CENTRE CITY REDEVELOPMENT PROJECT AREA

SAN DIEGO, CALIFORNIA

SUMMARY REPORT PERTAINING TO THE PROPOSED CONVEYANCE OF CERTAIN REAL PROPERTY INTEREST WITHIN THE REDEVELOPMENT PROJECT AREA

California Community Redevelopment Law
Section 33433

PURSUANT TO PROPOSED
DISPOSITION AND DEVELOPMENT AGREEMENT
BETWEEN
THE CITY OF SAN DIEGO
AND
PARK & MARKET DEVELOPMENT PARTNERS, LP

City of San Diego, California

November 2016

ATTACHMENT D

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I. INTRODUCTION

A. Purpose of Report

This Summary Report (Report) was prepared in accordance with Section 33433 of the California Community Redevelopment Law (California Health and Safety Code Section 33000 et seq.) in order to inform the City of San Diego (City) and the public about the proposed Disposition and Development Agreement (Agreement) between the City and Park & Market Development Partners, LP (Developer).

The Developer intends to build a 34-story mixed-use development featuring 426 residential units, approximately 8,000 square feet (SF) of retail, approximately 67,600 SF of office, and a 613-space parking garage. Eighty-five (85) units will be restricted to households earning up to 50% of Area Median Income (AMI).

The Project will be constructed on a 51,600-SF site currently owned by the City (Property). The Property is located in the East Village neighborhood in Downtown San Diego on the block bounded by 11th Avenue, G Street, Park Boulevard, and Market Street. The Developer plans to rehabilitate the historic Remmen Building and integrate it with the Project as restaurant space.

The Report describes and specifies:

(1) The costs to be incurred by the City under the Agreement;

(2) The estimated value of the interest to be conveyed by the City to the Developer pursuant to the proposed Agreement determined at the highest and best use permitted under the Redevelopment Plan;

(3) The estimated value of the interest to be conveyed at the proposed use and with the conditions, covenants, and development costs pursuant to the proposed Agreement;

(4) The compensation to be paid to the City pursuant to the proposed transaction;

(5) An explanation of the difference, if any, between the compensation to be paid to the City under the proposed transaction, and the fair market value at the highest and best use consistent with the Redevelopment Plan; and

(6) An explanation of why the disposition of the Property and development of the Project will assist with the elimination of blight.

B. Summary of Findings

Civic San Diego (Civic SD) engaged its economic consultant, Keyser Marston Associates, Inc. (KMA), to analyze the financial terms contained in the proposed Agreement. KMA reviewed the draft Agreement under discussion between the City and the Developer as of November 1, 2016.

The KMA principal conclusions are summarized as follows:

- The estimated cost of the Agreement to the City is $6,870,000.
- The estimated fair market value of the interest to be conveyed at its highest and best use is $23,220,000.
- The estimated re-use value of the interest to be conveyed is $12,301,000.
- The estimated value of the compensation to be received by the City is $12,301,000.

C. Description of Area and Proposed Project

Downtown San Diego

Downtown San Diego is located in the southwestern portion of San Diego County. The general boundaries of Downtown include San Diego Bay to the west and south and Interstate 5 to the north and east. Laurel Street is the northern terminus and Beardsley Street is the southernmost boundary. Downtown is immediately adjacent to some of San Diego's most established communities, including Barrio Logan, Logan Heights, Sherman Heights, Golden Hill, Bankers Hill, and Middletown.

In the early 2000s, Downtown San Diego experienced a boom in residential development driven by an influx of new residents desiring an urban lifestyle. Following this unprecedented boom, Downtown, like many areas of the region, experienced a downswing in home sales prices, sales activity, and achievable absorption of new housing developments. Downtown is currently experiencing a resurgence of development, in particular the construction of market-rate apartments.

Description of Property and Environs

The Property is situated in the East Village Redevelopment District in Downtown San Diego on the block bounded by 11th Avenue on the west, G Street on the north, Park Boulevard on the east, and Market Street on the south. The Property is located five blocks east of the Gaslamp Quarter and three blocks northeast of Petco Park. The Property is currently occupied by a surface parking lot owned by the City; The Quartyard, an interim public urban space featuring food trucks, café, beer garden, outdoor music venue, and dog run; and the Remmen Building, a designated local historical landmark. The Developer plans to relocate and rehabilitate the Remmen Building to the northeast corner of the Property for use as restaurant space with outdoor seating.

