APPENDIX II

FINANCIAL FEASIBILITY ANALYSIS

To	Gruen Associates	Page	1
CC	Cathedral City, Southern California Association of Governments		
Subject	Financial Feasibility Analysis		

From	Economics at AECOM
Date	April 30, 2010

The Economics division at AECOM, formerly known as Economics Research Associates, was retained as part of the consulting team, led by Gruen Associates, to evaluate the land use analysis of the Date Palm Drive Corridor. Economics at AECOM's scope includes a market analysis, economic development strategies, profomas analysis, and funding strategies.

After completing the market analysis, AECOM, in concert with Gruen, provided a combination of general strategies for the long-term revitalization of Date Palm Corridor as well as specific land use strategies for particular proposed sites. Three sites along the corridor were chosen to exemplify possible infill developments. Gruen has transformed the strategies into proposed development programs.

The three infill sites include:

- An infill property on the southern portion of Date Palm Drive, Mission Plaza; and
- Two greenfield developments on the northern portion of the Date Palm Drive study corridor:
    - A proposed education facility northeast of the McCallum Way and Date Palm Drive intersection; and
    - Proposed live/work units on the west side of Date Palm drive between Tortuga Road and 30th Avenue.

Economics at AECOM has created individual static pro formas for each of these developments. The pro formas quantify the return on investment to the developer of the project.

It should be noted that the economy is still under the effects of the recent recession and credit crunch. The Inland Empire was particularly hard hit by the recession, reflected in the current unemployment rates of 15.1 percent as of March 2010 in Riverside County, and significant foreclosures during the last year. As seen in the market analysis, there have been notable reductions in lease rates and sale prices for both residential and commercial space between 2007 and 2009. In addition, the credit crunch has made it extremely challenging for most developers to get financing for new residential or commercial projects. Economics at AECOM assumes that there is some improvement in the economy before these projects are undertaken (at least 2 – 5 years) and have priced rents and lease rates at levels commensurate with a stable economy.

Development costs were derived using construction cost information from RS Means and Marshall and Swift, land costs based on data from CoStar, Loopnet, and RedFin.com for comparable properties, and additional industry standards.

Mission Plaza

Mission Plaza is located at the northwest corner of Gerald Ford Drive, across the street and to the North of the newly-built Holiday Inn Express hotel. The site consists of approximately 6.4 acres and currently has surface parking fronting along most of Date Palm Drive with two sets of buildings setback behind the parking lots. There is one stand-alone building, currently occupied by Marinello Beauty School, that fronts along Date Palm Drive in the northern portion of the property. Behind the Beauty School is an L-shaped building that is currently occupied by several small businesses.

A portion of this site—the beauty school, the building behind the beauty school, and the storefronts at the southern entrance of the site—are working well, but a significant portion of the site is underutilized. Figure 1 and Figure 2 present the proposed redevelopment program for Mission Plaza. The redevelopment will include a proposed midscale hotel and new sit-down restaurant. This project demonstrates that developments can be created on underutilized portions of a site that will create additional density and bring more amenities and revenue to the city, as well as more revenues to the property owner.

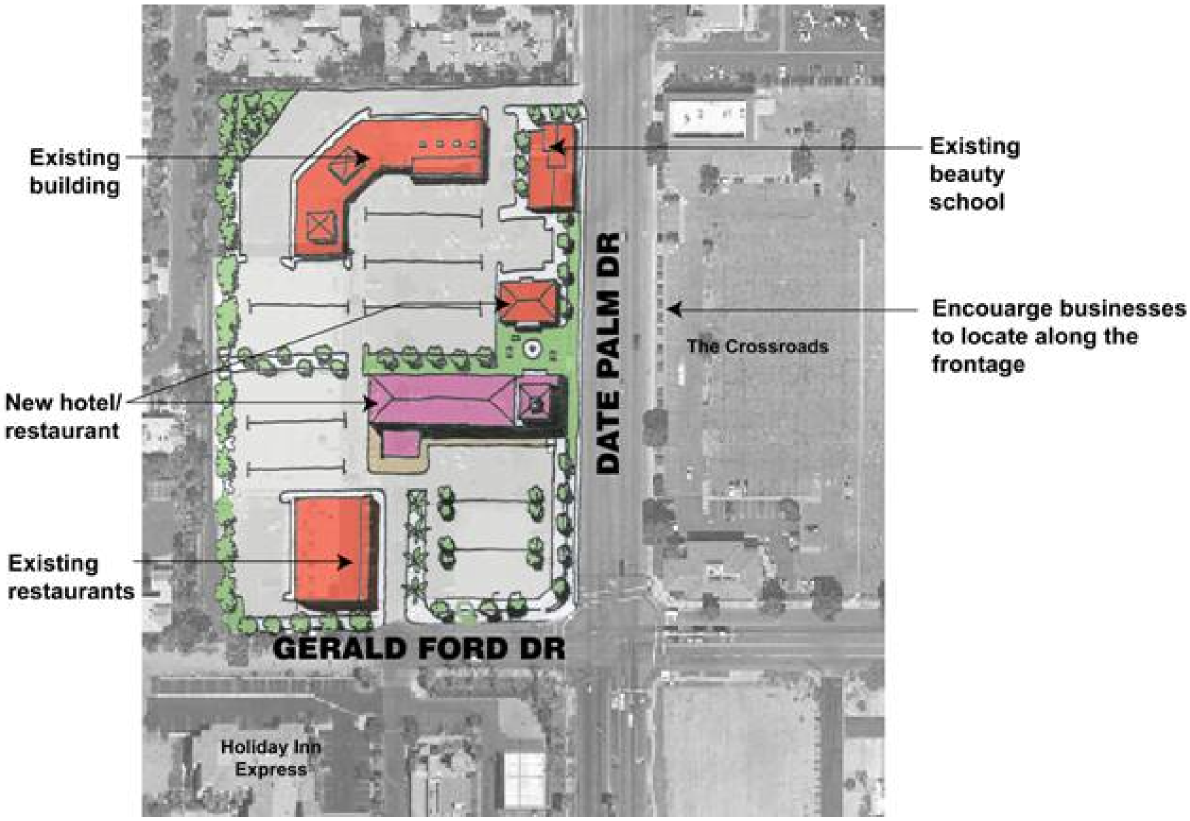
Appendix Figures 1-3 present the Mission Plaza Redevelopment proformas. The proformas evaluate the demolition of the most southerly building and development of a midscale service hotel and restaurant within Mission Plaza. The proposed program was developed by Gruen and is listed below:

