050 | 28.4%    | 0.0%   | 28.4% | 3,050               | 0      | 3,050 | 28.4%              | 0.0%   | 28.4% | \$22.20/fs   | -      | \$22.20/fs  |
|                                                                                                         | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/mg   | -      | \$21.00/mg  |
|                                                                                                         | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                                                                         | Current | 0         | 0      | 0     | -        | -      | -     | 0                   | 0      | 0     | -                  | -      | -     | -            | -      | -           |
| McCandless Dr @ Great Mall<br>Pkway<br>The District at Milpitas<br>Milpitas, CA 95035<br>500,000 SF RBA | Current |           |        |       |          |        |       |                     |        |       |                    |        |       |              |        |             |

### Building Historical Vacancy Report

| Building                                                                    | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |             |             |
|-----------------------------------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|-------------|-------------|
|                                                                             |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet      | Total       |
| 1774-1838 Milmont Dr<br>Milpitas, CA 95035<br>19,375 SF RBA                 | Current | 687       | 0      | 687   | 3.5%     | 0.0%   | 3.5%  | 687                 | 0      | 687   | 3.5%               | 0.0%   | 3.5%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                             | 2014 4Q | 687       | 0      | 687   | 3.5%     | 0.0%   | 3.5%  | 687                 | 0      | 687   | 3.5%               | 0.0%   | 3.5%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                             | 2014 3Q | 687       | 0      | 687   | 3.5%     | 0.0%   | 3.5%  | 687                 | 0      | 687   | 3.5%               | 0.0%   | 3.5%  | \$22.80/nnn  | -           | \$22.80/nnn |
|                                                                             | 2014 2Q | 1,053     | 0      | 1,053 | 5.4%     | 0.0%   | 5.4%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                             | 2014 1Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                             | 2013 4Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                             | 2013 3Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                             | 2013 2Q | 2,213     | 0      | 2,213 | 11.4%    | 0.0%   | 11.4% | 2,213               | 0      | 2,213 | 11.4%              | 0.0%   | 11.4% | \$21.00/nnn  | -           | \$21.00/nnn |
|                                                                             | 2013 1Q | 3,431     | 0      | 3,431 | 17.7%    | 0.0%   | 17.7% | 3,431               | 0      | 3,431 | 17.7%              | 0.0%   | 17.7% | \$20.85/nnn  | -           | \$20.85/nnn |
|                                                                             | 2012 4Q | 3,431     | 0      | 3,431 | 17.7%    | 0.0%   | 17.7% | 3,431               | 0      | 3,431 | 17.7%              | 0.0%   | 17.7% | \$20.70/nnn  | -           | \$20.70/nnn |
|                                                                             | 2012 3Q | 3,431     | 0      | 3,431 | 17.7%    | 0.0%   | 17.7% | 3,431               | 0      | 3,431 | 17.7%              | 0.0%   | 17.7% | \$21.35/nnn  | -           | \$21.35/nnn |
|                                                                             | 2012 2Q | 2,900     | 0      | 2,900 | 15.0%    | 0.0%   | 15.0% | 2,900               | 0      | 2,900 | 15.0%              | 0.0%   | 15.0% | \$24.60/nnn  | -           | \$24.60/nnn |
| 15-85 N Milpitas Blvd<br>City Square<br>Milpitas, CA 95035<br>81,238 SF RBA | Current | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 4Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 3Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 2Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2014 1Q | 1,700     | 2,940  | 4,640 | 2.1%     | 3.6%   | 5.7%  | 1,700               | 2,940  | 4,640 | 2.1%               | 3.6%   | 5.7%  | \$28.20/nnn  | \$24.00/nnn | \$25.54/nnn |
|                                                                             | 2013 4Q | 0         | 2,940  | 2,940 | 0.0%     | 3.6%   | 3.6%  | 0                   | 2,940  | 2,940 | 0.0%               | 3.6%   | 3.6%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 3Q | 0         | 2,940  | 2,940 | 0.0%     | 3.6%   | 3.6%  | 0                   | 2,940  | 2,940 | 0.0%               | 3.6%   | 3.6%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 2Q | 0         | 2,940  | 2,940 | 0.0%     | 3.6%   | 3.6%  | 0                   | 2,940  | 2,940 | 0.0%               | 3.6%   | 3.6%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2013 1Q | 1,400     | 2,940  | 4,340 | 1.7%     | 3.6%   | 5.3%  | 1,400               | 2,940  | 4,340 | 1.7%               | 3.6%   | 5.3%  | \$27.00/nnn  | \$24.00/nnn | \$24.97/nnn |
|                                                                             | 2012 4Q | 1,400     | 0      | 1,400 | 1.7%     | 0.0%   | 1.7%  | 1,400               | 0      | 1,400 | 1.7%               | 0.0%   | 1.7%  | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                             | 2012 3Q | 5,000     | 0      | 5,000 | 6.2%     | 0.0%   | 6.2%  | 5,000               | 0      | 5,000 | 6.2%               | 0.0%   | 6.2%  | \$27.00/nnn  | -           | \$27.00/nnn |
|                                                                             | 2012 2Q | 5,000     | 0      | 5,000 | 6.2%     | 0.0%   | 6.2%  | 5,000               | 0      | 5,000 | 6.2%               | 0.0%   | 6.2%  | \$27.00/nnn  | -           | \$27.00/nnn |
| 136-148 N Milpitas Blvd<br>Milpitas, CA 95035<br>8,417 SF RBA               | Current | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 4Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 3Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 2Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2014 1Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 4Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 3Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 2Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2013 1Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 4Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 3Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |
|                                                                             | 2012 2Q | 1,300     | 0      | 1,300 | 15.4%    | 0.0%   | 15.4% | 1,300               | 0      | 1,300 | 15.4%              | 0.0%   | 15.4% | \$31.50/nnn  | -           | \$31.50/nnn |



