



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: Brad Richter, Assistant Vice President - Planning
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From: KEYSER MARSTON ASSOCIATES, INC.

Date: October 7, 2016

Subject: 1122 4th Avenue

Peer Review of Economic Alternative Analysis

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I. INTRODUCTION

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In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a peer review of the economic feasibility analysis prepared for alternative development scenarios for the 0.58-acre California Theatre site at 1122 4th Avenue (Site).

As background, it is the KMA understanding that Civic San Diego (CivicSD) has received a development proposal from the Site's current owner, Sloan Capital Partners, LLC (Developer). The Developer proposes to demolish the existing California Theatre and office building to develop 282 residential units and 10,900 square feet (SF) of retail space on the Site. San Diego Municipal Code Section 126.0504(i) requires that developers seeking a Site Development Permit for the demolition of historic resources must provide findings that the denial of the Permit would result in an economic hardship for the Developer.

To that end, an economic analysis has been prepared by The London Group (London) on behalf of the Developer to demonstrate the comparative economic feasibility of six (6) alternative development scenarios proposed for the Site. CivicSD requested that KMA conduct a peer review of the London analysis to determine:

(1) If the assumptions and conclusions used in the analyses are acceptable; and

- (2) If any of the alternatives are economically feasible, that is, able to be financed and generate a reasonable rate of return.

II. KEY FINDINGS

Development Alternatives

KMA analyzed six development alternatives for the Site as presented by the Developer and London:

- *Base Case* – Clear the Site of all existing improvements and develop a new mixed-use project featuring a 40-story condominium tower connected to a new nine-story tower at the location of the current office tower. The Base Case Project would consist of 282 residential units (262 market-rate, 20 affordable) and 10,900 SF of ground floor retail.
- *Alternative #1* – Base Case Project with the reconstruction and replication of the 4th Avenue and C Street facades at their same locations.
- *Alternative #2* – Base Case Project with only the theatre portion of the Site cleared. The existing nine-story office tower would be retained and rehabilitated into residential units.
- *Alternative #3* – Alternative #2 with the ground floor C Street façade and decorative elements retained and rehabilitated.
- *Alternative #4* – Alternative #3 with a galleria running north and south between the rear façade of the existing nine-story tower and new construction to the west. This alternative would create open space from the ground level through the ninth floor.
- *Alternative #5* – Full renovation and restoration of the California Theatre and the existing nine-story office tower to their original uses of an approximately 2,000-seat theatre, 29,350 SF of office, and 4,640 SF of retail.

KMA Pro Forma Modifications

For each alternative, KMA reviewed the London assumptions regarding product mix, construction cost estimates, achievable sales and rental values, and estimated developer profits. KMA adjusted selected inputs and assumptions, as more fully discussed below. These KMA adjustments resulted in different conclusions from London with respect to the relative economic feasibility of each development alternative. Table II-1 below presents a comparison of the London vs. KMA conclusions in terms of developer profit for each alternative.

Table II-1 – Estimate of Developer Profit – London vs. KMA Adjustments						
	Base Case	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
London						
Total Profit	\$26.1 M	\$24.0 M	\$17.9 M	\$14.4 M	(\$14.5) M	(\$33.8) M
% of Cost	14.9%	13.5%	9.8%	7.7%	(6.7%)	(82.8%)
% of Value	12.6%	11.6%	8.7%	7.0%	(7.0%)	(1,634%)
KMA Adjustments						
Total Profit	\$13.0 M	\$10.9 M	\$4.8 M	\$1.4 M	(\$27.6) M	(\$45.4) M
% of Cost	7.4%	6.2%	2.6%	0.7%	(12.8%)	(79.5%)
% of Value	6.7%	5.7%	2.5%	0.7%	(14.3%)	(2,194.7%)

The London analysis indicates that to achieve economic feasibility and qualify for project financing, a mixed-use, redevelopment project requires a developer profit exceeding 10% of value. In KMA’s experience, target profit levels for a high-rise condominium development of this type should be at least 15% of project value in unadjusted dollars. This higher profit threshold reflects the risk associated with Type I high-rise for-sale residential development in the subject location. As indicated above, the KMA adjustments resulted in profit levels for all six alternatives substantially below a minimum target profit of 15%.

Threshold Feasibility Questions

Based on the above financial analysis, KMA provides the following responses to CivicSD’s questions for this assignment:

(1) *Are the assumptions and conclusions used in the (London) analyses acceptable?*

- KMA finds the development cost assumptions used by London to be reasonable with the exception of Alternative #5, which appears to exclude indirect, financing, and acquisition costs. KMA finds the London projections of market-rate and affordable sales prices to be overstated.

(2) *Are any of the alternatives economically feasible, that is, able to be financed and generate a reasonable rate of return?*

- KMA finds all six development alternatives analyzed by London to be economically infeasible. The resulting developer profit levels for all the alternatives studied were found to be insufficient to warrant development of the Project. In the case of the Base Case and Alternatives #1 through #3, improving profit levels can be expected as Downtown

condominium values continue to rise. In other words, while none of these four alternatives appears feasible today, one or more may become financially feasible within the next couple of years. However, it is important to keep in mind that rising condominium values may be offset by increases in construction costs, thereby negating the benefit of increased values on the Project's financial feasibility.

