Centre City Development Corporation

Analysis of the Jones Lang LaSalle Civic Center Development Analysis

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Jeff Graham
Assistant Vice President - Redevelopment
Centre City Development Corporation
401 B Street, Suite 400
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March 20, 2009

Civic Center Analysis

Dear Mr. Graham:

In accordance with your request, Ernst & Young LLP ("EY") has prepared a Real Estate Economic and Financial Analysis for the Centre City Development Corporation ("CCDC") related to the development alternatives for the City of San Diego's ("City") Civic Center Campus. The facilities consist of three owned and three leased buildings located in Downtown San Diego. Our work consists of reviewing and commenting on previous studies prepared by Jones Lang LaSalle ("JLL") and its subcontractors.

This report and its contents are subject to the Limiting Conditions as well as the Terms and Conditions of the EY Engagement Letter dated January 29, 2009.

Our analysis was based on information and financial data provided by the CCDC, Gerding Edlen, Hines, various City Departments, and other relevant sources, and is subject to the attached Statement of Limiting Conditions. EY conducted limited fieldwork and analysis to evaluate the findings and recommendations in JLL reports which was completed February 5, 2009.

We appreciate the opportunity to provide Ernst & Young's real estate advisory services to the Centre City Development Corporation. Please contact Steven Klett at (602) 322-3637 if you have any questions or if we may be of any further assistance.

Sincerely,

Ernst & Young LLP

Analysis of Jones Lang LaSalle's
San Diego Civic Center

Executive Summary

Ernst & Young was hired to conduct an analysis of a comparison of financial projections prepared by Jones Lang LaSalle (JLL)/Staubach related to new construction or rehabilitation of the Civic Center complex in downtown San Diego. The financial assumptions were summarized in two reports- San Diego Civic Center Redevelopment Alternatives and Alternative Scenarios to Redevelopment, prepared by JLL, March 2008 (JLL "Reports"). The redevelopment alternatives were based on proposals from Hines and Gerding Edlen (Gerding). Ernst & Young also evaluated the 7 cash flow models prepared by JLL to analyze the non-development alternatives.

Ernst & Young believes that certain assumptions utilized by JLL are not supported by current market evidence or are not documented in the JLL Reports. Some of the assumptions have changed over the past nine months due to declining market conditions. It should also be noted that EY found market support for many of JLL's assumptions.

EY also believes the presentation of the cash flows may be confusing in that the gross city bond obligations are offset by proposed revenue sources within the project and a net bond obligation is reported. The actual gross obligations of the City should be reported in the JLL reports. Further, it is unclear at this time whether the City will be put in a position to guarantee these other revenue sources (sub-leases) in the Gerding proposal in case of default. Pricing of third party guarantees were not included in the Gerding proposal. Gerding also proposes private sector funding options, removing these sub-leases from the City obligations. Hines does not propose any sub-leases back to the City in their proposal. Depending on the ultimate structure of the deal, the City needs to fully understand its potential downside risk in case other revenue sources do not materialize or do not meet projections, even if they are only over a short-term basis.

The City recently asked for renewal rental rates in their leased office buildings through its new leasing advisor. We do not believe any decisions to move forward or begin negotiations should be made until the results of this procedure are completed and actual rents are added to the JLL models.

It is important to remember that the developer proposals are only a starting point in negotiations with the City. Many factors have changed and will change further before any contract is finalized, if the City even decides to proceed with redevelopment at this time. Market rental rates and construction costs have declined since the original work was completed in early 2008. The EY analysis is not intended to approve any deal or developer proposal, but is to comment on the process used to evaluate the development and non-development alternatives available to the City and to address the market support for assumptions used in the analysis, but is not intended to approve any deal or endorse any developer proposal or non-development option. Further, it is noted that EY evaluated the proposal options as submitted. The City could, through the negotiation process, adjust some of the assumptions to be more favorable to the City.

Summary of Significant Findings

The following statements summarize the overall findings of the EY analysis. These items will be discussed in more detail in the following pages and within the body of the report.

A. JLL appears to treat all scenarios, including both developer proposals, equally.

B. EY did not identify any material findings in the source documents, which were not disclosed in the JLL reports.

C. EY identified certain JLL cash flow assumptions which were not supported by current market evidence or were not documented in the JLL report.

D. EY did not identify any material errors in the cash flow model.

E. The presentation of certain items in the JLL redevelopment cash flows may be misleading as presented as some revenue items were netted against the bond lease payments, understating the potential total gross obligations of the City.

F. The parking revenue assumptions are not treated equally in all scenarios. Assumptions in the redevelopment scenarios may require the City to meet and confer with the labor unions, and the City would have to change employee benefits.

G. The Gerding construction costs (buildings only) are significantly lower than the Hines' estimates.

H. Office rental rates have declined since the JLL fieldwork was completed in early 2008. We believe their growth rates over the near term are too aggressive.

I. Building residual values should be added to all scenarios.

J. The non-development scenarios have construction growth rates of 4.5% annually for 33 years, which we believe is too high, distorting the projected construction costs in the non-development scenarios.

K. The renovation costs of the COB and CAB are estimated by DMJM at $248/SF, approaching Gerding's estimated new development costs of under $350/SF for buildings which will not last as long and are not as functional and efficient as new designs.

L. Conversion of the Concourse building to office space is estimated at $322/SF. This almost equals the cost of new office construction for a building with a poor functional layout and a more limited economic life than new construction.

M. Based on the JLL analysis, the cost to acquire and renovate the Civic Center Plaza at $420/SF exceeds the cost of new construction.

N. The Hold Steady scenario (Scenario 5) is only viable over the very short term, perhaps 5 to 10 years given the age and condition of the City-occupied space.

O. The existing City-owned buildings are in poor physical condition and in need of major renovations according the DMJM's assessment. Further, the buildings represent potential life and safety issues related to a lack of fire sprinklers, asbestos, and the fact that the buildings have not been earthquake retrofitted.

Balanced Treatment of the Proposals

Overall, Ernst & Young believes that the analysis prepared by JLL met applicable quality standards in the industry. In addition, the reports did not appear to unduly skew the findings of the two developer proposals reviewed given the objectives outlined in the RFP. We believe there are a number of changes, which if made, may change the gap between the development and non-development scenarios considerably. These potential changes will be discussed in more detail within the following pages.

EY did not identify any materials covered in the source documents that were not covered by JLL in their report and cash flow analyses. Although EY questions some of the assumptions, JLL appears to have accurately reported all material assumptions and findings.

Financial Issues Regarding Comparisons

The subject is an extremely complicated development project and the numerous cash flow scenarios make the options hard to compare and the project difficult to understand. In addition, making estimates in a market as dynamic as the subject is difficult and we believe JLL applied necessary judgment to complete their work.

The 7 non-development proposals reasonably represent the most logical options for the City's long-term space needs, in addition to redevelopment scenarios. EY recommends that a true short-term (10 year) scenario, assuming no changes or renovations, be completed in the existing leased and owned space so the City can evaluate its short-term space needs giving consideration to the current financial crisis. Scenario 5 can be modified to accommodate this analysis. We believe a capital expenditures assumption should be included in the analysis to allow for the failure of components over the near term.

JLL selected a "best option" from each developer to analyze in detail: Option 1 from Gerding with three scenarios: Full Build-Out with a land purchase and land lease option, and Phase I only. For Hines, Option C was selected. As Hines did not propose any private sector development, no additional scenarios were analyzed. We will focus our comments on the options selected to be analyzed by JLL. The developers did provide other scenarios intended to reduce the City's risk, which increased the project costs.

The Gerding Full Build-Out proposal envisioned a more comprehensive project than Hines and incorporated a large private-sector development, which the City requested in the RFP. Hines' proposal was more straight forward with no private development. Hines indicated they did not believe private sector development was feasible on the site over the foreseeable future. EY was not engaged to conduct a feasibility analysis of the private development on the site, which is a critical factor to understand in the City's decision-making process. The following are discussions of the findings from the cash flow models, redevelopment scenarios and non-development scenarios.

Redevelopment Scenarios

The Gerding and Hines proposals appear to be treated fairly in the JLL analysis and we did not identify any bias favoring one proposal over the other.

Cash Flow Models

1. After evaluating the JLL cash flow model, EY decided not to change assumptions (outlined in this report) in the model. The JLL model was developed to analyze a specific set of assumptions and changes to the model are complicated by its design. We spot checked the model for mechanical accuracy, however, its design and lack of standardization would not allow the model to be easily modified by other parties. We created summaries of select data, such as gross obligations of the City under most likely development scenarios and gross annual occupied square feet under each scenario. Due to the changes recommended for the JLL analysis, based on new facts available today and judgment, EY cannot determine the overall impact of the revised cash flows.

2. EY conducted a sample math check of numerous calculations in the cash flow models, but did not identify any material errors.

3. JLL was directed to discount all of the future cash flows at 5.25% annually. This is essentially a municipality's long-term historical cost of funds. We believe the 5.25% rate is reasonable.

4. At the City's direction, the JLL cash flows were all discounted to December 31, 2013, with the 2008-2013 cash flows rolled forward, undiscounted. The developer cash flows were updated in the models by JLL subsequent to issuance of the reports provided to EY dated December 17, 2008. The reports contain prior cash flow numbers.

Issues of Risk in Gross Financial Obligations

5. The JLL cash flow presentations in both developer proposals and scenarios 1 through 7 should be updated to show the gross financial obligations of the city financial guarantees, before netting out any revenue offsets which might or might not occur as planned (EY summary in Addenda A). Examples of revenue offsets to the City's lease/financing obligations in the Gerding and Hines proposals may include the office expansion space master lease, parking income, retail master lease, retail sales taxes and land purchase/lease payments. If the land lease payments, or the office master lease are defaulted by the developer or if parking income does not meet expectations, they could have material impacts on the City's short-term financial obligations.

   In the Gerding Option 1, the City is guaranteeing a lease payment in excess of $32M in 2014, which is partially offset by parking revenues, the master lease payments and possibly other revenue sources. The offsets are smaller under the Hines proposal. The JLL presentation potentially understates the actual gross financial obligations of the City over the 30-year bond term if the developers or others were to default on their obligations. Under the Gerding Full Build-Out of

Option 1, if the private sector development does not occur in a timely manner, the City's actual financial obligations will be understated. If all development occurs as planned, the Gerding proposal is the lowest net cost to the City of the two developer proposals. Gerding also proposed the lowest construction costs per square foot.

The City is basically assuming almost all of the risk in each of the two developer's options selected by JLL. Other options, not studied in detail by JLL due to their higher costs, would transfer more risk to the private sector. The more risk that is transferred; the higher the costs are to the City.

Hines indicates the City is assuming all risks except construction delays and cost escalations during construction on most scenarios (which are already priced into their proposal). Gerding has indicated that some of the financing and development risk can be transferred to a not-for-profit agency (F-2 of proposal), which appears unlikely. The not-for-profit is essentially a "straw" entity to facilitate the transaction and would not have the financial capacity to absorb several million dollars in potential liability. It is unlikely that a not-for-profit will be able to absorb such losses; the risk ultimately falls to the City in the event of a developer default in order to complete the project unless additional performance guarantees are purchased. The structure proposed by Gerding would not allow these costs to be covered by the not-for-profit in the event of developer default. Also, Gerding indicates they are assuming development risk and cost overruns, but included a $21.3M development contingency and a $32.5M cost escalation contingency in their construction cost estimates. In addition, Gerding has indicated that their proposal was to keep any unused contingency fees. As risk to the developer is financial and they have shifted $53M to the City, the City is essentially assuming the first $53.8M in cost escalation and cost overruns under Gerding's Option 1. These contingencies are common in the development industry.

The two developer financing scenarios recommended by JLL are essentially the same, a lease-revenue bond issued by a not-for-profit with the lease payments guaranteed by the City. We believe rating agencies are likely to treat a credit lease and a debt payment as similar obligations of the City. Thus, the City will not likely be able to finance the new building "off-balance sheet" with no impact to its credit rating. The rating agencies will take both payments into consideration in evaluating the credit rating and the City's financial obligations. Therefore, the alternatives that provide the lowest costs of funds to the City may be the best options. These best options among the developer proposals include "Option 1" for Gerding and "Option C" for Hines. These are the options selected by JLL as the best alternatives.

Gerding has proposed possible credit enhancement in the form of a credit default swap, letter of credit or balance sheet guarantee. Given that the current status of this market is poor and it is not defined who would pay for the swap, this option is undefined at the present time. Gerding did not factor the cost of the guarantee in their proposal to the City. This mechanism has been a common way for the market to guarantee lease payments over the past decade.

Parking Income
Parking income has a significant impact on the redevelopment scenarios only.

6. The Hines parking income analysis appears to overstate net parking revenues to the City by about $130,000 in 2009 through 2013. According to JLL, this is due to a discrepancy in the 2009 operating expenses originally provided to JLL by the City and revised figures provided to EY. The 2009 budgeted amounts have since been updated and provided to EY by the City's Real Estate Asset Department, but the discrepancy cannot be determined based on the data provided. Annual operating expenses of $320,223 included in the Hines, non-development, and Gerding Option I (Phase I only) scenarios all utilize the same assumption. Annual operating expenses of just $320,223 appear too low for a garage generating $2.3M in revenue annually.

7. Both developers assumed $199 per month in parking revenues, plus a 15% oversell rate for Hines and 25% for Gerding in 2013. Hines deducted full-year expenses of $405,000 in 2014, which are below current O&M costs of $450,000 for a smaller garage. The Hines O&M costs should be increased.

8. The parking income analysis included a 100% occupancy rate and a 4% annual revenue growth assumption for 50 years in both developer proposals. The parking contractor has indicated that garages in the downtown area are no longer full, a consequence of the recent economic downturn. EY recommends a parking vacancy deduction over the term of the project and a more moderate growth rate over the 50-year term. The Gerding "Phase I Only" analysis prepared by JLL applied a 50% reduction to Parkade parking revenues. The parking consultant (Ace) indicated a 20% reduction would be appropriate for a Phase I only project.

9. The parking income includes the assumption that the City employees will pay for 100% of their parking costs beginning in 2013 or that the current city contribution will be treated as "new" income. The City currently subsidizes parking for employees who pay $85 per month. The monthly parking costs will increase to $200 per space per month in 2013 in both developer proposals at JLL's direction, based on input from their parking advisor. The increase is due to the elimination of the City parking subsidy, 4% annual growth and anticipated increased future parking demand. Given these assumptions used by the developers, net parking income increases from about $605,000 in 2009 (budget) to $3.4M in 2014 in the Hines analysis and to $4.7M in the Gerding Full Build-Out analysis. In order to be able to claim this income, the City may be required to meet and confer with the labor unions and the City will have to change employee benefits.

10. The parking income assumption eliminating the City parking subsidy benefits the redevelopment scenarios only. For Gerding, the garage is estimated to cost $38M to build and generates a $156M NPV in the Full Build-Out scenario and $194.7M in Phase I only (2 garages). For Hines, the garage already exists, but generates $138.9M in NPV with about $7M in remodeling costs. The anticipated discounted parking revenues far exceed the development costs. We believe these parking assumptions should be reevaluated with input from the City

Council and Mayor. If parking rates are increased in the redevelopment scenarios, they should be treated equally in the non-development scenarios.

Development Costs

11. Ernst & Young prepared a comparison of the estimated development costs for each of the developer proposals and the two contractors hired by JLL to evaluate construction cost estimates. Cummings Corp. indicated that the costs of both developer proposals were within the range of market evidence. However, in our analysis, Hines estimated construction costs for the buildings of $427 per square foot and Gerding estimated a figure of just $348, which is well below the Hines estimate and the estimates of the two specialists hired by JLL. When comparing the costs on a like-basis (removing the parking garage from Gerding as it is not included in Hines proposal). Cummings estimated $360 per square foot and DMJM estimated $393 per square foot. The Gerding cost estimates (detailed later in the report) should be negotiated as a not-to-exceed amount.

12. Gerding proposes utilizing the NRG cooling district for chilled water, reducing its up-front central plant costs by $3M. It should also be noted that while these up-front costs are avoided in the Gerding proposal, NRG may pass through the amortization of Gerding's pro-rata share of NRG's central plant capital replacement costs in their usage rates. In other words, Gerding has lower up-front costs, but may have higher overall usage costs than Hines, due to the recapture of amortized central plant costs. Gerding has not received a formal pricing proposal from NRG for the subject project.

13. A key assumption in the space that needs analysis is Gensler's estimate of the City achieving 180 USF/FTE in the redevelopment scenarios. The City currently occupies 1,018,000 square feet of office space, including 42,000 square feet in the Concourse, and is estimated to occupy just 660,000 square feet Downtown in 2015 under the Gensler plan, a 35% reduction from current levels.

Office Master Lease

14. Gerding's Option 1 proposes an office master lease payment of $2.83 per square foot fixed for 30 years for the expansion space. Assuming a stabilized vacancy rate of 5.0% in the master lease space, gross rents would have to be $2.98 per square foot. Adding in the replacement reserve ($0.75 per square foot per year), leasing commissions, tenant improvements (over the $25 base cost in the proposal), operating expenses for vacant space and lease-up costs until stabilized occupancy is reached, rents would have to total almost $4.00 per square foot on a FSG basis in 2013 in order for Gerding to break even.

    In the Phase I only scenario, the land purchase is again netted out of the City lease payments and added back in a later column. This also understates the potential lease obligations of the City.

Land Lease or Purchase

15. In the JLL analysis of the Gerding proposal, the three one-time land purchase payments totaling $67M were deducted from the City's gross financial obligations from Gerding's Full Build-Out scenario. These land purchases may or may not happen and may be at different amounts. Gerding indicated the actual purchase amounts would be determined at a later date by appraisals. These revenues are included in the City's bond payments column, which significantly lowers the actual 10 and 15 year financial obligations of the city, benefitting the Gerding scenarios only, as they are the only development scenarios with excess land. It is noted under a Full Build-Out scenario, the net costs to the City would remain unchanged as presented in the JLL analysis if all planned development happens. However, the gross potential obligations of the City should be recognized.

16. The City should consider the benefits of leasing the land on the subject site to Gerding (one of the options considered by JLL), rather than sell it. Leasing provides a long-term payment stream to offset the City's bond or lease obligations, as opposed to three one-off payments. It also gives the City long-term control of the government center site. The City should decide if these land lease payments are appropriate to be considered as City obligation offsets in this transaction or if they are assets of the city to be utilized elsewhere.

<u>Non-Redevelopment Scenarios</u>

O&M for Owned Buildings

17. JLL assumed O&M expenses of $9.00 per square foot for the existing City buildings. JLL indicated that the slightly higher amount was reasonable given the age and condition of the subject buildings. This is true, but the buildings are assumed to be fully renovated in all scenarios except Scenario 5, so the repair and maintenance and utility costs should decline to market levels. We did not identify market support and no project history exists suggesting that a $9.00 per square foot rate is market supported. We believe JLL should consider a revised operating expense figure of $8.00 per square foot in all non-development scenarios for the owned buildings, with consideration that the buildings will be renovated.

Parking Income

18. The $130,000 discrepancy in the parking income (described earlier in the Hines analysis) also applies to the non-development scenarios (except Scenario 5). In other words, the net income is estimated to be overstated by $130,000 annually (inflated) in the non-development scenarios.

19. The non-development scenarios assume parking continues "as-is" for an NPV of $11M, again compared to $138.9M in the Hines analysis for the same garage and $156M to $194.7M in the Gerding analysis (Full Build-Out and Phase I only). The parking revenues were not increased under the non-development scenarios. The City should evaluate all scenarios with similar parking revenue assumptions.

Market Rents

20. Office market rents have declined since the original JLL work was completed in early 2008 and are now likely overstated in the JLL analysis. EY believes larger deductions are warranted in the current market for the Class "C" space in the Executive Complex and Civic Center Plaza.

21. The short-term JLL office rental growth rates (2009-2014) appear to be too high in the current market. EY recommends lower growth rates and negative growth in 2008 and 2009 rates.

Building Residual Value

22. The JLL analysis does not include a value for the buildings under the non-development scenarios at the end of 50 years. The redevelopment buildings will be near the end of their useful lives, 45 years old, but could have a 10% salvage value. The non-development scenario buildings will only be 17 years old at the end of the 50-year period and will have 33 years of remaining useful life. These scenarios require a building residual value (remaining economic life minus remaining bond payments) which could be equal to at least 20% of the building construction costs in 2041.

Escalation Rates

23. Several of the annual escalation rates used by JLL appear above normal long-term ranges such as 4.5% for construction costs (in the non-development scenarios), 4.0% parking income growth, and 4.0% office rent growth (2010-2014). It is important to note that some of these rates are for 30 to 50 year periods and have significant impacts on future projections. Growth rates of 2.0% to 3.0% are common in long-term financial projections for real estate projects. The Gerding master lease rate, however, is at a fixed rate over the 30-year period. Normally this rate would escalate as market rates increase (JLL projects 2.5% long-term rent growth).

Construction Costs

24. The estimated costs to renovate CAB and COB, including seismic retrofit costs at just $35 per square foot, are estimated by DMJM to approach $100 million or about $248 per square foot, excluding the concourse building. The subject buildings would have new functional interiors and mechanical and electrical systems, but the economic life of the buildings would be less than new construction and the building would be less efficient due to 45-year old design standards.

25. Conversion of the concourse building (developed as a conference center and theater) to office space may not be economically supportable as the space was not designed for office uses and has numerous functional issues. As the concourse building loses money from current operations and may not be practical for office conversion, the City should consider demolishing the Concourse building. This would allow the Civic Center site to be opened up to

the subject neighborhood and the "C" street transportation corridor with more significant public spaces could be constructed. Demolishing the concourse building could save $32.7 million in renovation costs for all of the non-development scenarios (except 5), less demolition costs of about $1 million, plus all of the net income losses over the holding period ($600,000 per year, inflated). In Scenarios 4 and 6, where the Concourse is converted to office space, an additional $18.1M in renovation costs are required. If the Concourse Building is demolished the City would have to pay for leasing costs and relocation expenses for existing uses in the building and would have to locate new meeting space.

26. Complete renovation of the Concourse building does not appear to make financial sense. The costs are estimated at $322 per square foot which is approaching the cost of new construction for a building with a poor functional layout for office space and functional deficiencies. In addition, the building will only last 30 years per the DMJM analysis and will require that a new building be constructed at the end of the period. We do not believe the Concourse can be converted to efficient office space. The Consource should only be considered as a short-term solution for emergency or swing space needs.

"Hold Steady" Scenario Supplemental Analysis

27. Given the financial condition of the City and US, we believe JLL should examine a short-term non-development scenario over 10 years, a modification of Scenario 5. JLL could revise Scenario 5 to be a true non-development baseline scenario for a 10-year period ("Hold Steady"). After adjusting the market rents, we also believe the leased space should be evaluated assuming no new tenant improvements, so no swing space or move costs would be incurred. Scenario 5 is only viable over the near term, perhaps 5 to 10 years, but would provide a short-term option for the City to consider given its current financial situation. The long-term scenario with no renovation costs for the city owned buildings and no new TIs in the leased space is not viable given the condition of the City's space. Even on a short-term basis, the scenario should include a capital expenditure expense.

    Based on the current declining condition of the US and Downtown San Diego office markets, we believe there may be an opportunity for the City to acquire a building in a distressed situation at a price below replacement cost as part of this revised Scenario 5. If the City decides not to do anything over the near term (Hold Steady scenario), this may emerge as a viable opportunity over the next 2 to 3 years. The building may not be proximate to the current Civic Center, but would likely be in superior condition to the existing Civic Center buildings. We further recognize that the City has certain constraints/requirements and finding a building in foreclosure may be difficult. Given the likelihood of entering a soft real estate market and the City's financing capacity, the City may be able to negotiate favorable acquisition terms. We do not believe this is a scenario which should be modeled, but could be evaluated in conjunction with a short-term Hold Steady Scenario.

Other Scenarios

28. JLL estimated the cost of acquisition and renovation of the Civic Center Plaza at $420 per square foot. This exceeds the cost of new construction for a building that would still have a shorter economic life and be less efficient than new construction. It would not appear to be economically justified to acquire and renovate the Civic Center Plaza unless the acquisition price were well below $200 per square foot or the renovation costs significantly less than $171 per square foot.

Introduction

Scope of Work

Ernst & Young was hired to conduct an analysis of the existing work completed on the Civic Center Complex project prepared by Jones Lang LaSalle/Staubach ("JLL") and its subcontractors, Gensler Architects, DM&JM, Hines and Gerding Edlen Development for the Centre City Development Corporation ("CCDC"). Jones Lang LaSalle Reports Alternative Scenarios to Redevelopment (Phase I) and San Diego Civic Center Redevelopment Scenarios (Phase II). Ernst & Young was requested to prepare an analysis which comments on the market support and the use of appropriate methodologies in the JLL report.

Ernst & Young was not hired to complete a new analysis of the project based on current trends and pricing in the markets. If, based on our work or experience, we identified items which have likely changed over the course of the engagement, we did identify these items and the direction of change. Ernst & Young was not hired to evaluate additional scenarios, but did identify any additional scenarios or assumptions which should be considered. Ernst & Young based the analysis and findings on the information provided by the Corporation's staff, JLL, subcontractors, the public, stakeholders, City Council members, etc.