Figure 1 – Mission Plaza Redevelopment (Phase 1)

Component	Floor Area (SF)
Existing Restaurants	13,000
Existing Beauty School	6,400
Existing Building for Retail	21,000
Proposed Hotel	20,000
Proposed Restaurant	3,800
Parking Lot	175,800
Green Space	28,345
Circulation	12,148
Total	**280,493**

Source: Gruen Associates

Figure 2 – Mission Plaza Redevelopment (Phase 1) Schematic



Source: Gruen Associates

Hotel

The financial analysis of a midscale hotel is presented in Appendix Figure 1. Midscale hotels includes hotels such as an Ayers Hotel, La Quinta Inn, Fairfield Inn, or a Hampton Inn.

A hotel developer will typically be required by financiers to own the land and will have a separate company, such as Holiday Inn, Ayer's, La Quinta, or other hotel operating company, manage the hotel. The pro formas review the financial feasibility to the developer.

Economics at AECOM estimates that with a 20,000 square-foot footprint and three stories, a building with 60,000 square feet of gross building area can contain 110 rooms. Based on hotel pricing of the nearby Holiday Inn Express and other local hotels, the hotel can support an average daily rate (ADR) of $115.00. Hotel occupancies, which are low in the current economy, are anticipated at approximately 65 percent. Operating costs and management fees were projected based on industry averages described in PKF's Hotel Industry TRENDS.

Total development costs are estimated at approximately $220 per square foot of gross building area, including land costs. This generates a reasonable developer profit of approximately 11 percent.

Restaurant

Mid-scale full service restaurants are often located adjacent to new hotels. A hotel-adjacent restaurant, such as a Chilis or Denny's, can take advantage of both local resident patronage, as well patronage from hotel guests.

The proforma for a midscale restaurant adjacent to the proposed hotel is shown in the Appendix, Appendix Figure 2.

As shown in the market analysis, there is a lot of competitive supply for restaurant space in Cathedral City, as well as in nearby Palm Springs and Rancho Mirage. However, we estimate that the high quality 3,800 square foot new space will be able to achieve rents of $2.00. Total, all in, development costs are projected at $246 per square foot of gross building area.

At a capitalization rate of 8.0 percent, the restaurant will generate an 8 percent return on cost to the developer

Mission Plaza Conclusion

Appendix Figure 3 presents the consolidated Mission Plaza pro forma for all land uses.

In the aggregate Mission Plaza pro forma, we also include the costs of demolishing 41,000 square feet of existing buildings (site paving and landscaping is included in the individual pro formas).

While the restaurant's return is low, as a whole, the total development project (restaurant and hotel) has a reasonable 10 percent return on costs, sufficient to attract private investment.

Developer returns can be increased further by reducing the land costs, currently at $10 per square foot. Actual land costs would be based on both the market at the time of development and the property owner's desired return.

Education Facility-Anchored Development

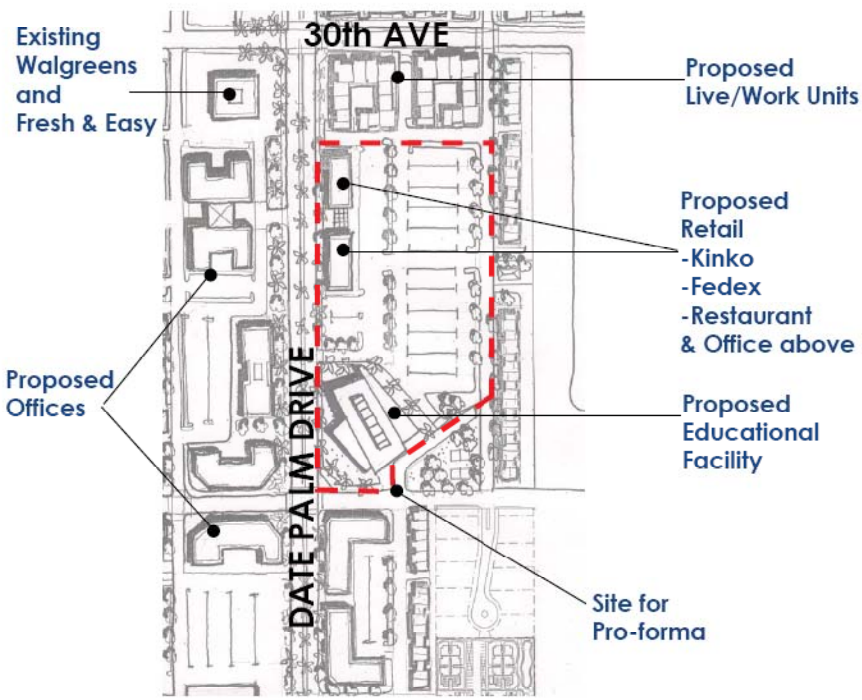
An education facility-anchored development is proposed on the east side of Date Palm Drive between 30th Avenue and McCallum Way. The development is proposed to include an almost 40,000 square foot educational/vocational facility, 20,000 square feet of ground floor retail, and another 20,000 square feet of office space above the retail on approximately 8.5 acres.