- KMA also analyzed the feasibility of the Project as rental apartments rather than for-sale condominiums. Currently, the highest quality apartment complexes in Downtown command rents on the order of \$3.00 per SF per month. Applying this rental rate to the Base Case would result in a negative developer profit, i.e., the Base Case as a rental development is not feasible today. (This assumes that all other pro forma inputs are held constant, with the exception of the affordable units, which would be rented at 65% of Area Median Income.) KMA estimates that market rents in the range of \$3.75 to \$4.00 per SF per month are required in order to generate an industry standard developer profit. In other words, as Downtown rental rates continue to rise, the Project may become feasible, unless offset by increased construction costs.

III. METHOD OF ANALYSIS

The KMA peer review of the London analysis involved using the KMA financial pro forma template to evaluate the development costs, gross sales proceeds, and estimated developer profit for the six development alternatives under study. As detailed below, KMA reviewed the inputs and assumptions used in the London analysis, as well as cost estimates prepared for the Developer by BCCI Construction Company (BCCI). KMA further compared this information with recent KMA experience with comparable projects and industry standards. Appendix A presents the London feasibility analyses in the KMA pro forma template; Appendix B presents the modified pro formas incorporating the KMA adjustments. A detailed comparison of the London vs. KMA pro forma analyses is discussed below.

- *Table 1 – Project Description* provides the physical description of the Project. KMA relied on data provided by London, the BCCI Cost Report, site plans, and discussions with CivicSD staff to determine the Project's gross building area, Floor Area Ratio, affordability mix, density, and parking count.

The London analysis assumed the need for a total of 20 affordable units (for Base Case and Alternatives #1 through #3) and 24 affordable units (for Alternative #4) to achieve both a density bonus and satisfy the City of San Diego's inclusionary housing requirements. Discussions with the San Diego Housing Commission indicate that the Project would need a

total of 22 affordable units to meet its inclusionary housing obligations. KMA assumed a total of 22 affordable units at 100% Area Median Income (AMI) for all the alternatives, excluding Alternative #5.

- *Table 2 – Development Costs* presents an estimate of the Project’s total development costs. KMA reviewed the costs estimated by BCCI and London and finds them to be reasonable given the level of quality anticipated for the Project and the unique aspects of replicating, restoring, and/or retaining historic buildings and theatres.

The London estimate of development costs for Alternative #5 however appears to reflect only the construction cost estimate provided by BCCI. The BCCI estimates do not include any costs for indirects (architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer fee, market/lease-up, etc.), financing (loan fees, interest during construction, operating lease-up/reserves, etc.), and acquisition. As such, KMA estimates that the development costs for Alternative #5 should be \$57,066,000 vs. the London estimate of \$40,793,000.

- *Table 3 – Net Sales Proceeds and Developer Profit* presents an estimate of the Project’s net sales proceeds and developer profit. The following discussion compares the London vs. KMA estimates of net sales proceeds by component.

Table III-1 presents an estimate of market-rate sales proceeds for the Project as estimated by London and KMA.

- *Market-Rate Units* - As shown, the Project’s market-rate units are projected to sell for an average of \$682 per SF, or \$751,000 per unit. KMA reviewed recent condominium sales in Downtown between July 2016 to the present, and weighed this information relative to the higher value associated with a new development and the location of the Site. Based on this review, KMA finds the London projected sale prices to be overstated. As such, KMA has reduced the Developer projected market-rate prices to an average \$642 per unit, or \$708,000 per unit.

Table III-1: Sales Proceeds – Market-Rate Units					
Unit Type	Unit Size	London		KMA Adjustments	
		\$/SF	\$/Unit	\$/SF	\$/Unit
One Bedroom	795 SF	\$790	\$628,000	\$700	\$557,000
Two Bedroom	1,250 SF	\$632	\$790,000	\$625	\$781,000
Three Bedroom	1,522 SF	\$627	\$954,000	\$600	\$913,000
Average	1,102 SF	\$682	\$751,000	\$642	\$708,000

- o *Affordable Units* - The London and KMA estimates of the maximum affordable sales prices for a household at 100% AMI are presented in Table III-2. London did not provide the assumptions used to determine the affordable sales prices. The KMA estimate was based on the U.S. Department of Housing and Urban Development’s (HUD’s) 2016 income limits and underwriting parameters provided by the San Diego Housing Commission. As shown, KMA estimates the maximum weighted average affordable sales price is \$200,000, \$57,000 lower than the London analysis.

Table III-2: Affordable Sales Price – 100% Area Median Income			
Unit Type	Unit Size	London	KMA Adjustments
		\$/Unit	\$/Unit
One Bedroom	795 SF	\$236,000	\$188,000
Two Bedroom	1,250 SF	\$263,000	\$206,000
Three Bedroom	1,522 SF	\$294,000	\$217,000
Average	1,100 SF	\$257,000	\$200,000

- o *Commercial Component* - Table III-3 provides a summary of the sales proceeds from the Project’s commercial components. KMA finds the London estimate of proceeds from the retail component to be reasonable, ranging from \$425 to \$446 per SF. Alternative #5 is the only development alternative with an office component. KMA finds the London estimate of value for Alternative #5’s office component to be low. KMA has adjusted this figure upward based on the capitalized value of the office component’s net operating income using the following assumptions: monthly rent of \$3.25 per SF, 10% vacancy, expenses of \$10 per SF per year, and a capitalization rate of 7.5%.

