

FINAL REPORT

Financial Feasibility of Development Prototypes
Midway/Pacific Highway Corridor Community Planning Area

Prepared for:

City of San Diego

Prepared by:

Keyser Marston Associates, Inc.

October 2012

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I. INTRODUCTION

A. Objective

Keyser Marston Associates, Inc. (KMA) has undertaken financial feasibility analyses for potential development prototypes in accordance with the land use designations that are being considered as part of the Midway/Pacific Highway Corridor Community Planning Area (CPA) Update in the City of San Diego (City).

The KMA development prototypes are based on several factors present in the CPA including current and anticipated market conditions, existing land uses, and shape of parcels within the CPA. The prototypes consist of a range of densities (29 to 45 dwelling units per acre) with only residential, residential and commercial in a mixed-use format, retail, light industrial, and business park uses.

The primary objective of the KMA analysis is to determine which land uses are financially feasible considering current development costs and current market values and provide recommendations that would support long-term implementation of the proposed plan.

B. Method of Analysis

In completing the feasibility analysis, KMA has undertaken the following key work tasks:

- Participated in meeting and teleconferences with AECOM and City staff.
- Formulated development prototypes based on market conditions, local ordinances, zoning and industry standards present in the CPA.
- Estimated development costs and project revenues to determine financial feasibility of the development prototypes.
- Provide project examples that are illustrative of the development prototypes analyzed by KMA.

C. Report Organization

This memorandum report has been organized as follows:

- Following this introduction, Section II presents the KMA summary of findings including a description of the development prototypes, estimate of residual land values, and conclusions and recommendations.

- Section III describes the KMA methodology in evaluating the financial feasibility of the development prototypes.
- Section IV presents project examples that represent the development prototypes analyzed by KMA.
- Limiting conditions pertaining to this analysis are listed in Section V.

II. SUMMARY OF FINDINGS

A. Description of Development Prototypes

The purpose of the development prototypes is to serve as tangible examples of the types of development that is expected to occur in the CPA in the future. The development prototypes were selected through a process which considered the demographics, recent development patterns in urban locations, and potential market demand beyond current recession for various types of housing and non-residential uses within the CPA.

KMA evaluated a total of nine development prototypes, as follows.

	Prototypes *	Density	Units/SF/Rooms
1	General Freestanding Retail	0.30 FAR	13,100 SF
2	Light Industrial	0.40 FAR	17,400 SF
3	Business Park	0.60 FAR	26,000 SF
4a	Rental Residential - Garden-Style Apartments	29 Units/Acre	29 Units
4b	Rental Residential - "Wrap" Apartments	44 Units/Acre	44 Units
5a	For-Sale Residential - Townhomes/Rowhomes	29 Units/Acre	15 Units
5b	For-Sale Residential - Stacked Flat Condominiums	44 Units/Acre	34 Units
6a	Mixed-Use - Rental Apartments with Ground-Floor Retail	45 Units/Acre	45 Units / 10,900 SF Retail
6b	Mixed-Use - Rental Apartments with Ground-Floor Retail and Transit-Adjacent	45 Units/Acre	45 Units / 10,900 SF Retail
*All prototypes are 1 acre and do not exceed 30 feet above ground			

More detailed project descriptions including gross building area (GBA), number of dwelling units, and parking spaces are found in the tables attached to this report.

All of the development prototypes assume buildings that would not exceed 30 feet above ground. More detailed project descriptions including gross building area (GBA), number of dwelling units, and parking spaces are found in the tables attached to this report.

B. Estimated Residual Land Values

KMA prepared financial feasibility analyses for each of the nine development prototypes in order to determine the residual land value. Residual land value can be used to determine the highest and best use of a piece of land. It is a method used to determine the value and potential profitability of a proposed development where the value of land is estimated by subtracting the cost of development from the value of the income stream from the project, and the market-based return on invested capital associated with the potential development. Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land. KMA's estimate of market prices and rental rates are based on KMA's Market Assessment (April 2012), and review of current market pricing.

The following illustrates the estimated residual land value for each development prototype:

Prototype	Residual Land Value	
	Total	Per Sq Ft of Land
1. General Freestanding Retail	\$913,000	\$21
2. Light Industrial	(\$262,000)	(\$6)
3. Business Park	\$450,320	\$21
4a. Rental Residential - Garden-Style Apartments	\$1,676,000	\$38
4b. Rental Residential - "Wrap" Apartments	\$1,101,000	\$25
5a. For-Sale Residential - Townhomes/Rowhomes	\$3,833,000	\$88
5b. For-Sale Residential - Stacked Flat Condominiums	\$2,032,000	\$47
6a. Mixed-Use - Rental Apartments with Ground-Floor Retail	\$1,401,000	\$32
6b. Mixed-Use - Rental Apartments with Ground-Floor Retail and Transit-Adjacent	\$1,924,000	\$44

All of the development prototypes assume that buildings would not exceed 30 feet above ground.

More detailed project descriptions including gross building area (GBA), number of dwelling units, and parking spaces are found in the tables attached to this report.

As shown above, the residual land values are positive for all prototypes except for the light industrial. Based on the analysis performed, residential would have the highest residual land value use; whereas, the business park use would have the lowest residual value. The analysis also show a negative residual land value for light industrial which indicates that the cost of developing and operating a new light industrial use would be greater than the income generated from the use. Based on KMA's financial feasibility analysis, potential developers can afford to pay for land under these development scenarios. Though the scenarios illustrated above present positive land values, every development site would have its own unique development challenges.

The CPA is predominantly built out and site specific constraints and costs are not included in the prototypes, which may burden site costs beyond feasibility. Each and every development site would have its own unique development costs that would not be possible to address in a blanket prototype development scenario especially with in-fill development situations within this CPA. The following are factors that could hinder project feasibility:

- Land acquisition/site assembly
- Demolition
- Environmental/contamination remediation
- Relocation
- Prevailing wages

C. Conclusions and Recommendations

There are strong fundamentals supporting attached housing and mixed-use development in in-fill locations throughout Central San Diego. Scarcity of land, rising housing costs, and the increase in single person and small family households will continue to generate demand for multifamily townhomes, condominiums, and apartments. The rental market is expected to continue to strengthen due principally to two current economic conditions: (1) households that have faced a short sale or foreclosure of a home; and (2) stricter mortgage lending standards that have caused young and/or newly formed households to postpone homeownership. This demand has caused a decrease in rental vacancy rates and an increase in rents. The higher occupancy rate along with the higher rents will result in higher residual land values for potential rental projects in the CPA.