Figure 3 – Educational Facility Development Program Summary

Component	Floor Area (SF)
Educational Facility	39,000
Retail and Office Above	20,000
Parking	206,000
Green Space	72,800
Circulation	31,200
Total	**369,000**

Source: Gruen Associates

Figure 4 – Educational Facility Development Program Schematic



Source: Gruen Associates

AECOM also reviewed an alternative program that replaces the office above retail building with a two story 40,000 square foot office building.

Appendix Figure 4 presents the proforma analysis of an educational facility with adjacent office over retail uses. Appendix Figure 5 presents an alternative proforma analysis of an educational facility with adjacent two-story office uses.

Educational Facility

The financial analysis of the educational facility is presented in the first three columns of Appendix Figure 4.

First, it should be noted that to initiate this development, most developers would require a specific educational tenant to be secured for the property in advance of construction. Anticipated rents of $1.70 are based on Cathedral City office rents. As reported by RS Means and Marshall Swift cost estimates, building shell costs are projected at $135 per square foot, substantially higher than average office spaces.

As shown, the educational facility is nearly revenue neutral, with a positive 1 percent return on costs, with a $10 per square foot land cost. An educational institution expects to pay lower rents, but also expects good to moderate quality space. While this land use does provide an almost neutral return on cost, a developer may still be interested in procuring an educational facility in several cases:

- The educational facility acts as an anchor that allows the developer to place a premium on rents for other developments on site, such as office space and retail space.
- The developer/educational facility can get a concession/incentive for developing the space.

Office Over Retail

Buildings with office space over retail space are proposed to compliment the educational facility. The financial analysis are shown in Appendix Figure 4.

As described in our market analysis, there is significant amount of available retail space within Cathedral City and surrounding cities. The rents that retail will be able to achieve in a stable economy, $1.80 per square foot, just barely cover the costs of new construction, $150 per square foot.

The ground floor retail has an estimated return of 2 percent.

While Cathedral City is not a strong office market, the market analysis demonstrated that there is limited demand for new office space in Cathedral City. New office space may be able to achieve a higher rent premium relative to retail. We estimate that new office space can achieve a monthly rent of $2.40 per square foot. This does assume that businesses are willing to pay a premium for office space next to an educational facility.

At an average capitalization rate of 8 percent, office space achieves a 4 percent return.

Two-Story Office (Alternative)

The educational facility development with two-story office uses rather than office over retail uses is presented in Appendix Figure 5.

Ground floor retail has a very low return. Unless the educational facility attracts specific retailers who are willing to pay very high rents for being near the facility, the market suggests that the best use of the remaining site is for office.

On a per-square-foot basis, the two-story office building costs the same to construct as the second-story office space. With a $2.40 monthly lease rate, but a higher occupancy rate (for first floor office) and improved building efficiency, the office uses are able to generate a 13 percent return.

Educational Facility-Anchored Development Conclusion

The final three columns in Appendix Figure 4 and Appendix Figure 5 present the aggregate results of all land uses.

The educational-anchored development alternative that includes office over retail currently has an overall return of 2 percent while the alternative that replaces the office over retail with a two-story office building has an overall return of 5 percent. Returns are low in both alternatives due to losses from the educational facility, which makes up half of the site.

The returns on both alternatives may be too low as a private venture, but there are development possibilities for the educational/vocational facility and two-story office building alternative. A non-profit developer (i.e. an educational institution who was interested in developing the full project) may find a return of 4 to 5 percent acceptable. As mentioned, if an incentive/concession can be provided for the educational facility, itcould help to boost the project into a return range that is acceptable for a private developer. Private developers may be interested in such a project within a return of above 8 to 12 percent. This would mean some kind of incentive (or land provision) of $800,000 or more.

A few development considerations should be noted:

- The financial feasibility of an education facility-anchored project depends on the ability of the developer to find and secure an educational institution to occupy the space. Through marketing the project to various regional and local institutions, as well as, potentially, offering an incentive, the City can assist in capturing an educational facility in Cathedral City.

- As described above, the facility may require an incentive. An educational facility will not produce direct benefits to the City in terms of taxes, but, depending on the quality of the institution Cathedral City is able to obtain, an educational facility can (1) attract more day visitors and associated business, and/or (2) be beneficial to residents and the reputation of the city in the long term. Again, depending on the quality of the institution, an educational facility may be worth supporting.

