William Lamborn <william.lamborn@lacity.org>

RE: 8150 Sunset: Financial Feasibility Analysis

1 message

Nytzen, Michael <michaelnytzen@paulhastings.com> Wed, Jun 29, 2016 at 6:20 PM
To: Luci Ibarra <luciralia.ibarra@lacity.org>, William Lamborn <william.lamborn@lacity.org>
Cc: "Haber, Jeffrey S." <jeffreyhaber@paulhastings.com>

Luci and Will:

Attached is a supplement to the March 1, 2016 financial feasibility analysis, prepared for the Alternative 9 project design. We will forward the peer review report under separate cover when it has been completed, which should be within the next few days.

Please let us know if you have any questions or would like to discuss.

Regards,

Michael

From: Nytzen, Michael
Sent: Thursday, April 21, 2016 6:16 PM
To: Luci Ibarra; William Lamborn
Cc: Haber, Jeffrey S.
Subject: 8150 Sunset: Financial Feasibility Analysis

Luci and Will:

Attached pleased find the financial feasibility analysis for the 8150 Sunset Boulevard project prepared by HR&A Advisors, Inc., dated March 1, 2016, along with a peer review of the HR&A analysis prepared by RSG, Inc., dated April 21, 2016. These should be posted to the Planning Department's Website for the 8150 Sunset project.

Please let us know if you have any questions or would like to discuss.

Regards,

Michael

PAUL HASTINGS

E. Michael Nytzen | Senior Land Use Project Manager
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HRA 8150 Sunset Boulevard Density Bonus Feasibility Analysis-Gehry_6.29.2016.pdf
266K

HR&A Analyze. Advise. Act.

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June 29, 2016
Tyler Siegel
AG-SCH 8150 Sunset Boulevard Associates, L.P.
Suite 702
8899 Beverly Blvd.
West Hollywood, CA 90048

Re: Financial Feasibility Analysis for the Gehry Partners-Designed 8150 Sunset Blvd. Project (Alternative 9)

Dear Mr. Siegel:

Per your request, HR&A Advisors, Inc. (HR&A) has completed financial feasibility analyses of a development program you provided to us for a mixed-use development located at 8150 Sunset Boulevard in the City of Los Angeles ("City").[1] As we understand it, approval of a Density Bonus and Affordable Housing Incentives has been requested from the City. The Affordable Housing Incentive requested is an off-menu incentive to allow an increase in floor area in order to render the project financially feasible with 28 affordable housing units for very low-income households, per Section 12.22-A,25(f)(4) of the Los Angeles Municipal Code.

AG-SCH 8150 Sunset Boulevard Associates, L.P. ("AG-SCH") provided us the basic development program for the development with a Density Bonus and Affordable Housing Incentives, as well as the 2012 land acquisition cost and a conceptual estimate of development costs (which we independently reviewed). AG-SCH also provided us the costs associated with the buy-out of eight existing tenants on the site, and estimates for certain professional fees, legal and environmental consulting costs, which are above-average due to the particulars of this project. We used AG-SCH's development programs, land cost, buy-out cost, and certain consultant costs in our analyses, but applied our own independent calculations of all other development costs, net operating income and investment returns. Our analysis utilizes HR&A's extensive real estate analysis experience as well as a number of well-established third-party real estate industry data sources for the Los Angeles area, which are noted in the detailed development pro formas in Attachment B to this letter.

We evaluated the project's financial feasibility based on two investment return metrics commonly used in the real estate industry. First, for the income-producing apartment and retail uses, we evaluated the return on total development cost (i.e., Net Operating Income (NOI) divided by total development cost), for which we assumed a minimum threshold of one percentage point more than the applicable weighted average income capitalization (or "cap") rate for new development at this location, to account for investment risk.[2]

[1] This Financial Feasibility Analysis is for Alternative 9 (Gehry Partners Design), and supplements our March 1, 2016 Financial Feasibility Analysis for the 1:1 FAR development scenario and the original project 3:1 FAR development scenario.

[2] The cap rate used for the feasibility determination in this analysis is a weighted average, based on the share of Net Operating Income (NOI) generated by retail versus residential uses, which is then multiplied by the cap rate for each respective land use. For example, with approximately $4.0 million in retail NOI and approximately $7.1 million in residential NOI (i.e., generated by 191 market rate apartments and 28 affordable units), the resulting weighted average cap rate 4.6% includes a larger contribution from the residential cap rate than the retail cap rate.