Procedures Completed

- Advisor's review shall, at a minimum, include the following:
    - Sample math check of model for errors, including material assumptions;
    - Identify issues discovered between the Source Documents and final JLL reports;
    - Identify methods used in the preparation of the analysis that deviate from industry standards;
    - Evaluate the process, assumptions and methods used in the analysis of the two developer proposals and of the seven alternatives – provide a description of findings and indicate anomalies that may have resulted in a biased or inaccurate outcome;
    - Identify additional methods that may have been used to forecast, justify or confirm assumptions used in the analysis;
    - Provide an opinion on the methods used to forecast operating and maintenance costs for City-owned property in the analysis. Recommend alternative approaches, if applicable;
    - Determine market support from supplied information for major financial assumptions including:
        - Building renovation costs
        - New building construction costs
        - Financing costs
        - Lease rates and terms
        - Tenant improvement costs

  - City staff temporary move and swing space costs
  - Inflation and escalation rates
  - Land values
  - Partnership and financing structures
  - Building acquisition costs
  - Construction phasing and duration

- Advisor shall read and consider the Gensler study for purposes of analyzing the financial analysis, but shall not be responsible for evaluating the accuracy or methods used in the preparation of the Gensler study.

- Advisor shall analyze material Source Documents and cash flow input assumptions used in the preparation of the JLL financial evaluations. Advisor shall Interview consultants as needed to fully understand methods and sources of data and assumptions. Identify material errors, omissions, or anomalies from industry standard methods and financial assumptions.

- Advisor shall identify significant financial assumptions, methods and calculations that deviate from professional industry standards or deviate from market fundamentals.

SUPPLEMENTAL ANALYSES

- Advisor shall assess the benefits and risks to the City of each alternative reviewed and provide findings and recommendations as to their impact on the conclusions in the JLL study.

- In consideration of the City's current financial challenges and projected budget deficits, Advisor shall comment on the real estate occupancy costs, risks and benefits to the City of continuing its current occupancy program by extending leases in existing facilities and re-evaluating the redevelopment alternative in seven years (2015).

- Understanding the City's current and projected near-term financial constraints, Advisor shall identify, if discovered during the course of the analysis process, occupancy and/or operating alternatives for downtown City staff not included in the JLL analysis that may be studied as potential lower cost options for the City and taxpayers. Such additional suggested cost savings measures may be variations of or supplements to alternatives studied in the JLL analysis.

- Advisor shall attempt to identify those assumptions used in the JLL analysis which may have materially changed since the dates during which the data was originally collected and the report issued. Advisor shall not be responsible for updating the values of such assumptions.

- If the JLL models are configured to readily accept modifications, Advisor will modify the models for changes in methodologies for the 10, 15 and 50 year cash flow analysis periods. If the models are not readily configured to accept modifications, JLL will make these changes at the Corporation's request.

- Advisor to analyze the "No Renovation" scenario and determine if tenant improvement, swing space costs or other assumptions are supported by market evidence.

PRESENTATION OF FINDINGS

- Advisor shall provide two separate oral presentations to the Corporation's staff/selection panel and the Corporation's Board of Directors of any and all findings and recommendations identified in the written report.

- Advisor shall provide two oral presentations to the Council Committee and City Council of findings and recommendations identified in written report.

- Advisor shall attend up to four (4) additional stakeholder and/or public meetings as directed, in writing, by the Corporation's staff to present findings and recommendations. Advisor shall be available to respond to questions raised following submission of the final report. As the number of these meetings is not defined, they shall be billed separately on an hourly basis at Advisor's approved hourly rates.

Materials Read

Ernst & Young read the following documents.

Centre City Development Corporation
Document Log

#	Document	Prepared By	Date Authored	Type	Received
1	Facilities Needs Assessment - Volume I & II	Gensler Architects	Apr-08	HC	11/24/2008
2	Facilities Condition Assessment - San Diego Civic Center Complex	DMJM	Apr-08	HC	11/24/2008
3	City of San Diego Lease Summaries	JLL	unknown	HC	11/24/2008
4	Civic Center Complex Developer RFP	CCDC	May-08	HC	11/24/2008
5	Hines Development Proposal	Hines	Jul-08	HC	11/24/2008
6	Gerding Edlen Development Proposal	Gerding Edlen	Jul-08	HC	11/24/2008
7	Gerding Edlen Development Proposal - Powerpoint Presentation	Gerding Edlen	unknown	HC	11/24/2008
8	Fire Station #1 Replacement Program/Cost Estimate	CCDC	Mar-08	HC	11/24/2008
9	Downtown Office Market Study	JLL	May-08	HC	11/24/2008
10	Public and Stakeholder Powerpoint Presentation	CCDC	unknown	HC	11/24/2008
11	Evaluation of Sustainability Elements for Development Proposals	Paladino	Aug-08	HC	11/24/2008
12	Summary table of Gerding Edlen Development Proposal	JLL	unknown	HC	11/24/2008
13	Monthly 2007 Parking Revenues and Operating Expenses	City of SD	unknown	HC	11/24/2008
14	Background Information related 63-20 and COP Financing Structure	JLL	unknown	HC	11/24/2008
15	Detailed Financial Proforma of Hines Development Proposal	Hines	Nov-08	HC	11/24/2008
16	Notes from proforma discussion with Hines	JLL	Jul-08	HC	11/24/2008
17	Notes from proforma discussion with Gerding Edlen	JLL	Jul-08	HC	11/24/2008
18	Estimated market value of surplus land	DF Davis Real Estate	Jul-08	HC	11/24/2008
19	Comparable Data for Ground Rent Factor	DF Davis Real Estate	unknown	HC	11/24/2008
20	Financial Analysis of Incorporating New Main Library in Civic Center Complex	CCDC/JLL/Keyser	Aug-08	HC	11/24/2008
21	Civic Center Complex - JLL Report - Part 1 (DRAFT)	JLL	11/25/08 Updated: 12/09/08 Updated: 12/15/2008	SC	11/25/08 Updated: 12/09/08 Updated: 12/15/2008
22	Civic Center Complex - JLL Report - Part 2 (DRAFT)	JLL	Dec-08	SC	1/6/2008
23	Gerding Edlen Letter to CCDC - RE: JLL Adjustments	Gerding Edlen	Jan-09	SC	1/7/2009
24	EVJ Parking Email - Tom Cody to CCDC	Tom Cody	Dec-08	SC	12/19//08
25	DeMaio Memo to CCDC - Financial Analysis on "Efficiency Alternatives"	Councilman DeMaio	Aug-08	SC	12/4/2008
26	CCDC Memo to DeMaio - Additional Analysis	Jeff Graham	Aug-08	SC	12/4/2008
27	DeMaio Issue Brief - Building New City Hall Increases Budget…	Councilman DeMaio	Sep-08	SC	12/4/2008
28	DeMaio Memo to Mayor/Council - Budgetary Impact of Proposed New City Hall	Councilman DeMaio	Sep-08	SC	12/4/2008
29	City Council Mtg Minutes - Financial Peer Review Special Meeting	Regina Garrison	Dec-08	SC	1/8/2009
30	Ace Parking - Opinion Letter	Steve Burton	Jan-09	SC	1/15/2009
31	Council authorization to 'modernize' elevators	Mario Sierra	Apr-08	SC	1/15/2009
32	Comparison of Estimated Facilities Operating Costs	Adrian Del Rio/ Jeff Graham	Jan-08	SC	1/16/2009
33	Geotechnical and Environmental Investigation	Owen Geotechnical	Jun-88	SC	1/20/2009
34	GED Proforma Update	GED	Sep-08	SC	1/20/2009
35	Laurie Black email to Councilman DeMaio	Laurie Black	Sep-08	SC	2/2/2009
36	Lease RFPs (600 B/CCP/ExecComplex/Hines/Irvine)	Jeff Graham	various	SC	3/11/2009
37	Lease Proposals (600 B/ExecComplex/Eagle Plaza)	Jeff Graham	various	SC	3/10/2009
38	Revised Concourse and Parkade Costs 3.03.09	Jeff Graham	Mar-09	SC	3/17/2009
39	Letter from National Development Council	Jeff Graham	Mar-09	SC	3/17/2009
40	City Attorney Opinion Letter on the Liability of the Civic Center	City Attorney	Feb-09	SC	3/19/2009

Interviews Completed

Ernst & Young interviewed the following individuals related to the subject project.

Centre City Development Corporation
EY Interview/Meeting Log

Interview	Date	EY	Other Attendess	Comments
Kick-Off Meeting				
CCDC Staff & Selection	12/3/2008	SK/TH	Mary Lewis - City Gregory Stein - Board of San Diego Taxpayers Association Carl DeMaio - City Councilmember Barbara Kaiser - CCDC Kim Kilkenny - CCDC Thomas Aaron - Budget and Policy Advisor Jeff Graham - CCDC	Scope of Services, Peer Review Approach, Public Mtg Format, Q&A
Consultants				
Jones Lang Lasalle	12/3/2008	SK/TH	Grant Freeman Tambra Martinez	Financial analysis of 7 non-development and 2 development proposals
Gensler Architects	12/3/2008	SK/TH	Tom Heffernan	Facilities Needs Assessment methods, findings, recommendations
Cummings	12/3/2008	SK/TH	Ashok Patel	Review of construction costs for developer proposals
Developers				
Gerding Elden	12/3/2008	SK/TH	Brent Gaulke Thomas Cody	Redevelopment proposal
Hines	12/3/2008	SK/TH	Paul Twardowski, VP Danielle Zhu	Redevelopment proposal
City of San Diego				
Risk Management	12/18/2008	SK/TH/VH	Jeff Graham - CCDC Greg Brice - City	Conference Call
Accounting	1/16/2009	SK/VH	Adrian Del Rio - City Jeff Graham - CCDC	Conference Call
Real Estate	12/19/2008	SK	Jim Barwick - City	Conference Call
Finance	1/22/2009	SK/VH	Jay Goldstone - City Mary Lewis - City Lakshmi Kommi - City Jeff Graham - CCDC	Conference Call
Stakeholder Meetings				
Public Input Meeting	12/3/2008	SK/TH	Mary Lewis - City Gregory Stein - Board of San Diego Taxpayers Association Carl DeMaio - City Councilmember Kevin Faulkner - City Councilmember Barbara Kaiser - CCDC Kim Kilkenny - CCDC Thomas Aaron - Budget and Policy Advisor Jeff Graham - CCDC	City Council, Selection Panel, Public, and Stakeholders to attend

Outline of Scenarios Evaluated

Ernst & Young evaluated the 7 non-development scenarios prepared by JLL as well as both developer proposals. A summary of the scenarios is included on the following table.

CCDC Non-Development Alternative Summary

	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5	Alternative 6	Alternative 7
Rehabilitate Owned Facilities/Seismic Retrofit	●	●	●	●		●	●
Includes Costs for Staff Moves and Swing Space	●	●	●	●	●	●	●
Workspace Efficiency Standards implemented	●	●	●	●		●	●
Construct New Building at the end of useful life (30 yrs)	●	●	●	●	●	●	●
New leases will be negotiated to accommodate remaining need as leases expire.	●	●	●	●	●		
Workspace Efficiency Standards implemented - Leased		●	●	●			
Civic Center Plaza is acquired		●					
Convert the City Concourse's existing meeting space into offices using the new design standards				●		●	
With the exception of 50,000 SF leased downtown, the remaining space required will be leased in suburban markets						●	●
Estimated Cost to City							
NPV 50 Yr.	$1,225,285,230	$1,040,792,776	$1,076,833,424	$978,122,899	$1,048,280,417	$1,003,158,148	$1,122,586,436
NPV 15 Yr.	$560,489,192	$475,289,391	$479,388,896	$570,728,288	$597,676,091	$440,925,342	$501,761,232
NPV 10 Yr.	$426,289,916	$373,356,909	$374,072,562	$403,338,935	$386,047,084	$351,886,597	$388,412,644

● Yes

Note: NPV analysis was to 2013, the same method JLL utilized with 2009-2012 numbers rolled up undiscounted.

The Developer RFP

In addition to the non-development scenarios considered by the City, the potential to redevelop the site was also contemplated as an option. In May 2008, the CCDC issued a Request for Proposals to two developers, Hines and Gerding Edlen, for the opportunity to partner with the City for the redevelopment of the Civic Center Complex site to include a new City administration facility to accommodate all current and future downtown employees and the potential for private development.

The Hines proposal consists of approximately 800,000 square foot of civic offices and facilities, with 12,000 square feet of retail/restaurant uses. The existing Parkade was assumed to remain in place as part of the Hines proposal.

The Gerding proposal consists of a 1.0M square foot civic center, housing 660,000 square feet of civic offices and facilities, initially, with the opportunity to grow to 793,000 square feet of office space as the City’s needs require. The proposal also includes a new 36,000 square foot council chambers, one-stop service center and necessary parking for the civic facilities. In addition to the civic uses, Gerding’s proposal includes over 950 hotel and residential units, 700,000 square feet of office, and over 140,000 square feet of retail uses.

Required program elements:
1. City Hall
2. City Public Parking
3. Integration with “C” Street
4. Program within site
5. Public/Cultural uses
6. Public Spaces
7. Public Art Program
8. Sustainability

Optional:
1. Public/Cultural uses (Fire Station)
2. Urban Planning
   - Re-open B Street
   - Consider State Courts Master Plan
3. Other Uses
   - Integrate an active mix of private, cultural and civic land uses
   - 20% affordable residential (if residential is proposed)
   - Variety of private land uses

Findings

Overall Condition of City Owned Buildings

The City occupies 560,950 square feet of building space in three owned buildings identified below and a 1,098-space parking garage.

Building	Year Built	Size (SF)	Employees	Class	Condition
City Administration Building (CAB)	1963	188,926	600	C	Poor
City Operations Building (COB)	1965	213,905	400	C	Poor
Concourse	1963	158,119	60	C	Poor
TOTAL		**560,950**	**1,060**		

Source: DMJM Facility Condition Assessment Report, April 2008
Note: The City occupies 42,000 SF of the Concourse

The CAB and COB buildings are currently functional for their intended uses. The City buildings are, however, considered poor quality city hall facilities for a major US City. Tenant improvements, floors, and wall coverings are worn and extremely dated and have reached the end of their useful lives. Mechanical and electrical systems are dated and have reached or exceeded the end of their useful lives. The design and functional efficiency of the office space has changed since the buildings were originally constructed. On some floors, former janitor’s closets have been converted to lunch rooms with the old mop sink serving as the only water source in the rooms. The buildings do not contain modern life and safety features, are not earthquake retrofitted and contain Asbestos Containing Materials (ACMs).

The layout and condition of the buildings create several potential liability issues. The buildings do not have fire sprinklers and the buildings are exempt from the City’s own regulations for fire protection systems. The buildings have ACMs, which is one of the reasons the sprinklers were only partially installed on a couple of the upper floors (but never activated). The City buildings have not received any earthquake retrofitting and are not seismically stable. A fault line reportedly extends about one block southwest of the City Centre site.

The City Council chambers are located on the top floor of the CAB building. As the City is self insured, an earthquake or fire during a City council meeting could have dire financial and life/safety consequences from the perspective of a catastrophic event.

According to the DMJM assessment the COB and CAB facilities have numerous physical deficiencies that will require attention under any scenario. Deficiencies noted by DMJM (in addition to those above) included ACMs onsite, partial ADA compliance, mechanical and roof systems which have significantly exceeded their useful life and are at risk to fail, and outdated and worn interior improvements. Technology deficiencies included the use of older inefficient lighting and the use of the original elevators which are reaching the end of their useful life. As a result, in June 2008, the City approved an increase in the capital improvement budget for the modernization of the elevators in CAB and Parkade. The cost to modernize the elevators for both facilities totals $1,965,000.

The current civic center has a poor physical presence and provides no real sense of place. The public spaces are cold and uninviting. There are no linkages to downtown or the adjacent neighborhood; thru-streets are closed off. The site provides a poor connection to “C” Street and the public transit facilities.

Ernst & Young believes the existing concourse space, which was developed as a theater, has limited adaptive capacity for conversion to office space. The facilities currently receive limited use for events and public meetings and they currently lose money to operate. The building is not a reasonable facility for office space for the following reasons:

- the bays would be too large for standard office layouts
- there are no windows in the building
- the ceilings are too high, even with the installation of a mezzanine floor in the main hall
- the current restrooms are inadequate for office uses, given the size of the space and the fact they are located on only one side of the building
- the space is not fully sprinklered and has not been earthquake retrofitted
- the building likely contains ACMs
- renovation costs are too high ($287 per square foot)
- the electrical and mechanical systems are not designed for office use and would have to be replaced.

Total office renovation and retrofit costs were estimated at $51.1M or $287/SF (with $35/SF in seismic retrofit costs) by DMJM. The renovation costs appear high as they are approaching the costs of building new space (especially considering unforeseen costs) to provide office space with only marginal short-term utility.

Overall Condition of City Leased Space

The City currently occupies 532,762 square feet of downtown office space (for this analysis) in the following three leased buildings:

Building	Size (SF)	Employees	Class	Condition
600 B Street	153,265	550	B	Good
Civic Center Plaza (CCP)	243,176	835	C	Average
Executive Complex	136,321	455	C	Average
TOTAL	**532,762**	**1,840**		

Source: DMJM Facility Condition Assessment Report, April 2008

Note: These figures do not include the space occupied downtown in the World Trade Center building, which was not part of the JLL analysis

The owned and leased occupied space in this analysis totals 1,093,712 square feet for 2,900 employees, or 377 square feet per employee. For office-only users, the space is significantly underutilized. Even excluding the Concourse, the City has 323 square feet of office space per employee. Current occupancy standards are about 225 square feet per employee in older buildings, lower for new construction.

Ernst & Young inspected random floors in each of the buildings where space is leased by the City. The buildings are generally considered to be Class B or C in terms of rental quality in the market. The buildings are newer and more modern than the City owned buildings and common areas/elevators and restrooms are far superior to the City owned facilities.

All of the space was reportedly taken on an “as is” basis, meaning the City occupied space that was vacated by other tenants at the end of their lease terms. There was no planning to the occupancy of the space and the individual City departments used to identify their own space needs. The City now has a real estate department in charge of all leased space.

The City is located in extremely dated space with inefficient workplace standards and large amounts of unused space used for storage or simply sitting empty. We were informed of, and witnessed, executive assistants in large window offices on some of the floors and departmental storage in many of the interior cubes.

While these leased spaces were in useable condition, the tenant improvements will not last forever; most are likely near the end of their economic life (typically 10 years or less). It is extremely unlikely any public sector tenant would take the City spaces if vacated in their current condition. Still, the leased space was in significantly superior condition compared to the City-owned space.

The leased space is poorly designed for City uses. Each employee occupies 290 square feet of space, again, compared to the range of 180 to 225 square feet per employee in a modern office layout. Some of this excess space is empty and could be filled, but new tenant improvements with modern design standards would significantly reduce the amount of space the City occupies and would reduce its lease obligations.

Balanced Treatment of Proposals

Overall, Ernst & Young believes that the analysis prepared by JLL met applicable quality standards. In addition, the reports did not appear to unduly skew the findings of the two developer proposals or the 7 non-development scenarios reviewed given the objectives outlined in the RFP. We believe there are a number of changes, which if made, may change the gap between the development and non-development scenarios considerably.

Global Cash Flow Assumptions

Global Assumptions

<u>Occupied Space</u>

The following table was created from the JLL cash flow model to summarize occupied square feet under each of the scenarios of the 50-year timeframe. The table illustrates the impact of the more efficient space standards in reducing the City's projected space needs. The space included owned, leased and swing space.

Total Square Feet Projected by Scenario

Year	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Hines	GED
2008	935,593	975,592	935,593	935,593	935,593	935,593	935,593	935,593	975,593
2009	824,207	864,206	824,207	864,207	935,593	864,207	824,207	975,593	975,593
2010	824,207	864,206	824,207	864,207	935,593	864,207	824,207	761,688	975,593
2011	935,593	975,592	935,593	1,153,712	935,593	975,593	935,593	761,688	975,593
2012	935,593	975,592	935,593	1,153,712	935,593	975,593	935,593	761,688	975,593
2013	935,593	975,592	935,593	1,153,712	935,593	975,593	935,593	572,762	975,593
2014	1,030,467	812,383	801,677	868,861	1,030,467	961,257	1,188,436	1,117,907	1,232,554
2015	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2016	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2017	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2018	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2019	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2020	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2021	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2022	935,593	728,010	727,069	732,540	935,593	581,760	808,939	738,410	699,792
2023	935,593	728,010	727,069	732,540	935,593	642,870	870,049	738,410	740,351
2024	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2025	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2026	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2027	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2028	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2029	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2030	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2031	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2032	996,703	775,939	774,998	781,624	996,703	642,870	870,049	787,492	740,351
2033	996,703	775,939	774,998	781,624	996,703	707,445	934,624	787,492	776,172
2034	1,061,278	826,586	825,645	833,492	1,061,278	707,445	934,624	839,357	776,172
2035	1,061,278	826,586	825,645	833,492	1,061,278	707,445	934,624	839,357	776,172
2036	1,061,278	826,586	825,645	833,492	1,061,278	707,445	934,624	839,357	776,172
2037	1,061,278	826,586	825,645	833,492	1,061,278	707,445	934,624	839,357	776,172
2038	1,061,278	826,586	825,645	833,492	1,061,278	707,445	934,624	839,357	776,172
2039	1,101,278	866,586	865,645	833,492	1,101,278	707,445	974,624	839,357	776,172
2040	1,101,278	866,586	865,645	833,492	1,101,278	707,445	974,624	839,357	776,172
2041	889,000	889,000	889,000	889,000	889,000	889,000	889,000	839,357	776,172
2042	889,000	889,000	889,000	889,000	889,000	889,000	889,000	839,357	776,172
2043	889,000	889,000	889,000	889,000	889,000	889,000	889,000	839,357	804,634
2044	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2045	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2046	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2047	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2048	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2049	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2050	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2051	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2052	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	804,634
2053	889,000	889,000	889,000	889,000	889,000	889,000	889,000	894,511	833,095
2054	889,000	889,000	889,000	889,000	889,000	889,000	889,000	953,207	833,095
2055	889,000	889,000	889,000	889,000	889,000	889,000	889,000	953,207	833,095
2056	889,000	889,000	889,000	889,000	889,000	889,000	889,000	953,207	833,095
2057	889,000	889,000	889,000	889,000	889,000	889,000	889,000	953,207	833,095

Source: JLL excel models for Alternatives 1-7, Hines, and Gerding Proposals

Note: Figures assume immediate action on the plan in 2008. That is why 2008 numbers vary.
The square foot figures reported by Gerding (later in this analysis) are slightly different than the figures utilized by JLL in the cash flows.

A new 889,000 square foot building is constructed in 2041 in all of the non-development scenarios. The Gerding space needs are lower than Hines in later years as the City has to lease less efficient market space as opposed to the Gerding plan which is to develop a larger more efficient building.

Gensler Efficiency Study

The CCDC engaged Gensler Architects (Gensler) to conduct a facility needs assessment for the City of San Diego to support the possible development of a new civic center and mixed-use complex.

The study also noted limitations to the current facilities including:

- Limited and fragmented public accessibility
- Missing critical separations
- Under-utilized real estate assets
- Misaligned workplaces
- Departmental defragmentation
- Outdated spaces and standards

According to the Gensler efficiency study, the City is not currently maximizing the utilization of its owned and leased space. Part of the problem is that in the leased space, it was taken as-is on old efficiency models for different types of firms. The space was not specifically planned for use by the City and its specific needs. Gensler did a test fit comparing a new Civic Center to a remodeled Civic Plaza and estimated a 17% efficiency factor.

Continued occupancy of the City's existing leased space in its current configuration is resulting, overall, in a 22% space premium for the City (225 RSF industry standard/employee compared to 290 RSF average at the City for leased space). By simply reconfiguring standard market space with new TIs (and paying slightly higher rents), the City can reduce its leased space needs by up to 22% from current levels, which would be slightly offset by the slightly higher rent in the newly configured space. The Gensler analysis compares a new building to a new configuration of the Civic Plaza. EY estimated the ratio between newly reconfigured space in the market and the overall average for the City's currently leased space.

Gensler further indicated that the ratio of the City's current facilities range from 255 rentable square feet to 485 rentable square feet per full-time employee (RSF/FTE), not including the Concourse, World Trade Center, or 707 Broadway properties. The weighted average ratio for the City's leased and owned space was calculated at 310 SF/FTE per Gensler's study.

The study also suggests uses a planning metric of 180 USF/FTE as the new workspace standard. The following is a table summarizing the current efficiency of the facilities being considered for redevelopment, excluding the Concourse building.