Table III-3: Sales Proceeds – Commercial Component – Per SF		
	London	KMA Adjustments
Retail	\$425 - \$446/SF	\$425 - \$446/SF
Office	\$168/SF	\$328/SF
California Theatre	\$0/SF	\$0/SF

As shown above, the London analysis assumed that the restoration and use of the existing California Theatre would not generate any economic value as there is no positive income generated by the theatre. The London analysis indicated that theatre ticket sales and the rental of facilities do not typically cover operating expenses, causing theatres to depend largely upon donations.

KMA concurs with London, based on review of industry trends and experience of comparable theatres in San Diego County. In particular, a recent survey conducted by the Theatres' Communications Group (TCG) of 177 theatres throughout the U.S. The TCG study serves as the annual report on the fiscal state of the U.S. professional not-for-profit theatre field during fiscal year 2014. The TCG study examined attendance, performance, and fiscal health of 177 theatres including the San Diego Repertory Theatre, La Jolla Playhouse, and Old Globe Theatre. The TCG study found that between 2010 and 2014 nearly half operated at levels insufficient to cover all expenses with 52% reporting negative working capital during the same period. As indicated in the TCG report this would suggest that a number of theatres are regularly experiencing cash flow shortages. In other words, the renovated California Theatre is highly unlikely to generate any operating income or cash flow to its owner.

Developer Profit

Table 3, attached, also presents the KMA estimates of the Developer's profit for each alternative, calculated as the difference between total net sales proceeds less development costs. Tables III-4 and III-5, below, provide summary level profit calculations by alternative for London and KMA respectively.

Table III-4 – Developer Profit – London						
	Base Case	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
London						
Net Sales Proceeds	\$201.5 M	\$201.5 M	\$201.5 M	\$201.5 M	\$201.7 M	\$7.0 M
(Less) Development Costs	(\$175.4) M	(\$177.5) M	(\$183.6) M	(\$187.1) M	(\$216.2) M	(\$40.8) M
Developer Profit	\$26.1 M	\$24.0 M	\$17.9 M	\$14.4 M	(\$14.5) M	(\$33.8) M
% of Cost	14.9%	13.5%	9.8%	7.7%	(6.7%)	(82.8%)
% of Value	12.6%	11.6%	8.7%	7.0%	(7.0%)	(1,634%)

Table III-5 – Developer Profit – KMA Adjustments						
	Base Case	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
KMA						
Net Sales Proceeds	\$188.4 M	\$188.4 M	\$188.4 M	\$188.4 M	188.6 M	\$11.7 M
(Less) Development Costs	(\$175.4) M	(\$177.5) M	(\$183.6) M	(\$187.0) M	(\$216.2) M	(\$57.1) M
Developer Profit	\$13.0 M	\$10.9 M	\$4.8 M	\$1.4 M	(\$27.6) M	(\$45.4) M
% of Cost	7.4%	6.2%	2.6%	0.7%	(12.8%)	(79.5%)
% of Value	6.7%	5.7%	2.5%	0.7%	(14.3%)	(2,194.7%)

IV. LIMITING CONDITIONS

1. KMA has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources deemed to be reliable including state and local government, planning agencies, and other third parties. Although KMA believes all information in this study is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties.
2. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
3. The analysis, opinions, recommendations, and conclusions of this study are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of

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the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

4. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
5. Any estimates of development costs, interest rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

attachments

APPENDIX A

**1122 FOURTH AVENUE
PEER REVIEW OF ECONOMIC ALTERNATIVE ANALYSIS**

Developer

TABLE A-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case		Alternative 1		Alternative 2	
	Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail		Base Case, Plus Reconstruction of 4th Ave and C St Façade		Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,651 SF	79.3%	310,651 SF	79.3%
Retail	10,900 SF	2.8%	10,900 SF	2.8%	10,900 SF	2.8%
Office	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
California Theater	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
Common Area/Circulation	<u>70,099</u> SF (1)	<u>17.9%</u>	<u>70,099</u> SF (1)	<u>17.9%</u>	<u>70,099</u> SF (1)	<u>17.9%</u>
Total Gross Building Area Before Parking	391,650 SF	100.0%	391,650 SF	100.0%	391,650 SF	100.0%
Parking	144,000 SF		144,000 SF		144,000 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		15.60		15.60	
IV. Market-Rate Units	262 Units	92.9%	262 Units	92.9%	262 Units	92.9%
Affordable Units (2)	<u>20</u> Units	<u>7.1%</u>	<u>20</u> Units	<u>7.1%</u>	<u>20</u> Units	<u>7.1%</u>
Number of Units	282 Units	100.0%	282 Units	100.0%	282 Units	100.0%
Average Unit Size	1,102 SF		1,102 SF		1,102 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		489.3 Units/Acre	
VI. Number of Stories	40 Stories		40 Stories		40 Stories	
VII. Construction Type	Type I		Type I		Type I	
VIII Parking						
Type	Underground & Podium		Underground & Podium		Underground & Podium	
Spaces	314 Spaces		314 Spaces		314 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		1.11 Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).

(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.

(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.