Another key factor to note is that the City and U.S. Government currently own the largest development parcels within the CPA with the Sports Arena and adjoining parcels at approximately 39 acres and the Post office parcels and nearby storage parcels at approximately 23 acres. The Sports Arena occupies approximately 33 acres and the rest is leased out to other retailers who have leases ranging from short term to midterm. The public sector's control of such large land holdings will have an impact on the market depending on the uses determined by the City.

Based on the KMA estimate of market demand and current trends in mixed-use areas, KMA formulated a series of specific development opportunities and related recommendations for the City's consideration, as follows:

- Establish a branding and/or create a theme to guide development and implement monumentation, signage, and wayfinding consistent with a district identity.
- Develop strategies to maximize the use of the Sports Arena site and/or adjacent public-owned land.

- Encourage developments with walkable environments and easy access to transit, retail, services, and amenities.
- Current market trends indicate increasing life expectancy and changing lifestyle patterns will generate demand for alternative development types among the baby boomers/empty nesters and Generations X and Y. The City should plan to accommodate a variety of housing types, including:
 - High-density rowhomes/townhomes
 - “Wrap” (units wrapped around the parking structure) or podium (units built on top of the parking structure) apartments/condominiums
 - Both rental and ownership
 - With or without ground-floor retail uses
- Evaluate and prioritize existing and future infrastructure improvements, such as landscaping, street lighting, and signage.
- Explore the potential for an Infrastructure Financing District (IFD) to fund infrastructure improvements.

III. FINANCIAL FEASIBILITY METHODOLOGY

The detailed KMA financial pro formas for the development prototypes are found in Appendices A through E, respectively. Within each appendix, the tables present the following information:

- *Project Description* – General project description, including gross building area, residential unit mix, and parking.
- *Estimate of Development Costs* – Development costs for the project, which consist of direct costs, indirect costs, and financing costs, as described below:
 - Direct construction costs consist of such items as off- and on-site improvements, parking, shell construction, residential amenities, tenant improvements, and contingency. For all pro forma analyses, KMA has assumed no payment of prevailing wages. It should also be noted that the KMA analyses do not assume costs associated with site assembly, acquisition, demolition, or relocation, if applicable.
 - Indirect costs consist of architecture, engineering, public permits and fees, inclusionary housing in-lieu fees, legal and accounting, taxes and insurance, developer fee, marketing/sales/lease-up, and contingency.
 - Financing costs consist of such items as loan fees, interest during construction and sales, and homeowner association dues on unsold units.
- *Project Revenue* – Gross sales proceeds and/or rental income for the residential and commercial components of the prototypes.
- *Residual land value* – Residual land value is defined as the maximum land payment that a private developer could afford to pay for a specified development opportunity based on a comparison of market value upon completion against total development costs, inclusive of an industry standard developer return requirement. It should be noted that the total development cost for all of the prototypes does not include land acquisition costs, possible relocation costs, and demolition costs. Adding these land assembly costs increases the total development costs and the economic gap.

IV. DEVELOPMENT PROTOTYPE EXAMPLES

The following presents project examples and a brief description along with photos representing the type of prototype proposed:

Prototype Description

#1: Freestanding retailing – Single-tenant property that is separate from a shopping center

Project Example



Discount Tire, Midway-Pacific Highway

Prototype Description

#2: Light Industrial – Buildings used for assembly, disassembly, fabricating, finishing, manufacturing, packaging, and repairing or processing of materials

Project Example



Piper Ranch, Otay Mesa

Prototype Description

#3: Business Park – Low-rise office and/or research and development type development grouped together in a well landscaped environment

Project Example



San Diego Spectrum, Kearny Mesa

Prototype Description

#4a: Rental Residential (apartments with 2 to 3 stories) – Low-rise garden style apartment buildings with surface parking spaces surrounding by recreational amenities and landscaping

Project Example



Pinnacle at Otay Ranch, Chula Vista

Prototype Description

#4b: Rental Residential (apartments with 3 to 4 stories and “wrapped” parking) – Typically a large block of residential units wrapped around a central parking garage

Project Example



Archstone Presidio View, Mission Valley

Prototype Description

#5a: For-sale Townhomes – Homes that share a building with other units, have attached garages, and may or may not be stacked with other units

Project Example



Sunset Cove, Clairemont

Prototype Description

#5b: For-sale Condominiums – Stacked-flat condominiums that share a building with other units

Project Example



The Lido, Mission Valley

Prototype Description

#6a: Mixed-use Rental Apartments with Ground-Floor Retail

Project Example



Mission Hills Commons

Prototype Description

#6b: Mixed-use Rental Apartments with Ground-Floor Retail and is Transit-Adjacent

Project Example



The Village at Morena/Linda Vista, Linda Vista

V. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. Revenue estimates are based on the assumption that sufficient market support exists for the proposed uses and that the development programs will achieve industry standard productivity levels.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. The current national and local real estate development and financing markets are experiencing unprecedented stress. The conclusions presented herein assume a long-term planning horizon of 20 years. It is assumed that local and national economic conditions will vary over the planning horizon.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The development concepts will not vary significantly from those identified in this analysis.
7. The analysis, opinions, recommendations, and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