Gensler Efficiency Analysis

Building	SF	FTE	RSF/FTE
CAB	174,000	600	290
COB	194,000	400	485
Civic Center Plaza	235,000	835	281
600 B Street	140,000	550	255
Executive Complex	136,000	455	299
Weighted Average	**879,000**		**310**
Efficiency Standard			180

Source: Gensler Facility Needs Assessment - April 2008

Overall, the City currently occupies far more space than necessary due to inefficient floor plans and dated office layout designs. The City could recognize significant savings through renovation of the leased space, and even more efficiency through new construction.

Non-Development Assumptions

Market Office Rental Rates

The following table summarizes the current office leases in place. The City occupies office space in a fourth building; however, the building was not part of the JLL analysis and therefore not included in our analysis. All rents in this analysis are quoted on a Full Service Gross (FSG) basis, meaning base year operating expenses are included in the lease rate.

2008 Rental Rates	Orig Lease Commencement Date	Rentable Square Feet	Base Rental Rate Per Month Per SF	Total Annual Rent	Escalations
600 B Street	10/19/1991	153,265	$2.03	**$4,018,349**	3.6%
Civic Center Plaza	10/21/1991	243,176	$1.45	**$4,658,036**	0.0%
Executive Complex	1/28/1999	136,321	$1.55	**$2,892,132**	1.3%
				$11,568,518	

Source: Contract Rates - City of San Diego 2008 Occupancy Costs, Current Asking Rents - REIS as of 9/30/08

April 2008

As part of the analyses, JLL conducted a market study estimating the future market rental rate for the City's downtown office space in 2013 and 2014, when current leases are expected to expire. To forecast the market rent rates, JLL estimated the 1Q2008 market rate by compiling new lease effective rates for comparable Class B office properties in the area.

JLL estimated a base rent with a $20 market standard second generation tenant improvement (TI) package. JLL made adjustments to the rental rates based on higher TI packages. The comparable rental rates were adjusted by the amortized amount for TI allowances at $30/SF and $45/SF to account for the range of workspace improvements anticipated in various scenarios. JLL assumed a TI allowance of $45/SF for totally renovated space according to newer workspace standards, while the remaining scenarios utilized the $20/SF for base refurbishing of space and $30/SF for some reconfiguration of space and refurbishing.

JLL estimated base rates for 2008 are summarized in the following table.

JLL Base Market Rent Rates (FSG), 2008

Downtown San Diego	$20/SF TI Allowance	$30/SF TI Allowance	$45/SF TI Allowance
Class B Office Base Rate 2008	$2.28	$2.39	$2.53

Source: JLL

The base market rates for the Civic Center Plaza and Executive Plaza were discounted further by 5.0% as JLL considered these properties of lesser quality "C" space than the "B" comparables analyzed.

Therefore, the Class B base rental rate was estimated at $2.28/SF in Q1 2008, discounted to $2.17/SF for the Class C space.

To forecast the 2013 and 2014 market lease rates, JLL applied growth rates to the estimated 2008 lease rates, beginning with -0.5% in 2009 and 4.0% annually through 2014. For leases commencing in 2013 and 2014, JLL estimated that lease rates would increase 2.5% annually thereafter. The following table summarizes JLL's estimated market rental rate forecast for the properties leased by the City.

CCP & Exec Complex, FSG

Year	Increase	$20/SF TI Allowance	$30/SF TI Allowance	$45/SF TI Allowance
*Discount**	-5.0%	$2.17	$2.27	$2.40
2009	-0.5%	$2.16	$2.26	$2.39
2010	4.0%	$2.24	$2.35	$2.49
2011	4.0%	$2.33	$2.44	$2.59
2012	4.0%	$2.42	$2.54	$2.69
2013	4.0%	$2.52	$2.64	$2.80
2014	4.0%	$2.62	$2.75	$2.91

Source: JLL Market Study - May 2008

**The 2008 Class B market rate was discounted 5% as CCP and Exec Complex were considered inferior properties*

600 B Street, FSG

Year	Increase	$20/SF TI Allowance	$30/SF TI Allowance	$45/SF TI Allowance
2009	-0.5%	$2.27	$2.38	$2.52
2010	4.0%	$2.36	$2.47	$2.62
2011	4.0%	$2.45	$2.57	$2.72
2012	4.0%	$2.55	$2.67	$2.83
2013	4.0%	$2.65	$2.78	$2.94
2014	2.5%	$2.72	$2.85	$3.02

Source: JLL Market Study - May 2008

The short-term growth rates appear aggressive in the current climate. While JLL did reflect a decline in the 2009 rents, it is minimal at -0.5% (one-half of one percent), followed by four or five years at 4%. More conservative growth rates may be appropriate in light of today's market conditions and slightly lower market rents may be appropriate.

Current and 2013 contract rental rates (FSG) are summarized in the following tables. All of the subject rents are FSG, but since the leases are dated, they must be increased by the current expense pass-through as well as an escalated estimate (3% per year) to 2013.

2008 Rental Rates	Orig Lease Commencement Date	Rentable Square Feet	Base Rental Rate Per Month Per SF*	Annual OpEx Pass Through	Total Rent PSF	Total Annual Rent	Escalations	Current Asking Rents
600 B Street	10/19/1991	153,265	$2.03	$1.86	**$2.18**	**$4,018,349**	3.6%	**$2.78**
Civic Center Plaza	10/21/1991	243,176	$1.45	$1.76	**$1.60**	**$4,658,036**	0.0%	**$2.25**
Executive Complex	1/28/1999	136,321	$1.55	$2.68	**$1.77**	**$2,892,132**	1.3%	**$2.29**
					TOTAL	**$11,568,518**		

**Note that 600 B Street represents the blended rate for the 2008 calendar year. The escalation rate is slightly overstated due to a large jump in rents in the final 6 months of the lease*
Source: Contract Rates - City of San Diego 2008 Occupancy Costs, Current Asking Rents - REIS as of 9/30/08

2013 Rental Rates	Orig Lease Commencement Date	Rentable Square Feet	Base Rental Rate Per Month Per SF*	Annual OpEx Pass Through	Total Rent PSF	Total Annual Rent	Escalations
600 B Street	10/19/1991	153,265	$2.57	$2.15	**$2.75**	**$5,056,212**	3.6%
Civic Center Plaza	10/21/1991	243,176	$1.45	$2.03	**$1.62**	**$4,724,910**	0.0%
Executive Complex	1/28/1999	136,321	$1.65	$3.10	**$1.91**	**$3,121,751**	1.3%
						$12,902,873	**TOTAL**

**Note that 600 B Street and Executive Plaza represent the blended rate for the 2013 calendar year.*
Source: JLL Alternatives 1-7, Existing Leases

The 600 B Street base lease rate spikes to $2.74 per square foot in the last half of 2013 from $2.34 per square foot earlier in the year, a 17% increase. Therefore, we calculated the average lease payment for the year.

The Civic Center Plaza lease will be 10 years old in 2013 and was signed at a flat rate (no escalations). Inflating the lease 3.0% per year would indicate a 2013 market rate of $1.95 per square foot per month.

In the Executive Complex, there is 38,000 square feet of space currently available at $1.80 per square foot even though the current asking rate is $2.29 per square foot per month. The listing broker indicated that the Executive Complex is considered Class C space and is at the bottom of the market in terms of rents. The broker also states that Class C space in the market ranges from $1.80 to $2.10 per square foot.

Class A rents in San Diego peaked at around $3.30 per square foot. Class B rents at their peak ranged from about $2.25 to $2.75 per square foot. Class C buildings peaked around $2.25 per square foot.

The following table summarizes JLL's estimated market rent rate forecast for the properties currently leased by the City in 2013 (600 B) and (Civic Center Plaza and Executive Complex).

JLL Forecasted FSG Market Rent Rates, 2013 (Including Reimbursements)

Building Projected Rates	2013 Contract	$20/SF TI Allowance	$30/SF TI Allowance	$45/SF TI Allowance
600 B Street *(expires 2013)*	$2.75	$2.60	**$2.74**	N/A
Civic Center Plaza *(expires 2014)*	$1.62	$2.60	**$2.74**	**$2.85**
Executive Complex *(expires 2014)*	$1.91	$2.60	**$2.74**	**$2.85**

Note: Rents include FSG rent and base year expenses
2013 contract rate for 2013 is a blend of $2.49/SF and $2.89/SF, FSG
Source: JLL Market Study - May 2008

For scenarios assuming renewal of the Civic Center and Executive Complex leases and renovations to accommodate the new workspace standard, JLL uses $2.85/SF in their forecast. JLL estimated a TI allowance of $45 per square foot for lease scenarios that assumed existing space to be renovated according to the new workplace standards outlined by Gensler at the date of lease renewal. The remaining scenarios' renewal rates were based on the concluded rates with TI allowances of $20 and $30 per square foot.

January 2009 Update

EY interviewed several market participants regarding recent changes in the Downtown San Diego Office Market since early 2008. Each commercial broker interviewed cited that changes in the national and local economies continue to negatively impact the local office market. The unemployment rate for San Diego County (6.9%) is the highest the County has seen since 1995 (7.0%), which has caused local employers to reassess their current operations. As a result, companies located downtown have made efforts to reduce their office space needs and have placed remaining excess space back in the market for sub-lease. Market rates for Class A space were indicated to be in the mid $2.00 to $3.00 per square foot range.

The tightening of the local market has also caused the vacancy rate to rise consistently throughout of 2008. Vacancy rates were quoted in the interviews to range 14% to 21% for the San Diego Office Market. CB Richard Ellis' (CBRE) 4Q2008 MarketView for the Downtown Office Market stated that the direct vacancy rate for the San Diego market has grown 3.8% during 2008, starting at 14.0% at the beginning of the year, and closing the fourth quarter at 17.8%. The CBRE MarketView reported the direct vacancy for the Downtown Submarket at 14.6% for the fourth quarter. The increase in vacancy rate and slowdown in the market has pushed net absorption for 2008 to negative 690,000 square feet for the San Diego market, and negative 129,000 square feet for the Downtown submarket.

Many of the brokers interviewed indicated that the increased availability of less expensive sub-lease space has forced first generation effective rents downward over the second half of 2008. Increases in concessions including free rent, commissions, and broker bonuses were also noted to have negatively impacted the effective rent in the market. The interviewees speculated that effective rental rates have declined over the year approximately 10.0%. Forecasts for rents in 2009 ranged from “remaining relatively constant” to “declining up to an additional 5.0%.”

EY believes the downturn in rents will be more severe than the 0.5% decline forecast by JLL for 2009 followed by 4% annual increases through 2013. Rents may have already declined 10% and the national economy continues to decline.

EY Findings

- We agree with the $2.39 base rental rate for Class B space in early 2008
- Rental Growth rates of -0.5%, 4.0%, 4.0%, 4.0%, 4.0% in the JLL cash flow assumptions from 2009 to 2013 are above the range of market support in this deflationary environment
- Downward rent adjustments (from Class B rents) of 5.0% for the Civic Center Plaza and Executive Plaza are at market
- Overall, the $2.74 per square foot Class B rental rate as estimated by JLL for 2013 exceeds market support based upon our market research
- The market interviews conducted indicate declines of 10% in 2008 and flat to another decline of 5% in 2009. We believe rates will also be flat in 2010, with increases beginning in 2011 through 2014 (2 to 4%)

EY Market Rental Rate Adjustments (FSG)

Year	Increase	Class B $30/SF TI Allowance
April 2008	N/A	$2.39
2008YE	-10.0%	$2.15
2009	-5.0%	$2.04
2010	0.0%	$2.04
2011	2.0%	$2.08
2012	4.0%	$2.17
2013	4.0%	$2.25
2014	4.0%	**$2.34**
JLL 2014		**$2.74**

Rates for the Class C space would be an additional 5% lower than the Class B rates or $2.25 per square foot in 2014. The Executive Complex (one building occupied by the City) is currently being offered at $1.80 per square foot. If the Civic Center Plaza’s 2003 rate ($1.45 per square foot) is inflated to 2013 it would total $1.95 per square foot. The subject leases expire in 2013 and 2014. Current deals are being completed at rates below the building asking rates and the market will recover by 2014. The questions are: how far will the rents fall and when will they begin to increase again?

Long-Term Rental Growth Rates

EY researched the historic performance of office lease rates in Downtown San Diego as well as the Consumer Price Index for San Diego and the US in order to determine long-term historical rent growth trends. We calculated the compounded annual growth rate (CAGR) for the previous 10-, 15-, and 20-year periods.

The CPI analysis indicates a fairly stable historical trend of about 2.5 to 3.0% growth nationally over the past 20 years for the various periods and slightly higher growth of about 3.0 to 3.5% for San Diego.

The following table summarizes the historical long-term growth rates.

Historic Growth Rates Compounded Annual Growth Rate (CAGR)	10-YR	15-YR	20-YR
Downtown San Diego Rents			
Class A Office	3.2%	2.0%	1.4%
Class B/C Office	4.0%	4.1%	1.4%
Consumer Price Index (CPI)			
National (US)	2.6%	2.6%	3.1%
San Diego MSA	3.6%	3.1%	3.5%

Sources: Market Rents - Torto Wheaton, CPI - Bureau of Labor Statistics

Rental rates in San Diego over the three periods show more volatility, ranging from about 1.5 to 4.0% annually. The 20-year figures appear slightly skewed as asking rental rates may have been impacted in 1987 by tax benefits associated with development built for tax deductions and were not based on economic feasibility. Therefore, we believe the 1987 market rents were higher than actually achievable market rents. Rents declined for the six years following 1987.

Overall, we believe a long-term office rental growth rate of 2.0 to 3.0% is supported by the Class A rents. Class A rents are what justify new construction (all new high rise buildings are class A) and are tied to construction cost increases. Class B and C rates should be similar. JLL used a long-term growth rate of 2.5%, which we believe is market supported.

<u>Tenant Improvement Costs</u>

JLL estimated a $20 tenant improvement allowance (TI) in a base market lease. This would pay for paint, carpet and refurbishment of soft items. A $30 TI allowances would include substantial remodeling of the space and moving of some walls to increase space efficiency. The $45 TI package assumed completely new TIs, essentially a gutting of the space and reconstruction at the most optimal efficiency.

JLL did not assume a no TI cost scenario as it is unlikely the city will be able to indefinitely continue to locate space in an “as is” condition and the savings through efficiencies would more than offset the TI costs. Further, the existing City leased TIs have reached the end of their useful lives. In order to reduce the space per employee ratio, new TIs would be required. The amortized additional monthly rent of a $20 TI package at 8.5% over 10 years is about $0.25 per month. The city would save $0.25 per month (11% of rents) if it were to continue to be able to locate second generation space on an “as is” basis or if it continued to occupy the current space after 2013 with no new TIs. The cost savings of more efficient space would more than offset the TI costs, based on Gensler’s calculations which indicated a 17% efficiency factor for more modern space configurations in older buildings from current city occupancy results.

The JLL TI cost assumptions and amortization calculation of monthly rent are market supported.

Building Renovation Costs

JLL estimated renovations for the City-owned buildings based on the Facility Condition Assessment conducted by DM&JM Magellan (DMJM) in April 2008. The total cost to repair deficiencies in the City's owned buildings is $93.6 million in year 2011 dollars. The DMJM condition assessment did not include seismic retrofit costs; however, DMJM estimated typical seismic retrofit costs to range from $30 to $60 per square foot. No engineering work was completed in order to provide a better cost estimate for the subject. We believe more seismic work should be conducted before proceeding with renovation plans. JLL estimated the necessary seismic improvements at $35 per square foot. The following table summarizes the renovation costs estimated by DMJM, including the required seismic retrofit costs.

Owned Building Renovation Cost Estimate

Building	SF	Renovation Expense		Seismic Retrofit	
		Cost Estimate	$/SF	Cost Estimate	$/SF
CAB	188,926	$ 37,523,887	$ 199	$ 6,612,410	$ 35
COB	213,905	$ 22,491,833	$ 105	$ 7,486,675	$ 35
Concourse	158,119	$ 27,229,737	$ 172	$ 5,534,165	$ 35
Parkade	580,076	$ 6,341,649	$ 11	$ 20,302,660	$ 35
TOTAL	1,141,026	$ 93,587,106		$ 39,935,910	

Source: DMJM Facility Condition Assessment - April 2008

In addition, Cummings estimated office renovation costs at $18.1 million for the Concourse building. This brings the total renovation costs up to $51.1 million for the 158,119 SF building or $287 per square foot. These costs are approaching new construction costs for a building which would still have significant functional deficiencies as office space.

JLL estimated a TI allowance of $45 per square foot for lease scenarios that assumed existing space be renovated according to the new workplace standards outlined by Gensler.

Assuming TIs were not up $6 to the new workspace standard, JLL assumed a TI allowance of $30 per square foot. We believe these cost renovation costs and TI estimates are market supported.

Temporary Move/Swing Space Costs

JLL assumed that temporary office space will be required for the renovation scenarios while the renovation work is completed. JLL assumed a 2008 base rental rate of $2.75 per square foot and grew the rate at 3.0% annually to estimate the rental rate during each building's renovation period. These leases are anticipated to range from one to two year terms which we would expect to command a rental rate at the higher end of the market range. JLL assumed that the swing space could include either Class A or B space depending on availability in the market at the time.

JLL's market study estimated the 2008 market rate for Class B Downtown office space to range from $2.28 to $2.53 per square foot, depending on TI allowance included. No additional analysis was provided by JLL to support the swing space rental rate.

Given the current condition of the office market in Downtown San Diego, particularly in terms of vacancy rates and current rental rates, we identified large blocks of space available in several buildings in Downtown San Diego, including up to 200,000 square feet in a single building through direct and sublease arrangements. Several large suites also are expiring in the 2012-2014 timeframe in the Downtown area. As stated in the Market Rental Rate section of this report, increased pressure from current economic conditions have forced a larger supply of available space and reduction in market rental rates. In addition, in order to recoup some occupancy costs, more sub-leases are available well below the market rate, and indicated to range from as low as $1.50 to $2.00 per square foot in Class "A" and "B" buildings. While the assumption of paying a premium for short-term space is usually valid, we do not feel that the current climate of the Downtown San Diego office market supports the assumed $2.75 per square foot rental rate. A much lower rate should be utilized over the next few years.

Construction Cost New

EY prepared a comparison of the Hines, Gerding, Cummings Corporation (Cummings) and DMJM construction costs. The DMJM estimate is for costs associated with rebuilding the existing facilities, in accordance with the DMJM assessment. It is assumed that the renovations will extend the useful life of the facilities by 30 years. DMJM estimated an all-in cost of $395 per square foot to replace the COB and CAB buildings. The costs included a 5.0% cost premium for LEED certification.

All of the line item expense categories do not line up across all four cost sources, but the subtotal Building Construction Cost numbers should contain total building construction costs.

The Gerding building construction costs per square foot are much lower than Hines and the two contractors utilized by JLL. Part of the reason for the lower costs is that Gerding assumed a portion of the central plant would not be needed as they intended to connect to the NRG chilled water loop. This reduces the initial up-front costs, but utilities may be higher so that NRG can recapture their central plant costs. The City should fully understand the pricing mechanism and usage rate increases as part of the negotiation process with Gerding and NRG. In addition, a portion of the excess space TIs are paid for by Gerding (approximately $35 per square foot) and are not included in the City's cost figures. The Gerding proposal to the City does include $25 in TIs in the excess private office space.

The large variance in cost appears to favor the Gerding proposal, but the City needs to make sure that costs are fully analyzed and Gerding can deliver the building as proposed. All of the costs are within a range of market support per the Cummings Corporation and the Gerding proposal (adjusted).

Centre City Development Corporation
Development Proposals

Construction Budget Comparison

Building Size	Hines		Gerding Edlen		Cumming Corp		DMJM	
Gross Square Feet (GSF)	734,883		983,816		849,000		805,662	
Usable Square Feet (USF)	625,382		871,296					
Efficiency Ratio	85%		89%					
Construction Line Item	**Amount**	**$/GSF**	**Amount**	**$/GSF**	**Amount**	**$/GSF**	**Amount**	**$/GSF**
Entitlements	$6,260,000	$8.52	$6,662,432	$6.77	$0	$0.00	$532,946	$0.66
Due Diligence & Legal	$1,630,000	$2.22	$1,220,000	$1.24	$0	$0.00	$0	$0.00
Permits	$4,630,000	$6.30	$5,442,432	$5.53	$0	$0.00	$532,946	$0.66
Hard Costs [1]	$208,980,000	$284.37	$232,698,664	$236.53	$190,921,035	$224.88	$255,206,860	$316.77
TI's in New Facilities [3]	$45,620,000	$62.08	$48,240,275	$49.03	$55,064,000	$64.86	$0	$0.00
Soft Costs	$23,532,344	$32.02	$22,579,734	$22.95	$26,550,786	$31.27	$24,273,276	$30.13
A/E Fees	$19,010,000	$25.87	$15,113,151	$15.36	$0	$0.00	$17,054,198	$21.17
G&A [2]	$4,522,344	$6.15	$7,466,583	$7.59	$26,550,786	$31.27	$7,219,078	$8.96
Artwork	$3,940,000	$5.36	$2,877,132	$2.92	$3,818,421	$4.50	$2,960,808	$3.68
Contingency	$12,410,000	$16.89	$21,728,962	$22.09	$29,103,582	$34.28	$24,217,040	$30.06
Developer Fee	$12,797,656	$17.41	$7,534,058	$7.66		$0.00	$9,593,018	$11.91
Building Construction Costs	**$313,540,000**	**$426.65**	**$342,321,257**	**$347.95**	**$305,457,824**	**$359.79**	**$316,783,948**	**$393.20**
Adjustments	**Amount**	**$/GSF**	**Amount**	**$/GSF**	**Amount**	**$/GSF**	**Amount**	**$/GSF**
Demolition Costs	$0	$0.00	$10,560,000	$10.73	$11,365,131	$11.55	$2,114,863	$2.63
Parking	$0	$0.00	$43,026,815	$43.73	$54,631,581	$55.53	$50,127,984	$62.22
Technology Costs	$18,500,000	$25.17	$18,500,000	$18.80	$18,500,000	$18.80	$18,500,000	$22.96
Temporary Moves/Swing Space	$2,860,000	$3.89	$0	$0.00	$0	$0.00	$0	$0.00
Furniture & Move Costs	$23,079,000	$31.40	$23,079,000	$23.46	$23,079,000	$23.46	$23,079,000	$28.65
Adjustment Subtotal	**$44,439,000**	**$60.47**	**$95,165,815**	**$96.73**	**$107,575,712**	**$126.71**	**$93,821,847**	**$116.45**
Revised Construction Budget	**$357,979,000**	**$487.12**	**$437,487,072**	**$444.68**	**$413,033,536**	**$419.83**	**$410,605,795**	**$509.65**

Notes:

1 Includes $8.5M in upgrades and LEED premium costs. Includes cost escalations

2 Cummings estimated G&A and Developers fee together

3 DMJM TI costs are in hard costs

4 Demolition costs are included in Hines' hard cost assumptions and could not be disaggregated. They are believed to be about $2M.

5 DMJM costs are based on representative cost estimates of CAB and COB, doubling the square footage for comparative purposes

Construction Escalation Rates

JLL utilized a 4.5% construction cost escalation rate over 30 years to estimate the future building costs in the 7 non-development scenarios. This rate appears to be based on short-term price increases in the market, as opposed to a long-term view. Commodities and labor prices are already down from the time JLL completed their analysis. As we previously discussed, the CPI increase for San Diego over the past 20 years averaged 3.0% to 3.5%. In addition, Class A rents (which justify the economics of new construction) ranged between 2.0% and 3.0% over the past 10 to 15 years, and just 1.4% over the past 20 years.

Marshall & Swift, a commercial building construction cost estimating service, indicated long-term construction growth rates ranged between 3.3% and 4.3% over the past 20 years for the Western United States, with growth escalating over the shorter time frames (See table below). The market experienced unprecedented price escalations over the past five years and we would expect prices to settle and begin to increase at a Class A rental growth rate.

Historic Growth Rates Compounded Annual Growth Rate (CAGR)	10-YR	15-YR	20-YR
Marshall & Swift Valuation Service			
Reinforced Concrete Frame - Western Region	4.3%	3.8%	3.3%

Source: Marshall & Swift Valuation Service, Cost Index - January 2009

Considering historical price increases and CPI, we believe a long-term construction growth rate of 3.5% per year is market supported.

January 2009 Cost Update

EY interviewed several architects, developers, and industry professionals regarding recent changes in the construction costs since early 2008. Interviews indicated that construction costs have remained relatively stable over 2008, experiencing a slight drop over the course of the year. Current economic conditions have caused a major slowdown in new construction for both residential and non-residential industries. This decline has contributed to the decline and stabilization of commodities pricing, including steel, lumber, copper, gypsum products, and cement. Labor has also been more readily available as a result of the slowdown in residential and non-residential construction. Many anticipate construction prices to drop in 2009, as new construction continues to slow. We believe that the prices declined since early 2008 and will continue to drop into 2010. With unemployment rates exceeding 8%, labor prices will also likely decline into 2010 and possibly longer.

