

# **NEWMAN BUILDING**

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## **ECONOMIC ALTERNATIVE ANALYSIS SUMMARY REPORT**

**FEBRUARY 2023**

Prepared for:

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**Appendix A: Scenario Summaries and Comparisons**

**Appendix B: Scenario Assumptions and Returns**

## 1. Introduction complete

North Park Building, LLC (“Developer”) is currently in the entitlement phase of redeveloping 2906-12 University Avenue (“Project”) located within the City of San Diego (“City”). The Project is located on the corner of University Avenue and Kansas Street and is of historical significance to the City and is comprised of assessor parcels 446-412-10-00 and 446-412-11-00. The site totals approximately 0.33 acres and is comprised of several retail spaces totaling 24,764 square feet. The site is currently 24% occupied, with 5,951 square feet being occupied and 18,813 square feet being vacant. On January 27, 2023, the Historical Resources Board of the City of San Diego held a noticed public hearing to consider the historical designation of the Project. At this hearing, Staff Report Number: HRB-23-002 was presented and was approved 7-0-0, designating the Project as a Historical Resource and assigning it as the Edward and Emma Newman Building - HRB Site #1482.

## 2. Executive Summary

DPFG has completed an economic analysis of various development alternatives proposed by the Developer. The purpose of this analysis is to analyze the multiple development alternatives and detail the differences in anticipated returns and benefits of each development scenario for the City’s assessment in determining if there is substantial evidence to support a Site Development Permit Supplemental Findings for Historical Resources Deviation for Substantial Alteration of a Designated Historical Resource pursuant to (i) Supplemental Findings – Historical Resources Deviation for Substantial Alteration of a Designated Historical Resource or Within a Historical District A Site Development Permit required in accordance with San Diego Municipal Code Section 125.0505(i), our report concludes the following:

1. There are no feasible measures, including a less environmentally damaging alternative, that can further minimize the potential adverse effects on the designated historical resource or historical district.
2. The deviation is the minimum necessary to afford relief and accommodate the development and all feasible measures to mitigate for the loss of any portion of the historical resource have been provided by the applicant.
3. The denial of the proposed development would result in economic hardship to the owner. For purposes of this finding, “economic hardship” means there is no reasonable beneficial use of a property and it is not feasible to derive a reasonable economic return from the property.
  - a. *As further definition of economic hardship, the report concludes that for the 3-5 years leading up to the economic analysis contained herein, the market standard minimum Return on Cost (ROC) has been 5.0%. As interest rates have continued to rise there has been significant pressure from the capital markets for this base ROC to increase above 5.0%. Furthermore, the capital markets would expect to see an Internal Rate of Return (IRR) in the 12%-18% range.*

- b. *As shown in Appendix B: the Base project has a ROC of 5.1% and an IRR of 9.7%, while the ROC is just above the market threshold, the IRR is slightly below. While it would be true that these returns are still low, in comparison to the risk profile of this project, the ownership has remained committed to the vision for this project, to see the historic character of the building maintained while also delivery much needed housing units to our City, however, any further reduction in the returns would make the development infeasible due to the ownerships ability to secure the required debt and equity to facilitate the project.*

In addition to the above findings, our report also concludes the following:

4. All potential scenarios regarding the site have been analyzed as well as only rehabilitating the site with no alterations.
5. Scenario 1 results in the highest and best use from a development standpoint but also results in the maximum total affordable unit count and residential count for the City.
6. Several of the other proposed scenarios show very small returns for the Developer and due to the required rehabilitation and maintenance of the existing façade, any unexpected delays or increases in costs has a high probability of resulting in a net zero or negative return to the Developer.
7. The façade is deteriorating due to the structural concrete having exceeded its useful life.
8. The scenario that results in the most affordable restricted units is the base project (Scenario 1).

### **3. Summary of Developed Scenarios –**

As part of the Neighborhood Development Permit required by the Historical Resources Board (“HRB”), DPF8 has reviewed six development scenarios proposed by the Developer for economic feasibility. The included Development Scenarios were selected through multiple meetings with City Historic Staff and then reviewed by the Design Assistance Subcommittee of the Historical Resources Board.

#### **3.1 Scenario 1: Base – Complete Communities – Step-Out**

- The base scenario maintains the existing building façade of the historic building and includes one subterranean level of parking with a total of 18 parking spaces alongside 92 residential units totaling approximately 63,550 square feet of residential and 8,217 square feet of commercial space. The 92 residential units are broken down between 16 affordable units and 76 market rate units. The first floor will include a signature restaurant, leasing offices/lobby, and utility/core. The remaining floors will be residential with a clubhouse located on the top floor. This scenario maximizes net rentable square footage and is designed to have the upper floors project out above the second level to the façade. This scenario maintains the 8’ setback from the corner tower at University Avenue and Kansas Street.

### **3.2 Scenario 2: Complete Communities – No Step-Out**

- Scenario 2 maintains the existing building façade of the historic building and includes one subterranean level of parking with a total of 18 parking spaces alongside 87 residential units totaling approximately 58,300 square feet and 8,217 SF of commercial. The scenario is anticipated to include 16 affordable units and 71 market rate units. The first floor will include a signature restaurant, leasing offices/lobby, and utility/core. The remaining floors will be residential with a clubhouse located on the top floor. This scenario maintains the 8’ setback from the historic façade across the entire height of the building and does not include the third to seventh floor projection over the second level.

### **3.3 Scenario 3: State Density Bonus**

- Scenario 3 maintains the existing building façade of the historic building and includes one subterranean level of parking with a total of 18 parking spaces alongside 70 residential units totaling approximately 54,750 square feet and 8,217 square feet of commercial space. The 70 residential units are broken down between 10 affordable units and 60 market rate units. The first floor will include commercial and will include a signature restaurant, leasing offices/lobby, and utility/core. The remaining floors will be residential with a clubhouse located on the top floor. This scenario maximizes the net rentable square footage according to State Density Bonus Law (“SDBL”) by employing the City’s 75% density bonus in exchange for a 25% total affordable housing requirement which is broken down between 15% very-low income and 10% moderate income units.

### **3.4 Scenario 4: Adaptive Re-use (No Addition to Existing Structure)**

- Scenario 4 has no additions to the existing structure and simply restores the existing building. There are no residential units planned within this scenario. The restoration would include updated commercial uses within the structure while maintaining the historical façade in its current condition. Very little restoration of the historical façade would be included in this scenario.

### **3.5 Scenario 5: Tower Atop Parcel 446-412-11-00 (Swami’s)**

- Scenario 5 maintains the existing building façade of the historic building and redevelops the non-historical building adjacent into an eight-story residential tower. The tower is anticipated to include 28 residential units totaling approximately 27,600 square feet and 12,396 square feet of commercial space. There would be no affordable / rent restricted units in this scenario because no density bonus program would be needed. Furthermore, the façade restoration work would be limited compared to the base project.

### **3.6 Scenario 6: Wedding Cake**

- Scenario 6 maintains the existing building façade of the historic building and is comprised of two additional new residential levels developed above the existing structure. This scenario includes 20 market rate residential units totaling approximately 15,200 square feet and 8,217 square feet of commercial space. This scenario attempts to mitigate the impact on the historic resource by conforming to the Secretary of the Interior’s Standards for Treatment of Historic Properties.

## 4. Approach to Analysis -

We reviewed the Project assumptions for the proposed Project and each proforma assumed the following:

- Project Schedule: Scenarios 1, 2, 3, 5, and 6 are all anticipated to be completed in 25 months. Scenario 4 is anticipated to only take 22 months to completion.
- Construction Costs: All construction costs were provided by Developer based on similar projects and construction types in the City. These were then confirmed with the collaboration of City-based general contractor, Econ Construction, by the Developer.
- Rental rates provided by Developer with multiple cross references for competitive newly constructed buildings in North Park.
- All scenarios assume a stabilized residential vacancy rate of 3.00%
- All scenarios assume a trended income and expense escalation of 3.50% per year.

## 5. Summary of Scenario Analysis -

We analyzed the Developers’ assumptions and anticipated Project performance for the properties under various alternatives. Scenario 1 includes the construction of one subterranean level of parking, construction of ground floor commercial and lobby space, and 6 levels of residential with residential amenities on the top floor. Based on the assumptions in Section 2, Scenario 1 is the most likely scenario to meet both the Developers and City goals. Scenario 1 is anticipated to generate a higher Internal Rate of Return (“IRR”) and a more desirable Return on Cost (“ROC”) during the lifetime of the Project. This scenarios’ projected returns are high enough to account for any market variation or unexpected delays or increases. Scenario 1 also results in the largest number of units both in the number of units built and the size of the units. The financial results of the individual scenarios are summarized in Appendix A: Scenario Summary.

### 5.1 Scenario 1 Summary: Base Project “Step Out – Complete Communities”

- Scenario 1 allows the Developer to attain the highest number of units while allowing a sufficient rentable square footage to be developed. This is due to floors 3-7 extending out to the façade, which helps to offset the anticipated costs of rehabilitating the façade. This scenario results in an estimated IRR of 9.7%. This

scenario is anticipated to result in a stabilized cash flow of approximately \$428,000 in year 4\*, as shown and detailed in Appendix B.

### **5.2 Scenario 2 Summary: “No Step Out – Complete Communities”**

- Scenario 2 is very similar to Scenario 1 but does not maximize the total net square footage of the site and is less economically feasible for the Developer. This reduction does not generate any benefits, as due to the similarities between the two scenarios, the reception by the public and the maintained historic façade will likely be the same regardless of which scenario is built. The revised plan breakdown lowers the total rentable square footage in comparison to Scenario 1, which in turn lowers the anticipated monthly rental income from the site. This reduction in Scenario 2 generates a lower annual IRR and ROC, as it is anticipated that Scenario 2 will result in a stabilized cash flow of approximately \$395,000 in year 4. The financial assumptions for Scenario 2 are detailed in Appendix B.

### **5.3 Scenario 3 Summary: “No Step Out – State Density Bonus”**

- Scenario 3 maximizes net rentable square footage according to State Density Bonus Law but results in a total loss of 22 residential units, including 6 fewer affordable units. The loss of units results in an anticipated stabilized cash flow of approximately \$347,000 in year 4\*. This results in a significantly lower return for the Developer compared to Scenario 1. The financial assumptions for Scenario 3 are detailed in Appendix B.

### **5.4 Scenario 4 Summary: “No Addition”**

- Scenario 4 rehabilitates the existing structure and does not change its current use. This results in no residential being added to the site as the current historical site is only commercial. The elimination of all residential is a significant loss to the Developer, as well as the City. It is anticipated that Scenario 4 will result in a stabilized cash flow of approximately \$146,000 in year 4\*. The financial assumptions for Scenario 4 are detailed in Appendix B.

### **5.5 Scenario 5 Summary: “Pencil Tower”**

- Scenario 5 only redevelops the non-historical site while still rehabilitating a portion of the historic façade. This results in a total loss of 64 residential units, including all the anticipated affordable units. The elimination of all the affordable units is necessary as the project would not be feasible without maximizing the total potential anticipated rent from the remaining by right units. When compared to Scenario 1, this results in a drop in the IRR of 5.90%. It is anticipated that Scenario 5 will result in a stabilized cash flow of approximately \$267,000 in year 4. The financial assumptions for Scenario 5 are detailed in Appendix B.

### **5.6 Scenario 6 Summary: “Wedding Cake”**

- Scenario 6 adds a small amount of residential to the existing building while rehabilitating a portion of the façade. This results in a total of 20 market rate units spread across two additional floors above the rehabilitated commercial buildings. The low unit count and need to rehabilitate the façade leads to a very low IRR for the Developer. It is anticipated that Scenario 6 will result in a stabilized cash flow of approximately \$170,000 in year 4\*. The financial assumptions for Scenario 6 are detailed in Appendix B.

\*Yr 4 is used as the stabilized cash flow metric because it is scheduled to be the first full year of stabilized operations following both the completion of construction, lease up period and pay off of the development loan with a permanent loan.

# **Appendix A: Scenario Summaries and Comparisons**

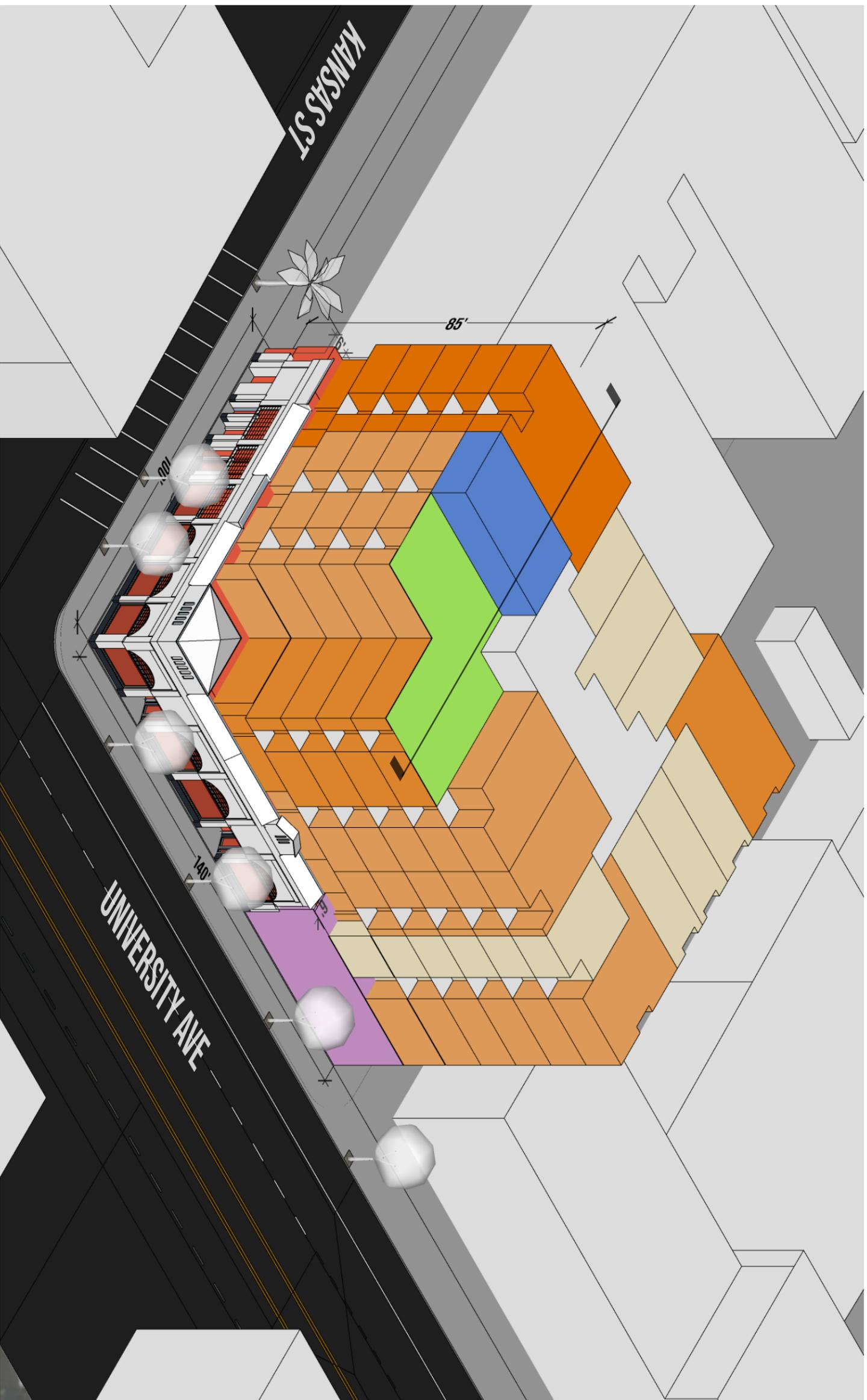
carrierjohnson + CULTURA

# THE NORTH PARK BUILDING LLC: THE NEWMAN BUILDING

02.14.2023



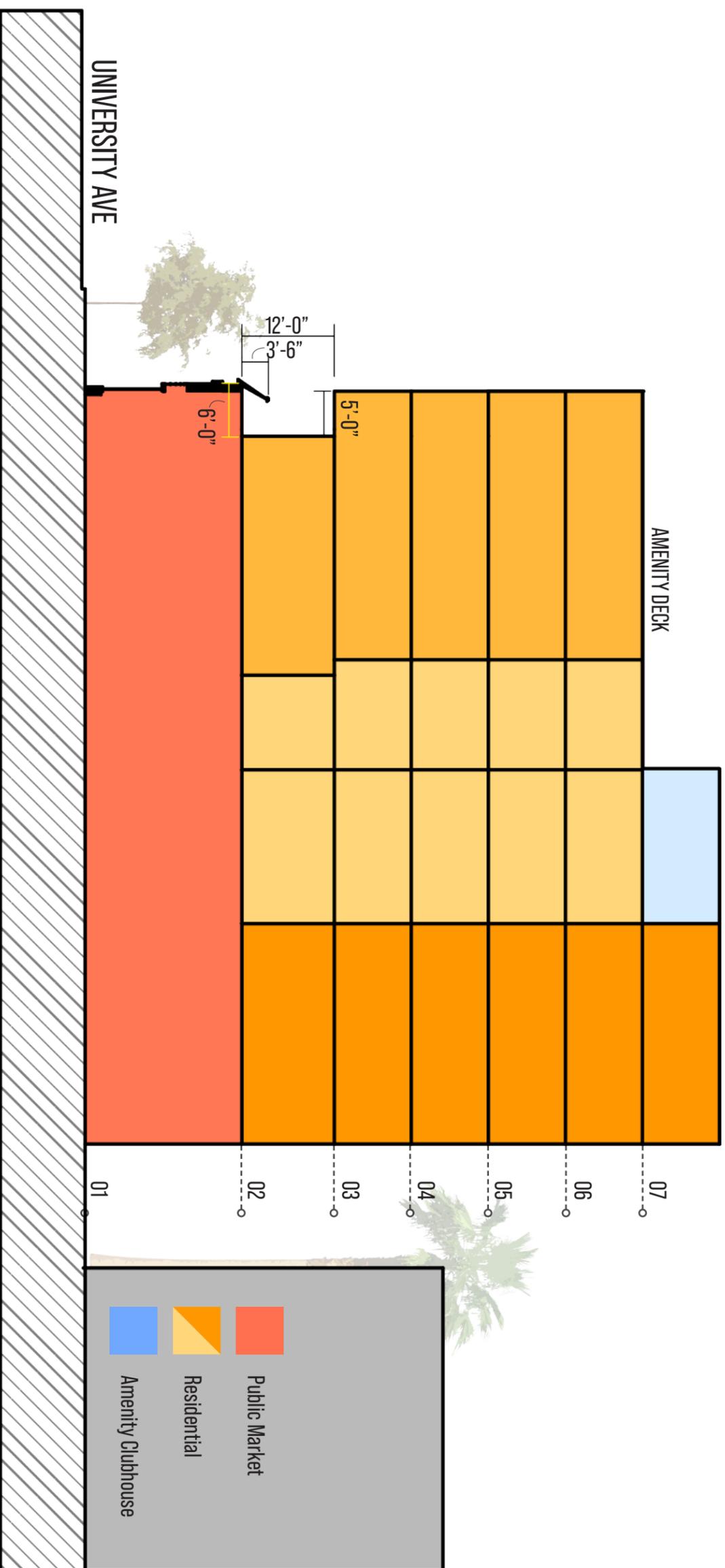
# SCHEME 1: BASE - COMPLETE COMMUNITIES - STEP-OUT



- Public Market
- Residential
- Lobby; Co-working
- Amenity Clubhouse
- Amenity Deck

Maximize net rentable with projecting upper-floors above the second-level/transition level's 6'-0" setback/relief from front (University Ave) and street side (Kansas Street) existing façades/property lines, as well as maintaining 8'-0" setback from corner tower at University Ave and Kansas Street.

