

FINAL REPORT

Financial Feasibility of Development Prototypes  
Old Town San Diego 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 Old Town San Diego 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 historical character, and shape of parcels within the CPA. The prototypes consist of only residential, residential and commercial in a mixed-use format, stand alone retail, and limited-service hotel.

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 examples of the types of development that could 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 seven development prototypes, as follows.

	Prototype	Density	Acres	Units/SF/Rooms
1	General Freestanding Retail	0.60 FAR	0.11	3,000 SF
2	Limited-Service Hotel	0.70 FAR	0.50	30 Rooms
3	Rental Residential - Apartments	25 Units/Acre	0.50	13 Units
4a	For-Sale Residential - Townhomes/Rowhomes	25 Units/Acre	0.50	13 Units
4b	For-Sale Residential - Stacked Flat Condominiums	45 Units/Acre	0.50	23 Units
5a	Mixed-Use - Rental Apartments with Ground-Floor Retail	29 Units/Acre	1.00	29 Units / 10,800 SF Retail
5b	Mixed-Use - Rental Apartments with Ground-Floor Retail and Transit-Adjacent	45 Units/Acre	1.00	45 Units / 10,800 SF Retail

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 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 presents the estimated residual land value for each development prototype:

	Prototype	Residual Land Value		
		Total	Acres	Per Sq Ft Land
1	General Freestanding Retail	\$524,000	0.11	\$105
2	Limited-Service Hotel	\$296,000	0.50	\$14
3	Rental Residential - Apartments	\$257,000	0.50	\$12
4a	For-Sale Residential - Townhomes/Rowhomes	\$2,067,000	0.50	\$47
4b	For-Sale Residential - Stacked Flat Condominiums	\$1,655,000	0.50	\$38
5a	Mixed-Use - Rental Apartments with Ground-Floor Retail	\$1,975,000	1.00	\$45
5b	Mixed-Use - Rental Apartments with Ground-Floor Retail and Transit-Adjacent	\$5,195,000	1.00	\$119

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. Based on KMA's financial feasibility analysis, potential developers can afford to pay for land under these development scenarios. Based on the analysis performed, higher density mixed use residential at 45 dwelling units per acre would have the highest residual land value use; whereas, residential at 25 dwelling units per acre would have the lowest residual value.

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**

New construction in older communities can help to promote economic vitality for existing businesses, improve housing opportunities, and to generate the activity that spurs investment in the rehabilitation of the existing historic fabric. Old Town San Diego benefits from its existing identity, history associated with the community, and location (freeway adjacent and its proximity to Downtown San Diego, beaches, and other visitor destinations).

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 townhomes, condominiums, and apartments. In addition, 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.

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

- Work with existing property owners and/or developers to rehabilitate and/or replace existing underutilized commercial developments with viable uses compatible with the community identity.
- Evaluate the community's inventory of public-owned vacant/underutilized land and coordinate with other public agencies and institutions to determine if new development can be accommodated on those sites.
- Encourage future development that orients building activity towards the street.

- 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.
  
- Update the Old Town Visitor-Oriented Parking Study (2002) survey. Develop a comprehensive strategy to increase parking supply in the long term.

### 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 5 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 Retail – Single or multi-tenant property that is not a retail center

##### Project Example



*Cold Stone, Old Town San Diego*

##### Prototype Description

#2: Limited-Service Hotel – Typically does not have on-site food and beverage (other than morning coffee and/or light breakfast) and offers limited amenities

##### Project Example



*Fairfield Inn, Old Town San Diego*

Prototype Description

#3: Rental Residential (apartments with 2 to 3 stories) – Low-rise apartment building with tuck-under parking

Project Example



*The Paseo, La Mesa*

Prototype Description

#4a: 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



*CityMark at Cortez Hill, Downtown San Diego*

Prototype Description

#4b: For-sale Condominiums – Stacked-flat condominiums that share a building with other units

Project Example



*La Boheme, North Park*

Prototype Description

#5a: Mixed-use Rental Apartments with Ground-Floor Retail

Project Example



*Circa 37 at Civita, Mission Valley*

Prototype Description

#5b: Mixed-use Rental Apartments with Ground-Floor Retail and is Transit-Adjacent