The Property is surrounded by a mix of mid-rise residential, commercial, and mixed-use buildings, including both affordable apartments and market-rate condominiums. A variety of amenities and public facilities are also located nearby, including the San Diego Central Library and the Park and Market Trolley Station.

Significant remediation work for the Property was completed in 2002-2004, including the excavation and removal of 500 tons of contaminated soil. However, additional remediation is likely required for the Property as unknown conditions may exist and environmental regulations may have changed since the previous remediation work was completed.

Proposed Project

As presented in Table 1, the Project is planned as a mixed-use development, with the following major components:

- *Residential – Market-Rate Apartments* – 341 market-rate rental apartments comprised of 81 studios, 122 one-bedroom, 96 two-bedroom, 38 three-bedroom units, and four (4) townhome units with an overall average size of 948 SF.

- *Residential – Affordable Apartments* – 85 apartments for households earning up to 50% of AMI. The affordable apartments will comprise 20 studios, 30 one-bedroom, 26 two-bedroom, and 9 three-bedroom units, with an overall average size of 938 SF.

- *Retail* – 8,000 SF of retail space located in the Remmen Building and on the ground floor along Park Boulevard and Market Street.

- *Office* – 67,600 gross SF of Class A office space. It is anticipated the Project's office component will be used as an educational facility.

- *Private Parking* – Four levels of below-grade parking totaling approximately 613 spaces for the residential and office components.

- *Public Open Space* – 5,200 SF of public open space at the ground level.

D. Proposed Transaction Terms

This section summarizes the salient aspects of the business terms contained in the proposed Agreement.

- The Developer will purchase the Property from the City for $12,301,000.

- The Developer will construct 426 rental apartments.

- Of the 426 rental apartments, 85 will be affordable apartments.

- The affordable apartments will remain affordable for a term of 55 years.

- Affordable rent for each affordable unit will include one (1) non-tandem parking space at no extra charge to tenants.

- The Project will include approximately 8,000 SF of active commercial uses on Park Boulevard and Market Street.

- The Project will include approximately 67,600 gross SF of office space. Allowable uses include corporate offices, research and development, and/or education and medical facilities.

- The Developer will construct a four-level parking garage, totaling approximately 613 spaces, for use by the Project. At least 1 parking stall will be available each market-rate unit.

- At least 10% of the Property, or 5,200 SF, will be developed as privately owned open space accessible to the public.

- The Developer will be responsible for all development costs including remediation, off-site costs, and construction of the Project.

- The Developer will be responsible for the operation, maintenance, and repair of the existing stand-alone public restroom (Portland Loo) installed on the northwest corner of Park Boulevard and Market Street.

- The Project will be Leadership in Energy and Environmental Design (LEED) Silver certified or obtain equivalent certification.

- It will be responsibility of the Developer to ensure the applicable City zoning and land use requirements that will permit development of the proposed Project.

- The Developer will secure financing from a number of sources including tax-exempt bond financing, 4% Low Income Housing Tax Credits, proceeds from the sale of the office space, and Developer equity investment.

II. COSTS OF THE AGREEMENT TO THE CITY

The cost of the Agreement to the City is estimated to total $6,870,000, as summarized below.

Total City Costs	Amount
Acquisition Costs	$4,941,000
Relocation	$228,000
Improvements	$114,000
Demolition	$138,000
Maintenance	$207,000
Legal and Economic Consultants	$439,000
Staff Costs	$155,000
Other Expenses	$2,464,000
Total City Costs	$8,686,000
(Less) Off-Setting Revenue [1]	($1,816,000)
Net City Costs	$6,870,000

[1] Reflects rental income from interim uses and activities on the Property.

III. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED AT THE HIGHEST AND BEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

This section presents an analysis of the fair market value of the Property at its highest and best use. The proposed use of the Property must be consistent with the Centre City Redevelopment Plan and the Centre City Planned District Ordinance. In appraisal terminology, the highest and best use can be defined as the legal uses that will yield the highest value to the Property. Therefore, the definition of highest and best use is based solely on the value created and not on whether or not it enhances or carries out the redevelopment goals and policies for the Centre City Project Area.

The Centre City Planned District Ordinance (PDO) governs the zoning and land uses for the Property. The Property is located within the Employment/Residential Mixed-Use Land Use District which allows for a variety of uses, including office, residential, hotel, research and development, educational, and medical facilities. The Property has a base maximum Floor Area Ratio (FAR) of 6.0, with the potential for bonuses and transfer of development rights to increase total density to a maximum of 10.0. Additionally, Market Street and Park Boulevard are subject to a Commercial Street Overlay, which requires a minimum of 60% of the ground floor street frontage on Market Street and 40% ground floor street frontage on Park Boulevard contain active commercial uses.