# SCHEME 1 [STEP-OUT]: CROSS-SECTION



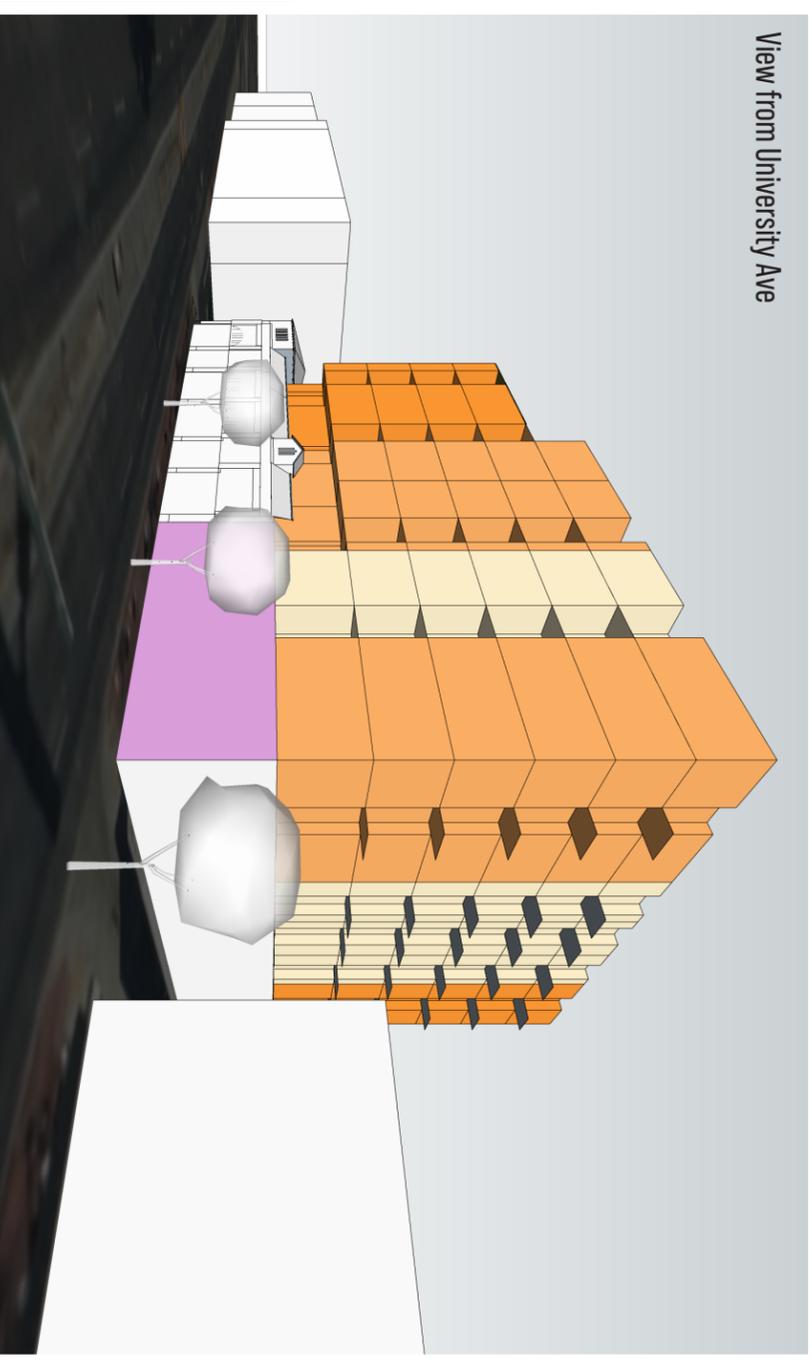
Levels 3-7 overhang 5' from the face of Level 2, which is set in 6' from the historical facade.

# SCHEME 1 [STEP-OUT]: VIEWS FROM STREET

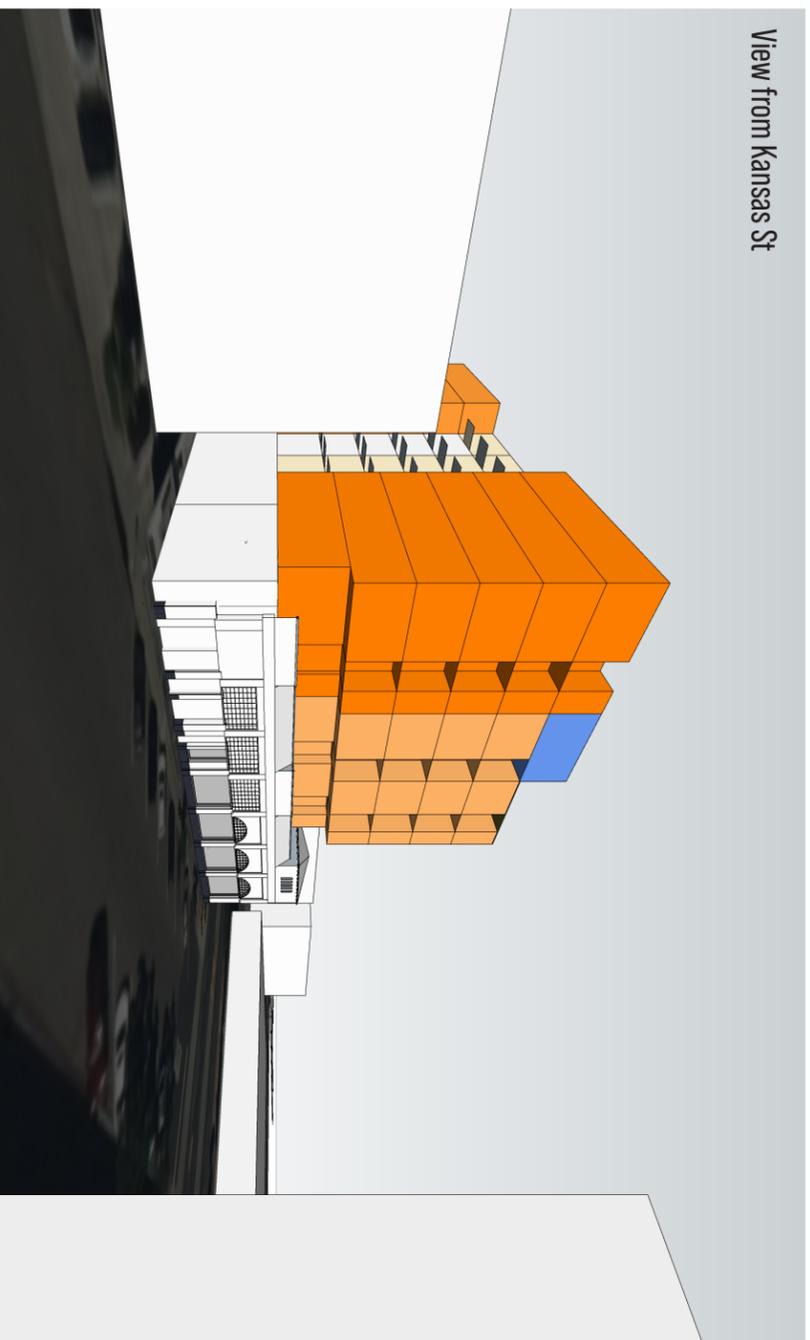
View from the intersection of Kansas St and University Ave



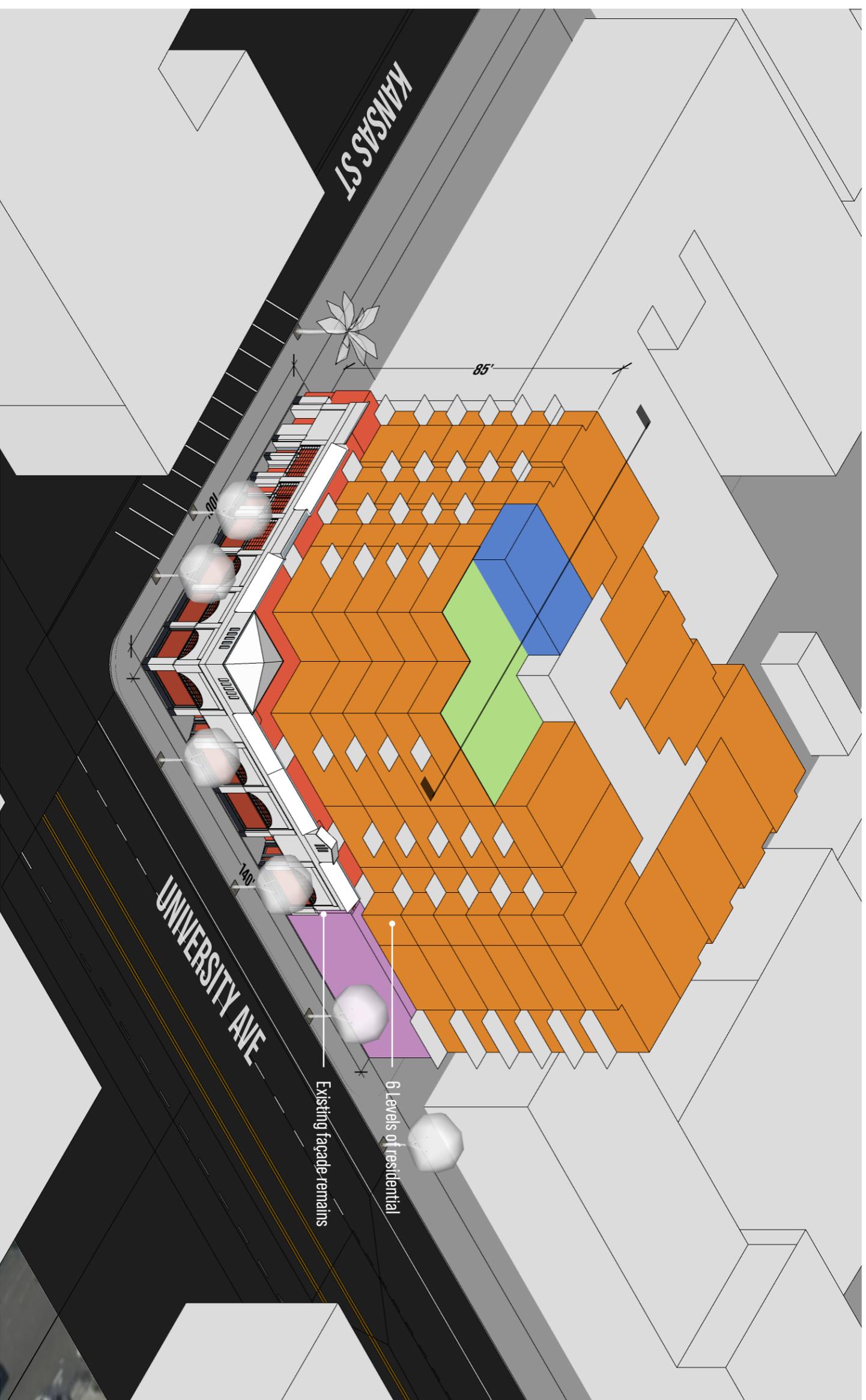
View from University Ave



View from Kansas St



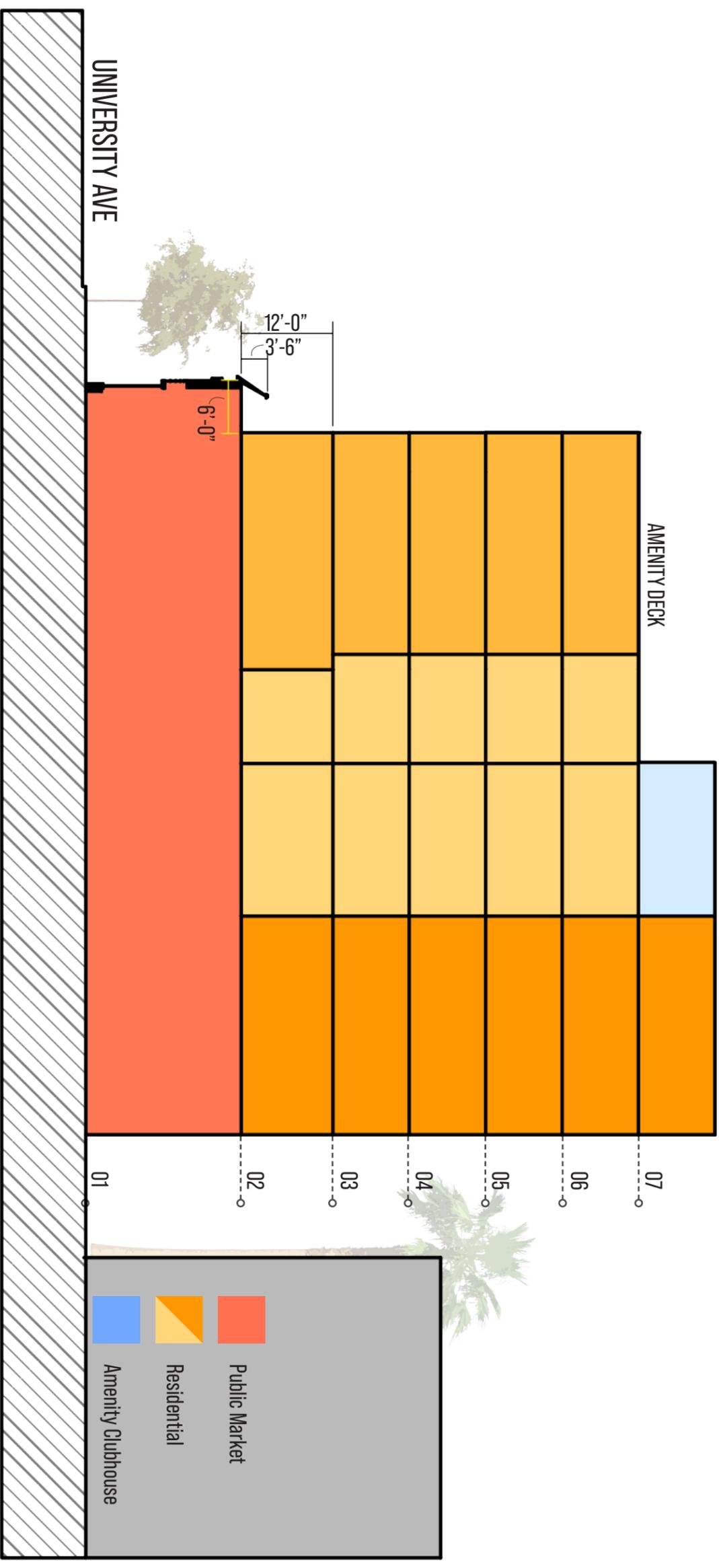
## SCHEME 2: COMPLETE COMMUNITIES - NO STEP-OUT



- Public Market
- Residential
- Lobby; Co-working
- Amenity Clubhouse
- Amenity Deck

Maintain 8'-0" setback/relief along front (University Ave) and street side (Kansas Street) facades/property line as well as maintaining setback from corner tower at University Ave and Kansas Street from second level/transition level up.