Second, we evaluated the developer profit margin that would be generated by the project. This involved dividing the NOI from the project's rental components (retail and apartments) by the weighted average cap rate to estimate the sale value of the rental component of the development at stabilized operation. We then added estimated sale proceeds for the project's for-sale condominium units, and deducted costs of sale and total development costs. The ratio of the resulting developer profit to the net after-sale value of the project as a whole was then compared with a minimum developer profit margin threshold of 12.5 percent, which in our experience is a typical return threshold for Los Angeles development projects (i.e., midpoint of a 10-15 percent range). Both of these return metrics are viewed as conservative (i.e., relatively low), considering the significant entitlement and litigation risk associated with a large project in the Hollywood Community Plan area.

Using this approach and based on the analysis summarized below, and supported by the calculation detail in Attachment B to this letter, we conclude that:

- **The development designed by Gehry Partners with 191 market rate rental units, 28 affordable rental units for very low-income households, 30 market rate for-sale units, 65,000 square feet of commercial space, and Affordable Housing Incentives that achieve a 3.0 FAR would be financially feasible.** This is because the income-producing uses would generate a return on total development cost that is greater than the minimum threshold (i.e., 5.7% vs. 4.6%), and the entire project including the for-sale units, would generate a developer profit margin that is greater than the minimum acceptable threshold (i.e., 15.9% vs. 12.5%).

The basis for this conclusion is summarized below. Sources and notes for the assumptions used in the analysis are included with more detailed pro formas in Attachment B to this letter.

As shown in Table 1, the project's development costs total $276.5 million, Net Operating Income totals $11 million and Net Sales Revenue totals $89.4 million. As stated above, the minimum return on cost feasibility threshold for the income-producing uses was set at one percentage point more than a weighted average of the applicable cap rates for each rental land use (i.e., 5.4% for retail and 4.2% for multi-family residential, resulting in a weighted average cap rate for this development scenario of 4.6%). In order to appropriately reflect the return on cost of the NOI generated by the rental uses, both the condominium sales and the cost of constructing the condominiums were excluded from this calculation. The resulting return on total development cost, less the condominium construction cost, is 5.7 percent, as compared with a minimum threshold of 5.6 percent. For the project as a whole, which includes the sale value of the condos and the cost of construction for all product types, the ratio of developer profit to net after-sale value produces a profit margin of 15.9 percent, as compared with a minimum threshold of 12.5 percent. Therefore, this development scenario is financially feasible.

Table 1: The 3.0 FAR Development Scenario designed by Gehry Partners with Market Rate and Affordable Housing and Retail, Density Bonus, Flexible Parking Incentives, and Off-Menu FAR Incentives

	With Affordable Housing Incentives	
	Per Unit	Total
Development Program		
Land Area (sf)	447	111,339
Gross Building Area (GSF)	1,341	333,903
FAR (based on GSF)		3
Rentable Area - Residential (NSF)	675	168,170
Rentable Area - Commercial (NSF)		65,000
Sellable Area - Residential (NSF)		61,144
Building Efficiency		88.1%
Apartments		
Market Rate		191
Affordable		28
Condominium		30
Total Units		249
Subterranean Parking		
Levels		4
Total Residential & Commercial Parking		820
Development Costs		**Total**
Land Acquisition		$ 34,000,000
Hard Construction		$ 165,150,949
Soft Costs		$ 52,291,619
Financing Costs		$ 25,084,398
Total Development Cost (TDC)		**$ 276,526,966**
Sales - Residential		
Net Sales Revenue		**$ 89,478,660**
Net Operating Income		Annual
Net Apartment Income		$ 7,073,527
Net Commercial Income		$ 3,953,235
Net Operating Income (NOI)		**$ 11,026,762**
Feasibility		
Return on Cost (NOI / TDC)		**5.7%**
Feasible?		**YES**
(Minimum = Cap Rate + 1.00% = 5.6%)		
Developer Profit Margin		
Net Project Sale Value		$ 328,687,766
Less: Total Development Cost (from above)		$ (276,526,966)
Developer Profit		**$ 52,160,800**
Developer Profit Margin		**15.9%**
Feasible?		**YES**
(Minimum = 12.5%)		

The details of our analysis of project feasibility are included in Attachment B to this letter. As noted above, AG-SCH provided us the basic development program for both scenarios, the 2012 land acquisition cost (which we reviewed against comparable sales for that period) and a conceptual estimate of development costs prepared by Suffolk Construction (which we reviewed against Marshall & Swift cost estimations for the Los Angeles area). AG-SCH also provided us the costs associated with the buy-out of eight existing tenants on the site, including two major national/regional fast food chains, and other design, environmental, legal and outreach (collectively "consultant") costs in consideration of the unique character of the proposed project design and the high degree of litigation risk associated with major projects within the Hollywood Community Plan area. As also noted above, we used the development programs, land, buy-out and consultant costs, but applied our own independent calculations of development costs, net operating income and investment returns.