Cummings also commented that there are relatively few construction companies capable of handling a project of this size and scope and these contractors have not really reduced pricing (as of early December 2008). As activity slows, contractors will become more aggressive in pursuit of work. These interviews were largely conducted in early December and we believe with the continued decline in the economy, that construction pricing will continue to decline throughout 2009. The City should contact developers to provide new pricing estimates for the subject.

Inflation and Escalation Rate Conclusions

The following table compares JLL's long-term growth rate assumptions to market evidence and EY estimates.

JLL Assumed Long-Term Annual Growth Rates

Growth Rate	Market	JLL	EY
Office Rent	2.0% - 3.0%	2.5%	2.5%
Construction Cost	3.5% - 4.0%	4.5%	3.5%
FF&E Cost	2.5% - 3.5%	3.0%	3.0%
Operating Expenses			
New Building	2.5% - 3.5%	4.0%	3.0%
Old Building	2.5% - 3.5%	5.0%	3.5%
Parking Revenues	2.5% - 3.5%	4.0%	3.5%
CPI	2.5% - 3.5%	N/A	3.0%

Seismic Retrofit Costs

The City should commission a study to determine the actual costs to seismically retrofit each of the subject buildings before it decides to proceed with the non-development scenarios. DMJM provided a preliminary cost range of $30 to $60 per square foot based on their experience, but did not conduct a survey and did not conclude to an actual cost to upgrade the subject buildings. In the financial analysis, JLL selected $35 per square foot. No support was provided for this cost.

Further articles we have read and architects we talked to indicated costs could be as high as $50 to $100 per square foot, depending on the intent of the retrofit- preservation of life (the building does not collapse but is destroyed) versus no damage to building and continued immediate occupancy. We believe the JLL estimate is on the low end of a possible market range.

O&M Costs Owned Space

The following tables summarize the historic operating costs for the City's owned space. As the first table indicates, costs totaled $6.88 per square foot for the three owned subject buildings in the most recent budget for 2009 FY. According to the City, these costs are understated as several expense items cannot be accurately captured by the City Accounting Department. This is the best information available from the City's Accounting Department. Costs in all departments are not tracked by building (see footnotes to table).

Comparison of Civic Center Complex Facility Operating Costs

Staubach / Jones Lang LaSalle Analysis					
2008 Estimates (Calendar Year)	CAB	COB	Concourse	**Sub-Total**	Parkade
Total Space (SF)	188,926	213,905	158,119	560,950	n/a
City O&M Costs	$ 1,700,334	$ 1,925,145	$ 1,423,071	$ 5,048,550	$ 320,223
Costs per Square Foot	$ 9.00	$ 9.00	$ 9.00	$ 9.00	n/a

City of San Diego Analysis					
2008 Estimates (Fiscal Year) [3]	CAB	COB	Concourse	**Sub-Total**	Parkade
Estimated Space (SF)	188,926	213,905	158,119	560,950	580,076
City O&M Costs[2]					
Gas/Electricity	$ 461,558	$ 303,309	$ 489,783	$ 1,254,650	
Insurance	$ 228,398	$ 12,744		$ 241,142	
Wackenhut Security	$ 217,448			$ 217,448	
Other Operational Costs		$ 130,548	$ 412,850	$ 543,398	$ 438,054
Facilities Costs - 532[4]	$ 1,446,331		$ 15,943	$ 1,462,274	$93,055
Facilities Costs - 536	$ 49,451			$ 49,451	
Water/Sewer[1]	$ 32,451	$ 41,723	$ 18,543	$ 92,717	
Net City Costs [5][6]	$ 2,435,637	$ 488,324	$ 937,119	$ 3,861,080	$ 531,109
Costs per Square Foot	$ 12.89	$ 2.28	$ 5.93	$ 6.88	n/a

[1]Water/Sever costs distributed as CAB - 35%, COB - 45%, Concourse 20%

[2]Amount excludes O&M costs for the COB which are included in the rent paid by DSD. The annual rent paid is $940,000. The portion attributable to O&M is unknown.

[3]Revenues from the WTC building, Parkade, and Concourse are excluded.

[4]Excludes $1.695 million in elevator upgrades for CAB and Parkade planned for 2009.

[5]Excludes the Cost of time for services provided by READ to manage the Civic Center Complex real estate assets.

[6]The O&M costs provided by the City are not inclusive of all costs to replace, improve and repair failed or deteriorated equipment or structures.

Below is a summary of the City's budgeted 2009 operating expenses compared to the expenses reported in the Building Owners and Managers Association International (BOMA) 2008 Experience Exchange Report. The BOMA report surveys hundreds of office building owners across the US. EY compared the historic data provided to the costs for office buildings reported in the survey. EY used the rates for Downtown San Diego office buildings 100,000 to 299,999 square feet in size and National Office rates for office buildings 50 years and older with the same size criteria.

Below is a summary of the cost comparison on a price per square foot basis.

City of San Diego Analysis		**BOMA 2008 (2007 $)**			
2009 Estimates (Fiscal Year)	City Combined	Downtown San Diego 100,000-299,999 SF		National Survey (50+Yrs) 100,000-299,999 SF	
Estimated Space (SF)	560,950	AVG	Median	AVG	Median
City O&M Costs					
Cleaning		$ 1.13	$ 1.15	$ 1.34	$ 1.22
Utilities		$ 2.62	$ 2.85	$ 2.28	$ 2.15
Gas/Electricity	$ 2.24	$ -	$ -	$ -	$ -
Water/Sewer	$ 0.17	$ -	$ -	$ -	$ -
Administrative		$ 1.62	$ 1.59	$ 1.38	$ 1.18
Insurance	$ 0.43	$ -	$ -	$ -	$ -
Security	$ 0.39	$ 0.67	$ 0.72	$ 0.89	$ 0.53
Other Operational Costs	$ 0.97	$ -	$ -	$ -	$ -
Repairs & Maintenance		$ 1.49	$ 1.48	$ 1.80	$ 1.51
Facilities Costs - 532	$ 2.61	$ -	$ -	$ -	$ -
Facilities Costs - 536	$ 0.09	$ -	$ -	$ -	$ -
Roads & Grounds		$ 0.09	$ 0.09	$ 0.10	$ 0.07
Net Costs- $/SF	$ 6.88	$ 7.62	$ 7.88	$ 7.79	$ 6.66

Note: The costs are for the building only, excluding parking areas.

Based on this information, the O&M costs for buildings similar to the subject's owned facilities appear to be around $7.00 to $8.00 per square foot. JLL assumed $9.00 per square foot for the existing City buildings. JLL indicated that the slightly higher amount was reasonable given the age and condition of the subject buildings. This is true, but the buildings are assumed to be renovated in all scenarios except Scenario 5, so the repair and maintenance and utility costs should decline to market levels. We did not identify any market support and no project history suggesting that a $9.00 per square foot rate is market supported, but the figure is at the top of a potential range of $7.00 to $9.00 per square foot. We believe JLL should consider a revised operating expense figure of $8.00 per square foot in all scenarios for the owned buildings.

The developer proposals (new construction) contain O&M costs of $7.10 per square foot for Hines and $7.89 per square foot for Gerding (non-LEED building) and $7.66 per square foot for a LEED Platinum building. Gerding indicated that $0.45 to $0.55 per square foot of their operating costs were to account for the parking garage O&M. This would lower the O&M costs to $7.46 to $7.56 per square foot for the building only (non-LEED certified). JLL added an annual replacement reserve of $0.75 per square foot to maintain the buildings in top condition over the 50 year term. The City and third-party tenants pay the reserve.

Overall, the building operating expenses fall within a narrow range of about $7.00 to $8.00 per square foot, which are considered market supported.

<u>Building Acquisition Costs (Civic Plaza)</u>

Alternative 2 assumes that the City will acquire the 283,175 square foot Civic Center Plaza from its current owner. JLL indicated a prospective 2014 market value of $75 million, or $265 per building foot, based on an estimated fair market value of $250 per building foot in 2008, grown at 1.0% annually.

JLL utilized both the Sales Comparable and Income Approach to estimate the 2008 value as detailed below.

Sales Comparison Approach

JLL considered four building sales with unadjusted sales prices ranging from $261 to $334 per building square foot, with transaction dates ranging from August 2005 to September 2007.

EY obtained additional building sales using RCAnalytics and CoStar COMPS, and considered the JLL sales records in researching the market. EY found two additional building sales within the same historic period used by JLL. EY could not verify the 2005 sale of the Golden Eagle Plaza property.

Building Sales, Downtown San Diego

Date	Property	Address/Location	Floors	Year Built	Price	Size (SF)	$/SF	Occ
Dec-07	Chamber Building	110 W C Street	23	1963/1978	$29,250,000	177,725	$165	86%
Sep-07	Columbia Square	1230 Columbia Street	12	1990	$48,000,000	143,573	$334	91%
Jul-06	Comerica Bank Building	600 B Street	24	1974/1996	$95,500,000	336,049	$284	84%
May-06	Washington Mutual	707 Broadway	18	1961/2001	$53,200,000	170,000	$313	85%
Jan-06	Executive Complex	1010 2nd Avenue	8/25	1963/1987	$50,400,000	324,341	$155	89%
Aug-05	Golden Eagle Plaza	525 B Street	22	1969/1991	$111,573,931	427,159	$261	85%
Jul-05	Fourth Avenue Corporate Center	1551 4th Avenue	8	1982/2003	$18,600,000	91,163	$204	55%
Jan-05	110 W Plaza	110 W A Street	18	1971/1999	$88,600,000	325,000	$273	90%
Dec-04	Washington Mutual	707 Broadway	18	1961/2001	$48,000,000	170,000	$282	96%
Dec-04	Columbia Square	1230 Columbia Street	12	1990	$30,900,000	143,573	$215	90%
Jun-04	Comerica Bank Building	600 B Street	24	1974/1996	$77,200,000	336,049	$230	91%
						Min	$155	55%
						Max	$334	96%
						AVG	$247	86%

Note: Older sales (2004) were included as they represent resales of these buildings, indicating appreciation in the market.

The preceding sales ranged from $155 to $334, averaging $247 per square foot. There are no 2008 sales, but values have likely declined based on increased capitalization and discount rates, nationally.

Income Approach

JLL used the Direct Capitalization Method to support the 2008 value estimate for the Civic Center Plaza. Assuming a 2008 market rental rate of $28.80 per square foot ($2.40/SF/Mo), FSG; operating expenses of $9.50 per square foot and a 5% vacancy factor, the estimated April 2008 value is approximately $72.3M, or $255 per building square foot.

Civic Center Plaza Purchase Price
JLL Estimate

RSF		283,175
Market Rent		$28.80
Potential Revenue		$ 8,155,440
(Less Vacancy)	5%	$ (407,772)
(Less OE)	$ 9.50	$ (2,690,163)
NOI		$ 5,057,506
Capitalization Rate		7%
Estimated Price		**$ 72,250,079**
$/SF		**$ 255**

The market rent would probably be slightly lower and the cap rate higher in January 2009, resulting in a lower value of around $200 to $225 per square foot.

JLL added an additional cost of $48.5 million, or $171 per building foot to include renovation of the building to new building codes, including seismic retrofit, security upgrades, and conversion of space, adhering to the new workspace standards suggested by Gensler architects. This puts the cost of the civic center building at over $420 per square foot, at or exceeding the price of new construction. It would not make sense to acquire and renovate this building unless it was available for well under $200 per square foot. Even after renovation, the building would be less efficient and have an economic life much shorter than new construction at nearly the same cost.

Even if the value is lower today by say 10%, the renovation and acquisition costs still approximate the cost of new construction.

Also noted in the analysis is the fact that the facility was not for sale at the time of the analysis and no price has been quoted by the current owner. The building owner could hold out for a premium to the market value, knowing the City needs the space. The City has numerous options to lease space, but there is only one Civic Center Plaza building. The seller is not motivated to sell at a down market price with the building essentially fully leased to the City.

New Development Assumptions

Land Values

JLL consulted with DF Davis, a local appraisal firm to estimate the prospective fair value for the excess land, per the Gerding Edlen proposal. David Davis, MAI, (Appraiser) issued an opinion of value in an email transmitted to JLL on July 31, 2008. Mr. Davis is registered with the State of California as a Certified General Real Estate Appraiser and his license was in good standing as of January 2009. The analysis was not a formal appraisal and was not conducted according to current Uniform Standards of Professional Appraisal Practice (USPAP) standards.

The Appraiser estimated a 2008 land value range of $550 to $600 per land square foot of site area ($85M based on a private FAR of 11.7 and a 3.5 gross acre site), noting the condition that this would be the value range “if market conditions justified development of mixed-use, mid- and high-rise structures”. It was also stated that at the time, this type of development was not feasible in the market. Mr. Davis speculated that the market for land would improve by 2012 and that this range would be the minimum threshold applicable for 2012.

Gerding estimated a value of $67M or $32.50 per buildable square foot (private sector uses, excluding parking areas).This amount was inflated 3.0% annually until the parcels are acquired in 2012 and 2014. The option payment (10%) is made at the time the City signs a binding development agreement with Gerding. Fourteen land sales were considered by the Appraiser in his analysis, with unadjusted sales prices ranging from $200 to $970 per land square foot. Adjustments were made to account for differences in specific and general location, conditions of sale, size, configuration, and changes in market conditions. The Appraiser relied on seven of the fourteen sales, omitting sales occurring before 2007 and those that required overall adjustments exceeding 20%. The adjusted sales prices for the transactions relied upon ranged from $217 to $920 per land square foot, with an average of $569 per land square foot.

EY sought additional land sales using RCAnalytics and CoStar COMPS, and considered the Appraiser’s sales records in researching the market. EY did not locate any comparable sales in addition to those utilized by the appraiser.

The following is a summary of the land sales in the market, unadjusted.

Land Sales, Downtown San Diego

#	Date	Address/Location	Price	Size (SF)	Size (AC)	$/SF
1	May-08	1620 6th Avenue	$6,356,667	23,522	0.54	$270
2	May-08	1050 B Street	$4,700,000	20,000	0.46	$235
3	Mar-08	6th Avenue & E Street	$8,500,000	19,602	0.45	$434
4	Sep-07	460 16th Street	$12,000,000	60,000	1.38	$200
5	Aug-07	9th & Market	$23,000,000	30,056	0.69	$765
6	Aug-07	8th Avenue & Broadway/C Street	$3,800,000	5,000	0.11	$760
7	Apr-07	1270 Columbia	$10,100,000	25,000	0.57	$404
8	Jan-07	820 Broadway	$60,000,000	61,855	1.42	$970
9	May-06	420 2nd Avenue	$36,500,000	60,000	1.38	$608
10	Mar-06	1207 G Street	$4,140,000	10,000	0.23	$414
11	Sep-04	613 13th Street	$18,500,000	60,000	1.38	$308
12	Sep-04	1290 9th Avenue	$18,000,000	49,223	1.13	$366
13	Sep-04	405 5th Avenue	$20,600,000	24,829	0.57	$830
14	May-04	602 Broadway	$5,500,000	10,000	0.23	$550
15	Jan-03	1306 Kettner Boulevard	$12,750,000	30,000	0.69	$425
					Min	$200
					Max	$970
					AVG	$503

The appraiser concluded to a value of $550 to $600 per square foot in a good market in 2012/2013. He also indicated that these prices were not achievable in the present market and there were parcels available in the neighborhood for less than $200 per square foot that were not selling.

The Gerding proposal is at $32.50 per building square foot inflated 3.0% per year until the parcels are acquired from the City. At an FAR of 11.7 for the private sector parcels, a value of $380 per land square foot is indicated. This is well below the appraiser's value estimate of $550 to $600 per land square foot. It is just below his greater potential value range of $400 to $900 per square foot, which is a fairly wide range.

The City should negotiate a fixed acquisition price or fixed lease rate for the site, similar to what the developer proposed as opposed to one based on market value that could be much lower than $67M. Gerding indicates that the land value was an estimate at the time the proposal was prepared. They propose appraisals at the time the payments are to be made to set the values. If land values decline from their proposal estimate, it would have material consequences to the City's short-term cash flows.

Land Lease

JLL also considered a land lease option (Option 1, Full Build-Out) in addition to Gerding's proposed sale of the excess land for private development. Under this scenario, instead of selling the excess land to Gerding, the City would ground lease the property to Gerding. JLL estimated ground lease payments based on the assumed land value of $67.5M and using a capitalization rate of 7.0%, with a rental growth rate of 10.0% every five years. Ground lease payments were anticipated to commence in 2009 with an annual payment of $4.7M.

Construction Phasing and Duration

We examined the construction phasing and duration plans for development of the Civic Center and both development proposals appear adequate to support the development of an integrated public /private multi-phase development.

Parking Income

The JLL analysis assumes the Gerding project will generate monthly parking revenues in 2013 of $200/space per month, increased to $249 per space per month including hourly parking (a 25% oversell). This oversell reportedly does not include event night income which goes to the Civic Theatre. The current City Parkade generates gross revenues of $80 per space per month, excluding the City subsidy for employee parking. City employees pay $85 per month. As $249 per space per month is counted as new revenues to the city in the CF analysis, the analysis has to assume that the employees are paying the full rate on parking. We are not sure if this has been determined by the City or if it should be included as new revenue. The Gerding cash flow analysis includes $156M (NPV) from parking income in the Full Build-Out scenario and $194.7M in Phase I only (as the Parkade is left in place to generate income).

In the Hines parking analysis, JLL appeared to overstate the net income, based on the 2009 budget. The Parkade is projected to generate $600,000 in net income in 2009 with $450,000 in expenses. Once construction is complete, JLL used $200 per space with a 15% oversell factor, and deducted $400,000 in operating expenses which should be increased from current levels to about $540,000 annually, due to the larger size of the garage. The Hines project shows $138.9M in net present value (NPV) for the parking garage.

The parking under the non-development scenarios assume continued operation "as-is." This assumption does not appear consistent as Hines uses the same garage (20% more capacity), but generates $138.9M in NPV compared to just $14M under the non-development scenarios. Both analyses use the same garage and the garage is assumed to be renovated in all scenarios except 5.

All of the parking assumptions should be standardized across all scenarios, so that extra benefits are not allocated to the redevelopment scenarios only.

Financing

Partnership and Financing Structures

The partnership and financing structures presented in the proposals by the developers allow the City a broad array of choices for developing and financing the proposed City Hall. The private sector financing options may not be viable at the present time due to the turmoil in the credit markets and the fact that return requirements in the private sector have likely increased since early 2008.

The more risk that is shifted from the City to a private developer/investor, the higher costs the City will have to pay. If the City's motivation is to find the lowest cost and alternative with the least financial risk available, the City will have to finance 100% of the project and assume most of the risk.

<u>Project Financing Options</u>

Gerding
Gerding proposed financing options are outlined below:

1. 63-20 (Full) – City pays a lease payment to a tax-exempt organization for all Phase I uses, including City office space, excess office space, retail space and parking. Portion of lease payments potentially offset by revenues from private sector sub-leases on expansion space and retail space, parking income to the City, retail sales taxes, property taxes, land lease, or purchase payments and direct rents to the City for office and retail space following turnover of the space in 30 years.

2. 63-20 (660,000 SF Only) – City pays a lease payment to a tax exempt organization for initial space requirements (660,000 SF). Remainder of expansion space, retail space and parking financed by the developer.

3. Commercial COPs – Entire project financed with private debt and equity. City leases space in a build-to-suit leaseback structure. City has the option to purchase space in year 10 with COPs.

Development Option	Benefits	Risks
Option 1	• Lowest overall costs • Developer assumes construction risks, but contingencies proposed are $55M, sufficient to essentially transfer most of the cost risks to the City. Developer proposed keeping savings in the contingencies	• City assumes all of Phase I payment risk, with potential revenue offset from the private sector and parking garage income
Option 2	• Lower gross commitment from the City	• Higher cost of funds as portion of the project financed by private sector at higher rates (debt and equity) • Developer owns parking garage and expansion space; the City would have to purchase the garage and space from the Developer

Option 3	• City sheds development and construction risk to developer	• Building constructed and financed by private sector • Purchase price in Year 10 will be higher than today's cost • Most expensive Gerding option • Developer owns and controls parking

Hines
Hines proposed financing options are outlined below:

1. Tax Exempt Bonds – City pays a lease payment to a tax-exempt organization for the entire project. The land under the City improvements remained owned by the City and is occupied by way of a land lease and transferred back to the City after the bond expiration. Three options to the Tax Exempt Bonds include a combination of fixed and floating bond rates.

2. Credit Tenant Lease (CTL) - The structure is underwritten with taxable debt based on the City's credit rating and a 30-yr fixed stream of lease payments. The City enters into a ground lease with Hines, who simultaneously leases the City facilities back to the City at a net rental rate. Two options of the CTL financing mechanism include Pre-Construction and Post-Construction CTL.

    a. Pre-Construction CTL - The 30-yr City lease is 100% financed before construction commencement based on the City's credit rating.
    b. Post-Construction CTL – The construction is financed using traditional equity/debt financing. Upon completion the 30-yr City lease is 100% financed based on the City's credit rating.

3. Joint Venture – The City enters into a joint venture with Hines and an equity partner, using traditional financing. The City would ground lease to Hines, who simultaneously leases the City facilities back to the City. This scenario assumes refinancing at the project's stabilization into a traditional equity and debt ownership structure.

4. Hine REIT – The City enters into a lease with Hines REIT who funds the development and owns the project after completion. The land ownership will remain under the City, who would ground lease the land to Hines.

Development Option	Benefits	Risks
Option 1	• Lowest potential Hines costs	
Option 2	• City has pre-development and post-development construction risk options	• More costly than Scenario 1 • Private taxable debt and equity

Option 3-5	• Transfers risk to private sector	• Each subsequent option costs City more money • Scenario 5- City does not own the improvements

All of the preceding options are common in the market, depending on the risk the City wants to assume, the long-term ownership desired and the overall occupancy costs of each alternative. Essentially, the more risk the City assumes, the lower its overall occupancy costs will be.

A discussion with the City's Chief Operating Officer indicated the City would be most interested in the lowest cost alternative available tempered by the risks assumed by the City. The City is basically assuming almost all of the risk in the two best developer options picked by JLL. Other options, not studied in detail by JLL due to their higher costs, would transfer more risk to the private sector. The more risk transferred, the higher the costs are to the City.

Hines indicates the City is assuming all risks except construction delays and cost escalations during construction on most scenarios (which were already priced into the proposal). Gerding has indicated that some of the financing and development risk can be transferred to a not-for-profit agency; which appears unlikely. The not-for-profit would have to have financial capacity to absorb several million dollars in potential liability. It is unlikely that a not-for-profit will be able to absorb such losses and the risk ultimately falls to the City. The structure proposed by Gerding would not allow these risks to be shifted to the not-for-profit. Also, Gerding indicates they are assuming development risk and cost overruns, but included a $21.3M development contingency (7.75% if the hard and soft costs) and a $32.5M cost escalation contingency. As risk to the developer is financial and they have shifted $53M in cost overruns to the City, the City is essentially assuming the cost escalation and cost overruns under Gerding's Option 1-Full Scenario.

The two developer financing scenarios recommended by JLL are the same. Rating agencies are likely to treat a credit lease and a debt payment as similar obligations of the City. Thus, the City will not likely be able to finance the new building "off-balance sheet" with no impact to its credit. The rating agencies will take both payments into consideration in evaluating the credit rating and the City's financial obligations. Therefore, the alternatives that provide the lowest costs of funds to the City may be the best options. These best options among the developer proposals include "Option 1" for Gerding and "Option C" for Hines.

For the 7 non-development scenarios, JLL assumed the City could not fund the necessary improvements from cash reserves, and assumed the City would borrow funds, on a tax-exempt basis, for the required improvements. The debt was assumed to be repaid over a period of thirty (30) years and bear interest at the City's cost of capital. As of the date of this report, the City estimates its tax-exempt borrowing rate to be 5.25%. The City could consider a lease revenue bond to fund options 1-7 as well.

Other Factors to Consider

Neighborhood Challenges

The subject is located in the “Core” neighborhood of Downtown San Diego. The immediate area around the subject contains many old structures built from 1920 to the 1970’s. There are a number of vacant buildings and open lots. Limited private development activity has occurred in the neighborhood over the past decade, especially in proximity to the subject site. There are a number of existing municipal facilities in the area including the San Diego County Jail which is immediately adjacent to the subject site. A new Federal Courthouse and new State Superior Courthouse buildings are planned in the area. The public facilities will help improve the area and may also act as a catalyst for further private development which is needed in the area. The neighborhood is also served by the San Diego Trolley, which extends along C Street, just south of the subject site.

The following is a summary of major planned development projects in Downtown San Diego. Only one private project, a stalled residential project in the far eastern portion of the neighborhood, is currently planned in the Core area.