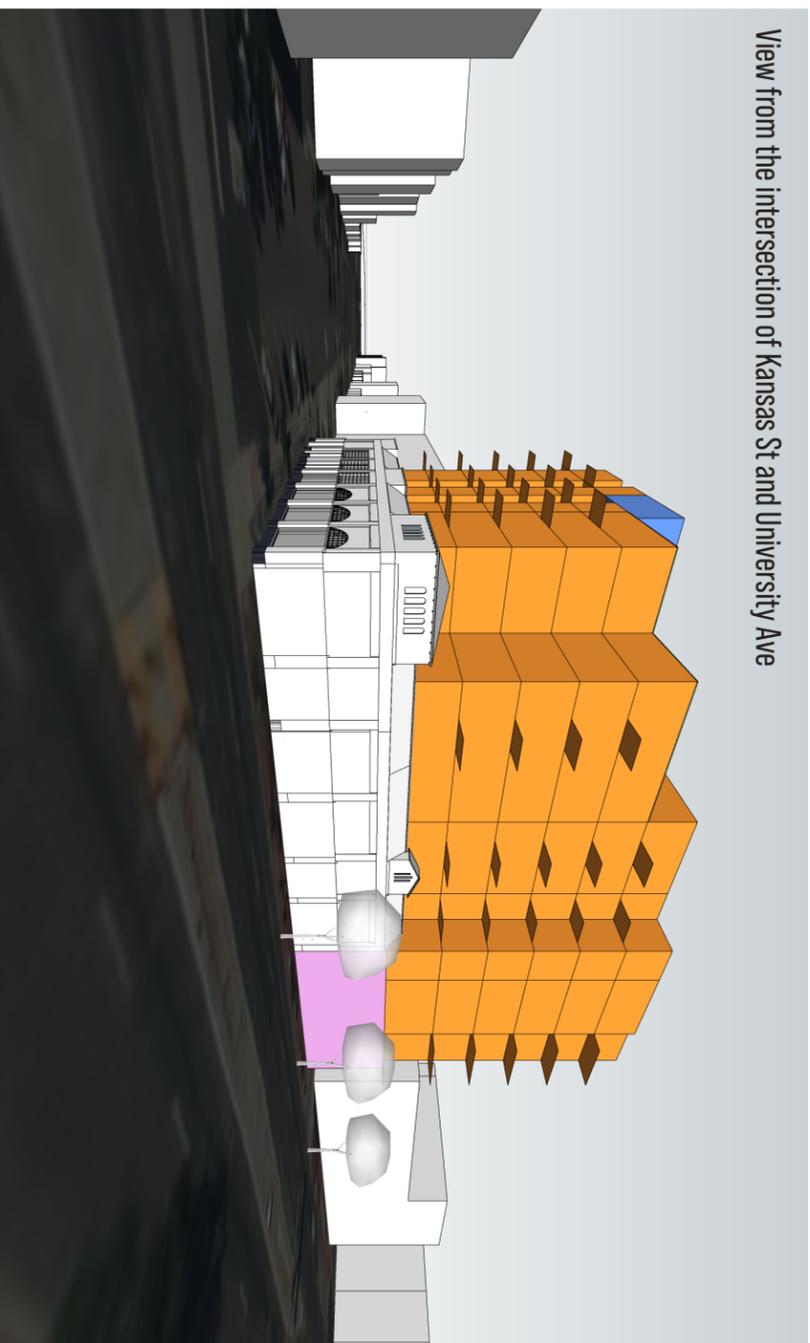
# SCHEME 2 (NO STEP-OUT): CROSS-SECTION



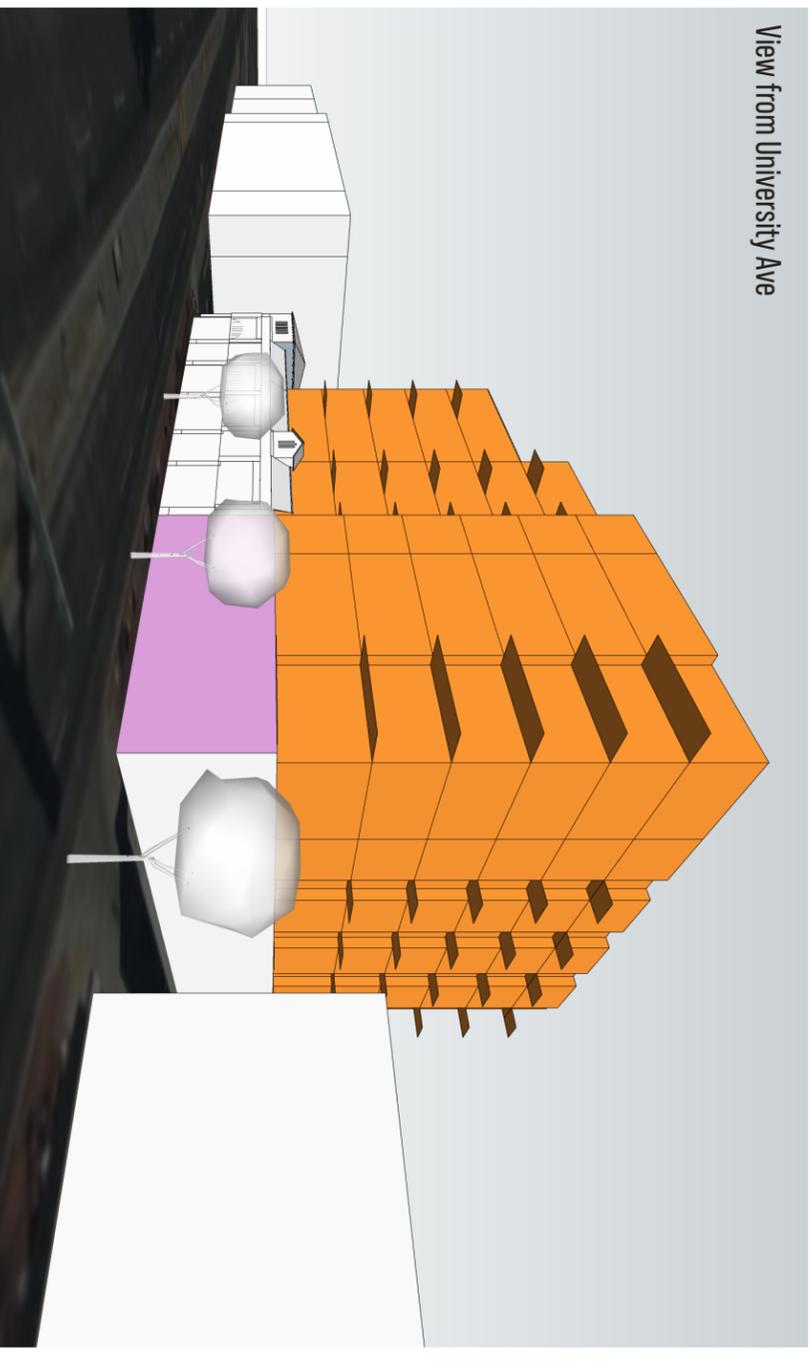
Street wall created by Levels 2-7 set in 6' from the historical facade is maintained throughout the height of the building.

# SCHEME 2 (NO STEP-OUT): VIEWS FROM STREET

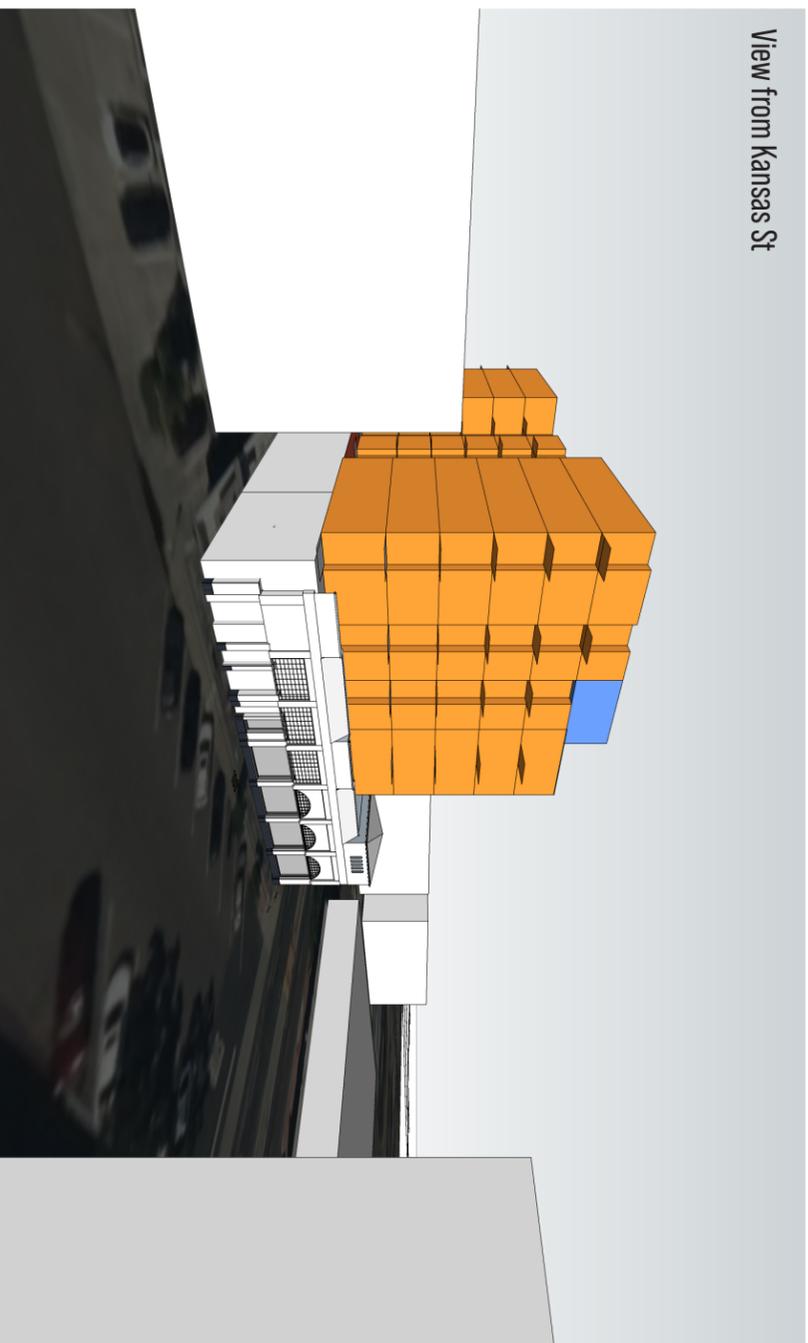
View from the intersection of Kansas St and University Ave



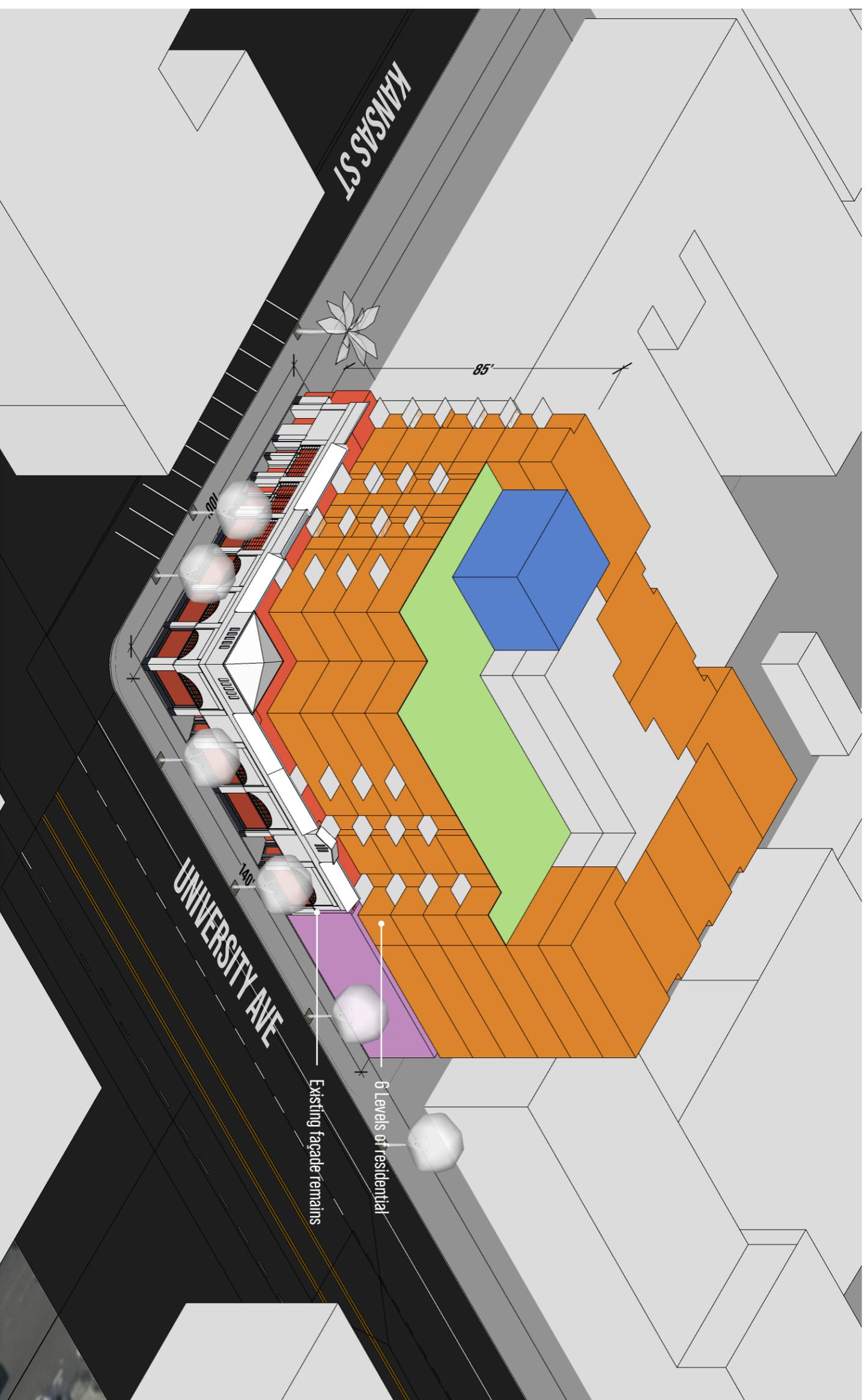
View from University Ave



View from Kansas St



# SCHEME 3 : STATE DENSITY BONUS

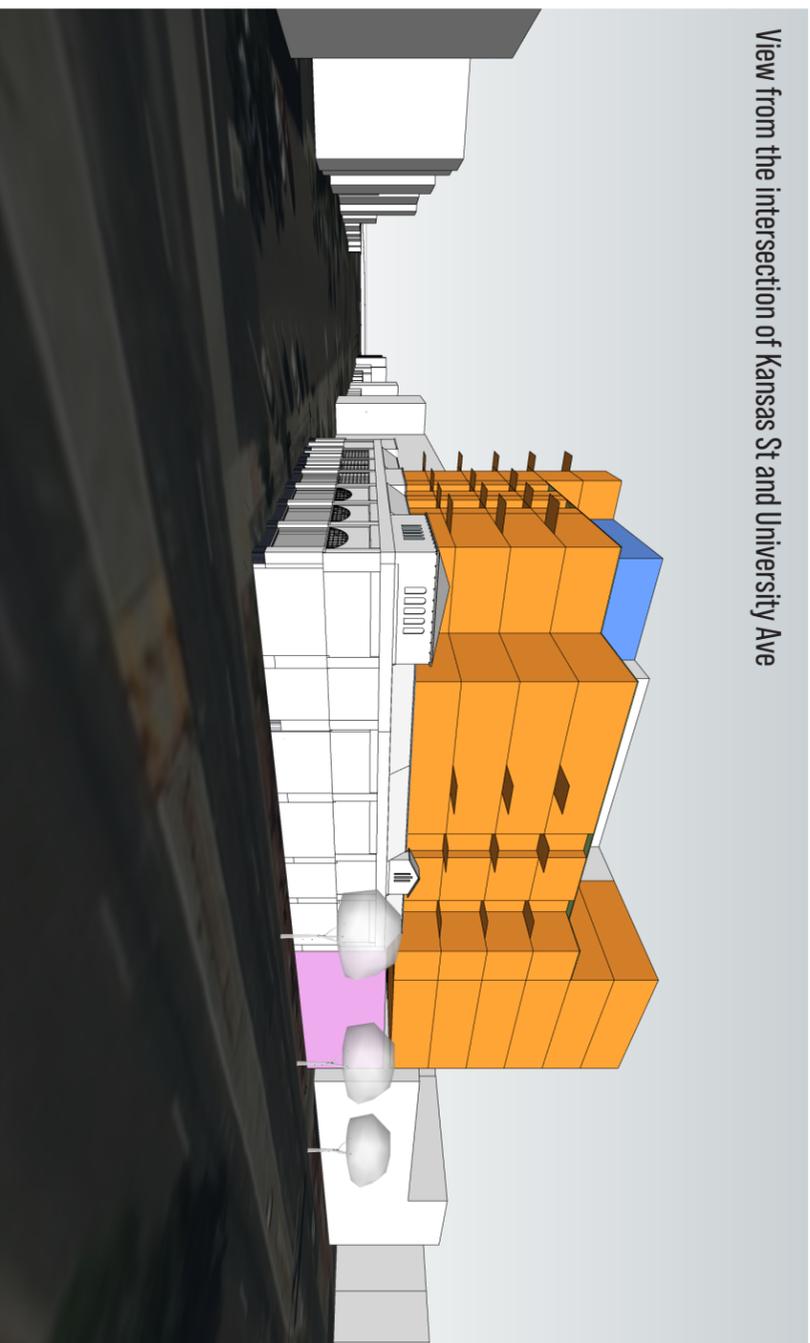


- Public Market
- Residential
- Lobby, Co-working
- Amenity Clubhouse
- Amenity Deck

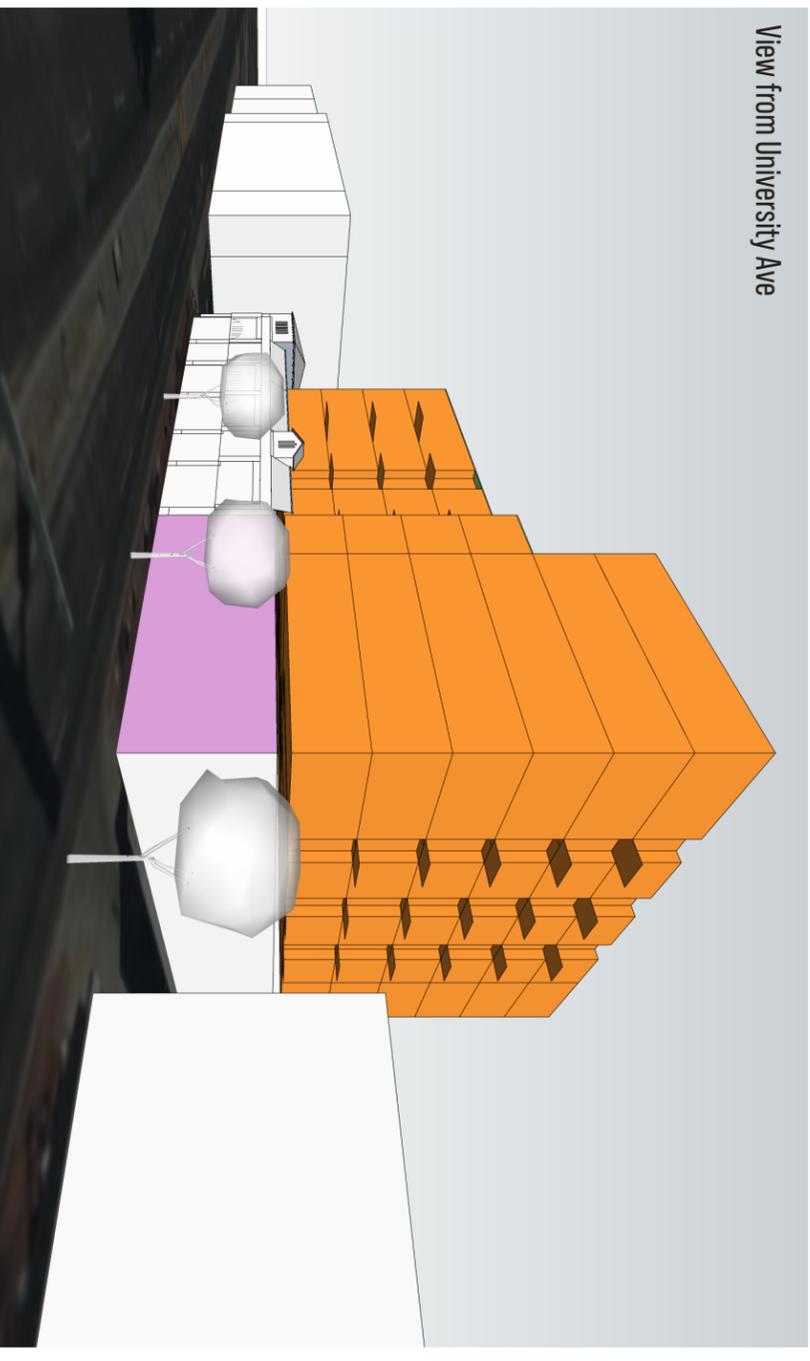
Maximize net rentable according to State Density Bonus Law (SDBL) option employing City of San Diego's 75% density bonus in exchange for a 25% total affordable housing requirement (15% very-low income and 10% moderate income).