KMA conducted a survey of comparable land sales in Downtown for the period of January 1, 2015 to the present. As shown in Table 2, prices for surveyed land sales ranged between $122 and $1,075 per SF land area. The median and average sales prices were $342 and $395 per SF, respectively. Most sales were concentrated in the $250 to $550 range.

KMA further evaluated the comparable land sales on the basis of potential building area. The surveyed sales ranged from $20 to $154 per SF of permitted Floor Area Ratio (FAR). Most sales were concentrated in the $40 to $50 range. The median and average sales prices per SF FAR were $50 and $43, respectively. A handful of sales in prime locations registered values significantly higher, concentrated in the $70 to $80 range.

The comparable sales vary by district, status of entitlements, and allowable FAR, requiring adjustments in order to reflect the value of the Property. In KMA's judgment, the Property is superior to many of the comparables with respect to location, timing, and intended use. KMA estimates a fair market value for the Property, as though fully remediated, at the upper end of the range of comparables, or say $500 per SF. This land value represents approximately $83 per

SF FAR based on the Property's Base Maximum FAR under the Centre City PDO. These factors translate to a fair market value for the 51,600-SF Property, as though fully remediated, of $25,800,000. However, additional remediation is likely required on the site. Therefore, this estimate of value must then be adjusted to reflect the cost to complete soils remediation on the Property, which has been tentatively estimated at $2,580,000. On this basis, then, KMA concludes that the fair market value of the Property, in its as-is condition, at its highest and best use is $23,220,000 ($25,800,000 less $2,580,000).

IV. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED AT THE USE AND WITH THE CONDITIONS, COVENANTS, AND DEVELOPMENT COSTS REQUIRED BY THE AGREEMENT

This section explains the principal conditions and covenants which the Developer of the Property must meet in order to comply with the Redevelopment Plan. The Agreement contains specific covenants and conditions designed to ensure that the conveyance of the Property will be carried out in a manner to achieve the City's objectives, standards, and criteria under the Redevelopment Plan. Based on a detailed financial feasibility analysis of the Project, KMA concludes that the fair re-use value of the Property is $12,301,000.

Re-use value is defined as the highest price in terms of cash or its equivalent which a property or development right is expected to bring for a specified use in a competitive open market, subject to the covenants, conditions, and restrictions imposed by the Agreement.

KMA reviewed and analyzed the financial pro forma submitted by the Developer for the Project, and incorporated appropriate modifications based on our recent project experience and industry standards. Tables 3 through 6 present the KMA residual land value analysis for the proposed Project.

Estimated Development Costs

Table 3 summarizes the estimated development costs for the Project.

Total development costs for the private components of the Project, excluding land acquisition, are estimated at $265,149,000 or $452 per SF of gross building area (GBA). Total development costs consist of the following:

- Direct construction costs, such as: off-site improvements; on-site improvements and landscaping; remediation; parking; shell construction; tenant improvements; and contingency. The total direct costs are estimated to be $202,215,000, or $345 per SF GBA, inclusive of the payment of prevailing wages.

- Indirect costs, such as architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer fee, marketing/lease-up, and contingency. These are estimated to be $42,712,000 or 21.1% of direct costs.

- Financing costs, such as loan fees, interest during construction, operating reserves, and transition reserves. Total financing costs are estimated at $20,222,000, or 10.0% of direct costs.

Net Operating Income

Residential - Rental

Table 4 presents an estimate of the Net Operating Income (NOI) for the Apartment component of the Project, based on the following parameters:

- Eighty-five (85) units will be restricted to households earning up to 50% of AMI.

- The remaining 341 units will be market-rate apartments, KMA has projected a stabilized rental rate of approximately $3.81 per SF per month.

- Other income, such as parking, storage, bike storage, and other income has been estimated at an average of $111 per unit per month.

- The apartments have an assumed vacancy factor of 5.0%.

- Total expenses have been estimated at an average of $11,200 per unit per year. These consist of operating expenses, replacement reserves, property taxes, and affordable housing monitoring fees.

As shown below, based on these assumptions, NOI for the Apartment component of the proposed Project at stabilization is estimated at $10,555,000. NOI was then adjusted by an annual escalation factor of 3.0%, to reflect anticipated NOI at the Project's opening in three years, to $11,534,000.