Proposed Downtown Projects

Downtown San Diego Proposed Projects

#	Project Name	Location	Neighborhood	Use	SF	Units	Developer
1	880 W. Broadway	NE Corner Broadway/Pacific Highway	Columbia	Office	685,000		The Irvine Company
2	Bayside at the Embarcadero	SE Corner Pacific Highway/Ash Street	Columbia	Condominium		241	Bosa Development
3	Columbia Tower	1270 Columbia Street	Columbia	Hotel/Retail		413	Chatrala Group
4	Kettner & Ash	Kettner/Ash	Columbia	Condominium		287	Bosa Development
5	Lane Field	Broadway between North Harbor Drive and Pacific Hwy.	Columbia	Hotel/Retail	80,000	800	Lane Field San Diego Developers
6	San Diego Central Courthouse	TBD	Columbia	Courthouse	700,000		State of California
7	U.S. Federal Courthouse	SW Corner of Broadway/State	Columbia	Courthouse	426,000		General Services Administration
8	Grigio	8th Ave./A Street	Core	Apartment	846,000	965	Gray Development
9	719 Ash	Ash between 7th and 8th Avenues	Cortez Hill	Hotel		340	BF Hospitality
10	Hotel on 8th	8th Avenue between Ash and A Streets	Cortez Hill	Hotel		110	8th Avenue, LLC
11	Riviera Condominiums	Ash Street between 6th and 7th Avenues	Cortez Hill	Condominium		418	Ghods Builders, Inc.
12	Solara Tower	Beech between 4th and 5th Avenues	Cortez Hill	Condominium	272,125	185	Solara Phase II Partners, LLC
13	11th & B	NE Corner of 11th and B Streets	East Village	Condominium		196	TC Holdings
14	15th & Island	Island Avenue and 15th Street	East Village	Condominium		620	Pinnacle Development
15	16th & G Gateway	15th Street and F Street	East Village	Condominium	573,800	525	Avion Development
16	Bahia View Condominiums	1425 Market Street	East Village	Condominium		95	Bahia View Condominiums, LLC
17	Ballpark Village	SE of Petco Field	East Village	Mixed Use	3,200,000		JMI Realty, Inc.
18	Cosmopolitan Square	J Street and 7th Avenue	East Village	Hotel (211)/ Condo (113)		324	Simplon Corporation
19	Hotel Indigo	9th Avenue/Island Avenue	East Village	Hotel		210	International Hotels Group
20	Library Tower	Park Blvd. and K Street	East Village	Condominium		174	Centurion Partners and Avion Development
21	Metro Center	16th and National	East Village	Retail/Commercial	475,000		Merlone Geier Partners
22	Monaco	Broadway and 8th Avenue	East Village	Condominium	265,000	286	Ghods Builders, Inc.
23	Staybridge Suites	SE Corner of Ash 7 10th	East Village	Hotel		126	Richard Carroll
24	Strata	10th Avenue & Market Street	East Village	Apartment		163	Hanover Company
25	Vantage Pointe	9th Avenue and A Street	East Village	Condominium		679	Point of View Condominiums
26	Marriott Renaissance Hotel	J Street between 5th and 6th Avenues	Gaslamp Quarter	Hotel		365	5th & J, LLC
27	Residence Inn by Marriott	J Street between 5th and 6th Avenues	Gaslamp Quarter	Hotel		239	J 5th LLC
28	India & Beech	SW Corner of India and Beech	Little Italy	Condominium		78	JQA Investments
29	Lumina	Columbia & Ash	Little Italy	Condominium - 40 Hotel - 140		180	Constellation Property Group
30	Pier	Kettner Blvd. between Fir and Grape Streets	Little Italy	Condominium		228	CityMark Development
31	First & Island	First Avenue and Island Street	Marina	Condominium		172	Bosa Development
32	Navy Broadway Complex	Four superblocks bounded by Harbor Drive, Pacific Highway, and Broadway	Marina	Mixed Use	3,000,000		Manchester Financial

Note: This table does not include affordable housing projects of public sector improvements such as: C Street Corridor and nearby park sites which will enhance the neighborhood.

The 1.8 million square foot proposed Gerding project (2.8 million square feet including the City buildings) would be one of the largest redevelopment projects in San Diego. Uses include commercial office, apartments, retail and hotel/condominiums.

The private sector and parking portion of Gerding's Full Build-Out scenario is important as it generates almost 42.0% of the gross obligations of the City over a 50-year period (including parking income). Some of this money such as the parking income and office master lease could still be generated without the private developer. Even if these are excluded from the private revenues, 11.0% of the City's costs are covered by the private sector revenues generated by the proposed project. If the project is not successful or not built at all, it will have impacts on the City's projected cash flows.

The Phase I only scenario in the Gerding proposal is more conservative than the full-build out scenario, as it does not rely as much on private sector participation. In the Phase I Only scenario, the City's gross obligation is still offset by the parking revenues and master office and retail leases, as well as the sales tax revenue generated from the site. The parking income is more secure than private sector development, but could experience varying annual revenues over the lease period. The office space master lease could be defaulted by the developer, who could provide protection to the City through credit enhancement. The credit enhancement guarantor could also fail (as is occurring in today's market). It has not been established who would pay for the credit enhancement. The key issue is that there are a lot of things that could go wrong, which could impact the City's financial obligations to the project.

A financial feasibility analysis of the proposed development scenarios was not part of the EY scope of services for this engagement. However, given the critical nature of the private development components to the success of the Gerding Full Build-Out proposal, we suggest that further market feasibility analysis be conducted by the City and CCDC.

Sample Math Check of JLL Model

EY completed a sample math check of numerous calculations in the cash flow models, but did not identify any material errors.

The model was built specifically for the 7 non-development scenarios – It was not built for "what if" scenarios. Therefore, modification in the model would be onerous. For example, there are several calculations where the growth rates are embedded in the formulas as opposed to an input assumption in the model. Additionally, the model contains hard coded timing events (e.g. renovation periods) and corresponding assumptions that are linked directly to the time of the event. Certain other assumptions are also hard coded, such as the City's estimated bond payments. A dynamic design would have allowed the assumption to select the timing of the event and the cash flows would automatically correspond.

The developers prepared their own models and provided them to JLL, who recommended modifications. Therefore, the Gerding, Hines, and 7 non-development scenarios were all built in different platforms.

The model was not created with dynamic input assumption pages. Instead of simply changing the input on the assumption page, in some cases, it has to be changed manually in every cell where the input is used (such as a growth rate). In addition, some summary tables in the report are not linked to the actual inputs and different amounts are included in the actual cash flows.

Additionally, the model does not have a comprehensive summary of space usage. A summary of space use would provide a clear overview of current space, swing space, renovated space and new space for each scenario each year. It would allow the user to see rental space over time and be able to compare to FTE's and rental costs per square foot. EY created an occupied space schedule and presented it earlier in the report.

Issues Identified in Reading of Source Documents

EY did not identify any material items covered in the source documents that were not covered by JLL in their report and cash flow analyses. Although EY questions some of the assumptions, JLL appears to have accurately reported all material assumptions and findings.

Issues Between Source Documents and JLL Report

EY did not identify any significant issues between the recommendations or findings in the source documents and the JLL reports. JLL appeared to appropriately represent the findings from the studies completed in their two reports.

Building Residual Values – Non Development Scenarios

The JLL cash flows do not contain a residual value for the buildings under the seven Non-Development scenarios even though the buildings will only be 17 years old in year 50 of the cash flow projections. However, the JLL cash flow analysis also does not pay for the entire cost of the building over the 17 years either (it is based on a 30 year amortization period). Therefore, on a straight-line basis the building debt would be 56% (17/30) amortized, compared to 34% physically depreciated (17/50) on a straight-line basis. There should be a residual value (credit) for the remaining value (useful life) of the buildings (perhaps 20% of construction costs) at the end of the 50 years under the non-development scenarios. We believe the redevelopment buildings (Hines and Gerding) will be near their useful economic lives at the end of 50 years, with a small salvage value of perhaps 10%. There are other approaches that could be considered to value the buildings.

Comments on Development Alternatives

Gerding Proposal

The Gerding development proposal is a significant redevelopment project. It combines office, retail and residential uses adjacent to the new civic center and serves as a major redevelopment catalyst in the subject neighborhood. The Phase I only analysis conducted by JLL includes the City facilities, master office and retail leases and parking.

Limited development activity is occurring in the core neighborhood. Only one major private sector project is currently planned (Gregio Condos) and it is located in the far eastern portion of the neighborhood and is on hold at the present time. Some of these Downtown San Diego projects are under construction, but many of the proposed projects (detailed earlier in the report) have been postponed or cancelled and could reemerge in the next development cycle to compete with the subject.

The issue is that many of these projects are in superior locations to the subject and would likely be developed prior to any development on the subject site. Some of these better locations include the marina district, ballpark area, parcels along the waterfront, East Village and in and around the gas lamp district. The subject could be considered a less desirable location for new development activity, as demonstrated through the lack of new development in the core area over the past decade. The site is located in the heart of the government district and the project could serve as a catalyst for other development. We would suggest that the City conduct a feasibility study, or,at a minimum, broker/developer interviews to better understand the external market forces that may impact the success of the proposed Gerding private-sector development project.

Significant revenue offsets are projected in the Gerding Full Build-Out proposal to offset the City's $40+ million annual cost obligations beginning in 2014. If Phase II and III of the development are delayed or cancelled, or if the developer defaults on their sub-leases, the city would be at risk for substantially higher costs over the short term.

The Phase I only assumptions analyzed by JLL are significantly more conservative in the assumed private sector development, but still contain the risk that projected revenues are not met and might have to be made up at the City's expense.

The sale of excess development rights on publically owned land is a common redevelopment tool used by the public sector across the US. Gerding's Full Build-Out proposal is not unusual and is accomplished across the US on many redevelopment projects.

Benefits

- Could serve as a catalyst for redevelopment activities in the Core neighborhood
- A portion of the City's future office space is paid for by private development
- If all development occurs as proposed, it has the possibility of being the City's lowest cost alternative
- City space needs would be significantly lower and more energy efficient than the current facilities.

Risks

- City is at greater financial risk under this proposal if the private-sector components are not developed or cash flows from other revenue sources are over estimated, compared to the non-development scenarios
- NRG cooling district could end up costing the City more in the long-term through higher usage rates
- The Gerding cost estimate is much lower than Hines, which raises the question of feasibility in meeting these costs
- Gerding's ability to meet its financial obligations of the sublease was not tested

Hines Proposal

The Hines proposal was essentially structured to develop the public sector space at the lowest total cost. It is essentially a fee development proposal, meaning the city absorbs virtually all of the development risk. The proposal does not contain a mixed-use private component that the RFP requested (as an option). In interviews with Hines, they did not believe any private sector development was feasible on the site in the foreseeable future and indicated there were a number of superior sites downtown that would be developed prior to this site.

The Hines plan did not include plans for expansion space, although in an interview with Hines, they indicated there was room for another 200,000 square feet of office space wrapping two sides of the existing Parkade. JLL indicated the parcel widths of 56 feet were too narrow for office uses.

<u>Benefits</u>

- Very efficient building design and feasibility is not based on any ancillary development which may or may not happen
- Reuses existing Parkade, saving the City $45M+
- Creates significant open space for Civic Center and gives the City control of future expansion possibilities
- The City net obligations are not based on any private development

<u>Risks</u>

- Costs higher than other construction cost sources and significantly higher than Gerding proposal
- No ancillary revenue opportunities to maximize site development
- Hines proposal did not meet the (optional) objective of the RFP related to private sector development

EY prepared the following Gross City Obligations and NPVs for 10-, 15-, and 50-year periods, based on the JLL cash flows. JLL selected the Full Build-Out land sale and land lease options, and Phase I only scenarios for Gerding and Option C for Hines as the best redevelopment options for the City. JLL's analysis added the City's projected obligations from 2008 through 2013, and then discounted the remaining periods on a 10-, 15-, and 50-year basis.

Gross Potential City Obligations

	Gerding Option I Full (Land Sale)	Gerding Option I Full (Land Lease)	Gerding Phase I Only	Hines Option C
Nominal (2008)				
Nominal 50-Yr	$2,262,123,516	$2,262,123,516	$2,262,123,516	$2,534,560,902
Nominal 15-Yr	$502,846,150	$502,846,150	$502,846,150	$425,662,720
Nominal 10-Yr	$281,030,371	$281,030,371	$281,030,371	$249,709,855
NPV (2013)				
NPV 50 Yr	$936,467,762	$936,467,762	$936,467,762	$767,096,473
NPV 15 Yr	$574,904,601	$574,904,601	$574,904,601	$499,126,853
NPV 10 Yr	$446,684,563	$446,684,563	$446,684,563	$381,063,957

Net City Obligations

	Gerding Option I Full (Land Sale)	Gerding Option I Full (Land Lease)	Gerding Phase I Only	Hines Option C
Nominal (2008)				
Nominal 50-Yr	$1,313,259,871	$1,015,593,722	$1,273,967,665	$2,024,139,123
Nominal 15-Yr	$310,014,865	$305,036,948	$358,222,693	$365,264,525
Nominal 10-Yr	$157,235,080	$180,303,480	$212,148,036	$216,658,592
NPV (2013)				
NPV 50 Yr	$587,066,347	$515,419,269	$615,905,207	$767,096,473
NPV 15 Yr	$366,322,023	$351,081,624	$411,319,342	$427,864,734
NPV 10 Yr	$275,246,003	$276,204,541	$323,672,335	$327,501,089

The preceding analysis indicates that the Hines Option C has lower gross potential City obligations than the Gerding proposals on a NPV basis over each of the three time periods. On a net basis, after factoring in all other potential revenue sources, the Gerding proposals have lower NPV totals than the Hines proposal. If all revenues and expenses occur as planned, the Gerding proposal is a lower cost alternative to the City than the Hines proposal.

Supplemental Analysis

The following is a summary of the differences in the non-development scenarios.

Summary of JLL Non-Development Scenarios

	1	2	3	4	5	6	7
Rehabilitate owned facilities/seismically retrofit	○	○	○	○		○	○
Includes costs for temporary moves and swing space	○	○	○	○	○	○	○
Balance of city space needs through Leased Space	○	○	○	○	○	○	○
Workspace Efficiency Standards Implemented- Owned	○	○	○	○		○	○
Construct New Building in 30 Years	○	○	○	○	○	○	○
Workspace Efficiency Standards Implemented- Leased		●	●	●			
Civic Center Plaza Acquired		●					
Convert Concourse Building to Office Space				●		●	
No improvements first 30 Years					●		
50,000 SF Leased downtown, remainder in suburbs						●	●

○ - Yes, Common
● - Yes, Specific Scenarios

Benefits and Risks of Each Alternative

Scenario 1- Workspace Standards Implemented - Owned Space

Benefits

Creates more efficient City space

Risks

Most costly of all the alternatives studied

Significant inefficiencies still present in leased space

Scenario 2- Scenario 1 plus Acquire Civic Center and Implement Efficiency Standards in Leased

Benefits

New Efficiency Standards implemented in all owned and leased space means lower space requirements per employee, and costs savings for the City

Consolidates City space needs primarily in one location

Risks

Cost to acquire and renovate Civic Center Plaza will exceed new construction costs according to JLL analysis

Owner may not want to sell building

Building was not inspected by DMJM so renovation costs could be even higher

Scenario 3- Scenario 1 plus Implement Efficiency Standards in Leased

Benefits

Significant reduction in leased and owned space

Risks

Significant portion of space is in buildings outside city control

Not a cost effective scenario

Scenario 4- Scenario 3 plus Convert Concourse to Office

Benefits

Least costly of the Non-redevelopment scenarios

Significant reduction in leased and owned space

Concourse would take care of a large portion of the currently leased space

Could be implemented quickly with limited disruption to existing employees

Risks

Costs to renovate concourse are approaching new construction costs

Concourse space would have limited functionality as office space

Site would still have same issues of isolation from the neighborhood with concourse building in place

Scenario 5- No Improvements for 30 years

Benefits

Lowest cost Non-redevelopment scenario over 10 years

Risks

Only viable over the very near term- TIs and buildings will not last 30 years without extensive capital expenditures

City spends significant funds on leased space as opposed to owned space

City continues to assume life and safety risks (fire, earthquake, ACMs)

Significant renovation costs are likely for owned facilities, but not modeled into the cash flows

Scenario 6- Scenario 1 plus Convert Concourse to Office and New Suburban Leases

Benefits

One of the lower-priced non-development alternatives

Risks

Costs to renovate concourse are approaching new construction costs

Concourse space would have limited functionality as office space

Site would still have same issues of isolation from the neighborhood with concourse building in place

Decentralized city government

Difficult to locate 1 M SF of space on public transit lines in the suburbs

Scenario 7- Scenario 6 without Concourse Conversion

Benefits

Risks

Decentralized city government

Difficult to locate on public transit lines

Scenarios 4 and 6 can be eliminated as we do not believe conversion of the Concourse building would create functional office space for the City's long-term needs. Renovation costs are approaching costs of new construction and the space will not layout well for office uses.

Scenario 2 assumes acquisition and renovation of the Civic Center which exceeds new construction costs and is still less efficient space due to dated floor designs.

Scenario 5 is only practical over a very short term given the condition of the subject buildings and costs $315M (NPV) over 10 years which could be spent on better plans. Continuing to renovate these buildings on an emergency basis is not an appropriate management plan for a City. This scenario has the most significant risk potential for the City.

Scenario 7 embraces a decentralized government model with most of the City employees located in the suburbs. We could not identify any real benefits to this plan.

This only leaves Scenarios 1 and 3. Scenario 3 assumes conversion to more efficient work standards for the leased space, reducing the City's occupancy costs more than Scenario 1, which is the most costly scenario. Therefore, Scenario 3 is the most logical choice for the City of the non-development scenarios, even though it is not the lowest cost.

EY prepared the following Net Costs and NPVs for 10-, 15-, and 50-year periods, based on the JLL cash flows. JLL's analysis added the City's projected net costs from 2008 through 2013, and then discounted the remaining periods on a 10-, 15-, and 44-year basis to 2013.

Net City Obligations, Non-Development Scenarios, By Scenario

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Nominal (2008)							
Nominal 50-Yr	$3,947,718,498	$3,494,058,439	$3,614,341,734	$3,385,149,644	$3,644,894,711	$3,442,636,438	$3,722,972,842
Nominal 15-Yr	$476,571,996	$414,763,233	$414,341,603	$375,448,193	$351,581,537	$383,601,129	$428,924,910
Nominal 10-Yr	$276,764,067	$255,884,095	$257,415,159	$246,654,633	$201,289,633	$250,020,262	$259,543,768
NPV (2013)							
NPV 50 Yr	$1,225,285,230	$1,040,792,776	$1,076,833,424	$978,122,899	$1,048,280,417	$1,003,158,148	$1,122,586,436
NPV 15 Yr	$560,489,192	$475,289,391	$479,388,896	$428,298,450	$423,550,896	$440,925,342	$501,761,232
NPV 10 Yr	$426,289,916	$373,356,909	$374,072,562	$342,161,480	$314,878,331	$351,886,597	$388,412,644

The following table represents the nominal net costs to the City for the developers' best redevelopment scenarios. The table assumes that the private sector portion of the proposals performs as planned. The bold figures highlight the lowest alternative for each time period.

Net City Obligations

	Gerding Option I Full (Land Sale)	Gerding Option I Full (Land Lease)	Gerding Phase I Only	Hines Option C
Nominal (2008)				
Nominal 50-Yr	$1,313,259,871	$1,015,593,722	$1,273,967,665	$2,024,139,123
Nominal 15-Yr	$310,014,865	$305,036,948	$358,222,693	$365,264,525
Nominal 10-Yr	$157,235,080	$180,303,480	$212,148,036	$216,658,592
NPV (2013)				
NPV 50 Yr	$587,066,347	$515,419,269	$615,905,207	$767,096,473
NPV 15 Yr	$366,322,023	$351,081,624	$411,319,342	$427,864,734
NPV 10 Yr	$275,246,003	$276,204,541	$323,672,335	$327,501,089

Re-evaluate Redevelopment Alternative in 7 Years

The City of San Diego currently occupies 532,762 square feet of space in non City-owned buildings. These leases expire in 2013/14, so some would require short-term extensions to extend until 2015 (and longer because the employees would have to move somewhere by 2015 if a new building was not already constructed)

Benefits	Risks
• Office Rental rates are currently dropping and may continue to fall into 2010 • City may be able negotiate favorable lease extensions in existing buildings over the near term due to current economic conditions • Construction costs are declining and could continue to drop for two to three years, depending on the economy	• Office Market will likely fully recover by 2015 and rents will be much higher than today • Continuing to occupy inefficient space floorplans increases costs • Building owners may believe that the market will recover by 2013/2014 and be unwilling to lock in future rental rate gains in a down market on current extensions • Office construction costs will increase by 2015 and be higher than today • The existing 1980s vintage TIs in many of the leased suites are extremely dated and will, in the near term, not be suitable for continued use. TIs for owned space are even older • Does not resolve the life and safety issues in the owned buildings which continues to create liability risks for the City • Financing rates are relatively low at the present time (even considering the turmoil in the markets) and are expected to stay down in the current economy

Downtown Occupancy or Operating Alternatives

Based on the current declining condition of the US and Downtown San Diego office markets, we believe there may be an opportunity for the City to acquire a building in a distressed situation at a price below the replacement cost of the building (and below the $265 per square foot estimate in the JLL report for the Civic Center Plaza) over the next 24 to 36 months. The building may not be proximate to the current Civic Center, but would likely be in superior condition to the existing Civic Center buildings.

The scenario may require the City to team with a private developer/investor in order to react quickly to a potential opportunity. This opportunity is difficult to forecast, but if the City decides not to move forward with development at the present time, it may have three to five years to identify and execute a sale.

Issues not Addressed in Current JLL Analyses

Gensler study focused on providing a permanent station for every City employee, just much smaller than current space. The City may want to rethink the way it uses space to be more aligned with the private sector office model used today. The study did not consider potential implications of:

- Hoteling/shared space for employees in the downtown office only on a limited basis (City building inspectors, meter readers, field personnel, enforcement personnel, etc) Also temporary or touch-down spaces for brief stops in the office as opposed to premium spaces that remain vacant most of the day.

- Offering telecommuting or flexible work hours (to share spaces) to some employees to save on permanent space requirements such as data processors. Tracking software can monitor activity and determine the amount of work being completed off-site. This could also help with parking and commuting issues.

- Other issues outside of the JLL report, such as a hiring freeze or headcount reductions to keep space needs at the current levels over the short-term. We recommend a City personnel study be completed to suggest areas where it can cut costs and be more efficient. This will also identify departments which could be moved out of Downtown to lower priced suburban space.

Revised Cash Flow Analyses

As previously discussed, the subject cash flow models were not set up to run “what if” scenarios and changes to assumptions.

As a result, EY is unable to run new cash flows based on our recommended changes to several of the assumptions. JLL will have to make any modifications to their models based on recommendations from CCDC and the City.

“Hold Steady” Scenario Supplemental Analysis

Given the financial condition of the City and US, we believe JLL should examine a short-term non-development scenario over 10 years, a modification of Scenario 5. This would not be a long-term solution to the City’s space needs, but could provide a hold-steady analysis to illustrate the least costly possible alternative for the City over the next 10 years. The scenario should be run assuming no new TIs and a renewal of all existing leases at new market rates. We would also recommend an emergency building renovation fund for building repairs on owned facilities.

Instead of having known costs and future surety, the City will be subject to unexpected capital improvement needs as a result of the deteriorating conditions at the COB, CAB, and Concourse facilities.

Scenario 5 in the JLL analysis was not intended to be a “do nothing” scenario. Scenario 5 assumes that the City buildings will not be renovated and will receive no capital improvements over the next 30 years, an impossible assumption given the age and condition of the subject facilities.

The scenario also assumes that the current leased space is renovated to more modern workplace standards and efficiency. These renovated space costs would greatly exceed the cost of temporary swing space and new tenant improvement costs, over the long-term but as we do not believe this is a viable 50-year solution, we would convert Scenario 5 to a 10-year analysis only.

Assumptions and Limiting Conditions

The advisory services and report prepared by EY will be subject to the following considerations and limiting conditions. The analysis and recommendations are based on information and data provided by the Client and its advisors. We will simply evaluate the information provided and advise the Client of our findings. In addition, the Client recognizes that:

<u>Site-Specific Conditions:</u>

- For any land uses proposed or analyzed, EY does not represent that the land use will be a conforming use or that the zoning can be changed to an appropriate zoning code for that use.

- EY has not reviewed any environmental reports on the subject property and has not factored into its analysis any adverse impact or limitations pertaining to environmental issues or the costs of any related remedial efforts.

- The analysis utilized data based on published documents and interviews with the officials at the City of San Diego, Centre City Development Corporation, their subcontractors and other market data.

<u>General Conditions:</u>

- It is our understanding that this advisory report is for your project due diligence procedures. While we realize the engagement is subject to public disclosure laws, neither our report, nor its contents, nor any of our work were intended to be included and, therefore, may not be referred to or quoted in whole or in part, in any registration statement, prospectus, public filing, private offering memorandum, loan agreement or other agreement or document without our prior written approval, which may require that we perform additional procedures, nor can it be used for any purpose other than as expressly stated in this report.

- The report is intended for your internal use and due diligence only. We are acting as part of the Client's overall due diligence team.

- Estimates of future events described in the report will represent general expectancy concerning such events as of the reporting date. Since our estimates are based on assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will be actually achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary materially from the estimated results.