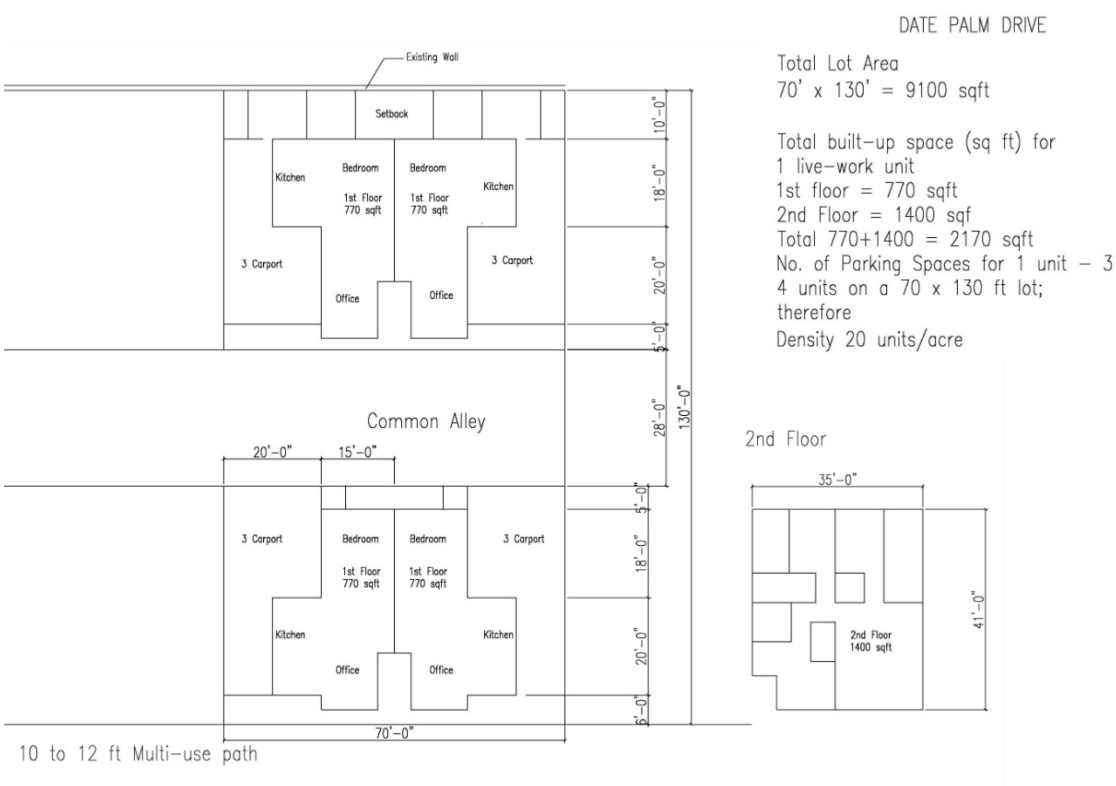
- If there is a clear retail use that is complimentary to the educational facility, a retailer may be willing to pay a premium for the space and may make some retail space feasible on the site. However, for the most part, office uses may be the best use of the balance of the land in this project.

Live/Work Unit Developments

The consulting team has proposed live/work units in the narrow vacant parcels on the west side of Date Palm Drive between Tortuga Road and 30th Avenue. The parcels in this area are small and the proposed live/work units are proposed as a way for individual owners to effectively develop these smaller lots.

The proposed live/work units have two units to a building and two buildings to a lot. A total of 120 units are are proposed across 6 acres.

Figure 5 – Proposed Live/Work Schematic



Source: Gruen Associates

Each unit is approximately 2,100 square feet and includes work spaces on the bottom floor. These work spaces can be used as offices, home offices for residents, as well as retail space. In example live/work units in West Hollywood and Santa Ana, some of work spaces become active uses along the street.

As noted, the Inland Empire was significantly impacted by the recession, with the housing crash reducing homes prices in Riverside County by almost 50 percent between 2007 and 2009. In

Cathedral City, the average single family home price dropped from $342,000 in 2007 to $223,000 in 2008. New construction of homes has been stalled throughout the Inland Empire and is not likely to pick up again until the inventory of unsold new homes and foreclosures is reduced.

Financial Analysis of Live/Work Units

The phasing of the live/work unit development is likely to be 5 to 10 years out. Appendix Figure 6 presents the pro forma analysis for the live work developments. The home prices modeled for this pro forma are based on the pricing required for a developer to build and achieve a 10 percent return at a land cost of $10 per square foot.

We estimate a $161 per square foot price for these live/work units. At 2,100 square feet per unit, this equates to a price of approximately $350,000 per unit.

This overall price for the units is high compared to current pricing, but on a per square foot basis this cost is in line with Cathedral City's 2004 pricing, before the major onset of the housing bubble.

In addition, one of the benefits of a live/work unit is that there is a tax deduction for residents for the work space portion of the unit. Assuming that approximately 15 percent of the unit, or approximately 300 square feet, is used as workspace, this equates to about a 10 percent premium for the value of the work space across the life of the unit, or about $35,000. The live/work unit is equivalent in price to a $315,000 residential-only unit, or about $150 per square foot.

Conclusions

The live/work units are financially feasible at a sales price of $161 per square foot. At this price, land is projected to be worth $10 per square foot and the developer will generate a profit of 10 percent. It may take 5 to 10 years to achieve this pricing.

GENERAL LIMITING CONDITIONS

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.
This report is based on information that was current as of April 2010 and AECOM has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by AECOM that any of the projected values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "AECOM" or "Economics Research Associates" in any manner without first obtaining the prior written consent of AECOM. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of AECOM. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of AECOM. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from AECOM. Subject to the foregoing, the client may provide this study to designated affiliated parties and shall inform said parties that the study is provided for informational purposes only and not for reliance by said parties on any aspect of the study, except in the case where the study is provided to the Southern California Association of Governments (SCAG) and/or the City of Cathedral City such that this condition shall not apply. The client shall not directly or indirectly grant to any other person or entity the right to rely on or distribute the study.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Financial Proforma Appendix

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Appendix Figure 1 – Mission Plaza Development - Hotel Pro Forma