(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

TABLE A-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3		Alternative 4		Alternative 5	
	Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower		Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria		Restore Historic Uses Full Renovation of California Theater and 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,923 SF	76.5%	0 SF	0.0%
Retail	10,900 SF	2.8%	10,900 SF	2.7%	4,640 SF	5.7%
Office	0 SF	0.0%	0 SF	0.0%	29,350 SF	36.2%
California Theater	0 SF	0.0%	0 SF	0.0%	47,020 SF (4)	58.0%
Common Area/Circulation	<u>70,099</u> SF (1)	<u>17.9%</u>	<u>84,827</u> SF (3)	<u>20.9%</u>	0 SF	<u>0.0%</u>
Total Gross Building Area Before Parking	391,650 SF	100.0%	406,650 SF	100.0%	81,010 SF	100.0%
Parking	144,000 SF		144,000 SF		0 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		16.20		3.23	
IV. Market-Rate Units	262 Units	92.9%	258 Units	91.5%	0 Units	0.0%
Affordable Units (2)	<u>20</u> Units	<u>7.1%</u>	<u>24</u> Units	<u>8.5%</u>	0 Units	<u>0.0%</u>
Number of Units	282 Units	100.0%	282 Units	100.0%	0 Units	0.0%
Average Unit Size	1,102 SF		1,103 SF		0 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		N/A	
VI. Number of Stories	40 Stories		40 Stories		9 Stories	
VII. Construction Type	Type I		Type I		N/A	
VIII Parking						
Type	Underground & Podium		Underground & Podium		Existing Surface	
Spaces	314 Spaces		314 Spaces		18 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		N/A Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).

(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.

(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.

(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

TABLE A-2

DEVELOPMENT COSTS
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case			Alternative 1			Alternative 2		
	Demolish Existing Site New 40 Story Condo Tower with Ground Floor Retail			Base Case, Plus Reconstruction of 4th Ave and C St Façade			Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower		
	<u>Totals</u> (Rounded)	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> (Rounded)	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> (Rounded)	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs									
Sitework (1)	\$3,849,000	\$13,600	\$153 /SF Site Area	\$3,849,000	\$13,600	\$153 /SF Site Area	\$6,192,000	\$22,000	\$247 /SF Site Area
Parking	\$13,359,000	\$47,400	\$42,545 /Space	\$13,359,000	\$47,400	\$42,545 /Space	\$13,609,000	\$48,300	\$43,341 /Space
Residential & Common Area	\$112,720,000	\$399,700	\$296 /SF Res. & Comm. Area	\$114,347,000	\$405,500	\$300 /SF Res. & Comm. Area	\$116,616,000	\$413,500	\$306 /SF Res. & Comm. Area
Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$1,396,000	\$5,000	\$128 /SF Retail
Retail Tenant Improvements	\$0	\$0	Included above	\$0	\$0	Included above	\$0	\$0	Included above
Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office
Office Tenant Improvements	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office
California Theater	\$0	\$0	\$0 /SF Theater	\$0	\$0	\$0 /SF Theater	\$0	\$0	\$0 /SF Theater
Contingency	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs
Total Direct Costs	\$131,324,000	\$465,700	\$335 /SF GBA	\$132,951,000	\$471,500	\$339 /SF GBA	\$137,813,000	\$488,700	\$352 /SF GBA
II. Indirect Costs	\$27,684,000	\$98,200	21.1% of Directs	\$27,974,000	\$99,200	21.0% of Directs	\$28,842,000	\$102,300	20.9% of Directs
III. Financing Costs	\$11,363,000	\$40,300	8.7% of Directs	\$11,496,000	\$40,800	8.6% of Directs	\$11,892,000	\$42,200	8.6% of Directs
IV. Total Development Costs - excluding Land	\$170,371,000	\$604,200	\$435 /SF GBA	\$172,421,000	\$611,400	\$440 /SF GBA	\$178,547,000	\$633,100	\$456 /SF GBA
V. Land Acquisition Costs									
Land Acquisition	\$5,000,000	\$17,700	\$199 /SF Site Area	\$5,000,000	\$17,700	\$199 /SF Site Area	\$5,000,000	\$17,700	\$199 /SF Site Area
Land Closing Costs	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition
Total Land Acquisition Costs	\$5,055,000	\$17,900	\$201 /SF Site Area	\$5,055,000	\$17,900	\$201 /SF Site Area	\$5,055,000	\$17,900	\$201 /SF Site Area
VI. Total Development Costs - with Land	\$175,426,000	\$622,100	\$448 /SF GBA	\$177,476,000	\$629,300	\$453 /SF GBA	\$183,602,000	\$651,100	\$469 /SF GBA

(1) Where applicable includes preserving existing portions of project during demolition, removal of existing steel windows in tower, and temporary bracing of 9-story tower, and C-Street façade.

(2) For Alternative #5 assumes the pro rata distribution of general conditions, contractor fee, construction contingency, and market escalation.

(3) Alternative #5 development costs appear to exclude indirect, financing, and land acquisition costs.

