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

MEMORANDUM

To: Brad Richter, Assistant Vice President - Planning
Civic San Diego

From: KEYSER MARSTON ASSOCIATES, INC.

Date: November 3, 2016

Subject: 320 W. Cedar Street / 1610 Union Street
Peer Review of Economic Alternative Analysis

I. INTRODUCTION

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a peer review of various development scenarios for the 0.12-acre site at 320 W. Cedar Street and 1610 Union Street (Site).

As background, it is the KMA understanding that Civic San Diego (CivicSD) has received a development proposal from the Site's current owner, Jonathan Segal FAIA & Development Company (Developer) to develop the Site. The Developer proposes to demolish the existing structures on the site to develop a 4,350 square foot (SF) home, 1,400 SF of retail, and 35 efficiency units (Base Project). The existing structures on the Site are a locally designated historical resource. 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 the Base Project and three alternative development scenarios.

II. KEY FINDINGS

CivicSD requested that KMA conduct a peer review of the London analysis responding to the following questions for this assignment:

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

KMA finds the development cost used by London to be slightly overstated. KMA finds the London projections of market-rate sales prices, rents, and affordable rents to be understated.

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

KMA finds the Base Project, the Base Project with underground parking, and all three development alternatives to be economically infeasible. Although the resulting developer profit levels for all the alternatives studied were found to be insufficient to warrant development of the Project, KMA's findings are generally consistent with the London Study in that the Base Project was found to have the highest profit of the alternatives analyzed.

Improving profit levels can be expected as Downtown home prices and apartment rents continue to rise. In other words, while none of these 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 home values may be offset by increases in construction costs, thereby negating the benefit of increased values on the Project's financial feasibility.

Development Alternatives Analyzed

The KMA analysis analyzed two Base Project scenarios and three development alternatives for the Site as presented by the Developer and London.

- *Base Project* – Clear the Site of all existing improvements and develop a 4,350 SF single-family home, 1,400 SF of retail, and 35 efficiency units of which four (4) units are affordable.
- *Base Project with Parking Garage* – Base Project with a two-story below grade parking garage.
- *Alternative #1* – Retain and rehabilitate the existing 2,013 SF home, 816 SF of commercial and an 816 SF garage.

- *Alternative #2* – Retain and rehabilitate the existing 2,013 SF home and demolish the commercial space to construct two additional residential units at 600 SF each.

- Alternative #3 – Relocate and rehabilitate the existing structures to another location in the neighboring community of Logan Heights; develop the Base Project on the Site.

London Estimate of Developer Profit

For the Base Project and three alternatives, KMA reviewed the London assumptions regarding product mix, construction cost estimates, achievable sales and rental values, net operating income, and estimated profits. The London estimate of developer profit assumes a 12-month construction period with the single family home sold when completed. The rental units and commercial space was assumed by London to be sold at the end of a five-year investment period. The London Study indicates a developer profit exceeding 10% of value is needed to achieve economic feasibility and qualify for project financing. Table II-1 below presents the London estimate of developer profit for each alternative. As shown, only the Base Project achieves a profit in excess of 10%.

Table II-1 – Estimate of Developer Profit – London

	Base Project	Base Project w/Parking Garage	Alternative #1	Alternative #2	Alternative #3
London					
Total Profit	$1.6 M	---	($1.7) M	($1.4) M	$217,000
% of Cost	13.2%	---	-53.5%	-72.6%	1.5%
% of Value	12.3%	---	-109.3%	-44.2%	1.6%

KMA Pro Forma Modifications

For analysis purposes, KMA isolated both development costs and project revenues used in the London analysis on a static basis (i.e., current point in time), without an allowance for future escalation of development cost or sales value or rental rates. KMA adjusted selected inputs and assumptions used in the London Study. As shown in Table II-2, these KMA adjustments resulted in different conclusions from London with respect to the relative economic feasibility of each development alternative.

Table II-2 – Estimate of Developer Profit – KMA Adjustments					
	Base Project	**Base Project w/Parking Garage**	**Alternative #1**	**Alternative #2**	**Alternative #3**
KMA Adjustments					
Total Profit	$589,000	($410,000)	($1.0) M	($1.5) M	($356,000)
% of Cost	4.9%	-2.9%	-46.4%	-46.4%	-2.6%
% of Value	5.2%	-3.3%	-71.8%	-82.9%	-3.0%

In KMA's experience, target profit levels for development of this type should exceed 10% of project value in unadjusted dollars. As indicated above, the KMA adjustments resulted in profit levels for the two Base Projects and the three development alternatives substantially below a minimum target profit of 10%. Although the two Base Projects and three development alternatives were found to be economically infeasible, KMA's findings are generally consistent with the London Study in that the Base Project was found to have the highest profit of the alternatives analyzed.