**SUMMARY TABLE
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	Prototype 1 General Freestanding Retail	Prototype 2 Light Industrial	Prototype 3 Business Park	Prototype 4 - Rental Residential		Prototype 5 - For-Sale Residential		Prototype 6 - Mixed-Use	
				Garden-Style Apartments	"Wrap" Apartments	Townhomes	Stacked Flat Condominiums	Rental Apartments with Ground Floor Retail	Rental Apartments with Ground Floor Retail and Transit-Adjacent
I. Project Description									
• Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres
• Commercial FAR	0.30	0.40	0.60					0.25	0.25
• Residential Density				29.00 Units/Acre	44.00 Units/Acre	29.00 Units/Acre	44.00 Units/Acre	45.00 Units/Acre	45.00 Units/Acre
# of Stories	1.00	1.00	2						
Construction Type	Type V	Concrete tilt-up	Concrete tilt-up	Type V	Type V	Type V	Type V	Type V (above pkg)	Type V (above pkg)
Residential Units	0 Units	0 Units	0 Units	29 Units	44 Units	15 Units	34 Units	45 Units	45 Units
Retail SF	13,080 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	10,900 SF	10,900 SF
Industrial/Office SF	0 SF	17,440 SF	26,100 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
Type of Parking	Surface	Surface	Surface	Surface	"Wrap" structure	2-car attached garage	Tuck-under parking	Surface / Podium parking	Surface / Podium parking
Private Parking Spaces	52 Spaces	35 Spaces	78 Spaces	43 Spaces	73 Spaces	58 Spaces	102 Spaces	117 Spaces	86 Spaces
Transit Parking Spaces									
<u>Parking Ratios</u>									
Residential	0.00 Spaces/Unit	0.00 Spaces/Unit	0.00 Spaces/Unit	1.47 Spaces/Unit	1.66 Spaces/Unit	2.00 Spaces/Unit	2.31 Spaces/Unit	2.00 Spaces/Unit	1.55 Spaces/Unit
Retail	4.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	2.50 Spaces/1,000 SF	1.47 Spaces/1,000 SF
Industrial/Office	0.00 Spaces/1,000 SF	2.00 Spaces/1,000 SF	3.00 /1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF	0.00 Spaces/1,000 SF
II. Residual Land Value (1)									
Total Residual Land Value	\$913,000	(\$262,000)	\$450,320	\$1,676,000	\$1,101,000	\$3,833,000	\$2,032,000	\$1,401,000	\$1,924,000
Per Unit	\$0 /Unit	\$0 /Unit	\$0 /Unit	\$57,800 /Unit	\$25,000 /Unit	\$132,200 /Unit	\$46,200 /Unit	\$31,100 /Unit	\$42,800 /Unit
Per SF Site Area	\$21 /SF Site Area	(\$6) /SF Site Area	\$21 /SF Site Area	\$38 /SF Site Area	\$25 /SF Site Area	\$88 /SF Site Area	\$47 /SF Site Area	\$32 /SF Site Area	\$44 /SF Site Area

(1) Represents the value a developer can feasibly afford to pay for land. Land acquisition, demolition, and/or relocation are not included.

Prototype 1
General Freestanding Retail
Pro Forma Analysis

Midway/Pacific Highway Corridor CPA

TABLE A-1

**PROJECT DESCRIPTION
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

I. Site Area	1.00 Acres
II. Construction Type	Type V
III. Number of Stories	1 to 2 Stories (above-grade)
IV. Floor Area Ratio	0.30
V. Gross Building Area	13,080 SF
VI. Parking	
Parking Type	Surface
Number of Spaces	52 Spaces
Parking Ratio	4.00 /Unit

TABLE A-2

**DEVELOPMENT COSTS
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	<u>Totals</u>	<u>Notes</u>
I. Direct Costs (1)		
Off-Site Improvements (2)	\$131,000	\$3 Per SF Site Area
On-Site Improvements/Landscaping	\$218,000	\$5 Per SF Site Area
Parking - Surface	\$0	Included above
Shell Construction	\$1,308,000	\$100 Per SF GBA
Tenant Improvements	\$327,000	\$25 Per Net SF
Contingency	<u>\$99,000</u>	<u>5.0%</u> of Directs
Subtotal Direct Costs	\$2,083,000	\$159 Per SF GBA
II. Indirect Costs		
Architecture & Engineering	\$104,000	5.0% of Directs
Permits & Fees (2)	\$131,000	\$10 Per SF GBA
Legal & Accounting	\$21,000	1.0% of Directs
Taxes & Insurance	\$21,000	1.0% of Directs
Developer Fee	\$83,000	4.0% of Directs
Marketing/Lease-Up	\$105,000	\$8 Per Net SF
Contingency	<u>\$23,000</u>	5.0% of Indirects
Subtotal Indirect Costs	\$488,000	23.4% of Directs
III. Financing Costs		
Subtotal Financing Costs	<u>\$208,000</u>	10.0% of Directs
IV. Total Development Costs	\$2,779,000	\$212 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimated allowance; not verified by KMA.

TABLE A-3

**NET OPERATING INCOME
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	<u>Leasable SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>
I. Gross Scheduled Income			
Total Gross Scheduled Income (GSI)	13,080 SF	\$2.25 /SF/Month/NNN	\$353,000
(Less) Vacancy		5.0% of GSI	<u>(\$18,000)</u>
II. Effective Gross Income			
			\$335,000
(Less) Unreimbursed Expenses - Retail		5.0% of EGI	<u>(\$16,750)</u>
III. Net Operating Income			
			\$318,250
Capitalized Value of NOI @			7.5%
IV. Total Project Value			
			\$4,243,000

TABLE A-4

RESIDUAL LAND VALUE
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO

I. Total Project Value		\$4,243,000
(Less) Cost of Sale @	3.0% of Value	(\$127,000)
(Less) Target Developer Profit @	10.0% of Value	<u>(\$424,000)</u>
II. Warranted Investment		\$3,692,000
(Less) Development Costs (excluding land)		<u>(\$2,779,000)</u>
III. Residual Land Value		\$913,000
Per SF Site Area		\$21

**Prototype 2
Light Industrial
Pro Forma Analysis**

Midway/Pacific Highway Corridor CPA

TABLE B-1

**PROJECT DESCRIPTION
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

I. Site Area	1.00 Acres
II. Construction Type	Concrete tilt-up
III. Number of Stories	1 Story
IV. Floor Area Ratio	0.40
V. Gross Building Area	
Light Industrial	15,700 SF 90%
Light Industrial w/Flex Space	<u>1,700</u> SF <u>10%</u>
Subtotal Retail	17,440 SF 100%
VI. Parking	
Parking Type	Surface
Number of Spaces	35 Spaces
Parking Ratio	2.00 /1,000 SF