	Hotel		
	Factors	Values	Summary
	A1	***A2***	***A3***
Project Description			
Improvement Area (sf)	71,200		71,200 sf
Site Area (sf)	20,000		20,000 sf
Stories	3		
Gross Building Area (sf)	60,000		60,000 sf
Room Efficiency	65.0%		65.0%
Net Room Area (sf)	39,000		39,000 sf
Type of Parking	Surface		Surface
Total Number of Parking Spaces	132		132
Construction Time (months)	12		12
Average Room Size (sf)	350		
Available Rooms	110		
Project Revenues (at Stabilization)			
Hotel Per Room Revenue	$115.00		$115
Stabilized Occupancy	65.0%		65.0%
Total Room Revenue		$3,001,213	$3,001,213
Other Revenue (% of Room Revenue)	5.0%	$150,061	$150,061
Total Revenues		$3,151,273	$3,151,273
Operating Expenses (% of Total Revenue)	45.0%	($1,418,073)	$1,418,073
Property Tax and Insurance		($160,077)	$160,077
Management Fee (% of Total Revenue)	3.0%	($94,538)	$94,538
Total Expenses		($1,672,688)	$1,672,688
Net Operating Income (NOI)	46.9%	$1,478,585	$1,478,585
Development Costs			
Land Costs	$10 psf site	$712,000	$712,000
Building Shell ($psf)	$145.00	$8,700,000	$8,700,000
FF&E	$15.95	$957,000	$957,000
Site Improvements ($psf gross bldg)	$7.00	$140,000	$140,000
Parking ($ per space)	$1,320	$174,240	$174,240
A&E Costs (% of Shell + Site)	6.5%	$574,600	$574,600
Total Hard Costs		$10,545,840	$10,545,840
Other Soft Costs (% of hard costs)	8.0%	$843,667	$843,667
Fees and Misc. (% of hard costs)	3.0%	$316,375	$316,375
AMOUNT TO BE FINANCED (excludes land)		$11,705,882	$11,705,882
Development Cost per SF		$164.41	$164.41
Financing and Leasing			
Construction Loan Fees	1.5%	$175,588	$175,588
Closing Costs and Appraisal	1.5%	$175,588	$175,588
Interest Rate	7.5%		7.5%
Term of Loan (months)	12		12
Average Balance Drawn	65.0%	$7,608,824	$7,608,824
Construction Interest and Fees		$921,838	$921,838
Leasing Commissions	0.0%		
Average Lease Terms (years)			
Total Leasing Commission			
TOTAL DEVELOPMENT COSTS		$13,339,721	$13,339,721
$PSF of Improvement Area		$187	$187
$PSF of Gross Building Area		$222	$222
Capitalization			
Annual Net Revenues (NOI)		$1,478,585	$1,478,585
Cap Rate	10.0%		10.0%
Capitalized Value (rounded)		$14,785,854	$14,785,854
Estimated Profit			
Capitalized Value		$14,785,854	
(Less Development Costs)		($13,339,721)	
Required Subsidies			
Developer Profit		$1,446,133	
Profit as a % of Cost		11%	

Source: AECOM, RS Means, Marshall & Swift, Loopnet, CoStar

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Appendix Figure 2 – Mission Plaza Development - Restaurant Pro Forma

	Restaurant		
	Factors	Values	Summary
	A1	***A2***	***A3***
Project Description			
Improvement Area (sf)	10,000		10,000 sf
Site Area (sf)	3,800		3,800 sf
Stories	1		
Gross Building Area (sf)	3,800		3,800 sf
Building Efficiency	100.0%		100.0%
Net Buildable Area (sf)	3,800		3,800 sf
Type of Parking	Surface		Surface
Total Number of Parking Spaces	15		15
Construction Time (months)	12		12
Project Revenues (at Stabilization)			
Scheduled Rent	$2.00	$91,200	$91,200
Stabilized Occupancy	95.0%		95.0%
Annual Effective Gross Income (EGI)		$86,640	
Operating Expenses (% of EGI)	4.0%	($3,466)	($3,466)
Management Fees (% of EGI)	3.0%	($2,599)	($2,599)
Total Operating Expense			($6,065)
Net Operating Income (NOI)		$80,575	$80,575
Development Costs			
Land Costs	$10 psf site	$100,000	$100,000
Building Shell ($psf)	$135.00	$513,000	$513,000
Tenant Improvement Allowance ($psf)	$25.00	$95,000	$95,000
Site Improvements ($psf gross bldg)	$7.00	$26,600	$26,600
Parking ($ per space)	$1,320	$19,800	$19,800
A&E Costs (% of Shell + Site)	6.5%	$35,000	$35,000
Total Hard Costs		$689,400	$689,400
Other Soft Costs (% of hard costs)	8.0%	$55,152	$55,152
Fees and Misc. (% of hard costs)	3.0%	$20,682	$20,682
AMOUNT TO BE FINANCED (excludes land)		$765,234	$765,234
Development Cost per SF		$76.52	$76.52
Financing and Leasing			
Construction Loan Fees	1.5%	$11,479	$11,479
Closing Costs and Appraisal	1.5%	$11,479	$11,479
Interest Rate	6.5%		6.5%
Term of Loan (months)	12		12
Average Balance Drawn	65.0%	$497,402	$497,402
Construction Interest and Fees		$55,288	$55,288
Leasing Commissions	5.0%	$4,332	$4,332
Average Lease Terms (years)	3		3
Total Leasing Commission		$12,996	$12,996
TOTAL DEVELOPMENT COSTS		$933,518	$933,518
$PSF of Improvement Area		$93	$93
$PSF of Gross Building Area		$246	$246
Capitalization			
Annual Net Revenues (NOI)		$80,575	$80,575
Cap Rate	8.0%		8.0%
Capitalized Value (rounded)		$1,007,190	$1,007,190
Estimated Profit			
Capitalized Value		$1,007,190	
(Less Development Costs)		($933,518)	
Required Subsidies			
Developer Profit		$73,672	
Profit as a % of Cost		8%	

Source: AECOM, RS Means, Marshall & Swift, Loopnet, CoStar

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Appendix Figure 3 – Mission Plaza Development - Consolidated Pro Forma

