

DRAFT
SITE DEVELOPMENT PERMIT FINDINGS
for 1610 Union Street and 320 West Cedar Street



Prepared by:
Marie Burke Lia, Attorney at Law, on behalf of the Project Applicants

September 2016

FINDINGS

Site Development Permit – Section 126.0504

(a) Findings for all Site Development Permits

1. The proposed development will not adversely affect the applicable land use plan.

The proposed project is the demolition of a historic resource, the Oscar H. Millard Rental located at 1619 Union Street, in the Little Italy Subarea of the Centre City Planned District in order to permit new construction on the site consisting of a 4,350 square foot home, 1,400 square feet of retail and 35 efficiency units with an average unit size of 375 square feet. The project was initiated by the current property owner, JMAN at the K Lofts LLC, a residential and commercial developer.

The subject property occupies Assessor's Parcel Number 533-353-10, Lot 7 of Block 33 in Horton's Addition, which includes 5,012 square feet of land area on the block bounded by Union Street on the East, West Cedar Street on the South, State Street on the West and Date Street on the North. This parcel currently contains two structures. The Millard Rental, which was constructed in 1894, is multi-family residential building located on the east side of the parcel, facing Union Street and is addressed as 1610 Union Street. In 1952, a two-story garage/office building was constructed on the west side of the parcel facing West Cedar Street that is addressed as 230 West Cedar Street. The Millard Rental was designated as a local historical resource in 1990 as HRB #282, but the garage/office building was not included in the designation. According to the Assessor's Building Record, the original Millard Rental building consisted of 1874 square feet, with 1017 square feet on the ground floor and 857 square feet on the second floor and wood covered porch of 139 square feet. The non-historic 1952 garage/now apartment building is 24' x 34' and contains 816 square feet on each floor. The proposed project will remove all of the existing improvements on the site. Current photographs of the designated resource are included in Exhibit A to these Findings.

The subject property is 50' x 100.25' and will be developed with two separate but coordinated concepts, starting with its subdivision into two lots, one measuring 66' by 50' and the other measuring 34' x 50.' The larger *Lot A* on the west end of the parcel will be developed as an 8 story cast-in-place concrete building of 13,734 square feet of net living space in Micro Units, over 1,438 square feet of commercial space. The net living space will be divided between 30 units of 408 square feet and 5 units of 330 square feet, all with 6' x 12' foot private decks facing south. The gross square footage of this building will be 31,722 square feet. SDMC Section 156.0309 provides an affordable incentive that the applicant will be using to eliminate all of the parking required for multi-family mixed use buildings. The applicant will also be using the affordable density bonus to provide a FAR bonus of 5%.

The smaller *Lot B* will be developed on the east end of the parcel with a four story single family residence with a roof top deck and the capability for a first floor office. This design will address the reduction of scale on the secondary Union Street frontage. The Single Family Residence will have a similar design language and material palette as the Micro Units on Lot A.

Copies of the relevant Plans for the proposed Base Project are included as Exhibit B to these Findings.

Land use and housing issues are addressed in Chapter 3 of the Downtown Community Plan. According to Figure 3-2, the Plan's Downtown Structure, this property is located in the Little Italy section of Centre City. According to the Plan's Figure 3-4, the Land Use is classified as Residential Emphasis, which is described on Page 3-12 as follows: "The Residential Emphasis areas will accommodate primarily residential development. Small-scale businesses, offices and services, and ground floor commercial uses (such as cafes and dry cleaners), are also allowed, provided that they do not exceed 20 percent of the overall building area."

The desired development intensity for the area is described on page 3-17 where the Plan establishes intensity standards for various parts of downtown. Intensity is measured as Floor Area Ratio (FAR), obtained by dividing gross floor area by lot area. Figure 3-9 of the Plan shows the allowable minimum and maximum FARs for various sites. "Proposed base development intensities in the Community Plan range from 2.0 to 10.0, modulated to provide diversity of scale, as well as high intensities in selected locations." The minimum FAR for the subject property is 3.5 and the maximum is 6.0. Because of the above-referenced affordable housing density bonus program provided by SDMC Section 156.0309, the project's 6.3 FAR is less than the allowed density bonus maximum of FAR 7.26.

Affordable Housing is also addressed in Chapter 3 of the Downtown Community Plan. One of the main goals of downtown's redevelopment is to expand and preserve the supply of affordable housing. The goals for such housing are based on the California Community Redevelopment Law. Continued compliance with State and local affordability requirements will help to ensure that affordable housing will continue to represent a portion of overall housing production. One of the Plan's Affordable Housing Strategies addresses Workforce Housing. "One of the essential underpinnings of downtown's renaissance is an intense and wide range of housing choices, meeting the various needs of a mixed population. . . . By establishing downtown as the center for higher residential densities in the region, housing options will be available for the multitude of downtown employees consistent with the Strategic Framework Element of the City's General Plan." Housing takes many forms in downtown from luxury penthouses to single room occupancy (SRO) hotels, compact living units (CLUs), studios, lofts, living units, and rental and ownership multi-room units. While mostly concentrated in neighborhoods with residential emphasis, housing is also considered an integral part of mixed-use centers and districts. (Plan, p. 3-29)

Under California Redevelopment Law, 15% of new housing developed in a redevelopment project area must be affordable to low and moderate income households and of those affordable units, 40% must be affordable to very low-income persons. (Plan, p. 3-30) Income Diversity – The majority of downtown's affordable housing units are for very low-income households. Given that a large number of downtown workers earn more than minimum wage and would fall into a broader range of income categories, downtown could benefit from having more units affordable to low and moderate income households. (Plan, p. 3-31)

The Plan's Affordable Housing Goals include the following:

- 3.4-G-3 Increase the supply of rental housing affordable to low-income persons
- 3.4-G-4 Preserve and expand the supply of single room occupancy ("SRO") and living units (small studio apartments) affordable to very-low income persons.
- 3.4-P-1 Development intensity bonuses for builders creating affordable units.
- 3.4-P-4 Allow construction of new SROs, living units and other similar forms of housing in all

appropriate mixed use districts. Allow reduced parking for projects with rent-restricted units.

The proposed project is consistent with these goals.

Historic Preservation is addressed in Chapter 9 of the Downtown Community Plan. The existing eastern-most structure on the project site is a locally designated historical resource, the Oscar H. Millard Rental located at 1619 Union Street, HRB #282. As indicated in Table 9-1 of the Plan, locally designated resources are to be retained on-site whenever possible. "Partial retention, relocation or demolition of a resource shall only be permitted through applicable City procedures." The applicable City procedures are established in San Diego Municipal Code Chapter 14, Article 3, Division 2, entitled "Historical Resources Regulations." §143.0210 (2) (C) requires a Site Development Permit in accordance with Process Four for any development that proposes to deviate from the development regulations for historical resources described in this division. Substantial alteration of a designated resource by demolition or other means is a deviation from the historical resources regulations and therefore a Site Development Permit, as authorized by Chapter 12, Article 6, Division 5, entitled "Site Development Permit Procedures" is required. The decision maker, in this instance the Planning Commission, must make all of the Findings in §126.0504(a) and §126.0504(i) before the demolition of a locally designated historical resource can occur. Therefore, the processing of this Site Development Permit application is in compliance with and will not adversely affect this aspect of the applicable land use plan. The proposed project will comply with Chapter 9 of the Downtown Community Plan.

The Mitigation Monitoring and Reporting Program (MMRP) for the Downtown Community Plan requires the implementation of Mitigation Measure *HIST- A.1-3* if a (locally) designated historical resource would be demolished. That Mitigation Measure requires the submission of a Documentation Program that must include Photo Documentation and Measured Drawings of the resource, consistent with the requirements of the Historic American Building Survey (HABS) to the Historical Resources Board Staff for review and approval. Implementation of this Mitigation Measure will be required as a Condition of this Permit.

A copy of the HABS drawings of the designated historical resource is included as Exhibit C to these Findings.

2. The proposed development will not be detrimental to the public health, safety and welfare.

The proposed project would remove the existing improvements on the site and subdivide the parcel into two Lots, Lot A on the west two-thirds and Lot B on the east one-third. Lot A will be developed as an 8 story cast-in-place concrete building with 13,734 square feet of net living spaces in Micro Units above 1,434 square feet of commercial space. The net living space will be divided between 30 units of 408 square feet and 5 units with 330 square feet. The gross square footage of the building will be 31,722 square feet. The smaller Lot B on the east will be developed with a four story single family residence with a roof top deck and the capability for a first floor office. The two developments will share a common design language and material palette. The sole property owner and developer is JMAN at the K lofts LLC. The project architect is Jonathan Segal FAIA.

The Micro Units building on Lot A will not exceed 87'-05" feet in height and will be constructed of cast-in-place concrete containing 13,734 square feet of living space. The single family residence on

Lot B will be constructed in the same manner and not exceed 55 feet in height. The construction type will be 1B for both buildings and they will be NFPA 13 sprinklered. The occupancy classifications will include Garage – S2, Residential – R2, Mercantile – M, Commercial – A2/A3 and Business – B. No parking will be provided for the west building on Lot A with the multi-unit apartments, but 35 residential bicycle spaces and 5 guest bicycle spaces will be provided. Two parking spaces and two bicycle spaces for the east single family residence will be provided.

The relevant plans for both buildings are included as Exhibit B. The project site is 5,012 square feet, which includes Lot 7 of Block 33 in Horton's Addition on the block bounded by Union Street on the East, West Cedar Street on the South, State Street on the West and Date Street on the North. The Assessor's Parcel Number is 533-353-10. The construction type will be 1B, fire rated and sprinklered, meeting occupancy classifications R2, R3, and A2/A3 as required by the California Building Code.

The proposed development complies with the Development Regulations of the Centre City Planned District Ordinance (§ 156.0310), including the Residential Development Regulations (§ 156.0310 (g)). The proposed development complies with the Urban Design Regulations of the Planned District Ordinance (§ 156.0311), the Performance Standards of the Planned District Ordinance (§ 156.0312), etc. The proposed development complies with all of the San Diego Municipal Code and Uniform Building Code provisions intended ensure that the public health, safety and welfare are protected and enhanced by this construction.

3. The proposed development will comply with the applicable regulations of the Land Development Code.

The proposed project will construct an 8 story cast-in place concrete building with 13,734 square feet of net living spaces in Micro Units above 1,434 square feet of commercial space on Lot A on the west side of the parcel. The net living space will be divided between 30 units of 408 square feet and 5 units with 330 square feet. The gross square footage of the building will be 31,722 square feet. Lot B on the east will be developed with a four story single family residence with a roof top deck and the capability for a first floor office. The two developments will share a common design language and material palette.

The land use classification for this site is Residential Emphasis "The Residential Emphasis areas will accommodate primarily residential development. Small-scale businesses, offices and services, and ground floor commercial uses (such as cafes and dry cleaners), are also allowed, provided that they do not exceed 20 percent of the overall building area." (Plan, p. 3-12)

The desired development intensity for the area is described on page 3-17 where the Plan establishes intensity standards for various parts of downtown. Intensity is measured as Floor Area Ratio (FAR), obtained by dividing gross floor area by lot area. Figure 3-9 of the Plan shows the allowable minimum and maximum FARs for various sites. "Proposed base development intensities in the Community Plan range from 2.0 to 10.0, modulated to provide diversity of scale, as well as high intensities in selected locations." The minimum FAR for the subject property is 3.5 and the maximum is 6.0. Because of the above-referenced affordable incentive provided by SDMC Section 156.0339, the project's 6.3 FAR is allowed. In addition, an Affordable Density FAR Bonus is available for this property, which results in a maximum allowable FAR of 7.26, per local and state density bonus law (California Government

Code Sections 65915 through 65912).

The proposed project will comply with the PDO's Development Regulations pertaining to lot size, minimum building setbacks, building heights, building bulk, building base, ground floor heights, and residential development regulations. It will also comply with the PDO's Urban Design Regulations pertaining to building orientation, façade articulation, street level design, pedestrian entrances, transparency, blank walls, glass and glazing, rooftops, encroachments into public rights-of-way, building identification, regulations pertaining to historical resources requiring a Site Development Permit, additional standards for residential permanent supportive housing developments, and open space design guidelines.

The proposed project will comply with the applicable provisions of the Centre City Planned District Ordinance in the following manner. It is located within the Residential Emphasis the Land Use is classified as Residential Emphasis area which will accommodate primarily residential development. Small-scale businesses, offices and services, and ground floor commercial uses (such as cafes and dry cleaners), are also allowed, provided that they do not exceed 20 percent of the overall building area.

As discussed above, Chapter 3 of the Downtown Community Plan calls for affordable housing. One of the main goals of downtown's redevelopment it to expand and preserve the supply of affordable workforce housing. The proposed project will help address the need for such housing for downtown's population and, specifically, provide housing for the multitude of downtown employees consistent with the Strategic Framework Element of the City's General Plan. Given that a large number of downtown workers earn more than minimum wage and would fall into a broader range of income categories, downtown could benefit from having more units affordable to low and moderate income households.

The relevant Land Development Code's Planning and Development Regulations for topics not addressed in the Centre City Planned District Ordinance are contained in that Code's Chapter 14 and include: Grading Regulations, Draining Regulations, Landscape Regulations, Parking Regulations, Refuse and Recyclable Materials Storage, Mechanical and Utility Equipment Storage Regulations, Loading Regulations, Building Regulations, Electrical Regulations and Plumbing Regulations. The proposed development will comply with all of these regulations, since a building permit would not be issued without such compliance. Therefore, the proposed development will comply with all applicable regulations of the Land Development Code.

(i) Supplemental Findings – Historical Resources Deviation for Substantial Alteration of a Designated Historical Resource

Supplemental Finding (1) There are no feasible measures, including a less environmentally damaging alternative that can further minimize the potential adverse effects to the designated historical resource.

The subject property consists of two separate buildings on a single lot of 5,012 square feet. The designated building dates from 1894 and has always been a multi-family residential property, which was subject to modifications over the years. The non-designated building was constructed in 1952 as a garage with an office above and it remains a garage now with an apartment above. It was also subject to modifications over the years.

The initial question for Site Development Permits of this nature is whether the physical structure of the designated resource could be retained on the site and incorporated into the new development. In this instance, the two-story wood frame resource occupies a 1,017 square foot footprint in the center of the parcel, precluding the construction of the proposed Base Project that complies with the applicable land use plan and the Land Development Code regulations. As illustrated in the architectural drawings attached as Exhibit D, it would be physically impossible to incorporate the existing two story 1894 building into the first two floors of the proposed project.

In order to determine whether there are economically feasible measures that can further minimize the potential adverse effects to the designated historical resource, it is first necessary to determine the construction and other costs that would be required to build the Base Project and the economic return that could be generated by the Base Project over a five year period. The new construction and other costs have been developed by property owner and developer, JMAN at the K Lofts and Jonathan Segal FAIA. Those costs were reviewed by the Economic Feasibility Analyst, The London Group. The likely economic return to the developer from the Base Project, is thereafter determined by the Economic Feasibility Analysis. A similar process is undertaken for each of the Alternatives before a determination can be made that there are or are not economically feasible measures that can further minimize the potential adverse effects to the designated historic resource. A copy of the August 16th Economic Feasibility Analysis by The London Group is attached as Exhibit E.

Base Project

The proposed Base Project will construct, on Lot A, an 8 story cast-in-place concrete building with 13,734 square feet of net living spaces in Micro Units above 1,438 square feet of commercial space. The net living space will be divided between 30 units of 408 square feet and 5 units with 330 square feet, all with 12 x 6 foot private decks. The gross square footage of the building will be 31,722 square feet. Lot B will be developed with a four story single family residence with a roof top deck and the capability for a first floor office. The two developments will share a common design language and material palette. The project is more extensively described in Finding 2 above and in the relevant Plans for this project are included as Exhibit B.

The new square footage that would be generated by the Base Project on Lot A consists of 13,125 square footage of net residential rental area and 1,400 square feet of net retail rental area. The 33 market rate rentals would generate a monthly rental rate of \$1,465 each and the 2 very low income level rentals would generate a monthly rental rate of \$709 each. The gross annual rent revenue from Lot A is estimated at \$591,118. The Base Project assumes the sale of the rental property on Lot A in the fifth year after its construction, at an estimated value of \$11,449,537.

The new single family residence that would be constructed on Lot B would be sold when completed at a forecasted price of \$2,600,000. This is based on the assumption that hard costs would reach \$1,740,000 and soft costs would reach 18% of that amount or \$313,200.

Alternative 1

An investigation was undertaken by the project architect and developer, Jonathan Segal FAIA, to rehabilitate both structures on the site. The 2,013 square foot single family residence on the east portion of the parcel, the 816 square foot garage and the 816 square foot commercial space on the west portion of the parcel would be rehabilitated, in accordance with the Secretary of the Interior's Standards, to their highest and best use to be sold immediately after their construction.

The single family home consists of 2013 square feet and its estimated rehabilitation costs are \$603,900 (at \$300 per square foot). Its forecasted sale price is \$1,225,000 (at \$609 per square foot). The two story garage & commercial building consists of 1,632 square feet and its estimated rehabilitation costs are \$163,200 at \$200 per square foot). Its forecasted sale price is \$300,347 (at \$368 per square foot).

Economic Feasibility when compared with the Base Project: The Base Project would construct 18,875 square feet of useable buildings. Alternative 1 would construct 3,645 square feet of usable buildings, 85% less than the Base Project and result in a \$3,608,714 reduction in profit.

Alternative 2

An investigation was undertaken by the project architect and developer, Jonathan Segal FAIA, to rehabilitate only the designated structure on the site. The 2,013 square foot single family residence on the east portion of the parcel would be rehabilitated, in accordance with the Secretary of the Interior's Standards, to its highest and best use. The 1,632 square foot, non-designated commercial building on the west portion of the parcel would be removed and a two story building of two 600 square foot apartments would be constructed thereon.

The single family home consists of 2013 square feet and its estimated rehabilitation costs are estimated as \$603,900 (at \$300 per square foot). Its forecasted sale price is \$1,225,000 (at \$609 per square foot).

The new two-story apartment building would consist of 1,200 square feet and its construction costs are estimated as \$350,000 (at \$175 per square foot). It would be sold in its fifth year at a forecasted sale price of \$726,657 (at \$605 per square foot). The total costs for this Alternative are \$3,207,108, but the sales value is only \$1,951,657, which represents a loss of \$1,255, 451.

Economic Feasibility when compared with the Base Project: The Base Project would construct 18,875 square feet of useable buildings. Alternative 2 would construct 3,213 square feet of usable buildings, 83% less than the Base Project and a \$1,417,825 reduction in profit.

Alternative 3

The proposed project will require a Site Development Permit for the Substantial Alteration of a Designated Historical Resource under SDMC Section 126.0504(i). In many instances, a Site Development Permit for Relocation of a Designated Historical Resource under SDMC Section 126.0504(h) can provide an option that can further minimize the potential adverse effects on the

historical resource.

For this Alternative, an investigation was undertaken to investigate the option of relocating the designated historical resource at 1610 Union Street to an appropriate site for rehabilitation and reuse. In order to identify such an appropriate site, the real estate advisory firm of Overland, Pacific & Cutler was retained to search for a vacant, for sale lot in an appropriate older neighborhood of the City. This firm has had extensive experience in conducting such lot searches in the nine San Diego Community Plan areas with older residential areas. In this instance, five vacant lots were identified including one in the Logan Heights area of San Diego, the same neighborhood that a previous designated historical resource had been relocated to in 2011. The potential relocation site was identified as 2810 L Street, San Diego 92102. The property is an 11,731 square foot vacant parking lot on the northeast corner of 28th and L Streets, in a neighborhood of older homes. The property is zoned for four residential units and the price is \$895,000.

Four other sites were identified by the lot search. (1) A steeply sloped lot at Florida and Upas of 7,246 square feet containing a duplex is available. If the duplex remains in place, 8 additional units could be added to the site. If the duplex is removed, additional units could be added. The price is \$950,000. (2) A vacant, never improved lot of 1.21 acres is available at 0000 Hixon Street. The sale price is \$149,000. That low price for such a large lot indicates a serious deficiency at the site. (3) Two vacant lots at 849-867 Ninth Avenue in the East Village are listed, however the adjoining parcels under the same ownership have been assembled contain a 20,000 square foot building site in a Centre City area with a 6.0 FAR. Although the sale price is described as "negotiable," it would be in the several millions. (4) A 15,750 square foot lot is available in Golden Hill, but its sale price is \$2,400,000. This Lot Search information and photographs are included in Exhibit F. It is clear that the best relocation site is the one at 28th and L Streets in Logan Heights.

The Economic Feasibility Analysis has estimated that when the relocated and rehabilitated home is sold, the forecasted sale price for that property is estimated to be \$600,000 or \$298 per square foot. The newly constructed single-family home at the new project site is assumed to be sold after construction is completed and the forecasted sale price is estimated to be \$1,225,000 or \$609 per square foot. The total project costs, including the relocation and rehabilitation of the designated resource at the new site, are forecasted at \$14,920,415.

When compared to the Base Project, Alternative 3 would result in and a \$1,502,281 reduction in total profit generated by the development.

Conclusions

Supplemental Finding (1) There are no feasible measures, including a less environmentally damaging alternative that can further minimize the potential adverse effects to the designated historical resources.

The Three Alternatives to the Base Project have been evaluated and determined to be economically infeasible in varying degrees. Therefore, Supplemental Finding (1) can be made.

Supplemental Finding (2) This deviation (from standard protective historical resource regulations) is the minimum necessary to afford relief and accommodate the development and all feasible measures to mitigate for the loss of any portion of the historical resource have been provided by the applicant.