Project Example



*Grossmont Trolley Station, La Mesa*

## **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  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

	Prototype 1 General Freestanding Retail	Prototype 2 Limited-Service Hotel	Prototype 3 - Rental Residential Apartments	Prototype 4 - For-Sale Residential		Prototype 5 - Mixed-Use	
				Townhomes/Rowhomes	Stacked Flat Condominiums	Rental Apartments with Ground-Floor Retail	Rental Apartments with Ground-Floor Retail and Transit-Adjacent
<b>I. Project Description</b>							
• Acres	0.11 Acres	0.50 Acres	0.50 Acres	0.50 Acres	0.50 Acres	1.00 Acres	1.00 Acres
• Commercial FAR	0.60	0.70				0.25	0.25
• Residential Density			25.00 Units/Acre	25.00 Units/Acre	45.00 Units/Acre	29.00 Units/Acre	45.00 Units/Acre
# of Stories	1.00	2.00	2 to 3	2 to 3	3	2 to 3	3 to 4
Construction Type	Type V	Type V	Type V	Type V	Type V	Type V Above Pod Pkg	Type V Above Pod Pkg
Residential Units	0 Units	0 Units	13 Units	13 Units	23 Units	29 Units	45 Units
Retail SF	3,000 SF	0 SF	0 SF	0 SF	0 SF	10,800 SF	10,800 SF
Hotel Rooms	0 Rooms	30 Rooms	0 Rooms	0 Rooms	0 Rooms	0 Rooms	0 Rooms
Type of Parking	Surface	Surface	Tuck-under parking	2-car attached garage	Tuck-under parking	Surface / Podium parking	Surface / Podium parking
Parking Spaces	0 Spaces	30 Spaces	23 Spaces	26 Spaces	46 Spaces	90 Spaces	86 Spaces
<u>Parking Ratios</u>							
Residential	0.00 Spaces/Unit	0.00 Spaces/Unit	1.82 Spaces/Unit	2.00 Spaces/Unit	2.00 Spaces/Unit	2.00 Spaces/Unit	1.55 Spaces/Unit
Retail	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	3.00 Spaces/1,000 SF	1.48 Spaces/1,000 SF
Hotel	0.00 Spaces/Room	1.00 Spaces/Room	0.00 Spaces/Room	0.00 Spaces/Room	0.00 Spaces/Room	0.00 Spaces/Room	0.00 Spaces/Room
<b>II. Residual Land Value <sup>(1)</sup></b>							
Total Residual Land Value	\$524,000	\$296,000	\$257,000	\$2,067,000	\$1,655,000	\$1,975,000	\$5,195,000
Per Unit/Room	\$0 /Unit	\$9,900 /Room	\$20,600 /Unit	\$159,000 /Unit	\$72,000 /Unit	\$68,100 /Unit	\$179,100 /Unit
Per SF Site Area	\$105 /SF Site Area	\$14 /SF Site Area	\$12 /SF Site Area	\$47 /SF Site Area	\$38 /SF Site Area	\$45 /SF Site Area	\$119 /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**

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**Old Town San Diego CPA**

**TABLE A-1**

**PROJECT DESCRIPTION  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

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<b>I. Site Area</b>	0.11 Acres
<b>II. Construction Type</b>	Type V
<b>III. Number of Stories</b>	1 Stories (above-grade)
<b>IV. Floor Area Ratio</b>	0.60
<b>V. Gross Building Area</b>	3,000 SF
<b>VI. Parking</b>	
Parking Type	Surface
Number of Spaces	0 Spaces (1)
Parking Ratio	0 per 1,000 SF

(1) Assumes Street parking due to minimum lot size below 7K SF.

TABLE A-2

**DEVELOPMENT COSTS  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

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	<u>Totals</u>	<u>Notes</u>
<b>I. Direct Costs</b> (1)		
Off-Site Improvements (2)	\$15,000	\$3 Per SF Site Area
On-Site Improvements/Landscaping	\$25,000	\$5 Per SF Site Area
Parking - Surface	\$0	Included above
Shell Construction	\$300,000	\$100 Per SF GBA
Tenant Improvements	\$75,000	\$25 Per Net SF
Contingency	<u>\$21,000</u>	<u>5.0%</u> of Directs
Subtotal Direct Costs	\$436,000	\$145 Per SF GBA
<b>II. Indirect Costs</b>		
Architecture & Engineering	\$22,000	5.0% of Directs
Permits & Fees (2)	\$30,000	\$10 Per SF GBA
Legal & Accounting	\$4,000	1.0% of Directs
Taxes & Insurance	\$4,000	1.0% of Directs
Developer Fee	\$17,000	4.0% of Directs
Marketing/Lease-Up	\$24,000	\$8 Per Net SF
Contingency	<u>\$5,000</u>	5.0% of Indirects
Subtotal Indirect Costs	\$106,000	24.3% of Directs
<b>III. Financing Costs</b>		
Subtotal Financing Costs	<u>\$44,000</u>	10.0% of Directs
<b>IV. Total Development Costs</b>	<b>\$586,000</b>	<b>\$195 Per SF GBA</b>

