

Central SoMa Memo

Preliminary Financial Feasibility Analysis

June 30, 2015

Introduction

As part of the draft Central SoMa Plan, the Planning Department (in collaboration with our economic analysis consultant, Seifel Consulting) has developed an analysis of development requirements that may be adopted to help fund and implement the plan's proposed public benefits, such as development impact fees, taxes, inclusionary housing, and other potential requirements. This analysis evaluated how these requirements may impact development feasibility through a Residual Land Value (RLV) analysis of several prototypical development projects, with the goal of maximizing public benefits under the plan while maintaining development feasibility.

This document conveys the methodology and initial results of this analysis. It builds off of the preliminary financial analysis conducted by Seifel Consulting (see enclosed Exhibits 1-8). Seifel will finalize the financial feasibility analysis and supporting documentation as the proposed package of public benefits is further defined, nearer to the plan's adoption. This document is meant to complement the June 25, 2015 Planning Commission presentation on this topic, as well as the accompanying analysis on the plan's Potential Public Benefits (for more information, please see the accompanying documents on the [Central SoMa website](#)).

Methodology

Step 1. Selection of Development Prototypes

The Planning Department worked with Seifel to develop four prototypical projects – one office prototype, three residential prototypes – in order to evaluate the potential impact of applying increased development requirements as part of the Central SoMa Plan. The prototypes, listed in Table 1 below, were modeled on similar development proposals submitted to the Planning Department, and were chosen to represent a range of potential developments that might be expected given the Plan's proposed rezoning. They are also intended to model the increased value created by a range of zoning and height changes proposed under the Plan. The project team recognizes that there are a myriad of height and use changes considered in the draft Plan that are not reflected here; the accompanying Central SoMa Potential Public Benefits memo describes how the findings from this financial analysis may be extrapolated to different conditions over the Plan Area.

**Table 1
Summary of Development Prototypes Evaluated**

Prototype	Site Size	Existing Zoning & Height Limit	Proposed Zoning & Height Limit	Zoning increase Modeled	Development Type Modeled
A	35,000 sq ft	SLI 85 Feet	MUO 160 Feet	Height & Use	Office with ground floor retail
B	10,000 sq ft	SALI 85 Feet	MUO 85 Feet	Use only	Residential condominium with ground floor retail
C-1*	15,000 sq ft	MUO 85 Feet	MUO 160 Feet	Height only	Residential condominium with ground floor retail
C-2*	15,000 sq ft	MUO 85 Feet	MUO 400 Feet	Height only	Residential condominium with ground floor retail
C-i* (for comparison only)	15,000 sq ft	MUO 85 Feet	No change	n/a (base prototype developed for comparison with C-1 and C-2)	Residential condominium with ground floor retail

For each of these prototypes, the value created by the Central SoMa Plan (“value differential”) is assumed to be the difference in land value under existing conditions (e.g. a one-story industrial building) and the potential land value given development after plan adoption (e.g. office/residential with increased height). Thus, the analysis also required an evaluation of land value under existing conditions.

For prototypes A and B, the analysis modeled the change in zoning from SLI and SALI (which primarily permit industrial uses) to MUO, which permits residential and office uses. Prototype A also models the impact of an increase in height. To calculate the value differential, the RLV from these prototypes were compared against the assumed land value of a one-story industrial building (\$300/square foot).¹

For prototypes C-1 and C-2, the analysis modeled a change in height only. An additional prototype C-i, modeling an 85’ residential condominium on a 15,000 square foot lot, was developed to provide the comparison RLV to calculate the value differential for prototypes C-1 and C-2.

In addition to these prototypes, the project team evaluated other variations of these prototypes (including a smaller office prototype, as well as rental versions of the condo prototypes), but ultimately settled on this list of prototypes as they represent the most profitable prototypes given current economic conditions, and are thus more likely to be developed.

¹ Based on analysis of land values conducted by Seifel Consulting and Clifford Advisory during 2014 and 2015.

Step 2. Define Public Benefits Packages

This analysis assumes that an expanded public benefit program will be justified by the value created by the Central SoMa Plan – in other words, the plan will adopt more robust development requirements in exchange for increased value created by the Plan’s rezoning and infrastructure improvements. Once the development prototypes were selected, the Planning Department and Seifel analyzed two packages of public benefits for each prototype:

- **“Baseline” scenario:** This scenario reflects the existing public benefits required in the Plan Area – in other words, it models the value created if the zoning changes proposed in the plan were adopted, *without* changing any development requirements.
- **“Full Community Benefits” scenario:** This scenario reflects some representative level of increased requirements for each of the public benefits identified in the draft plan, typically based on similar fees adopted elsewhere in the city [for instance, the Transferable Development Rights (TDR) amount and price was based on similar requirements for Downtown developments].

Once these packages were applied to each prototype, the value differential was calculated by comparing the RLV of the Baseline scenario to the existing land value (either an industrial property or a smaller residential building, depending on the prototype).