This deviation from the standard protective historical resource regulations is the minimum necessary to afford relief and accommodate the development of the site in accordance with the above-described provisions of the Land Use Plan, the public health, safety and welfare, and the Land Development Code. The three Alternatives are economically infeasible and the mitigation measures required by the Centre City Mitigation, Monitoring and Reporting Program (MMRP) will be implemented as a condition of this Site Development Permit. Therefore, Supplemental Finding (2) can be made.

Supplemental Finding (3) The denial of the proposed development would result in economic hardship to the owner. For the purpose of this finding, "economic hardship" means there is no reasonable beneficial use of a property and it is not feasible to derive a reasonable economic return from the property.

The proposed project will generate a profit of \$1,940,942. Alternative 1 will result in a reduction in profit of \$3,608,714. Alternative 2 will result in a reduction in profit of \$3,358,767. Alternative 3 will result in a reduction in profit of \$1,502,281. All three Alternatives would result in an economic hardship to the owner.

EXHIBIT A



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #1: View West of the East Façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #2: View Northwest of the South and East façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #3: View North of the South façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #4: View North of the West end of the South façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #5: View West of the East façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #6: View Northeast of the South façade



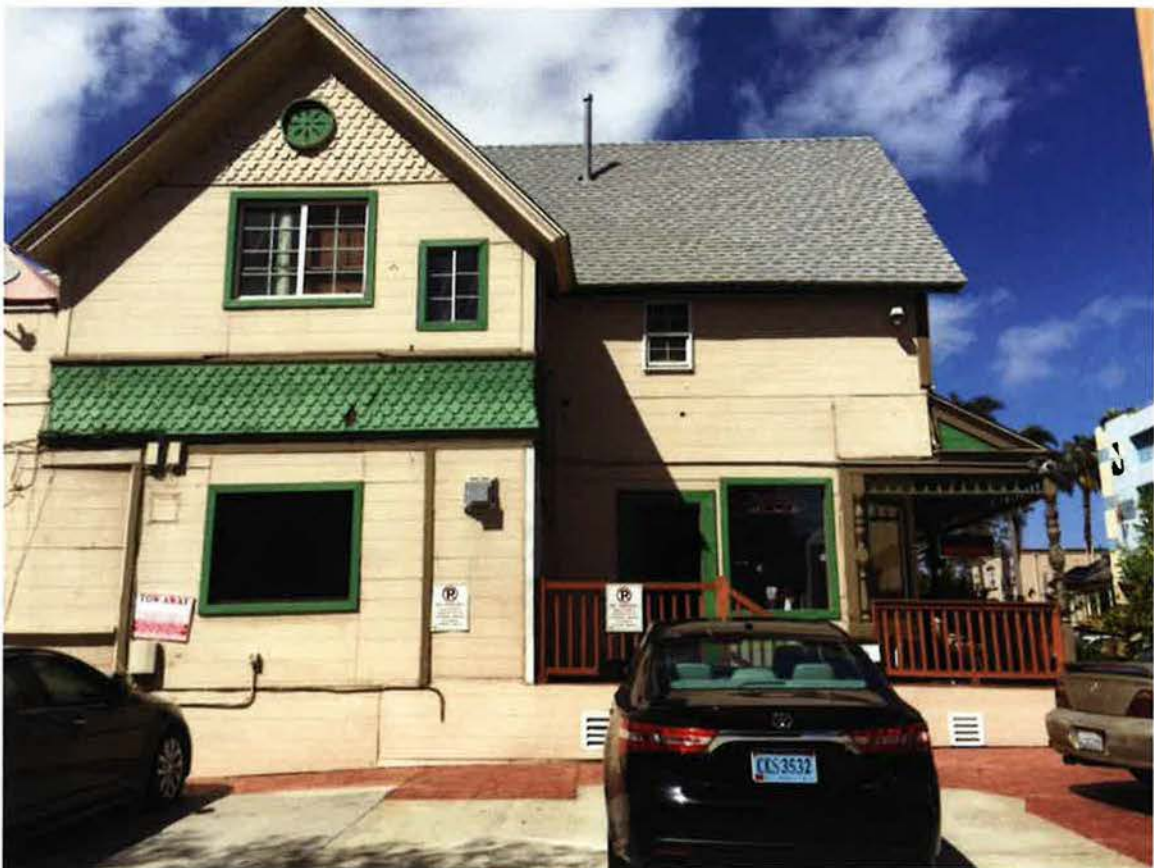
1610 Union Street and 320 West Cedar Street May 2016
 Photograph #7: View Southwest of the North façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #8: View West of the East and North façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #9: View North of the East end of the South façade



1610 Union Street and 320 West Cedar Street May 2016
 Photograph #10: View North of the East end of the South



1610 Union Street

December 2016

Photograph #1: View North of buildings (1610 Union and 320 West Cedar) on South façade



1610 Union Street

December 2016

Photograph #2: View Northwest of South façade



1610 Union Street

December 2016

Photograph #3: View North of second level balcony addition on South façade



1610 Union Street

December 2016

Photograph #4: Detailed view of addition overhang on South façade



1610 Union Street December 2016
Photograph #5: View North of hipped roof on South façade



1610 Union Street December 2016
Photograph #6: View Northwest of South façade



1610 Union Street December 2016
 Photograph #7: View West of South façade entrance



1610 Union Street December 2016
 Photograph #8: View of original siding and new siding on South façade



1610 Union Street December 2016
Photograph #9: View Northwest of main entrance on the East façade



1610 Union Street December 2016
Photograph #10: View West of second level of the East façade



1610 Union Street

December 2016

Photograph #11: Detailed view of shed roof containing Folk Victorian spindle detailing



1610 Union Street

December 2016

Photograph #12: Detailed view of original siding and new siding above main entrance on the East façade



1610 Union Street December 2016
 Photograph #13: View Southwest of East and North facades



1610 Union Street December 2016
 Photograph #14: View of decorative metal grill



1610 Union Street December 2016
 Photograph #15: View Southwest of North façade



1610 Union Street December 2016
 Photograph #16: Detailed view of window on the North façade



1610 Union Street

December 2016

Photograph #17: Detailed view of original siding and new siding on the North façade



1610 Union Street

December 2016

Photograph #18: View West of the North façade and overhang addition



1610 Union Street

December 2016

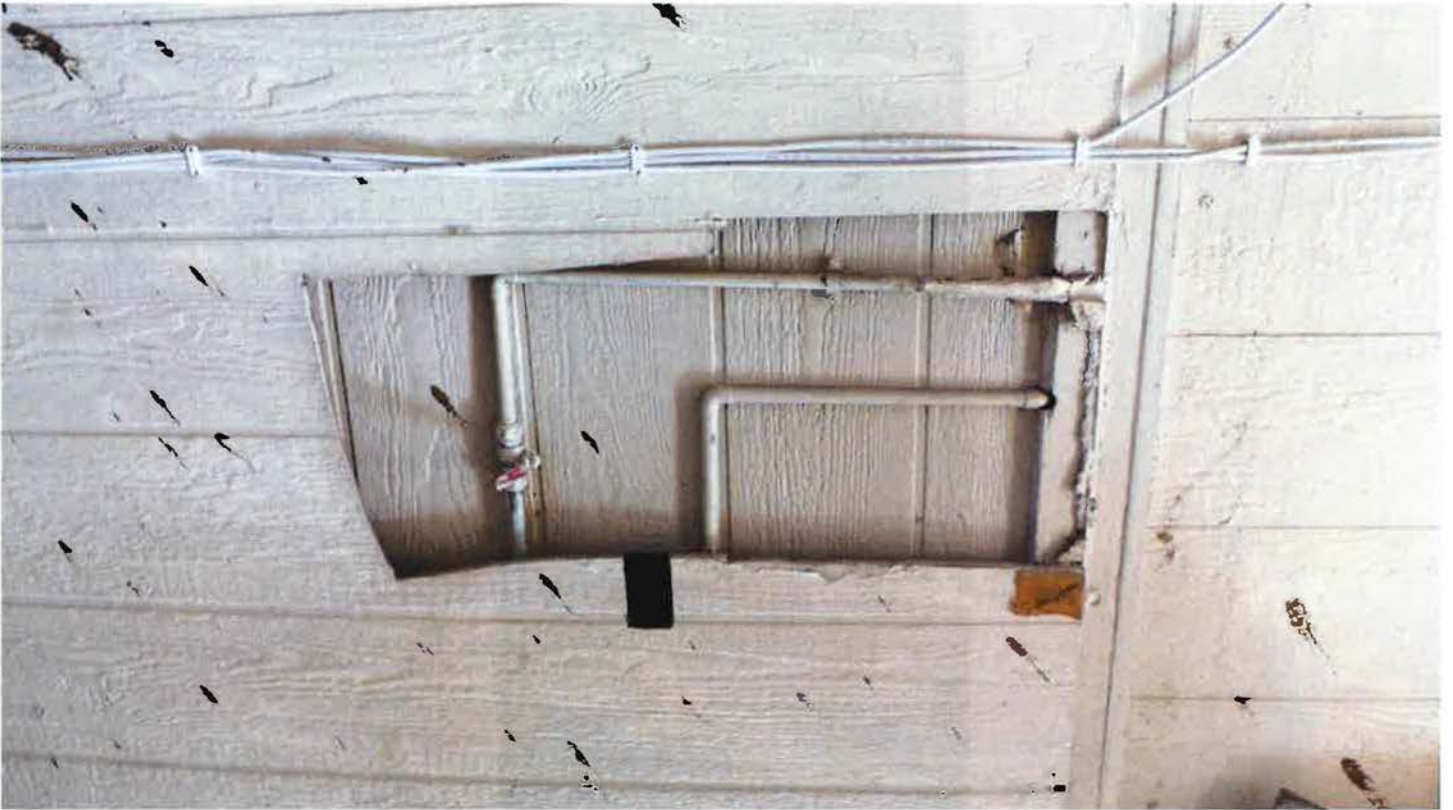
Photograph #19: View North of staircase leading to second level of the West façade



1610 Union Street

December 2016

Photograph #20: View of window on the West façade



1610 Union Street December 2016
Photograph #21: View of damaged siding on the West façade



1610 Union Street December 2016
Photograph #22: View of blocked window on the West façade



1610 Union Street December 2016
Photograph #23: View Southeast of the West façade



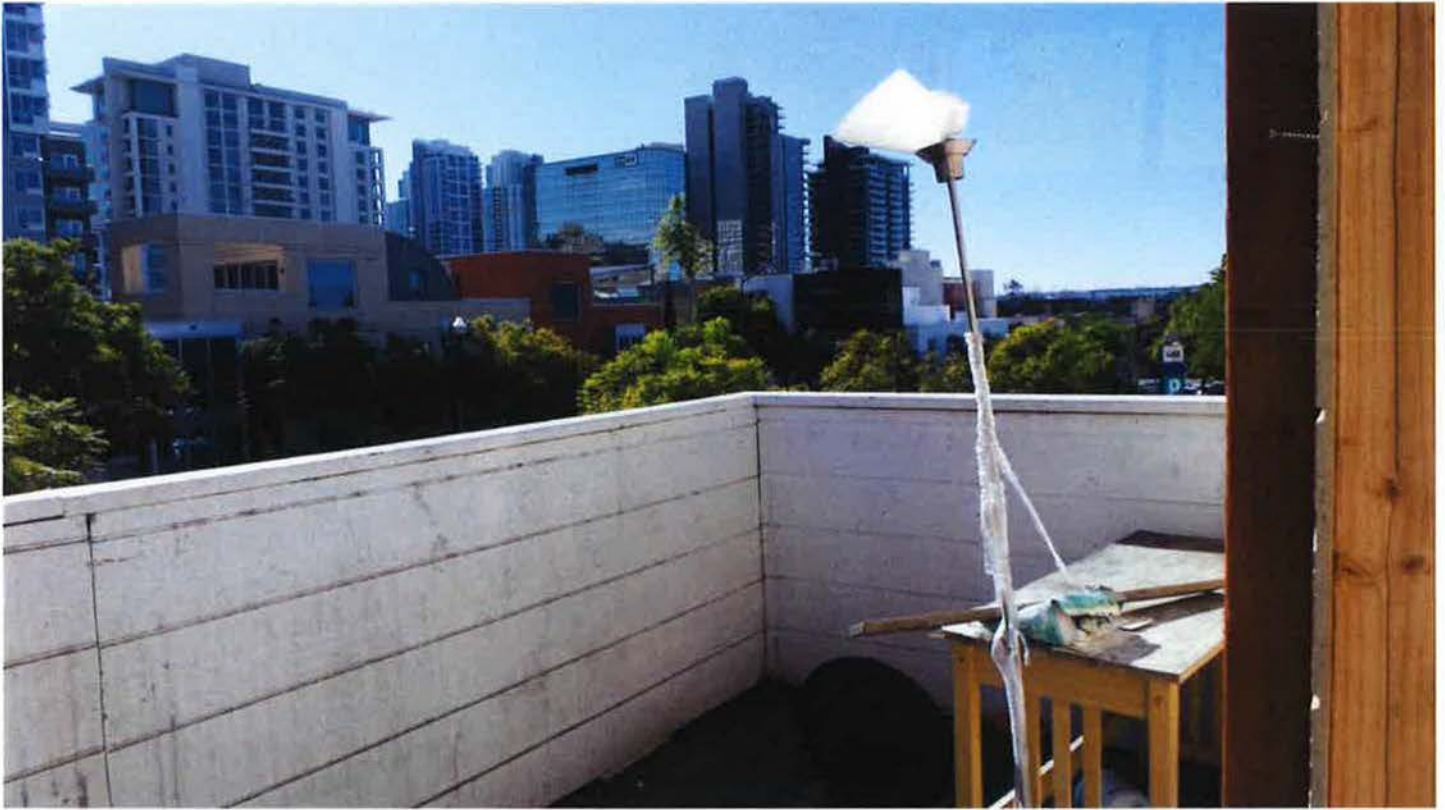
1610 Union Street December 2016
Photograph #24: View of second floor entrance on the West façade



1610 Union Street December 2016
Photograph #25: View West of enclosed addition



1610 Union Street December 2016
Photograph #26: View North of enclosed addition



1610 Union Street

December 2016

Photograph #27: View Southwest of balcony on the South façade

EXHIBIT B

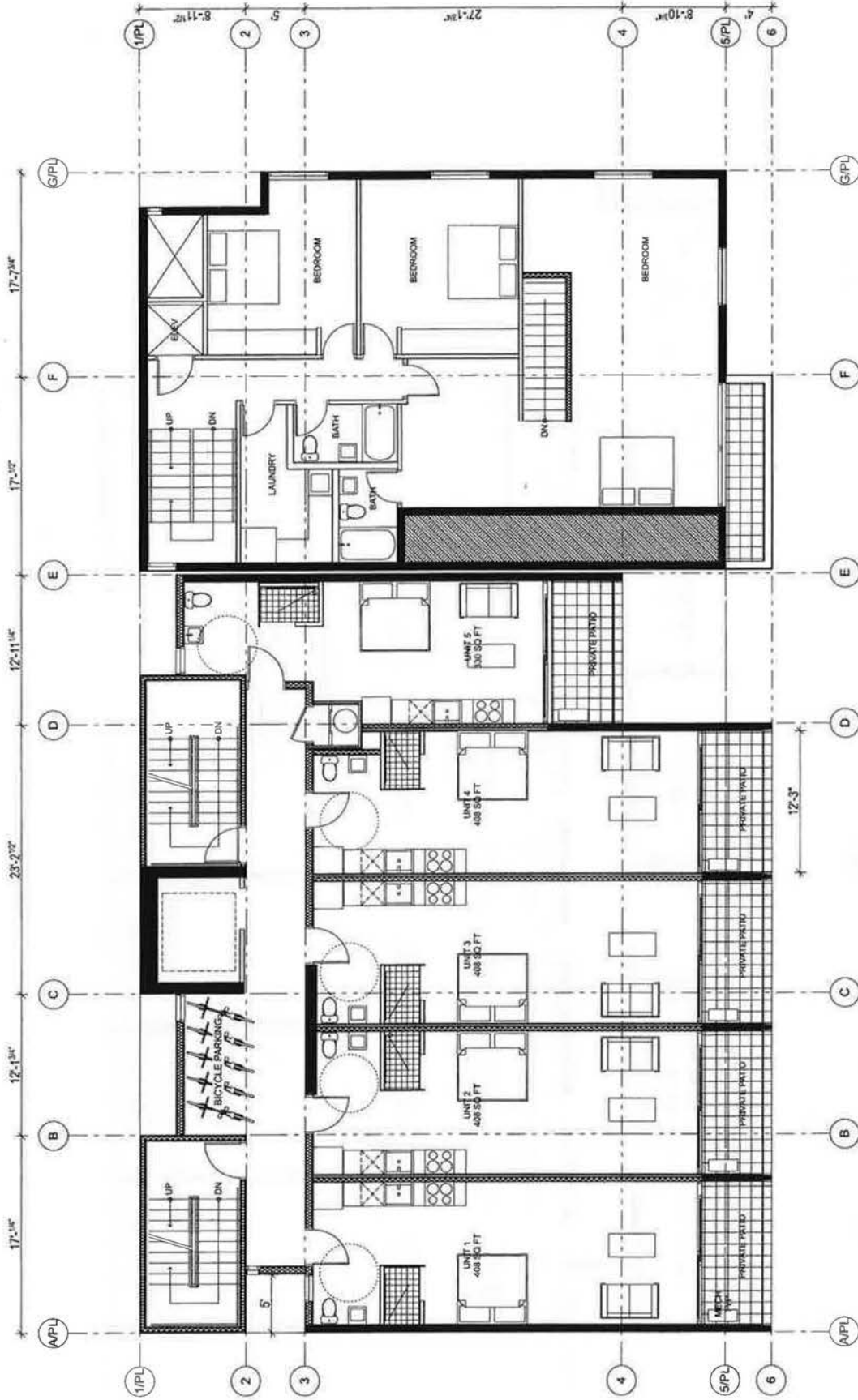


320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SEGAL / FAIA
3000 Upas Street Suite 101 San Diego, CA 92104



SHEET TITLE
SECOND FLOOR
SCALE
DATE: 01/15/16
REVISION 1:
REVISION 2:
REVISION 3:
REVISION 4:
REVISION 5:
REVISION 6:
SHEET NUMBER
OF

A1.1



SECOND FLOOR

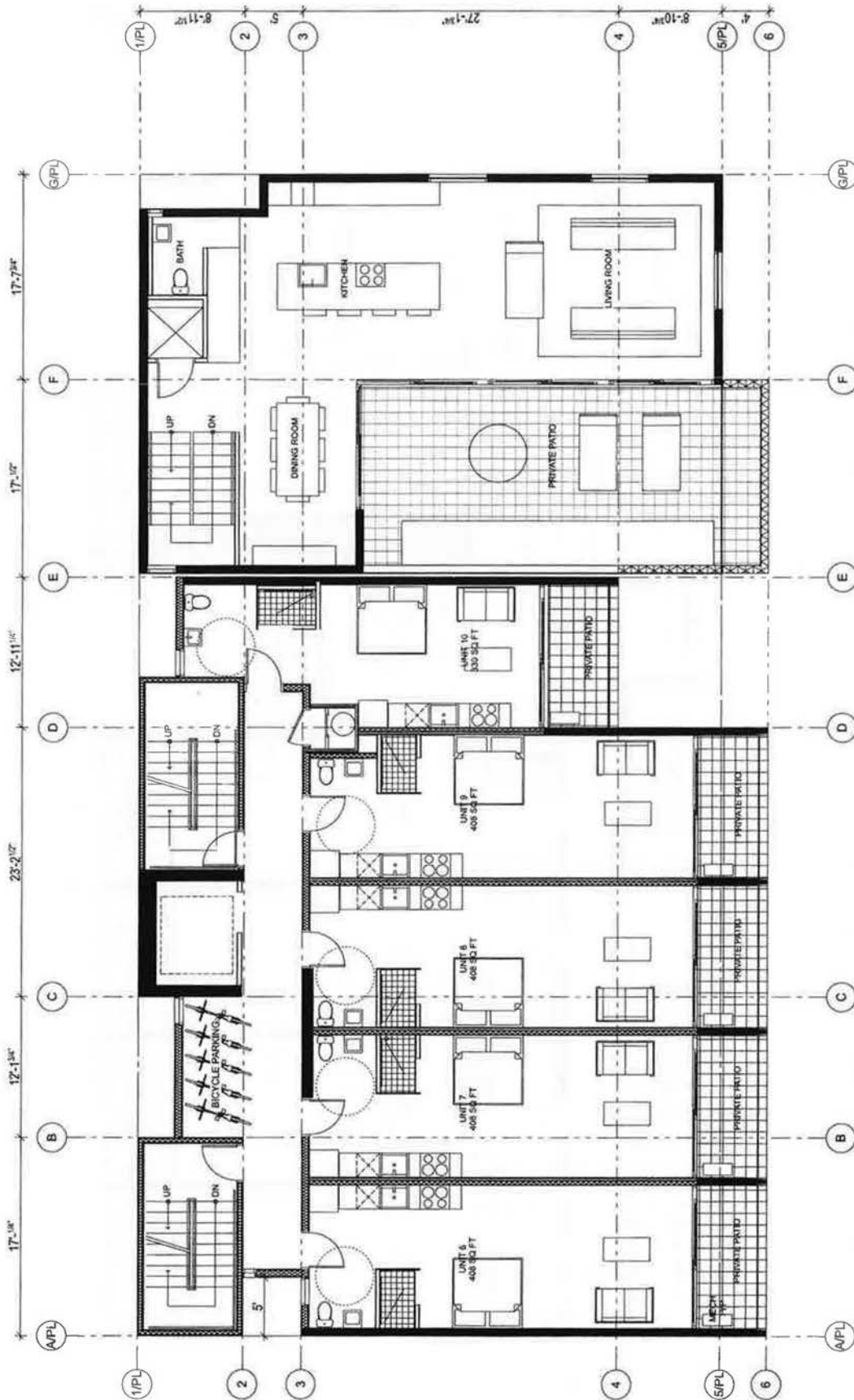


320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SEGAL / FAIA
3000 Uvas Street Suite 101 San Diego, CA 92104