- EY is not obligated to update the analysis for events subsequent to the date of our report. All services subsequent to delivery of the report, including meetings, testimony or deposition in court or before any governmental agency, will be provided at our standard billing rates plus any expenses unless already addressed in the Engagement Letter.

- Except as specifically stated to the contrary, the advisory report will not give consideration to the following matters to the extent they exist: (i) matters of a legal nature, including issues of legal title and compliance with federal, state and local laws and ordinances; and (ii) environmental and engineering issues, and the costs associated with their correction. The user of the advisory report will be responsible for making his/her own determination about the impact, if any, of these matters, reported.

- The reported advisory observation(s) will represent the considered judgment of the identified advisors based on the facts, analyses and methodologies described in the report. Our workpapers will be available for your review.

- All direct and indirect written information supplied by the Centre City Development Corporation, their agents and assigns, regarding the development opportunities and scenarios considered is assumed to be true, accurate and complete; additionally, information identified as supplied or prepared by others is believed to be reliable. However, no responsibility for the accuracy of such information is assumed.

- This report is intended to be read and used as a whole and not in parts.

- None of the contents of this report shall be disseminated to the public through advertising media, news media, sales media, Security Exchange Commission, or any other public means of communication without the prior written consent and approval of EY except as required by public disclosure laws.

- With respect to our analyses, our work did not include an analysis of the potential impact of any unexpected rise or decline in local or general financial markets or economic conditions or technological changes.

- EY's liability to the Centre City Development Corporation, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warrants, failure of essential purpose or otherwise, under this Agreement or with respect to the services shall be limited to the amount actually paid by the Centre City Development Corporation to EY under this Agreement. If EY is working on a multi-phase engagement for CCDC, EY's liability shall be limited to the amount paid to EY for the particular phase that gives rise to the liability.

- The performance of commercial real estate, across all property types and markets, is extremely volatile at the present time. The weakening economy, illiquidity, and lack of transaction data create an environment in which it is not possible to accurately predict demand or pricing for commercial real estate. Given the inherent scarcity of market information and the uncertainty surrounding future market conditions, the analysis and findings contained in this Report should be considered to be at a point in time only and to be based on the information available at such point in time, and we provide no assurance that the findings contained in this Report will remain valid in the future.

Addenda

Standard Assumptions and Limiting Conditions (Consulting)

Projected City Obligation and Revenues

- Gerding Proposal, Land Purchase Scenario – Cash Flow
- Gerding Proposal, Land Lease Scenario – Cash Flow
- Gerding Proposal, Phase I Only – Cash Flow
- Hines Scenario “C” - – Cash Flow

Gerding Edlen

Option 1 - Full Build-Out
Land Purchase

Gross City Obligations

	Year	Existing Occupancy Costs	Relocate Library & Publishing	New Bldg Op Ex	New Bldg Cap Reserves	Debt Service & Bond Mgmt Fee	Expansion Space TI	Gross City Obligation SubTotal
1	2008	$ 15,283,648	$ -	$ -	$ -	$ -	$ -	$ 15,283,648
2	2009	$ 15,928,002	$ -	$ -	$ -	$ -	$ -	$ 15,928,002
3	2010	$ 15,675,594	$ 1,322,680	$ -	$ -	$ -	$ -	$ 16,998,274
4	2011	$ 16,330,071	$ 953,685	$ -	$ -	$ -	$ -	$ 17,283,756
5	2012	$ 17,008,712	$ 985,862	$ -	$ -	$ -	$ -	$ 17,994,574
6	2013	$ 12,500,692	$ 1,019,260	$ 3,074,486	$ 301,027	$ 11,603,126	$ -	$ 28,498,591
7	2014	$ 4,104,469	$ 1,053,931	$ 6,394,931	$ 626,136	$ 32,186,190	$ -	$ 44,365,657
8	2015	$ -	$ 1,089,928	$ 6,650,728	$ 651,181	$ 32,506,664	$ -	$ 40,898,501
9	2016	$ -	$ 1,127,307	$ 6,916,757	$ 677,228	$ 32,832,478	$ -	$ 41,553,770
10	2017	$ -	$ 1,166,128	$ 7,193,427	$ 704,317	$ 33,161,727	$ -	$ 42,225,599
11	2018	$ -	$ 1,206,450	$ 7,481,165	$ 732,490	$ 33,492,508	$ -	$ 42,912,613
12	2019	$ -	$ 1,248,340	$ 7,780,411	$ 761,790	$ 33,827,954	$ -	$ 43,618,494
13	2020	$ -	$ 1,291,863	$ 8,091,628	$ 792,261	$ 34,170,926	$ -	$ 44,346,677
14	2021	$ -	$ 1,337,089	$ 8,415,293	$ 823,952	$ 34,513,939	$ -	$ 45,090,272
15	2022	$ -	$ 1,384,093	$ 8,751,904	$ 856,910	$ 34,854,815	$ -	$ 45,847,723
16	2023	$ -	$ 1,432,951	$ 9,661,501	$ 945,969	$ 35,218,214	$ 3,439,819	$ 50,698,455
17	2024	$ -	$ 1,483,743	$ 10,047,961	$ 983,808	$ 35,571,630	$ -	$ 48,087,142
18	2025	$ -	$ 1,536,553	$ 10,449,880	$ 1,023,161	$ 35,927,242	$ -	$ 48,936,835
19	2026	$ -	$ 1,591,470	$ 10,867,875	$ 1,064,087	$ 36,286,521	$ -	$ 49,809,953
20	2027	$ -	$ 1,648,584	$ 11,302,590	$ 1,106,650	$ 36,650,229	$ -	$ 50,708,054
21	2028	$ -	$ 1,707,993	$ 11,754,693	$ 1,150,916	$ 37,014,461	$ -	$ 51,628,064
22	2029	$ -	$ 1,769,796	$ 12,224,881	$ 1,196,953	$ 37,388,516	$ -	$ 52,580,147
23	2030	$ -	$ 1,834,100	$ 12,713,876	$ 1,244,831	$ 37,759,045	$ -	$ 53,551,853
24	2031	$ -	$ 1,901,015	$ 13,222,432	$ 1,294,624	$ 38,138,390	$ -	$ 54,556,461
25	2032	$ -	$ 1,970,655	$ 13,751,329	$ 1,346,409	$ 38,517,987	$ -	$ 55,586,380
26	2033	$ -	$ 2,043,142	$ 15,032,858	$ 1,471,886	$ 38,913,832	$ 4,082,802	$ 61,544,520
27	2034	$ -	$ 2,118,602	$ 15,634,172	$ 1,530,761	$ 39,303,757	$ -	$ 58,587,292
28	2035	$ -	$ 2,197,168	$ 16,259,539	$ 1,591,991	$ 39,305,268	$ -	$ 59,353,967
29	2036	$ -	$ 2,278,978	$ 16,909,920	$ 1,655,671	$ 39,306,779	$ -	$ 60,151,349
30	2037	$ -	$ 2,364,178	$ 17,586,317	$ 1,721,898	$ 39,305,268	$ -	$ 60,977,661
31	2038	$ -	$ 2,452,918	$ 18,289,770	$ 1,790,774	$ 39,302,749	$ -	$ 61,836,211
32	2039	$ -	$ 2,545,359	$ 19,021,361	$ 1,862,405	$ 39,306,024	$ -	$ 62,735,149
33	2040	$ -	$ 2,641,667	$ 19,782,215	$ 1,936,901	$ 39,306,276	$ -	$ 63,667,059
34	2041	$ -	$ 2,742,016	$ 20,573,504	$ 2,014,377	$ 39,305,016	$ -	$ 64,634,913
35	2042	$ -	$ 2,846,590	$ 21,396,444	$ 2,094,952	$ 39,303,505	$ -	$ 65,641,491
36	2043	$ -	$ 2,955,579	$ 23,112,624	$ 2,262,985	$ 39,310,055	$ 4,359,717	$ 72,000,960
37	2044	$ -	$ 3,069,183	$ 24,037,129	$ 2,353,505	$ -	$ -	$ 29,459,817
38	2045	$ -	$ 3,187,614	$ 24,998,614	$ 2,447,645	$ -	$ -	$ 30,633,873
39	2046	$ -	$ 3,311,091	$ 25,998,558	$ 2,545,551	$ -	$ -	$ 31,855,200
40	2047	$ -	$ 3,439,843	$ 27,038,501	$ 2,647,373	$ -	$ -	$ 33,125,717
41	2048	$ -	$ 3,574,114	$ 28,120,041	$ 2,753,268	$ -	$ -	$ 34,447,422
42	2049	$ -	$ 3,714,154	$ 29,244,842	$ 2,863,398	$ -	$ -	$ 35,822,395
43	2050	$ -	$ 3,860,230	$ 30,414,636	$ 2,977,934	$ -	$ -	$ 37,252,801
44	2051	$ -	$ 4,012,620	$ 31,631,222	$ 3,097,052	$ -	$ -	$ 38,740,893
45	2052	$ -	$ 4,171,613	$ 32,896,470	$ 3,220,934	$ -	$ -	$ 40,289,017
46	2053	$ -	$ 4,337,515	$ 35,485,771	$ 3,474,455	$ -	$ 5,858,889	$ 49,156,630
47	2054	$ -	$ 4,510,644	$ 36,905,202	$ 3,613,434	$ -	$ -	$ 45,029,280
48	2055	$ -	$ 4,691,337	$ 38,381,410	$ 3,757,971	$ -	$ -	$ 46,830,719
49	2056	$ -	$ 4,879,944	$ 39,916,667	$ 3,908,290	$ -	$ -	$ 48,704,900
50	2057	$ -	$ 5,076,831	$ 41,513,333	$ 4,064,621	$ -	$ -	$ 50,654,786
Nominal Sum		**$ 96,831,187**	**$ 115,086,408**	**$ 836,928,870**	**$ 81,944,733**	**$ 1,113,591,091**	**$ 17,741,227**	**$ 2,262,123,516**
NPV @	**5.25%**	**$ 96,626,451**	**$ 36,331,956**	**$ 230,973,134**	**$ 22,614,863**	**$ 544,695,951**	**$ 5,225,407**	**$ 936,467,762**

Gerding Edlen

Option 1 - Full Build-Out
Land Purchase

	Year	City Parking Revenue	Master Lease - Office	Master Lease - Retail	Land Purchases	Land Lease Payment escalating 10%	JLL Adjustments to Gerding Model	Retail Revenue Credit	Expansion Office Revenue Credit	Expansion Retail Revenue Credit	Property Tax Revenue Credit	City Revenue Credit SubTotal	Potential Net City Costs
		City Revenue Sources			Yes	No 10%							
						0%							
						$ -							
1	2008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,283,648
2	2009	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,928,002
3	2010	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,998,274
4	2011	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,283,756
5	2012	$ -	$ -	$ -	$ (36,709,251)	$ -	$ -	$ -	$ -	$ -	$ -	$ (36,709,251)	$ (18,714,677)
6	2013	$ (2,349,419)	$ (3,278,339)	$ (437,056)	$ -	$ -	$ 283,987	$ (16,188)	$ -	$ -	$ -	$ (5,797,015)	$ 22,701,576
7	2014	$ (4,698,838)	$ (6,556,679)	$ (874,113)	$ (30,742,210)	$ -	$ (144,645)	$ (63,358)	$ -	$ -	$ -	$ (43,079,842)	$ 1,285,816
8	2015	$ (4,886,791)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (148,984)	$ (65,259)	$ -	$ -	$ -	$ (12,531,825)	$ 28,366,676
9	2016	$ (5,082,263)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (153,454)	$ (67,216)	$ -	$ -	$ -	$ (12,733,724)	$ 28,820,046
10	2017	$ (5,285,553)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (158,057)	$ (69,233)	$ -	$ -	$ -	$ (12,943,635)	$ 29,281,965
11	2018	$ (5,496,976)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (162,799)	$ (171,986)	$ -	$ -	$ -	$ (13,262,551)	$ 29,650,061
12	2019	$ (5,716,855)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (167,683)	$ (227,296)	$ -	$ -	$ -	$ (13,542,624)	$ 30,075,870
13	2020	$ (5,945,529)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (172,713)	$ (265,753)	$ -	$ -	$ -	$ (13,814,786)	$ 30,531,891
14	2021	$ (6,183,350)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (177,895)	$ (285,364)	$ -	$ -	$ -	$ (14,077,400)	$ 31,012,872
15	2022	$ (6,430,684)	$ (6,556,679)	$ (874,113)	$ -	$ -	$ (183,232)	$ (293,925)	$ -	$ -	$ -	$ (14,338,632)	$ 31,509,091
16	2023	$ (6,687,911)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ 1,473,505	$ (302,743)	$ -	$ -	$ -	$ (11,570,167)	$ 39,128,288
17	2024	$ (6,955,428)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (194,390)	$ (311,825)	$ -	$ -	$ -	$ (13,514,661)	$ 34,572,481
18	2025	$ (7,233,645)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (200,222)	$ (321,180)	$ -	$ -	$ (395,266)	$ (14,203,330)	$ 34,733,505
19	2026	$ (7,522,991)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (206,229)	$ (330,815)	$ -	$ -	$ (403,171)	$ (14,516,223)	$ 35,293,730
20	2027	$ (7,823,910)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (212,416)	$ (340,740)	$ -	$ -	$ (411,235)	$ (14,841,318)	$ 35,866,736
21	2028	$ (8,136,867)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (218,788)	$ (350,962)	$ -	$ -	$ (419,459)	$ (15,179,093)	$ 36,448,970
22	2029	$ (8,462,341)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (225,352)	$ (361,491)	$ -	$ -	$ (427,848)	$ (15,530,050)	$ 37,050,097
23	2030	$ (8,800,835)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (232,112)	$ (372,335)	$ -	$ -	$ (436,405)	$ (15,894,706)	$ 37,657,147
24	2031	$ (9,152,868)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (239,076)	$ (383,505)	$ -	$ -	$ (445,134)	$ (16,273,601)	$ 38,282,860
25	2032	$ (9,518,983)	$ (5,178,905)	$ (874,113)	$ -	$ -	$ (246,248)	$ (395,011)	$ -	$ -	$ (454,036)	$ (16,667,295)	$ 38,919,085
26	2033	$ (9,899,742)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ 2,661,311	$ (406,861)	$ -	$ -	$ (463,117)	$ (12,944,602)	$ 48,599,918
27	2034	$ (10,295,732)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (261,244)	$ (419,067)	$ -	$ -	$ (472,379)	$ (16,284,615)	$ 42,302,677
28	2035	$ (10,707,561)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (269,082)	$ (431,639)	$ -	$ -	$ (481,827)	$ (16,726,301)	$ 42,627,666
29	2036	$ (11,135,864)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (277,154)	$ (444,588)	$ -	$ -	$ (491,463)	$ (17,185,262)	$ 42,966,088
30	2037	$ (11,581,298)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (285,469)	$ (457,925)	$ -	$ -	$ (501,293)	$ (17,662,178)	$ 43,315,483
31	2038	$ (12,044,550)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (294,033)	$ (471,663)	$ -	$ -	$ (511,318)	$ (18,157,757)	$ 43,678,454
32	2039	$ (12,526,332)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (302,854)	$ (485,813)	$ -	$ -	$ (521,545)	$ (18,672,736)	$ 44,062,412
33	2040	$ (13,027,386)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (311,939)	$ (500,388)	$ -	$ -	$ (531,976)	$ (19,207,881)	$ 44,459,178
34	2041	$ (13,548,481)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (321,298)	$ (515,399)	$ -	$ -	$ (542,615)	$ (19,763,985)	$ 44,870,928
35	2042	$ (14,090,420)	$ (3,962,080)	$ (874,113)	$ -	$ -	$ (330,937)	$ (530,861)	$ -	$ -	$ (553,468)	$ (20,341,878)	$ 45,299,613
36	2043	$ (14,654,037)	$ (2,995,237)	$ (874,113)	$ -	$ -	$ 3,934,152	$ (546,787)	$ -	$ -	$ (564,537)	$ (15,700,558)	$ 56,300,402
37	2044	$ (15,240,199)	$ -	$ -	$ -	$ -	$ (351,091)	$ (563,191)	$ (5,642,606)	$ (1,930,253)	$ (575,828)	$ (24,303,167)	$ 5,156,650
38	2045	$ (15,849,807)	$ -	$ -	$ -	$ -	$ (361,623)	$ (580,086)	$ (5,811,884)	$ (1,988,161)	$ (587,344)	$ (25,178,905)	$ 5,454,968
39	2046	$ (16,483,799)	$ -	$ -	$ -	$ -	$ (372,472)	$ (597,489)	$ (5,986,240)	$ (2,047,806)	$ (599,091)	$ (26,086,897)	$ 5,768,303
40	2047	$ (17,143,151)	$ -	$ -	$ -	$ -	$ (383,646)	$ (615,414)	$ (6,165,828)	$ (2,109,240)	$ (611,073)	$ (27,028,351)	$ 6,097,366
41	2048	$ (17,828,877)	$ -	$ -	$ -	$ -	$ (395,156)	$ (633,876)	$ (6,350,802)	$ (2,172,517)	$ (623,294)	$ (28,004,522)	$ 6,442,900
42	2049	$ (18,542,032)	$ -	$ -	$ -	$ -	$ (407,010)	$ (652,892)	$ (6,541,326)	$ (2,237,693)	$ (635,760)	$ (29,016,714)	$ 6,805,681
43	2050	$ (19,283,713)	$ -	$ -	$ -	$ -	$ (419,221)	$ (672,479)	$ (6,737,566)	$ (2,304,823)	$ (648,475)	$ (30,066,278)	$ 7,186,523
44	2051	$ (20,055,062)	$ -	$ -	$ -	$ -	$ (431,797)	$ (692,653)	$ (6,939,693)	$ (2,373,968)	$ (661,445)	$ (31,154,619)	$ 7,586,274
45	2052	$ (20,857,264)	$ -	$ -	$ -	$ -	$ (444,751)	$ (713,433)	$ (7,147,884)	$ (2,445,187)	$ (674,674)	$ (32,283,193)	$ 8,005,824
46	2053	$ (21,691,555)	$ -	$ -	$ -	$ -	$ 7,092,023	$ (734,836)	$ (7,362,321)	$ (2,518,543)	$ (688,167)	$ (25,903,398)	$ 23,253,232
47	2054	$ (22,559,217)	$ -	$ -	$ -	$ -	$ (471,836)	$ (756,881)	$ (5,135,471)	$ (2,594,099)	$ (701,931)	$ (32,219,435)	$ 12,809,845
48	2055	$ (23,461,586)	$ -	$ -	$ -	$ -	$ (485,991)	$ (779,587)	$ (5,289,535)	$ (2,671,922)	$ (715,969)	$ (33,404,591)	$ 13,426,127
49	2056	$ (24,400,049)	$ -	$ -	$ -	$ -	$ (500,571)	$ (802,975)	$ (5,448,221)	$ (2,752,080)	$ (730,289)	$ (34,634,185)	$ 14,070,715
50	2057	$ (25,376,051)	$ -	$ -	$ -	$ -	$ (515,588)	$ (827,064)	$ (5,611,668)	$ (2,834,642)	$ (744,894)	$ (35,909,908)	$ 14,744,878
Nominal Sum		**$ (544,655,802)**	**$ (156,693,531)**	**$ (26,660,436)**	**$ (67,451,461)**	**$ -**	**$ 3,805,922**	**$ (19,830,029)**	**$ (86,171,046)**	**$ (32,980,935)**	**$ (18,226,328)**	**$ (948,863,645)**	**$ 1,313,259,871**
NPV @	**5.25%**	**$ (156,040,725)**	**$ (86,374,489)**	**$ (13,499,709)**	**$ (65,918,002)**	**$ -**	**$ 279,774**	**$ (5,615,205)**	**$ (12,941,316)**	**$ (4,825,051)**	**$ (4,466,692)**	**$ (349,401,414)**	**$ 587,066,347**

Gerding Edlen

Option 1 - Full Build-Out
Land Lease

		Gross City Obligations						
Year		Existing Occupancy Costs	Relocate Library & Publishing	New Bldg Op Ex	New Bldg Cap Reserves	Debt Service & Bond Mgmt Fee	Expansion Space TI	Gross City Obligation SubTotal
1	2008	$ 15,283,648	$ -	$ -	$ -	$ -	$ -	$ 15,283,648
2	2009	$ 15,928,002	$ -	$ -	$ -	$ -	$ -	$ 15,928,002
3	2010	$ 15,675,594	$ 1,322,680	$ -	$ -	$ -	$ -	$ 16,998,274
4	2011	$ 16,330,071	$ 953,685	$ -	$ -	$ -	$ -	$ 17,283,756
5	2012	$ 17,008,712	$ 985,862	$ -	$ -	$ -	$ -	$ 17,994,574
6	2013	$ 12,500,692	$ 1,019,260	$ 3,074,486	$ 301,027	$ 11,603,126	$ -	$ 28,498,591
7	2014	$ 4,104,469	$ 1,053,931	$ 6,394,931	$ 626,136	$ 32,186,190	$ -	$ 44,365,657
8	2015	$ -	$ 1,089,928	$ 6,650,728	$ 651,181	$ 32,506,664	$ -	$ 40,898,501
9	2016	$ -	$ 1,127,307	$ 6,916,757	$ 677,228	$ 32,832,478	$ -	$ 41,553,770
10	2017	$ -	$ 1,166,128	$ 7,193,427	$ 704,317	$ 33,161,727	$ -	$ 42,225,599
11	2018	$ -	$ 1,206,450	$ 7,481,165	$ 732,490	$ 33,492,508	$ -	$ 42,912,613
12	2019	$ -	$ 1,248,340	$ 7,780,411	$ 761,790	$ 33,827,954	$ -	$ 43,618,494
13	2020	$ -	$ 1,291,863	$ 8,091,628	$ 792,261	$ 34,170,926	$ -	$ 44,346,677
14	2021	$ -	$ 1,337,089	$ 8,415,293	$ 823,952	$ 34,513,939	$ -	$ 45,090,272
15	2022	$ -	$ 1,384,093	$ 8,751,904	$ 856,910	$ 34,854,815	$ -	$ 45,847,723
16	2023	$ -	$ 1,432,951	$ 9,661,501	$ 945,969	$ 35,218,214	$ 3,439,819	$ 50,698,455
17	2024	$ -	$ 1,483,743	$ 10,047,961	$ 983,808	$ 35,571,630	$ -	$ 48,087,142
18	2025	$ -	$ 1,536,553	$ 10,449,880	$ 1,023,161	$ 35,927,242	$ -	$ 48,936,835
19	2026	$ -	$ 1,591,470	$ 10,867,875	$ 1,064,087	$ 36,286,521	$ -	$ 49,809,953
20	2027	$ -	$ 1,648,584	$ 11,302,590	$ 1,106,650	$ 36,650,229	$ -	$ 50,708,054
21	2028	$ -	$ 1,707,993	$ 11,754,693	$ 1,150,916	$ 37,014,461	$ -	$ 51,628,064
22	2029	$ -	$ 1,769,796	$ 12,224,881	$ 1,196,953	$ 37,388,516	$ -	$ 52,580,147
23	2030	$ -	$ 1,834,100	$ 12,713,876	$ 1,244,831	$ 37,759,045	$ -	$ 53,551,853
24	2031	$ -	$ 1,901,015	$ 13,222,432	$ 1,294,624	$ 38,138,390	$ -	$ 54,556,461
25	2032	$ -	$ 1,970,655	$ 13,751,329	$ 1,346,409	$ 38,517,987	$ -	$ 55,586,380
26	2033	$ -	$ 2,043,142	$ 15,032,858	$ 1,471,886	$ 38,913,832	$ 4,082,802	$ 61,544,520
27	2034	$ -	$ 2,118,602	$ 15,634,172	$ 1,530,761	$ 39,303,757	$ -	$ 58,587,292
28	2035	$ -	$ 2,197,168	$ 16,259,539	$ 1,591,991	$ 39,305,268	$ -	$ 59,353,967
29	2036	$ -	$ 2,278,978	$ 16,909,920	$ 1,655,671	$ 39,306,779	$ -	$ 60,151,349
30	2037	$ -	$ 2,364,178	$ 17,586,317	$ 1,721,898	$ 39,305,268	$ -	$ 60,977,661
31	2038	$ -	$ 2,452,918	$ 18,289,770	$ 1,790,774	$ 39,302,749	$ -	$ 61,836,211
32	2039	$ -	$ 2,545,359	$ 19,021,361	$ 1,862,405	$ 39,306,024	$ -	$ 62,735,149
33	2040	$ -	$ 2,641,667	$ 19,782,215	$ 1,936,901	$ 39,306,276	$ -	$ 63,667,059
34	2041	$ -	$ 2,742,016	$ 20,573,504	$ 2,014,377	$ 39,305,016	$ -	$ 64,634,913
35	2042	$ -	$ 2,846,590	$ 21,396,444	$ 2,094,952	$ 39,303,505	$ -	$ 65,641,491
36	2043	$ -	$ 2,955,579	$ 23,112,624	$ 2,262,985	$ 39,310,055	$ 4,359,717	$ 72,000,960
37	2044	$ -	$ 3,069,183	$ 24,037,129	$ 2,353,505	$ -	$ -	$ 29,459,817
38	2045	$ -	$ 3,187,614	$ 24,998,614	$ 2,447,645	$ -	$ -	$ 30,633,873
39	2046	$ -	$ 3,311,091	$ 25,998,558	$ 2,545,551	$ -	$ -	$ 31,855,200
40	2047	$ -	$ 3,439,843	$ 27,038,501	$ 2,647,373	$ -	$ -	$ 33,125,717
41	2048	$ -	$ 3,574,114	$ 28,120,041	$ 2,753,268	$ -	$ -	$ 34,447,422
42	2049	$ -	$ 3,714,154	$ 29,244,842	$ 2,863,398	$ -	$ -	$ 35,822,395
43	2050	$ -	$ 3,860,230	$ 30,414,636	$ 2,977,934	$ -	$ -	$ 37,252,801
44	2051	$ -	$ 4,012,620	$ 31,631,222	$ 3,097,052	$ -	$ -	$ 38,740,893
45	2052	$ -	$ 4,171,613	$ 32,896,470	$ 3,220,934	$ -	$ -	$ 40,289,017
46	2053	$ -	$ 4,337,515	$ 35,485,771	$ 3,474,455	$ -	$ 5,858,889	$ 49,156,630
47	2054	$ -	$ 4,510,644	$ 36,905,202	$ 3,613,434	$ -	$ -	$ 45,029,280
48	2055	$ -	$ 4,691,337	$ 38,381,410	$ 3,757,971	$ -	$ -	$ 46,830,719
49	2056	$ -	$ 4,879,944	$ 39,916,667	$ 3,908,290	$ -	$ -	$ 48,704,900
50	2057	$ -	$ 5,076,831	$ 41,513,333	$ 4,064,621	$ -	$ -	$ 50,654,786
Nominal Sum		**$ 96,831,187**	**$ 115,086,408**	**$ 836,928,870**	**$ 81,944,733**	**$ 1,113,591,091**	**$ 17,741,227**	**$ 2,262,123,516**
NPV @	5.25%	**$ 96,626,451**	**$ 36,331,956**	**$ 230,973,134**	**$ 22,614,863**	**$ 544,695,951**	**$ 5,225,407**	**$ 936,467,762**