(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  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

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	<u>Leasable SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>
<b>I. Gross Scheduled Income</b>			
General Freestanding Retail	<u>3,000</u> SF	<u>\$2.75</u> /SF/Month/NNN	<u>\$99,000</u>
Total Gross Scheduled Income (GSI)	3,000 SF	\$2.75 /SF/Month/NNN	\$99,000
(Less) Vacancy		5.0% of GSI	<u>(\$5,000)</u>
<b>II. Effective Gross Income</b>			<b>\$94,000</b>
(Less) Unreimbursed Expenses - Retail		5.0% of EGI	<u>(\$4,700)</u>
<b>III. Net Operating Income</b>			<b>\$89,300</b>
Capitalized Value of NOI @			7.0%
<b>IV. Total Project Value</b>			<b>\$1,276,000</b>

**TABLE A-4**

**RESIDUAL LAND VALUE  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

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<b>I. Total Project Value</b>		<b>\$1,276,000</b>
(Less) Cost of Sale @	3.0% of Value	<b>(\$38,000)</b>
(Less) Target Developer Profit @	10.0% of Value	<b><u>(\$128,000)</u></b>
<b>II. Warranted Investment</b>		<b>\$1,110,000</b>
(Less) Development Costs (excluding land)		<b><u>(\$586,000)</u></b>
<b>III. Residual Land Value</b>		<b>\$524,000</b>
Per SF Site Area		<b>\$105</b>

**Prototype 2  
Limited-Service Hotel  
Pro Forma Analysis**

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**Old Town San Diego CPA**

**TABLE B-1**

**PROJECT DESCRIPTION  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

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<b>I. Site Area</b>	0.50 Acres 21,780 SF
<b>II. Construction Type</b>	Type V
<b>III. Number of Stories</b>	2 Stories (above-grade)
<b>IV. Floor Area Ratio</b>	0.70
<b>V. Gross Building Area</b>	15,250 SF
<b>VI. Number of Rooms</b>	
Number of Guest Rooms	30 Rooms
Average Room Size - Gross SF	475 SF/Room
<b>VII. Parking</b>	
Parking Type	Surface
Number of Spaces	30 Spaces
Parking Ratio	1.0 Spaces/Room

TABLE B-2

**DEVELOPMENT COSTS  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

---

	<u>Total</u>	<u>Notes</u>
<b>I. Direct Costs</b> (1)		
Off-Site Improvements	\$65,000	\$3 Per SF Site Area
On-Site Improvements	\$109,000	\$5 Per SF Site Area
Parking	\$0	Included above
Shell Construction	\$2,059,000	\$135 Per SF GBA \$68,633 Per Room
FF&E	\$225,000	\$7,500 Per Room
Contingency	<u>\$123,000</u>	5.0% of Directs
Subtotal Direct Costs	\$2,581,000	\$169 Per SF GBA \$86,033 Per Room
<b>II. Indirect Costs</b>		
Architecture & Engineering	\$181,000	7.0% of Directs
Permits & Fees (2)	\$305,000	\$20 Per SF GBA
Legal & Accounting	\$26,000	1.0% of Directs
Taxes & Insurance	\$39,000	1.5% of Directs
Marketing/Pre-Opening Expenses	\$60,000	\$2,000 Per Room
Developer Fee	\$31,000	5.0% of Directs
Contingency	<u>\$31,000</u>	5.0% of Indirects
Subtotal Indirect Costs	\$673,000	26.1% of Directs
<b>III. Financing Costs</b>		
Subtotal Financing Costs	<u>\$258,000</u>	10.0% of Directs
<b>IV. Total Development Costs</b>		
	<b>\$3,512,000</b>	<b>\$230 Per SF GBA</b> <b>\$117,100 Per Room</b>

(1) KMA assumption; does not reflect the payment of prevailing wages.

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

TABLE B-3

**NET OPERATING INCOME  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

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			<b>Total Annual</b> <sup>(1)</sup>
<b>I. Revenue</b>			
Room Revenue	\$150 ADR	80.0% Occupancy	\$1,314,000
Other Revenue		3.0% of Room Revenue	<u>\$39,000</u>
Total Revenue			\$1,353,000
<b>II. Operating Expenses</b>			
Rooms Expense		25.0% of Room Revenue	(\$329,000)
Other Operating Departments Expense		<u>1.5%</u> of Other Revenue	<u>(\$1,000)</u>
Subtotal Departmental Expenses		24.4% of Gross Revenue	(\$330,000)
(Less) Overhead Expenses		35.0% of Gross Revenue	(\$474,000)
(Less) Fixed Charges (2)		<u>7.5%</u> of Gross Revenue	<u>(\$101,000)</u>
Total Expenses		66.9% of Gross Revenue	(\$905,000)
<b>III. Net Operating Income (NOI)</b>		<b>33.1% of Gross Revenue</b>	<b>\$448,000</b>
Capitalized Value of NOI @			10.0%
<b>IV. Total Project Value</b>			<b>\$4,480,000</b>

(1) Reflect first stabilized year.