TABLE A-2

DEVELOPMENT COSTS
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3			Alternative 4			Alternative 5	
	Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower			Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria			Restore Historic Uses Full Renovation of California Theater and 9 Story Tower	
	<u>Totals</u> (Rounded)	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> (Rounded)	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> (2) (Rounded)	<u>Comments</u>
I. Direct Costs								
Sitework (1)	\$7,512,000	\$26,600	\$299 /SF Site Area	\$4,181,000	\$14,800	\$167 /SF Site Area	\$3,355,000	\$134 /SF Site Area
Parking	\$13,609,000	\$48,300	\$43,341 /Space	\$20,377,000	\$72,300	\$64,895 /Space	\$0	\$0 /Space
Residential & Common Area	\$118,040,000	\$418,600	\$310 /SF Res. & Comm. Area	\$137,737,000	\$488,400	\$348 /SF Res. & Comm. Area	\$0	\$0 /SF Residential
Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$0	Included below
Retail Tenant Improvements	\$0	\$0	Included above	\$0	\$0	Included above	\$0	Included below
Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$21,322,000	\$627 /SF Office & Retail GBA
Office Tenant Improvements	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$0	Included above
California Theater	\$0	\$0	\$0 /SF Theater	\$0	\$0	\$0 /SF Theater	\$16,115,000	\$343 /SF Theater GBA
Contingency	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	0.0% of Above Directs
Total Direct Costs	\$140,557,000	\$498,400	\$359 /SF GBA	\$163,691,000	\$580,500	\$403 /SF GBA	\$40,793,000	\$504 /SF GBA
II. Indirect Costs	\$29,332,000	\$104,000	20.9% of Directs	\$33,463,000	\$118,700	20.4% of Directs	\$0 (3)	0.0% of Directs
III. Financing Costs	\$12,116,000	\$43,000	8.6% of Directs	\$14,005,000	\$49,700	8.6% of Directs	\$0 (3)	0.0% of Directs
IV. Total Development Costs - excluding Land	\$182,005,000	\$645,400	\$465 /SF GBA	\$211,159,000	\$748,800	\$519 /SF GBA	\$40,793,000	\$504 /SF GBA
V. Land Acquisition Costs								
Land Acquisition	\$5,000,000	\$17,700	\$199 /SF Site Area	\$5,000,000	\$17,700	\$199 /SF Site Area	\$0 (3)	\$0 /SF Site Area
Land Closing Costs	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$0</u> (3)	0.0% of Land Acquisition
Total Land Acquisition Costs	\$5,055,000	\$17,900	\$201 /SF Site Area	\$5,055,000	\$17,900	\$201 /SF Site Area	\$0	\$0 /SF Site Area
VI. Total Development Costs - with Land	\$187,060,000	\$663,300	\$478 /SF GBA	\$216,214,000	\$766,700	\$532 /SF GBA	\$40,793,000	\$504 /SF GBA

(1) Where applicable includes preserving existing portions of project during demolition, removal of existing steel windows in tower, and temporary bracing of 9-story tower, and C-Street façade.

(2) For Alternative #5 assumes the pro rata distribution of general conditions, contractor fee, construction contingency, and market escalation.

(3) Alternative #5 development costs appear to exclude indirect, financing, and land acquisition costs.

TABLE A-3

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case					Alternative 1					Alternative 2				
	Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail					Base Case, Plus Reconstruction of 4th Ave and C St Façade					Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units															
One Bedroom	795 SF	117	\$790	\$628,300	\$73,511,000	795 SF	117	\$790	\$628,300	\$73,511,000	795 SF	117	\$790	\$628,300	\$73,511,000
Two Bedroom	1,250 SF	92	\$632	\$790,314	\$72,709,000	1,250 SF	92	\$632	\$790,314	\$72,709,000	1,250 SF	92	\$632	\$790,314	\$72,709,000
Three Bedroom	1,522 SF	53	\$627	\$954,014	\$50,563,000	1,522 SF	53	\$627	\$954,014	\$50,563,000	1,522 SF	53	\$627	\$954,014	\$50,563,000
Subtotal	1,102 SF	262	\$682	\$751,079	\$196,783,000	1,102 SF	262	\$682	\$751,079	\$196,783,000	1,102 SF	262	\$682	\$751,079	\$196,783,000
II. Sales Proceeds - Affordable Units															
One Bedroom @ 100% AMI	795 SF	9	\$297	\$235,884	\$2,123,000	795 SF	9	\$297	\$235,884	\$2,123,000	795 SF	9	\$297	\$235,884	\$2,123,000
Two Bedroom @ 100% AMI	1,250 SF	7	\$210	\$263,079	\$1,842,000	1,250 SF	7	\$210	\$263,079	\$1,842,000	1,250 SF	7	\$210	\$263,079	\$1,842,000
Three Bedroom @ 100% AMI	1,522 SF	4	\$193	\$293,982	\$1,176,000	1,522 SF	4	\$193	\$293,982	\$1,176,000	1,522 SF	4	\$193	\$293,982	\$1,176,000
Subtotal	1,100 SF	20	\$234	\$257,022	\$5,140,000	1,100 SF	20	\$234	\$257,022	\$5,140,000	1,100 SF	20	\$234	\$257,022	\$5,140,000
III. Gross Sales Proceeds	1,102 SF	282	\$650	\$716,039	\$201,923,000	1,102 SF	282	\$650	\$716,039	\$201,923,000	1,102 SF	282	\$650	\$716,039	\$201,923,000
IV. Net Sales Proceeds - Residential - For-Sale															
Gross Sales Proceeds					\$201,923,000					\$201,923,000					\$201,923,000
(Less) Cost of Sale @			2.5% of Gross Sales Proceeds		<u>(\$5,048,000)</u>			2.5% of Gross Sales Proceeds		<u>(\$5,048,000)</u>			2.5% of Gross Sales Proceeds		<u>(\$5,048,000)</u>
Subtotal					\$196,875,000					\$196,875,000					\$196,875,000
V. Commercial Space Proceeds															
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500
Office Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0			\$0 /SF		\$0
California Theater Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0			\$0 /SF		\$0
Subtotal					\$4,632,500					\$4,632,500					\$4,632,500
VI. Net Sales Proceeds					\$201,508,000					\$201,508,000					\$201,508,000
VII. Developer Profit															
Net Sales Proceeds					\$201,508,000					\$201,508,000					\$201,508,000
(Less) Total Development Cost					<u>(\$175,426,000)</u>					<u>(\$177,476,000)</u>					<u>(\$183,602,000)</u>
Net Profit					\$26,082,000					\$24,032,000					\$17,906,000
% of Cost					14.9%					13.5%					9.8%
% of Value					12.6%					11.6%					8.7%