# SCHEME 3 : VIEWS FROM STREET

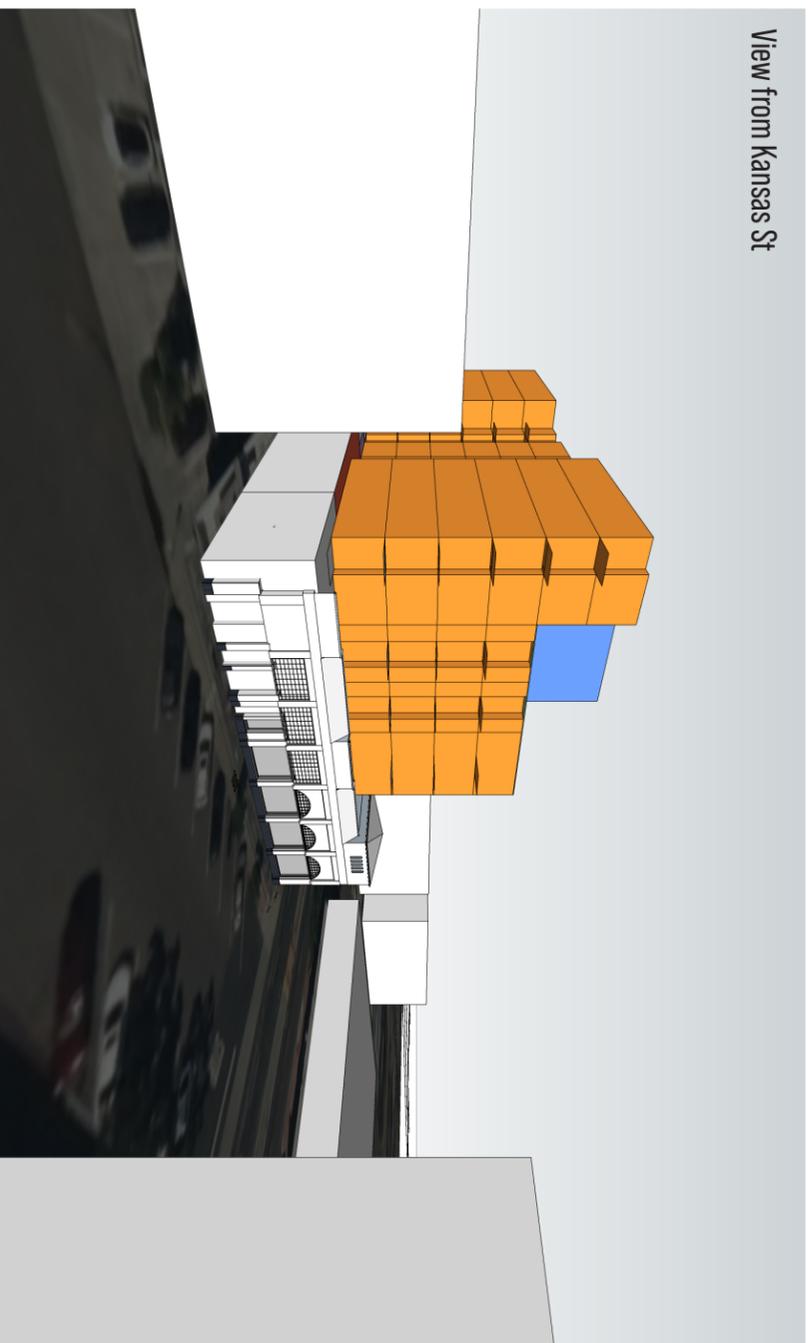
View from the intersection of Kansas St and University Ave



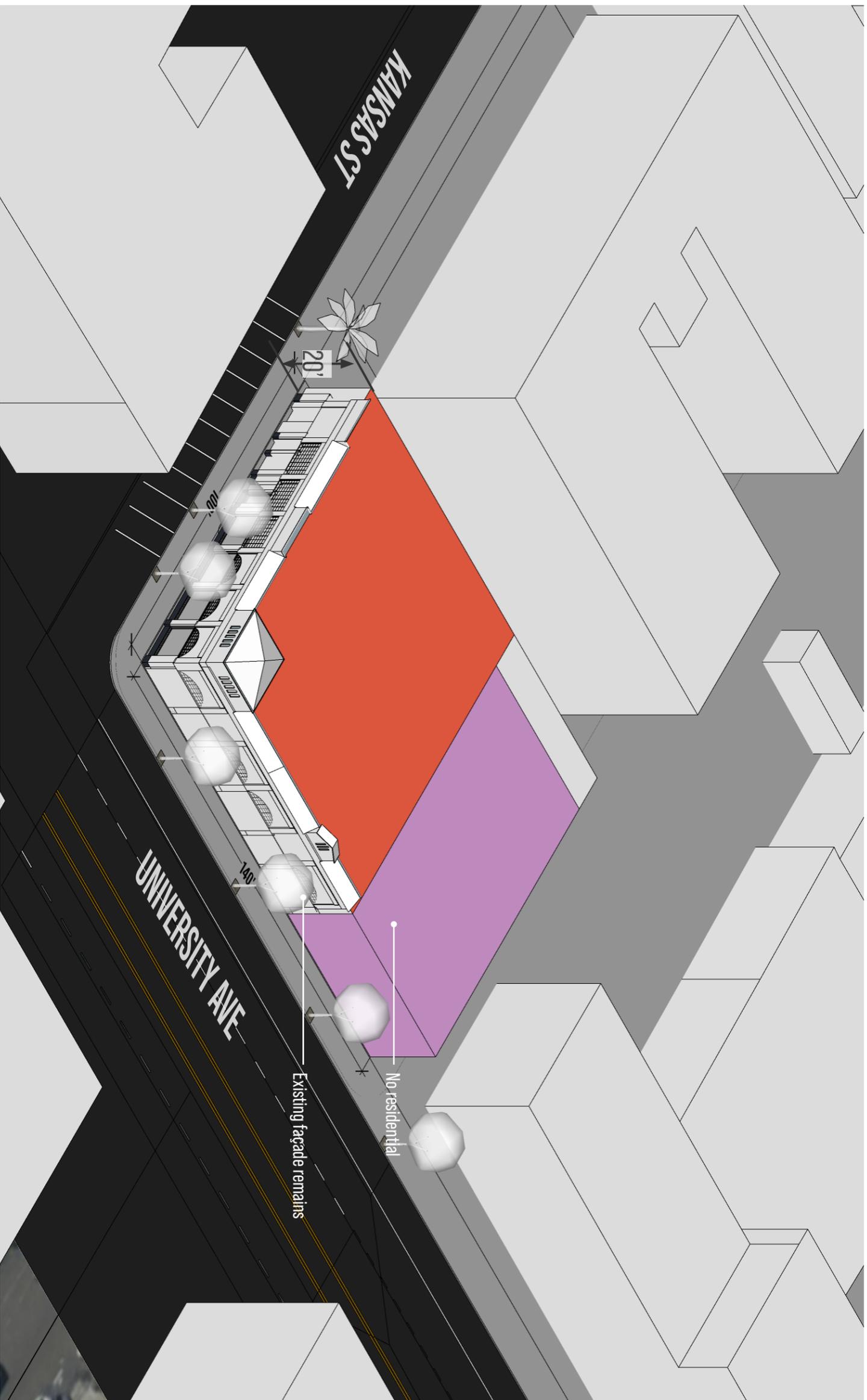
View from University Ave



View from Kansas St



# SCHEME 4 : ADAPTIVE RE-USE (NO ADDITION TO EXISTING STRUCTURE)



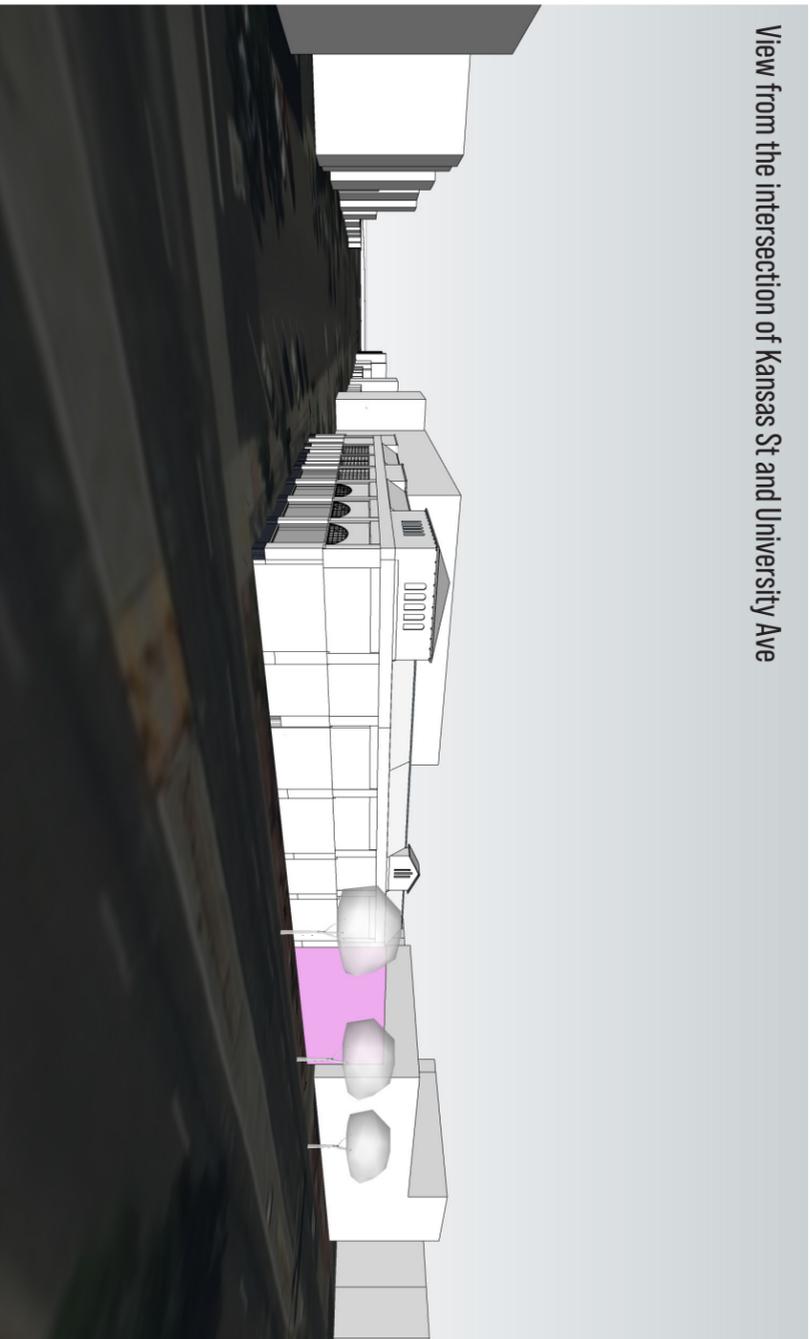
SUNSET TEMPLE NORTH PARK	
SCHEME 4 : NO ADDITION	
<i>No Parking</i>	
<b>Level 1</b>	
Public Market	8,468 sf
Leasing/Lobby	3,328 sf
Utility/Core	600 sf
Coworking Mezzanine	4,345 sf
<b>Total Gross</b>	<b>16,741 sf</b>
<b>Net Rentable</b>	<b>16,141 sf</b>

- Public Market
- Residential
- Lobby, Co-working

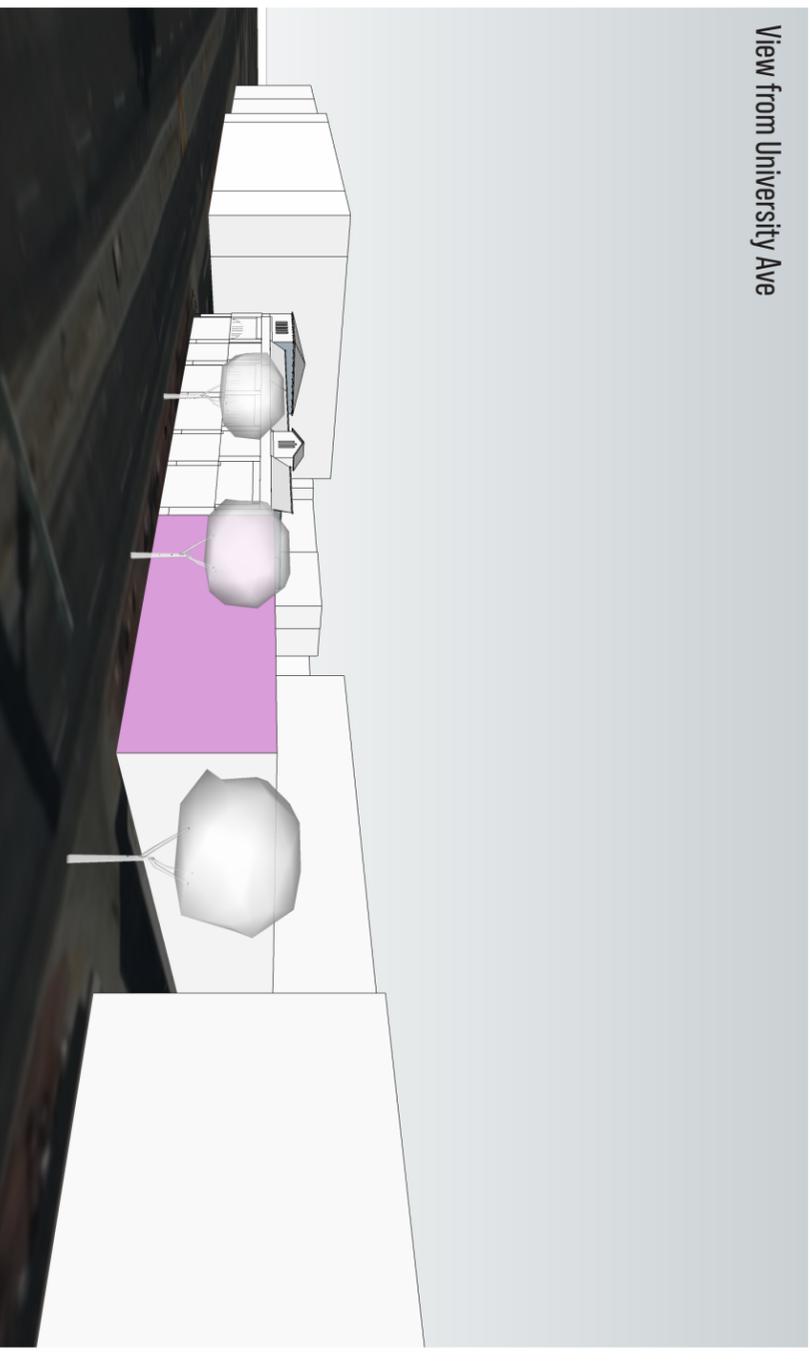
No addition to existing structure and simply restore existing Sunset Temple façades along University Ave and Kansas Street and re-program existing space with new uses, including former Swami's Restaurant (remodel existing building).