	Total Values *A2*
Project Description	
Improvement Area (sf)	81,200 sf
Site Area (sf)	23,800 sf
Gross Building Area (sf)	63,800 sf
Type of Parking	Surface
Total Number of Parking Spaces	147
Construction Time (months)	12
Hotel Details	
Average Room Size (sf)	
Available Rooms	110
Project Revenues (at Stabilization)	
Total Revenues	$3,237,913
Total Expenses	($1,678,753)
Net Operating Income (NOI)	$1,559,161
Development Costs	
Total Hard Costs	$11,235,240
AMOUNT TO BE FINANCED (excludes land)	$12,471,116
Development Cost per SF	$153.59
Total Development Costs (excluding demolition)	$14,273,239
Existing Building Demolition Costs	$135,525
TOTAL DEVELOPMENT COSTS (including demolition)	$14,408,764
$PSF of Improvement Area	$177
$PSF of Gross Building Area	$226
Capitalization	
Annual Net Revenues (NOI)	$1,559,161
Cap Rate	10.0%
Capitalized Value (rounded)	$15,793,044
Estimated Profit	
Capitalized Value	$15,793,044
(Less Development Costs)	($14,408,764)
Required Subsidies	
Developer Profit	$1,384,280
Profit as a % of Cost	10%

Source: AECOM, RS Means, Marshall & Swift, Loopnet, CoStar

Appendix Figure 4 – Educational Facility Development - Office Over Retail Design Pro Forma

	Educational Facility			Ground Floor Retail			Office Above Retail			TOTAL		
	Factors	Values	Summary	Factors	Values	Summary	Factors	Values	Summary	Factors	Values	Summary
	A1	*A2*	*A3*	*B1*	*B2*	*B3*	*C1*	*C2*	*C3*	*T1*	*T2*	*T3*
Project Description												
Improvement Area (sf)	255,861		255,861 sf	56,570		56,570 sf	56,570		56,570 sf	369,000		369,000 sf
Site Area (sf)	39,000		39,000 sf	20,000		20,000 sf	20,000		20,000 sf	79,000		79,000 sf
Stories	2			1			1			2		
Gross Building Area (sf)	78,000		78,000 sf	20,000		20,000 sf	20,000		20,000 sf	118,000		118,000 sf
Building Efficiency	90.0%		90.0%	95.0%		95.0%	85.0%		85.0%	90.0%		90.0%
Net Buildable Area (sf)	70,200		70,200 sf	19,000		19,000 sf	17,000		17,000 sf	106,200		106,200 sf
Type of Parking	Surface		Surface	Surface		Surface	Surface		Surface	Surface		Surface
Total Number of Parking Spaces	533		533	72		72	72		72	677		677
Construction Time (months)	12		12	12		12	12		12	12		12
Project Revenues (at Stabilization)												
Scheduled Rent	$1.70	$1,432,080	$1,432,080	$1.75	$399,000	$399,000	$2.40	$489,600	$489,600	$1.82	$2,320,680	$2,320,680
Stabilized Occupancy	100.0%		100.0%	95.0%		95.0%	93.0%		93.0%	97.7%		97.7%
Annual Effective Gross Income (EGI)		$1,432,080	$1,432,080		$379,050	$379,050		$455,328	$455,328		$2,266,458	$2,266,458
Operating Expenses (% of EGI)	4.0%	($57,283)	($57,283)	4.0%	($15,162)	($15,162)	30.0%	($136,598)	($136,598)	4.0%	($209,044)	($209,044)
Management Fees (% of EGI)	3.0%	($42,962)	($42,962)	3.0%	($11,372)	($11,372)	0.0%	$0	$0	3.0%	($54,334)	($54,334)
Total Operating Expense			($100,246)			($26,534)			($136,598)			($263,378)
Net Operating Income (NOI)		$1,331,834	$1,331,834		$352,517	$352,517		$318,730	$318,730		$2,003,081	$2,003,081
Development Costs												
Land Costs	$10 psf site	$2,558,607	$2,558,607	$10 psf site	$565,697	$565,697	$10 psf site	$565,697	$565,697	$10 psf site	$3,690,000	$3,690,000
Building Shell ($psf)	$135.00	$10,530,000	$10,530,000	$110.00	$2,200,000	$2,200,000	$110.00	$2,200,000	$2,200,000	$126.53	$14,930,000	$14,930,000
Tenant Improvements ($psf)	$0.00	$0	$0	$25.00	$500,000	$500,000	$15.00	$300,000	$300,000	$6.78	$800,000	$800,000
Site Improvements ($psf gross bldg)	$7.00	$546,000	$546,000	$7.00	$140,000	$140,000	$7.00	$140,000	$140,000	$7.00	$826,000	$826,000
Parking ($ per space)	$1,320	$703,560	$703,560	$1,320	$95,040	$95,040	$1,320	$95,040	$95,040	$1,320	$893,640	$893,640
A&E Costs (% of Shell + Site)	6.5%	$720,000	$720,000	6.5%	$152,000	$152,000	6.5%	$152,000	$152,000	6.5%	$1,024,000	$1,024,000
Total Hard Costs		$12,499,560	$12,499,560		$3,087,040	$3,087,040		$2,887,040	$2,887,040		$18,473,640	$18,473,640
Other Soft Costs (% of hard costs)	8.0%	$999,965	$999,965	8.0%	$246,963	$246,963	8.0%	$230,963	$230,963	8.0%	$1,477,891	$1,477,891
Fees and Misc. (% of hard costs)	3.0%	$374,987	$374,987	3.0%	$92,611	$92,611	3.0%	$86,611	$86,611	3.0%	$554,209	$554,209
AMOUNT TO BE FINANCED (excludes land)		$13,874,512	$13,874,512		$3,426,614	$3,426,614		$3,204,614	$3,204,614		$20,505,740	$20,505,740
Development Cost per SF		$177.88	$177.88		$171.33	$171.33		$160.23	$160.23		$55.57	$55.57
Financing and Leasing												
Construction Loan Fees	1.5%	$208,118	$208,118	1.5%	$51,399	$51,399	1.5%	$48,069	$48,069	1.5%	$307,586	$307,586
Closing Costs and Appraisal	1.5%	$208,118	$208,118	1.5%	$51,399	$51,399	1.5%	$48,069	$48,069	1.5%	$307,586	$307,586
Interest Rate	7.5%		7.5%	7.5%		7.5%	6.5%		6.5%	7.3%		7.3%
Term of Loan (months)	12		12	12		12	12		12	12		12
Average Balance Drawn	65.0%	$9,018,433	$9,018,433	65.0%	$2,227,299	$2,227,299	65.0%	$2,082,999	$2,082,999	65.0%	$13,328,731	$13,328,731
Construction Interest and Fees		$1,092,618	$1,092,618		$269,846	$269,846		$231,533	$231,533		$1,593,997	$1,593,997
Leasing Commissions	0.0%	$0	$0	5.0%	$18,953	$18,953	5.0%	$22,766	$22,766	1.8%	$41,719	$41,719
Average Lease Terms (years)	3		3	3		3	3		3	3		3
Total Leasing Commission		$0	$0		$56,858	$56,858		$68,299	$68,299		$125,157	$125,157
TOTAL DEVELOPMENT COSTS		$17,525,736	$17,525,736		$4,319,014	$4,319,014		$4,070,144	$4,070,144		$25,914,894	$25,914,894
$PSF of Improvement Area		$68	$68		$76	$76		$72	$72		$70	$70
$PSF of Gross Building Area		$225	$225		$216	$216		$204	$204		$220	$220
Capitalization												
Annual Net Revenues (NOI)		$1,331,834	$1,331,834		$352,517	$352,517		$318,730	$318,730		$2,003,081	$2,003,081
Cap Rate	7.5%		7.5%	8.0%		8.0%	7.5%		7.5%	7.6%		7.6%
Capitalized Value (rounded)		$17,757,792	$17,757,792		$4,406,456	$4,406,456		$4,249,728	$4,249,728		$26,413,976	$26,413,976
Estimated Profit												
Capitalized Value		$17,757,792			$4,406,456			$4,249,728			$26,413,976	
(Less Development Costs)		($17,525,736)			($4,319,014)			($4,070,144)			($25,914,894)	
Required Subsidies												
Developer Profit		$232,056			$87,442			$179,584			$499,082	
Profit as a % of Cost		1%			2%			4%			2%	