TABLE A-3

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3 Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower					Alternative 4 Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria					Alternative 5 Restore Historic Uses Full Renovation of California Theater and 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units															
One Bedroom	795 SF	117	\$790	\$628,300	\$73,511,000	795 SF	115	\$798	\$634,730	\$72,994,000	0 SF	0	\$0	\$0	\$0
Two Bedroom	1,250 SF	92	\$632	\$790,314	\$72,709,000	1,250 SF	90	\$639	\$798,403	\$71,856,000	0 SF	0	\$0	\$0	\$0
Three Bedroom	<u>1,522</u> SF	<u>53</u>	<u>\$627</u>	<u>\$954,014</u>	<u>\$50,563,000</u>	<u>1,522</u> SF	<u>53</u>	<u>\$633</u>	<u>\$963,778</u>	<u>\$51,080,000</u>	<u>0</u> SF	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal	1,102 SF	262	\$682	\$751,079	\$196,783,000	1,103 SF	258	\$688	\$759,420	\$195,930,000	0 SF	0	\$0	\$0	\$0
II. Sales Proceeds - Affordable Units															
One Bedroom @ 100% AMI	795 SF	9	\$297	\$235,884	\$2,123,000	795 SF	11	\$297	\$235,884	\$2,595,000	0 SF	0	\$0	\$0	\$0
Two Bedroom @ 100% AMI	1,250 SF	7	\$210	\$263,079	\$1,842,000	1,250 SF	8	\$210	\$263,079	\$2,105,000	0 SF	0	\$0	\$0	\$0
Three Bedroom @ 100% AMI	<u>1,522</u> SF	<u>4</u>	<u>\$193</u>	<u>\$293,982</u>	<u>\$1,176,000</u>	<u>1,522</u> SF	<u>5</u>	<u>\$193</u>	<u>\$293,982</u>	<u>\$1,470,000</u>	<u>0</u> SF	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal	1,100 SF	20	\$234	\$257,022	\$5,140,000	1,098 SF	24	\$234	\$257,053	\$6,169,000	0 SF	0	\$0	\$0	\$0
III. Gross Sales Proceeds	1,102 SF	282	\$650	\$716,039	\$201,923,000	1,103 SF	282	\$650	\$716,663	\$202,099,000	0 SF	0	\$0	\$0	\$0
IV. Net Sales Proceeds - Residential - For-Sale															
Gross Sales Proceeds					\$201,923,000					\$202,099,000					\$0
(Less) Cost of Sale @			2.5% of Gross Sales Proceeds		<u>(\$5,048,000)</u>			2.5% of Gross Sales Proceeds		<u>(\$5,052,000)</u>			0.0% of Gross Sales Proceeds		<u>\$0</u>
Subtotal					\$196,875,000					\$197,047,000					\$0
V. Commercial Space Proceeds															
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500	4,640 SF		\$446 /SF		\$2,067,120
Office Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0	29,350 SF		\$168 /SF		\$4,944,888
California Theater Sales Proceeds			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>
Subtotal					\$4,632,500					\$4,632,500					\$7,012,008
VI. Net Sales Proceeds					\$201,508,000					\$201,680,000					\$7,012,000
VII. Developer Profit															
Net Sales Proceeds					\$201,508,000					\$201,680,000					\$7,012,000
(Less) Total Development Cost					<u>(\$187,060,000)</u>					<u>(\$216,214,000)</u>					<u>(\$40,793,000)</u>
Net Profit					\$14,448,000					(\$14,534,000)					(\$33,781,000)
% of Cost					7.7%					-6.7%					-82.8%
% of Value					7.0%					-7.0%					-1634.2%

APPENDIX B

**1122 FOURTH AVENUE
PEER REVIEW OF ECONOMIC ALTERNATIVE ANALYSIS**

KMA

TABLE B-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case		Alternative 1		Alternative 2	
	Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail		Base Case, Plus Reconstruction of 4th Ave and C St Façade		Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,651 SF	79.3%	310,651 SF	79.3%
Retail	10,900 SF	2.8%	10,900 SF	2.8%	10,900 SF	2.8%
Office	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
California Theater	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
Common Area/Circulation	<u>70,099</u> SF (1)	<u>17.9%</u>	<u>70,099</u> SF (1)	<u>17.9%</u>	<u>70,099</u> SF (1)	<u>17.9%</u>
Total Gross Building Area Before Parking	391,650 SF	100.0%	391,650 SF	100.0%	391,650 SF	100.0%
Parking	144,000 SF		144,000 SF		144,000 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		15.60		15.60	
IV. Market-Rate Units	260 Units	92.2%	260 Units	92.2%	260 Units	92.2%
Affordable Units (2)	<u>22</u> Units	<u>7.8%</u>	<u>22</u> Units	<u>7.8%</u>	<u>22</u> Units	<u>7.8%</u>
Number of Units	282 Units	100.0%	282 Units	100.0%	282 Units	100.0%
Average Unit Size	1,102 SF		1,102 SF		1,102 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		489.3 Units/Acre	
VI. Number of Stories	40 Stories		40 Stories		40 Stories	
VII. Construction Type	Type I		Type I		Type I	
VIII. Parking						
Type	Underground & Podium		Underground & Podium		Underground & Podium	
Spaces	314 Spaces		314 Spaces		314 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		1.11 Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).