SHEET TITLE	THIRD FLOOR
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DATE	6/15/16
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REVISION 2	
REVISION 3	
REVISION 4	
REVISION 5	
REVISION 6	
SHEET	OF
SHEET NAME	

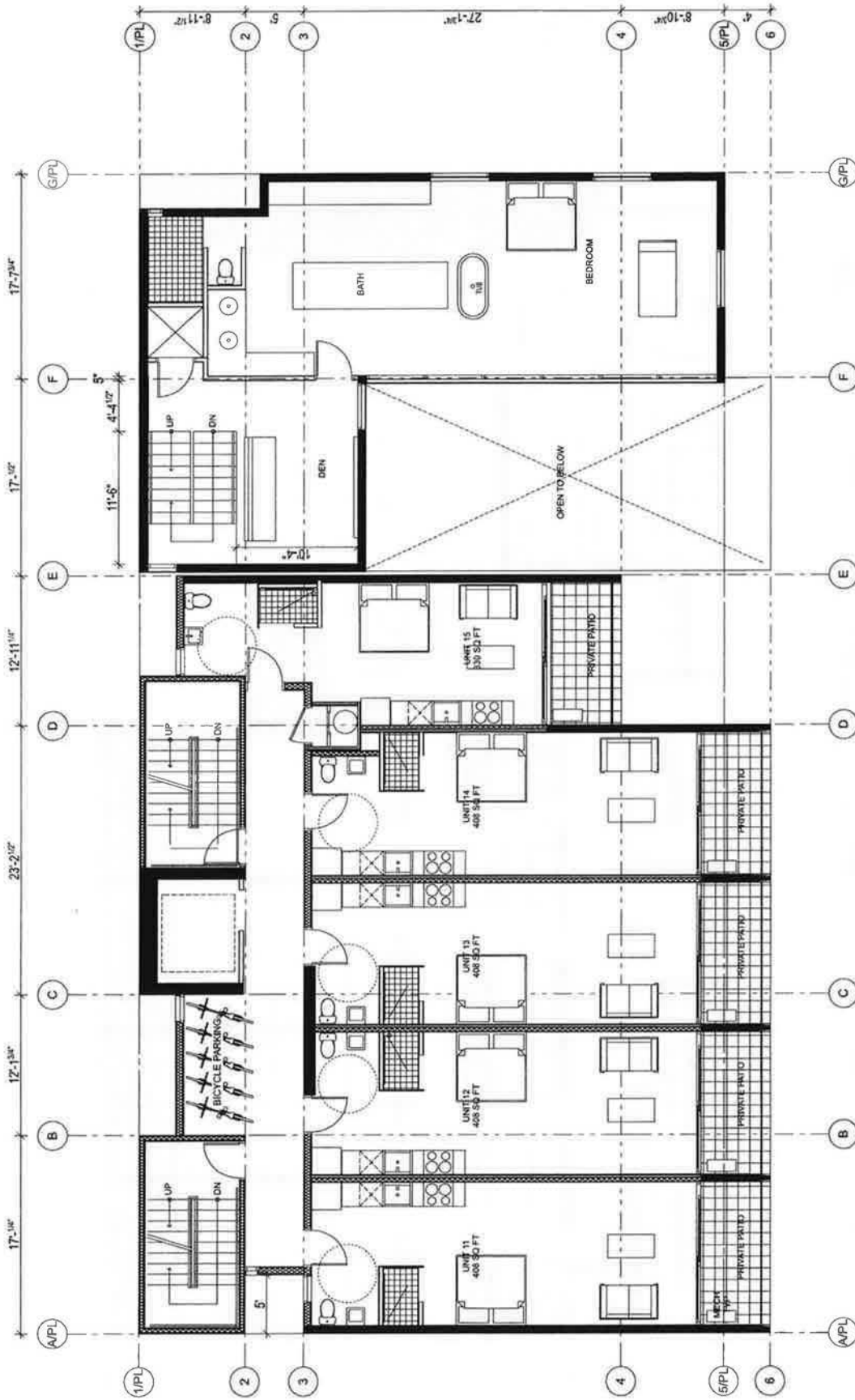
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THIRD FLOOR



SHEET TITLE	FOURTH FLOOR
SCALE	1/8" = 1'-0"
DATE	01/15/16
REVISION 1	
REVISION 2	
REVISION 3	
REVISION 4	
REVISION 5	
REVISION 6	
SHEET	OF
SHEET NAME	



FOURTH FLOOR

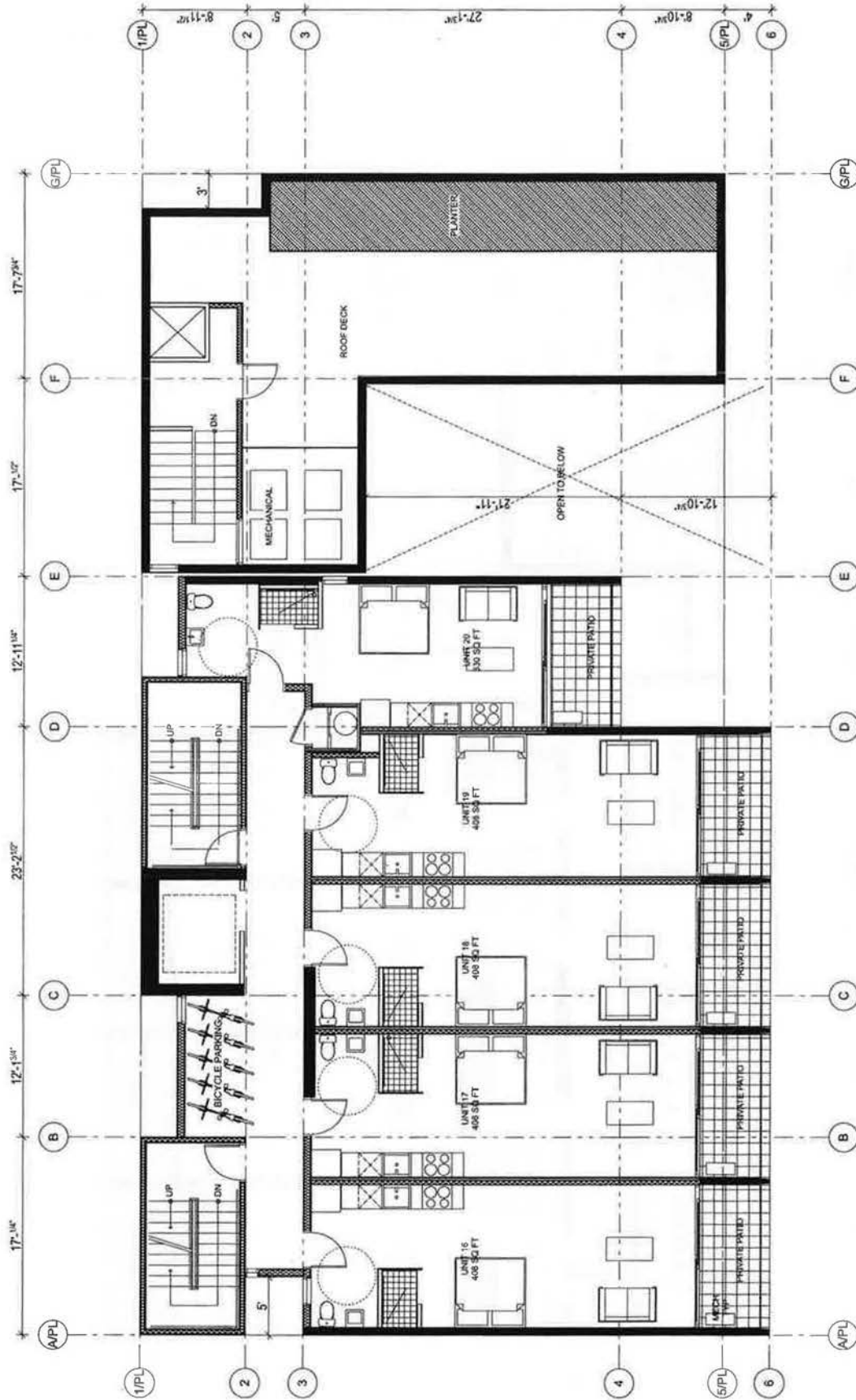


320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SEGAL / FAIA
3000 Uvas Street Suite 101 San Diego, CA 92104



SHEET TITLE	FIFTH FLOOR
SCALE	1/8" = 1'-0"
DATE	01/24/16
REVISION 1	
REVISION 2	
REVISION 3	
REVISION 4	
REVISION 5	
REVISION 6	
PROJECT	
SHEET NAME	

A1.4



FIFTH FLOOR



SIXTH FLOOR



320 West Cedar
 320 West Cedar Street San Diego CA 92101
 JONATHAN SEGAL / FMA
 3000 Upper Street Suite 101 San Diego, CA 92104



SHEET TITLE
 SIXTH FLOOR
 SCALE
 DATE 6/15/16
 REVISION 1:
 REVISION 2:
 REVISION 3:
 REVISION 4:
 REVISION 5:
 REVISION 6:
 SHEET _____ OF _____
 SHEET NAME

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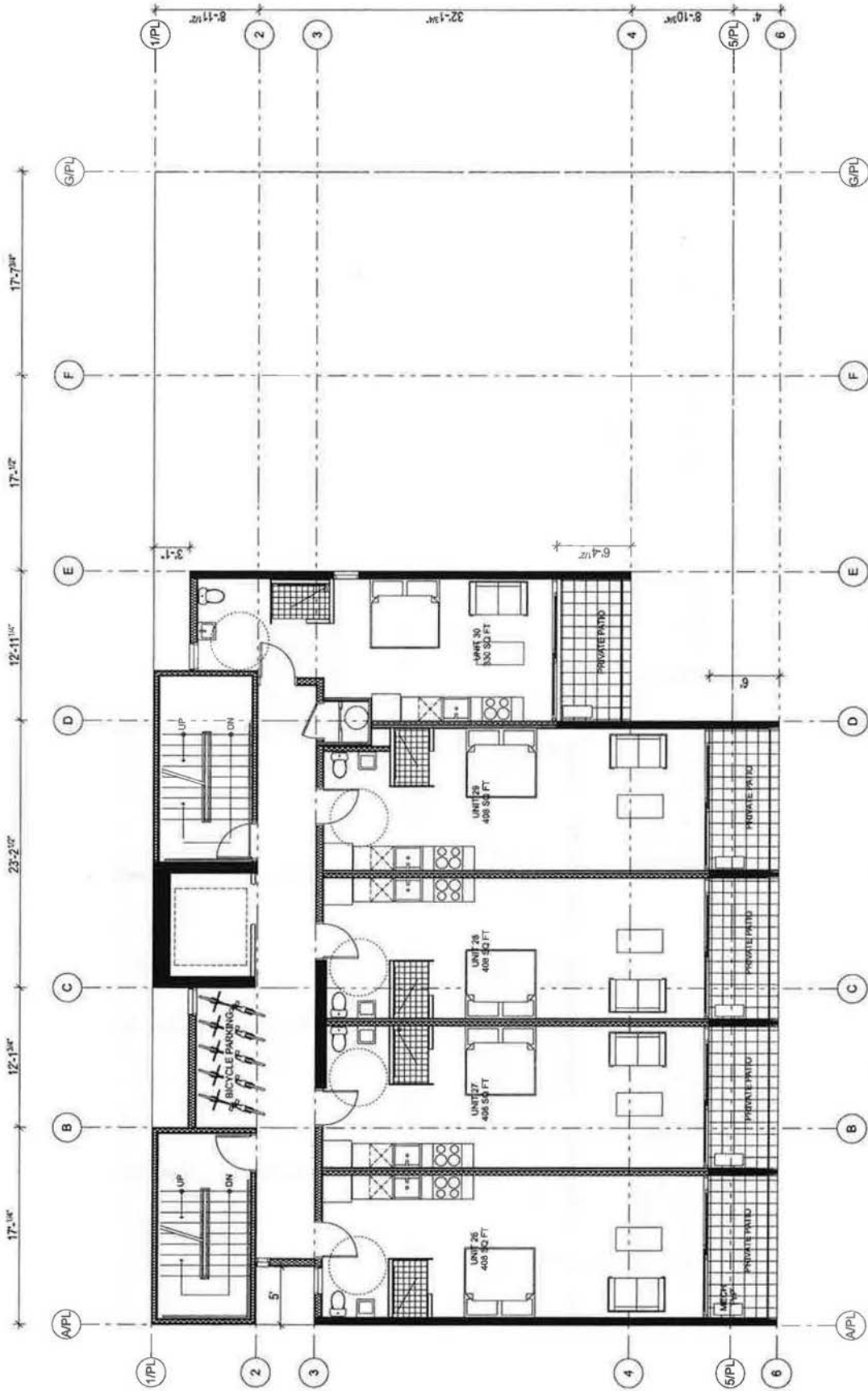


320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SEGAL / FAIA
3000 Upas Street Suite 101 San Diego, CA 92104



SHEET TITLE	SEVENTH FLOOR
SCALE	
DATE	6/15/16
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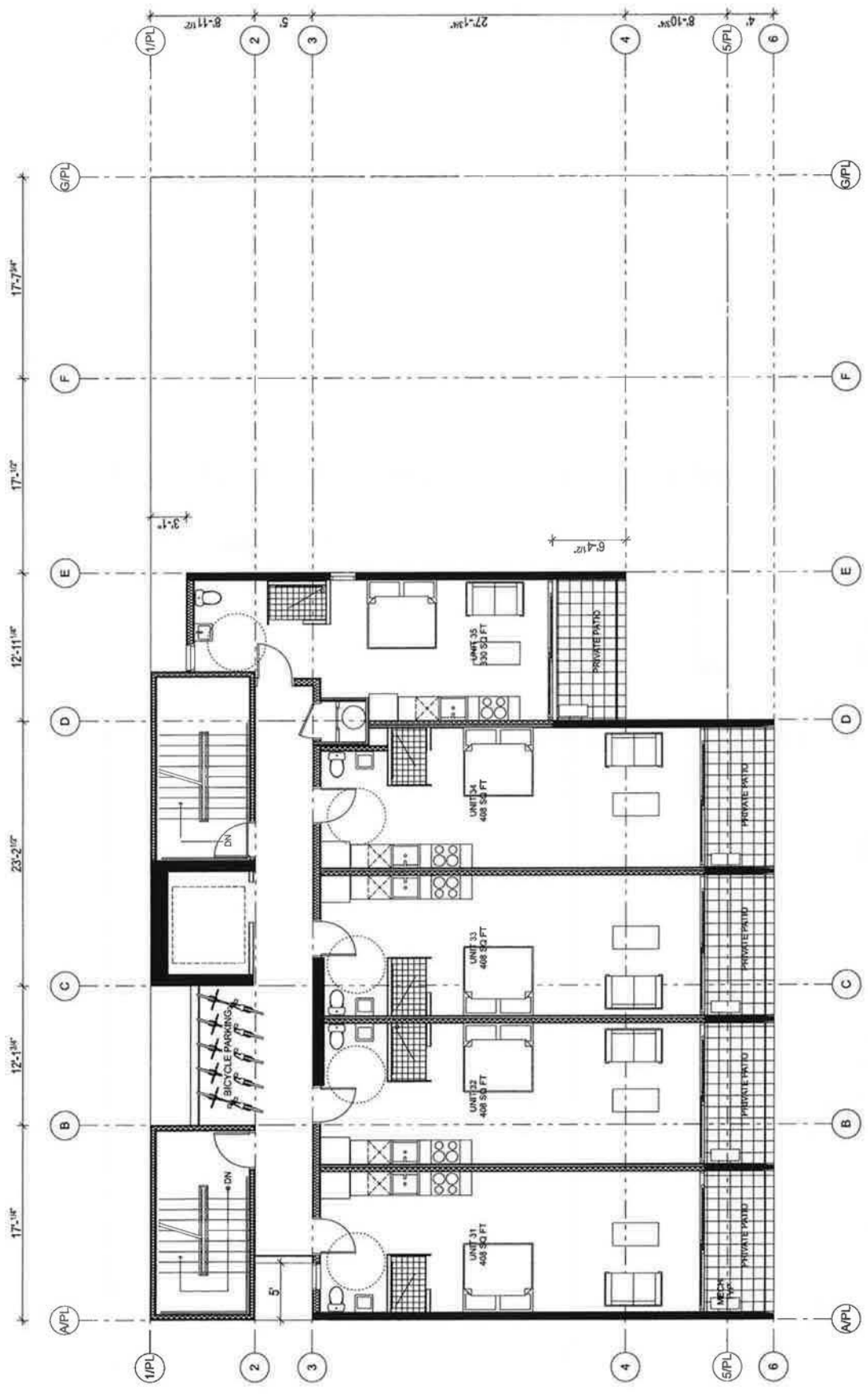
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SEVENTH FLOOR

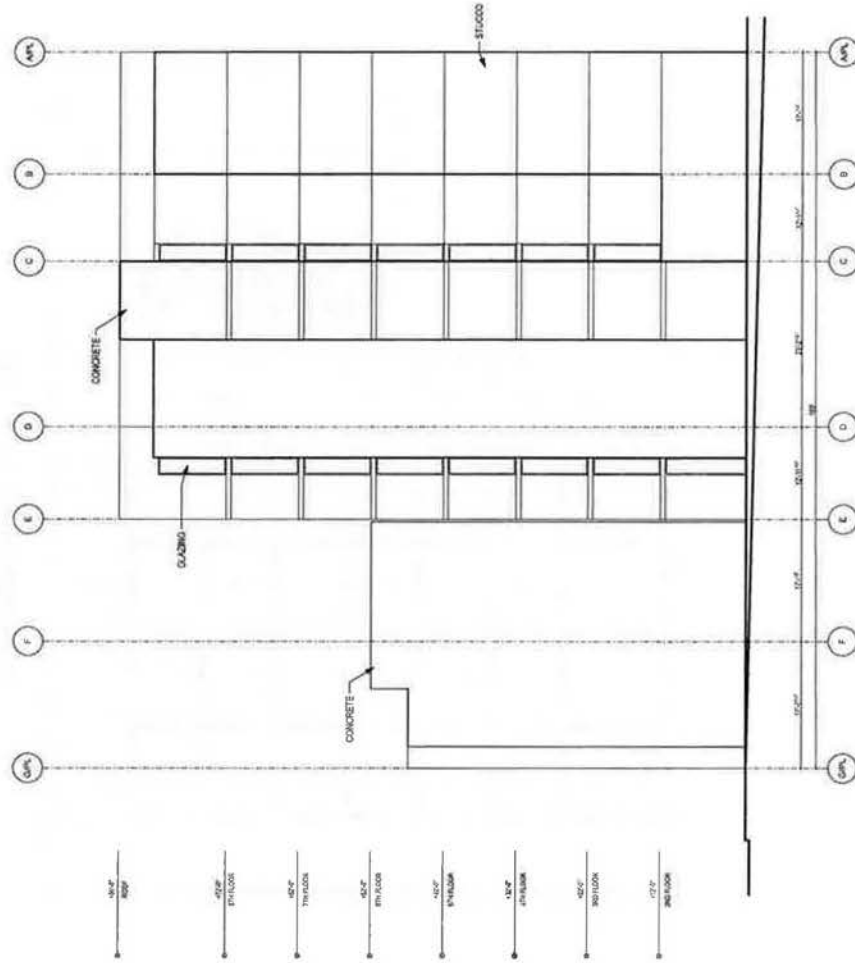


TITLE	PROJECT
EIGHTH FLOOR	320 WEST CEDAR
SCALE	1/8" = 1'-0"
DATE	6/15/16
DESIGNER	JOHNATHAN SEGAL
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REVISION 18	
REVISION 19	
REVISION 20	



EIGHTH FLOOR

NORTH ELEVATION



A2.0

SHEET NAME

SHEET NO.