Source: AECOM, RS Means, Marshall & Swift, Loopnet, CoStar

Appendix Figure 5 – Educational Facility Development - Two-Story Office Design Pro Forma

	Educational Facility			Two-Story Office			TOTAL		
	Factors	Values	Summary	Factors	Values	Summary	Factors	Values	Summary
	A1	*A2*	*A3*	*D1*	*D2*	*D3*	*T1*	*T2*	*T3*
Project Description									
Improvement Area (sf)	255,861		255,861 sf	113,139		113,139 sf	369,000		369,000 sf
Site Area (sf)	39,000		39,000 sf	20,000		20,000 sf	59,000		59,000 sf
Stories	2			2			2		
Gross Building Area (sf)	78,000		78,000 sf	40,000		40,000 sf	118,000		118,000 sf
Building Efficiency	90.0%		90.0%	90.0%		90.0%	90.0%		90.0%
Net Buildable Area (sf)	70,200		70,200 sf	36,000		36,000 sf	106,200		106,200 sf
Type of Parking	Surface		Surface	Surface		Surface	Surface		Surface
Total Number of Parking Spaces	533		533	144		144	677		677
Construction Time (months)	12		12	12		12	12		12
Project Revenues (at Stabilization)									
Scheduled Rent	$1.70	$1,432,080	$1,432,080	$2.40	$1,036,800	$1,036,800	$1.94	$2,468,880	$2,468,880
Stabilized Occupancy	100.0%		100.0%	95.0%		95.0%	97.9%		97.9%
Annual Effective Gross Income (EGI)		$1,432,080	$1,432,080		$984,960	$984,960		$2,417,040	$2,417,040
Operating Expenses (% of EGI)	4.0%	($57,283)	($57,283)	30.0%	($295,488)	($295,488)		($352,771)	($352,771)
Management Fees (% of EGI)	3.0%	($42,962)	($42,962)		$0	$0		$0	$0
Total Operating Expense			($100,246)			($295,488)			($352,771)
Net Operating Income (NOI)		$1,331,834	$1,331,834		$689,472	$689,472		$689,472	$689,472
Development Costs									
Land Costs	$10 psf site	$2,558,607	$2,558,607	$10 psf site	$1,131,393	$1,131,393	$10 psf site	$3,690,000	$3,690,000
Building Shell ($psf)	$135.00	$10,530,000	$10,530,000	$110.00	$4,400,000	$4,400,000	$126.53	$14,930,000	$14,930,000
Tenant Improvements ($psf)	$0.00	$0	$0	$15.00	$600,000	$600,000	$5.08	$600,000	$600,000
Site Improvements ($psf gross bldg)	$7.00	$546,000	$546,000	$7.00	$280,000	$280,000	$7.00	$826,000	$826,000
Parking ($ per space)	$1,320	$703,560	$703,560	$1,320	$190,080	$190,080	$1,320	$893,640	$893,640
A&E Costs (% of Shell + Site)	6.5%	$720,000	$720,000	6.5%	$304,000	$304,000	6.5%	$1,024,000	$1,024,000
Total Hard Costs		$12,499,560	$12,499,560		$5,774,080	$5,774,080		$18,273,640	$18,273,640
Other Soft Costs (% of hard costs)	8.0%	$999,965	$999,965	8.0%	$461,926	$461,926	8.0%	$1,461,891	$1,461,891
Fees and Misc. (% of hard costs)	3.0%	$374,987	$374,987	3.0%	$173,222	$173,222	3.0%	$548,209	$548,209
AMOUNT TO BE FINANCED (excludes land)		$13,874,512	$13,874,512		$6,409,229	$6,409,229		$20,283,740	$20,283,740
Development Cost per SF		$177.88	$177.88		$160.23	$160.23		$171.90	$171.90
Financing and Leasing									
Construction Loan Fees	1.5%	$208,118	$208,118	1.5%	$96,138	$96,138	1.5%	$304,256	$304,256
Closing Costs and Appraisal	1.5%	$208,118	$208,118	1.5%	$96,138	$96,138	1.5%	$304,256	$304,256
Interest Rate	7.5%		7.5%	6.5%		6.5%	7.2%		7.2%
Term of Loan (months)	12		12	12		12	12		12
Average Balance Drawn	65.0%	$9,018,433	$9,018,433	65.0%	$4,165,999	$4,165,999	65.0%	$13,184,431	$13,184,431