(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.

(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.

(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

KMA changes to Developer's pro forma appear in bold and italics.

TABLE B-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3		Alternative 4		Alternative 5	
	Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower		Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria		Restore Historic Uses Full Renovation of California Theater and 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,923 SF	76.5%	0 SF	0.0%
Retail	10,900 SF	2.8%	10,900 SF	2.7%	4,640 SF	5.7%
Office	0 SF	0.0%	0 SF	0.0%	29,350 SF	36.2%
California Theater	0 SF	0.0%	0 SF	0.0%	47,020 SF ⁽⁴⁾	58.0%
Common Area/Circulation	<u>70,099</u> SF ⁽¹⁾	<u>17.9%</u>	<u>84,827</u> SF ⁽³⁾	<u>20.9%</u>	0 SF	<u>0.0%</u>
Total Gross Building Area Before Parking	391,650 SF	100.0%	406,650 SF	100.0%	81,010 SF	100.0%
Parking	144,000 SF		144,000 SF		0 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		16.20		3.23	
IV. Market-Rate Units	260 Units	92.2%	260 Units	92.2%	0 Units	0.0%
Affordable Units (2)	<u>22</u> Units	<u>7.8%</u>	<u>22</u> Units	<u>7.8%</u>	0 Units	<u>0.0%</u>
Number of Units	282 Units	100.0%	282 Units	100.0%	0 Units	0.0%
Average Unit Size	1,102 SF		1,103 SF		0 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		N/A	
VI. Number of Stories	40 Stories		40 Stories		9 Stories	
VII. Construction Type		Type I		Type I		N/A
VIII. Parking						
Type	Underground & Podium		Underground & Podium		Existing Surface	
Spaces	314 Spaces		314 Spaces		18 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		NA Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).

(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.

(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.

(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

KMA changes to Developer's pro forma appear in bold and italics.

TABLE B-2

DEVELOPMENT COSTS
1122 FOURTH AVENUE
CIVIC SAN DIEGO

Alternative 5
Restore Historic Uses Full Renovation of California Theater and 9 Story Tower

	<u>Totals</u> <i>(Rounded)</i>	<u>Comments</u>
I. Direct Costs ⁽¹⁾		
Sitework ⁽²⁾	\$3,355,192	\$134 /SF Site Area
Parking	\$0	\$0 /Space
Residential & Common Area	\$0	\$0 /SF Residential
Retail	\$0	Included below
Retail Tenant Improvements	\$0	Included below
Office	\$21,322,430	\$627 /SF Office & Retail
Office Tenant Improvements	\$0	Included above
California Theater	\$16,115,189	\$343 /SF Theater
Contingency	<u>\$0</u>	0.0% of Above Directs
Total Direct Costs	\$40,793,000	\$504 /SF GBA
II. Indirect Costs	<i>\$8,159,000</i>	<i>20.0% of Directs</i>
III. Financing Costs	<i>\$3,059,000</i>	<i>7.5% of Directs</i>
IV. Total Development Costs - excluding Land	<i>\$52,011,000</i>	<i>\$642 /SF GBA</i>
V. Land Acquisition Costs		
Land Acquisition	<i>\$5,000,000</i>	<i>\$199 /SF Site Area</i>
Land Closing Costs	<i><u>\$55,000</u></i>	<i>1.1% of Land Acquisition</i>
Total Land Acquisition Costs	\$5,055,000	<i>\$201 /SF Site Area</i>
VI. Total Development Costs - with Land	<i>\$57,066,000</i>	<i>\$704 /SF GBA</i>

(1) Assumes the pro rata distribution of general conditions, contractor fee, construction contingency, and market escalation.

(2) Includes demolition.

KMA changes to Developer's pro forma appear in bold and italics.