TABLE B-2

**DEVELOPMENT COSTS
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	<u>Totals</u>	<u>Notes</u>
I. Direct Costs (1)		
Off-Site Improvements (2)	\$131,000	\$3 Per SF Site Area
On-Site Improvements/Landscaping	\$218,000	\$5 Per SF Site Area
Parking - Surface	\$0	Included above
Shell Construction	\$1,308,000	\$75 Per SF
Tenant Improvements - Office	\$34,000	\$20 Per Net SF - Office
Contingency	<u>\$85,000</u>	5.0% of Directs
Subtotal Direct Costs	\$1,776,000	\$102 Per SF GBA
II. Indirect Costs		
Architecture & Engineering	\$53,000	3.0% of Directs
Permits & Fees (2)	\$174,000	\$10 Per SF GBA
Legal & Accounting	\$18,000	1.0% of Directs
Taxes & Insurance	\$18,000	1.0% of Directs
Developer Fee	\$71,000	4.0% of Directs
Marketing/Lease-Up	\$87,000	\$5 Per Net SF
Contingency	<u>\$21,000</u>	5.0% of Indirects
Subtotal Indirect Costs	\$442,000	24.9% of Directs
III. Financing Costs		
Subtotal Financing Costs	<u>\$178,000</u>	10.0% of Directs
IV. Total Development Costs	\$2,396,000	\$137 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimated allowance; not verified by KMA.

TABLE B-3

**NET OPERATING INCOME
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	<u>Leasable SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>
I. Gross Scheduled Income			
Total Gross Scheduled Income (GSI)	17,440 SF	\$0.90 /SF/Month/NNN	\$188,000
(Less) Vacancy		5.0% of GSI	<u>(\$9,000)</u>
II. Effective Gross Income			\$179,000
(Less) Unreimbursed Expenses		3.0% of EGI	<u>\$5,000</u>
III. Net Operating Income			\$184,000
Capitalized Value of NOI @			7.5%
IV. Total Project Value			\$2,453,000

TABLE B-4

**RESIDUAL LAND VALUE
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

I. Total Project Value		\$2,453,000
(Less) Cost of Sale @	3.0% of Value	(\$74,000)
(Less) Target Developer Profit @	10.0% of Value	<u>(\$245,000)</u>
II. Warranted Investment		\$2,134,000
(Less) Development Costs (excluding land)		<u>(\$2,396,000)</u>
III. Residual Land Value		(\$262,000)
Per SF Site Area		(\$6)

**Prototype 3
Business Park**

Pro Forma Analysis

Midway/Pacific Highway Corridor CPA

TABLE C-1

**PROJECT DESCRIPTION
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

I. Site Area 1.00 Acres
43,560 SF

II. Construction Type Concrete tilt-up

III. Number of Stories 2 Story

IV. Floor Area Ratio 0.60

V. Gross Building Area

Office	23,500 SF	90%
Circulation	<u>2,600</u> SF	<u>10%</u>
Subtotal Retail	26,100 SF	100%

VI. Parking

Parking Type	Surface
Number of Spaces	78 Spaces
Parking Ratio	3.00 /1,000 SF

TABLE C-2

**DEVELOPMENT COSTS ⁽¹⁾
EUCLID + MARKET LAND USE AND MOBILITY PLAN
WRT / CITY OF SAN DIEGO**

Business Park		
	<u>Totals</u>	<u>Comments</u>
I. Direct Costs		
Off-Site Improvements (2)	\$87,120	\$2 Per SF Site
On-Sites/Landscaping	\$130,680	\$3 Per SF Site
Parking	\$0	\$0 Inc Above
Shell Construction	\$2,349,000	\$90 Per SF GBA
Tenant Improvement	\$705,000	\$30 Per SF GBA
Contingency	<u>\$128,000</u>	5.0% of Directs (3)
Total Direct Costs	\$3,399,800	\$130 Per SF GBA
II. Indirect Costs		
Architecture & Engineering	\$136,000	4.0% of Directs
Permits & Fees (2)	\$261,000	\$10 Per SF GBA
Inclusionary Housing In-Lieu Fee (4)	\$20,880	\$0.80 Per SF GBA
Legal & Accounting	\$34,000	1.0% of Directs
Taxes & Insurance	\$34,000	1.0% of Directs
Developer Fee	\$136,000	4.0% of Directs
Marketing	\$68,000	2.0% of Directs
Contingency	<u>\$21,000</u>	3.0% of Indirects
Total Indirect Costs	\$710,880	20.9% of Directs
III. Financing Costs	\$340,000	10.0% of Directs
IV. Total Development Costs		
	\$4,450,680	\$171 Per SF GBA

(1) Excludes demolition, site assemblage, and relocation costs, if applicable.

(2) KMA estimate; not verified by KMA or City.

(3) Excluding tenant improvements.

(4) Based on current Inclusionary Housing In-Lieu fee for new industrial development.

TABLE C-3

**NET OPERATING INCOME
EUCLID + MARKET LAND USE AND MOBILITY PLAN
WRT / CITY OF SAN DIEGO**

Business Park			
	<u>Rentable SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>
I. Gross Scheduled Income			
Total Gross Scheduled Income (GSI)	23,500 SF	\$2.50 /SF/Mod Gross	\$705,000
(Less) Vacancy		10.0% of GSI	<u>(\$71,000)</u>
Effective Gross Income			\$634,000
II. Operating Expenses			
(Less) Operating Expenses		\$ 9.0 SF	<u>(\$211,500)</u>
III. Net Operating Income			\$422,500
IV. Capitalized Value of NOI		7.5% Cap Rate	\$5,633,000

TABLE C-4

**ESTIMATE OF RESIDUAL LAND VALUE
EUCLID + MARKET LAND USE AND MOBILITY PLAN
WRT / CITY OF SAN DIEGO**

Business Park

I. Project Value

Total Project Value		\$5,633,000
(Less) Cost of Sale @	3.0% of Value	(\$169,000)
(Less) Developer Profit @	10.0% of Value	<u>(\$563,000)</u>
Net Sales Proceeds		\$4,901,000
(Less) Development Costs		<u>(\$4,450,680)</u>