Construction Interest and Fees		$1,092,618	$1,092,618		$463,067	$463,067		$1,555,685	$1,555,685
Leasing Commissions	0.0%	$0	$0	5.0%	$49,248	$49,248	2.0%	$49,248	$49,248
Average Lease Terms (years)	3		3	3		3	3		3
Total Leasing Commission		$0	$0		$147,744	$147,744		$147,744	$147,744
TOTAL DEVELOPMENT COSTS		$17,525,736	$17,525,736		$8,151,433	$8,151,433		$25,677,169	$25,677,169
$PSF of Improvement Area		$68	$68		$72	$72		$70	$70
$PSF of Gross Building Area		$225	$225		$204	$204		$218	$218
Capitalization									
Annual Net Revenues (NOI)		$1,331,834	$1,331,834		$689,472	$689,472		$2,021,306	$2,021,306
Cap Rate	7.5%		7.5%	7.50%		7.5%	7.5%		7.5%
Capitalized Value (rounded)		$17,757,792	$17,757,792		$9,192,960	$9,192,960		$26,950,752	$26,950,752
Estimated Profit									
Capitalized Value		$17,757,792			$9,192,960			$26,950,752	
(Less Development Costs)		($17,525,736)			($8,151,433)			($25,677,169)	
Required Subsidies									
Developer Profit		$232,056			$1,041,527			$1,273,583	
Profit as a % of Cost		1%			12.8%			5%	

Source: AECOM, RS Means, Marshall & Swift, Loopnet, CoStar

AECOM

Appendix Figure 6 – Live/Work Unit Developments - Pro Forma

	Live/Work Condo	Live/Work Condo Building	Total
Project Description			
Site Area (sf)	2,178	8,712	261,360
Size of Condo Unit (sf)	2,170	2,170	2,170
Parking Spaces	3.0	3.0	3.0
Total Number of Parking Spaces	3	12	360
Construction Time (months)	9	9	9
For Sale Properties			
Sales Price ($psf)	$161	$161	$161
Sales Price Per Unit	$349,370	$349,370	$349,370
Number of Units in Development	1	4	120
Décor/Options	$0	$0	$0
Total Sales Revenue	$ 349,370	$ 1,397,480	$ 41,924,400
Land Sales Price			
Sales Price ($psf)	$10	$10	$10
Total Sales Revenue	$ 21,780	$ 87,120	$ 2,613,600
Construction Costs /1			
Site Improvements ($psf)	$5.00	$5.00	$5.00
Building Shell ($psf)	$74	$74	$74
Parking ($ per space)	$8,610	$8,610	$8,610
A&E Costs (% of Shell + Site)	7.0%	7.0%	7.0%
Condos Décor and Options	0.0%	0.0%	0.0%
Wrap Insurance	$15,000	$15,000	$15,000
Total Hard Costs	$ 226,095	$ 904,381	$27,131,435.95
Soft Costs (% of Hard Costs)	18.0%	18.0%	18.0%
Fees and Misc. (% of hard costs)	0.0%	0.0%	0.0%
Developer's Fee (% of hard costs)	4.0%	4.0%	4.0%
Amount To Be Financed	$275,836	$1,103,345	$33,100,352
Financing /2			
Construction Loan Fees	1.5%	1.5%	1.5%
Closing Costs and Appraisal	1.5%	1.5%	1.5%
Interest Rate	6.625%	6.625%	6.625%
Term of Loan (months)	9	9	9
Average Balance Drawn	75%	75%	75%
Construction Interest	$10,279	$41,117	$1,233,505
Sales Commisions	2%	2%	2%
Total Sales Commission	$6,987	$27,950	$838,488
Total Acquisition & Development Costs	$314,883	$1,259,532	$37,785,945
$PSF of Condo Unit	$145	$145	$145
Net Profit (rounded)	**$34,000**	**$138,000**	**$4,140,000**
Developer's Profit Margin	**10%**	**10%**	**10%**

NOTES

/ 1 Costs per Marshall & Swift, RS Means, and AECOM

/ 2 Financing rates per Nationwide Construction Loans and DO NOT include land acquisition

Source: AECOM, RS Means, Marshall & Swift, Loopnet, Costar, Redfin