Net Operating Income - Apartments	
Gross Scheduled Income	$15,551,000
(Less) Vacancy	($778,000)
Add: Other Income	$567,000
Effective Gross Income	$15,340,000
(Less) Operating Expenses	($4,785,000)
Net Operating Income - Apartments	$10,555,000
NOI Adjusted for Project Opening in 3 Years @ 3.0%/Year	**$11,534,000**

Commercial

Table 5 presents an estimate of Net Operating Income (NOI) for the commercial portion of the Project. It is anticipated that the Project's office component will be sold at completion for use as an educational facility. As such, no annual operating income is anticipated from the Project's office component.

- The Retail component is estimated to have a rental rate of $2.50 per SF per month Triple Net (NNN).
- The retail space is assumed to have a vacancy factor of 10%.
- Unreimbursed operating expenses are estimated at 5% of Effective Gross Income.

As shown below, based on these assumptions, stabilized annual NOI for the Retail component of the proposed Project at stabilization is estimated at $205,000. NOI was then adjusted by an annual escalation factor of 3.0%, to reflect anticipated NOI at the Project's opening in three years, to $224,000.

Net Operating Income – Commercial	
Gross Scheduled Income	$240,000
(Less) Vacancy	$(24,000)
Effective Gross Income	$216,000
(Less) Unreimbursed Operating Expenses	($11,000)
Net Operating Income – Retail	$205,000
NOI Adjusted for Project Opening in 3 Years @ 3.0%/Year	**$224,000**

The Office component is assumed to be sold to an education facility at a value of $37,359,000 or $553 per SF.

Residual Land Value

Table 6 presents the KMA estimate of residual land value. The residual land value supported by the Project can be estimated as the difference between the total development costs, exclusive of land acquisition, and the total sources of funds supported by the Project.

As shown below, KMA estimates total sources of funds for the Project of $277,450,000. Sources of funds are comprised of a tax-exempt bond, Low Income Housing Tax Credit Equity, Developer equity investment, and net sales proceeds from the sale of the Project's office component. Detailed financing assumptions for each funding source are presented in Table 6.

Sources of Funds	
Tax-Exempt Bond	$216,500,000
Low Income Housing Tax Credits	$16,794,000
Sales Proceeds from Office Space	$37,359,000
Warranted Developer Equity Investment	$6,797,000
Grand Total Sources of Funds	**$277,450,000**

The comparison of total funding sources of $277,450,000 and total development costs of $265,149,000 yields a residual land value of $12,301,000, as shown below:

Residual Land Value	
Total Sources of Funds	$277,450,000
(Less) Development Costs	($265,149,000)
Residual Land Value	**$12,301,000**

Conclusion

Based on the foregoing analysis, KMA concludes that the fair re-use value of the interest to be conveyed is $12,301,000.

V. COMPENSATION WHICH THE DEVELOPER WILL BE REQUIRED TO PAY

The estimated value of compensation to be received by the City for the Property is the Purchase Price of $12,301,000.

VI. EXPLANATION OF THE DIFFERENCE, IF ANY, BETWEEN THE COMPENSATION TO BE PAID TO THE CITY BY THE PROPOSED TRANSACTION AND THE FAIR MARKET VALUE OF THE INTEREST TO BE CONVEYED AT THE HIGHEST AND BEST USE CONSISTENT WITH THE REDEVELOPMENT PLAN

The fair market value of the interest to be conveyed at the highest and best use consistent with the Centre City Redevelopment Plan is estimated by KMA to be $23,220,000.

The compensation to be paid to the City pursuant to the Agreement is $12,301,000.

Factors affecting the difference in compensation and fair market value of the interest to be conveyed at highest and best use include:

- The Project will include 85 affordable units restricted to households earning up to 50% of AMI for 55 years.
- The Project will include a minimum of 50,000 SF of office space. The vast majority of new development underway or planned in East Village consists of apartments (with limited ground floor retail).
- Ten percent (10%) of the Property will be used as public urban open space.
- The design of the Project will include the integration and restoration of the historic Remmen Building. This will require temporary relocation of the building off-site while the subterranean parking garage is built.
- The Project will pay prevailing wages during construction.
- The Project will be LEED Silver certified or equivalent.
- The Project will be responsible for the operation, maintenance, and repair of a stand-alone public restroom (Portland Loo).