# SCHEME 4 : VIEWS FROM STREET

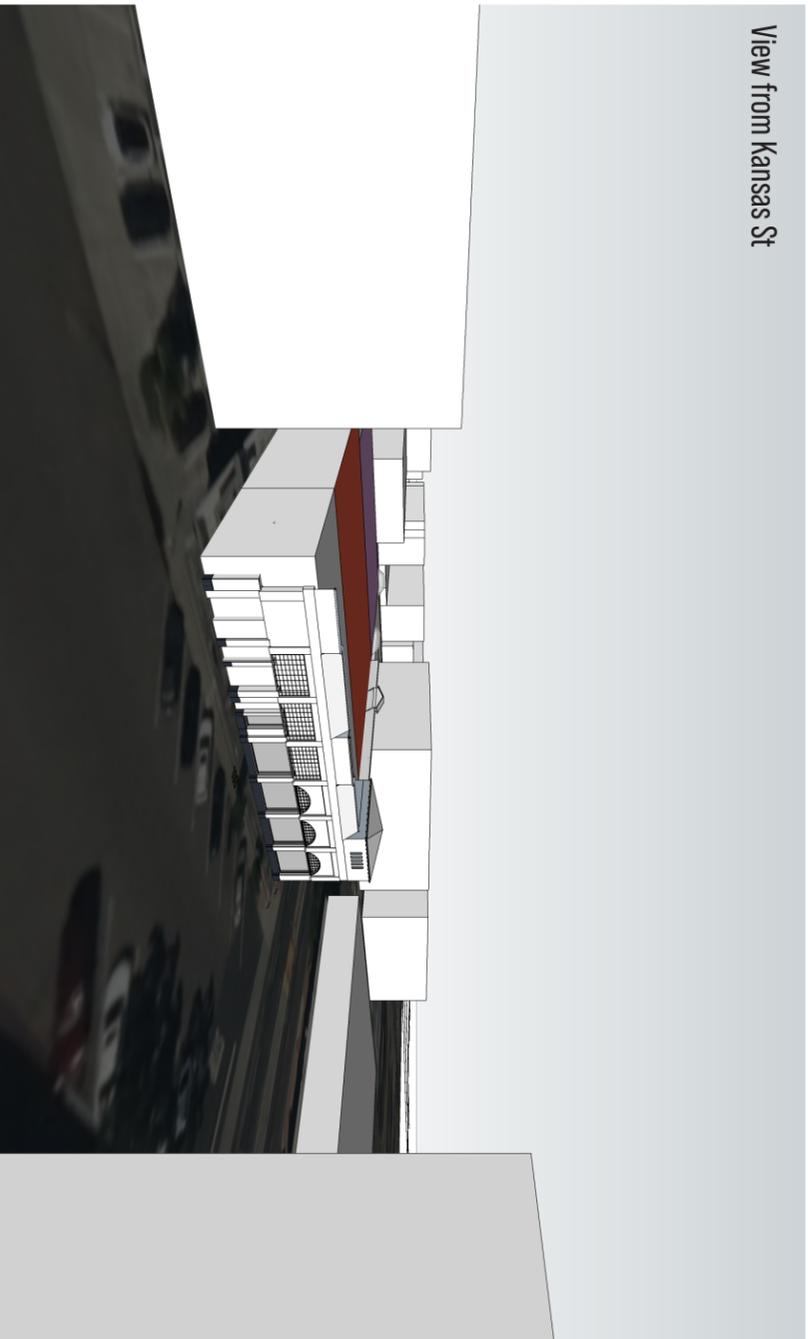
View from the intersection of Kansas St and University Ave



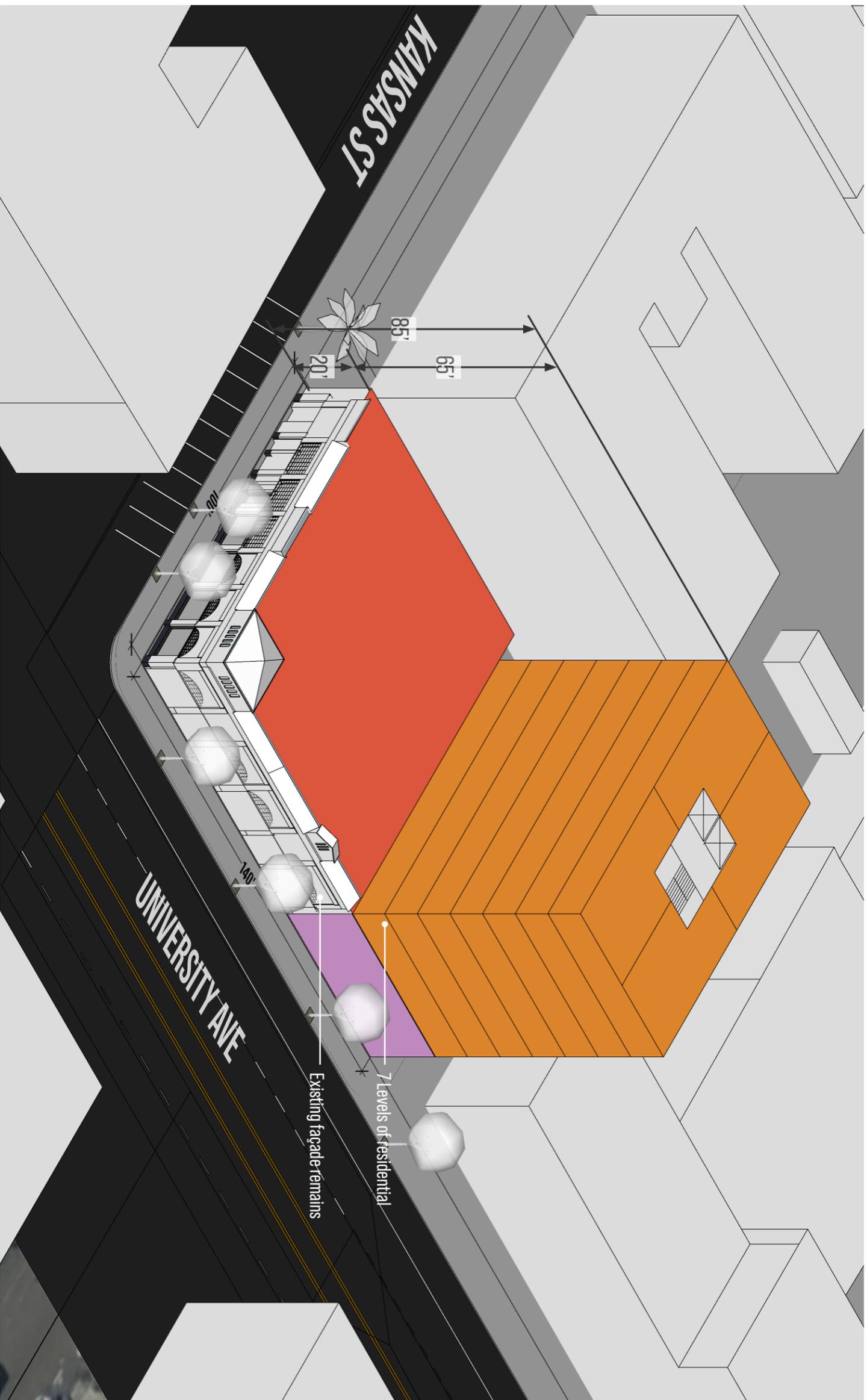
View from University Ave



View from Kansas St



# SCHEME 5 : TOWER ATOP FORMER SWAMI'S



8-story tower on the former Swami's Restaurant parcel of site, whilst restoring the existing Sunset Temple façade and re-purposing the structure for new uses.

## SUNSET TEMPLE NORTH PARK

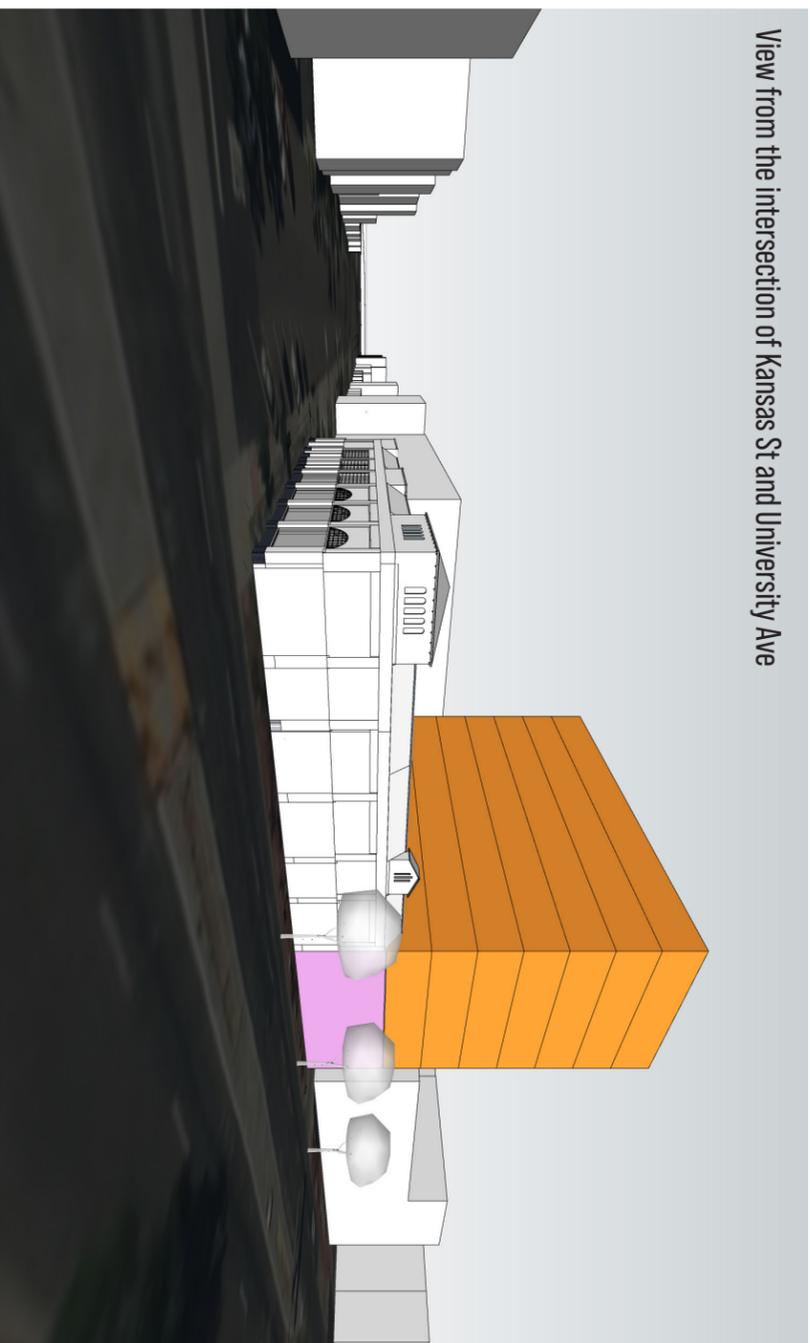
### SCHEME 5 : PENCIL TOWER

<i>No Parking</i>	
<b>Level 1</b>	
Public Market	8,468 sf
Leasing/Lobby	3,328 sf
Utility/Core	600 sf
<b>Level 2 - 8</b>	
Residential	3,974 sf
Core/Corridor	600 sf
<b>Total Gross</b>	<b>44,414 sf</b>
<b>Net Rentable</b>	<b>39,614 sf</b>
<b>Units - 990 SF Avg</b>	<b>28 units</b>

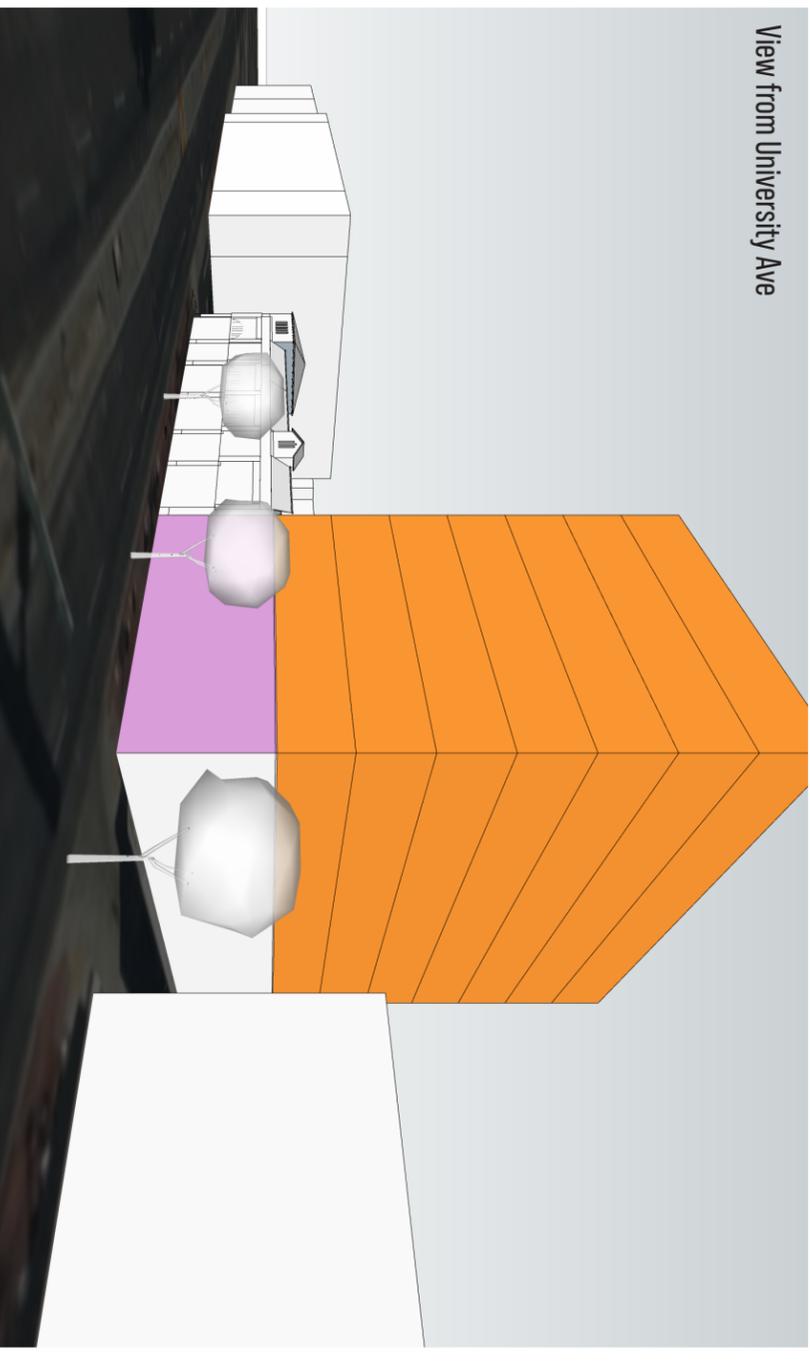
<span style="display:inline-block; width:15px; height:15px; background-color:#f46d43;"></span>	Public Market
<span style="display:inline-block; width:15px; height:15px; background-color:#f9a825;"></span>	Residential
<span style="display:inline-block; width:15px; height:15px; background-color:#8e44ad;"></span>	Lobby, Co-working

# SCHEME 5 : VIEWS FROM STREET

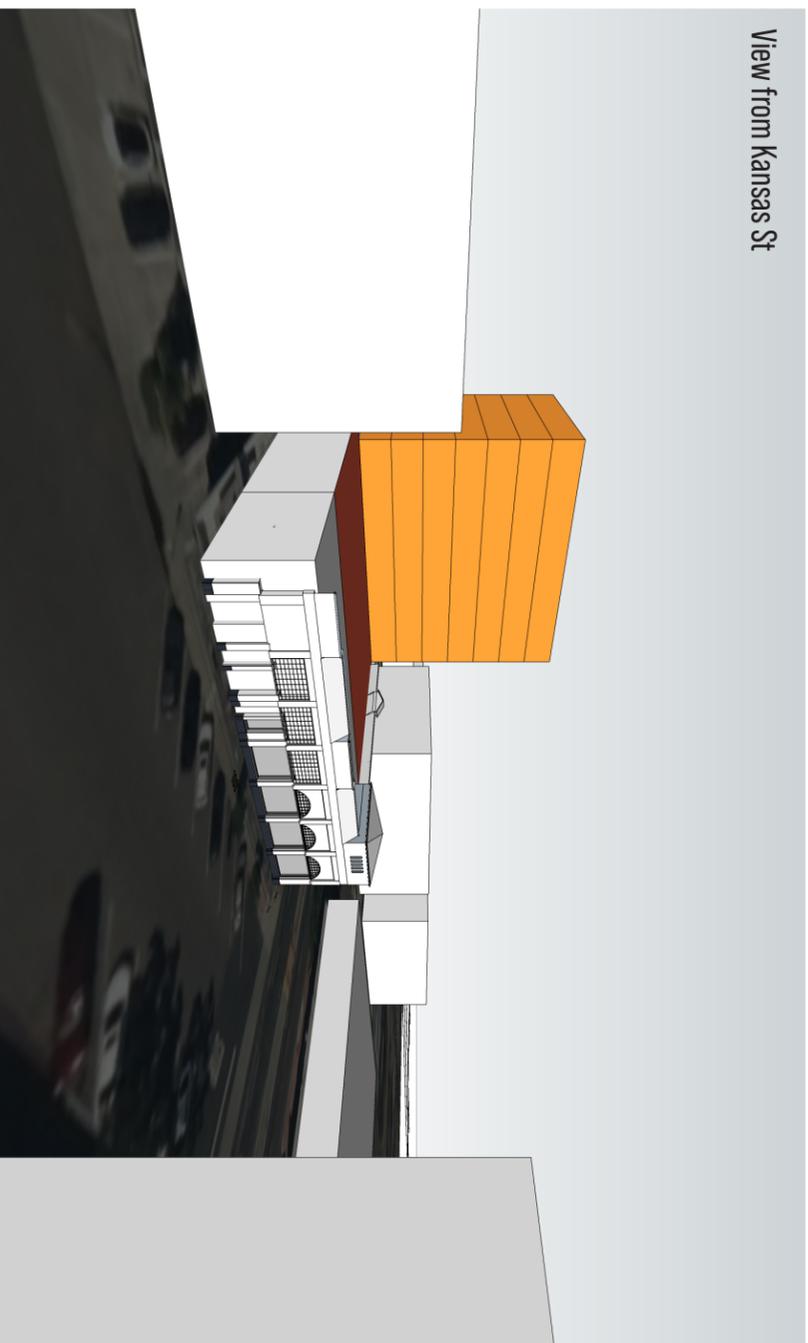
View from the intersection of Kansas St and University Ave