Development costs for the 3.0 FAR Development Scenario designed by Gehry Partners reflect both an elevated level of interior and exterior finishes as well as extensive subterranean parking, which will require major excavation and export of soil. In addition, the retail component of the project will require broker involvement to ensure rapid lease-up, commissions for which are included in total development costs. The elevated levels of finishes are expected to support residential and retail pricing at the highest end of current offerings in the Los Angeles area, which will be consistent with retail and residential products along the Sunset Strip portion of Sunset Boulevard in West Hollywood and Los Angeles.

The market rate apartment rents used to calculate NOI for the project, which average about $6.30 per square foot are based on a review of market comparables for high-end, new construction apartments with retail in prime submarket areas and an analysis of rent premiums associated with highly-amenitized, luxury buildings as well as rent premiums associated with buildings designed by high-profile architects such as Frank Gehry. There are few directly comparable buildings in the Los Angeles region and as such, the rents used in this analysis are conservative estimates. The closest comparable is 8500 Burton Way, where apartment rents are reported to average about $7.00 per square foot. Our analysis assumes that, unlike many apartment buildings, rents for larger units are slightly higher on a per-square-foot basis than smaller units, as larger units will be located on higher floors with premium views. Reported rents for 8500 Burton and two additional comparable buildings, as well as estimated cap rates for recent nearby sales are included in Attachment A of this memo.

The condominium sale prices used to calculate the project's net sales revenue, which average about $1,770 per square foot, are based on a review of market comparables for the highest-end of newly constructed condominiums in prime submarket areas. Reported sales for these properties are also included in Attachment A of this memo. It assumed that the comparable properties already include a premium associated with either a high-profile architect, superior level of services or location, and as such, there is no additional premium incorporated into the analysis.

In determining the above-mentioned development costs, net operating income, project value and investor returns, HR&A relied on generally accepted third party and other data sources (sources for all assumptions are included in Attachment B) and our own expertise. HR&A is a national economic development, real estate advisory and public policy consulting firm. We have extensive experience analyzing the financial feasibility of many different kinds of development products and planning initiatives, including extensive experience in the Los Angeles metro area. Our clients include a wide range of private and public sector organizations, including various departments of the City of Los Angeles.

Please contact me if you or the City of Los Angeles Department of City Planning has any questions about our analysis and conclusions.

Sincerely,

Paul J. Silvern
Vice President

Attachment A: 8150 Sunset Blvd. Rent and Cap Rate Comparables
Attachment B: 8150 Sunset Blvd. Financial Feasibility Analysis Without and With Proposed Density Bonus and Affordable Housing Incentives for Increased Floor Area

HR&A Analyze. Advise. Act.

ATTACHMENT A

8150 Sunset Blvd. Rent, Sale, and Cap Rate Comparables

Apartment Rent Comparables[1]

	Average Unit Size (SF)		Average Rents		Average Rents Per SF	
Address	**1 BR**	**2+ BR**	**1 BR**	**2+ BR**	**1 BR**	**2+ BR**
8500 Burton Way	991	1,448	$6,469	$9,005	$6.53	$6.22
375 N. La Cienega Blvd	707	1,254	$3,176	$5,247	$4.49	$4.18
10700 Wilshire Blvd	1,234	1,809	$6,200	$9,672	$5.02	$5.35
Average	**977**	**1,504**	**$5,282**	**$7,975**	**$5.35**	**$5.25**
Average w/ 15% High-Profile Architect Premium			**$6,074**	**$9,171**	**$6.15**	**$6.04**