REVISIONS

REVISION 1

REVISION 2

REVISION 3

REVISION 4

REVISION 5

REVISION 6

REVISION 7

REVISION 8

REVISION 9

REVISION 10

REVISION 11

REVISION 12

REVISION 13

REVISION 14

REVISION 15

REVISION 16

REVISION 17

REVISION 18

REVISION 19

REVISION 20

320 West Cedar

320 West Cedar Street San Diego CA 92101

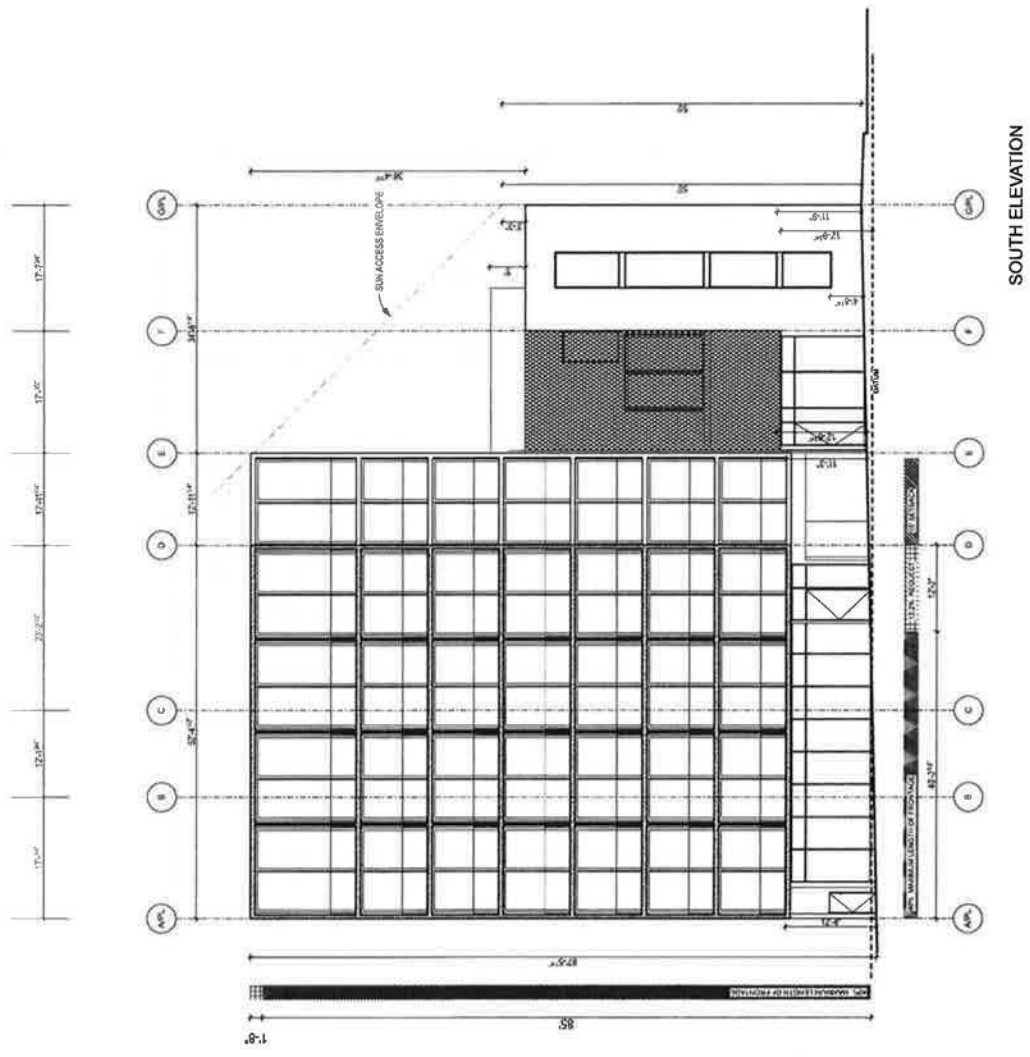
JONATHAN SEGAL / FAIA

3000 Upas Street Suite 101 San Diego, CA 92104

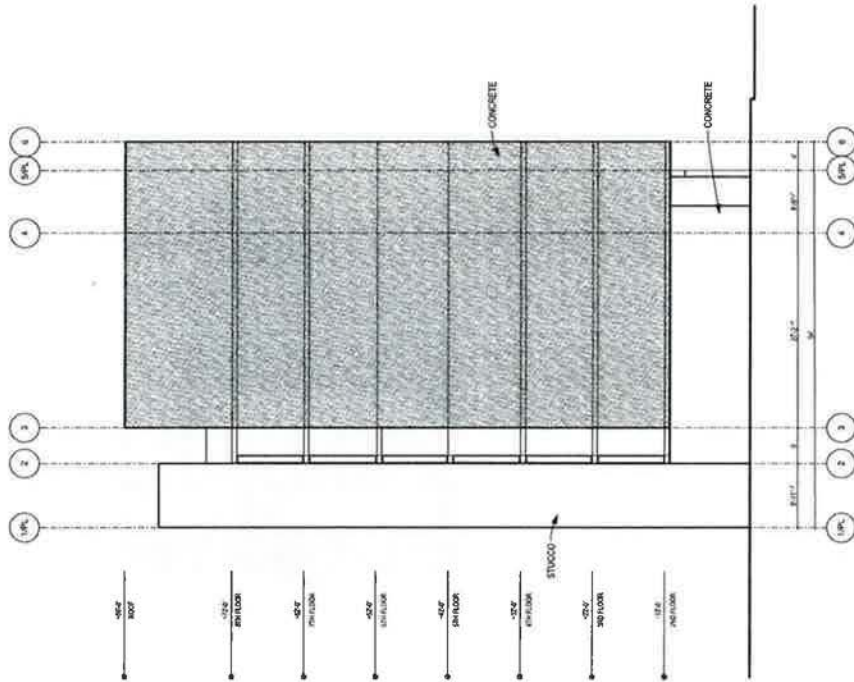




320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SEGAL / FMA
3000 Upas Street Suite 101 San Diego, CA 92104



WEST ELEVATION



A2.3

SHEET NAME

SHEET OF

REVISION E

REVISION D

REVISION C

REVISION B

REVISION A

DATE: 6/15/16

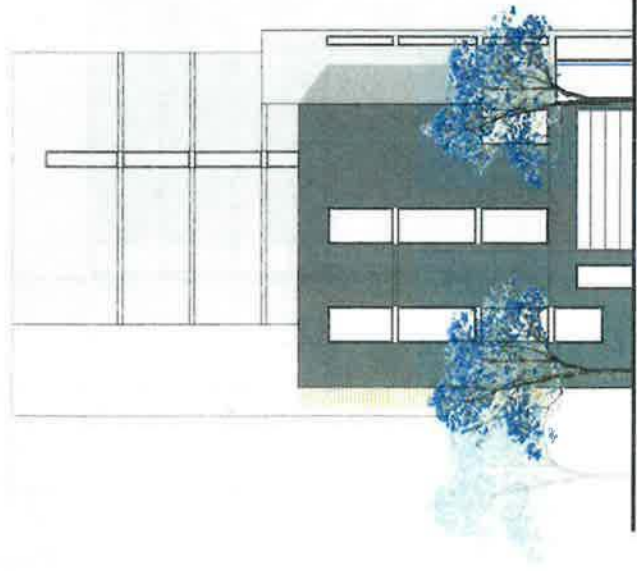
SCALE

WEST ELEVATION

SHEET TITLE



320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SEGAL / FAIA
3000 Upas Street Suite 101 San Diego, CA 92104

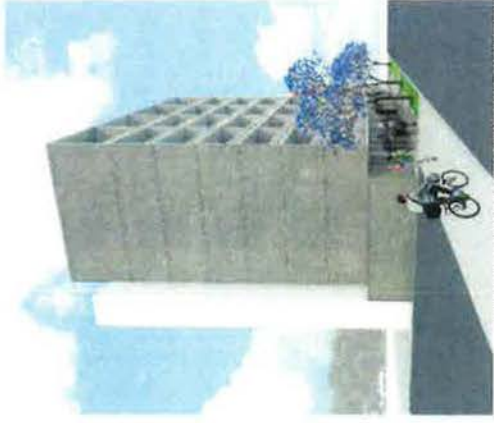


EAST ELEVATION



320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SEGAL / F.A.I.A.
3000 Upas Street Suite 101 San Diego, CA 92104

SHEET TITLE
COLORED EAST
ELEV
SCALE
DATE 6/15/16
REVISION 1
REVISION 2
REVISION 3
REVISION 4
REVISION 5
REVISION 6
SHEET OF
SHEET NAME



WEST ELEVATION ON CEDAR STREET



SOUTH CEDAR STREET NIGHT



EAST ELEVATION UNION STREET

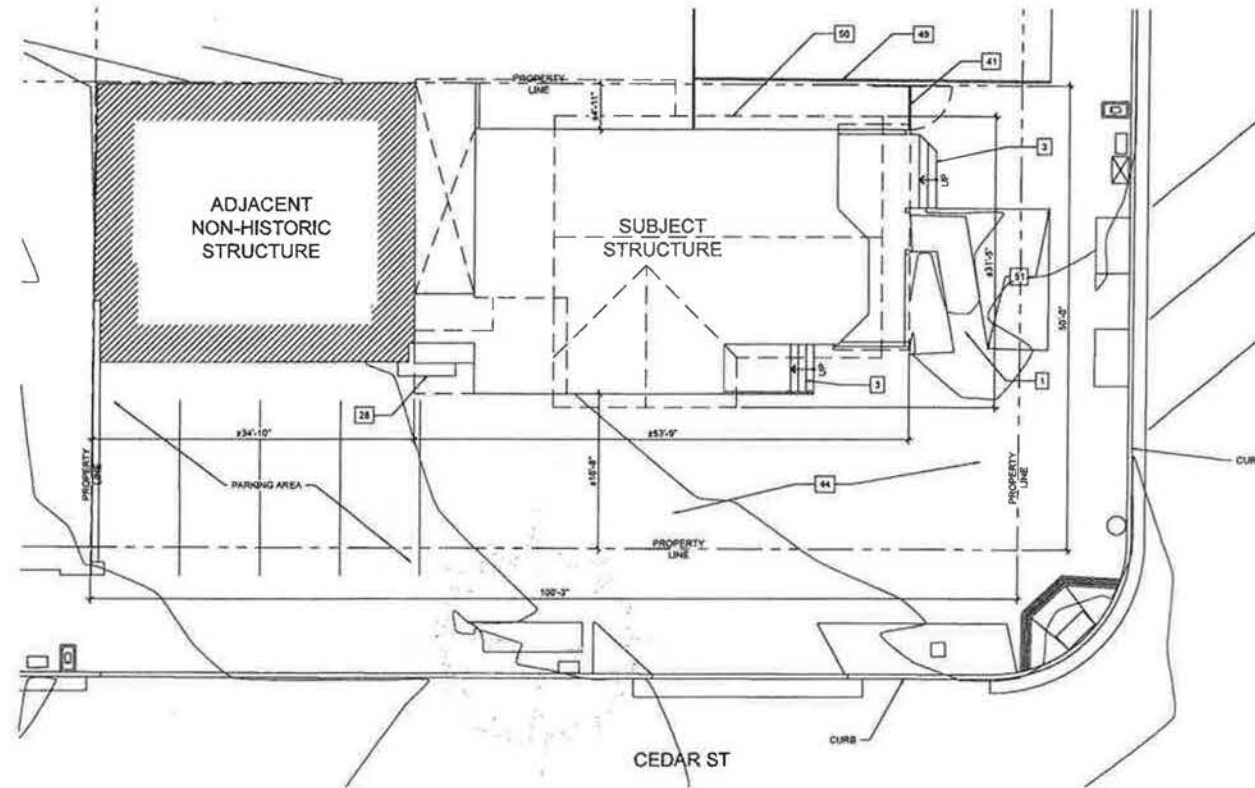


SOUTH ELEVATION ON CEDAR STREET

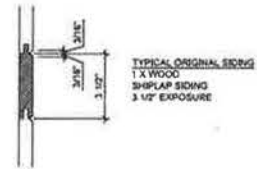


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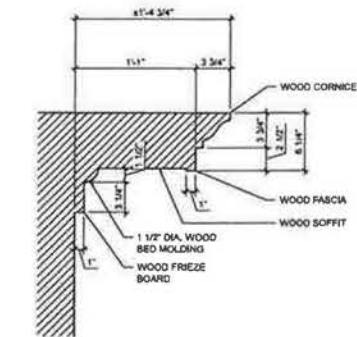
EXHIBIT C



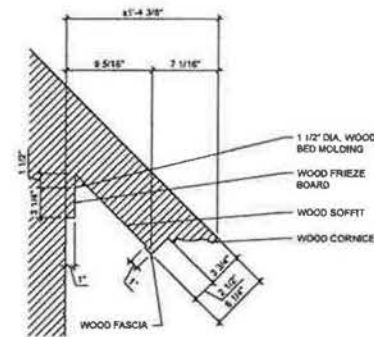
1 SITE PLAN
SCALE: 1/8" = 1'-0"



3 SIDING DETAIL
SCALE: 3" = 1'-0"



4 EAVE PROFILE
SCALE: 1 1/2" = 1'-0"



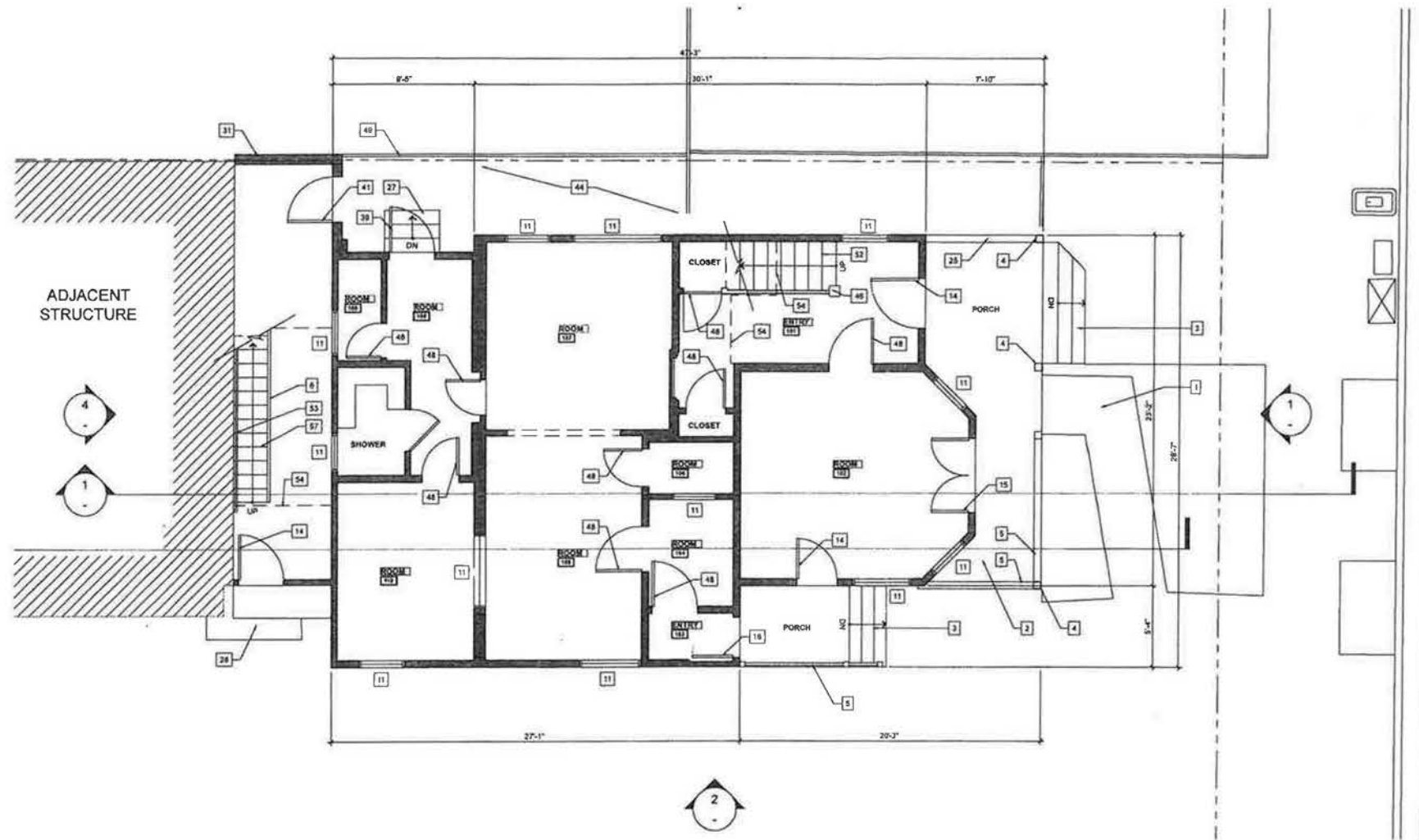
5 RAKE PROFILE
SCALE: 1 1/2" = 1'-0"



2 VICINITY MAP
SCALE: NTS

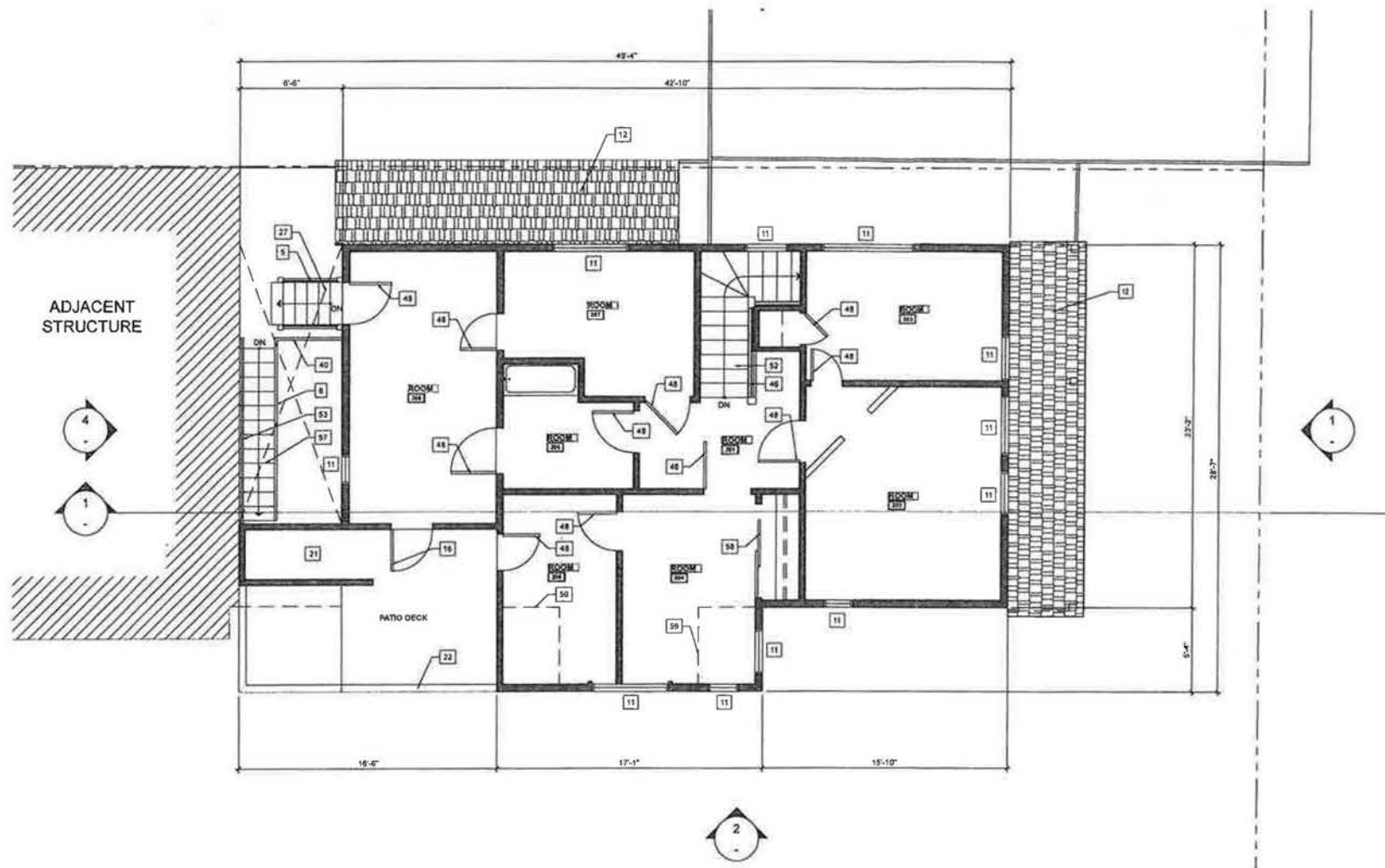
KEYNOTES

1 CONCRETE RAMP	9 DECORATIVE WOOD FRIEZE	17 DECORATIVE WOOD SHINGLES	25 DECORATIVE METAL WORK (NH)	33 WOOD TRIM AT SIDING	41 METAL GATE	49 WOOD FENCE	57 OPEN-TREAD CONCRETE STAIRS
2 WOOD PORCH	10 WOOD RAKE	18 DECORATIVE WOOD SPANDRELS	26 WOOD SHIP-LAP SIDING	34 EXPOSED CONDUIT	42 ATTACHED WOOD FRAMING	50 EAVE OVERHANG ABOVE	58 VINYL SLIDING CLOSET DOORS
3 COMPOSITE WOOD STAIRS (NH)	11 VINYL WINDOW (NH)	19 DECORATIVE WOOD SUNBURST FAN	27 OPEN-TREAD WOOD STEPS	35 EXISTING ELECTRICAL PANEL	43 OUTLINE OF HOUSE BEYOND	51 PLANTER	59 SLOPED CEILING ABOVE
4 DECORATIVE WOOD COLUMN	12 ASPHALT SHINGLE ROOFING (NH)	20 DECORATIVE WOOD MEDALLION	28 CONCRETE STEPS	36 EXPOSED PIPING	44 CONCRETE WALK/PAVING	52 WOOD STAIRS	
5 COMPOSITE WOOD RAILING (NH)	13 OPENING AT INTERIOR WALL BEYOND (NH)	21 WOOD FRAMED STORAGE SHED (NH)	29 METAL ENCLOSURE	37 OUTLINE OF SHED ROOF (NH)	45 STUD WALL	53 METAL HANDRAIL	
6 METAL RAILING	14 WOOD PANEL AND GLASS DOOR	22 WOOD GUARDRAIL	30 PLASTIC FENCE PANELS	38 OPEN TO INTERIOR STAIR BEYOND	46 CARVED WOOD HANDRAIL, BALUSTER, AND NEWEL POSTS	54 LINE OF FLOOR ABOVE	
7 WOOD TRIM (NH)	15 VINYL FRENCH DOORS (NH)	23 WALL VENT	31 CMU WALL	39 METAL DOOR	47 WOOD DOOR	55 SKYLIGHT	
8 COMPOSITE FAUX WOOD SIDING (NH)	16 WOOD DOOR (NH)	24 PLYWOOD PANEL (NH)	32 LIGHT FIXTURE	40 METAL GUARDRAIL	48 HOLLOW CORE DOOR (NH)	56 CORRUGATED METAL PANELS	