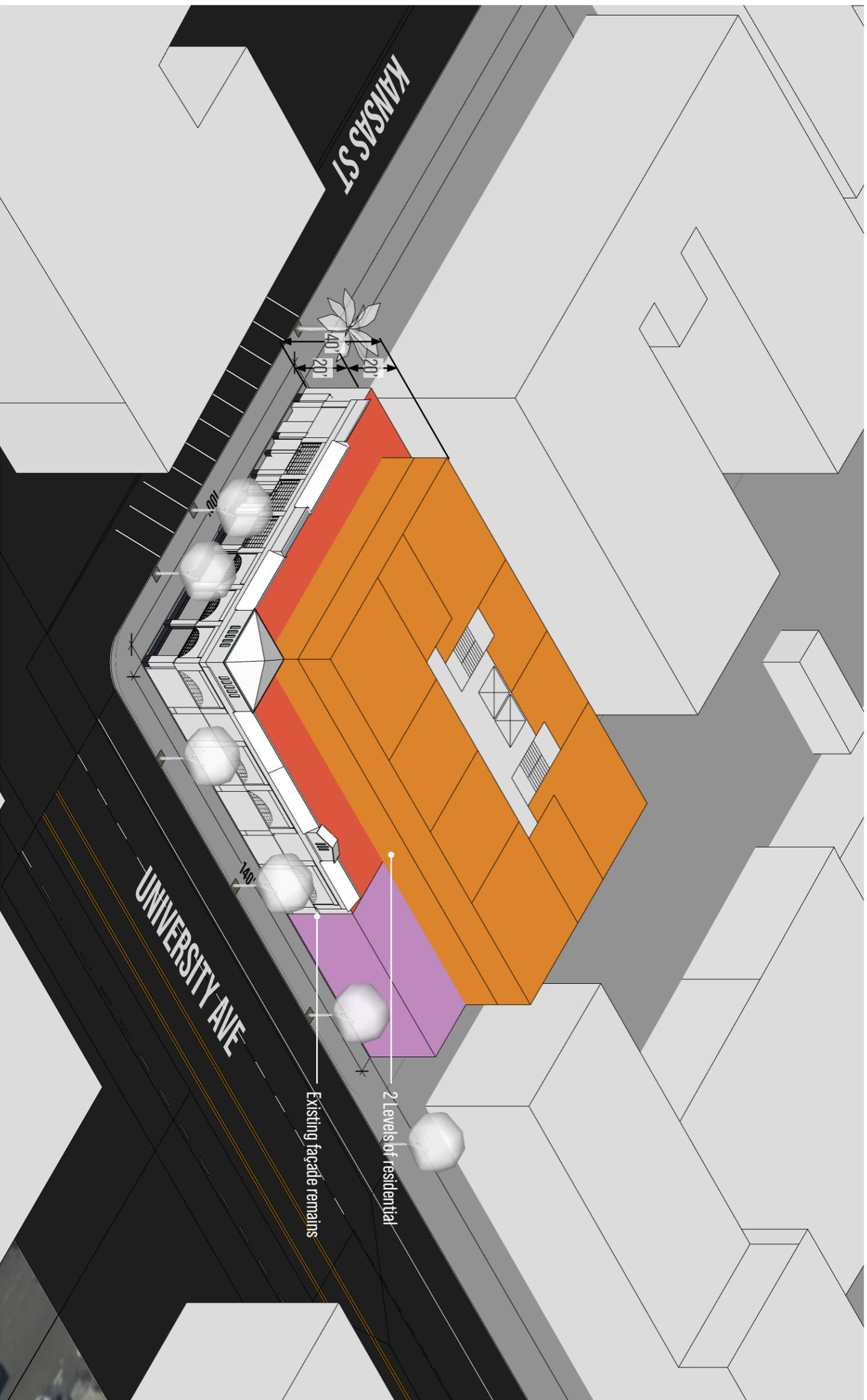
View from University Ave



View from Kansas St



# SCHEME 6 : "WEDDING CAKE"

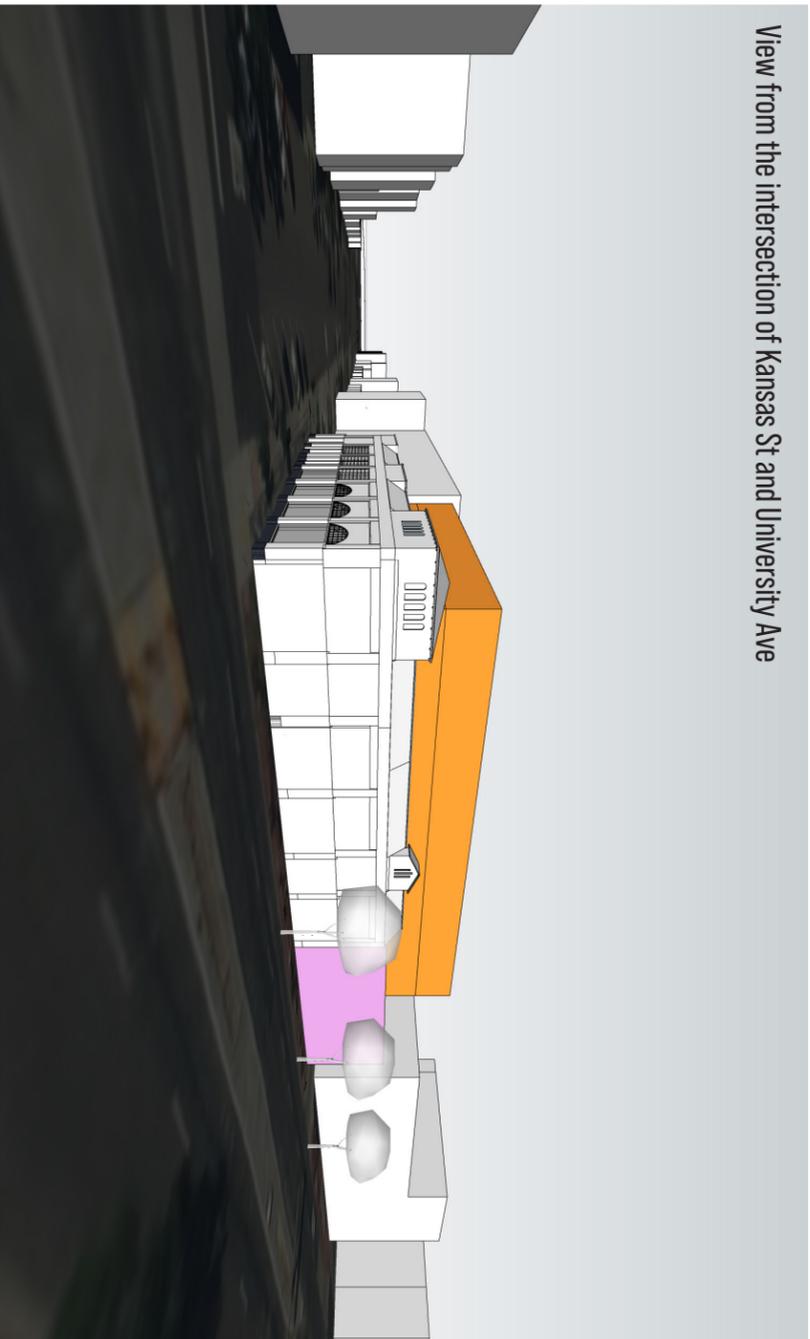


- Public Market
- Residential
- Lobby, Co-working

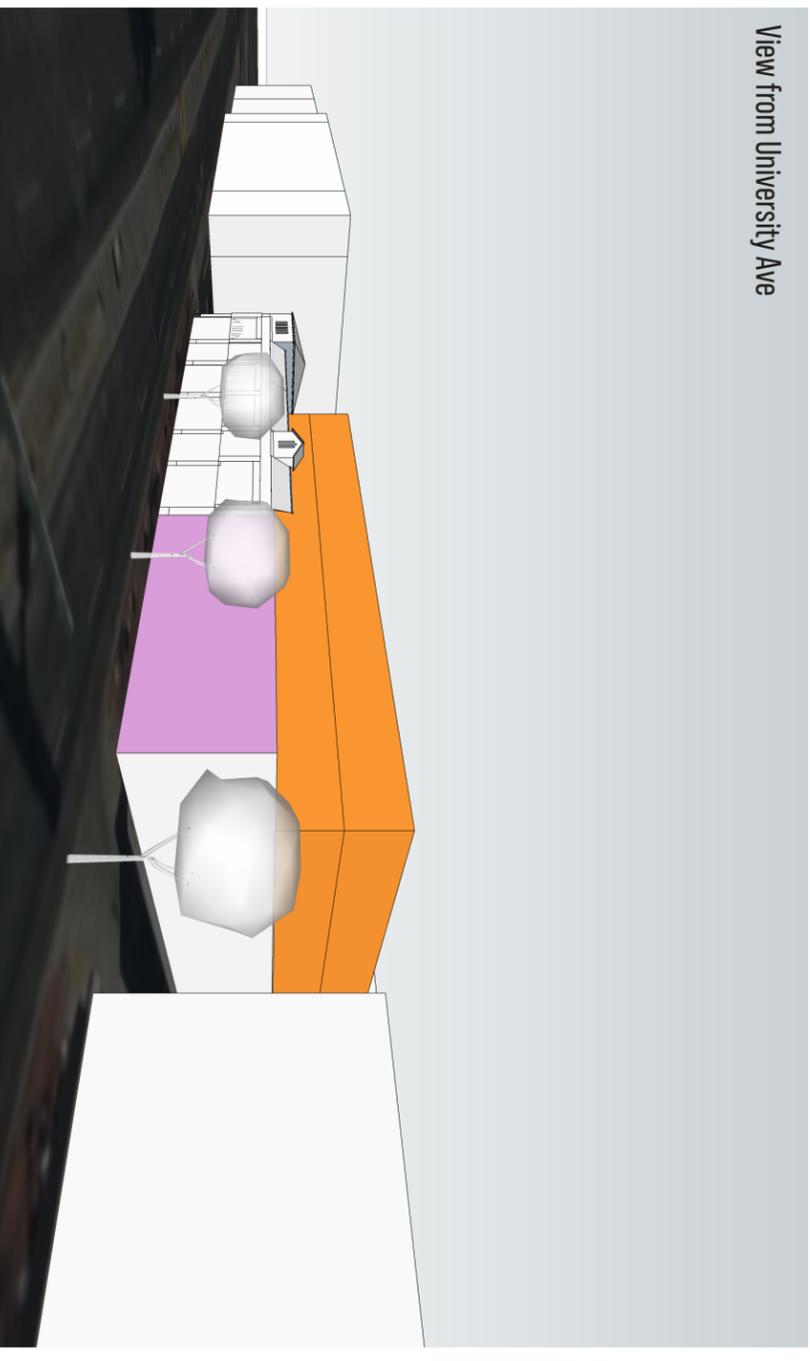
Two new levels atop existing structure and step them back according to San Diego Municipal Code (SDMC) and North Park Community Plan – Urban Design and Historical Guidelines

# SCHEME 6 : VIEWS FROM STREET

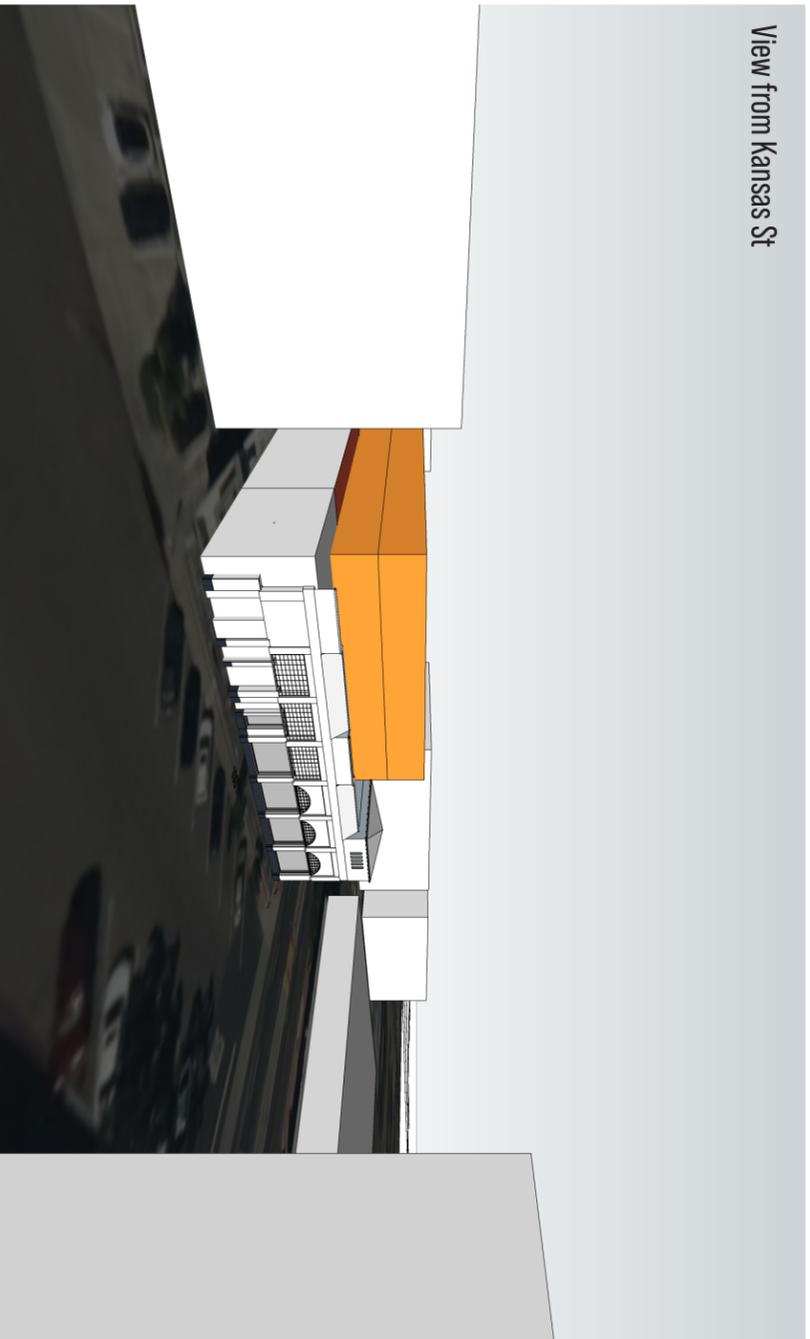
View from the intersection of Kansas St and University Ave



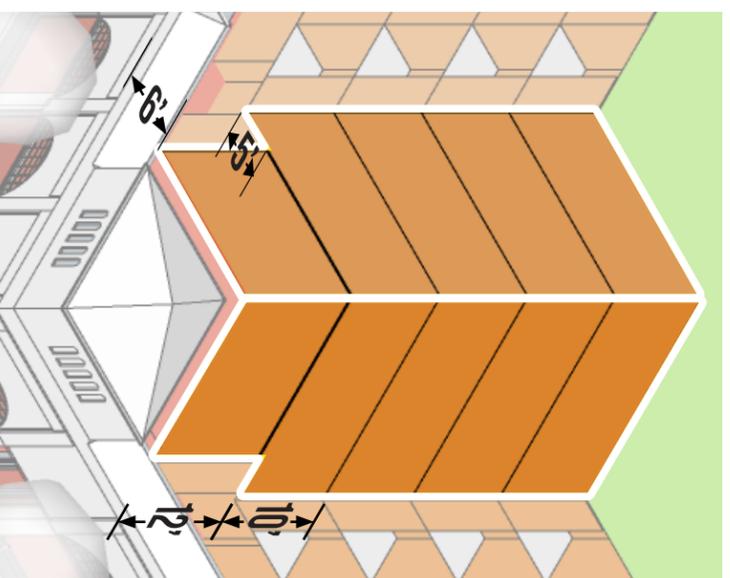
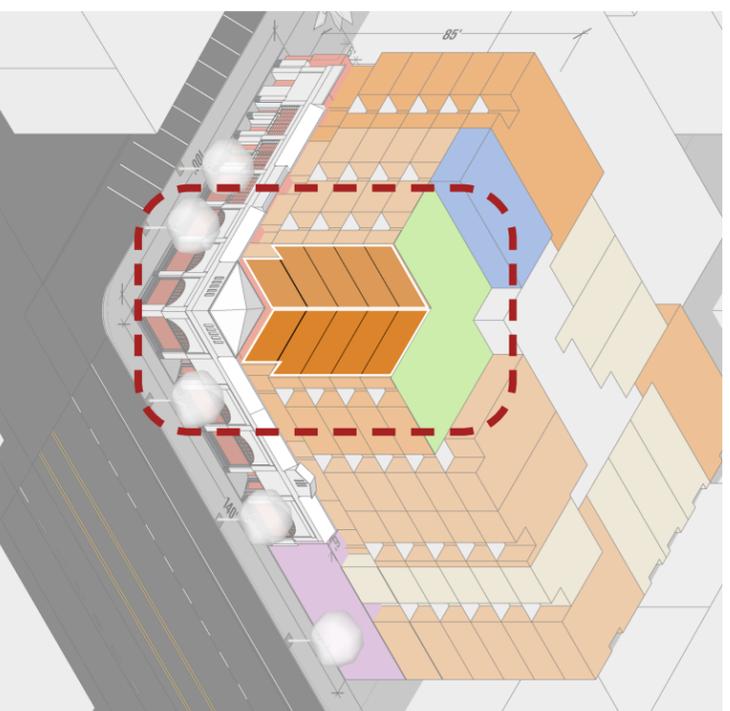
View from University Ave



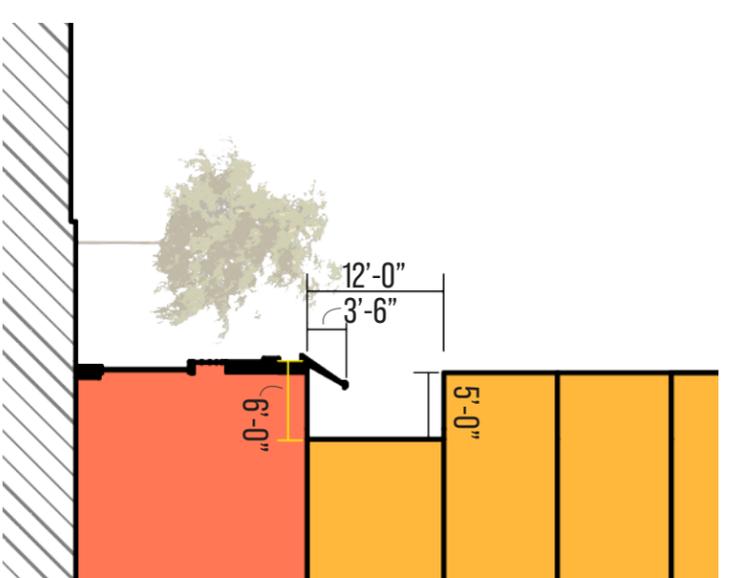
View from Kansas St



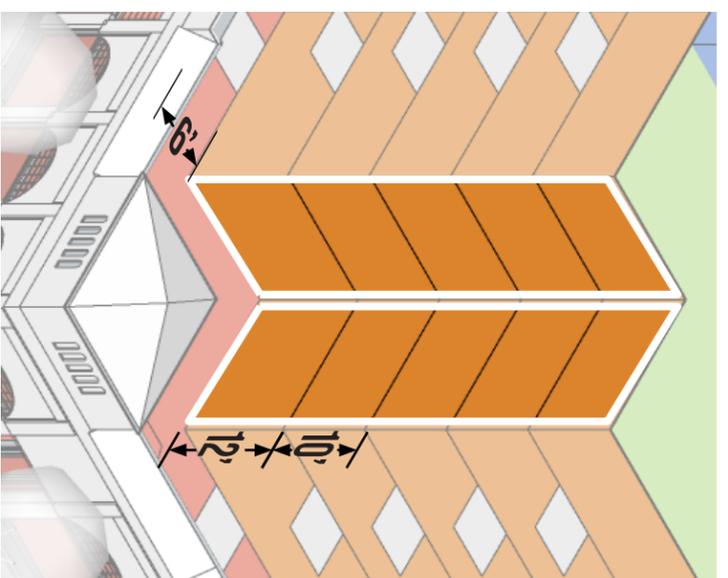
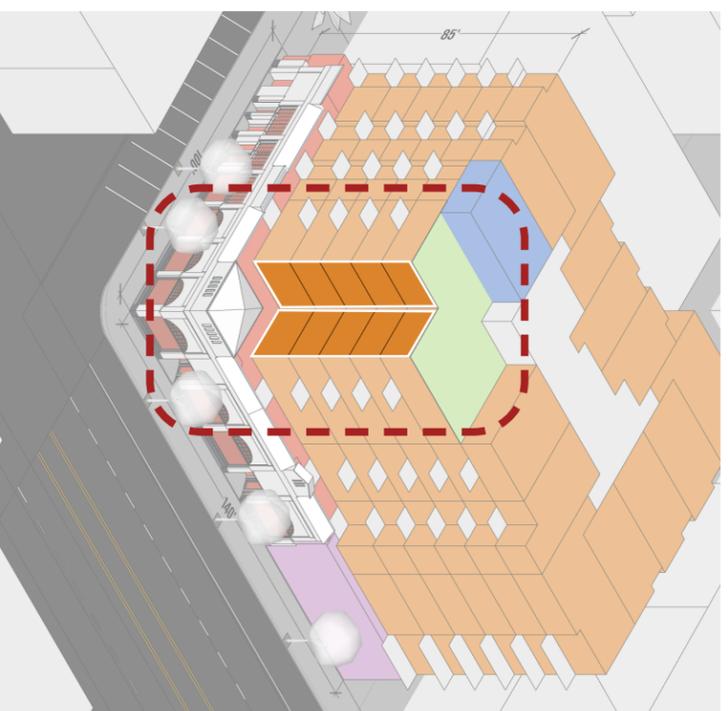
**SCHEME 1: BASE - COMPLETE COMMUNITIES - STEP-OUT**