VII. EXPLANATION OF WHY THE CONVEYANCE OF INTERESTS WILL ASSIST WITH THE ELIMINATION OF BLIGHT

The Centre City Redevelopment Plan contains the goals and objectives and the projects and expenditures proposed to eliminate blight within the Centre City Project Area. These blighting factors include:

- Creation of viable housing options within Centre City that span a range of incomes.
- Creative implementation of catalyst projects which spur reinvestment on surrounding blocks.
- Land acquisition for the creation of public facilities which serve both the immediate neighborhood and the community at large.
- Systematic elimination of toxic substances in soils and groundwater.

Implementation of the Agreement can be expected to assist in the alleviation of blighting conditions through the following:

- Encouragement of new and continuing private investment.
- Reuse of historic structures and public buildings, attract greater development opportunities to the immediate area and enhance downtown living.
- Provision of affordable housing opportunities for Centre City residents.
- Facilitate the redevelopment of "brownfields", urban areas that are suspected of being contaminated by hazardous materials.

VIII. LIMITING CONDITIONS

The estimates of re-use and fair market value at the highest and best use contained in this report assume compliance with the following assumptions:

1. The ultimate development will not vary significantly from that assumed in this Summary Report.

2. The title of the Property is good and marketable; no title search has been made, nor have we attempted to determine the ownership of the Property. The value estimates are given without regard to any questions of title, boundaries, encumbrances, liens or encroachments. It is assumed that all assessments, if any are paid.

3. The Property will be in conformance with the applicable zoning and building ordinances.

4. Information provided by such local sources as governmental agencies, financial institutions, realtors, buyers, sellers, and others was considered in light of its source, and checked by secondary means.

5. If an unforeseen change occurs in the economy, the conclusions herein may no longer be valid.

6. Development of the Property will adhere to the Schedule of Performance described in the Agreement.

7. Both parties are well informed and well advised and each is acting prudently in what he/she considers his/her own best interest.

TABLE 1

PROJECT DESCRIPTION
PARK AND MARKET
CIVIC SAN DIEGO

I.	**Site Area**	51,600	SF	1.18	Acres	
II.	**Gross Building Area (GBA)**					
	A. Residential - Rental					
	Net Rentable Area	403,263	SF	69%		
	Common Areas	108,097	SF	18%		
	Total Gross Building Area - Residential - Rental	511,360	SF	87%		
	B. Retail					
	Net Leasable Area	8,003	SF	1%		
	Common Areas	0	SF	0%		
	Total Gross Building Area - Retail	8,003	SF	1%		
	C. Office					
	Net Leasable Area	60,996	SF	10%		
	Common Areas	6,574	SF	1%		
	Total Gross Building Area - Office	67,570	SF	12%		
	D. Grand Total GBA					
	Net Leasable Area	472,262	SF	80%		
	Common Areas	114,671	SF	20%		
	Grand Total GBA	586,933	SF	100%		
III.	**Stories/Floor Area Ratio**					
	A. Number of Stories (above grade)	34	Stories			
	B. Floor Area Ratio (FAR)	10.90	FAR (1)			
IV.	**Unit Mix**			Average Unit Size		% of Mix
	A. Residential - Market Rental					
	Studio/Living Unit	81	Units	576	SF	24%
	One Bedroom	122	Units	774	SF	36%
	Two Bedroom	96	Units	1,257	SF	28%
	Three Bedroom	38	Units	1,376	SF	11%
	Townhomes	4	Units	2,350	SF	1%
	Total Number of Units - Market Rental	341	Units	948	SF	100%
	B. Residential - Affordable Rental					
	Studio/Living Unit	20	Units	576	SF	24%
	One Bedroom	30	Units	774	SF	35%
	Two Bedroom	25	Units	1,257	SF	29%
	Three Bedroom	10	Units	1,365	SF	12%
	Total Number of Units - Affordable Rental	85	Units	938	SF	100%
	C. Total/Average - All Units	426	Units	946	SF	
V.	**Affordability Mix**	# of Units		% of Mix		
	A. Market-Rate Units	341	Units	80.0%		
	B. Affordable Units @ 50% AMI	85	Units	20.0%		
	C. Total Units	426	Units	100.0%		

(1) Per Developer's site plans and pro forma.