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, net operating income, and estimated developer profit for the five development alternatives under study. The London Study assumes a 12-month construction period with the single family home sold when completed. The rental units and commercial space was assumed by London to be sold at the end of a five-year investment period.

For analysis purposes, KMA analyzed both development costs and project revenues used in the London analysis on a static basis, without an allowance for future escalation of development cost or sales value or rental rates. KMA further compared this information with recent KMA experience with comparable projects and industry standards.

The Appendix 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 the site plans and London Study to determine the Project's gross building area, Floor Area Ratio, affordability mix, and density.

- *Table 2 – Estimated Development Costs* presents an estimate of the Project's total development costs. KMA reviewed the costs estimated in the London Study against development cost estimates identified in a cross section of projects analyzed by KMA. To that end, KMA made the following adjustments to the Developer's development cost budget:

  - Base Project: Reduced construction costs on the new single family home from $400/SF to $300/SF

  - Alternatives #1 and #2: Reduced rehabilitation costs on the existing single-family home from $300/SF to $175/SF

  - Alternative #3: Reduced rehabilitation costs on the existing single-family home relocated to Logan Heights from $375/SF to $225/SF

  - All scenarios: Adjusted indirect and financing costs to 17.5% and 7.5% of directs, respectively

  As shown in Table III-1, based on the foregoing, the KMA estimates of development costs for were found to be slightly lower than the London Study.

Table III-1 – Estimate of Development Costs – London vs. KMA Adjustments

	Base Project	Base Project w/Parking Garage	Alternative #1	Alternative #2	Alternative #3
London					
Total Development Costs	$12.3 M	$14.1 M	$3.1 M	$3.2 M	$14.2 M
KMA Adjustments					
Total Development Costs	$11.9 M	$14.1 M	$2.8 M	$2.7 M	$13.5 M

- *Table 3 – Gross Sales Proceeds and Developer Profit* presents an estimate of the Project's gross sales proceeds from the sale of a single-family home and net operating income from multi-family rental apartments and the Project's commercial component. KMA reviewed for the market values estimated in the London Study against current market sales prices and rents, as well a valuation trends. To that end, KMA made the following adjustments to the London Study's estimate of gross sales proceeds and net operating income:

  - Base Project and Alternative #3: Increased the sales price for the new single family house from $598/SF to $650/SF

- Alternatives #1, #2: Increased the sales price for the rehabbed single family home from $609/SF to $700/SF
- Alternative #3: Increased the sales price for the existing single family home relocated to Logan Heights from $298/SF to $325/SF
- Base Project and Alternative #3: Increased multi-family market-rate rent from $3.59/SF to $3.75/SF; increased affordable rents from $709/unit to $744/unit
- Alternative #2: Increased multi-family market-rate rent from $2.06/SF to $3.50/SF
- All Scenarios: Increased operating expenses for the multi-family units to $4.75/SF

Based on the above, the KMA estimates of gross sales proceeds and net operating income were found to be for the most part higher than the London Study, as shown in Table III-2.

Table III-2 – Estimate of Gross Sales Proceeds and Net Operating Income – London vs. KMA Adjustments

	Base Project	Base Project w/Parking Garage	Alternative #1	Alternative #2	Alternative #3
London					
Gross Sales Proceeds:					
Single Family	$2.6 M	$2.6 M	$1.2 M	$1.2 M	$3.2 M
Commercial	---	---	$300,000	---	---
Net Operating Income:					
Multi-Family	$399,000	$399,000	---	$31,000	$397,000
Commercial	$71,000	$71,000	---	---	$71,000
KMA Adjustments					
Gross Sales Proceeds:					
Single Family	$2.8 M	$2.8 M	$1.4 M	$1.4 M	$3.5 M
Commercial	---	---	$424,000	---	---
Net Operating Income:					
Multi-Family	$404,000	$404,000	---	$18,000	$403,000
Commercial	$71,000	$71,000	---	---	$71,000

Table 4 – Developer Profit presents the estimate Developer's profit for each alternative. The London estimate of developer profit assumes a 12-month construction period with the single family home sold when completed. The rental units and commercial space was assumed by London to be

sold at the end of a five-year investment period. The KMA estimate of developer profit is calculated as the difference between sales proceeds and capitalized value of net operating income less development costs at Year 2016. Tables III-3 and III-4, below, provide an estimate of developer profit by alternative for London and KMA respectively. As shown, KMA's findings are generally consistent with the London Study in that the Base Project was found to have the highest profit (i.e., is most likely development scenario to be feasible).