Both of these packages are described in greater detail in the tables below. Please note that the Full Community Benefits scenario may or may not reflect the type or amount of requirements that will be adopted as part of the Central SoMa Plan. In addition, the packages of public benefits described here in Steps 2 and 3 have only been analyzed from the perspective of financial feasibility of development pro formas. Any public benefits ultimately proposed by the Plan would need further legal and technical review to demonstrate compliance with the applicable nexus analysis, where required by state law.

Table 2. Initial Public Benefits Scenarios: Office Prototypes

	Baseline Scenario (Current requirements)	Full Community Benefits (Initial Proposal Under Plan)
Affordable Housing	Jobs-Housing Linkage Fee	Jobs-Housing Linkage Fee +\$12/sf
Transportation	EN Impact Fee (Tier 3) + Transportation Sustainability Fee (proposed)	EN Impact Fee (Tier 3) + Transportation Sustainability Fee (proposed)
Open Space	EN Impact Fee (Tier 3)	EN Impact Fee + Central SoMa Impact Fee (\$10/gsf)
Complete Streets	EN Impact Fee (Tier 3)	EN Impact Fee + Central SoMa Impact Fee (\$10/gsf)
Child Care	EN Impact Fee (Tier 3) + Childcare Fee	EN Impact Fee + Childcare Fee + Central SoMa Impact Fee (\$10/gsf)
Schools	School Impact Fee	School Impact Fee
Wastewater	Water/Wastewater Capacity Charge	Water/Wastewater Impact Fee
Public Art	Public Art Requirement	Public Art Requirement
Historic Resources		Transfer of Development Rights (TDR) (3 FAR @ \$30/gsf)
Community Facilities		n/a (applies to residential)
PDR		PDR space (0.5 FAR)
Non-Profit Office		Non-Profit space (1 Floor)
Infrastructure Financing (including sustainability)		Mello-Roos Tax (\$4/sf)

Table 3. Initial Public Benefits Scenarios: Residential Prototypes

	Baseline Scenario (Current requirements)	Full Community Benefits (Initial Proposal Under Plan)
Affordable Housing	BMR Program (12% on-site; 20% fee)	BMR Program (20% on-site; 33% fee)
Transportation	EN Impact Fee (Tier 3) + Transportation Sustainability Fee (proposed)	EN Impact Fee (Tier 3) + Transportation Sustainability Fee (proposed)
Open Space	EN Impact Fee (Tier 3)	EN Impact Fee + Central SoMa Impact Fee (\$10/gsf)
Complete Streets	EN Impact Fee (Tier 3)	EN Impact Fee + Central SoMa Impact Fee (\$10/gsf)
Child Care	EN Impact Fee (Tier 3) + Childcare Fee	EN Impact Fee + Childcare Fee + Central SoMa Impact Fee (\$10/gsf)
Schools	School Impact Fee	School Impact Fee
Wastewater	Water/Wastewater Capacity Charge	Water/Wastewater Impact Fee
Public Art		n/a (applies to office)
Historic Resources		TDR (3 FAR @ \$30/gsf)
Community Facilities		Community Facilities Fee (\$2/gsf)
PDR		n/a (applies to office)
Non-Profit Office		n/a (applies to office)
Infrastructure Financing (including sustainability)		Mello-Roos Tax (\$5/sf condo; \$4.50/sf rental)

Step 3. Develop Financially Feasible Alternatives

The ultimate goal of the analysis was to maximize public benefits while still enabling development to occur. Thus, in order to ensure that requirements are set such that there is still sufficient incentive for development to occur in the Plan Area, the project team sought to identify packages of public benefits that did not exceed a range of 66 to 75% value recapture. In all cases, the Full Community Benefits scenarios exceeded this amount. Therefore, staff developed three additional “Financially Feasible Alternative” scenarios for each prototype:

- **Alternative 1: Affordable Housing and Amenities** – focus public benefits on permanently affordable housing; utilize the remainder on open space and child care.
- **Alternative 2: Jobs Diversity** – subsidize new space for non-profit office and Production, Distribution, and Repair (PDR) uses; collect money to provide new community facilities; protect historic buildings; apply remainder to affordable housing.
- **Alternative 3: Infrastructure** – maximize revenue for transportation, complete streets, and environmental amenities for the Eco-District.

These Alternatives were meant to convey the possibilities for public benefits in the Plan Area, and also to frame the potential tradeoffs and choices that will need to be made. They are meant to be illustrative baskets of public benefits that evaluate the ability to push certain benefits to the maximum requested by the community during the Planning process (and in some cases, beyond) – to the exclusion of other types of public benefits. The Planning Department does not endorse any of these alternatives and anticipates that, based on robust community dialogue and conversation about how best to achieve the many policy objectives of the Plan, that the final public benefits package will be a mixture of many or all of the various benefits.

The list of public benefits applied to each scenario are listed in the table below. Under each scenario, the public benefits are listed in order of priority, such that each public benefit is applied individually until the maximum range of 66-75% value capture is reached.