VI. Parking Spaces

A. Private Parking				
Residential Parking	523	Spaces	217,969	SF
Retail Parking	0	Spaces	0	SF
Office Parking	90	Spaces	37,509	SF
Total Private Parking	613	Spaces	255,478	SF
B. Public Parking	0	Spaces	0	SF
C. Total Parking	613	Spaces	255,478	SF

VII. Parking Allocation

Residential Parking Ratio		
Per Unit	1.2	Space/Unit
Per Bedroom	0.8	Spaces/Bedroom
Retail Parking Ratio	0.0	Spaces/1,000 SF Retail
Office Parking Ratio	1.3	Spaces/1,000 SF Office
Other Parking Ratio	0.0	Spaces/1,000 SF Other

	Level Number	Above/Below Ground	Private		Total Spaces	
Level Number	B4	Below Grade	60,985	SF	173	Spaces
Level Number	B3	Below Grade	60,985	SF	171	Spaces
Level Number	B2	Below Grade	60,985	SF	148	Spaces
Level Number	B1	Below Grade	60,985	SF	116	Spaces
Level Number	Ground	Below Grade	11,538	SF	5	Spaces
Total			255,478	SF	613	Spaces
Average SF/Space			417	SF		

TABLE 2

COMPARABLE LAND SALES - DOWNTOWN SAN DIEGO, JANUARY 1, 2015 - PRESENT
PARK AND MARKET
CIVIC SAN DIEGO

Sale Date	Property Address	Sales Price	Acres	$/SF Land	Maximum Allowable Development (1) FAR	Maximum Allowable Development (1) $/SF FAR	Sub Area	Property Buyer
6/15/2016	820 W. Broadway	$66,500,000	1.42	$1,075	7.0	$154	Columbia	Bosa Development Corporation
6/14/2016	702 Market St	$8,000,000	0.23	$800	6.0	$133	East Village	Prospera Hotels
3/1/2016	1002 Market St	$27,000,000	0.92	$675	6.0	$113	East Village	Bosa Development Corporation
5/15/2015	520 W Ash Street/1446 Columbia	$12,800,000	0.46	$642	8.0	$80	Little Italy	Lennar Homes (2)
12/8/2015	7th & Broadway	$32,000,000	1.34	$549	10.0	$55	East Village	Bosa Development Corporation (3)
2/12/2016	1905 Pacific Highway	$15,000,000	0.63	$547	4.0	$137	Little Italy	Wood Partners
3/6/2015	202 Park Blvd	$32,365,000	1.41	$527	6.5	$81	East Village	Greystar
3/3/2016	345 B Street	$7,500,000	0.34	$500	10.0	$50	Civic/Core	Masuda Funai Eifert
2/12/2016	1919 Pacific Hwy	$15,000,000	0.75	$462	6.0	$77	Little Italy	ALTA 1919 Holdings LLC
9/15/2016	750 A St	$13,700,000	0.69	$457	8.0	$57	Cortez Hill	AAA Management LLC
4/1/2015	16th St	$2,000,000	0.11	$417	6.0	$70	East Village	Broadstone Mkers Quarter Lp
9/30/2015	1450 2nd Ave	$12,200,000	0.72	$389	8.0	$49	Cortez Hill	The Willmark Company
4/3/2015	13th & K Street	$20,000,000	1.21	$381	6.0	$63	East Village	Trammel Crow (4)
2/26/2016	11th & G Street	$10,500,000	0.69	$351	6.0	$59	East Village	Bosa Development Corporation (5)
11/24/2015	1351 5th Ave	$3,325,000	0.23	$332	8.0	$42	Cortez Hill	Vanderval Hotels/Bruce O'Brien
9/9/2015	325 Park Blvd	$12,100,000	0.92	$302	6.0	$50	East Village	The Richman Group of Companies
7/25/2016	2304-2314 India St	$1,550,000	0.12	$293	6.0	$49	Little Italy	---
5/5/2016	812 Park Blvd	$7,000,000	0.56	$287	6.0	$48	East Village	The Richman Group Development Corp.
4/14/2015	460 16th St	$17,210,000	1.38	$287	6.0	$48	East Village	Lennar Multifamily Investors, LLC
12/11/2015	1824 Columbia St	$1,250,000	0.11	$256	6.0	$43	Little Italy	Douglas & Lara Hamm
11/30/2015	1011 A St	$8,500,000	0.80	$243	10.0	$24	Core	Bosa Development Corporation
10/1/2015	2101-2175 Kettner Blvd	$7,075,000	0.69	$236	6.0	$39	Little Italy	CityView
11/30/2015	1229 10th Ave	$1,124,500	0.11	$235	10.0	$23	Core	Bosa Development Corporation
3/27/2015	2148 India St	$2,000,000	0.23	$200	6.0	$33	Little Italy	H.G. Fenton Company
9/11/2015	11th Ave @ C St	$4,400,000	0.52	$195	10.0	$20	East Village	Cool Valley Commercial Property Mgt Corp
9/29/2015	15th St	$1,700,000	0.23	$170	3.0	$57	East Village	Allgire General Contractors, Inc.
9/1/2016	370 16th St	$675,000	0.12	$135	6.0	$22	East Village	HP Investors
6/16/2016	1701 Imperial Ave	$975,000	0.18	$122	3.0	$41	East Village	Property Cellars LLC