Table III-3 – Estimate of Developer Profit – London

	Base Project	Base Project w/Parking Garage	Alternative #1	Alternative #2	Alternative #3
London					
Total Profit	$1.6 M	---	($1.7) M	($1.4) M	$217,000
% of Cost	13.2%	---	-53.5%	-77.6%	1.5%
% of Value	12.3%	---	-109.3%	-44.2%	1.6%

Table III-4 – Estimate of Developer Profit – KMA Adjustments

	Base Project	Base Project w/Parking Garage	Alternative #1	Alternative #2	Alternative #3
KMA Adjustments					
Total Profit	$589,000	($410,000)	($1.0) M	($1.5) M	($356,000)
% of Cost	4.9%	-2.9%	-46.4%	-46.4%	-2.6%
% of Value	5.2%	-3.3%	-71.8%	-82.9%	-3.0%

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 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

320 W. CEDAR AND 1610 UNION STREET
PEER REVIEW OF ECONOMIC ALTERNATIVE ANALYSIS

KMA Adjustments

TABLE 1

KMA ADJUSTMENTS

PROJECT DESCRIPTION
320 W. CEDAR / 1610 UNION STREET
CIVIC SAN DIEGO

		Base Project Demolish Existing Structures Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units		Base Project w/Parking Garage Demolish Existing Structures Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units	
I.	Site Area	5,012 SF	0.12 Acres	5,012 SF	0.12 Acres
II.	Gross Building Area (GBA)				
	A. New Construction				
	Single-Family Home	4,350 SF	13.7%	4,350 SF	13.7%
	Multi-Family Units	13,125 SF	41.4%	13,125 SF	41.4%
	Retail	1,400 SF	4.4%	1,400 SF	4.4%
	Common Area/Circulation	12,847 SF	40.5%	12,847 SF	40.5%
	Total GBA - New Construction	31,722 SF	100.0%	31,722 SF	100.0%
	B. Total GBA	31,722 SF		31,722 SF	
III.	Approximate Floor Area Ratio (FAR)	6.33 FAR		6.33 FAR	
IV.	Number of Units	Total	Unit Size	Total	Unit Size
	A. Single Family Home (SFH)	1 Unit	4,350 SF	1 Unit	4,350 SF
	B. Multi-Family Units (MF)				
	Market-Rate Units	31 Units	375 SF	31 Units	375 SF
	Affordable Units	4 Units	375 SF	4 Units	375 SF
	Number of Efficiency Units	35 Units	375 SF	35 Units	375 SF
	C. Total Number of Units	36 Units	485 SF	36 Units	485 SF
V.	Density	312.9 Units/Acre		312.9 Units/Acre	
VI.	Number of Stories	4 - 8 Stories		4 - 8 Stories	
VII.	Construction Type	Type I		Type I	
VIII.	Parking				
	Type	Tuck-under		Tuck-under and Two Stories Below Grade w/ Car Elevator	
	Number of Spaces				
	Single Family Home	2 Spaces		2 Spaces	
	Basement Parking	0 Spaces		***24*** Spaces (1)	
	Total Space	2 Spaces		26 Spaces	
	Ratio	2.0 Spaces/Unit		0.72 Spaces/Unit	

(1) KMA estimate. Assumes two levels of below grade parking totaling 10,024 SF at an average 420 gross SF per space.