III. Residual Land Value	\$450,320
Per SF Site Area	\$21

**Prototype 4
Rental Residential
Pro Forma Analysis**

Midway/Pacific Highway Corridor CPA

TABLE D-1

**PROJECT DESCRIPTION
 FINANCIAL FEASIBILITY ANALYSIS
 MIDWAY/PACIFIC HWY CORRIDOR CPA
 CITY OF SAN DIEGO**

	<u>Garden-Style Apartments</u>			<u>"Wrap" Apartments</u>		
I. Site Area	1.00 Acres			1.00 Acres		
II. Construction Type	Type V			Type V		
III. Number of Stories	2 to 3 Stories (2)			3 Stories (above-grade) (2)		
IV. Density	29.0 Units/Acre			44.0 Units/Acre		
V. Gross Building Area						
Net Rentable Area	26,650 SF	85%		46,950 SF	85%	
Circulation/Common Area	<u>4,700</u> SF	<u>15%</u>		<u>8,300</u> SF	<u>15%</u>	
Subtotal Residential	31,350 SF	100%		55,250 SF	100%	
VI. Unit Mix						
	<u># of Units</u>	<u>Unit Mix</u>	<u>Unit SF</u>	<u># of Units</u>	<u>Unit Mix</u>	<u>Unit SF</u>
One Bedroom Units	10 Units	35%	800 SF	15 Units	35%	900 SF
Two Bedroom Units	15 Units	50%	950 SF	22 Units	50%	1,100 SF
Three Bedroom Units	4 Units	<u>15%</u>	<u>1,100</u> SF	7 Units	<u>15%</u>	<u>1,250</u> SF
Total Number of Units	29 Units	100%	919 SF	44 Units	85%	1,067 SF
VIII. Parking						
Parking Type	Surface			Wrap Structure		
Number of Spaces	43 Spaces			73 Spaces		
Parking Ratio	1.47 /Unit (1)			1.66 /Unit (1)		

(1) Includes residential guest parking.

(2) Above-grade equal or less than 30 feet.

TABLE D-2

**DEVELOPMENT COSTS
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	Garden-Style Apartments			"Wrap" Apartments		
	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>
I. Direct Costs (1)						
Off-Site Improvements (2)	\$131,000	\$4,517	\$3 Per SF Site Area	\$131,000	\$2,977	\$3 Per SF Site Area
On-Site Improvements/Landscaping	\$218,000	\$7,517	\$5 Per SF Site Area	\$218,000	\$4,955	\$5 Per SF Site Area
Parking	\$0	\$0	Included above	\$1,241,000	\$28,205	\$17,000 Per Space
Shell Construction	\$3,135,000	\$108,103	\$100 Per SF	\$6,630,000	\$150,682	\$120 Per SF
Amenities/FF&E	\$44,000	\$1,500	Allowance	\$88,000	\$2,000	Allowance
Contingency	<u>\$176,000</u>	<u>\$6,069</u>	5.0% of Directs	<u>\$415,000</u>	<u>\$9,432</u>	5.0% of Directs
Subtotal Direct Costs	\$3,704,000	\$127,724	\$118 Per SF GBA	\$8,723,000	\$198,250	\$158 Per SF GBA
II. Indirect Costs						
Architecture & Engineering	\$185,000	\$6,379	5.0% of Directs	\$523,000	\$11,886	6.0% of Directs
Permits & Fees - Residential (2)	\$580,000	\$20,000	Allowance	\$880,000	\$20,000	Allowance
Legal & Accounting	\$37,000	\$1,276	1.0% of Directs	\$87,000	\$1,977	1.0% of Directs
Taxes & Insurance	\$56,000	\$1,931	1.5% of Directs	\$131,000	\$2,977	1.5% of Directs
Developer Fee	\$148,000	\$5,103	4.0% of Directs	\$349,000	\$7,932	4.0% of Directs
Marketing/Lease-up	\$44,000	\$1,500	Allowance	\$66,000	\$1,500	Allowance
Contingency	<u>\$53,000</u>	<u>\$1,828</u>	5.0% of Indirects	<u>\$102,000</u>	<u>\$2,318</u>	5.0% of Indirects
Subtotal Indirect Costs	\$1,103,000	\$38,034	29.8% of Directs	\$2,138,000	\$48,591	24.5% of Directs
III. Financing Costs						
Subtotal Financing Costs	<u>\$444,000</u>	<u>\$15,310</u>	12.0% of Directs	<u>\$1,047,000</u>	<u>\$23,795</u>	12.0% of Directs
IV. Total Development Costs	\$5,251,000	\$181,069	\$167 Per SF GBA	\$11,908,000	\$270,636	\$216 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimated allowance; not verified by KMA.

TABLE D-3

**NET OPERATING INCOME - RESIDENTIAL
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	Garden-Style Apartments					"Wrap" Apartments				
	<u>Average Unit Size</u>	<u># of Units</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Total Annual</u>	<u>Average Unit Size</u>	<u># of Units</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Total Annual</u>
I. Gross Scheduled Income										
One-Bedroom	800 SF	10	\$2.30	\$1,840	\$221,000	900 SF	15	\$2.30	\$2,070	\$373,000
Two-Bedroom	950 SF	15	\$2.10	\$2,000	\$360,000	1,100 SF	22	\$2.05	\$2,260	\$597,000
Three-Bedroom	<u>1,100 SF</u>	<u>4</u>	<u>\$2.25</u>	<u>\$2,480</u>	<u>\$119,000</u>	<u>1,250 SF</u>	<u>7</u>	<u>\$2.20</u>	<u>\$2,750</u>	\$231,000
Total/Average	919 SF	29	\$2.19	\$2,011	\$700,000	1,067 SF	44	\$2.13	\$2,275	\$1,201,000
Add: Other Income			\$10 /Unit/Month	\$3,000				\$10 /Unit/Month	\$5,000	
(Less) Vacancy @			5.0% of Income	<u>(\$35,000)</u>				5.0% of Income	<u>(\$60,000)</u>	
Effective Gross Income (EGI)					\$668,000					\$1,146,000
II. Operating Expenses										
(Less) Operating Expenses			\$4,000 /Unit/Year		(\$116,000)			\$4,000 /Unit/Year		(\$116,000)
(Less) Property Taxes (1)			\$2,690 /Unit/Year		(\$78,000)			\$3,318 /Unit/Year		(\$146,000)
(Less) Replacement Reserves			<u>\$250 /Unit/Year</u>		<u>(\$7,000)</u>			<u>\$250 /Unit/Year</u>		<u>(\$7,000)</u>
Total Expenses			\$6,931 /Unit/Year 30.1% of EGI		(\$201,000)			\$6,114 /Unit/Year 23.5% of EGI		(\$269,000)
III. Net Operating Income					\$467,000					\$877,000
Capitalized Value of NOI @					6.0%					6.0%
IV. Total Project Value					\$7,783,000					\$14,617,000

(1) Based on capitalized income approach, assumes a 1.0% tax rate and 6.0% cap rate.