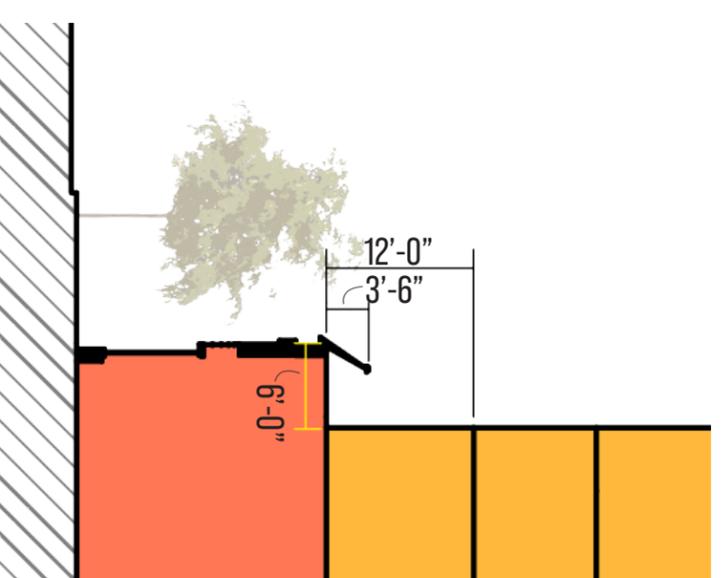
Level 2 is a 12' tall transitional level setback 6' from the face of the historical facade; Levels 3-7 overhang 5' from the face of Level 2.



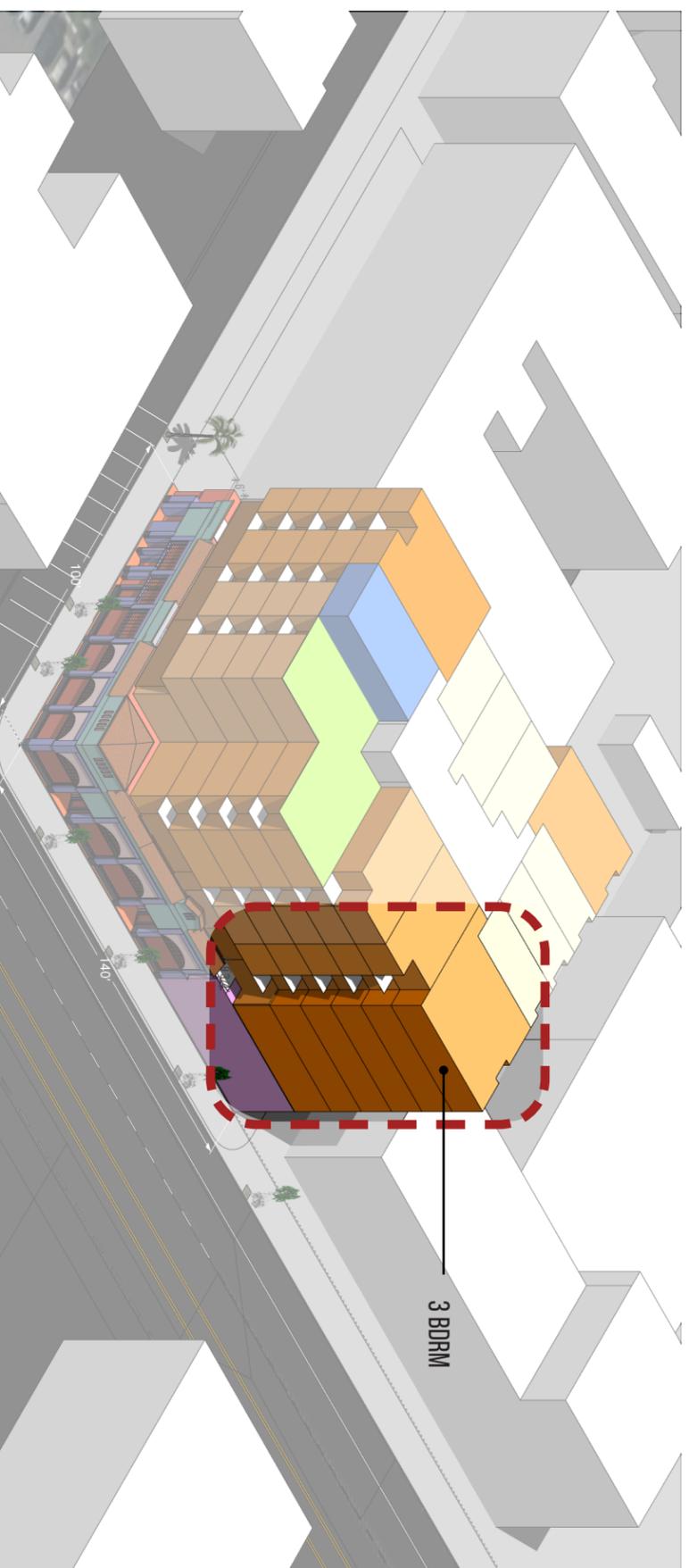
**SCHEME 2: COMPLETE COMMUNITIES - NO STEP-OUT**



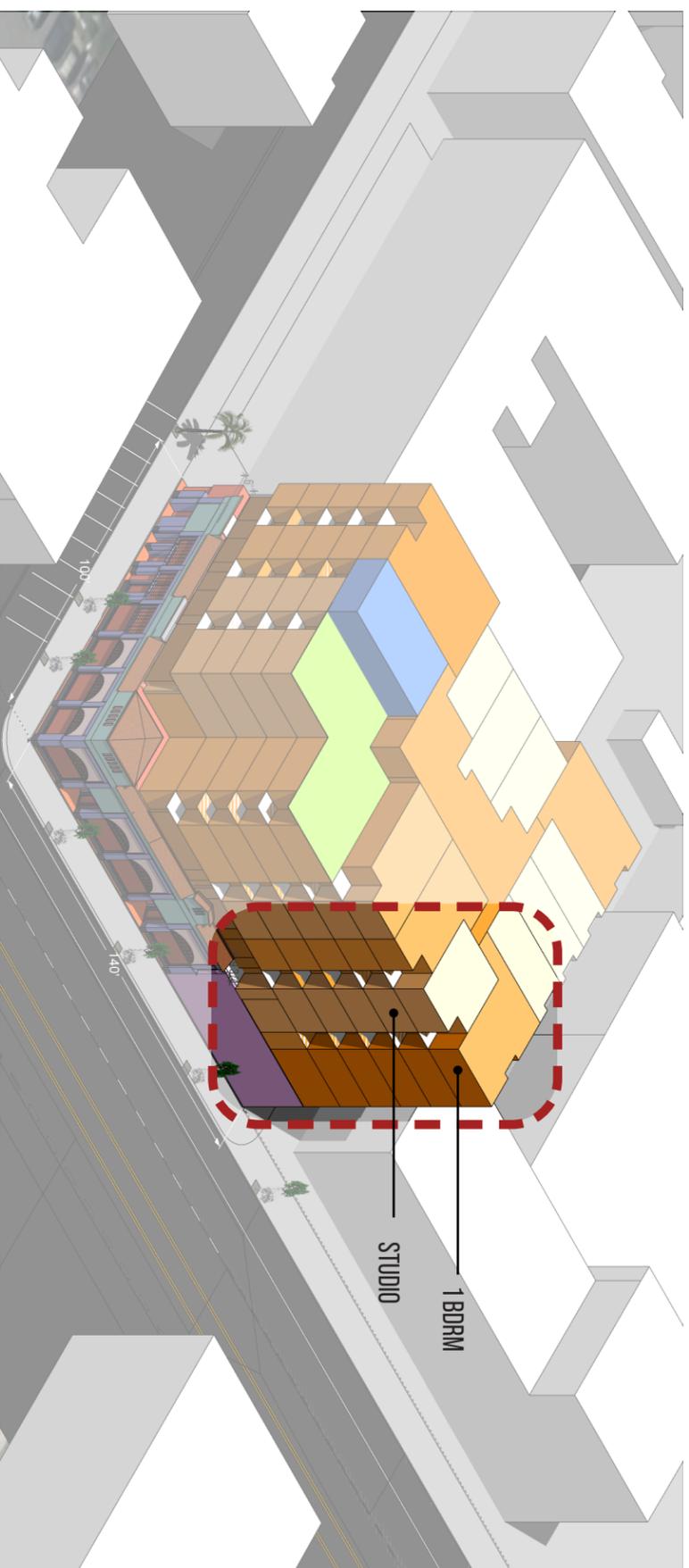
Levels 2-7 are uniformly set back 6' from the historical facade with no overhang.



# SCHEME 1A



# SCHEME 1B



# VIEW FROM SOUTHWEST CORNER



# VIEW FROM SOUTHWEST CORNER



# WEST ELEVATION FROM KANSAS ST



# VIEW FROM NORTHWEST



**VIEW TOWARDS LOBBY AT SOUTHEAST CORNER**



# SOUTH ELEVATION



# Q & A



# **Appendix B: Scenario Assumptions and Returns**



**Newman Building | 2912 University Ave**  
**Assumptions & Results**

**Scenario 1 Base Project - Complete Communities - Step-Out**

**GENERAL ASSUMPTIONS**

Current Year	December-23
Construction Start	January-24
Construction Timeline	12.00
Op Ex / Unit	-30.2%
Op Ex Inflation	3.50%
Revenue Inflation (Market Rate)	3.50%
Revenue Inflation (Affordable)	3.50%

**HOLDING & DISPOSITION**

Hold Period (Years)	10.00
Cap Rate @ Refinance / Disposition	4.50%
Commissions / Closing Costs	4.50%
Value at Stabilization	\$54,920,477
Asset Value / SF	\$507 /SF

**BUILDING ASSUMPTIONS**

Land SF	14,023
Total # of Units	94
Rentable SF	78,208
Parking SF	25,784
Gross SF	108,379
Parking Spaces	18
Project FAR	6.07

**FINANCING**

<u>Construction Financing</u>	
Loan Amount	\$29,881,420
Loan to Cost	60.0%
Interest Rate	8.0%
Term (months)	33
Refinance	10/31/26
Refinance Date	October-26
Permanent Loan Amount	\$28,020,652
Less Construction Loan	(\$29,881,420)
Net Proceeds from Refinance	\$117,185

Permanent Loan Info:

Loan Amount	\$28,020,652
Loan to Value	50%
Interest Rate	6.00%
Term (Years)	15 Years
Debt Service Coverage Ratio	1.20

**UNIT MIX**

	# of Units	% of Mix	Unit Size	Rent / Month	Rent / SF
Studio	45	40.8%	650	\$2,750	\$4.23
1B x 1b	21	20.5%	700	\$2,950	\$4.21
2B x 1b	10	11.8%	850	\$3,600	\$4.24
3B x 1b	-	0.0%	1,260	\$4,000	\$3.17
15% Very Low - Studio 1pp	3	2.7%	650	\$1,139	\$1.75
15% Very Low - 1B 2pp	2	2.0%	700	\$1,155	\$1.65
15% Very Low - 2B 3pp	1	1.2%	850	\$1,300	\$1.53
15% Very Low - 3B 4pp	-	0.0%	1,260	\$1,501	\$1.19
10% Low - Studio 1pp	2	1.8%	650	\$1,214	\$1.87
10% Low - 1B 2pp	2	2.0%	700	\$1,386	\$1.98
10% Low - 2b 3pp	-	0.0%	850	\$1,560	\$1.84
10% Low - 3b 4pp	-	0.0%	1,260	\$1,733	\$1.38
15% Moderate - Studio 1pp	3	2.7%	650	\$2,245	\$3.45
15% Moderate - 1B 2pp	2	2.0%	700	\$2,566	\$3.67
15% Moderate - 2B 3pp	1	1.2%	850	\$2,886	\$3.40
15% Moderate - 3B 4pp	-	0.0%	1,260	\$3,208	\$2.55
Ste 101 - Commercial	1	6.8%	4,889	\$22,001	\$4.50
Lobby + Core	1	4.6%	3,328	\$0	\$0.00
<b>Total / Ave.</b>	<b>94</b>	<b>100%</b>	<b>71,767</b>	<b>\$57,193</b>	
Residential	92	81%	63,550	\$35,193	
Commercial	2	11%	8,217	\$22,001	

**PROJECT COST SUMMARY**

	Total	\$ / Unit	\$ / SF
Land Take Down/ Dev Start	\$9,924,875	\$105,584	\$92
Permits, Licenses & Fees	\$2,178,750	\$23,178	\$20
Entitlement Planning & Engineering	\$2,142,360	\$22,791	\$20
Mangement Fees	\$1,355,506	\$14,420	\$13
Façade Costs	\$1,021,270	\$10,865	\$9
Building Construction Costs	\$26,684,910	\$283,882	\$246
<b>Total Hard Cost</b>	<b>\$27,706,180</b>	<b>\$0</b>	<b>\$256</b>
Other Costs	\$947,926	\$10,084	\$9
Operating Reserves & Contingency	\$1,106,390	\$11,770	\$10
Financing Costs	\$4,440,379	\$47,238	\$41
<b>Total</b>	<b>\$49,802,367</b>	<b>\$529,812</b>	<b>\$460</b>

**INVESTMENT PERFORMANCE**

Stabilized Cash Flow	\$428,295 Yr 4
Return on Cost	5.1%
Internal Rate of Return	9.7% 10 Yr

**Newman Building | 2912 University Ave**  
**Assumptions & Results**

**Scenario 5 Tower on Swamis**

**GENERAL ASSUMPTIONS**

Current Year	December-23
Construction Start	January-24
Construction Timeline	12.00
Op Ex / Unit	-33.8%
Op Ex Inflation	3.50%
Revenue Inflation (Market Rate)	3.50%
Revenue Inflation (Affordable)	3.50%

**HOLDING & DISPOSITION**

Hold Period (Years)	10.00
Cap Rate @ Refinance / Disposition	4.50%
Comissions / Closing Costs	4.50%
Value at Stabilization	\$26,843,252
Asset Value / SF	\$412 /SF

**BUILDING ASSUMPTIONS**

Land SF	14,023
Total # of Units	30
Rentable SF	39,996
Parking SF	25,784
Gross SF	65,089
Parking Spaces	18
Project FAR	2.80

**FINANCING**

<u>Construction Financing</u>	
Loan Amount	\$19,267,487
Loant to Cost	60.0%
Interest Rate	8.0%
Term (months)	33
Refinance	10/31/26
Refinance Date	October-26
Permanent Loan Amount	\$13,147,715
Less Construction Loan	(\$19,267,487)
Net Proceeds from Refinance	\$0

Permanent Loan Info:

Loan Amount	\$13,147,715
Loan to Value	48%
Interest Rate	6.00%
Term (Years)	15 Years
Debt Service Coverage Ratio	1.27

**UNIT MIX**

	# of Units	% of Mix	Unit Size	Rent / Month	Rent / SF
Studio	10	33.3%	850	\$2,750	\$3.24
1B x 1b	10	33.3%	950	\$2,950	\$3.11
2B x 1b	8	26.7%	1,200	\$3,600	\$3.00
3B x 1b	-	0.0%	-	\$0	\$0.00
15% Very Low - Studio 1pp	-	0.0%	850	\$1,139	\$1.34
15% Very Low - 1B 2pp	-	0.0%	950	\$1,155	\$1.22
15% Very Low - 2B 3pp	-	0.0%	1,200	\$1,300	\$1.08
15% Very Low - 3B 4pp	-	0.0%	-	\$1,501	\$0.00
10% Low - Studio 1pp	-	0.0%	850	\$1,214	\$1.43
10% Low - 1B 2pp	-	0.0%	950	\$1,386	\$1.46
10% Low - 2b 3pp	-	0.0%	1,200	\$1,560	\$1.30
10% Low - 3b 4pp	-	0.0%	-	\$1,733	\$0.00
15% Moderate - Studio 1pp	-	0.0%	850	\$2,245	\$2.64
15% Moderate - 1B 2pp	-	0.0%	950	\$2,566	\$2.70
15% Moderate - 2B 3pp	-	0.0%	1,200	\$2,886	\$2.41
15% Moderate - 3B 4pp	-	0.0%	-	\$3,208	\$0.00
Ste 101 - Commercial	1	3.3%	8,468	\$38,106	\$4.50
Lobby + Core	1	3.3%	3,928	\$0	\$0.00
<b>Total / Ave.</b>	<b>30</b>	<b>100%</b>	<b>39,996</b>	<b>\$69,299</b>	
Residential	28	69%	27,600	\$31,193	
Commercial	2	31%	12,396	\$38,106	