(2) Includes property taxes, insurance, and FF&E reserves.

**TABLE B-4**

**RESIDUAL LAND VALUE  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

---

<b>I. Total Project Value</b>		<b>\$4,480,000</b>
(Less) Cost of Sale @	3.0% of Value	(\$134,000)
(Less) Target Developer Profit @	12.0% of Value	<u>(\$538,000)</u>
<b>II. Warranted Investment</b>		<b>\$3,808,000</b>
(Less) Development Costs (excluding land)		<u>(\$3,512,000)</u>
<b>III. Residual Land Value</b>		<b>\$296,000</b>
Per Room		<b>\$9,900</b>
Per SF Site Area		<b>\$14</b>

**Prototype 3  
Rental Residential  
Pro Forma Analysis**

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**Old Town San Diego CPA**

**TABLE C-1**

**PROJECT DESCRIPTION  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

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	<u>Apartments</u>		
<b>I. Site Area</b>	0.50 Acres		
<b>II. Construction Type</b>	Type V		
<b>III. Number of Stories</b>	2 to 3 Stories (above-grade)		
<b>IV. Density</b>	25.0 Units/Acre		
<b>V. Gross Building Area</b>			
Net Rentable Area	9,800 SF	90%	
Circulation/Common Area	<u>1,100</u> SF	<u>10%</u>	
Subtotal Residential	10,900 SF	100%	
<b>VI. Unit Mix</b>			
	<u># of Units</u>	<u>Unit Mix</u>	<u>Unit SF</u>
One Bedroom Units	5 Units	40%	700 SF
Two Bedroom Units	<u>8</u> Units	<u>60%</u>	<u>850</u> SF
Total Number of Units	13 Units	100%	784 SF
<b>VIII. Parking</b>			
Parking Type	Tuck-under parking		
Number of Spaces	23 Spaces		
Parking Ratio	1.82 /Unit		

**TABLE C-2**

**DEVELOPMENT COSTS  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

	<u>Apartments</u>		
	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>
<b>I. Direct Costs (1)</b>			
Off-Site Improvements (2)	\$65,000	\$5,200	\$3 Per SF Site Area
On-Site Improvements/Landscaping	\$109,000	\$8,720	\$5 Per SF Site Area
Parking	\$455,000	\$36,400	\$20,000
Shell Construction	\$1,090,000	\$87,200	\$100 Per SF
Amenities/FF&E	\$19,000	\$1,500	Allowance
Contingency	<u>\$87,000</u>	<u>\$6,960</u>	5.0% of Directs
Subtotal Direct Costs	\$1,825,000	\$146,000	\$167 Per SF GBA
<b>II. Indirect Costs</b>			
Architecture & Engineering	\$91,000	\$7,280	5.0% of Directs
Permits & Fees - Residential (2)	\$250,000	\$20,000	Allowance
Legal & Accounting	\$18,000	\$1,440	1.0% of Directs
Taxes & Insurance	\$27,000	\$2,160	1.5% of Directs
Developer Fee	\$73,000	\$5,840	4.0% of Directs
Marketing/Lease-up	\$19,000	\$1,500	Allowance
Contingency	<u>\$24,000</u>	<u>\$1,920</u>	5.0% of Indirects
Subtotal Indirect Costs	\$502,000	\$40,160	27.5% of Directs
<b>III. Financing Costs</b>			
Subtotal Financing Costs	<u>\$219,000</u>	<u>\$17,520</u>	12.0% of Directs
<b>IV. Total Development Costs</b>	<b>\$2,546,000</b>	<b>\$203,680</b>	<b>\$234 Per SF GBA</b>

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

(2) Estimated allowance; not verified by KMA.