1 FIRST FLOOR PLAN SCALE: 1/4" = 1'-0"

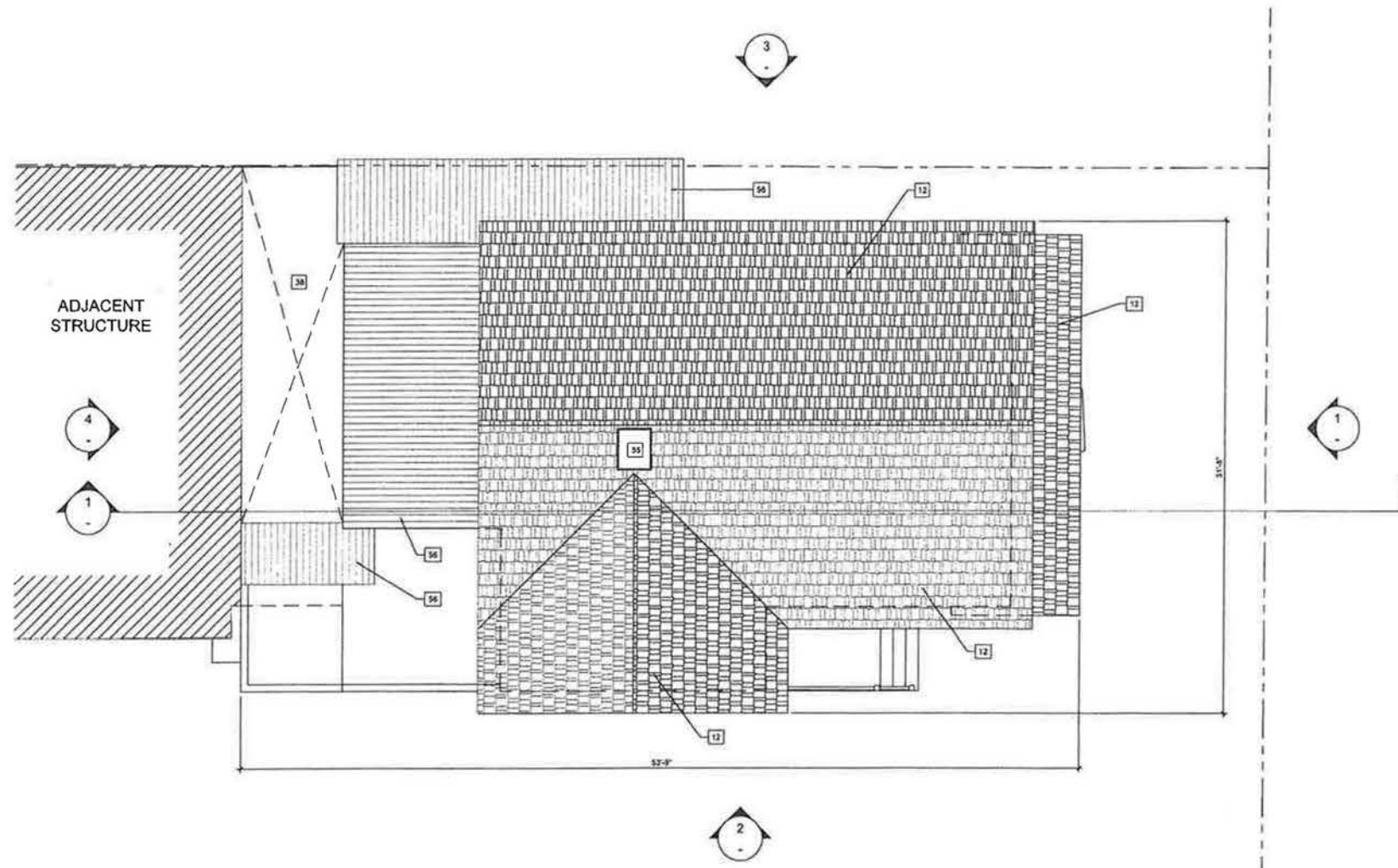
KEYNOTES							
1 CONCRETE RAMP	9 DECORATIVE WOOD FRIEZE	17 DECORATIVE WOOD SHINGLES	25 DECORATIVE METAL WORK (NFI)	33 WOOD TRIM AT SIDING	41 METAL GATE	49 WOOD FENCE	57 OPEN-TREAD CONCRETE STAIRS
2 WOOD PORCH	10 WOOD RAKE	18 DECORATIVE WOOD SPANDRELS	26 WOOD SHIPLAP SIDING	34 EXPOSED CONDUIT	42 ATTACHED WOOD FRAMING	50 EAVE OVERHANG ABOVE	58 VINYL SLIDING CLOSET DOORS
3 COMPOSITE WOOD STAIRS (NFI)	11 VINYL WINDOW (NFI)	19 DECORATIVE WOOD SUNBURST FAN	27 OPEN-TREAD WOOD STEPS	35 EXISTING ELECTRICAL PANEL	43 OUTLINE OF HOUSE BEYOND	51 PLANTER	59 SLOPED CEILING ABOVE
4 DECORATIVE WOOD COLUMN	12 ASPHALT SHINGLE ROOFING (NFI)	20 DECORATIVE WOOD MEDALLION	28 CONCRETE STEPS	36 EXPOSED PIPING	44 CONCRETE WALKPAVING	52 WOOD STAIRS	
5 COMPOSITE WOOD RAILING (NFI)	13 OPENING AT INTERIOR WALL BEYOND (NFI)	21 WOOD FRAMED STORAGE SHED (NFI)	29 METAL ENCLOSURE	37 OUTLINE OF SHED ROOF (NFI)	45 STUD WALL	53 METAL HANDRAIL	
6 METAL RAILING	14 WOOD PANEL AND GLASS DOOR	22 WOOD GUARDRAIL	30 PLASTIC FENCE PANELS	38 OPEN TO INTERIOR STAIR BEYOND	46 CARVED WOOD HANDRAIL, BALUSTER, AND NEWEL POSTS	54 LINE OF FLOOR ABOVE	
7 WOOD TRIM (NFI)	15 VINYL FRENCH DOORS (NFI)	23 WALL VENT	31 CARJ WALL	39 METAL DOOR	47 WOOD DOOR	55 SKYLIGHT	
8 COMPOSITE FAUX WOOD SIDING (NFI)	16 WOOD DOOR (NFI)	24 PLYWOOD PANEL (NFI)	32 LIGHT FIXTURE	40 METAL GUARDRAIL	48 HOLLOW CORE DOOR (NFI)	56 CORRUGATED METAL PANELS	



1 SECOND FLOOR PLAN SCALE: 1/4" = 1'-0"

KEYNOTES

1 CONCRETE RAMP	9 DECORATIVE WOOD FRIEZE	17 DECORATIVE WOOD SHINGLES	25 DECORATIVE METAL WORK (NFI)	33 WOOD TRIM AT SIDING	41 METAL GATE	49 WOOD FENCE	57 OPEN-TREAD CONCRETE STAIRS
2 WOOD PORCH	10 WOOD RAKE	18 DECORATIVE WOOD SPANDRELS	26 WOOD SHIP LAP SIDING	34 EXPOSED CONDUIT	42 ATTACHED WOOD FRAMING	50 EAVE OVERHANG ABOVE	58 VINYL SLIDING CLOSET DOORS
3 COMPOSITE WOOD STAIRS (NFI)	11 VINYL WINDOW (NFI)	19 DECORATIVE WOOD SUNBURST FAN	27 OPEN-TREAD WOOD STEPS	35 EXISTING ELECTRICAL PANEL	43 OUTLINE OF HOUSE BEYOND	51 PLANTER	59 SLOPED CEILING ABOVE
4 DECORATIVE WOOD COLUMN	12 ASPHALT SHINGLE ROOFING (NFI)	20 DECORATIVE WOOD MEDALLION	28 CONCRETE STEPS	36 EXPOSED PIPING	44 CONCRETE WALKWAY/IMG	52 WOOD STAIRS	
5 COMPOSITE WOOD RAILING (NFI)	13 OPENING AT INTERIOR WALL BEYOND (NFI)	21 WOOD FRAMED STORAGE SHED (NFI)	29 METAL ENCLOSURE	37 OUTLINE OF SHED ROOF (NFI)	45 STUD WALL	53 METAL HANDRAIL	
6 METAL RAILING	14 WOOD PANEL AND GLASS DOOR	22 WOOD GUARDRAIL	30 PLASTIC FENCE PANELS	38 OPEN TO INTERIOR STAIR BEYOND	46 CARVED WOOD HANDRAIL, BALUSTER AND NEWEL POSTS	54 LINE OF FLOOR ABOVE	
7 WOOD TRIM (NFI)	15 VINYL FRENCH DOORS (NFI)	23 WALL VENT	31 CMU WALL	39 METAL DOOR	47 WOOD DOOR	55 SKYLIGHT	
8 COMPOSITE FAUX WOOD SIDING (NFI)	16 WOOD DOOR (NFI)	24 PLYWOOD PANEL (NFI)	32 LIGHT FIXTURE	40 METAL GUARDRAIL	48 HOLLOW CORE DOOR (NFI)	56 CORRUGATED METAL PANELS	

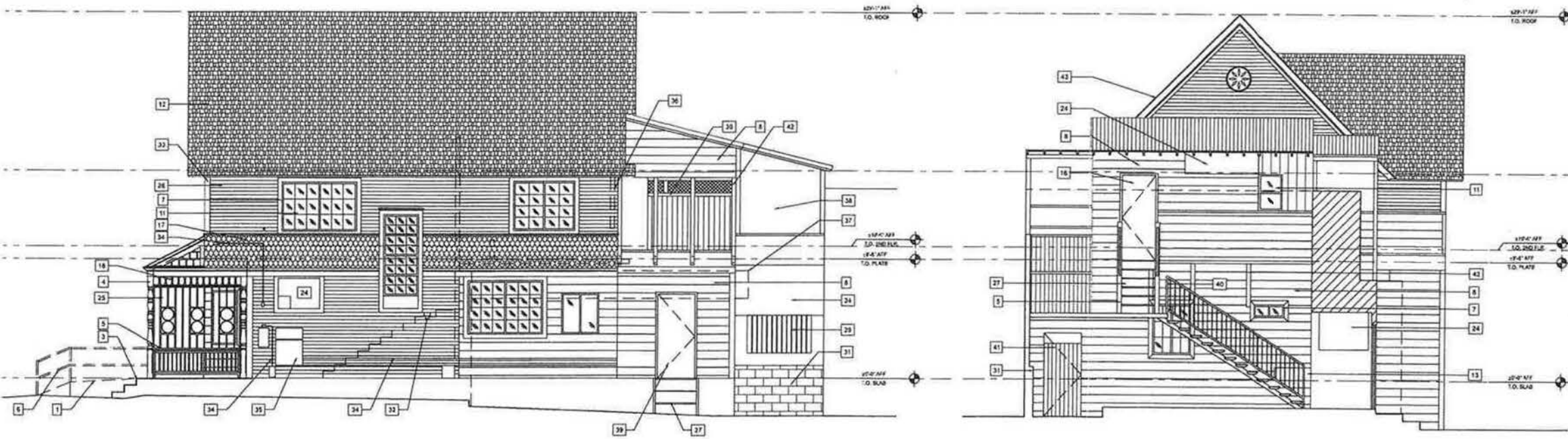


1 ROOF PLAN

SCALE: 1/4" = 1'-0"

KEYNOTES

1 CONCRETE RAMP	9 DECORATIVE WOOD FRIEZE	17 DECORATIVE WOOD SHINGLES	25 DECORATIVE METAL WORK (NH)	33 WOOD TRIM AT SIDING	41 METAL GATE	49 WOOD FENCE	57 OPEN-TREAD CONCRETE STAIRS
2 WOOD PORCH	10 WOOD RAKE	18 DECORATIVE WOOD SPANDRELS	26 WOOD SHUPLAP SIDING	34 EXPOSED CONDUIT	42 ATTACHED WOOD FRAMING	50 EAVE OVERHANG ABOVE	58 VINYL SLIDING CLOSET DOORS
3 COMPOSITE WOOD STAIRS (NH)	11 VINYL WINDOW (NH)	19 DECORATIVE WOOD SUNBURST FAN	27 OPEN-TREAD WOOD STEPS	35 EXISTING ELECTRICAL PANEL	43 OUTLINE OF HOUSE BEYOND	51 PLANTER	59 SLOPED CEILING ABOVE
4 DECORATIVE WOOD COLUMN	12 ASPHALT SHINGLE ROOFING (NH)	20 DECORATIVE WOOD MEDALLION	28 CONCRETE STEPS	36 EXPOSED PIPING	44 CONCRETE WALKPAVING	52 WOOD STAIRS	
5 COMPOSITE WOOD RAILING (NH)	13 OPENING AT INTERIOR WALL BEYOND (NH)	21 WOOD FRAMED STORAGE SHED (NH)	29 METAL ENCLOSURE	37 OUTLINE OF SHED ROOF (NH)	45 STUD WALL	53 METAL HANDRAIL	
6 METAL RAILING	14 WOOD PANEL AND GLASS DOOR	22 WOOD GUARDRAIL	30 PLASTIC FENCE PANELS	38 OPEN TO INTERIOR STAIR BEYOND	46 CARVED WOOD HANDRAIL, BALUSTER, AND NEWEL POSTS	54 LINE OF FLOOR ABOVE	
7 WOOD TRIM (NH)	15 VINYL FRENCH DOORS (NH)	23 WALL VENT	31 CMU WALL	39 METAL DOOR	47 WOOD DOOR	55 SKYLIGHT	
8 COMPOSITE FAUX WOOD SIDING (NH)	16 WOOD DOOR (NH)	24 PLYWOOD PANEL (NH)	32 LIGHT FIXTURE	40 METAL GUARDRAIL	48 HOLLOW CORE DOOR (NH)	56 CORRUGATED METAL PANELS	



2 NORTH ELEVATION
SCALE: 1/4" = 1'-0"

1 WEST ELEVATION
SCALE: 1/4" = 1'-0"

ELEVATION KEYNOTES							
1 CONCRETE RAMP	9 DECORATIVE WOOD FRIEZE	17 DECORATIVE WOOD SHINGLES	25 DECORATIVE METAL WORK (NH)	33 WOOD TRIM AT SIDING	41 METAL GATE	49 WOOD FENCE	57 OPEN-TREAD CONCRETE STAIRS
2 WOOD PORCH	10 WOOD RAKE	18 DECORATIVE WOOD SPANDRELS	26 WOOD SHPLAP SIDING	34 EXPOSED CONDUIT	42 ATTACHED WOOD FRAMING	50 EAVE OVERHANG ABOVE	58 VINYL SLIDING CLOSET DOORS
3 COMPOSITE WOOD STAIRS (NH)	11 VINYL WINDOW (NH)	19 DECORATIVE WOOD SUNBURST FAN	27 OPEN-TREAD WOOD STEPS	35 EXISTING ELECTRICAL PANEL	43 OUTLINE OF HOUSE BEYOND	51 PLANTER	59 SLOPED CEILING ABOVE
4 DECORATIVE WOOD COLUMN	12 ASPHALT SHINGLE ROOFING (NH)	20 DECORATIVE WOOD MEDALLION	28 CONCRETE STEPS	36 EXPOSED PIPING	44 CONCRETE WALKWAYING	52 WOOD STAIRS	
5 COMPOSITE WOOD RAILING (NH)	13 OPENING AT INTERIOR WALL BEYOND (NH)	21 WOOD FRAMED STORAGE SHED (NH)	29 METAL ENCLOSURE	37 OUTLINE OF SHED ROOF (NH)	45 STUCCO WALL	53 METAL HANDRAIL	
6 METAL RAILING	14 WOOD PANEL AND GLASS DOOR	22 WOOD GUARDRAIL	30 PLASTIC FENCE PANELS	38 OPEN TO INTERIOR STAIR BEYOND	46 CARVED WOOD HANDRAIL, BALUSTER, AND NEWEL POSTS	54 LINE OF FLOOR ABOVE	
7 WOOD TRIM (NH)	15 VINYL FRENCH DOORS (NH)	23 WALL VENT	31 CMU WALL	39 METAL DOOR	47 WOOD DOOR	55 SKYLIGHT	
8 COMPOSITE FAUX WOOD SIDING (NH)	16 WOOD DOOR (NH)	24 PLYWOOD PANEL (NH)	32 LIGHT FIXTURE	40 METAL GUARDRAIL	48 HOLLOW CORE DOOR (NH)	56 CORRUGATED METAL PANELS	



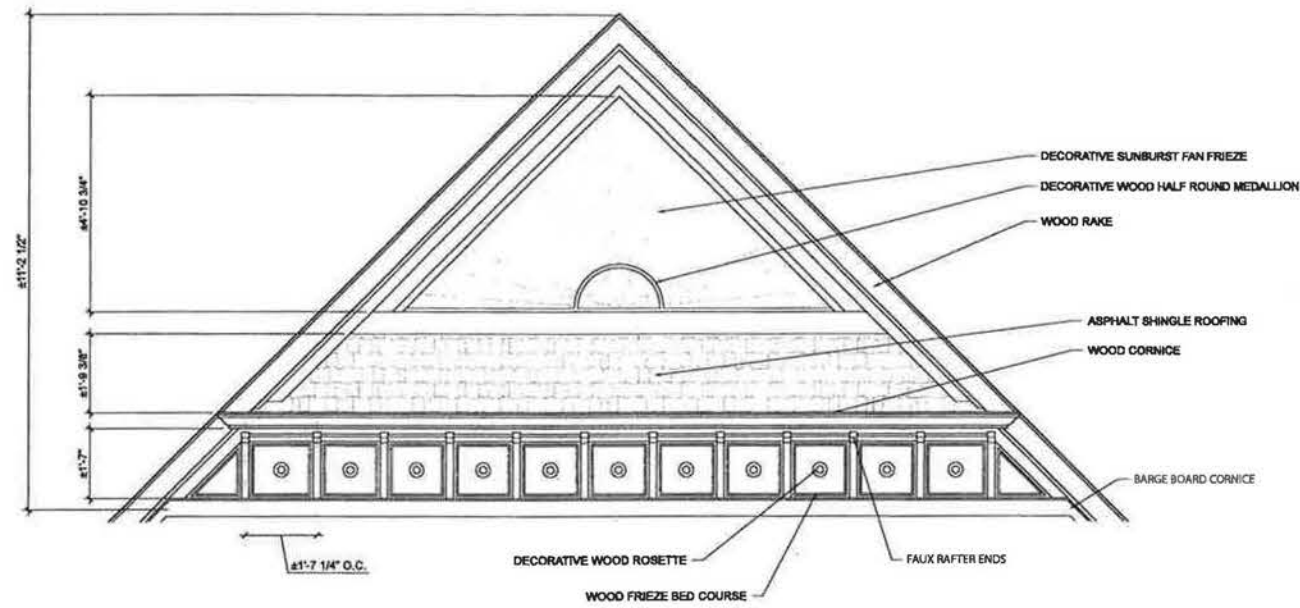
2 SOUTH ELEVATION
SCALE: 1/4" = 1'-0"



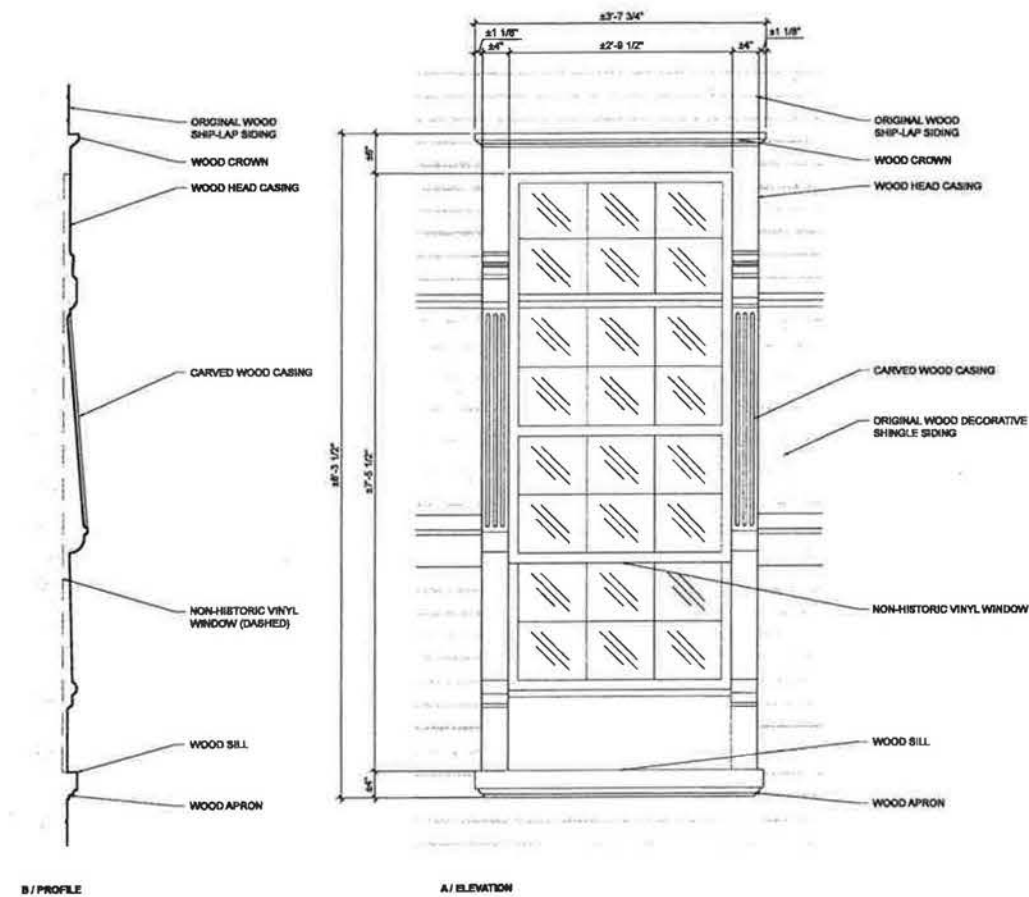
1 EAST ELEVATION
SCALE: 1/4" = 1'-0"