TABLE D-4

RESIDUAL LAND VALUE
 FINANCIAL FEASIBILITY ANALYSIS
 MIDWAY/PACIFIC HWY CORRIDOR CPA
 CITY OF SAN DIEGO

	<u>Garden-Style Apartments</u>		<u>"Wrap" Apartments</u>	
I. Total Project Value		\$7,783,000		\$14,617,000
(Less) Cost of Sale @	3.0% of Value	(\$233,000)	3.0% of Value	(\$439,000)
(Less) Target Developer Profit @	8.0% of Value	<u>(\$623,000)</u>	8.0% of Value	<u>(\$1,169,000)</u>
II. Warranted Investment		\$6,927,000		\$13,009,000
(Less) Development Costs (excluding land)		<u>(\$5,251,000)</u>		<u>(\$11,908,000)</u>
III. Residual Land Value		\$1,676,000		\$1,101,000
Per Unit		\$57,800		\$25,000
Per SF Site Area		\$38		\$25

**Prototype 5
Residential - For Sale
Pro Forma Analysis**

Midway/Pacific Highway Corridor CPA

TABLE E-1

**PROJECT DESCRIPTION
 FINANCIAL FEASIBILITY ANALYSIS
 MIDWAY/PACIFIC HWY CORRIDOR CPA
 CITY OF SAN DIEGO**

	<u>Townhomes</u>		<u>Stacked-Flat Condominiums</u>	
I. Site Area	1.00 Acres		1.00 Acres	
II. Construction Type	Type V		Type V	
III. Number of Stories	2 to 3 Stories (1)		3 Stories (1)	
IV. Density	29 Units/Acre		44 Units/Acre	
V. Gross Building Area				
Net Saleable Area	37,600 SF	100%	46,000 SF	86%
Common Area/Circulation	<u>0</u> SF	<u>0%</u>	<u>7,200</u> SF	<u>15%</u>
Total Gross Building Area	37,600 SF	100%	53,200 SF	101%
VI. Unit Mix				
	<u># of Units</u>	<u>Unit Size</u>	<u># of Units</u>	<u>Unit Size</u>
Two Bedroom Units	15 Units	1,200 SF	34 Units	1,000 SF
Three Bedroom Units	14 Units	1400 SF	10 Units	1,200 SF
VII. Parking				
Type of Parking	2-car attached garage		Tuck-under parking	
Number of Spaces	58 Spaces		102 Spaces	
Parking Ratio	2.0 Spaces/Unit		2.31 Spaces/Unit	

(1) Above-grade equal or less than 30 feet.

TABLE E-2

**DEVELOPMENT COSTS ⁽¹⁾
 FINANCIAL FEASIBILITY ANALYSIS
 MIDWAY/PACIFIC HWY CORRIDOR CPA
 CITY OF SAN DIEGO**

	Townhomes			Stacked-Flat Condominiums		
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs						
Off-Site Improvements	\$131,000	\$4,517	\$3 Per SF Site Area	\$131,000	\$2,977	\$3 Per SF Site Area
On-Sites/Landscaping	\$218,000	\$7,517	\$5 Per SF Site Area	\$218,000	\$4,955	\$5 Per SF Site Area
Parking	\$0	\$0	Included above	\$1,269,000	\$28,841	\$12,500 Per Space
Shell Construction	\$3,948,000	\$136,138	\$105 Per SF GBA	\$5,852,000	\$133,000	\$110 Per SF GBA
FF&E/Amenities	\$37,500	\$2,500	Allowance	\$170,000	\$5,000	Allowance
Contingency	<u>\$217,000</u>	<u>\$7,483</u>	5.0% of Directs	<u>\$382,000</u>	<u>\$8,682</u>	5.0% of Directs
Total Direct Costs	\$4,551,500	\$303,433	\$121 Per SF GBA	\$8,022,000	\$235,941	\$151 Per SF GBA
II. Indirect Costs						
Architecture & Engineering	\$228,000	\$15,200	5.0% of Directs	\$481,000	\$14,147	6.0% of Directs
Permits & Fees	\$580,000	\$20,000	Allowance	\$880,000	\$20,000	Allowance
Legal & Accounting	\$46,000	\$3,067	1.0% of Directs	\$80,000	\$2,353	1.0% of Directs
Taxes & Insurance	\$88,000	\$5,867	1.5% of Value	\$179,000	\$5,265	1.5% of Value
Developer Fee	\$182,000	\$12,133	4.0% of Directs	\$321,000	\$9,441	4.0% of Directs
Marketing/Sales	\$176,000	\$11,733	3.0% of Value	\$357,000	\$10,500	3.0% of Value
Contingency	<u>\$65,000</u>	<u>\$4,333</u>	5.0% of Indirects	<u>\$115,000</u>	<u>\$3,382</u>	5.0% of Indirects
Total Indirect Costs	\$1,365,000	\$91,000	30.0% of Directs	\$2,413,000	\$70,971	30.1% of Directs
III. Financing Costs						
Total Financing Costs	<u>\$455,000</u>	<u>\$30,333</u>	10.0% of Directs	<u>\$963,000</u>	<u>\$28,324</u>	12.0% of Directs
IV. Total Development Costs	\$6,372,000	\$424,800	\$169 Per SF GBA	\$11,398,000	\$335,235	\$214 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimated allowance; not verified by KMA.