TABLE 1

KMA ADJUSTMENTS

PROJECT DESCRIPTION
320 W. CEDAR / 1610 UNION STREET
CIVIC SAN DIEGO

		Alternative #1		Alternative #2		Alternative #3	
		Rehabilitate Existing House and Commercial Space		Rehabilitate Existing House and Construct 2 Residential Units		Relocate and Rehabilitate Existing House Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units	
I.	Site Area	5,012 SF	0.12 Acres	5,012 SF	0.12 Acres	5,012 SF	0.12 Acres
II.	Gross Building Area (GBA)						
	A. New Construction						
	Single-Family Home	---	---	0 SF	0.0%	4,350 SF	13.7%
	Multi-Family Units	---	---	1,200 SF	60.0%	13,125 SF	41.4%
	Retail	---	---	0 SF	0.0%	1,400 SF	4.4%
	Common Area/Circulation	---	---	800 SF	40.0%	12,847 SF	40.5%
	Total GBA - New Construction	---	---	2,000 SF	100.0%	31,722 SF	100.0%
	B. Rehabilitation						
	Existing House	2,013 SF	55.2%	2,013 SF	100.0%	2,013 SF	100.0%
	Existing Retail	816 SF	22.4%	0 SF	0.0%	0 SF	0.0%
	Existing Garage	816 SF	22.4%	0 SF	0.0%	0 SF	0.0%
	Total GBA - Rehabilitation	3,645 SF	100.0%	2,013 SF	100.0%	2,013 SF	100.0%
	C. Total GBA	3,645 SF		4,013 SF		33,735 SF	
III.	Approximate Floor Area Ratio (FAR)	0.73 FAR		0.80 FAR		6.33 FAR	
IV.	Number of Units	Total	Unit Size	Total	Unit Size	Total	Unit Size
	A. Single-Family Home (SFH)	1 Unit	2,013 SF	1 Unit	2,013 SF	1 Unit	4,350 SF
	B. Multi-Family Units (MF)						
	Market-Rate Units			2 Units	600 SF	31 Units	375 SF
	Affordable Units			0 Units	0 SF	4 Units	375 SF
	Number of Efficiency Units			2 Units	600 SF	35 Units	375 SF
	C. Total Number of Units	1 Unit	2,013 SF	3 Units	1,071 SF	36 Units	485 SF
V.	Density		8.7 Units/Acre		26.1 Units/Acre		312.9 Units/Acre
VI.	Number of Stories		2.0 Stories		2.0 Stories		4 - 8 Stories
VII.	Construction Type	Type V		Type V		Type I	
VIII.	Parking	---		---			
	Type					Tuck-under	
	Number of Spaces						
	Single Family Home						2 Spaces
	Basement Parking						0 Spaces
	Total Space						2 Spaces
	Ratio						2.0 Spaces/Unit

TABLE 2

DEVELOPMENT COSTS
320 W. CEDAR / 1610 UNION STREET
CIVIC SAN DIEGO

	Base Project				Base Project w/Parking Garage			
	Demolish Existing Structures Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units				Demolish Existing Structures Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units			
	Totals	Per Unit	Comments		Totals	Per Unit	Comments	
I. Gross Building Area (GBA)								
Sitework	$0	$0	$0	/SF Site Area	$0	$0	$0	/SF Site Area
Parking	$0	$0		Included below	$1,750,000	$48,611	$175	/SF - Parking (1)
Shell Construction - New Construction								
Single-Family Home	$1,305,000	$36,250	***$300***	/SF GBA - SFH	$1,305,000	$36,250	***$300***	/SF GBA - SFH
Multi-Family/Common Area	$5,974,000	$165,944	$230	/SF GBA - MF/Common	$5,974,000	$165,944	$230	/SF GBA - MF/Common
Commercial	$322,000	$8,944	$230	/SF Commercial	$322,000	$8,944	$230	/SF Commercial
Shell Construction - Rehabilitation								
Existing House	$0	$0	$0	/SF GBA-House	$0	$0	$0	/SF GBA-House
Existing Commercial	$0	$0	$0	/SF GBA-Commercial	$0	$0	$0	/SF GBA-Commercial
Existing Garage	$0	$0	$0	/SF GBA-Garage	$0	$0	$0	/SF GBA-Garage
Contingency	$402,000	$11,167	5.3%	of Above Directs	$402,000	$11,167	4.3%	of Above Directs
Total Direct Costs	$8,003,000	$222,306	$252	/SF GBA	$9,753,000	$270,917	$307	/SF GBA
II. Indirect Costs	$1,401,000	$38,917	***17.5%***	of Directs	$1,707,000	$47,417	***17.5%***	of Directs
III. Financing Costs	$600,000	$16,667	***7.5%***	of Directs	$731,000	$20,306	***7.5%***	of Directs
IV. Total Development Costs - excluding Land	**$10,004,000**	**$277,889**	**$315**	**/SF GBA**	**$12,191,000**	**$338,639**	**$384**	**/SF GBA**
V. Land Acquisition Costs								
Land Acquisition - Existing Site	$1,910,000	$53,056	$381	/SF Site Area	$1,910,000	$53,056	$381	/SF Site Area
Land Acquisition - New Site	$0	$0	$0	/SF Site Area	$0	$0	$0	/SF Site Area
Land Closing Costs	$0	$0	$0	/SF Site Area	$0	$0	$0	/SF Site Area
Total Land Acquisition Costs	$1,910,000	$53,056	$381	/SF Site Area	$1,910,000	$53,056	$381	/SF Site Area
VI. Total Development Costs - with Land	**$11,914,000**	**$330,944**	**$376**	**/SF GBA**	**$14,101,000**	**$391,694**	**$445**	**/SF GBA**