TABLE C-3

**NET OPERATING INCOME - RESIDENTIAL  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

	<u>Apartments</u>				
	<u>Average Unit Size</u>	<u># of Units</u>	<u>Rent/SF</u>	<u>Monthly Rent</u>	<u>Total Annual</u>
<b>I. Gross Scheduled Income</b>					
One-Bedroom	700 SF	5	\$2.55	\$1,790	\$97,000
Two-Bedroom	<u>850 SF</u>	<u>8</u>	<u>\$2.30</u>	<u>\$1,960</u>	<u>\$188,000</u>
Total/Average	784 SF	13	\$2.42	\$1,900	\$285,000
Add: Other Income			\$10 /Unit/Month		\$2,000
(Less) Vacancy @			5.0% of Income		<u>(\$14,000)</u>
Effective Gross Income (EGI)					\$273,000
<b>II. Operating Expenses</b>					
(Less) Operating Expenses			\$4,000 /Unit/Year		(\$50,000)
(Less) Property Taxes (1)			\$2,480 /Unit/Year		(\$31,000)
(Less) Replacement Reserves			<u>\$250 /Unit/Year</u>		<u>(\$3,000)</u>
Total Expenses			\$6,720 /Unit/Year 30.8% of EGI		(\$84,000)
<b>III. Net Operating Income</b>					<b>\$189,000</b>
Capitalized Value of NOI @					6.0%
<b>IV. Total Project Value</b>					<b>\$3,150,000</b>

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

TABLE C-4

RESIDUAL LAND VALUE  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO

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	<u>Apartments</u>
<b>I. Total Project Value</b>	\$3,150,000
(Less) Cost of Sale @ 3.0% of Value	(\$95,000)
(Less) Target Developer Profit @ 8.0% of Value	<u>(\$252,000)</u>
<b>II. Warranted Investment</b>	\$2,803,000
(Less) Development Costs (excluding land)	<u>(\$2,546,000)</u>
<b>III. Residual Land Value</b>	<b>\$257,000</b>
Per Unit	<b>\$20,600</b>
Per SF Site Area	<b>\$12</b>

**Prototype 4  
For-Sale Residential  
Pro Forma Analysis**

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**Old Town San Diego CPA**

TABLE D-1

**PROJECT DESCRIPTION  
 FINANCIAL FEASIBILITY ANALYSIS  
 OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
 CITY OF SAN DIEGO**

	<u>Townhomes</u>		<u>Stacked-Flat Condominiums</u>	
<b>I. Site Area</b>	0.50 Acres		0.50 Acres	
<b>II. Construction Type</b>	Type V		Type V	
<b>III. Number of Stories</b>	2 to 3 Stories		3 Stories	
<b>IV. Density</b>	25 Units/Acre		45 Units/Acre	
<b>V. Gross Building Area</b>				
Net Saleable Area	18,200 SF	100%	25,300 SF	78%
Common Area/Circulation	0 SF	0%	7,200 SF	15%
Total Gross Building Area	18,200 SF	100%	32,500 SF	93%
<b>VI. Unit Mix</b>				
	<u># of Units</u>	<u>Unit Size</u>	<u># of Units</u>	<u>Unit Size</u>
Two Bedroom Units	13 Units	1,400 SF	23 Units	1,100 SF
<b>VII. Parking</b>				
Type of Parking	2-car attached garage		Tuck-under parking	
Number of Spaces	26 Spaces		46 Spaces	
Parking Ratio	2.0 Spaces/Unit		2.00 Spaces/Unit	

**TABLE D-2**

**DEVELOPMENT COSTS <sup>(1)</sup>  
 FINANCIAL FEASIBILITY ANALYSIS  
 OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
 CITY OF SAN DIEGO**