	Sales Price	Acres	$/SF Land	FAR	$/SF FAR
Minimum	$675,000	0.11	$122	3.0	$20
Maximum	$66,500,000	1.42	$1,075	10.0	$154
Median	$8,250,000	0.595	$342	6.0	$50
Average	$12,266,054	0.61	$395	6.8	$61

(1) Reflects maximum base Floor Area Ratio (FAR) before any bonuses.
(2) Reflects the sale of two properties.
(3) Reflects the sale of nine properties.
(4) Reflects the sale of five properties.
(5) Reflects the sale of four properties.

Source: CoStar Comps, Inc.

TABLE 3

ESTIMATED DEVELOPMENT COSTS (1)
PARK AND MARKET
CIVIC SAN DIEGO

	Totals		Notes
I. Direct Costs (2)			
Off-Site Improvements (3)	$1,548,000	$30	Per SF Site Area
On-Site Improvements/Landscaping	$3,870,000	$75	Per SF Site Area
Remediation	$2,580,000	$50	Per SF Site Area
Parking	$27,585,000	$45,000	Per Space
Shell Construction - Residential	$127,840,000	$250	Per SF GBA - Residential
Shell Construction - Retail	$2,241,000	$280	Per SF GBA - Retail
Shell Construction - Office	$17,568,000	$260	Per SF GBA - Office
Tenant Improvements - Retail	$600,000	$75	Per SF Net - Retail
Tenant Improvements - Office	$0	$0	Per SF Net - Office
Contingency	$18,383,000	10.0%	of Above Directs
Total Direct Costs	$202,215,000	$345	Per SF GBA
II. Indirect Costs			
Architecture & Engineering	$14,155,000	7.0%	of Directs
Permits & Fees - Residential (3)	$6,390,000	$15,000	Per Unit
Permits & Fees - Non-Residential (3)	$756,000	$10	Per SF GBA - Non-Residential
Legal & Accounting	$5,055,000	2.5%	of Directs
Taxes & Insurance	$3,033,000	1.5%	of Directs
Developer Fee	$8,089,000	4.0%	of Directs
Marketing/Lease-Up	$3,200,000		Allowance
Contingency	$2,034,000	5.0%	of Above Indirects
Total Indirect Costs	$42,712,000	21.1%	of Directs
III. Financing Costs	$20,222,000	10.0%	of Directs
IV. Total Development Costs (1)	**$265,149,000**	**$452**	**Per SF GBA**

(1) Excludes land acquisition costs.
(2) Includes payment of prevailing wages.
(3) Allowance; not verified by KMA or CivicSD.

TABLE 4

NET OPERATING INCOME - RESIDENTIAL - RENTAL
PARK AND MARKET
CIVIC SAN DIEGO

		Average Unit Size	# of Units	Monthly Rent	Rent/SF	Total Annual
I. Residential Income - Rental						
A. Affordable Units						
Studio/Living Unit	@ 50% AMI	576 SF	20	$626	$1.09	$150,000
One Bedroom	@ 50% AMI	774 SF	30	$714	$0.92	$257,000
Two Bedroom	@ 50% AMI	1,257 SF	26	$797	$0.63	$249,000
Three Bedroom	@ 50% AMI	1,365 SF	9	$878	$0.64	$95,000
Total/Average - Affordable Units		938 SF	85	$736	$0.79	$751,000
B. Market-Rate Units						
Studio/Living Units		576 SF	81	$2,447	$4.25	$2,378,000
One Bedroom		774 SF	122	$3,095	$4.00	$4,531,000
Two Bedroom		1,257 SF	96	$4,589	$3.65	$5,287,000
Three Bedroom		1,376 SF	38	$4,886	$3.55	$2,228,000
Townhomes		2,350 SF	4	$7,833	$3.33	$376,000
Total/Average - Market-Rate Units		948 SF	341	$3,617	$3.81	$14,800,000
II. Total Residential Income		**946 SF**	**426**	**$3,042**	**$3.21**	**$15,551,000**
Or Say (Rounded)						**$15,551,000**

TABLE 4 (CONT'D.)