### Building Historical Vacancy Report

| Building                                                         | Period  | SF Vacant |        |        | % Vacant |        |        | SF Vacant Available |        |        | % Vacant Available |        |        | Average Rate |        |             |
|------------------------------------------------------------------|---------|-----------|--------|--------|----------|--------|--------|---------------------|--------|--------|--------------------|--------|--------|--------------|--------|-------------|
|                                                                  |         | Direct    | Sublet | Total  | Direct   | Sublet | Total  | Direct              | Sublet | Total  | Direct             | Sublet | Total  | Direct       | Sublet | Total       |
| 985 Montague Expy<br>Milpitas, CA 95035<br>9,760 SF RBA          | Current | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 4Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 3Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 2Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2014 1Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 4Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 3Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 2Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2013 1Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2012 4Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2012 3Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
|                                                                  | 2012 2Q | 9,760     | 0      | 9,760  | 100.0%   | 0.0%   | 100.0% | 9,760               | 0      | 9,760  | 100.0%             | 0.0%   | 100.0% | -            | -      | -           |
| 102-118 S Park Victoria Dr<br>Milpitas, CA 95035<br>6,646 SF RBA | Current | 1,275     | 0      | 1,275  | 19.2%    | 0.0%   | 19.2%  | 1,275               | 0      | 1,275  | 19.2%              | 0.0%   | 19.2%  | \$24.00/nnn  | -      | \$24.00/nnn |
|                                                                  | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2013 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2012 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2012 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | \$27.00/nnn  | -      | \$27.00/nnn |
|                                                                  | 2012 2Q | 1,000     | 0      | 1,000  | 15.0%    | 0.0%   | 15.0%  | 1,000               | 0      | 1,000  | 15.0%              | 0.0%   | 15.0%  | \$27.00/nnn  | -      | \$27.00/nnn |
| 15-63 Ranch Dr<br>Milpitas, CA 95035<br>97,250 SF RBA            | Current | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%   | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 2Q | 21,000    | 0      | 21,000 | 21.6%    | 0.0%   | 21.6%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%   | -            | -      | -           |
|                                                                  | 2013 1Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | -            | -      | -           |
|                                                                  | 2012 4Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                  | 2012 3Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | \$15.00/nnn  | -      | \$15.00/nnn |
|                                                                  | 2012 2Q | 46,000    | 0      | 46,000 | 47.3%    | 0.0%   | 47.3%  | 46,000              | 0      | 46,000 | 47.3%              | 0.0%   | 47.3%  | \$15.00/nnn  | -      | \$15.00/nnn |