Source: CoStar Group

[1] Includes large, very high-end new construction

Condominium Sale Comparables

	Average Unit Size		Average Sale Prices		Average Sale Prices PSF	
Address	**2BR**	**3+BR/PH**	**2BR**	**3+BR/PH**	**2BR**	**3+BR/PH**
1 Century Drive	2,683	5,336	$3,402,885	$8,833,030	$1,268	$1,655
1200 Club View Dive	3,398	3,888	$5,458,000	$9,512,118	$1,606	$2,447
1705 Ocean Ave	1,579	2,195	$2,140,272	$4,950,000	$1,355	$2,255
1755 Ocean Ave	1,666	2,405	$2,434,690	$5,100,167	$1,461	$2,121
225 N Canyon Drive		4,091		$9,306,269		$2,275
Average	**2,332**	**3,583**	**$3,358,962**	**$7,540,317**	**$1,423**	**$2,151**

Source: Redfin

Retail Rent Comparables[1]

Address	**Average Monthly Rent Per SF**
6410-6412 Hollywood Blvd	$3.75
300-306 N Robertson Blvd	$7.00
8969 Santa Monica Blvd	$5.50
1050-1062 Vine St	$3.95
6338-6344 Hollywood Blvd	$5.70
6660 W Sunset Blvd	$3.50
8250-8254 Melrose Ave	$5.95
8101 Melrose Ave	$10.00
8373 Melrose Ave	$6.00
1619 N La Brea Ave	$4.00
Average	**$5.54**

Source: CoStar Group

[1] Includes retail spaces over 1,500 SF within the West Hollywood and Hollywood submarkets, with NNN lease initiation dates after June 2015.

Cap Rate Comparables[1]

Address	**Cap Rate**
Multifamily Residential[2]	
1724 Highland Ave	3.88%
7950 Sunset Blvd	4.25%
10700 Wilshire Blvd	3.30%
6138 Franklin Ave	3.40%
5659 8th St	3.50%
6300 Hollywood Blvd	7.00%
Average	**4.22%**
RERC - Apartment	4.80%
Retail[3]	
8000 W Sunset Blvd	6.00%
6904-6912 Hollywood Blvd	6.75%
11817-11819 Wilshire Blvd	3.50%
Average	**5.42%**
RERC - Retail	5.80%

Source: CoStar Group; Real Estate Research Corp 2015 Q4 data

[1] Within the Bel Air, Beverly Hills, Brentwood, Century City, Hollywood Hills,

[2] Includes properties that were built after 2000, have 50 or more residential

[3] Includes properties with 30,000 or more square feet of retail space that were sold after January 2012.

Attachment B

8150 Sunset Blvd. Project

Financial Feasibility, With Density Bonus, 3.0 FAR Development Scenario Designed by Gehry Partners with Off-Menu FAR Incentive, Parking Reduction and Side Yard Reduction

	With Density Bonus	
	Per Unit	Total
Development Program[1]		
Land Area (sf)	447	111,339
Gross Building Area (GSF)	1,341	333,903
FAR (based on GSF)		3.0
Rentable Area - Residential (NSF)	675	168,170
Rentable Area - Commercial (NSF)		65,000
Sellable Area - Residential (NSF)		61,144
Building Efficiency		88.1%
Apartments		
Market Rate		191
Affordable		28
Condominium		30
Total Residential Units		249
Subterranean Parking		
Levels		4
Total Residential & Commercial Parking		820

Unit Mix[1]	Number	Net Rentable SF	Mo. Rent/NRSF	Mo. Rent	Total Mo. Rent
Market Rate[2]					
Studio	48	480	$6.40	$3,072	$ 147,456
1 Bedroom	116	775	$6.25	$4,844	$ 561,875
2 Bedroom	17	1,150	$6.10	$7,015	$ 119,255
3 Bedroom	10	1,400	$6.50	$9,100	$ 91,000
	191				$ 919,586
Affordable[3]					
Studio	6	480	$0.96	$463	$ 2,778
1 Bedroom	18	775	$0.67	$520	$ 9,360
2 Bedroom	3	1,150	$0.50	$576	$ 1,728
3 Bedroom	1	1,400	$0.45	$634	$ 634
	28				$ 14,500

	Number	Net SF	Sale Price/NSF	Total Sale Price	Total Sales
Condominium[4]					
2 Bedroom	15	1,500	$1,650	$2,475,000	$ 37,125,000
3 Bedroom	13	2,200	$1,450	$3,190,000	$ 41,470,000
4 Bedroom	2	5,022	$2,100	$10,546,200	$ 21,092,400
	30				$ 99,687,400

Land	Per Land SF	Per Unit	Total
Land Acquisition[5]	$ 305	$ 136,546	$ 34,000,000
Subtotal Land	$ 305	$ 136,546	**$ 34,000,000**