NET OPERATING INCOME - RESIDENTIAL - RENTAL
PARK AND MARKET
CIVIC SAN DIEGO

III.	**Effective Gross Income (EGI)**						
	Total Residential Income						$15,551,000
	(Less) Vacancy @		5.0%	of Residential Income			($778,000)
	Effective Gross Income						$14,773,000
IV.	**Other Income**						
	Residential Parking	91 Spaces	$100	/Space/Month			$109,000
	Storage		$110	/Unit/Year			$47,000
	Bike Storage		$65	/Unit/Year			$28,000
	Other Income		$75	/Unit/Month			$383,000
	Total Effective Gross Income						$15,340,000
V.	**Operating Expenses**						
	(Less) Operating Expenses		$5,250	/Unit/Year			($2,237,000)
	(Less) Replacement Reserves		$250	/Unit/Year			($107,000)
	(Less) Property Taxes (1)		$5,700	/Unit/Year			($2,428,000)
	(Less) SDHC Monitoring Fee		$150	/Unit/Year (2)			($13,000)
	Total Operating Expenses		$11,232	/Unit/Year	31%	of EGI	($4,785,000)
VI.	**Net Operating Income (NOI) - Residential - Rental**		**69%**	**of EGI**			**$10,555,000**
VII.	**Adjusted NOI at Opening**	3.0% Annual Escalation @			3 Years		**$11,534,000**

(1) Assumes a capitalization rate of 5.0% and a property tax rate of 1.15%.
(2) Reflects affordable units only.

TABLE 5

NET OPERATING INCOME - COMMERCIAL
PARK AND MARKET
CIVIC SAN DIEGO

		SF	Monthly Rent			Total Annual
I.	**Gross Scheduled Income (GSI)**					
	Retail	8,003	$2.50	/SF NNN		$240,000
	Office	0	$0.00	/SF NNN		$0
	Total Commercial GSI	8,003	$2.50	/SF NNN		$240,000
	Add: Parking Income (Effective)		$0	Space/Month		$0
			0	Spaces		
	Total GSI					$240,000
II.	**Effective Gross Income (EGI)**					
	(Less) Vacancy - Retail		10.0%	of GSI		($24,000)
	(Less) Vacancy - Office		0.0%	of GSI		$0
	Total Effective Gross Income					$216,000
III.	**Unreimbursed Operating Expenses**					
	(Less) Retail Expenses		5.0%	of EGI		($11,000)
	(Less) Office Expenses		0.0%	of EGI		$0
	Total Operating Expenses		5.1%	of EGI		($11,000)
	Total Unreimbursed Operating Expenses					
IV.	**Net Operating Income (NOI) - Commercial**					**$205,000**
V.	**Adjusted NOI at Opening**	3.0%	Annual Escalation @		3 Years	**$224,000**

TABLE 6

ESTIMATE OF RESIDUAL LAND VALUE
PARK AND MARKET
CIVIC SAN DIEGO

I.	**Sources of Funds**				
	A. Supportable Permanent Loan				
	Adjusted Residential Net Operating Income			$11,534,000	
	Interest Rate			3.5%	
	Amortization (Years)			40	
	Debt Coverage Ratio			1.15	
	Annual Debt Service			$10,064,000	
	Permanent Loan				$216,500,000
	B. Low Income Housing Tax Credit Equity				
	Eligible Basis			$36,934,000	
	Impacted Bonus Factor	130.0%		$48,014,000	
	Tax Credit Rate @	3.18%		$1,526,845	
	Total Tax Credits @			$15,268,452	
	Limited Partner Share	99.99%		$15,266,925	
	Present Market Value @	110%			$16,794,000
	C. Sales Proceeds from Office Space	$553	/SF Gross GBA		$37,359,000
	D. Warranted Developer Equity Investment				
	Adjusted Commercial Net Operating Income			$224,000	
	Residential Cash Flow after Debt Service			$1,470,000	
	Net Adjusted NOI			$1,694,000	
	Target Return on Equity			25%	
	Developer Equity				$6,797,000
	E. Total Sources of Funds				$277,450,000
II.	**Estimated Development Costs**				($265,149,000)
III.	**Residual Land Value**				**$12,301,000**
	Per SF Site Area				**$238**