	<b>Townhomes</b>			<b>Stacked-Flat Condominiums</b>		
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
<b>I. Direct Costs</b>						
Off-Site Improvements	\$131,000	\$10,077	\$3 Per SF Site Area	\$131,000	\$5,696	\$3 Per SF Site Area
On-Sites/Landscaping	\$218,000	\$16,769	\$5 Per SF Site Area	\$218,000	\$9,478	\$5 Per SF Site Area
Parking	\$0	\$0	Included above	\$575,000	\$25,000	\$12,500 Per Space
Shell Construction	\$1,911,000	\$147,000	\$105 Per SF GBA	\$3,575,000	\$155,435	\$110 Per SF GBA
FF&E/Amenities	\$32,500	\$2,500	Allowance	\$115,000	\$5,000	Allowance
Contingency	<u>\$115,000</u>	<u>\$8,846</u>	5.0% of Directs	<u>\$231,000</u>	<u>\$10,043</u>	5.0% of Directs
<b>Total Direct Costs</b>	<b>\$2,407,500</b>	<b>\$185,192</b>	<b>\$132 Per SF GBA</b>	<b>\$4,845,000</b>	<b>\$210,652</b>	<b>\$149 Per SF GBA</b>
<b>II. Indirect Costs</b>						
Architecture & Engineering	\$120,000	\$9,231	5.0% of Directs	\$291,000	\$12,652	6.0% of Directs
Permits & Fees	\$260,000	\$20,000	Allowance	\$460,000	\$20,000	Allowance
Legal & Accounting	\$24,000	\$1,846	1.0% of Directs	\$48,000	\$2,087	1.0% of Directs
Taxes & Insurance	\$96,000	\$7,385	1.5% of Value	\$152,000	\$6,609	1.5% of Value
Developer Fee	\$96,000	\$7,385	4.0% of Directs	\$194,000	\$8,435	4.0% of Directs
Marketing/Sales	\$191,000	\$14,692	3.0% of Value	\$304,000	\$13,217	3.0% of Value
Contingency	<u>\$39,000</u>	<u>\$3,000</u>	5.0% of Indirects	<u>\$72,000</u>	<u>\$3,130</u>	5.0% of Indirects
<b>Total Indirect Costs</b>	<b>\$826,000</b>	<b>\$63,538</b>	<b>34.3% of Directs</b>	<b>\$1,521,000</b>	<b>\$66,130</b>	<b>31.4% of Directs</b>
<b>III. Financing Costs</b>						
Total Financing Costs	<u>\$241,000</u>	<u>\$18,538</u>	10.0% of Directs	<u>\$581,000</u>	<u>\$25,261</u>	12.0% of Directs
<b>IV. Total Development Costs</b>	<b>\$3,475,000</b>	<b>\$267,308</b>	<b>\$191 Per SF GBA</b>	<b>\$6,947,000</b>	<b>\$302,043</b>	<b>\$214 Per SF GBA</b>

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

(2) Estimated allowance; not verified by KMA.

TABLE D-3

PROJECT VALUE / RESIDUAL LAND VALUE  
 FINANCIAL FEASIBILITY ANALYSIS  
 OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
 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>
<b>I. Project Value</b>										
Two Bedroom Units	1,400 SF	13	\$350	\$490,000	\$6,370,000	1,100 SF	23	\$400	\$440,000	\$10,120,000
<b>II. Residual Land Value</b>										
Total Gross Sales Proceeds					\$6,370,000					\$10,120,000
(Less) Cost of Sale @			3.0% of Value		(\$191,000)			3.0% of Value		(\$304,000)
(Less) Developer Profit @			10.0% of Value		<u>(\$637,000)</u>			12.0% of Value		<u>(\$1,214,000)</u>
Net Sales Proceeds					\$5,542,000					\$8,602,000
(Less) Development Costs (excluding land)					<u>(\$3,475,000)</u>					<u>(\$6,947,000)</u>
<b>Residual Land Value</b>					<b>\$2,067,000</b>					<b>\$1,655,000</b>
Per Unit					<b>\$159,000</b>					<b>\$72,000</b>
Per SF Site Area					<b>\$47</b>					<b>\$38</b>

**Prototype #5**  
**Mixed-Use Rental Apartments with**  
**Ground-Floor Retail**  
**Pro Forma Analysis**

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**Old Town San Diego CPA**

TABLE E-1

**PROJECT DESCRIPTION  
 FINANCIAL FEASIBILITY ANALYSIS  
 OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
 CITY OF SAN DIEGO**

	<b>Mixed-Use - Rental Residential with Ground-Floor Retail</b>			<b>Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent</b>		
<b>I. Site Area</b>	1.00 Acres			1.00 Acres		
<b>II. Construction Type</b>	Type V (above podium parking)			Type V (above podium parking)		
<b>III. Number of Stories</b>	2 to 3 Stories (above-grade)			3 to 4 Stories (above-grade)		
<b>IV. Density</b>	29.0 Units/Acre			45.0 Units/Acre		
<b>V. Gross Building Area</b>						
A. Retail						
Ground-Floor Retail	9,700	SF	90%	9,700	SF	90%
Circulation/Common Area	<u>1,100</u>	SF	<u>10%</u>	<u>1,100</u>	SF	<u>10%</u>
Subtotal Retail	10,800	SF	100%	10,800	SF	100%
Commercial FAR	0.25			0.25		
B. Residential						
Net Rentable/Saleable Area	17,000	SF	85%	27,000	SF	85%
Circulation/Common Area	<u>3,000</u>	SF	<u>15%</u>	<u>4,800</u>	SF	<u>15%</u>
Subtotal Residential	20,000	SF	100%	31,800	SF	100%
C. Total Gross Building Area (GBA)	30,800	SF		42,600	SF	
<b>VI. Unit Mix</b>						
	<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	12 Units	40%	800 SF	18 Units	40%	800 SF
Two Bedroom Units	<u>17</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	29 Units	100%	931 SF	45 Units	100%	911 SF
<b>VIII. Parking</b>						
A. Parking Type						
Retail	Surface			Surface		
Residential	Podium parking			Podium parking		
B. Number of Spaces						
Retail	32 Spaces			16 Spaces		
Residential	<u>58</u> Spaces			70 Spaces		
Total Number of Spaces	90 Spaces			86 Spaces		
C. Parking Ratio						
Retail	3.00 /1,000 SF			1.48 /1,000 SF		
Residential	2.00 /Unit			1.55 /Unit		