TABLE E-3

PROJECT VALUE / RESIDUAL LAND VALUE
 FINANCIAL FEASIBILITY ANALYSIS
 MIDWAY/PACIFIC HWY CORRIDOR CPA
 CITY OF SAN DIEGO

	Townhomes					Stacked-Flat Condominiums				
	<u>Average Unit Size</u>	<u># of Units</u>	<u>Price Per SF</u>	<u>Price Per Unit</u>	<u>Total Sales</u>	<u>Average Unit Size</u>	<u># of Units</u>	<u>Price Per SF</u>	<u>Price Per Unit</u>	<u>Total Sales</u>
I. Project Value										
Three Bedroom Units	1,400 SF	14	\$300	\$420,000	\$5,880,000	1,200 SF	10	\$325	\$390,000	\$3,900,000
Two Bedroom Units	1,200 SF	15	\$325	\$390,000	\$5,850,000	1,000 SF	34	\$350	\$350,000	\$11,900,000
II. Residual Land Value										
Total Gross Sales Proceeds					\$11,730,000					\$15,800,000
(Less) Cost of Sale @			3.0% of Value		(\$352,000)			3.0% of Value		(\$474,000)
(Less) Developer Profit @			10.0% of Value		<u>(\$1,173,000)</u>			12.0% of Value		<u>(\$1,896,000)</u>
Net Sales Proceeds					\$10,205,000					\$13,430,000
(Less) Development Costs (excluding land)					<u>(\$6,372,000)</u>					<u>(\$11,398,000)</u>
Residual Land Value					\$3,833,000					\$2,032,000
Per Unit					\$132,200					\$46,200
Per SF Site Area					\$88					\$47

Prototype # 6
Mixed-Use Rental Apartments with
Ground-Floor Retail
Pro Forma Analysis

Midway/Pacific Highway Corridor CPA

TABLE F-1

**PROJECT DESCRIPTION
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	Mixed-Use - Rental Residential with Ground-Floor Retail			Mixed-Use - Rental Residential with Ground-Floor Retail and Transit- Adjacent						
I. Site Area	1.00 Acres			1.00 Acres						
II. Construction Type	Type V (above podium parking)			Type V (above podium parking)						
III. Number of Stories	3 Stories (above-grade) (1)			3 Stories (above-grade) (1)						
IV. Density	45.0 Units/Acre			45.0 Units/Acre						
V. Gross Building Area										
A. Retail										
Ground-Floor Retail	9,810	SF	90%	9,810	SF	90%				
Circulation/Common Area	<u>1,090</u>	SF	<u>10%</u>	<u>1,090</u>	SF	<u>10%</u>				
Subtotal Retail	10,900	SF	100%	10,900	SF	100%				
FAR	0.25			0.25						
B. Residential										
Net Rentable/Saleable Area	27,000	SF	85%	27,000	SF	85%				
Circulation/Common Area	<u>4,800</u>	SF	<u>15%</u>	<u>4,800</u>	SF	<u>15%</u>				
Subtotal Residential	31,800	SF	100%	31,800	SF	100%				
C. Total Gross Building Area (GBA)	42,700	SF		42,700	SF					
VI. Unit Mix										
	<u># of Units</u>		<u>Unit Mix</u>	<u>Unit SF</u>	<u># of Units</u>	<u>Unit Mix</u>	<u>Unit SF</u>			
One Bedroom Units	18	Units	40%	800	SF	18	Units	40%	800	SF
Two Bedroom Units	<u>27</u>	Units	<u>60%</u>	<u>1,000</u>	SF	<u>27</u>	Units	<u>60%</u>	<u>1,000</u>	SF
Total Number of Units	45	Units	100%	911	SF	45	Units	100%	911	SF
VIII. Parking										
A. Parking Type										
Retail	Surface			Surface						
Residential	Podium parking			Podium parking						
B. Number of Spaces										
Retail	27 Spaces			16 Spaces						
Residential	<u>90</u> Spaces			<u>70</u> Spaces						
Total Number of Spaces	117 Spaces			86 Spaces						
C. Parking Ratio										
Retail	2.50 /1,000 SF			1.47 /1,000 SF (3)						
Residential	2.00 /Unit (2)			1.55 /Unit (2)						

(1) Above-grade equal or less than 30 feet.

(2) Includes residential guest parking.

TABLE F-2

**DEVELOPMENT COSTS
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	Mixed-Use - Rental Residential with Ground-Floor Retail			Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent		
	Totals	Per Unit	Notes	Totals	Per Unit	Notes
I. Direct Costs (1)						
Off-Site Improvements (2)	\$131,000	\$2,911	\$3 Per SF Site Area	\$131,000	\$2,911	\$3 Per SF Site Area
On-Site Improvements/Landscaping	\$218,000	\$4,844	\$5 Per SF Site Area	\$218,000	\$4,844	\$5 Per SF Site Area
Parking - Surface	\$0	\$0	Included above	\$0	\$0	Included above
Parking - Structured	\$1,800,000	\$40,000	\$20,000 Per Space - Structured	\$1,395,000	\$31,000	\$20,000 Per Space - Structured
Shell Construction - Residential	\$3,975,000	\$88,333	\$125 Per SF - Residential	\$3,975,000	\$88,333	\$125 Per SF - Residential
Shell Construction - Retail/Restaurant	\$1,090,000	\$24,222	\$100 Per SF - Retail/Restaurant	\$1,090,000	\$24,222	\$100 Per SF - Retail/Restaurant
Tenant Improvements - Retail	\$327,000	\$7,267	\$30 Per Net SF - Retail	\$327,000	\$7,267	\$30 Per Net SF - Retail
Amenities/FF&E	\$225,000	\$5,000	Allowance	\$225,000	\$5,000	Allowance
Contingency	<u>\$388,000</u>	<u>\$8,622</u>	5.0% of Directs	<u>\$368,000</u>	<u>\$8,178</u>	5.0% of Directs
Subtotal Direct Costs	\$8,154,000	\$181,200	\$191 Per SF GBA	\$7,729,000	\$171,756	\$181 Per SF GBA
II. Indirect Costs						
Architecture & Engineering	\$489,000	\$10,867	6.0% of Directs	\$464,000	\$10,311	6.0% of Directs
Permits & Fees - Residential (2)	\$900,000	\$20,000	Allowance	\$900,000	\$20,000	Allowance
Permits & Fees - Retail (2)	\$109,000	\$2,725	\$10 Per SF GBA - Retail	\$109,000	\$2,725	\$10 Per SF GBA - Retail
Legal & Accounting	\$82,000	\$1,822	1.0% of Directs	\$77,000	\$1,711	1.0% of Directs
Taxes & Insurance	\$122,000	\$2,711	1.5% of Directs	\$116,000	\$2,578	1.5% of Directs
Developer Fee	\$326,000	\$7,244	4.0% of Directs	\$309,000	\$6,867	4.0% of Directs
Marketing/Sales - Residential	\$67,500	\$1,500	Allowance	\$67,500	\$1,500	Allowance
Marketing/Lease-Up - Retail	\$87,200	\$1,938	\$8 Per Net SF - Retail	\$87,200	\$1,938	\$8 Per Net SF - Retail
Contingency	<u>\$109,000</u>	<u>\$2,422</u>	5.0% of Indirects	<u>\$106,000</u>	<u>\$2,356</u>	5.0% of Indirects
Subtotal Indirect Costs	\$2,291,700	\$50,927	28.1% of Directs	\$2,235,700	\$49,682	28.9% of Directs
III. Financing Costs						
Subtotal Financing Costs	<u>\$815,000</u>	<u>\$18,111</u>	10.0% of Directs	<u>\$773,000</u>	<u>\$17,178</u>	10.0% of Directs
IV. Total Development Costs	\$11,261,000	\$250,244	\$264 Per SF GBA	\$10,738,000	\$238,622	\$251 Per SF GBA
Or Say (Rounded)	\$11,261,000			\$10,738,000		