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case					Alternative 1					Alternative 2				
	Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail					Base Case, Plus Reconstruction of 4th Ave and C St Façade					Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units															
One Bedroom	795 SF	116	\$700	\$557,000	\$64,612,000	795 SF	116	\$700	\$557,000	\$64,612,000	795 SF	116	\$700	\$557,000	\$64,612,000
Two Bedroom	1,250 SF	91	\$625	\$781,250	\$71,094,000	1,250 SF	91	\$625	\$781,250	\$71,094,000	1,250 SF	91	\$625	\$781,250	\$71,094,000
Three Bedroom	1,522 SF	53	\$600	\$913,200	\$48,400,000	1,522 SF	53	\$600	\$913,200	\$48,400,000	1,522 SF	53	\$600	\$913,200	\$48,400,000
Subtotal	1,102 SF	260	\$642	\$708,098	\$184,105,000	1,102 SF	260	\$642	\$708,098	\$184,105,000	1,102 SF	260	\$642	\$708,098	\$184,105,000
II. Sales Proceeds - Affordable Units															
One Bedroom @ 100% AMI	795 SF	10	\$236	\$188,000	\$1,880,000	795 SF	10	\$236	\$188,000	\$1,880,000	795 SF	10	\$236	\$188,000	\$1,880,000
Two Bedroom @ 100% AMI	1,250 SF	8	\$165	\$206,000	\$1,648,000	1,250 SF	8	\$165	\$206,000	\$1,648,000	1,250 SF	8	\$165	\$206,000	\$1,648,000
Three Bedroom @ 100% AMI	1,522 SF	4	\$143	\$217,000	\$868,000	1,522 SF	4	\$143	\$217,000	\$868,000	1,522 SF	4	\$143	\$217,000	\$868,000
Subtotal	1,093 SF	22	\$183	\$199,818	\$4,396,000	1,093 SF	22	\$183	\$199,818	\$4,396,000	1,093 SF	22	\$183	\$199,818	\$4,396,000
III. Gross Sales Proceeds	1,102 SF	282	\$607	\$668,443	\$188,501,000	1,102 SF	282	\$607	\$668,443	\$188,501,000	1,102 SF	282	\$607	\$668,443	\$188,501,000
IV. Net Sales Proceeds - Residential - For-Sale															
Gross Sales Proceeds					\$188,501,000					\$188,501,000					\$188,501,000
(Less) Cost of Sale @ 2.5% of Gross Sales Proceeds					<u>(\$4,713,000)</u>					<u>(\$4,713,000)</u>					<u>(\$4,713,000)</u>
Subtotal					\$183,788,000					\$183,788,000					\$183,788,000
V. Commercial Space Proceeds															
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500
Office Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0			\$0 /SF		\$0
California Theater Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0			\$0 /SF		\$0
Subtotal					\$4,632,500					\$4,632,500					\$4,632,500
VI. Net Sales Proceeds					\$188,421,000					\$188,421,000					\$188,421,000
VII. Developer Profit															
Net Sales Proceeds					\$188,421,000					\$188,421,000					\$188,421,000
(Less) Total Development Cost					<u>(\$175,426,000)</u>					<u>(\$177,476,000)</u>					<u>(\$183,602,000)</u>
Net Profit					\$12,995,000					\$10,945,000					\$4,819,000
% of Cost					7.4%					6.2%					2.6%
% of Value					6.9%					5.7%					2.5%

KMA changes to Developer's pro forma appear in bold and italics.

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3 Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower					Alternative 4 Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria					Alternative 5 Restore Historic Uses Full Renovation of California Theater and 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units															
One Bedroom	795 SF	116	\$700	\$557,000	\$64,612,000	795 SF	116	\$700	\$557,000	\$64,612,000	0 SF	0	\$0	\$0	\$0
Two Bedroom	1,250 SF	91	\$625	\$781,250	\$71,094,000	1,250 SF	91	\$625	\$781,250	\$71,094,000	0 SF	0	\$0	\$0	\$0
Three Bedroom	1,522 SF	53	\$600	\$913,200	\$48,400,000	1,522 SF	53	\$600	\$913,200	\$48,400,000	0 SF	0	\$0	\$0	\$0
Subtotal	1,102 SF	260	\$642	\$708,098	\$184,105,000	1,102 SF	260	\$642	\$708,098	\$184,105,000	0 SF	0	\$0	\$0	\$0
II. Sales Proceeds - Affordable Units															
One Bedroom @ 100% AMI	795 SF	10	\$236	\$188,000	\$1,880,000	795 SF	10	\$236	\$188,000	\$1,880,000	0 SF	0	\$0	\$0	\$0
Two Bedroom @ 100% AMI	1,250 SF	8	\$165	\$206,000	\$1,648,000	1,250 SF	8	\$165	\$206,000	\$1,648,000	0 SF	0	\$0	\$0	\$0
Three Bedroom @ 100% AMI	1,522 SF	4	\$143	\$217,000	\$868,000	1,522 SF	5	\$143	\$217,000	\$1,085,000	0 SF	0	\$0	\$0	\$0
Subtotal	1,093 SF	22	\$183	\$199,818	\$4,396,000	1,111 SF	23	\$180	\$200,565	\$4,613,000	0 SF	0	\$0	\$0	\$0
III. Gross Sales Proceeds	1,102 SF	282	\$607	\$668,443	\$188,501,000	1,103 SF	283	\$604	\$666,848	\$188,718,000	0 SF	0	\$0	\$0	\$0
IV. Net Sales Proceeds - Residential - For-Sale															
Gross Sales Proceeds					\$188,501,000					\$188,718,000					\$0
(Less) Cost of Sale @		2.5% of Gross Sales Proceeds			<u>(\$4,713,000)</u>		2.5% of Gross Sales Proceeds			<u>(\$4,718,000)</u>		0.0% of Gross Sales Proceeds			<u>\$0</u>
Subtotal					\$183,788,000					\$184,000,000					\$0
V. Commercial Space Proceeds															
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500	4,640 SF		\$446 /SF		\$2,067,120
Office Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0	29,350 SF		\$328 /SF		\$9,632,000
California Theater Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0			\$0 /SF		\$0
Subtotal					\$4,632,500					\$4,632,500					\$11,699,120
VI. Net Sales Proceeds					\$188,421,000					\$188,633,000					\$11,699,000
VII. Developer Profit															
Net Sales Proceeds					\$188,421,000					\$188,633,000					\$11,699,000
(Less) Total Development Cost					<u>(\$187,060,000)</u>					<u>(\$216,214,000)</u>					<u>(\$57,066,000)</u>
Net Profit					\$1,361,000					(\$27,581,000)					(\$45,367,000)
% of Cost					0.7%					-12.8%					-79.5%
% of Value					0.7%					-14.3%					-2194.7%

KMA changes to Developer's pro forma appear in bold and italics.