### Building Historical Vacancy Report

| Building                                                 | Period  | SF Vacant |        |        | % Vacant |        |       | SF Vacant Available |        |        | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------------|---------|-----------|--------|--------|----------|--------|-------|---------------------|--------|--------|--------------------|--------|-------|--------------|--------|-------------|
|                                                          |         | Direct    | Sublet | Total  | Direct   | Sublet | Total | Direct              | Sublet | Total  | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 111-251 Ranch Dr<br>Milpitas, CA 95035<br>141,870 SF RBA | Current | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 42,704              | 0      | 42,704 | 30.1%              | 0.0%   | 30.1% | -            | -      | -           |
|                                                          | 2014 4Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2014 3Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2014 2Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2014 1Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 4Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 3Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 2Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | -            | -      | -           |
|                                                          | 2013 1Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
|                                                          | 2012 4Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
|                                                          | 2012 3Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
|                                                          | 2012 2Q | 66,454    | 0      | 66,454 | 46.8%    | 0.0%   | 46.8% | 66,454              | 0      | 66,454 | 46.8%              | 0.0%   | 46.8% | \$40.00/nnn  | -      | \$40.00/nnn |
| 120-158 Ranch Dr<br>Milpitas, CA 95035<br>75,803 SF RBA  | Current | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 4Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 3Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 2Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2014 1Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 4Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 3Q | 20,250    | 0      | 20,250 | 26.7%    | 0.0%   | 26.7% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 2Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2013 1Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 20,250              | 0      | 20,250 | 26.7%              | 0.0%   | 26.7% | -            | -      | -           |
|                                                          | 2012 4Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 63,735              | 0      | 63,735 | 84.1%              | 0.0%   | 84.1% | -            | -      | -           |
|                                                          | 2012 3Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 63,735              | 0      | 63,735 | 84.1%              | 0.0%   | 84.1% | -            | -      | -           |
|                                                          | 2012 2Q | 63,735    | 0      | 63,735 | 84.1%    | 0.0%   | 84.1% | 63,735              | 0      | 63,735 | 84.1%              | 0.0%   | 84.1% | -            | -      | -           |
| 198-252 Ranch Dr<br>Milpitas, CA 95035<br>23,658 SF RBA  | Current | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 4Q | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 3Q | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 2Q | 5,000     | 0      | 5,000  | 21.1%    | 0.0%   | 21.1% | 5,000               | 0      | 5,000  | 21.1%              | 0.0%   | 21.1% | -            | -      | -           |
|                                                          | 2014 1Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                          | 2013 4Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                          | 2013 3Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2013 2Q | 0         | 0      | 0      | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0      | 0.0%               | 0.0%   | 0.0%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2013 1Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2012 4Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2012 3Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |
|                                                          | 2012 2Q | 1,920     | 0      | 1,920  | 8.1%     | 0.0%   | 8.1%  | 1,920               | 0      | 1,920  | 8.1%               | 0.0%   | 8.1%  | \$30.00/nnn  | -      | \$30.00/nnn |

### Building Historical Vacancy Report

| Building                                           | Period  | SF Vacant |        |       | % Vacant |        |       | SF Vacant Available |        |       | % Vacant Available |        |       | Average Rate |        |             |
|----------------------------------------------------|---------|-----------|--------|-------|----------|--------|-------|---------------------|--------|-------|--------------------|--------|-------|--------------|--------|-------------|
|                                                    |         | Direct    | Sublet | Total | Direct   | Sublet | Total | Direct              | Sublet | Total | Direct             | Sublet | Total | Direct       | Sublet | Total       |
| 41 Serra Way<br>Milpitas, CA 95035<br>6,712 SF RBA | Current | 2,037     | 0      | 2,037 | 30.3%    | 0.0%   | 30.3% | 2,037               | 0      | 2,037 | 30.3%              | 0.0%   | 30.3% | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                    | 2014 4Q | 2,037     | 0      | 2,037 | 30.3%    | 0.0%   | 30.3% | 2,037               | 0      | 2,037 | 30.3%              | 0.0%   | 30.3% | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                    | 2014 3Q | 2,037     | 0      | 2,037 | 30.3%    | 0.0%   | 30.3% | 2,037               | 0      | 2,037 | 30.3%              | 0.0%   | 30.3% | \$28.20/nnn  | -      | \$28.20/nnn |
|                                                    | 2014 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2014 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2013 1Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2012 4Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2012 3Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |
|                                                    | 2012 2Q | 0         | 0      | 0     | 0.0%     | 0.0%   | 0.0%  | 0                   | 0      | 0     | 0.0%               | 0.0%   | 0.0%  | -            | -      | -           |