(1) Based on KMA assumed parking area of 10,024 SF.

TABLE 2

DEVELOPMENT COSTS
320 W. CEDAR / 1610 UNION STREET
CIVIC SAN DIEGO

	Alternative #1 Rehabilitate Existing House and Commercial Space		Alternative #2 Rehabilitate Existing House and Construct 2 Residential Units		Alternative #3 Relocate and Rehabilitate Existing House Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units		
	Totals	Comments	Totals	Comments	Totals	Per Unit	Comments
I. Gross Building Area (GBA)							
Sitework	$0	$0 /SF Site Area	$0	$0 /SF Site Area	$63,000	$1,750	$13 /SF Site Area (1)
Parking	$0	No on-site parking	$0	No on-site parking	$0	$0	Included below
Shell Construction - New Construction							
Single-Family Home	$0	$0 /SF GBA - SFH	$0	$0 /SF GBA - SFH	$1,305,000	$36,250	***$300*** /SF GBA - SFH
Multi-Family/Common Area	$0	$0 /SF GBA - MF/Common	$350,000	$175 /SF GBA - MF/Common	$5,974,000	$165,944	$230 /SF GBA - MF/Common
Commercial	$0	$0 /SF Commercial	$0	$0 /SF Commercial	$322,000	$8,944	$230 /SF Commercial
Shell Construction - Rehabilitation							
Existing House	$352,000	***$175*** /SF GBA-House	$352,000	***$175*** /SF GBA-House	$453,000	$12,583	***$225*** /SF GBA-House
Existing Commercial	$163,000	$200 /SF GBA-Commercial	$0	$0 /SF GBA-Commercial	$0	$0	$0 /SF GBA-Commercial
Existing Garage	$122,000	$150 /SF GBA-Garage	$0	$0 /SF GBA-Garage	$0	$0	$0 /SF GBA-Garage
Contingency	$38,000	6.0% of Above Directs	$48,000	6.8% of Above Directs	$402,000	$11,167	5.0% of Above Directs
Total Direct Costs	$675,000	$185 /SF GBA	$750,000	$187 /SF GBA	$8,519,000	$236,639	$269 /SF GBA
II. Indirect Costs	$118,000	***17.5%*** of Directs	$131,000	***17.5%*** of Directs	$1,491,000	$41,417	***17.5%*** of Directs
III. Financing Costs	$51,000	***7.5%*** of Directs	$56,000	***7.5%*** of Directs	$639,000	$17,750	***7.5%*** of Directs
IV. Total Development Costs - excluding Land	**$844,000**	**$232 /SF GBA**	**$937,000**	**$233 /SF GBA**	**$10,649,000**	**$295,806**	**$336 /SF GBA**
V. Land Acquisition Costs							
Land Acquisition - Existing Site	$1,910,000	$381 /SF Site Area	$1,910,000	$381 /SF Site Area	$1,910,000	$53,056	$381 /SF Site Area
Land Acquisition - New Site	$0	$0 /SF Site Area	$0	$0 /SF Site Area	$895,000	$24,861	$76 /SF Site Area - New (2)
Land Closing Costs	$0	$0 /SF Site Area	$0	$0 /SF Site Area	$0	$0	$0 /SF Site Area
Total Land Acquisition Costs	$1,910,000	$381 /SF Site Area	$1,910,000	$381 /SF Site Area	$2,805,000	$77,917	$560 /SF Site Area
VI. Total Development Costs - with Land	**$2,754,000**	**$756 /SF GBA**	**$2,847,000**	**$709 /SF GBA**	**$13,454,000**	**$373,722**	**$424 /SF GBA**

(1) Reflects cost to move the existing house.
(2) Home is assumed to be relocated to a 0.27 acre (11,731 SF) site in Logan Heights.