Construction[6]		Per Bldg. GSF	Per Unit/Space	Total
Hard Construction-Buildings (weighted average for all components)		$ 331	$ 444,283	$ 110,626,468
Hard Construction-Subt. Parking (per space)[7]	820		$ 42,500	$ 34,850,000
Hard Construction-Sitework (x Excavation Cu. Yard)[8]	$75			$ 4,387,500
Hard Construction-Site Improvements (x Open Area SF)	$50			$ 4,172,650
Tenant Improvements Allowance (x Retail NSF)[8]	$50	$ 10		$ 3,250,000
Hard Cost Contingency (x Subtotal)[7]	5%	$ 24	$ 31,584	$ 7,864,331
Subtotal Construction		$ 495	$ 663,257	**$ 165,150,949**

Soft Costs[9]				
Design, Engineering & Consulting Services (x Hard Costs)	14.0%	$ 69.25	$ 92,856	$ 23,121,133
Permits & Fees (x Hard Costs)	4.0%	$ 19.78	$ 26,530	$ 6,606,038
Taxes, Insurance, Legal & Accounting (x Hard Costs)	3.0%	$ 14.84	$ 19,898	$ 4,954,528
Development Management (x Hard Costs)	4.0%	$ 19.78	$ 26,530	$ 6,606,038
Tenant Buyouts[10]		$ 15.27	$ 20,482	$ 5,100,000
EIR, Legal, & Public Outreach[11]		$ 8.09	$ 10,843	$ 2,700,000
Leasing Commissions[12]		$ 5.89	$ 7,893	$ 1,965,250
Soft Cost Contingency (x Subtotal)	3.0%	$ 3.71	$ 4,974	$ 1,238,632
Subtotal Soft Costs	31.7%	$ 156.61	$ 210,007	**$ 52,291,619**

Construction Financing Costs[9]		Per GSF	Per Unit	Total
Land + Hard Costs + Soft Costs	$ 251,442,568			
Loan to Cost Ratio	80%			
Construction Loan Principal	$ 201,154,054			
Loan Fees (%)	2.0%	$ 12.05	$ 16,157	$ 4,023,081
Interest Rate	6.0%			
Outstanding Principal Balance	60%			
Term (years)	2			
Construction Period (months)	30			
Construction Loan Interest		$ 54.22	$ 72,706	$ 18,103,865
Permanent Loan Points	2.0%	$ 8.86	$ 11 877	$ 2 957 452
Subtotal Construction Loan		$ 75.12	$ 100,741	**$ 25,084,398**
Total Development Cost (TDC)		$ 828.17	$ 1,110,550	**$ 276,526,966**

Sales - Residential

		Number	Net SF	Sales Price/NSF	Sales Price/ Unit	Total Sales Price
Total Units		30				
2 Bedroom		15	1,500	$ 1,650	$ 2,475,000	$ 37,125,000
3 Bedroom		13	2,200	$ 1,450	$ 3,190,000	$ 41,470,000
4 Bedroom		2	5,022	$ 2,100	$ 10,546,200	$ 21,092,400
Total Unit Sales Price						$ 99,687,400
Less: Marketing and Cost of Sale[9]	10%					$ (9,968,740)
Less: HOA Fees Through Full Building Absorption[13]					$ (18,000)	$ (270,000)
Less: Warranties [3]		30			$ 1,000	$ 30,000
Net Sales Revenue				$ 1,463		**$ 89,478,660**

Net Operating Income			Net SF	Per Unit/Mo.	Per NSF/Unit/Mo.	Annual
Gross Apartment Rental Income						
Market Rate Apartments[2]		191		$ 4,891	$ 6.38	$ 11,209,032
Affordable Apartments (Very Low-Income)[3]		28		$ 518	$ 0.67	$ 174,000
Miscellaneous Revenue[9]				$ 50	$ 0.07	$ 149 400
Gross Income				$ 3,860	$ 5.71	$ 11,532,432
Less: Vacancy Allowance[9]	5 0%			$ (193)	$ (0.29)	$ (576,622)
Effective Gross Income (EGI)				$ 3,667	$ 5.43	$ 10,955,810
Less: Annual Operating Expenses (x EGI)[9]	35 0%			$ (1,283)	$ (1.90)	$ (3,834,534)
Less: Replacement Reserve (per unit/year)[9]	$250			$ (16)	$ (0.02)	$ (47,750)
Net Apartment Income				$ 2,367	$ 3.51	$ 7,073,527
			Net SF		Per NSF//Mo	Annual
Gross Retail Rental Income (NNN)[2]			65,000		$ 5.50	$ 4,290,000
Less: Vacancy Allowance (x Gross Income)[9]	5%				$ (0.28)	$ (214 500)
Effective Gross Income (EGI)					$ 5.23	$ 4,075,500
Less: Management Fee (x EGI)[9]	3%				$ (0.16)	$ (122,265)
Net Commercial Income					$ 5.07	$ 3,953,235
Net Operating Income (NOI)					$ 2.75	**$ 11,026,762**