TABLE E-2

**DEVELOPMENT COSTS  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

	<u>Mixed-Use - Rental Residential with Ground-Floor Retail</u>			<u>Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent</u>		
	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>
<b>I. Direct Costs (1)</b>						
Off-Site Improvements (2)	\$131,000	\$4,517	\$3 Per SF Site Area	\$131,000	\$4,517	\$3 Per SF Site Area
On-Site Improvements/Landscaping	\$218,000	\$7,517	\$5 Per SF Site Area	\$218,000	\$7,517	\$5 Per SF Site Area
Parking - Surface	\$0	\$0	Included above	\$0	\$0	Included above
Parking - Structured	\$1,160,000	\$40,000	\$20,000 Per Space - Structured	\$1,395,000	\$48,103	\$20,000 Per Space - Structured
Shell Construction - Residential	\$2,500,000	\$86,207	\$125 Per SF - Residential	\$2,500,000	\$86,207	\$125 Per SF - Residential
Shell Construction - Retail/Restaurant	\$1,080,000	\$37,241	\$100 Per SF - Retail/Restaurant	\$1,080,000	\$37,241	\$100 Per SF - Retail/Restaurant
Tenant Improvements - Retail	\$324,000	\$11,172	\$30 Per Net SF - Retail	\$324,000	\$11,172	\$30 Per Net SF - Retail
Amenities/FF&E	\$145,000	\$5,000	Allowance	\$145,000	\$5,000	Allowance
Contingency	<u>\$278,000</u>	<u>\$9,586</u>	5.0% of Directs	<u>\$290,000</u>	<u>\$10,000</u>	5.0% of Directs
Subtotal Direct Costs	\$5,836,000	\$201,241	\$189 Per SF GBA	\$6,083,000	\$209,759	\$198 Per SF GBA
<b>II. Indirect Costs</b>						
Architecture & Engineering	\$350,000	\$12,069	6.0% of Directs	\$365,000	\$12,586	6.0% of Directs
Permits & Fees - Residential (2)	\$580,000	\$20,000	Allowance	\$580,000	\$20,000	Allowance
Permits & Fees - Retail (2)	\$108,000	\$2,700	\$10 Per SF GBA - Retail	\$108,000	\$2,700	\$10 Per SF GBA - Retail
Legal & Accounting	\$58,000	\$2,000	1.0% of Directs	\$61,000	\$2,103	1.0% of Directs
Taxes & Insurance	\$88,000	\$3,034	1.5% of Directs	\$91,000	\$3,138	1.5% of Directs
Developer Fee	\$233,000	\$8,034	4.0% of Directs	\$243,000	\$8,379	4.0% of Directs
Marketing/Sales - Residential	\$43,500	\$1,500	Allowance	\$43,500	\$1,500	Allowance
Marketing/Lease-Up - Retail	\$86,400	\$2,979	\$8 Per Net SF - Retail	\$86,400	\$2,979	\$8 Per Net SF - Retail
Contingency	<u>\$77,000</u>	<u>\$2,655</u>	5.0% of Indirects	<u>\$79,000</u>	<u>\$2,724</u>	5.0% of Indirects
Subtotal Indirect Costs	\$1,623,900	\$55,997	27.8% of Directs	\$1,656,900	\$57,134	27.2% of Directs
<b>III. Financing Costs</b>						
Subtotal Financing Costs	<u>\$584,000</u>	<u>\$20,138</u>	10.0% of Directs	<u>\$608,000</u>	<u>\$20,966</u>	10.0% of Directs
<b>IV. Total Development Costs</b>	<b>\$8,044,000</b>	<b>\$277,379</b>	<b>\$261 Per SF GBA</b>	<b>\$8,348,000</b>	<b>\$287,862</b>	<b>\$271 Per SF GBA</b>
<b>Or Say (Rounded)</b>	<b>\$8,044,000</b>			<b>\$8,348,000</b>		