TABLE 3

KMA ADJUSTMENTS

GROSS SALES PROCEEDS AND NET OPERATING INCOME
320 W. CEDAR / 1610 UNION STREET
CIVIC SAN DIEGO

	Base Project					Alternative #1				
	Demolish Existing Structures Develop 4,350 SF Home 1,400 SF Retail, and 35 Efficiency Units					**Rehabilitate Existing House and Commercial Space**				
I. Single-Family Home	**Unit Size**	**# of Units**	**Price Per SF**	**Price Per Unit**	**Gross Sales**	**Unit Size**	**# of Units**	**Price Per SF**	**Price Per Unit**	**Gross Sales**
A. Gross Sales Proceeds - New	4,350 SF	1	***$650***	$2,828,000	$2,828,000	----	----	----	----	----
B. Gross Sales Proceeds - Existing	----	----	----	----	----	2,013 SF	1	***$700***	$1,409,000	$1,409,000
II. Multi-Family Units (1)	**Average Unit Size**	**# of Units**	**$/SF**	**$/Month**	**Total Annual**	**Average Unit Size**	**# of Units**	**$/SF**	**$/Month**	**Total Annual**
A. Market-Rate Units	375 SF	31	***$3.75***	***$1,406***	$523,125					
Affordable Units @ 50% AMI	375 SF	4	***$1.98***	***$744***	$35,712					
Subtotal	375 SF	35	$3.55	$1,331	$558,837					
B. Add: Other Income		$0 /Unit/Month			$0					
Total Gross Scheduled Income					$558,837					
C. Vacancy		0.0% of GSI			$0					
D. Total Effective Gross Income					$558,837					
E. Operating Expenses (2)										
(Less) Operating Expenses (3)		***$4.75 /SF GBA/Year***			***($62,000)***					
(Less) Property Taxes (4)		$2,639 /Unit/Year			($92,378)					
Total Operating Expenses		$4,411 /Unit/Year			($154,378)					
F. Net Operating Income					$404,459					
III. Commercial (1)	1,400 SF		$4.24 /SF NNN		$71,292		816 SF	***$520*** /SF		$424,000 (5)

(1) Reflects estimated income and operating expenses in 2016 (Year 2).
(2) Reflects operating expenses for multi-family units only.
(3) Per Developer, reflects $100 per unit per month.
(4) Per Developer, reflects 1.1% of 90% of construction costs.
(5) Assumes commercial space is sold.
(6) Per Developer, assumes existing home rehabilitated and sold in the community of Logan Heights.

Prepared by: Keyser Marston Associates, Inc.
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TABLE 3

KMA ADJUSTMENTS

GROSS SALES PROCEEDS AND NET OPERATI NG INCOME
320 W. CEDAR / 1610 UNION STREET
CIVIC SAN DIEGO

	Alternative #2: Rehabilitate Existing House and Construct 2 Residential Units					Alternative #3: Relocate and Rehabilitate Existing House Develop 4,350 SF Home 1,400 Sf Retail, and 35 Efficiency Units				
I. Single-Family Home	**Unit Size**	**# of Units**	**Price Per SF**	**Price Per Unit**	**Gross Sales**	**Unit Size**	**# of Units**	**Price Per SF**	**Price Per Unit**	**Gross Sales**
A. Gross Sales Proceeds - New	----	----	----	----	----	4,350 SF	1	***$650***	$2,828,000	$2,828,000
B. Gross Sales Proceeds - Existing	2,013 SF	1	***$700***	$1,409,000	$1,409,000	2,013 SF	1	***$325***	$654,000 (6)	$654,000
II. Multi-Family Units (1)	**Average Unit Size**	**# of Units**	**$/SF**	**$/Month**	**Total Annual**	**Average Unit Size**	**# of Units**	**$/SF**	**$/Month**	**Total Annual**
A. Market-Rate Units	600 SF	2	***$3.50***	$2,100	$50,000	375 SF	31	***$3.75***	***$1,406***	$523,125
Affordable Units @ 50% AMI	0 SF	0	$0.00	$0	$0	375 SF	4	***$1.98***	***$744***	$35,712
Subtotal	600 SF	2	$3.50	$2,100	$50,000	375 SF	35	$3.55	$1,331	$558,837
B. Add: Other Income		$0	/Unit/Month		$0		$0	/Unit/Month		$0
Total Gross Scheduled Income					$50,000					$558,837
C. Vacancy		0.0%	of GSI		$0		0.0%	of GSI		$0
D. Total Effective Gross Income					$50,000					$558,837
E. Operating Expenses (2)										
(Less) Operating Expenses (3)		***$4.75***	/SF GBA/Year		***($6,000)***		***$4.75***	/SF GBA/Year		($62,000)
(Less) Property Taxes (4)		$12,813	/Unit/Year		($25,626)		$2,675	/Unit/Year		($93,618)
Total Operating Expenses		$15,813	/Unit/Year		($31,626)		$4,446	/Unit/Year		($155,618)
F. Net Operating Income					$18,374					$403,219
III. Commercial (1)		0 SF	$0 /SF		$0	1,400 SF		$4.24	/SF NNN	$71,292