### Building Historical Vacancy Report

| Period  | Properties | RBA       | SF Vacant |        |         | % Vacant |        |       | SF Vacant Available |        |         | % Vacant Available |        |       | Average Rate |             |             |
|---------|------------|-----------|-----------|--------|---------|----------|--------|-------|---------------------|--------|---------|--------------------|--------|-------|--------------|-------------|-------------|
|         |            |           | Direct    | Sublet | Total   | Direct   | Sublet | Total | Direct              | Sublet | Total   | Direct             | Sublet | Total | Direct       | Sublet      | Avg Rate    |
| Current | 34         | 1,427,435 | 240,724   | 2,940  | 243,664 | 16.9%    | 0.2%   | 17.1% | 216,974             | 2,940  | 219,914 | 15.2%              | 0.2%   | 15.4% | \$27.75/nnn  | \$24.00/nnn | \$27.69/nnn |
| 2014 4Q | 33         | 927,435   | 232,729   | 2,940  | 235,669 | 25.1%    | 0.3%   | 25.4% | 231,629             | 2,940  | 234,569 | 25.0%              | 0.3%   | 25.3% | \$27.42/nnn  | \$24.00/nnn | \$27.36/nnn |
| 2014 3Q | 33         | 927,435   | 233,221   | 2,940  | 236,161 | 25.1%    | 0.3%   | 25.5% | 231,786             | 2,940  | 234,726 | 25.0%              | 0.3%   | 25.3% | \$27.46/nnn  | \$24.00/nnn | \$27.40/nnn |
| 2014 2Q | 33         | 927,435   | 230,350   | 2,940  | 233,290 | 24.8%    | 0.3%   | 25.2% | 229,297             | 2,940  | 232,237 | 24.7%              | 0.3%   | 25.0% | \$27.34/nnn  | \$24.00/nnn | \$27.28/nnn |
| 2014 1Q | 33         | 927,435   | 226,622   | 2,940  | 229,562 | 24.4%    | 0.3%   | 24.8% | 226,622             | 2,940  | 229,562 | 24.4%              | 0.3%   | 24.8% | \$24.00/nnn  | \$24.00/nnn | \$24.00/nnn |
| 2013 4Q | 33         | 927,435   | 228,855   | 2,940  | 231,795 | 24.7%    | 0.3%   | 25.0% | 227,525             | 2,940  | 230,465 | 24.5%              | 0.3%   | 24.8% | \$23.35/nnn  | \$24.00/nnn | \$23.38/nnn |
| 2013 3Q | 33         | 927,435   | 225,010   | 2,940  | 227,950 | 24.3%    | 0.3%   | 24.6% | 225,010             | 2,940  | 227,950 | 24.3%              | 0.3%   | 24.6% | \$23.44/nnn  | \$24.00/nnn | \$23.46/nnn |
| 2013 2Q | 33         | 927,435   | 290,935   | 2,940  | 293,875 | 31.4%    | 0.3%   | 31.7% | 226,450             | 2,940  | 229,390 | 24.4%              | 0.3%   | 24.7% | \$27.26/nnn  | \$24.00/nnn | \$27.08/nnn |
| 2013 1Q | 33         | 927,435   | 314,702   | 3,840  | 318,542 | 33.9%    | 0.4%   | 34.3% | 271,217             | 3,840  | 275,057 | 29.2%              | 0.4%   | 29.7% | \$27.02/nnn  | \$22.37/nnn | \$26.72/nnn |
| 2012 4Q | 33         | 927,435   | 305,695   | 0      | 305,695 | 33.0%    | 0.0%   | 33.0% | 305,695             | 0      | 305,695 | 33.0%              | 0.0%   | 33.0% | \$24.03/nnn  | -           | \$24.03/nnn |
| 2012 3Q | 33         | 927,435   | 315,904   | 0      | 315,904 | 34.1%    | 0.0%   | 34.1% | 313,788             | 0      | 313,788 | 33.8%              | 0.0%   | 33.8% | \$23.96/nnn  | -           | \$23.96/nnn |
| 2012 2Q | 33         | 927,435   | 317,893   | 0      | 317,893 | 34.3%    | 0.0%   | 34.3% | 317,893             | 0      | 317,893 | 34.3%              | 0.0%   | 34.3% | \$24.05/nnn  | -           | \$24.05/nnn |