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

TABLE E-3

NET OPERATING INCOME  
 FINANCIAL FEASIBILITY ANALYSIS  
 OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
 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>
<b>I. Gross Scheduled Income</b>						
Ground-Floor Retail	9,700 SF	\$3.00 /SF/Month/NNN	\$349,000	9,700 SF	\$3.00 /SF/Month/NNN	\$349,000
Total Gross Scheduled Income (GSI)	9,700 SF	\$3.00 /SF/Month/NNN	\$349,000	9,700 SF	\$3.00 /SF/Month/NNN	\$349,000
(Less) Vacancy		5.0% of GSI	(\$17,000)		5.0% of GSI	(\$17,000)
<b>II. Effective Gross Income</b>			\$332,000			\$332,000
(Less) Unreimbursed Expenses - Retail		5.0% of EGI	(\$17,000)		5.0% of EGI	(\$17,000)
<b>III. Net Operating Income</b>			<b>\$315,000</b>			<b>\$315,000</b>
Capitalized Value of NOI @			7.5%			7.5%
<b>IV. Total Project Value</b>			<b>\$4,200,000</b>			<b>\$4,200,000</b>

TABLE E-4

**NET OPERATING INCOME - RESIDENTIAL  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

	<u>Mixed-Use - Rental Residential with Ground-Floor Retail</u>					<u>Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent</u>				
	<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>
<b>I. Gross Scheduled Income</b>										
One-Bedroom	800 SF	12	\$2.30	\$1,840	\$265,000	800 SF	18	\$2.30	\$1,840	\$397,000
Two-Bedroom	<u>1,000 SF</u>	<u>17</u>	<u>\$2.05</u>	<u>\$2,050</u>	<u>\$418,000</u>	<u>1,000 SF</u>	<u>27</u>	<u>\$2.05</u>	<u>\$2,050</u>	<u>\$664,000</u>
Total/Average	931 SF	29	\$2.11	\$1,963	\$683,000	931 SF	45	\$2.11	\$1,965	\$1,061,000
Add: Other Income			\$10 /Unit/Month	\$3,000				\$10 /Unit/Month	\$5,000	
(Less) Vacancy @			5.0% of Income	<u>(\$34,000)</u>				5.0% of Income	<u>(\$53,000)</u>	
Effective Gross Income (EGI)				\$652,000					\$1,013,000	
<b>II. Operating Expenses</b>										
(Less) Operating Expenses			\$4,500 /Unit/Year	(\$131,000)				\$4,500 /Unit/Year	(\$203,000)	
(Less) Property Taxes (2)			\$2,517 /Unit/Year	(\$73,000)				\$2,533 /Unit/Year	(\$114,000)	
(Less) Replacement Reserves			<u>\$300 /Unit/Year</u>	<u>(\$9,000)</u>				<u>\$300 /Unit/Year</u>	<u>(\$14,000)</u>	
Total Expenses			\$7,345 /Unit/Year 32.7% of EGI	(\$213,000)				\$7,356 /Unit/Year 32.7% of EGI	(\$331,000)	
<b>III. Net Operating Income</b>					<b>\$439,000</b>					<b>\$682,000</b>
Capitalized Value of NOI @					6.0%					6.0%
<b>IV. Total Project Value</b>					<b>\$7,317,000</b>					<b>\$11,367,000</b>

(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 E-5

**RESIDUAL LAND VALUE  
FINANCIAL FEASIBILITY ANALYSIS  
OLD TOWN SAN DIEGO COMMUNITY PLANNING AREA  
CITY OF SAN DIEGO**

	<b>Mixed-Use - Rental Residential with Ground-Floor Retail</b>	<b>Mixed-Use - Rental Residential with Ground-Floor Retail and Transit-Adjacent</b>
<b>I. Total Project Value - Residential and Retail</b>	\$11,517,000	\$15,567,000
(Less) Cost of Sale @ 3.0% of Value	(\$346,000)	(\$467,000)
(Less) Target Developer Profit @ 10.0% of Value	<u>(\$1,152,000)</u>	<u>(\$1,557,000)</u>
<b>II. Warranted Investment</b>	\$10,019,000	\$13,543,000
(Less) Development Costs (excluding land)	<u>(\$8,044,000)</u>	<u>(\$8,348,000)</u>
<b>III. Residual Land Value</b>	<b>\$1,975,000</b>	<b>\$5,195,000</b>
Per Unit	<b>\$68,100</b>	<b>\$179,100</b>
Per SF Site Area	<b>\$45</b>	<b>\$119</b>