(1) Reflects estimated income and operating expensesin 2016 (Year 2).
(2) Reflects operating expenses for multi-family units only.
(3) Per Developer, reflects $100 per unit per month.
(4) Reflects operating expenses for multi-family units only.
(5) Assumes commercial space is sold.
(6) Per Developer, assumes existing home rehabilitated and sold in the community of Logan Heights.

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TABLE 4

DEVELOPER PROFIT
320 W. CEDAR / 1610 UNION STREET
CIVIC SAN DIEGO

	Base Project		Base Project w/Parking Garage		Alternative #1		Alternative #2		Alternative #3	
	Demolish Existing Structures Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units		Demolish Existing Structures Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units		Rehabilitate Existing House and Commercial Space		Rehabilitate Existing House and Construct 2 Residential Units		Relocate and Rehabilitate Existing House Develop 4,350 SF Home, 1,400 SF Retail, and 35 Efficiency Units	
I. Single-Family Home										
Gross Sales Proceeds		$2,828,000		$2,828,000		$1,409,000		$1,409,000		$3,482,000
(Less) Cost of Sale	5.0%	($141,400)	5.0%	($141,400)	5.0%	($70,000)	5.0%	($70,000)	5.0%	($174,000)
Net Sales Proceeds		$2,686,600		$2,686,600		$1,339,000		$1,339,000		$3,308,000
II. Efficiency Units										
Net Operating Income		$404,459		$404,459		---		$18,374		$403,219
Add: Parking Income		$0		$57,600 (1)				$0		$0
Total Income		$404,459		$462,059				$18,374		$403,219
Capitalized Value @	***4.75%***	$8,515,000	***4.75%***	$9,728,000		---	***4.75%***	$387,000	***4.75%***	$8,489,000
(Less) Cost of Sale	2.0%	($170,000)	2.0%	($195,000)		---	2.0%	($7,740)	2.0%	($170,000)
Total		$8,345,000		$9,533,000		---		$379,260		$8,319,000
III. Commercial										
Net Operating Income		$71,292		$71,292				$0		$71,292
Capitalized Value @	***4.75%***	$1,501,000	***4.75%***	$1,501,000		$424,000		$0	***4.75%***	$1,501,000
(Less) Cost of Sale	2.0%	($30,000)	2.0%	($30,000)	5.0%	($21,000)		$0	2.0%	($30,000)
Total		$1,471,000		$1,471,000		$403,000		$0		$1,471,000
IV. Total Net Sales Proceeds		$12,502,600		$13,690,600		$1,742,000		$1,718,000		$13,098,000
V. Developer Profit										
Net Sales Proceeds		$12,502,600		$13,690,600		$1,742,000		$1,718,000		$13,098,000
(Less) Development Costs		($11,914,000)		($14,101,000)		($2,754,000)		($3,207,000)		($13,454,000)
Net Profit		**$588,600**		**($410,400)**		**($1,012,000)**		**($1,489,000)**		**($356,000)**
% of Costs		**4.9%**		**-2.9%**		**-36.7%**		**-46.4%**		**-2.6%**
% of Value		**5.2%**		**-3.3%**		**-71.8%**		**-82.9%**		**-3.0%**

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