KEYNOTES

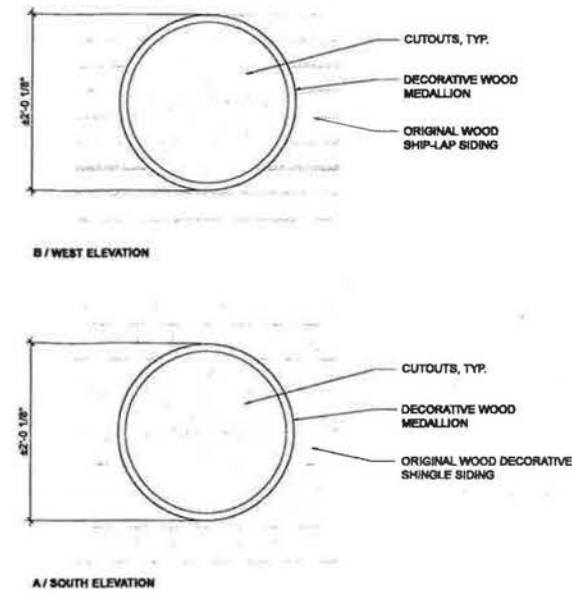
1 CONCRETE RAMP	8 DECORATIVE WOOD FRIEZE	17 DECORATIVE WOOD SHINGLES	25 DECORATIVE METAL WORK (NH)	33 WOOD TRIM AT SIDING	41 METAL GATE (NH)	49 WOOD FENCE (NH)	57 OPEN TREAD CONCRETE STAIRS (NH)
2 WOOD PORCH	10 WOOD RAKE	18 DECORATIVE WOOD SPANDRELS	26 WOOD SHIPLAP SIDING	34 EXPOSED CONDUIT (NH)	42 ATTACHED WOOD FRAMING (NH)	50 EAVE OVERHANG ABOVE	58 VINYL SLIDING CLOSET DOORS (NH)
3 COMPOSITE WOOD STAIRS (NH)	11 VINYL WINDOW (NH)	19 DECORATIVE WOOD SUNBURST FAN	27 OPEN-TREAD WOOD STEPS (NH)	35 EXISTING ELECTRICAL PANEL (NH)	43 OUTLINE OF HOUSE BEYOND	51 PLANTER (NH)	59 SLOPED CEILING ABOVE
4 DECORATIVE WOOD COLUMN	12 FAUX RAFTER ENDS	20 DECORATIVE WOOD MEDALLION	28 CONCRETE STEPS (NH)	36 EXPOSED PIPING (NH)	44 CONCRETE WALKPAVING (NH)	52 WOOD STAIRS	60 BARGE BOARD CORNICE
5 COMPOSITE WOOD RAILING (NH)	13 OPENING AT INTERIOR WALL BEYOND (NH)	21 WOOD FRAMED STORAGE SHED (NH)	29 METAL ENCLOSURE (NH)	37 OUTLINE OF SHED ROOF (NH)	45 STUD WALL	53 METAL HANDRAIL (NH)	NOTE: 1. (NH) DENOTES NON-ORIGINAL, NON-HISTORIC BUILDING ELEMENTS, TYP. 2. ALL DOOR AND WINDOW SURROUNDS ARE NON-ORIGINAL, NON-HISTORIC UNLESS OTHERWISE NOTED. 3. ALL DOOR AND WINDOW SURROUNDS ARE NON-ORIGINAL, NON-HISTORIC UNLESS OTHERWISE NOTED.
6 METAL RAILING (NH)	14 WOOD PANEL AND GLASS DOOR	22 WOOD GUARDRAIL (NH)	30 PLASTIC FENCE PANELS (NH)	38 OPEN TO INTERIOR STAIR BEYOND	46 CARVED WOOD HANDRAIL, BALUSTER, AND NEWEL POSTS	54 LINE OF FLOOR ABOVE	
7 WOOD TRIM (NH)	15 VINYL FRENCH DOORS (NH)	23 WALL VENT (NH)	31 CMU WALL (NH)	39 METAL DOOR (NH)	47 WOOD DOOR	55 SKYLIGHT (NH)	
8 COMPOSITE FAUX WOOD SIDING (NH)	16 WOOD DOOR (NH)	24 PLYWOOD PANEL (NH)	32 LIGHT FIXTURE (NH)	40 METAL GUARDRAIL (NH)	48 HOLLOW CORE DOOR (NH)	56 CORRUGATED METAL PANELS (NH)	



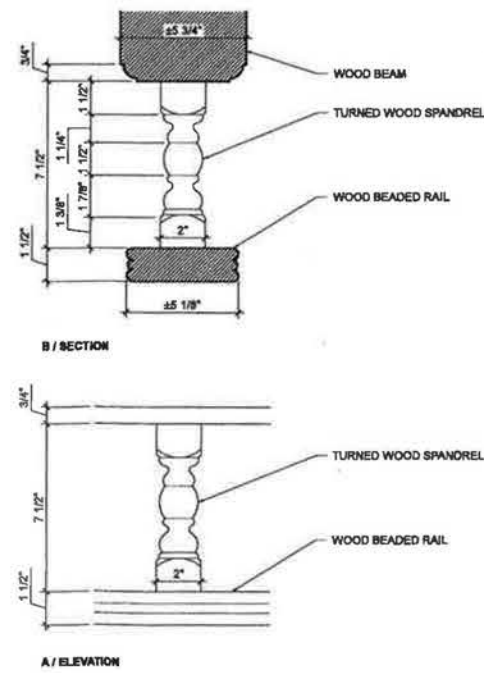
6 EAST ELEVATION GABLE
SCALE: 1/2" = 1'-0"



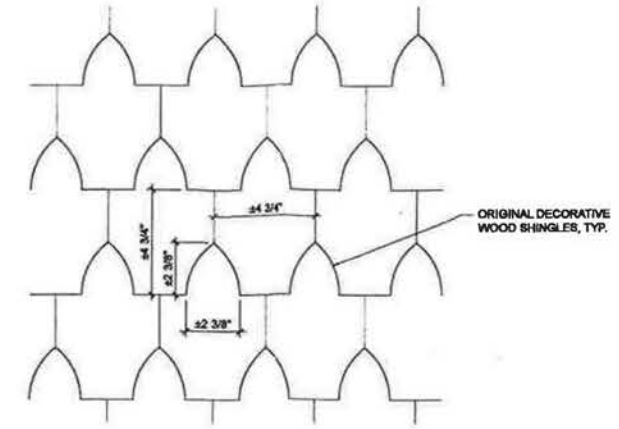
5 TALL NORTH WINDOW
SCALE: 1" = 1'-0"



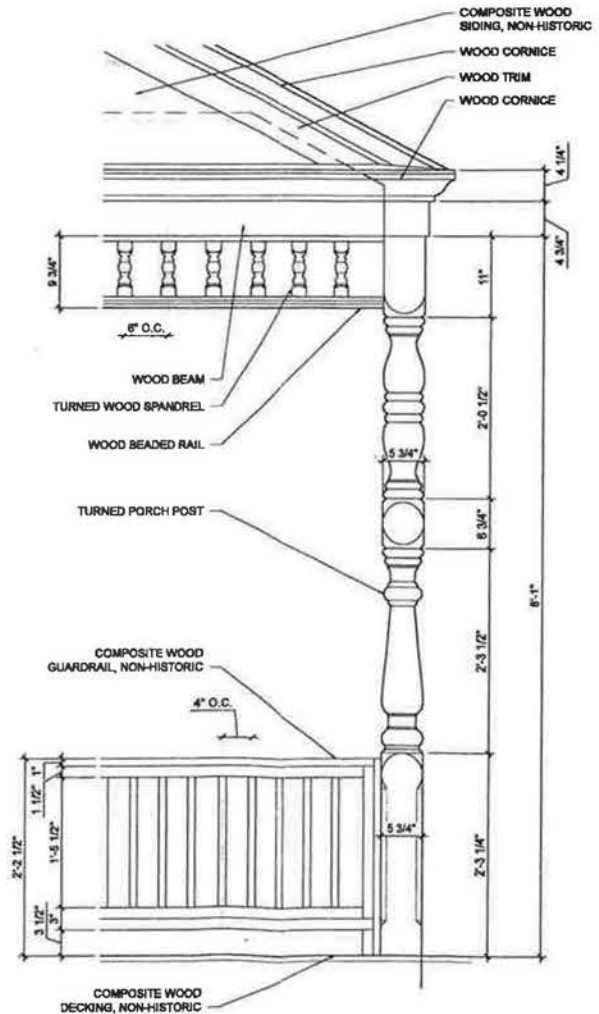
4 DECORATIVE MEDALLIONS
SCALE: 1" = 1'-0"



3 DECORATIVE SPANDRELS
SCALE: 3" = 1'-0"

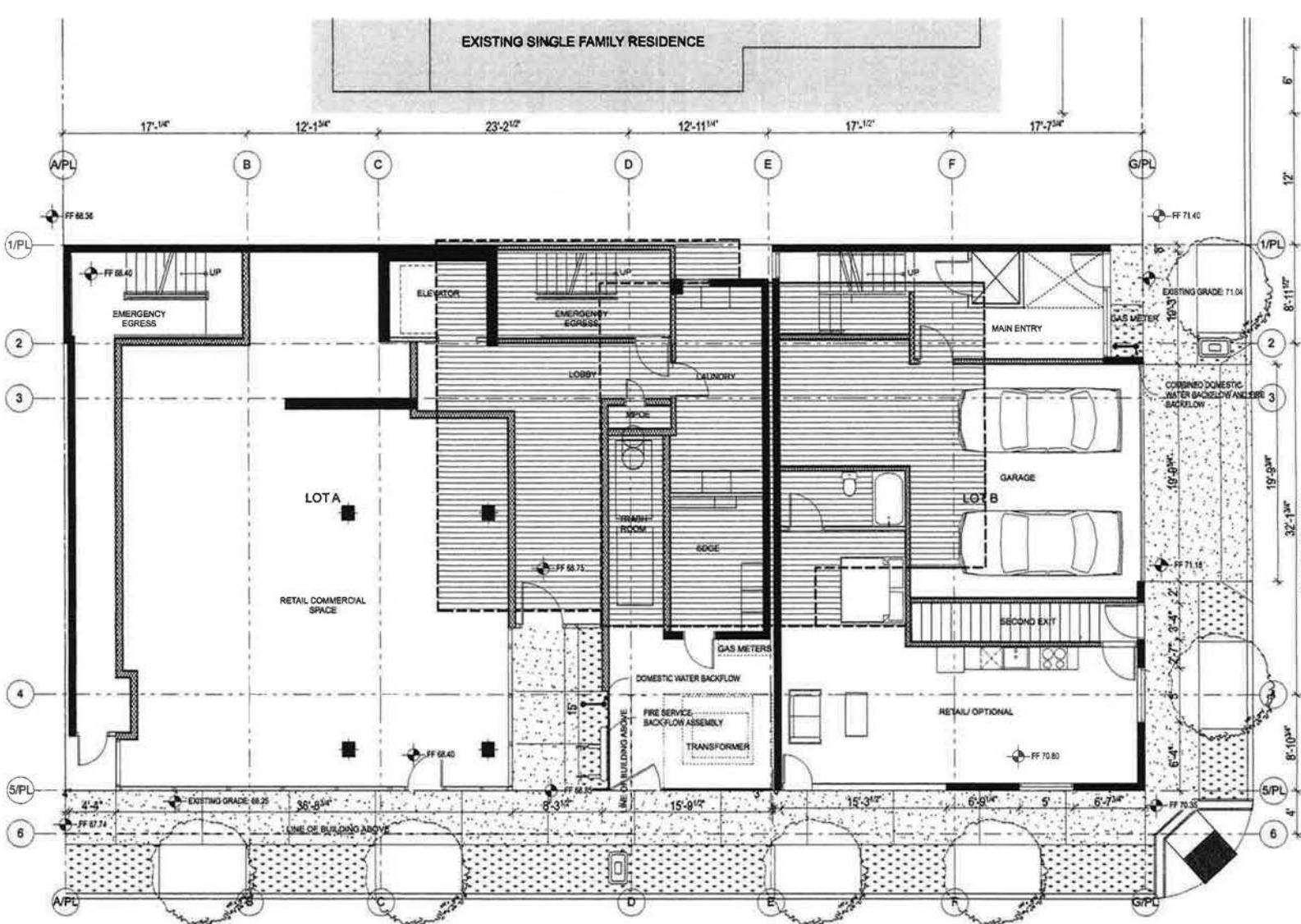


2 SHINGLE SIDING
SCALE: 3" = 1'-0"



1 PORCH SUPPORT
SCALE: 1" = 1'-0"

EXHIBIT D



AFFORDABLE VERY LOW INCOME UNITS
#204 #205

CEDAR STREET

GROUND FLOOR

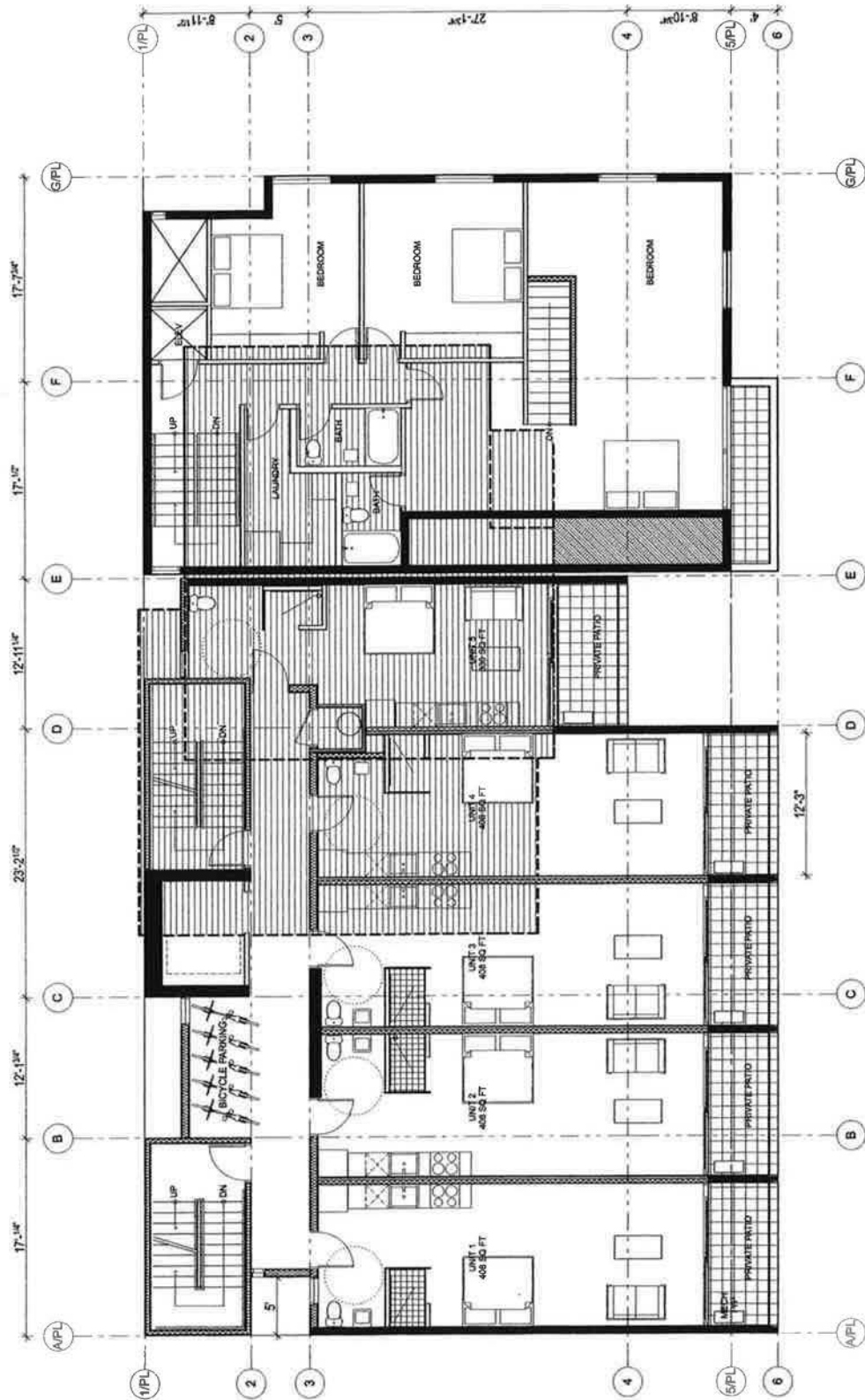


UNION STREET
320 West Cedar
320 West Cedar Street San Diego CA 92101
JONATHAN SECAL / FNA
3000 Union Street Suite 101 San Diego, CA 92104



SHEET TITLE	
SITE PLAN	
SCALE	
DATE	01/15/16
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REVISION 2	
REVISION 3	
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SHEET NAME	

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SECOND FLOOR

EXHIBIT E



THE LONDON GROUP
Realty Advisors

August 29, 2016

Mr. Jonathan Segal
Jonathan Segal FAIA & Development Company

Via email: jonathansegal@yahoo.com; mrmatthewsegal@gmail.com

RE: Economic Alternative Analysis for 1610 Union Street

Jonathan Segal FAIA & Development Company currently owns an approximately 5,000 square foot lot at 1610 Union Street in the Little Italy neighborhood of Downtown San Diego. The property is located on the northwest corner of Union Street and West Cedar Street. The site currently contains a 2,013 square foot single-family home, 816 square feet of commercial space and an 816 square foot garage.

The London Group Realty Advisors has completed an economic analysis of various development options for the property. The purpose of this analysis is to analyze the proposed Base Project and the financial impacts and economic feasibility of the development alternatives.

We have analyzed three development options for the property, which include:

- Base Project: demolish existing structures and construct a 4,350 square foot home, 1,400 square feet of retail and 35 efficiency units with an average unit size of 375 square feet.
- Alternative 1: rehabilitate the existing 2,013 square foot home, 816 square feet of commercial and an 816 square foot garage.
- Alternative 2: rehabilitate the existing 2,013 square-foot home and demolish commercial space to construct two additional residential units at 600 square feet each.
- Alternative 3: relocate and rehabilitate the existing structures to construct a 4,350 square foot home, 1,400 square feet of retail and 35 efficiency units with an average unit size of 375 square feet.

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Conclusions of Economic Alternatives

We analyzed the project performance of the Base Project that is proposed for the property. The Base Project includes construction of a new 4,350 square foot single-family home, 1,400 square feet of retail and 35 efficiency rental units.

We have assumed a 12-month construction period with the single family home being sold when construction is completed. The rental units and commercial space is assumed to sold at the end of the five-year investment period. The following table summarizes the impacts to the Base Project under each of the two alternatives:



1610 Union Street - Little Italy, CA
Summary of Scenarios

Base Project
35 Efficiency Units + 1 SFR

# of Units	36
For Sale Residential	4,350
Rental Residential	13,125
Rental Retail	1,400
Total Net Useable	18,875

Profit	\$1,940,942
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Performance

Total Gross Sales Revenue	\$14,049,537
Margin On Revenue	13.8%
Total Project Costs	\$13,011,829
Margin On Cost	14.9%

Alternative 1

Rehab Existing House & Commercial

# of Units	2
For Sale Residential	2,013
For Sale Commercial	816
Total Net Useable	2,829
Garage S.F.	816
Total S.F.	3,645
Difference (Net S.F.)	(16,046)
Difference (%)	85%

Profit	(\$1,667,772)
Difference (\$)	(3,608,714)
Difference (%)	-186%

Total Gross Sales Revenue	\$1,525,347
Margin On Revenue	-109.3%
Total Project Costs	\$3,116,852
Margin On Cost	-53.5%

Alternative 2

Rehab Existing House & Construct 2 Units

# of Units	3
For Sale Residential	2,013
For Sale Commercial	1,200
Total Net Useable	3,213
Difference (S.F.)	(15,662)
Difference (%)	83%

Profit	(\$1,417,825)
Difference (\$)	(3,358,767)
Difference (%)	-173%

Total Gross Sales Revenue	\$1,951,657
Margin On Revenue	-72.6%
Total Project Costs	\$3,207,108
Margin On Cost	-44.2%

Alternative 3

Relocate & Rehab 2,013 SF Home

# of Units	36
For Sale Residential	4,350
Rental Residential	13,125
Rental Retail	1,400
Relocated Home	2,013
Total Net Useable	20,888
Difference (S.F.)	2,013
Difference (%)	11%

Profit	\$438,661
Difference (\$)	(1,502,281)
Difference (%)	-77%

Total Gross Sales Revenue	\$14,620,970
Margin On Revenue	3.0%
Total Project Costs	\$14,920,415
Margin On Cost	2.9%

Source: The London Group Realty Advisors



We have determined that only the Base Project is economically feasible. This project is forecasted to generate a total profit of \$1.9 million, which when compared to the total revenue of the project represents a Margin on Revenue of 13.8%. This is on the lower end of the spectrum for investor returns, however, it is still financially feasible.