Feasibility		
Return on Total Development Cost	TDC	Annual NOI
Net Operating Income (from above)		$ 11,026,762
Subtotal Development Cost (from above)	$ 276,526,966	
Less: Condominium Development Cost[14]	$ (82,352,890)	
Total Development Cost		$ 194,174,077
Return on Cost (NOI / TDC)		**5.7%**
Feasible?		**YES**
(Minimum = Weighted Average Cap Rate + 1.00% = 5 6%)[9]		

Developer Profit Margin		
Net Operating Income (from above)		$ 11,026,762
Weighted Average Cap Rate[15]	4.6%	
Apartment and Retail Value (NOI x Cap Rate)		$ 241,625,359
Less: Cost of Sale[9]	1.0%	$ (2,416,254)
Plus: Condominium Sales		$ 89 478 660
Net Project Sale Value		$ 328,687,766
Less: Total Development Cost (from above)		$ (276,526,966)
Developer Profit Margin		**$ 52,160,800**
% x Net Project Sale Value		**15.9%**
Feasible?		**YES**
(Minimum = 12.5%)[9]		

SOURCES & NOTES

[1] Townscape Partners.

[2] HR&A, based on a review of market comps for high-end new construction apartments with retail in prime submarket areas and an analysis of rent premiums associated with highly-amenitized, luxury buildings.

[3] LA Housing & Community Investment Dept. affordable rent schedule for Density Bonus program (Schedule VI), August 1, 2015, net of utility allowances, per Housing Authority of the City of Los Angeles.

[4] HR&A, based on a review of market comps for high-end new construction condominiums with retail in prime submarket areas and an analysis of rent premiums associated with highly-amenitized, luxury buildings.

[5] Townscape Partners-reported 2012 sale price. HR&A's review of comparable land sales for that period finds a range of prices between $400 and $600 PSF, suggesting that this price is reasonable and likely significantly below current market value.

[6] HR&A estimate of weighted retail ($238 psf) and residential ($351 psf apartments; $458 psf condominiums) based on Marshall & Swift Cost Estimator software, January 2016 data for LA area. Includes demolition, some site work, but factored to remove soft costs listed separately. Assumes an above-average quality, higher ceiling heights and adjustments for unusual facade/perimeter conditions. Additional supporting documentation from HR&A is available upon request.

[7] HR&A estimate of parking costs based on Marshall & Swift Cost Estimator software, January 2016 data for LA area. Assumes subterranean parking at $100 per GSF and 425 square feet per space.

[8] HR&A estimate of additional site work costs due to the significant amount of soil to be excavated and exported to Irwindale, CA, based on Marshall & Swift Cost Estimator software, January 2016 data for LA area.

[9] HR&A assumptions typical for this type of project and/or calculations.

[10] Townscape Partners. Includes buyout of 8 tenants, including 2 major national/regional fast food chains and miscellaneous other retail.

[11] Townscape Partners. Includes consideration of entitlement uncertainties and the high degree of litigation risk associated with major developments within the Hollywood Community Plan area.

[12] HR&A. Assumes a 3% broker commission on 5-year term commercial leases and 1.5% commission on 5-year lease renewals and marketing costs for both residential units and commercial space.

[13] HR&A. Assumes average Homeowners Association (HOA) fees of $1,500 per month, and that 50% of units are pre-sold, with the remainder absorbed over a two-year period.

[14] Share of total development cost based on ratio of building hard construction costs associated with the condomium component of the project and associated circulation and amenity space to overall building hard construction costs..

[15] Blended 5.4% retail and 4.2% multifamily cap rate, based on HR&A review of third party data sources (e.g., CoStar data for sale of similar buildings within relevant, nearby submarkets since 2012).

Prepared by: HR&A Advisors, Inc.