**PROJECT COST SUMMARY**

	Total	\$ / Unit	\$ / SF
Land Take Down/ Dev Start	\$9,924,875	\$330,829	\$152
Permits, Licenses & Fees	\$666,750	\$22,225	\$10
Entitlement Planning & Engineering	\$1,617,360	\$53,912	\$25
Mangement Fees	\$840,266	\$28,009	\$13
Façade Costs	\$750,000	\$25,000	\$12
Building Construction Costs	\$13,050,667	\$435,022	\$201
<b>Total Hard Cost</b>	<b>\$13,800,667</b>	<b>\$0</b>	<b>\$212</b>
Other Costs	\$1,449,068	\$48,302	\$22
Operating Reserves & Contingency	\$707,475	\$23,582	\$11
Financing Costs	\$3,106,018	\$103,534	\$48
<b>Total</b>	<b>\$32,112,479</b>	<b>\$1,070,416</b>	<b>\$493</b>

\$0

**INVESTMENT PERFORMANCE**

Stabilized Cash Flow	\$267,672 Yr 4
Return on Cost	3.9%
Internal Rate of Return	3.8% 10 Yr

**Newman Building | 2912 University Ave**  
**Assumptions & Results**

**Scenario 3 State Density Bonus**

**GENERAL ASSUMPTIONS**

Current Year	December-23
Construction Start	January-24
Construction Timeline	12.00
Op Ex / Unit	-29.6%
Op Ex Inflation	3.50%
Revenue Inflation (Market Rate)	3.50%
Revenue Inflation (Affordable)	3.50%

**HOLDING & DISPOSITION**

Hold Period (Years)	10.00
Cap Rate @ Refinance / Disposition	4.50%
Commissions / Closing Costs	4.50%
Value at Stabilization	\$44,261,050
Asset Value / SF	\$440 /SF

**BUILDING ASSUMPTIONS**

Land SF	14,023
Total # of Units	72
Rentable SF	62,967
Parking SF	25,784
Gross SF	100,643
Parking Spaces	18
Project FAR	5.70

**FINANCING**

<u>Construction Financing</u>	
Loan Amount	\$30,039,466
Loan to Cost	60.0%
Interest Rate	8.0%
Term (months)	33
Refinance	10/31/26
Refinance Date	October-26
Permanent Loan Amount	\$22,582,169
Less Construction Loan	(\$30,039,466)
Net Proceeds from Refinance	\$0

Permanent Loan Info:

Loan Amount	\$22,582,169
Loan to Value	50%
Interest Rate	6.00%
Term (Years)	15 Years
Debt Service Coverage Ratio	1.20

**UNIT MIX**

	# of Units	% of Mix	Unit Size	Rent / Month	Rent / SF
Studio	5	6.9%	550	\$2,500	\$4.55
1B x 1b	34	47.2%	725	\$2,750	\$3.79
2B x 1b	21	29.2%	950	\$3,300	\$3.47
3B x 1b	-	0.0%	-	\$3,700	\$0.00
15% Very Low - Studio 1pp	2	2.8%	550	\$1,139	\$2.07
15% Very Low - 1B 2pp	2	2.8%	725	\$1,155	\$1.59
15% Very Low - 2B 3pp	2	2.8%	950	\$1,300	\$1.37
15% Very Low - 3B 4pp	-	0.0%	-	\$1,501	\$0.00
10% Low - Studio 1pp	-	0.0%	550	\$1,214	\$2.21
10% Low - 1B 2pp	-	0.0%	725	\$1,386	\$1.91
10% Low - 2b 3pp	-	0.0%	950	\$1,560	\$1.64
10% Low - 3b 4pp	-	0.0%	-	\$1,733	\$0.00
15% Moderate - Studio 1pp	1	1.4%	550	\$2,245	\$4.08
15% Moderate - 1B 2pp	2	2.8%	725	\$2,566	\$3.54
15% Moderate - 2B 3pp	1	1.4%	950	\$2,886	\$3.04
15% Moderate - 3B 4pp	-	0.0%	-	\$3,208	\$0.00
Ste 101 - Commercial	1	1.4%	4,889	\$22,001	\$4.50
Lobby + Core	1	1.4%	3,328	\$0	\$0.00
<b>Total / Ave.</b>	<b>72</b>	<b>100%</b>	<b>62,967</b>	<b>\$56,143</b>	
Residential	70	87%	54,750	\$34,143	
Commercial	2	13%	8,217	\$22,001	

**PROJECT COST SUMMARY**

	Total	\$ / Unit	\$ / SF
Land Take Down/ Dev Start	\$9,924,875	\$137,845	\$99
Permits, Licenses & Fees	\$1,659,000	\$23,042	\$16
Entitlement Planning & Engineering	\$2,142,360	\$29,755	\$21
Management Fees	\$1,363,178	\$18,933	\$14
Façade Costs	\$1,021,270	\$14,184	\$10
Building Construction Costs	\$27,448,092	\$381,223	\$273
Total Hard Cost	\$28,469,362	\$0	\$283
Other Costs	\$947,926	\$13,166	\$9
Operating Reserves & Contingency	\$1,112,668	\$15,454	\$11
Financing Costs	\$4,446,409	\$61,756	\$44
<b>Total</b>	<b>\$50,065,777</b>	<b>\$695,358</b>	<b>\$497</b>

\$0

**INVESTMENT PERFORMANCE**

Stabilized Cash Flow	\$347,774 Yr 4
Return on Cost	4.1%
Internal Rate of Return	4.8% 10 Yr

**Newman Building | 2912 University Ave**  
**Assumptions & Results**

**Scenario 4      Adaptive Reuse / No Addition**

**GENERAL ASSUMPTIONS**

Current Year	December-23
Construction Start	January-24
Construction Timeline	12.00
Op Ex / Unit	-33.4%
Op Ex Inflation	3.50%
Revenue Inflation (Market Rate)	3.50%
Revenue Inflation (Affordable)	3.50%

**HOLDING & DISPOSITION**

Hold Period (Years)	10.00
Cap Rate @ Refinance / Disposition	4.50%
Commissions / Closing Costs	4.50%
Value at Stabilization	\$14,392,361
Asset Value / SF	\$1056 /SF

**BUILDING ASSUMPTIONS**

Land SF	14,023
Total # of Units	2
Rentable SF	8,640
Parking SF	-
Gross SF	13,635
Parking Spaces	-
Project FAR	0.97

**FINANCING**

<u>Construction Financing</u>	
Loan Amount	\$10,106,191
Loan to Cost	56.0%
Interest Rate	8.0%
Term (months)	29
Refinance	6/30/26
Refinance Date	June-26
Permanent Loan Amount	\$7,343,041
Less Construction Loan	(\$10,106,191)
Net Proceeds from Refinance	\$0

Permanent Loan Info:

Loan Amount	\$7,343,041
Loan to Value	50%
Interest Rate	6.00%
Term (Years)	15 Years
Debt Service Coverage Ratio	1.27

**UNIT MIX**

	# of Units	% of Mix	Unit Size	Rent / Month	Rent / SF
Studio	0	0.5%	-	\$0	\$0.00
1B x 1b	-	0.0%	1	\$0	\$0.00
2B x 1b	-	0.0%	1	\$0	\$0.00
3B x 1b	-	0.0%	1	\$0	\$0.00
15% Very Low - Studio 1pp	-	0.0%	-	\$0	\$0.00
15% Very Low - 1B 2pp	-	0.0%	1	\$0	\$0.00
15% Very Low - 2B 3pp	-	0.0%	1	\$0	\$0.00
15% Very Low - 3B 4pp	-	0.0%	1	\$0	\$0.00
10% Low - Studio 1pp	-	0.0%	-	\$0	\$0.00
10% Low - 1B 2pp	-	0.0%	1	\$0	\$0.00
10% Low - 2b 3pp	-	0.0%	1	\$0	\$0.00
10% Low - 3b 4pp	-	0.0%	1	\$0	\$0.00
15% Moderate - Studio 1pp	-	0.0%	-	\$0	\$0.00
15% Moderate - 1B 2pp	-	0.0%	1	\$0	\$0.00
15% Moderate - 2B 3pp	-	0.0%	1	\$0	\$0.00
15% Moderate - 3B 4pp	-	0.0%	1	\$0	\$0.00
2906 - Newman	1	49.8%	8,640	\$38,880	\$4.50
2920 - Swamis	1	49.8%	4,995	\$0	\$4.50
<b>Total / Ave.</b>	<b>2</b>	<b>100%</b>	<b>13,635</b>	<b>\$61,358</b>	
Residential	0	0%	-	\$0	
Commercial	2	100%	13,635	\$38,880	

**PROJECT COST SUMMARY**

	Total	\$ / Unit	\$ / SF
Land Take Down/ Dev Start	\$9,924,875	\$4,937,749	\$728
Permits, Licenses & Fees	\$5,775	\$2,873	\$0
Entitlement Planning & Engineering	\$829,860	\$412,866	\$61
Management Fees	\$430,586	\$214,222	\$32
Façade Cost	\$0	\$0	\$0
Building Construction Costs	\$3,055,876	\$1,520,336	\$224
<b>Total Hard Cost</b>	<b>\$3,055,876</b>	<b>\$0</b>	<b>\$224</b>
Other Costs	\$1,669,052	\$830,374	\$122
Operating Reserves & Contingency	\$397,901	\$197,960	\$29
Financing Costs	\$1,732,845	\$862,112	\$127
<b>Total</b>	<b>\$18,046,769</b>	<b>\$8,978,492</b>	<b>\$1,324</b>

\$0

**INVESTMENT PERFORMANCE**

Stabilized Cash Flow	\$146,614 Yr 4
Return on Cost	2.4%
Internal Rate of Return	3.2% 10 Yr

**Newman Building | 2912 University Ave**  
**Assumptions & Results**

**Scenario 2 Complete Communities - No Step-Out**

**GENERAL ASSUMPTIONS**

Current Year	December-23
Construction Start	January-24
Construction Timeline	12.00
Op Ex / Unit	-29.2%
Op Ex Inflation	3.50%
Revenue Inflation (Market Rate)	3.50%
Revenue Inflation (Affordable)	3.50%

**HOLDING & DISPOSITION**

Hold Period (Years)	10.00
Cap Rate @ Refinance / Disposition	4.50%
Commissions / Closing Costs	4.50%
Value at Stabilization	\$50,926,218
Asset Value / SF	\$475 /SF

**BUILDING ASSUMPTIONS**

Land SF	14,023
Total # of Units	89
Rentable SF	75,961
Parking SF	25,784
Gross SF	107,118
Parking Spaces	18
Project FAR	5.98

**FINANCING**

<u>Construction Financing</u>	
Loan Amount	\$29,543,342
Loan to Cost	60.0%
Interest Rate	8.0%
Term (months)	33
Refinance	10/31/26
Refinance Date	October-26
Permanent Loan Amount	\$25,982,764
Less Construction Loan	(\$29,543,342)
Net Proceeds from Refinance	\$103,605

Permanent Loan Info:

Loan Amount	\$25,982,764
Loan to Value	50%
Interest Rate	6.00%
Term (Years)	15 Years
Debt Service Coverage Ratio	1.20

**UNIT MIX**

	# of Units	% of Mix	Unit Size	Rent / Month	Rent / SF
Studio	30	33.7%	550	\$2,500	\$4.55
1B x 1b	27	30.3%	675	\$2,750	\$4.07
2B x 1b	9	10.1%	850	\$3,300	\$3.88
3B x 1b	5	5.6%	1,025	\$3,700	\$3.61
15% Very Low - Studio 1pp	2	2.2%	550	\$1,139	\$2.07
15% Very Low - 1B 2pp	3	3.4%	675	\$1,155	\$1.71
15% Very Low - 2B 3pp	1	1.1%	850	\$1,300	\$1.53
15% Very Low - 3B 4pp	-	0.0%	1,025	\$1,501	\$1.46
10% Low - Studio 1pp	2	2.2%	550	\$1,214	\$2.21
10% Low - 1B 2pp	2	2.2%	675	\$1,386	\$2.05
10% Low - 2b 3pp	-	0.0%	850	\$1,560	\$1.84
10% Low - 3b 4pp	-	0.0%	1,025	\$1,733	\$1.69
15% Moderate - Studio 1pp	2	2.2%	550	\$2,245	\$4.08
15% Moderate - 1B 2pp	2	2.2%	675	\$2,566	\$3.80
15% Moderate - 2B 3pp	1	1.1%	850	\$2,886	\$3.40
15% Moderate - 3B 4pp	1	1.1%	1,025	\$3,208	\$3.13
Ste 101 - Commercial	1	1.1%	4,889	\$22,001	\$4.50
Lobby + Core	1	1.1%	3,328	\$0	\$0.00
<b>Total / Ave.</b>	<b>89</b>	<b>100%</b>	<b>66,467</b>	<b>\$56,143</b>	
Residential	87	77%	58,250	\$34,143	
Commercial	2	11%	8,217	\$22,001	

**PROJECT COST SUMMARY**

	Total	\$ / Unit	\$ / SF
Land Take Down/ Dev Start	\$9,924,875	\$111,515	\$93
Permits, Licenses & Fees	\$2,060,625	\$23,153	\$19
Entitlement Planning & Engineering	\$2,142,360	\$24,071	\$20
Management Fees	\$1,339,094	\$15,046	\$13
Façade Costs	\$1,021,270	\$11,475	\$10
Building Construction Costs	\$26,311,645	\$295,636	\$246
Total Hard Cost	\$27,332,915	\$0	\$255
Other Costs	\$947,926	\$10,651	\$9
Operating Reserves & Contingency	\$1,093,695	\$12,289	\$10
Financing Costs	\$4,397,414	\$49,409	\$41
<b>Total</b>	<b>\$49,238,904</b>	<b>\$553,246</b>	<b>\$460</b>

\$0

**INVESTMENT PERFORMANCE**

Stabilized Cash Flow	\$395,995 Yr 4
Return on Cost	4.8%
Internal Rate of Return	8.2% 10 Yr

**Newman Building | 2912 University Ave**  
**Assumptions & Results**

**Scenario 6 Wedding Cake**

**GENERAL ASSUMPTIONS**

Current Year	December-23
Construction Start	January-24
Construction Timeline	12.00
Op Ex / Unit	-32.9%
Op Ex Inflation	3.50%
Revenue Inflation (Market Rate)	3.50%
Revenue Inflation (Affordable)	3.50%

**HOLDING & DISPOSITION**

Hold Period (Years)	10.00
Cap Rate @ Refinance / Disposition	4.50%
Comissions / Closing Costs	4.50%
Value at Stabilization	\$17,389,762
Asset Value / SF	\$390 /SF

**BUILDING ASSUMPTIONS**

Land SF	14,023
Total # of Units	22
Rentable SF	23,417
Parking SF	12,892
Gross SF	44,644
Parking Spaces	18
Project FAR	2.63

**FINANCING**

<u>Construction Financing</u>	
Loan Amount	\$16,158,898
Loant to Cost	60.0%
Interest Rate	8.0%
Term (months)	33
Refinance	10/31/26
Refinance Date	October-26
Permanent Loan Amount	\$8,517,434
Less Construction Loan	(\$16,158,898)
Net Proceeds from Refinance	\$0

Permanent Loan Info:

Loan Amount	\$8,517,434
Loan to Value	48%
Interest Rate	6.00%
Term (Years)	15 Years
Debt Service Coverage Ratio	1.27

**UNIT MIX**

	# of Units	% of Mix	Unit Size	Rent / Month	Rent / SF
Studio	8	36.4%	650	\$2,750	\$4.23
1B x 1b	8	36.4%	775	\$2,950	\$3.81
2B x 1b	4	18.2%	950	\$3,600	\$3.79
3B x 1b	-	0.0%	-	\$0	\$0.00
15% Very Low - Studio 1pp	-	0.0%	650	\$1,139	\$1.75
15% Very Low - 1B 2pp	-	0.0%	775	\$1,155	\$1.49
15% Very Low - 2B 3pp	-	0.0%	950	\$1,300	\$1.37
15% Very Low - 3B 4pp	-	0.0%	-	\$1,501	\$0.00
10% Low - Studio 1pp	-	0.0%	650	\$1,214	\$1.87
10% Low - 1B 2pp	-	0.0%	775	\$1,386	\$1.79
10% Low - 2b 3pp	-	0.0%	950	\$1,560	\$1.64
10% Low - 3b 4pp	-	0.0%	-	\$1,733	\$0.00
15% Moderate - Studio 1pp	-	0.0%	650	\$2,245	\$3.45
15% Moderate - 1B 2pp	-	0.0%	775	\$2,566	\$3.31
15% Moderate - 2B 3pp	-	0.0%	950	\$2,886	\$3.04
15% Moderate - 3B 4pp	-	0.0%	-	\$3,208	\$0.00
Ste 101 - Commercial	1	4.5%	4,889	\$22,001	\$4.50
Lobby + Core	1	4.5%	3,328	\$0	\$0.00
<b>Total / Ave.</b>	<b>22</b>	<b>100%</b>	<b>23,417</b>	<b>\$53,193</b>	
Residential	20	65%	15,200	\$31,193	
Commercial	2	35%	8,217	\$22,001	

**PROJECT COST SUMMARY**

	Total	\$ / Unit	\$ / SF
Land Take Down/ Dev Start	\$9,924,875	\$451,131	\$222
Permits, Licenses & Fees	\$477,750	\$21,716	\$11
Entitlement Planning & Engineering	\$1,092,360	\$49,653	\$24
Mangement Fees	\$689,364	\$31,335	\$15
Façade Costs	\$900,000	\$40,909	\$20
Building Construction Costs	\$9,589,233	\$435,874	\$215
Total Hard Cost	\$10,489,233	\$0	\$235
Other Costs	\$947,926	\$43,088	\$21
Operating Reserves & Contingency	\$590,538	\$26,843	\$13
Financing Costs	\$2,719,451	\$123,611	\$61
<b>Total</b>	<b>\$26,931,497</b>	<b>\$1,224,159</b>	<b>\$603</b>

\$0

**INVESTMENT PERFORMANCE**

Stabilized Cash Flow	\$170,030 Yr 4
Return on Cost	3.0%
Internal Rate of Return	-0.2% 10 Yr