Based on performing feasibility analyses and consulting services on hundreds of real estate projects, it is our experience that a redevelopment project requires the Margin on Revenue to exceed 10% for a project to be economically feasible and to qualify for project financing. In fact, even a low Margin on Revenue of 10% to 15% is still a challenge to achieve financing.

The internal rate of return (IRR) of the Base Project is forecasted to be 16%. This also demonstrates that the project is economically feasible. The typical minimum IRR for rental housing projects range from 13% to 15%. Any IRR below this range would struggle to attract investors and achieve project financing.

Both Alternative 1 and Alternative 2 are not economically feasible. Due to the high rehabilitation costs, as well as compact size of the site, more expensive construction methods and materials are required. This results in the project costs exceeding the revenues. Both alternatives result in a financial loss for the developer ranging from \$1.4 million to \$1.7 million. The resulting profit margins and IRR are also negative for the alternatives, which demonstrates infeasibility because positive returns cannot be generated.

To further illustrate the infeasibility of the two alternatives, even if the cost of acquiring the land were reduced to a significantly lower, below-market value of \$200 per square foot (compared to current value of \$382 per square foot), both alternatives still result in a financial loss for the developer. This suggests that the challenge to developing this property is not the acquisition price, but the high costs of construction due to the small-scale site that requires more expensive construction methods.

Alternative 3, which relocates the structure to another neighborhood (e.g. Logan Heights area) is not economically feasible. Due to the moving costs, high rehabilitation costs and lower achievable sale price, this alternative results in significant revenue loss for the project. Alternative 3 results in an IRR of only 4.5%, which is much lower than the minimum 13% to 15% required for a project to be financeable and economically feasible. The Margin on Revenue of only 3.0% also falls well short of economic feasibility. Overall, Alternative 3 results in a 77% reduction (or \$1,502,281) in total profit for the project.



Approach to Analysis

To determine the impact to the project, we prepared financial proformas for the two alternatives and compared the performances to the Base Project proforma. In each proforma, we assumed the following:

- Construction period of 12 months
- Single family home is sold immediately after construction is completed
- The project is stabilized and sold at the end of a five-year investment period.
- Construction costs are provided by the developer and The London Group based on similar projects and construction types.
- Rental rates, sales prices and revenue were established by our survey of market rents for competitive projects in the area.

The following summarizes the financial proformas we have prepared for analyzing the project, which are included in the [Appendix](#).

Base Project

The Base Project includes demolition of the existing structures and construction of a single-family home and 35 efficiency units. The single-family home is assumed to be sold after construction is completed, while the 35 efficiency units (2 units affordable) will be rentals with a total of 13,125 square feet of net rentable area. The project also includes construction of 1,400 square feet of retail space.

The 33 market rate rental units will average 375 square feet in size with an average initial monthly rental rate of \$1,475 (in current dollars). The two affordable units will also average 375 square feet but will rent for \$709 per month (Very Low Income level).

When the single-family home is sold after construction is completed, the forecasted sale price is estimated to be \$2,600,000. The 35-unit rental project and 1,400 square feet of commercial is assumed to be sold in Year 5 at an estimated value of \$11,449,537. The total profit generated from this investment, including the sales revenue and annual cash flows, is forecasted to be \$1,940,942.

This net profit of \$1.94 million represents a Margin on Revenue of 13.8% when divided by the Gross Sales Revenue of the project (\$14 million). This suggests that the Base Project is economically feasible. It is our experience that a redevelopment project requires the Margin on Revenue to exceed 10% for a project to be economically feasible and to qualify for project financing.

The internal rate of return (IRR) of the investment is forecasted to be 16%. This also demonstrates that the project is economically feasible. The typical minimum IRR for rental



housing projects range from 13% to 15%. Any IRR below this range would struggle to attract investors and achieve project financing.

Alternative 1

Alternative 1 assumes rehabilitation of the existing single-family home (2,013 square feet), the existing commercial space (816 square feet) and existing garage (816 square feet). Both the single family home and the commercial space are assumed to be sold immediately after construction is completed.

The forecasted sale price for the single-family home is estimated to be \$1,225,000 (\$609 per square foot). The sale price of the commercial space is forecasted to be \$300,347 (\$368 per square foot). Total project costs are forecasted at \$3,116,852 while total gross sales revenue is forecasted at only \$1,525,347. This results in a financial loss for the project, which is forecasted to be negative \$1,667,772.

Compared to the Base Project, Alternative 1 represents a reduction of 16,046 net useable square feet, or 85% less space. This has a direct impact to the overall achievable value of the project.

With a total forecasted value at disposition of \$1,525,347, Alternative 1 would generate approximately \$12,524,190 less revenue than the Base Project (89% reduction). But more importantly the project is not economically feasible because it results in a financial loss of \$1,667,772.

To further illustrate the infeasibility of this alternative, even if the cost of acquiring the land were reduced to a significantly lower, below-market value of \$200 per square foot, the project would still result in a financial loss of \$723,859.

Alternative 2

Alternative 2 assumes rehabilitation of the existing single-family home, the demolition of the existing commercial space and construction of two new residential rental units. The existing single-family home is 2,013 square feet and the newly constructed rental units would total 1,200 square feet (600 square feet each).

When the single-family home is sold after construction is completed, the forecasted sale price is estimated to be \$1,225,000 (\$609 per square foot). The sale price of the two rental units that are sold in Year 5 is forecasted to be \$726,657 (\$605 per square foot). Total project costs are forecasted at \$3,207,108 but the total sales value of the project is only \$1,951,657, which represents a loss in value of \$1,255,451.



Including the annual cash flow from operations and accounting for sale commissions, Alternative 2 results in a financial loss of \$1,417,825, which demonstrates that the project is not economically feasible.

Compared to the Base Project, Alternative 2 represents a reduction of 15,662 net useable square feet, or 83% less space. This has a direct impact to the overall achievable value of the project.

With a total forecasted value at disposition of \$1,951,657, Alternative 2 would generate approximately \$12,097,880 less revenue than the Base Project (86% reduction). But more importantly the project is not economically feasible because it results in a financial loss of \$1,417,825.

To further illustrate the infeasibility of this alternative, even if the cost of acquiring the land were reduced to a significantly lower, below-market value of \$200 per square foot, the project would still result in a loss of \$172,004.

Alternative 3

Alternative 3 assumes relocation and rehabilitation of the existing single-family home to construct a 4,350 square foot home, 1,400 square feet of retail and 35 efficiency units with an average unit size of 375 square feet.

When the relocated and rehabilitated home is sold, the forecasted sale price is estimated to be \$600,000 (\$298 per square foot). The newly constructed single-family home at the new project is assumed to be sold after construction is completed, the forecasted sale price is estimated to be \$1,225,000 (\$609 per square foot). The sale price of the two rental units that are sold in Year 5 is forecasted to be \$726,657 (\$605 per square foot). Total project costs are forecasted at \$14,920,415.

Including the annual cash flow from operations and accounting for sale commissions, Alternative 3 results generates a total profit of \$438,661, which represents an IRR of 4.5% and a Margin on Revenue of 3.0%.

For a project to be financeable and economically feasible, the IRR needs to achieve a minimum of 13% to 15%. Similarly, the Margin on Revenue needs to be in the range of 10% to 15%, but even at this range projects have difficulty getting financed. Therefore, Alternative 3 is not an economically feasible alternative.

In addition, compared to the Base Project, Alternative 3 represents a 77% reduction in total profit generated by the development.



*Economic Alternative Analysis
1610 Union Street*

Should you have any questions regarding this analysis, please contact us.

Sincerely,

Gary H. London

Nathan Moeder



APPENDIX

1610 Union Street
Base Project
35 Efficiency Units + 1 SFR
Assumptions & Results

HOLDING & DISPOSITION

Holding Period:	5.00
Cap Rate On Sale (Residential):	5.00%
Cap Rate On Sale (Retail):	5.00%
Commissions & Closing Costs:	2.00%
Value at Time of Sale (Year 5)	\$11,449,537
Asset Value PSF	\$831

BUILDING ASSUMPTIONS

Project FAR	6.3
Units Per Acre	305
# Units	36
Land S.F.	5,000
Gross Building Area (60% Efficiency)	31,722
Efficiency	60%
Net Rentable Area	18,875

FINANCING

Construction Financing:	
Loan Amount	\$9,108,281
Loan to Cost	70%
Interest Rate	3.3%
Term (Months)	24

Refinance:	
Refinance at End of Year:	0
Permanent Loan Amount	\$0
Less: Construction Loan	\$0
Less: Loan Fees	0.00%
Net Proceeds From Refinance	\$0

Permanent Loan Info:	
Loan Amount	\$0
Amortization	30
Interest Rate	0.0%
Annual Debt Service	\$0

RESIDUAL LAND VALUE

Land S.F.	5,000
Land Value	\$1,910,000
\$/S.F. of Land	\$382

PROJECT SUMMARY

Base Project	# of Units	% of Mix	Unit Size	Total Net Rentable	Monthly Rent	\$/S.F. Rent
Efficiency Units	33	94%	375	12,375	\$1,475	\$3.93
Total Market Rate	33	94%	375	12,375	\$1,475	\$3.93
Affordable Units (Very Low)						
Efficiency Units	2	6%	375	750	\$709	\$1.89
Subtotal	2	6%	375	750	\$709	\$1.89
Retail S.F.			1,400			
Retail NNN Rent/Mo.			\$4.00			
Single Family Home	4,350	square feet				
Sale Period	2					
Sale Price	\$2,600,000					
Less: Commission (5.0%)	(\$130,000)					
Net Sales Revenue	\$2,470,000					

CONSTRUCTION COSTS

	Total Cost	Cost Per Unit	Cost Per Gross S.F.
Land Costs	\$1,910,000	\$53,056	\$60.21
Hard Costs	\$9,012,150	\$250,338	\$284.10
Soft Costs	\$1,622,187	\$45,061	\$51.14
Financing	\$467,492	\$12,986	\$14.74
Total Project Costs	\$13,011,829	\$361,440	\$410.18
Less: Loan Amount	\$9,108,281	\$253,008	\$287.13
Initial Investment:	\$3,903,549	\$108,432	\$123.05

INVESTMENT PERFORMANCE

Stabilized NOI	Year 2	\$504,848
Total Project Costs		\$13,011,829
Stabilized Yield On Cost		3.9%
	Cash On Cash	Cash Flow
Initial		(\$1,910,000)
Year 1	-51.1%	(\$1,993,549)
Year 2	76.2%	\$2,974,848
Year 3	5.8%	\$224,950
Year 4	6.2%	\$241,584
Year 5	61.6%	\$2,403,109
Total Profit		\$1,940,942
Before Tax IRR		16%
Total Gross Sales Revenue		\$14,049,537
Total Profit		\$1,940,942
Margin On Revenue		13.8%
Total Project Costs		\$13,011,829
Total Profit		\$1,940,942
Margin On Cost		14.9%

1610 Union Street
Base Project
Construction Costs

Units	36
Gross S.F.	31,722

		<u>Costs</u>	<u>\$/Unit</u>	<u>\$/SF</u> <u>Gross</u>
<u>Land Costs</u>				
Land Acquisition		\$1,910,000	\$53,056	\$60.21
<u>Site Costs</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0.00</u>
Subtotal Land Costs		\$1,910,000	\$53,056	\$60.21
<u>Hard Costs</u>				
Residential Construction (Single-Family Home)	\$400 psf	\$1,740,000	\$48,333.33	\$54.85
Residential Construction (Efficiency Units)	\$250 psf	\$6,493,000	\$180,361	\$204.68
Retail Construction	\$250 psf	\$350,000	\$9,722	\$11.03
<u>Contingency</u>	<u>5.0%</u>	<u>\$429,150</u>	<u>\$11,921</u>	<u>\$13.53</u>
Subtotal Hard Costs		\$9,012,150	\$250,338	\$284.10
<u>Soft Costs</u>				
<u>Indirects</u>	<u>18.0%</u>	<u>\$1,622,187</u>	<u>\$45,061</u>	<u>\$51.14</u>
Subtotal Soft Costs		\$1,622,187	\$45,061	\$51.14
<u>Financing Costs</u>				
Construction Loan Interest		\$399,537	\$11,098	\$12.59
<u>Loan Fee</u>	<u>0.75%</u>	<u>\$67,955</u>	<u>\$1,888</u>	<u>\$2.14</u>
Subtotal Financing Costs		\$467,492	\$12,986	\$14.74
Total Construction Costs		\$13,011,829	\$361,440	\$410

Source: The London Group Realty Advisors

1610 Union Street
Base Project
Cash Flow Forecast

	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
	0	2015	2016	2017	2018	2019
	0	1	2	3	4	5
Total Market Rate Units			33	33	33	33
Units Leased (Market Rate)			33	33	33	33
Units Leased (Affordable)			2	2	2	2
Units Vacant		Construction	0	0	0	0
Occupancy Rate			100.0%	100.0%	100.0%	100.0%
Vacancy Rate			0.0%	0.0%	0.0%	0.0%

Monthly Rent (Market Rate)		\$1,475	\$1,519	\$1,565	\$1,612	\$1,660
Monthly Rent Per S.F. (Market Rate)		\$3.93	\$4.05	\$4.17	\$4.30	\$4.43
Annual Increase in Rent (Market Rate)			3.0%	3.0%	3.0%	3.0%
Gross Rental Income (Market Rate Units)		0	\$565,161	\$582,116	\$599,579	\$617,567
Gross Rental Income (Affordable Units)		0	\$17,016	\$17,016	\$17,016	\$17,016
Retail Income (NNN)		\$0	\$71,292	\$73,431	\$75,634	\$77,903
Less: Vacancy & Credit Loss (Residential)		\$0	\$0	\$0	\$0	\$0
Net Rental Income		\$0	\$653,469	\$672,563	\$692,229	\$712,486
	Per Unit	% Increase				
Less: Operating Expenses ¹	(\$1,200)	2.0%	\$0	(\$43,697)	(\$44,571)	(\$45,462)
Less: Property Taxes ²	(\$3,056)	2.0%	\$0	(\$104,925)	(\$107,024)	(\$109,164)
Operating Expenses Per Unit	(\$4,256)		\$0	(\$151,594)	(\$154,626)	(\$157,719)
Operating Expense Ratio				26%	26%	26%
Net Operating Income		\$0	\$504,848	\$520,969	\$537,603	\$554,767
Less: I/O (interim) financing		\$0	\$0	(\$296,019)	(\$296,019)	(\$296,019)
Less: Permanent Debt Service		\$0	\$0	\$0	\$0	\$0
Subtotal		\$0	\$0	(\$296,019)	(\$296,019)	(\$296,019)
Net Proceeds from Refinance:		\$0	\$0	\$0	\$0	\$0
Cash Flow From Operations		\$0	\$504,848	\$224,950	\$241,584	\$258,748
Cash On Cash				5.8%	6.2%	6.6%

Disposition

<u>Residential Home</u>	
Sale Price	\$2,600,000
Less Commissions	(\$130,000)
Net Proceeds	\$2,470,000
<u>Efficiency Units (35 Units)</u>	
Cap Rate	5.00%
Next Year NOI	\$492,237
Asset Value	\$9,844,730
Asset Value Per Net SF	\$796
Asset Value Per Unit	\$281,278
<u>Retail (1,400 SF)</u>	
Cap Rate	5.00%
Next Year NOI	\$80,240
Asset Value	\$1,604,806
Asset Value Per Net SF	\$1,146
Sale Price	\$11,449,537
Less: Commissions & Closing Costs	(\$196,895)
Less: Principal Balance of Loan O/S	(\$9,108,281)
Net Proceeds from Disposition	\$2,144,361

Total Cash Flow Before Taxes	(\$1,910,000)	(\$1,993,549)	\$2,974,848	\$224,950	\$241,584	\$2,403,109
IRR	16%					

Notes:

¹ \$100 per unit per month

² 1.1% of 90% of construction costs

1610 Union Street

Alternative 1

Rehab Existing House & Commercial Space

Assumptions

Land (S.F.)	5,000
Existing House (S.F.)	2,013
Existing Commercial (S.F.)	816
Existing Garage (S.F.)	816

Construction Financing:

Loan Amount	\$2,181,796
Loan to Cost	70%
Interest Rate	3.25%
Term (Months)	24

Costs

Land Costs

Land Acquisition	\$1,910,000	\$524.01
<u>Site Costs</u>	<u>\$0</u>	<u>\$0.00</u>
Subtotal Land Costs	\$1,910,000	\$524.01

Hard Costs

Residential Rehabilitation	\$300 psf	\$603,900	\$165.68
Commercial Rehabilitation	\$200 psf	\$163,200	\$44.77
Garage Rehabilitation	\$150 psf	\$122,400	\$33.58
<u>Contingency</u>	<u>5.0%</u>	<u>\$38,355</u>	<u>\$10.52</u>
Subtotal Hard Costs		\$927,855	\$254.56

Soft Costs

<u>Indirects</u>	<u>18.0%</u>	<u>\$167,014</u>	<u>\$45.82</u>
Subtotal Soft Costs		\$167,014	\$45.82

Financing Costs

Construction Loan Interest		\$95,705	\$26.26
<u>Loan Fee</u>	<u>0.75%</u>	<u>\$16,278</u>	<u>\$4.47</u>
Subtotal Financing Costs		\$111,983	\$30.72

Total Construction Costs

\$3,116,852 \$855.10

Revenue

Sale Price Residential	\$609 psf	\$1,225,000	\$336.08
<u>Less: Commission</u>	<u>5.0%</u>	<u>(\$61,250)</u>	<u>(\$16.80)</u>
Net Sales Revenue Residential		\$1,163,750	\$319.27

Sale Price Commercial	\$368 psf	\$300,347	\$82.40
<u>Less: Commission</u>	<u>5.0%</u>	<u>(\$15,017)</u>	<u>(\$4.12)</u>
Net Sales Revenue Commercial		\$285,330	\$78.28

Total Net Revenue \$1,449,080 \$397.55

Net Profit

(**\$1,667,772**) (**\$457.55**)

Profit Percent of Sales -136.1%

Performance

Total Gross Sales Revenue	\$1,525,347	\$418.48
Total Profit	(\$1,667,772)	(\$457.55)
Margin On Revenue	-109.3%	

Total Project Costs	\$3,116,852	\$855.10
Total Profit	(\$1,667,772)	(\$457.55)
Margin On Cost	-53.5%	

1610 Union Street
Alternative 2
2 Rental Units + Rehabilitate House
Assumptions & Results

HOLDING & DISPOSITION

Holding Period:	\$ 00
Cap Rate On Sale (Residential):	5.00%
Cap Rate On Sale (Retail):	5.00%
Commissions & Closing Costs:	2.00%
Value at Time of Sale (Year 5)	\$726,657
Asset Value PSF	\$606

BUILDING ASSUMPTIONS

Project FAR	0.8
Units Per Acre	17
# Units	3
Land S.F.	5,000
Gross Building Area (60% Efficiency)	4,013
Efficiency	80%
Net Rentable Area	3,213

FINANCING

Construction Financing:	
Loan Amount	\$2,244,976
Loan to Cost	70%
Interest Rate	3.3%
Term (Months)	24
Refinance:	
Refinance at End of Year:	0
Permanent Loan Amount	\$0
Less: Construction Loan	\$0
Less: Loan Fees	0.00%
Net Proceeds From Refinance	\$0
Permanent Loan Info:	
Loan Amount	\$0
Amortization	30
Interest Rate	0.0%
Annual Debt Service	\$0

RESIDUAL LAND VALUE

Land S.F.	5,000
Land Value	\$1,910,000
\$/S.F. of Land	\$382

PROJECT SUMMARY

Alt 1 Project	# of Units	% of Mix	Unit Size	Total Net Rentable	Monthly Rent	\$/S.F. Rent
1 BD	2	100%	600	1,200	\$2,400	\$4.00
Total Market Rate	2	100%	600	1,200	\$2,400	\$4.00
Affordable Units (Very Low)						
Subtotal						
Retail S.F.	0					
Retail NNN Rent/Mo.	\$0.00					
Single Family Home	2,013	square feet				
Sale Period	2					
Sale Price	\$1,225,000					
Less: Commission (5.0%)	(\$61,250)					
Net Sales Revenue	\$1,163,750					

CONSTRUCTION COSTS

	Total Cost	Cost Per Unit	Cost Per Gross S.F.
Land Costs	\$1,910,000	\$636,667	\$475.95
Hard Costs	\$1,001,595	\$333,865	\$249.59
Soft Costs	\$180,287	\$60,096	\$44.93
Financing	\$115,226	\$38,409	\$28.71
Total Project Costs	\$3,207,108	\$1,069,036	\$799.18
Less: Loan Amount	\$2,244,976	\$748,325	\$559.43
Initial Investment:	\$962,132	\$320,711	\$239.75

INVESTMENT PERFORMANCE

Stabilized NOI	Year 2	\$31,205
Total Project Costs		\$3,207,108
Stabilized Yield On Cost		1.0%
	Cash On Cash	Cash Flow
Initial		(\$1,910,000)
Year 1	98.5%	\$947,868
Year 2	124.2%	\$1,194,955
Year 3	-4.2%	(\$40,539)
Year 4	-4.1%	(\$39,280)
Year 5	-163.3%	(\$1,570,828)
Total Profit		(\$1,417,825)
Before Tax IRR		#NUM!
Total Gross Sales Revenue		\$1,951,657
Total Profit		(\$1,417,825)
Margin On Revenue		-72.6%
Total Project Costs		\$3,207,108
Total Profit		(\$1,417,825)
Margin On Cost		-44.2%