Gerding Edlen

Option 1 - Full Build-Out
Land Lease

		City Revenue Sources											
					No	Yes							
Year		**City Parking Revenue**	**Master Lease - Office**	**Master Lease - Retail**	**Land Purchases**	**Land Lease Payment escalating 10% 10%**	**JLL Adjustments to Gerding Model**	**Retail Revenue Credit**	**Expansion Office Revenue Credit**	**Expansion Retail Revenue Credit**	**Property Tax Revenue Credit**	**City Revenue Credit SubTotal**	**Potential Net City Costs**
						7%							
						$ 67,451,461							
1	2008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,283,648
2	2009	$ -	$ -	$ -	$ -	$ (4,721,602)	$ -	$ -	$ -	$ -	$ -	$ (4,721,602)	$ 11,206,400
3	2010	$ -	$ -	$ -	$ -	$ (4,721,602)	$ -	$ -	$ -	$ -	$ -	$ (4,721,602)	$ 12,276,671
4	2011	$ -	$ -	$ -	$ -	$ (4,721,602)	$ -	$ -	$ -	$ -	$ -	$ (4,721,602)	$ 12,562,154
5	2012	$ -	$ -	$ -	$ -	$ (4,721,602)	$ -	$ -	$ -	$ -	$ -	$ (4,721,602)	$ 13,272,972
6	2013	$ (2,349,419)	$ (3,278,339)	$ (437,056)	$ -	$ (4,721,602)	$ 283,987	$ (16,188)	$ -	$ -	$ -	$ (10,518,617)	$ 17,979,974
7	2014	$ (4,698,838)	$ (6,556,679)	$ (874,113)	$ -	$ (5,193,762)	$ (144,645)	$ (63,358)	$ -	$ -	$ -	$ (17,531,394)	$ 26,834,263
8	2015	$ (4,886,791)	$ (6,556,679)	$ (874,113)	$ -	$ (5,193,762)	$ (148,984)	$ (65,259)	$ -	$ -	$ -	$ (17,725,588)	$ 23,172,913
9	2016	$ (5,082,263)	$ (6,556,679)	$ (874,113)	$ -	$ (5,193,762)	$ (153,454)	$ (67,216)	$ -	$ -	$ -	$ (17,927,487)	$ 23,626,284
10	2017	$ (5,285,553)	$ (6,556,679)	$ (874,113)	$ -	$ (5,193,762)	$ (158,057)	$ (69,233)	$ -	$ -	$ -	$ (18,137,397)	$ 24,088,202
11	2018	$ (5,496,976)	$ (6,556,679)	$ (874,113)	$ -	$ (5,193,762)	$ (162,799)	$ (171,986)	$ -	$ -	$ -	$ (18,456,314)	$ 24,456,299
12	2019	$ (5,716,855)	$ (6,556,679)	$ (874,113)	$ -	$ (5,713,139)	$ (167,683)	$ (227,296)	$ -	$ -	$ -	$ (19,255,763)	$ 24,362,731
13	2020	$ (5,945,529)	$ (6,556,679)	$ (874,113)	$ -	$ (5,713,139)	$ (172,713)	$ (265,753)	$ -	$ -	$ -	$ (19,527,925)	$ 24,818,752
14	2021	$ (6,183,350)	$ (6,556,679)	$ (874,113)	$ -	$ (5,713,139)	$ (177,895)	$ (285,364)	$ -	$ -	$ -	$ (19,790,539)	$ 25,299,734
15	2022	$ (6,430,684)	$ (6,556,679)	$ (874,113)	$ -	$ (5,713,139)	$ (183,232)	$ (293,925)	$ -	$ -	$ -	$ (20,051,770)	$ 25,795,952
16	2023	$ (6,687,911)	$ (5,178,905)	$ (874,113)	$ -	$ (5,713,139)	$ 1,473,505	$ (302,743)	$ -	$ -	$ -	$ (17,283,305)	$ 33,415,150
17	2024	$ (6,955,428)	$ (5,178,905)	$ (874,113)	$ -	$ (6,284,453)	$ (194,390)	$ (311,825)	$ -	$ -	$ -	$ (19,799,113)	$ 28,288,029
18	2025	$ (7,233,645)	$ (5,178,905)	$ (874,113)	$ -	$ (6,284,453)	$ (200,222)	$ (321,180)	$ -	$ -	$ (395,266)	$ (20,487,783)	$ 28,449,053
19	2026	$ (7,522,991)	$ (5,178,905)	$ (874,113)	$ -	$ (6,284,453)	$ (206,229)	$ (330,815)	$ -	$ -	$ (403,171)	$ (20,800,676)	$ 29,009,277
20	2027	$ (7,823,910)	$ (5,178,905)	$ (874,113)	$ -	$ (6,284,453)	$ (212,416)	$ (340,740)	$ -	$ -	$ (411,235)	$ (21,125,770)	$ 29,582,283
21	2028	$ (8,136,867)	$ (5,178,905)	$ (874,113)	$ -	$ (6,284,453)	$ (218,788)	$ (350,962)	$ -	$ -	$ (419,459)	$ (21,463,546)	$ 30,164,518
22	2029	$ (8,462,341)	$ (5,178,905)	$ (874,113)	$ -	$ (6,912,898)	$ (225,352)	$ (361,491)	$ -	$ -	$ (427,848)	$ (22,442,948)	$ 30,137,199
23	2030	$ (8,800,835)	$ (5,178,905)	$ (874,113)	$ -	$ (6,912,898)	$ (232,112)	$ (372,335)	$ -	$ -	$ (436,405)	$ (22,807,604)	$ 30,744,250
24	2031	$ (9,152,868)	$ (5,178,905)	$ (874,113)	$ -	$ (6,912,898)	$ (239,076)	$ (383,505)	$ -	$ -	$ (445,134)	$ (23,186,499)	$ 31,369,962
25	2032	$ (9,518,983)	$ (5,178,905)	$ (874,113)	$ -	$ (6,912,898)	$ (246,248)	$ (395,011)	$ -	$ -	$ (454,036)	$ (23,580,193)	$ 32,006,187
26	2033	$ (9,899,742)	$ (3,962,080)	$ (874,113)	$ -	$ (6,912,898)	$ 2,661,311	$ (406,861)	$ -	$ -	$ (463,117)	$ (19,857,499)	$ 41,687,020
27	2034	$ (10,295,732)	$ (3,962,080)	$ (874,113)	$ -	$ (7,604,188)	$ (261,244)	$ (419,067)	$ -	$ -	$ (472,379)	$ (23,888,802)	$ 34,698,490
28	2035	$ (10,707,561)	$ (3,962,080)	$ (874,113)	$ -	$ (7,604,188)	$ (269,082)	$ (431,639)	$ -	$ -	$ (481,827)	$ (24,330,489)	$ 35,023,478
29	2036	$ (11,135,864)	$ (3,962,080)	$ (874,113)	$ -	$ (7,604,188)	$ (277,154)	$ (444,588)	$ -	$ -	$ (491,463)	$ (24,789,449)	$ 35,361,900
30	2037	$ (11,581,298)	$ (3,962,080)	$ (874,113)	$ -	$ (7,604,188)	$ (285,469)	$ (457,925)	$ -	$ -	$ (501,293)	$ (25,266,365)	$ 35,711,296
31	2038	$ (12,044,550)	$ (3,962,080)	$ (874,113)	$ -	$ (7,604,188)	$ (294,033)	$ (471,663)	$ -	$ -	$ (511,318)	$ (25,761,945)	$ 36,074,266
32	2039	$ (12,526,332)	$ (3,962,080)	$ (874,113)	$ -	$ (8,364,606)	$ (302,854)	$ (485,813)	$ -	$ -	$ (521,545)	$ (27,037,343)	$ 35,697,806
33	2040	$ (13,027,386)	$ (3,962,080)	$ (874,113)	$ -	$ (8,364,606)	$ (311,939)	$ (500,388)	$ -	$ -	$ (531,976)	$ (27,572,487)	$ 36,094,572
34	2041	$ (13,548,481)	$ (3,962,080)	$ (874,113)	$ -	$ (8,364,606)	$ (321,298)	$ (515,399)	$ -	$ -	$ (542,615)	$ (28,128,592)	$ 36,506,322
35	2042	$ (14,090,420)	$ (3,962,080)	$ (874,113)	$ -	$ (8,364,606)	$ (330,937)	$ (530,861)	$ -	$ -	$ (553,468)	$ (28,706,484)	$ 36,935,006
36	2043	$ (14,654,037)	$ (2,995,237)	$ (874,113)	$ -	$ (8,364,606)	$ 3,934,152	$ (546,787)	$ -	$ -	$ (564,537)	$ (24,065,165)	$ 47,935,795
37	2044	$ (15,240,199)	$ -	$ -	$ -	$ (9,201,067)	$ (351,091)	$ (563,191)	$ (5,642,606)	$ (1,930,253)	$ (575,828)	$ (33,504,234)	$ (4,044,417)
38	2045	$ (15,849,807)	$ -	$ -	$ -	$ (9,201,067)	$ (361,623)	$ (580,086)	$ (5,811,884)	$ (1,988,161)	$ (587,344)	$ (34,379,972)	$ (3,746,099)
39	2046	$ (16,483,799)	$ -	$ -	$ -	$ (9,201,067)	$ (372,472)	$ (597,489)	$ (5,986,240)	$ (2,047,806)	$ (599,091)	$ (35,287,964)	$ (3,432,764)
40	2047	$ (17,143,151)	$ -	$ -	$ -	$ (9,201,067)	$ (383,646)	$ (615,414)	$ (6,165,828)	$ (2,109,240)	$ (611,073)	$ (36,229,418)	$ (3,103,701)
41	2048	$ (17,828,877)	$ -	$ -	$ -	$ (9,201,067)	$ (395,156)	$ (633,876)	$ (6,350,802)	$ (2,172,517)	$ (623,294)	$ (37,205,589)	$ (2,758,167)
42	2049	$ (18,542,032)	$ -	$ -	$ -	$ (10,121,174)	$ (407,010)	$ (652,892)	$ (6,541,326)	$ (2,237,693)	$ (635,760)	$ (39,137,888)	$ (3,315,492)
43	2050	$ (19,283,713)	$ -	$ -	$ -	$ (10,121,174)	$ (419,221)	$ (672,479)	$ (6,737,566)	$ (2,304,823)	$ (648,475)	$ (40,187,452)	$ (2,934,651)
44	2051	$ (20,055,062)	$ -	$ -	$ -	$ (10,121,174)	$ (431,797)	$ (692,653)	$ (6,939,693)	$ (2,373,968)	$ (661,445)	$ (41,275,792)	$ (2,534,899)
45	2052	$ (20,857,264)	$ -	$ -	$ -	$ (10,121,174)	$ (444,751)	$ (713,433)	$ (7,147,884)	$ (2,445,187)	$ (674,674)	$ (42,404,367)	$ (2,115,350)
46	2053	$ (21,691,555)	$ -	$ -	$ -	$ (10,121,174)	$ 7,092,023	$ (734,836)	$ (7,362,321)	$ (2,518,543)	$ (688,167)	$ (36,024,572)	$ 13,132,058
47	2054	$ (22,559,217)	$ -	$ -	$ -	$ (11,133,291)	$ (471,836)	$ (756,881)	$ (5,135,471)	$ (2,594,099)	$ (701,931)	$ (43,352,727)	$ 1,676,554
48	2055	$ (23,461,586)	$ -	$ -	$ -	$ (11,133,291)	$ (485,991)	$ (779,587)	$ (5,289,535)	$ (2,671,922)	$ (715,969)	$ (44,537,882)	$ 2,292,836
49	2056	$ (24,400,049)	$ -	$ -	$ -	$ (11,133,291)	$ (500,571)	$ (802,975)	$ (5,448,221)	$ (2,752,080)	$ (730,289)	$ (45,767,476)	$ 2,937,424
50	2057	$ (25,376,051)	$ -	$ -	$ -	$ (11,133,291)	$ (515,588)	$ (827,064)	$ (5,611,668)	$ (2,834,642)	$ (744,894)	$ (47,043,200)	$ 3,611,587
Nominal Sum		**$ (544,655,802)**	**$ (156,693,531)**	**$ (26,660,436)**	**$ -**	**$ (365,117,610)**	**$ 3,805,922**	**$ (19,830,029)**	**$ (86,171,046)**	**$ (32,980,935)**	**$ (18,226,328)**	**$ (1,246,529,793)**	**$ 1,015,593,722**
NPV @	**5.25%**	**$ (156,040,725)**	**$ (86,374,489)**	**$ (13,499,709)**	**$ -**	**$ (137,565,080)**	**$ 279,774**	**$ (5,615,205)**	**$ (12,941,316)**	**$ (4,825,051)**	**$ (4,466,692)**	**$ (421,048,493)**	**$ 515,419,269**

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		Gross City Obligation						
	Year	Existing Occupancy Costs	Relocate Library & Publishing	New Bldg Op Ex	New Bldg Cap Reserves	Debt Service & Bond Mgmt Fee	Expansion Space TI	Gross City Obligation SubTotal
1	2008	$ 15,283,648	$ -	$ -	$ -	$ -	$ -	$ 15,283,648
2	2009	$ 15,928,002	$ -	$ -	$ -	$ -	$ -	$ 15,928,002
3	2010	$ 15,675,594	$ 1,322,680	$ -	$ -	$ -	$ -	$ 16,998,274
4	2011	$ 16,330,071	$ 953,685	$ -	$ -	$ -	$ -	$ 17,283,756
5	2012	$ 17,008,712	$ 985,862	$ -	$ -	$ -	$ -	$ 17,994,574
6	2013	$ 12,500,692	$ 1,019,260	$ 3,074,486	$ 301,027	$ 11,603,126	$ -	$ 28,498,591
7	2014	$ 4,104,469	$ 1,053,931	$ 6,394,931	$ 626,136	$ 32,186,190	$ -	$ 44,365,657
8	2015	$ -	$ 1,089,928	$ 6,650,728	$ 651,181	$ 32,506,664	$ -	$ 40,898,501
9	2016	$ -	$ 1,127,307	$ 6,916,757	$ 677,228	$ 32,832,478	$ -	$ 41,553,770
10	2017	$ -	$ 1,166,128	$ 7,193,427	$ 704,317	$ 33,161,727	$ -	$ 42,225,599
11	2018	$ -	$ 1,206,450	$ 7,481,165	$ 732,490	$ 33,492,508	$ -	$ 42,912,613
12	2019	$ -	$ 1,248,340	$ 7,780,411	$ 761,790	$ 33,827,954	$ -	$ 43,618,494
13	2020	$ -	$ 1,291,863	$ 8,091,628	$ 792,261	$ 34,170,926	$ -	$ 44,346,677
14	2021	$ -	$ 1,337,089	$ 8,415,293	$ 823,952	$ 34,513,939	$ -	$ 45,090,272
15	2022	$ -	$ 1,384,093	$ 8,751,904	$ 856,910	$ 34,854,815	$ -	$ 45,847,723
16	2023	$ -	$ 1,432,951	$ 9,661,501	$ 945,969	$ 35,218,214	$ 3,439,819	$ 50,698,455
17	2024	$ -	$ 1,483,743	$ 10,047,961	$ 983,808	$ 35,571,630	$ -	$ 48,087,142
18	2025	$ -	$ 1,536,553	$ 10,449,880	$ 1,023,161	$ 35,927,242	$ -	$ 48,936,835
19	2026	$ -	$ 1,591,470	$ 10,867,875	$ 1,064,087	$ 36,286,521	$ -	$ 49,809,953
20	2027	$ -	$ 1,648,584	$ 11,302,590	$ 1,106,650	$ 36,650,229	$ -	$ 50,708,054
21	2028	$ -	$ 1,707,993	$ 11,754,693	$ 1,150,916	$ 37,014,461	$ -	$ 51,628,064
22	2029	$ -	$ 1,769,796	$ 12,224,881	$ 1,196,953	$ 37,388,516	$ -	$ 52,580,147
23	2030	$ -	$ 1,834,100	$ 12,713,876	$ 1,244,831	$ 37,759,045	$ -	$ 53,551,853
24	2031	$ -	$ 1,901,015	$ 13,222,432	$ 1,294,624	$ 38,138,390	$ -	$ 54,556,461
25	2032	$ -	$ 1,970,655	$ 13,751,329	$ 1,346,409	$ 38,517,987	$ -	$ 55,586,380
26	2033	$ -	$ 2,043,142	$ 15,032,858	$ 1,471,886	$ 38,913,832	$ 4,082,802	$ 61,544,520
27	2034	$ -	$ 2,118,602	$ 15,634,172	$ 1,530,761	$ 39,303,757	$ -	$ 58,587,292
28	2035	$ -	$ 2,197,168	$ 16,259,539	$ 1,591,991	$ 39,305,268	$ -	$ 59,353,967
29	2036	$ -	$ 2,278,978	$ 16,909,920	$ 1,655,671	$ 39,306,779	$ -	$ 60,151,349
30	2037	$ -	$ 2,364,178	$ 17,586,317	$ 1,721,898	$ 39,305,268	$ -	$ 60,977,661
31	2038	$ -	$ 2,452,918	$ 18,289,770	$ 1,790,774	$ 39,302,749	$ -	$ 61,836,211
32	2039	$ -	$ 2,545,359	$ 19,021,361	$ 1,862,405	$ 39,306,024	$ -	$ 62,735,149
33	2040	$ -	$ 2,641,667	$ 19,782,215	$ 1,936,901	$ 39,306,276	$ -	$ 63,667,059
34	2041	$ -	$ 2,742,016	$ 20,573,504	$ 2,014,377	$ 39,305,016	$ -	$ 64,634,913
35	2042	$ -	$ 2,846,590	$ 21,396,444	$ 2,094,952	$ 39,303,505	$ -	$ 65,641,491
36	2043	$ -	$ 2,955,579	$ 23,112,624	$ 2,262,985	$ 39,310,055	$ 4,359,717	$ 72,000,960
37	2044	$ -	$ 3,069,183	$ 24,037,129	$ 2,353,505	$ -	$ -	$ 29,459,817
38	2045	$ -	$ 3,187,614	$ 24,998,614	$ 2,447,645	$ -	$ -	$ 30,633,873
39	2046	$ -	$ 3,311,091	$ 25,998,558	$ 2,545,551	$ -	$ -	$ 31,855,200
40	2047	$ -	$ 3,439,843	$ 27,038,501	$ 2,647,373	$ -	$ -	$ 33,125,717
41	2048	$ -	$ 3,574,114	$ 28,120,041	$ 2,753,268	$ -	$ -	$ 34,447,422
42	2049	$ -	$ 3,714,154	$ 29,244,842	$ 2,863,398	$ -	$ -	$ 35,822,395
43	2050	$ -	$ 3,860,230	$ 30,414,636	$ 2,977,934	$ -	$ -	$ 37,252,801
44	2051	$ -	$ 4,012,620	$ 31,631,222	$ 3,097,052	$ -	$ -	$ 38,740,893
45	2052	$ -	$ 4,171,613	$ 32,896,470	$ 3,220,934	$ -	$ -	$ 40,289,017
46	2053	$ -	$ 4,337,515	$ 35,485,771	$ 3,474,455	$ -	$ 5,858,889	$ 49,156,630
47	2054	$ -	$ 4,510,644	$ 36,905,202	$ 3,613,434	$ -	$ -	$ 45,029,280
48	2055	$ -	$ 4,691,337	$ 38,381,410	$ 3,757,971	$ -	$ -	$ 46,830,719
49	2056	$ -	$ 4,879,944	$ 39,916,667	$ 3,908,290	$ -	$ -	$ 48,704,900
50	2057	$ -	$ 5,076,831	$ 41,513,333	$ 4,064,621	$ -	$ -	$ 50,654,786
Nominal Sum		**$ 96,831,187**	**$ 115,086,408**	**$ 836,928,870**	**$ 81,944,733**	**$ 1,113,591,091**	**$ 17,741,227**	**$ 2,262,123,516**
NPV @	**5.25%**	**$ 96,626,451**	**$ 36,331,956**	**$ 230,973,134**	**$ 22,614,863**	**$ 544,695,951**	**$ 5,225,407**	**$ 936,467,762**