(1) Does not include the payment of prevailing wages.

(2) Estimated allowance; not verified by KMA.

Prepared by: Keyser Marston Associates, Inc.

Filename: Midway Pacific Development Prototypes 8.24.12\8/27/2012; ema

TABLE F-3

NET OPERATING INCOME
 FINANCIAL FEASIBILITY ANALYSIS
 MIDWAY/PACIFIC HWY CORRIDOR CPA
 CITY OF SAN DIEGO

	Mixed-Use - Rental Residential with Ground-Floor Retail			Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent		
	<u>Leasable SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>	<u>Leasable SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>
I. Gross Scheduled Income						
Total Gross Scheduled Income (GSI)	9,810 SF	\$2.25 /SF/Month/NNN	\$265,000	9,810 SF	\$2.25 /SF/Month/NNN	\$265,000
(Less) Vacancy		5.0% of GSI	<u>(\$13,000)</u>		5.0% of GSI	<u>(\$13,000)</u>
II. Effective Gross Income			\$252,000			\$252,000
(Less) Unreimbursed Expenses - Retail		5.0% of EGI	<u>(\$13,000)</u>		5.0% of EGI	<u>(\$13,000)</u>
III. Net Operating Income			\$239,000			\$239,000
Capitalized Value of NOI @			7.5%			7.5%
IV. Total Project Value			\$3,187,000			\$3,187,000

TABLE F-4

**NET OPERATING INCOME - RESIDENTIAL
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	Mixed-Use - Rental Residential with Ground-Floor Retail					Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent				
	<u>Average Unit Size</u>	<u># of Units</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Total Annual</u>	<u>Average Unit Size</u>	<u># of Units</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Total Annual</u>
I. Gross Scheduled Income										
One-Bedroom	800 SF	18	\$2.30	\$1,840	\$397,000	800 SF	18	\$2.30	\$1,840	\$397,000
Two-Bedroom	<u>1,000 SF</u>	<u>27</u>	<u>\$2.05</u>	<u>\$2,050</u>	<u>\$664,000</u>	<u>1,000 SF</u>	<u>27</u>	<u>\$2.05</u>	<u>\$2,050</u>	<u>\$664,000</u>
Total/Average	911 SF	45	\$2.16	\$1,965	\$1,061,000	911 SF	45	\$2.16	\$1,965	\$1,061,000
Add: Other Income			\$10 /Unit/Month	\$5,000				\$10 /Unit/Month	\$5,000	
(Less) Vacancy @			5.0% of Income	<u>(\$53,000)</u>				5.0% of Income	<u>(\$53,000)</u>	
Effective Gross Income (EGI)				\$1,013,000					\$1,013,000	
II. Operating Expenses										
(Less) Operating Expenses			\$4,500 /Unit/Year	(\$203,000)				\$4,500 /Unit/Year	(\$203,000)	
(Less) Property Taxes (2)			\$2,533 /Unit/Year	(\$114,000)				\$2,533 /Unit/Year	(\$114,000)	
(Less) Replacement Reserves			<u>\$300 /Unit/Year</u>	<u>(\$14,000)</u>				<u>\$300 /Unit/Year</u>	<u>(\$14,000)</u>	
Total Expenses			\$7,356 /Unit/Year	(\$331,000)				\$7,356 /Unit/Year	(\$331,000)	
			32.7% of EGI					32.7% of EGI		
III. Net Operating Income				\$682,000					\$682,000	
Capitalized Value of NOI @				6.0%					6.0%	
IV. Total Project Value				\$11,367,000					\$11,367,000	

(1) Calculation of moderate income rents exceed market-rate rents. Reflects downward adjustment to reflect achievable market rent.

(2) Based on capitalized income approach, assumes a 1.0% tax rate and 6.0% cap rate.

TABLE F-5

**RESIDUAL LAND VALUE
FINANCIAL FEASIBILITY ANALYSIS
MIDWAY/PACIFIC HWY CORRIDOR CPA
CITY OF SAN DIEGO**

	Mixed-Use - Rental Residential with Ground-Floor Retail	Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent
I. Total Project Value - Residential and Retail	\$14,554,000	\$14,554,000
(Less) Cost of Sale @ 3.0% of Value	(\$437,000)	(\$437,000)
(Less) Target Developer Profit @ 10.0% of Value	<u>(\$1,455,000)</u>	<u>(\$1,455,000)</u>
II. Warranted Investment	\$12,662,000	\$12,662,000
(Less) Development Costs (excluding land)	<u>(\$11,261,000)</u>	<u>(\$10,738,000)</u>
III. Residual Land Value	\$1,401,000	\$1,924,000
Per Unit	\$31,100	\$42,800
Per SF Site Area	\$32	\$44