1610 Union Street

Alternative 2

Construction Costs

Units	3
Gross S.F.	4,013

		<u>Costs</u>	<u>\$/Unit</u>	<u>\$/SF</u> <u>Gross</u>
<u>Land Costs</u>				
Land Acquisition		\$1,910,000	\$636,667	\$475.95
<u>Site Costs</u>		<u>\$0</u>	<u>\$0</u>	<u>\$0.00</u>
Subtotal Land Costs		\$1,910,000	\$636,667	\$475.95
<u>Hard Costs</u>				
Residential Construction (Single-Family Home)	\$300 psf	\$603,900	\$201,300.00	\$150.49
Residential Construction (2 Units)	\$175 psf	\$350,000	\$116,667	\$87.22
Retail Construction	\$0 psf	\$0	\$0	\$0.00
<u>Contingency</u>	<u>5.0%</u>	<u>\$47,695</u>	<u>\$15,898</u>	<u>\$11.89</u>
Subtotal Hard Costs		\$1,001,595	\$333,865	\$249.59
<u>Soft Costs</u>				
<u>Indirects</u>	<u>18.0%</u>	<u>\$180,287</u>	<u>\$60,096</u>	<u>\$44.93</u>
Subtotal Soft Costs		\$180,287	\$60,096	\$44.93
<u>Financing Costs</u>				
Construction Loan Interest		\$98,476	\$32,825	\$24.54
<u>Loan Fee</u>	<u>0.75%</u>	<u>\$16,749</u>	<u>\$5,583</u>	<u>\$4.17</u>
Subtotal Financing Costs		\$115,226	\$38,409	\$28.71
Total Construction Costs		\$3,207,108	\$1,069,036	\$799

Source: The London Group Realty Advisors

1610 Union Street
Alternative 2
Cash Flow Forecast

	Initial 0	Year 1 2015 1	Year 2 2016 2	Year 3 2017 3	Year 4 2018 4	Year 5 2019 5
Total Market Rate Units			2	2	2	2
Units Leased (Market Rate)			2	2	2	2
Units Leased (Affordable)			0	0	0	0
Units Vacant		Construction	0	0	0	0
Occupancy Rate			100.0%	100.0%	100.0%	100.0%
Vacancy Rate			0.0%	0.0%	0.0%	0.0%
Monthly Rent (Market Rate)		\$2,400	\$2,472	\$2,546	\$2,623	\$2,701
Monthly Rent Per S.F. (Market Rate)		\$4.00	\$4.12	\$4.24	\$4.37	\$4.50
Annual Increase in Rent (Market Rate)			3.0%	3.0%	3.0%	3.0%
Gross Rental Income (Market Rate Units)		0	\$59,328	\$61,108	\$62,941	\$64,829
Gross Rental Income (Affordable Units)		0	\$0	\$0	\$0	\$0
Retail Income (NNN)		\$0	\$0	\$0	\$0	\$0
Less: Vacancy & Credit Loss (Residential)		\$0	\$0	\$0	\$0	\$0
Net Rental Income		\$0	\$59,328	\$61,108	\$62,941	\$64,829
	Per Unit	% Increase				
Less: Operating Expenses ¹	(\$1,200)	2.0%	\$0	(\$2,497)	(\$2,547)	(\$2,598)
Less: Property Taxes ²	(\$12,316)	2.0%	\$0	(\$25,626)	(\$26,139)	(\$26,661)
Operating Expenses Per Unit	(\$13,516)		\$0	(\$28,123)	(\$28,686)	(\$29,259)
Operating Expense Ratio				47%	46%	46%
Net Operating Income		\$0	\$31,205	\$32,422	\$33,682	\$34,985
Less: I/O (interim) financing		\$0	\$0	(\$72,962)	(\$72,962)	(\$72,962)
Less: Permanent Debt Service		\$0	\$0	\$0	\$0	\$0
Subtotal		\$0	\$0	(\$72,962)	(\$72,962)	(\$72,962)
Net Proceeds from Refinance:		\$0	\$0	\$0	\$0	\$0
Cash Flow From Operations		\$0	\$31,205	(\$40,539)	(\$39,280)	(\$37,977)
Cash On Cash				-4.2%	-4.1%	-3.9%

Disposition

<u>Residential Home</u>	
Sale Price	\$1,225,000
Less Commissions	(\$61,250)
Net Proceeds	\$1,163,750
<u>Residential Units (2 Units)</u>	
Cap Rate	5.00%
Next Year NOI	\$36,333
Asset Value	\$726,657
Asset Value Per Net SF	\$606
Asset Value Per Unit	\$363,329
Sale Price	\$726,657
Less: Commissions & Closing Costs	(\$14,533)
Less: Principal Balance of Loan O/S	(\$2,244,976)
Net Proceeds from Disposition	(\$1,532,851)

Total Cash Flow Before Taxes	(\$1,910,000)	\$947,868	\$1,194,955	(\$40,539)	(\$39,280)	(\$1,570,828)
IRR	#NUM!					

Notes:

¹ \$100 per unit per month

² 1% of 90% of construction costs

1610 Union Street
Alternative 3
Relocate & Rehabilitate Existing Structures; Build 35 Efficiency Units + 1 SFR
Assumptions & Results

HOLDING & DISPOSITION

Holding Period:	5.00
Cap Rate On Sale (Residential):	5.00%
Cap Rate On Sale (Retail):	5.00%
Commissions & Closing Costs:	2.00%
Value at Time of Sale (Year 5)	\$11,420,970
Asset Value PSF	\$829

BUILDING ASSUMPTIONS

Project FAR	6.3
Units Per Acre	305
# Units	36
Land S.F.	5,000
Gross Building Area (60% Efficiency)	31,722
Efficiency	60%
Net Rentable Area	18,875

FINANCING

<u>Construction Financing:</u>	
Loan Amount	\$10,444,290
Loan to Cost	70%
Interest Rate	3.3%
Term (Months)	24
<u>Refinance:</u>	
Refinance at End of Year:	0
Permanent Loan Amount	\$0
Less: Construction Loan	\$0
Less: Loan Fees	0.00%
Net Proceeds From Refinance	\$0
<u>Permanent Loan Info:</u>	
Loan Amount	\$0
Amortization	30
Interest Rate	0.0%
Annual Debt Service	\$0

RESIDUAL LAND VALUE

Land S.F.	5,000
Land Value	\$1,910,000
\$/S.F. of Land	\$382

PROJECT SUMMARY

<u>Base Project</u>	<u># of Units</u>	<u>% of Mix</u>	<u>Unit Size</u>	<u>Total Net Rentable</u>	<u>Monthly Rent</u>	<u>\$/S.F. Rent</u>
Efficiency Units	33	94%	375	12,375	\$1,475	\$3.93
Total Market Rate	33	94%	375	12,375	\$1,475	\$3.93
<u>Affordable Units (Very Low)</u>						
Efficiency Units	2	6%	375	750	\$709	\$1.89
Subtotal	2	6%	375	750	\$709	\$1.89
Retail S.F.	1,400					
Retail NNN Rent/Mo.	\$4.00					
<u>Single Family Home</u>	4,350	square feet				
Sale Period	2					
Sale Price	\$2,600,000					
Less: Commission (5.0%)	(\$130,000)					
Net Sales Revenue	\$2,470,000					

CONSTRUCTION COSTS

	<u>Total Cost</u>	<u>Cost Per Unit</u>	<u>Cost Per Gross S.F.</u>
Land Costs	\$1,910,000	\$53,056	\$60.21
Relocation & Rehabilitation	\$1,712,805	\$47,578	\$53.99
Hard Costs	\$9,012,150	\$250,338	\$284.10
Soft Costs	\$1,758,065	\$48,835	\$55.42
<u>Financing</u>	<u>\$527,395</u>	<u>\$14,650</u>	<u>\$16.63</u>
Total Project Costs	\$14,920,415	\$414,456	\$470.35
<u>Less: Loan Amount</u>	<u>\$10,444,290</u>	<u>\$290,119</u>	<u>\$329.24</u>
Initial Investment:	\$4,476,124	\$124,337	\$141.10

INVESTMENT PERFORMANCE

Stabilized NOI	Year 2	\$503,528
Total Project Costs		\$14,920,415
Stabilized Yield On Cost		3.4%
	<u>Cash On Cash</u>	<u>Cash Flow</u>
Initial		(\$1,910,000)
Year 1	-57.3%	(\$2,566,124)
Year 2	79.2%	\$3,543,528
Year 3	4.0%	\$180,183
Year 4	4.4%	\$196,791
Year 5	22.2%	\$994,284
Total Profit		\$438,661
Before Tax IRR		4.5%
Total Gross Sales Revenue		\$14,620,970
Total Profit		\$438,661
Margin On Revenue		3.0%
Total Project Costs		\$14,920,415
Total Profit		\$438,661
Margin On Cost		2.9%

1610 Union Street
Alternative 3
Construction Costs

Units	36
Gross S.F.	31,722

		<u>Costs</u>	<u>\$/Unit</u>	<u>\$/SF</u> <u>Gross</u>
<u>Land Costs</u>				
Land Acquisition		\$1,910,000	\$53,056	\$60.21
Site Costs		<u>\$0</u>	<u>\$0</u>	<u>\$0.00</u>
Subtotal Land Costs		\$1,910,000	\$53,056	\$60.21
<u>Relocation & Rehabilitation</u>				
Acquisition of New Site		\$895,000	\$24,861.11	\$28.21
Cost to Move Structure		\$62,930	\$1,748	\$1.98
Restoration/Rehabilitation Costs (2,013 SF Home)	\$375 psf	\$754,875	\$20,969	\$23.80
Subtotal Hard Costs		\$1,712,805	\$47,578	\$53.99
<u>Hard Costs</u>				
Residential Construction (Single-Family Home)	\$400 psf	\$1,740,000	\$48,333	\$54.85
Residential Construction (Efficiency Units)	\$250 psf	\$6,493,000	\$180,361	\$204.68
Retail Construction	\$250 psf	\$350,000	\$9,722	\$11.03
Contingency	5.0%	\$429,150	\$11,921	\$13.53
Subtotal Hard Costs		\$9,012,150	\$250,338	\$284.10
<u>Soft Costs</u>				
Indirects	18.0%	\$1,758,065	\$48,835	\$55.42
Subtotal Soft Costs		\$1,758,065	\$48,835	\$55.42
<u>Financing Costs</u>				
Construction Loan Interest		\$458,418	\$12,734	\$14.45
Loan Fee	0.75%	\$68,978	\$1,916	\$2.17
Subtotal Financing Costs		\$527,395	\$14,650	\$16.63
Total Construction Costs		\$14,920,415	\$414,456	\$470

Source: The London Group Realty Advisors

1610 Union Street
Alternative 3
Cash Flow Forecast

	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
	0	2015	2016	2017	2018	2019
		1	2	3	4	5
Total Market Rate Units			33	33	33	33
Units Leased (Market Rate)			33	33	33	33
Units Leased (Affordable)			2	2	2	2
Units Vacant		Construction	0	0	0	0
Occupancy Rate			100.0%	100.0%	100.0%	100.0%
Vacancy Rate			0.0%	0.0%	0.0%	0.0%
Monthly Rent (Market Rate)		\$1,475	\$1,519	\$1,565	\$1,612	\$1,660
Monthly Rent Per S.F. (Market Rate)		\$3.93	\$4.05	\$4.17	\$4.30	\$4.43
Annual Increase In Rent (Market Rate)			3.0%	3.0%	3.0%	3.0%
Gross Rental Income (Market Rate Units)		0	\$565,161	\$582,116	\$599,579	\$617,567
Gross Rental Income (Affordable Units)		0	\$17,016	\$17,016	\$17,016	\$17,016
Retail Income (NNN)		\$0	\$71,292	\$73,431	\$75,634	\$77,903
Less: Vacancy & Credit Loss (Residential)		\$0	\$0	\$0	\$0	\$0
Net Rental Income		\$0	\$653,469	\$672,563	\$692,229	\$712,486
	Per Unit	% Increase				
Less: Operating Expenses ¹	(\$1,200)	2.0%	\$0	(\$43,697)	(\$45,462)	(\$46,371)
Less: Property Taxes ²	(\$3,095)	2.0%	\$0	(\$106,245)	(\$110,537)	(\$112,748)
Operating Expenses Per Unit	(\$4,295)		\$0	(\$152,940)	(\$155,999)	(\$159,119)
Operating Expense Ratio				26%	26%	26%
Net Operating Income		\$0	\$503,528	\$519,623	\$536,230	\$553,367
Less: I/O (interim) financing		\$0	\$0	(\$339,439)	(\$339,439)	(\$339,439)
Less: Permanent Debt Service		\$0	\$0	\$0	\$0	\$0
Subtotal		\$0	\$0	(\$339,439)	(\$339,439)	(\$339,439)
Net Proceeds from Refinance:		\$0	\$0	\$0	\$0	\$0
Cash Flow From Operations		\$0	\$503,528	\$180,183	\$196,791	\$213,927
Cash On Cash				4.0%	4.4%	4.8%

Disposition						
<u>New Residential Home</u>						
Sale Price			\$2,600,000			
Less Commissions			(\$130,000)			
Net Proceeds			\$2,470,000			
<u>Relocated 2,013 SF Home</u>						
Sale Price			\$600,000			
Less Commissions			(\$30,000)			
Net Proceeds			\$570,000			
<u>Efficiency Units (35 Units)</u>						
Cap Rate					5.00%	
Next Year NOI					\$490,808	
Asset Value					\$9,816,164	
Asset Value Per Net SF					\$793	
Asset Value Per Unit					\$280,462	
<u>Retail (1,400 SF)</u>						
Cap Rate					5.00%	
Next Year NOI					\$80,240	
Asset Value					\$1,604,806	
Asset Value Per Net SF					\$1,146	
Sale Price					\$11,420,970	
Less: Commissions & Closing Costs					(\$196,323)	
Less: Principal Balance of Loan O/S					(\$10,444,290)	
Net Proceeds from Disposition					\$780,356	
Total Cash Flow Before Taxes	(\$1,910,000)	(\$2,566,124)	\$3,543,528	\$180,183	\$196,791	\$994,284
IRR	4.5%					

Notes:

¹ \$100 per unit per month

² 1.1% of 90% of construction costs



CORPORATE PROFILE

THE LONDON GROUP
Realty Advisors

REPRESENTATIVE SERVICES

Market and Feasibility Studies	Development Services	Litigation Consulting
Financial Structuring	Fiscal Impact	Workout Projects
Asset Disposition	Strategic Planning	MAI Valuation
Government Processing	Capital Access	Economic Analysis

The London Group is a full service real estate investment and development consulting, capital access and publishing firm. We determine the answers to the questions: Should I purchase the property? If so, how much should I pay and what is my potential rate of return? What type of project should I invest in or develop? What type of deal should I structure?

To answer these questions we conduct market analysis, feasibility studies, provide financial structuring advice and general economic consulting. Often we 'package' the deal and provide access to capital sources. We also have capabilities in pre-development consulting including asset management and disposition and in providing team coordination, processing and disposition services (packaging and promotion).

The Real Estate & Economic Monitor is a newsletter published by The London Group providing market trend analysis and commentary for the serious real estate investor. The principals of the firm, Gary London and Nathan Moeder, bring acknowledged credentials and experience as advisors and analysts to many successful projects and assignments throughout North America. It is available and regularly updated on the World Wide Web at the following address: <http://www.londongroup.com/>.

The London Group also draws upon the experience of professional relationships in the development, legal services, financial placement fields as well as its own staff.

Clients who are actively investigating and investing in apartment projects, retail centers and commercial projects have regularly sought our advice and financial analysis capabilities.

We have analyzed, packaged and achieved capital for a wide variety of real estate projects including hotels, office buildings, retail shopping centers and residential housing communities. We are generalists with experiences ranging from large scale, master planned communities to urban redevelopment projects, spanning all land uses and most development issues. These engagements have been undertaken throughout North America for a number of different clients including developers, investors, financial institutions, insurance companies, major landholders and public agencies.

**702 Ash Street, Suite 101, San Diego, CA 92101
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EXHIBIT F

1610 Union Street Replacement Site Search

Search Parameters: Lot size: 5,000 SF+

Community Planning Areas of Uptown, Greater North Park, Normal Heights, Greater Golden Hill, Southeast San Diego, Kensington-Talmadge, and City Heights

<u>Neighborhood</u>	<u>Address & Zip</u>	<u>Lot Size</u>	<u>List Price</u>	<u>Suitability</u>
North Park	Florida & Upas St., 92104	7,248	\$950,000	Zoning – MR-1000 (Mid-City Community Planned Dist.), vacant land and existing duplex on site
Fairmount Park	Hixson St., 92105	52,708	\$149,000	Residential land, corner of Hixson and Trailing.
Logan Heights	2810 L St., 92102	11,731	\$895,000	Zoned for 4 residential units
Golden Hill	2828-2834 Broadway, 92102	15,750	\$2,400,000	Zoned GH-600 (S.D. Municipal Golden Hill Planned Dist.)
East Village	849-867 10 th Ave., 92101	19,984	Negotiable	Residential land. 4 contiguous parcels located on block of 10 th , E St and 11 th St.

**Property Details**

Price	\$950,000
Lot Size	7,248 SF
Price/SF	\$131.07 /SF
Property Type	Land
Property Sub-type	Multifamily (land)
Features	Electricity/Power Irrigation Water Telephone Cable Gas/Propane
Status	Active
LoopNet ID	19833688

Broker Information

Jacqueline Harris
3425 Wilshire Properties, LLC
(858) 945-2394

Property Notes

Listing's Link: <http://www.loopnet.com/ld/19833688>

Property Description

Florida and Upas is a development and/or value add opportunity. The property is situated on a 7,248 square foot midblock lot facing both Wilshire Terrace (existing duplex) and Florida Street (Vacant Portion of Lot) in San Diego's thriving North Park neighborhood. Close to Balboa Park. Existing Duplex on first floor has two bedrooms, one bath, Living Room, Dining Room, Kitchen and has one car garage with laundry facilities. One other parking space in front of duplex for first Floor unit. Downstairs has same configuration except no garage. Two parking spaces provided in front. Downstairs unit has laundry closet outside. Very well maintained property. More information re the Duplex can be found at agent's sister listing under "3425-3427 Wilshire Terrace", Florida St. Vacant Lot Design: Initial zoning & development studies indicate the site can afford to retain the existing duplex facing Wilshire Terrace while allowing for the additional development along Florida Street of either 8 apartment flats or 4 row homes. Alternatively, you could demolish the existing duplex and build 10 new units. Tenants living on property so please do not disturb.

Location Description

Land behind Duplex on Wilshire is ready to build on! Vacant land fronts Florida Street.



Property Details

Price	\$149,000
Lot Size	1.21 AC
Price/AC	\$123,140.49 /AC
Property Type	Land
Property Sub-type	Residential (land)
Features	Electricity/Power - SDGE Water - San Diego City Water
Status	Active
LoopNet ID	19829678

Broker Information

Joon Lim
Big Block Realty
(619) 804-9200

Property Notes

Listing's Link: <http://www.loopnet.com/lid/19829678>

Property Description

Seller motivated!!! Build your Dream Home or Investment Property in the center of San Diego. Minutes to Downtown -- Close to everything. Blocks from the 805 and 94 Freeway.

Location Description

Located on the corner of Hixson and Trailing near 805 and 94. Vacant Lot. Drive by and take a look. Call Joon with any questions.



Listing's Link: <http://www.loopnet.com/lid/19657225>

Property Description

Corner Lot currently used as parking lot. Level and ready for building 4 homes.

Location Description

A dozen blocks east of Downtown San Diego. Two blocks north of Imperial Ave. Direct access to Hwy 94 via 28th Street. Close to I-15 and I-5 freeways.

Property Details

Price	\$895,000
Lot Size	11,731 SF
Price/SF	\$76.29 /SF
Property Type	Land
Property Sub-type	Multifamily (land)
Additional Sub-types	Residential (land)
Features	Electricity/Power Irrigation Telephone Cable
Status	Active
LoopNet ID	19657225

Broker Information



Mike Habib
Coldwell Banker Commercial Real
Estate
(619) 463-6600

Property Notes

Google Maps



<https://www.google.com/maps/@32.7160882,-117.1329415,6m/data=!1s1>

8/26/2016



Property Details

Price	Price Not Disclosed
Lot Size	19,984 SF
Property Type	Land
Property Sub-type	Multifamily (land)
Zoning Description	CCPD-R
Features	Electricity/Power Water Telephone Cable Gas/Propane
Status	Active
LoopNet ID	19543274

Broker Information



Mike Habib
Coldwell Banker Commercial Real Estate
(619) 463-6600

Property Notes

Listing's Link: <http://www.loopnet.com/ld/19543274>

Property Description

A new offering from Mike Habib, in East Village, located on the block of 10th, E St and 11th St., in Downtown San Diego. The parking lot is spacious, spans the block between 10th & 11th St. The two buildings at 1035 & 1045 E St are currently being utilized as office space and residential units. This area of East Village has a F.A.R. of 20; however, the architect has recommended a 17.5. Urban development continues at a slow pace in the East Village. This is one of the last legacy properties in the Downtown San Diego communities. Turn a parking lot into a paradise that anyone would want to call home. With a F.A.R. of 17.5, you can create a beautiful high rise of multifamily units and offer parking on the lower levels. Corner property with structures is owned by a separate owner and is not listed by Coldwell Banker Commercial. Contact Mike Habib for instructions to make separate offer to corner property owner.

Location Description

East Village corner parcels fronting E Street and 10th and 11th Avenues. Downtown San Diego, 92101.