Gerding Edlen

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	Year	City Revenue Sources										
	Year	City Parking Revenue	Evan Jones Parkade Net Operating Revenue 50%	Master Lease - Office	Master Lease - Retail	Land Purchase Deposit	Retail Sales Tax Revenue Credit	Surplus Office Revenue Credit	Surplus Retail Revenue Credit	JLL Adjustments to Gerding Model	City Revenue Credit SubTotal	City Potential Net Costs
1	2008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,283,648
2	2009	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,928,002
3	2010	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,998,274
4	2011	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,283,756
5	2012	$ -	$ -	$ -	$ -	$ (6,745,146)	$ -	$ -	$ -	$ -	$ (6,745,146)	$ 11,249,428
6	2013	$ (2,349,419)	$ (678,545)	$ (3,278,339)	$ (437,056)	$ -	$ (16,188)	$ -	$ -	$ 283,987	$ (6,475,559)	$ 22,023,032
7	2014	$ (4,698,838)	$ (1,207,704)	$ (6,556,679)	$ (874,113)	$ -	$ (63,358)	$ -	$ -	$ (144,645)	$ (13,545,336)	$ 30,820,321
8	2015	$ (4,886,791)	$ (1,253,867)	$ (6,556,679)	$ (874,113)	$ -	$ (65,259)	$ -	$ -	$ (148,984)	$ (13,785,692)	$ 27,112,809
9	2016	$ (5,082,263)	$ (1,301,769)	$ (6,556,679)	$ (874,113)	$ -	$ (67,216)	$ -	$ -	$ (153,454)	$ (14,035,493)	$ 27,518,277
10	2017	$ (5,285,553)	$ (1,351,474)	$ (6,556,679)	$ (874,113)	$ -	$ (69,233)	$ -	$ -	$ (158,057)	$ (14,295,109)	$ 27,930,491
11	2018	$ (5,496,976)	$ (1,403,049)	$ (6,556,679)	$ (874,113)	$ -	$ (71,310)	$ -	$ -	$ (162,799)	$ (14,564,925)	$ 28,347,688
12	2019	$ (5,716,855)	$ (1,456,563)	$ (6,556,679)	$ (874,113)	$ -	$ (73,449)	$ -	$ -	$ (167,683)	$ (14,845,341)	$ 28,773,153
13	2020	$ (5,945,529)	$ (1,512,087)	$ (6,556,679)	$ (874,113)	$ -	$ (75,653)	$ -	$ -	$ (172,713)	$ (15,136,773)	$ 29,209,904
14	2021	$ (6,183,350)	$ (1,569,695)	$ (6,556,679)	$ (874,113)	$ -	$ (77,922)	$ -	$ -	$ (177,895)	$ (15,439,653)	$ 29,650,619
15	2022	$ (6,430,684)	$ (1,629,464)	$ (6,556,679)	$ (874,113)	$ -	$ (80,260)	$ -	$ -	$ (183,232)	$ (15,754,430)	$ 30,093,292
16	2023	$ (6,687,911)	$ (1,691,472)	$ (5,178,905)	$ (874,113)	$ -	$ (82,668)	$ -	$ -	$ 1,473,505	$ (13,041,564)	$ 37,656,891
17	2024	$ (6,955,428)	$ (1,755,803)	$ (5,178,905)	$ (874,113)	$ -	$ (85,148)	$ -	$ -	$ (194,390)	$ (15,043,786)	$ 33,043,356
18	2025	$ (7,233,645)	$ (1,822,540)	$ (5,178,905)	$ (874,113)	$ -	$ (87,702)	$ -	$ -	$ (200,222)	$ (15,397,126)	$ 33,539,709
19	2026	$ (7,522,991)	$ (1,891,771)	$ (5,178,905)	$ (874,113)	$ -	$ (90,333)	$ -	$ -	$ (206,229)	$ (15,764,342)	$ 34,045,611
20	2027	$ (7,823,910)	$ (1,963,589)	$ (5,178,905)	$ (874,113)	$ -	$ (93,043)	$ -	$ -	$ (212,416)	$ (16,145,976)	$ 34,562,078
21	2028	$ (8,136,867)	$ (2,038,087)	$ (5,178,905)	$ (874,113)	$ -	$ (95,835)	$ -	$ -	$ (218,788)	$ (16,542,594)	$ 35,085,470
22	2029	$ (8,462,341)	$ (2,115,362)	$ (5,178,905)	$ (874,113)	$ -	$ (98,710)	$ -	$ -	$ (225,352)	$ (16,954,782)	$ 35,625,365
23	2030	$ (8,800,835)	$ (2,195,516)	$ (5,178,905)	$ (874,113)	$ -	$ (101,671)	$ -	$ -	$ (232,112)	$ (17,383,152)	$ 36,168,702
24	2031	$ (9,152,868)	$ (2,278,653)	$ (5,178,905)	$ (874,113)	$ -	$ (104,721)	$ -	$ -	$ (239,076)	$ (17,828,335)	$ 36,728,126
25	2032	$ (9,518,983)	$ (2,364,881)	$ (5,178,905)	$ (874,113)	$ -	$ (107,863)	$ -	$ -	$ (246,248)	$ (18,290,992)	$ 37,295,388
26	2033	$ (9,899,742)	$ (2,454,312)	$ (3,962,080)	$ (874,113)	$ -	$ (111,099)	$ -	$ -	$ 2,661,311	$ (14,640,035)	$ 46,904,485
27	2034	$ (10,295,732)	$ (2,547,063)	$ (3,962,080)	$ (874,113)	$ -	$ (114,431)	$ -	$ -	$ (261,244)	$ (18,054,663)	$ 40,532,629
28	2035	$ (10,707,561)	$ (2,643,252)	$ (3,962,080)	$ (874,113)	$ -	$ (117,864)	$ -	$ -	$ (269,082)	$ (18,573,952)	$ 40,780,014
29	2036	$ (11,135,864)	$ (2,743,005)	$ (3,962,080)	$ (874,113)	$ -	$ (121,400)	$ -	$ -	$ (277,154)	$ (19,113,615)	$ 41,037,734
30	2037	$ (11,581,298)	$ (2,846,448)	$ (3,962,080)	$ (874,113)	$ -	$ (125,042)	$ -	$ -	$ (285,469)	$ (19,674,450)	$ 41,303,211
31	2038	$ (12,044,550)	$ (2,953,716)	$ (3,962,080)	$ (874,113)	$ -	$ (128,794)	$ -	$ -	$ (294,033)	$ (20,257,285)	$ 41,578,926
32	2039	$ (12,526,332)	$ (3,064,945)	$ (3,962,080)	$ (874,113)	$ -	$ (132,657)	$ -	$ -	$ (302,854)	$ (20,862,981)	$ 41,872,168
33	2040	$ (13,027,386)	$ (3,180,276)	$ (3,962,080)	$ (874,113)	$ -	$ (136,637)	$ -	$ -	$ (311,939)	$ (21,492,431)	$ 42,174,628
34	2041	$ (13,548,481)	$ (3,299,858)	$ (3,962,080)	$ (874,113)	$ -	$ (140,736)	$ -	$ -	$ (321,298)	$ (22,146,566)	$ 42,488,348
35	2042	$ (14,090,420)	$ (3,423,842)	$ (3,962,080)	$ (874,113)	$ -	$ (144,958)	$ -	$ -	$ (330,937)	$ (22,826,350)	$ 42,815,141
36	2043	$ (14,654,037)	$ (3,552,384)	$ (2,995,237)	$ (874,113)	$ -	$ (149,307)	$ -	$ -	$ 3,934,152	$ (18,290,926)	$ 53,710,034
37	2044	$ (15,240,199)	$ (3,685,648)	$ -	$ -	$ -	$ (153,786)	$ (5,642,606)	$ (1,930,253)	$ (351,091)	$ (27,003,583)	$ 2,456,234
38	2045	$ (15,849,807)	$ (3,823,801)	$ -	$ -	$ -	$ (158,400)	$ (5,811,884)	$ (1,988,161)	$ (361,623)	$ (27,993,675)	$ 2,640,198
39	2046	$ (16,483,799)	$ (3,967,016)	$ -	$ -	$ -	$ (163,152)	$ (5,986,240)	$ (2,047,806)	$ (372,472)	$ (29,020,485)	$ 2,834,715
40	2047	$ (17,143,151)	$ (4,115,472)	$ -	$ -	$ -	$ (168,046)	$ (6,165,828)	$ (2,109,240)	$ (383,646)	$ (30,085,383)	$ 3,040,334
41	2048	$ (17,828,877)	$ (4,269,356)	$ -	$ -	$ -	$ (173,088)	$ (6,350,802)	$ (2,172,517)	$ (395,156)	$ (31,189,796)	$ 3,257,626
42	2049	$ (18,542,032)	$ (4,428,858)	$ -	$ -	$ -	$ (178,281)	$ (6,541,326)	$ (2,237,693)	$ (407,010)	$ (32,335,200)	$ 3,487,195
43	2050	$ (19,283,713)	$ (4,594,177)	$ -	$ -	$ -	$ (183,629)	$ (6,737,566)	$ (2,304,823)	$ (419,221)	$ (33,523,130)	$ 3,729,671
44	2051	$ (20,055,062)	$ (4,765,517)	$ -	$ -	$ -	$ (189,138)	$ (6,939,693)	$ (2,373,968)	$ (431,797)	$ (34,755,175)	$ 3,985,718
45	2052	$ (20,857,264)	$ (4,943,089)	$ -	$ -	$ -	$ (194,812)	$ (7,147,884)	$ (2,445,187)	$ (444,751)	$ (36,032,988)	$ 4,256,029
46	2053	$ (21,691,555)	$ (5,127,112)	$ -	$ -	$ -	$ (200,656)	$ (7,362,321)	$ (2,518,543)	$ 7,092,023	$ (29,808,163)	$ 19,348,467
47	2054	$ (22,559,217)	$ (5,317,810)	$ -	$ -	$ -	$ (206,676)	$ (5,135,471)	$ (2,594,099)	$ (471,836)	$ (36,285,110)	$ 8,744,170
48	2055	$ (23,461,586)	$ (5,515,418)	$ -	$ -	$ -	$ (212,876)	$ (5,289,535)	$ (2,671,922)	$ (485,991)	$ (37,637,328)	$ 9,193,390
49	2056	$ (24,400,049)	$ (5,720,174)	$ -	$ -	$ -	$ (219,263)	$ (5,448,221)	$ (2,752,080)	$ (500,571)	$ (39,040,358)	$ 9,664,543
50	2057	$ (25,376,051)	$ (5,932,327)	$ -	$ -	$ -	$ (225,840)	$ (5,611,668)	$ (2,834,642)	$ (515,588)	$ (40,496,117)	$ 10,158,669
Nominal Sum		**$ (544,655,802)**	**$ (132,396,766)**	**$ (156,693,531)**	**$ (26,660,436)**	**$ (6,745,146)**	**$ (5,658,111)**	**$ (86,171,046)**	**$ (32,980,935)**	**$ 3,805,922**	**$ (988,155,851)**	**$ 1,273,967,665**
NPV @	**5.25%**	**$ (156,040,725)**	**$ (38,671,934)**	**$ (86,374,489)**	**$ (13,499,709)**	**$ (6,745,146)**	**$ (1,743,958)**	**$ (12,941,316)**	**$ (4,825,051)**	**$ 279,774**	**$ (320,562,554)**	**$ 615,905,207**

Hines

Tax Exempt C

	Year	Existing Occupancy Costs	Relocate Library & Publishing	Civic Center Plaza Growth	New City Office Facility (Net Rent)	New City Hall (Net Rent)	City Office and Hall OpEx	Parkade OpEx	Gross City Obligation SubTotal
		Gross City Obligations							
1	2008	$ 15,963,425	$ -	$ -	$ -	$ -	$ -	$ 1,320,223	$ 17,283,648
2	2009	$ 16,631,768	$ 1,292,800	$ -	$ -	$ -	$ -	$ 1,376,234	$ 19,300,802
3	2010	$ 15,214,072	$ 922,680	$ -	$ -	$ -	$ -	$ 1,434,646	$ 17,571,397
4	2011	$ 15,847,387	$ 953,685	$ -	$ -	$ -	$ -	$ 1,495,562	$ 18,296,634
5	2012	$ 16,503,758	$ 985,862	$ -	$ -	$ -	$ -	$ 1,559,091	$ 19,048,712
6	2013	$ 10,909,370	$ 1,019,260	$ -	$ 16,761,407	$ -	$ 5,437,156	$ 389,600	$ 34,516,793
7	2014	$ 5,018,303	$ 1,053,931	$ -	$ 17,264,249	$ 1,156,226	$ 6,033,347	$ 405,184	$ 30,931,240
8	2015	$ -	$ 1,089,928	$ -	$ 17,782,177	$ 3,572,739	$ 7,062,385	$ 431,392	$ 29,938,621
9	2016	$ -	$ 1,127,307	$ -	$ 18,315,642	$ 3,679,921	$ 7,344,881	$ 438,248	$ 30,905,999
10	2017	$ -	$ 1,166,128	$ -	$ 18,865,111	$ 3,790,318	$ 7,638,676	$ 455,777	$ 31,916,010
11	2018	$ -	$ 1,206,450	$ -	$ 19,431,064	$ 3,904,028	$ 7,944,223	$ 474,008	$ 32,959,773
12	2019	$ -	$ 1,248,340	$ -	$ 20,013,996	$ 4,021,149	$ 8,261,992	$ 492,969	$ 34,038,446
13	2020	$ -	$ 1,291,863	$ -	$ 20,614,416	$ 4,141,783	$ 8,592,472	$ 512,687	$ 35,153,221
14	2021	$ -	$ 1,337,089	$ -	$ 21,232,849	$ 4,266,037	$ 8,936,170	$ 533,195	$ 36,305,340
15	2022	$ -	$ 1,384,093	$ -	$ 21,869,834	$ 4,394,018	$ 9,293,617	$ 554,523	$ 37,496,085
16	2023	$ -	$ 1,432,951	$ -	$ 22,525,929	$ 4,525,838	$ 9,665,362	$ 576,704	$ 38,726,784
17	2024	$ -	$ 1,483,743	$ 4,694,808	$ 23,201,707	$ 4,661,614	$ 10,051,976	$ 599,772	$ 44,693,620
18	2025	$ -	$ 1,536,553	$ 2,631,943	$ 23,897,758	$ 4,801,462	$ 10,454,055	$ 623,763	$ 43,945,534
19	2026	$ -	$ 1,591,470	$ 2,752,513	$ 24,614,691	$ 4,945,506	$ 10,872,217	$ 648,714	$ 45,425,110
20	2027	$ -	$ 1,648,584	$ 2,877,501	$ 25,353,131	$ 5,093,871	$ 11,307,106	$ 674,662	$ 46,954,856
21	2028	$ -	$ 1,707,993	$ 3,007,085	$ 26,113,725	$ 5,246,687	$ 11,759,390	$ 701,649	$ 48,536,529
22	2029	$ -	$ 1,769,796	$ 3,141,457	$ 26,897,137	$ 5,404,088	$ 12,229,766	$ 729,714	$ 50,171,959
23	2030	$ -	$ 1,834,100	$ 3,280,811	$ 27,704,051	$ 5,566,210	$ 12,718,956	$ 758,903	$ 51,863,032
24	2031	$ -	$ 1,901,015	$ 3,425,354	$ 28,535,173	$ 5,733,197	$ 13,227,715	$ 789,259	$ 53,611,712
25	2032	$ -	$ 1,970,655	$ 3,575,300	$ 29,391,228	$ 5,905,193	$ 13,756,823	$ 820,830	$ 55,420,028
26	2033	$ -	$ 2,043,142	$ 3,730,875	$ 30,272,965	$ 6,082,348	$ 14,307,096	$ 853,663	$ 57,290,089
27	2034	$ -	$ 2,118,602	$ 10,848,455	$ 31,181,154	$ 6,264,819	$ 14,879,380	$ 887,809	$ 66,180,219
28	2035	$ -	$ 2,197,168	$ 8,126,609	$ 32,116,588	$ 6,452,763	$ 15,474,555	$ 923,322	$ 65,291,006
29	2036	$ -	$ 2,278,978	$ 8,513,268	$ 33,080,086	$ 6,646,346	$ 16,093,537	$ 960,254	$ 67,572,471
30	2037	$ -	$ 2,364,178	$ 8,914,293	$ 34,072,489	$ 6,845,737	$ 16,737,279	$ 998,665	$ 69,932,640
31	2038	$ -	$ 2,452,918	$ 9,330,278	$ 35,094,663	$ 7,051,109	$ 17,406,770	$ 1,038,611	$ 72,374,350
32	2039	$ -	$ 2,545,359	$ 9,761,843	$ 36,147,503	$ 7,262,642	$ 18,103,041	$ 1,080,156	$ 74,900,544
33	2040	$ -	$ 2,641,667	$ 10,209,637	$ 37,231,928	$ 7,480,521	$ 18,827,162	$ 1,123,362	$ 77,514,278
34	2041	$ -	$ 2,742,016	$ 10,674,339	$ 38,348,886	$ 7,704,937	$ 19,580,249	$ 1,168,296	$ 80,218,724
35	2042	$ -	$ 2,846,590	$ 11,156,655	$ 39,499,353	$ 7,936,085	$ 20,363,459	$ 1,215,028	$ 83,017,170
36	2043	$ -	$ 2,955,579	$ 11,657,327	$ -	$ -	$ 21,177,997	$ 1,263,629	$ 37,054,532
37	2044	$ -	$ 3,069,183	$ 22,391,607	$ -	$ -	$ 22,025,117	$ 1,314,175	$ 48,800,082
38	2045	$ -	$ 3,187,614	$ 18,868,979	$ -	$ -	$ 22,906,122	$ 1,366,742	$ 46,329,456
39	2046	$ -	$ 3,311,091	$ 19,802,900	$ -	$ -	$ 23,822,367	$ 1,421,411	$ 48,357,768
40	2047	$ -	$ 3,439,843	$ 20,772,007	$ -	$ -	$ 24,775,261	$ 1,478,268	$ 50,465,379
41	2048	$ -	$ 3,574,114	$ 21,777,769	$ -	$ -	$ 25,766,272	$ 1,537,398	$ 52,655,553
42	2049	$ -	$ 3,714,154	$ 22,821,726	$ -	$ -	$ 26,796,923	$ 1,598,894	$ 54,931,697
43	2050	$ -	$ 3,860,230	$ 23,905,484	$ -	$ -	$ 27,868,800	$ 1,662,850	$ 57,297,364
44	2051	$ -	$ 4,012,620	$ 25,030,724	$ -	$ -	$ 28,983,552	$ 1,729,364	$ 59,756,259
45	2052	$ -	$ 4,171,613	$ 26,199,187	$ -	$ -	$ 30,142,894	$ 1,798,539	$ 62,312,232
46	2053	$ -	$ 4,337,515	$ 27,412,754	$ -	$ -	$ 31,348,609	$ 1,870,480	$ 64,969,358
47	2054	$ -	$ 4,510,644	$ 43,379,838	$ -	$ -	$ 32,602,554	$ 1,945,299	$ 82,438,336
48	2055	$ -	$ 4,691,337	$ 38,991,336	$ -	$ -	$ 33,906,656	$ 2,023,111	$ 79,612,441
49	2056	$ -	$ 4,879,944	$ 41,002,079	$ -	$ -	$ 35,262,922	$ 2,104,036	$ 83,248,981
50	2057	$ -	$ 5,076,831	$ 43,089,621	$ -	$ -	$ 36,673,439	$ 2,188,197	$ 87,028,089
Nominal Sum		**$ 96,088,082**	**$ 115,979,208**	**$ 527,756,362**	**$ 797,430,891**	**$ 154,537,193**	**$ 788,420,298**	**$ 54,348,868**	**$ 2,534,560,902**
NPV @	**5.25%**	**$ 95,837,763**	**$ 37,224,756**	**$ 98,077,381**	**$ 374,042,666**	**$ 69,586,717**	**$ 226,832,026**	**$ 20,837,306**	**$ 922,438,615**

Tax Exempt C

	Year	City Revenue Sources: Parking Cash Flow	City Revenue Sources: Retail Cash Flow	City Revenue Sources: Retail Revenue Credit	City Revenue Sources: 12/15/08 Adjustments - Meeting Revenue (A)	City Revenue Credit SubTotal	Potential Net City Costs
1	2008	$ (2,000,000)	$ -	$ -	$ -	$ (2,000,000)	$ 15,283,648
2	2009	$ (2,080,000)	$ -	$ -	$ -	$ (2,080,000)	$ 17,220,802
3	2010	$ (2,163,200)	$ -	$ -	$ -	$ (2,163,200)	$ 15,408,197
4	2011	$ (2,249,728)	$ -	$ -	$ -	$ (2,249,728)	$ 16,046,906
5	2012	$ (2,339,717)	$ -	$ -	$ -	$ (2,339,717)	$ 16,708,994
6	2013	$ (3,656,317)	$ -	$ (44,139)	$ -	$ (3,700,456)	$ 30,816,337
7	2014	$ (3,802,570)	$ (400,185)	$ (45,463)	$ (48,215)	$ (4,296,433)	$ 26,634,807
8	2015	$ (3,954,672)	$ (420,190)	$ (46,827)	$ (148,984)	$ (4,570,673)	$ 25,367,948
9	2016	$ (4,112,859)	$ (420,445)	$ (48,232)	$ (153,454)	$ (4,734,989)	$ 26,171,010
10	2017	$ (4,277,374)	$ (430,956)	$ (49,679)	$ (158,057)	$ (4,916,066)	$ 26,999,944
11	2018	$ (4,448,469)	$ (441,730)	$ (51,169)	$ (162,799)	$ (5,104,167)	$ 27,855,606
12	2019	$ (4,626,407)	$ (403,340)	$ (52,704)	$ (167,683)	$ (5,250,134)	$ 28,788,312
13	2020	$ (4,811,464)	$ (413,424)	$ (54,285)	$ (172,713)	$ (5,451,887)	$ 29,701,334
14	2021	$ (5,003,922)	$ (423,759)	$ (55,914)	$ (177,895)	$ (5,661,490)	$ 30,643,851
15	2022	$ (5,204,079)	$ (434,353)	$ (57,591)	$ (183,232)	$ (5,879,255)	$ 31,616,830
16	2023	$ (5,412,242)	$ (445,212)	$ (59,319)	$ (188,728)	$ (6,105,502)	$ 32,621,282
17	2024	$ (5,628,732)	$ (498,798)	$ (61,099)	$ (194,390)	$ (6,383,019)	$ 38,310,601
18	2025	$ (5,853,881)	$ (511,268)	$ (62,932)	$ (200,222)	$ (6,628,303)	$ 37,317,232
19	2026	$ (6,088,036)	$ (524,049)	$ (64,820)	$ (206,229)	$ (6,883,134)	$ 38,541,977
20	2027	$ (6,331,558)	$ (537,151)	$ (66,764)	$ (212,416)	$ (7,147,888)	$ 39,806,967
21	2028	$ (6,584,820)	$ (550,579)	$ (68,767)	$ (218,788)	$ (7,422,954)	$ 41,113,575
22	2029	$ (6,848,213)	$ (616,847)	$ (70,830)	$ (225,352)	$ (7,761,242)	$ 42,410,717
23	2030	$ (7,122,141)	$ (632,268)	$ (72,955)	$ (232,112)	$ (8,059,477)	$ 43,803,556
24	2031	$ (7,407,027)	$ (648,075)	$ (75,144)	$ (239,076)	$ (8,369,321)	$ 45,242,391
25	2032	$ (7,703,308)	$ (664,277)	$ (77,398)	$ (246,248)	$ (8,691,231)	$ 46,728,797
26	2033	$ (8,011,440)	$ (680,884)	$ (79,720)	$ (253,635)	$ (9,025,680)	$ 48,264,410
27	2034	$ (8,331,898)	$ (762,834)	$ (82,112)	$ (261,244)	$ (9,438,088)	$ 56,742,131
28	2035	$ (8,665,174)	$ (781,905)	$ (84,575)	$ (269,082)	$ (9,800,735)	$ 55,490,270
29	2036	$ (9,011,781)	$ (801,453)	$ (87,112)	$ (277,154)	$ (10,177,500)	$ 57,394,970
30	2037	$ (9,372,252)	$ (821,489)	$ (89,725)	$ (285,469)	$ (10,568,935)	$ 59,363,704
31	2038	$ (9,747,142)	$ (842,026)	$ (92,417)	$ (294,033)	$ (10,975,618)	$ 61,398,731
32	2039	$ (10,137,028)	$ (943,372)	$ (95,190)	$ (302,854)	$ (11,478,443)	$ 63,422,101
33	2040	$ (10,542,509)	$ (966,957)	$ (98,045)	$ (311,939)	$ (11,919,451)	$ 65,594,827
34	2041	$ (10,964,209)	$ (991,131)	$ (100,987)	$ (321,298)	$ (12,377,625)	$ 67,841,099
35	2042	$ (11,402,778)	$ (1,015,909)	$ (104,016)	$ (330,937)	$ (12,853,640)	$ 70,163,530
36	2043	$ (11,858,889)	$ (1,041,307)	$ (107,137)	$ (340,865)	$ (13,348,197)	$ 23,706,335
37	2044	$ (12,333,244)	$ (1,166,638)	$ (110,351)	$ (351,091)	$ (13,961,324)	$ 34,838,758
38	2045	$ (12,826,574)	$ (1,195,804)	$ (113,662)	$ (361,623)	$ (14,497,663)	$ 31,831,793
39	2046	$ (13,339,637)	$ (1,225,699)	$ (117,071)	$ (372,472)	$ (15,054,880)	$ 33,302,889
40	2047	$ (13,873,223)	$ (1,256,341)	$ (120,584)	$ (383,646)	$ (15,633,793)	$ 34,831,586
41	2048	$ (14,428,151)	$ (1,287,750)	$ (124,201)	$ (395,156)	$ (16,235,258)	$ 36,420,295
42	2049	$ (15,005,278)	$ (1,442,743)	$ (127,927)	$ (407,010)	$ (16,982,958)	$ 37,948,739
43	2050	$ (15,605,489)	$ (1,478,811)	$ (131,765)	$ (419,221)	$ (17,635,285)	$ 39,662,079
44	2051	$ (16,229,708)	$ (1,515,782)	$ (135,718)	$ (431,797)	$ (18,313,005)	$ 41,443,254
45	2052	$ (16,878,897)	$ (1,553,676)	$ (139,789)	$ (444,751)	$ (19,017,113)	$ 43,295,119
46	2053	$ (17,554,052)	$ (1,592,518)	$ (143,983)	$ (458,094)	$ (19,748,647)	$ 45,220,711
47	2054	$ (18,256,214)	$ (1,784,193)	$ (148,303)	$ (471,836)	$ (20,660,546)	$ 61,777,789
48	2055	$ (18,986,463)	$ (1,828,797)	$ (152,752)	$ (485,991)	$ (21,454,003)	$ 58,158,437
49	2056	$ (19,745,922)	$ (1,874,517)	$ (157,334)	$ (500,571)	$ (22,278,344)	$ 60,970,637
50	2057	$ (20,535,758)	$ (1,921,380)	$ (162,054)	$ (515,588)	$ (23,134,781)	$ 63,893,308
		$ (453,354,447)	**$ (40,190,822)**	**$ (4,092,562)**	**$ (12,783,949)**	**$ (510,421,779)**	**$ 2,024,139,123**
		$ (138,864,798)	**$ (11,340,583)**	**$ (1,283,920)**	**$ (3,852,840)**	**$ (155,342,141)**	**$ 767,096,473**