Table 4. Financially Feasible Alternative Scenarios

Prototype Land Use	Alternative 1: Affordable Housing & Amenities	Alternative 2: Job Diversity	Alternative 3: Infrastructure
Office	\$12 increase in Jobs-Housing Linkage Fee Central SoMa Fee (up to \$25/GSF) Mello-Roos (up to \$4.91/GSF, for open space & child care)	0.5 FAR of PDR space 1 floor of non-profit space TDR (3.0 FAR @ \$30/sf) \$12 increase in Jobs-Housing Linkage Fee	Mello-Roos (up to \$4.91/GSF) ¹ Central SoMa Fee (up to \$25/GSF) TDR (3.0 FAR @ \$30/sf)
Residential	Increased BMR units (on-site or fee)	Community Facilities Fee (\$2/GSF) TDR (3.0 FAR @ \$30/sf) Increased BMR units	Mello-Roos (up to \$7.36/GSF) ¹ Central SoMa Fee (up to \$10/GSF) Increased BMR units

Notes:

¹ The maximum Mello-Roos amount is set at the maximum rate charged for similar land uses in the Transit Center District Plan. The Planning Department is currently working with an economic consultant to further evaluate the financial feasibility and potential revenue generation of establishing a community facilities district in the Plan Area.

Results

The following tables list the results for each prototype, describing the RLV, percentage value capture, and public benefits package under the Baseline, Full Community Benefits, and three Financially Feasible alternatives. For more information on the assumptions used in this analysis, please refer to the attached pro forma summaries from Seifel which detail the financial analysis of the Baseline and Full Community Benefits scenarios for each prototype.

**Table 5. Summary of RLV Results and Public Benefit Scenarios:
Prototype A (160' Office)**

Description:	268,400 GSF office building on lot upzoned from SLI (85' height limit) to MUO (160' height limit)				
Scenario:	<i>Baseline</i>	<i>Full community benefits</i>	<i>Alternative 1 (affordable housing & amenities)</i>	<i>Alternative 2 (job diversity)</i>	<i>Alternative 3 (infrastructure)</i>
Financial Results					
RLV	\$31,580,430	\$1,780,013	\$16,221,722	\$15,917,135	\$16,032,655
RLV/door (if applicable)	n/a	n/a	n/a	n/a	n/a
RLV/GSF	\$118	\$7	\$60	\$59	\$60
% Value Capture (target range: 66-75%)	0%	141%	73%	74%	74%
Inclusionary Housing / Affordable Housing Fee (residential only)					
Fee or onsite BMR?	n/a	n/a	n/a	n/a	n/a
% Affordable	n/a	n/a	n/a	n/a	n/a
Jobs-housing linkage fee (office only)					
Jobs-housing linkage fee (\$/GSF)	\$24	\$36	\$36	\$24	\$24
Jobs-housing linkage fee (total)	\$6,409,724	\$9,028,335	\$9,028,335	\$6,409,724	\$6,409,724
Mello-Roos					
Residential: condo (\$/GSF)	-	-	-	-	-
Office (\$/GSF)	\$0.00	\$4.00	\$2.80	\$0.00	\$4.91
Land use requirements (office only)					
PDR space	none	0.5 FAR	none	0.5 FAR	none
Nonprofit office space	none	2nd floor	none	2nd floor	none
Central SoMa Fee					
Central SoMa Fee (\$/GSF)	\$0	\$10	\$25	\$0	\$10
Central SoMa Fee (total)	\$0	\$2,509,000	\$6,272,500	\$0	\$2,509,000
Transfer of Development Rights (TDR)					
TDR purchase (# of FAR)	0	3.0	0	3.0	1.5
TDR purchase (total)	\$0	\$3,150,000	\$0	\$3,150,000	\$1,575,000
Community facilities fee (residential only)					
Community facilities fee (total)	\$0	\$0	\$0	\$0	\$0

**Table 6. Summary of RLV Results and Public Benefit Scenarios:
B (85' Residential Condo)**

Description:	60 unit condo building (with onsite BMR units), on lot upzoned from SALI (85' height limit) to MUO (85' height limit)				
Scenario:	<i>Baseline</i>	<i>Full community benefits</i>	<i>Alternative 1 (affordable housing & amenities)</i>	<i>Alternative 2 (job diversity)</i>	<i>Alternative 3 (infrastructure)</i>
Financial Results					
RLV	\$7,695,912	\$3,654,282	\$4,528,787	\$4,383,713	\$4,412,580
RLV/door (if applicable)	\$128,265	\$60,905	\$75,480	\$73,062	\$73,543
RLV/GSF	\$127	\$60	\$75	\$72	\$73
% Value Capture (target range: 66-75%)	0%	86%	67%	71%	70%
Inclusionary Housing / Affordable Housing Fee (residential only)					
Fee or onsite BMR?	onsite BMR	onsite BMR	onsite BMR	onsite BMR	onsite BMR
% Affordable	12%	20%	23%	20%	20%
Jobs-housing linkage fee (office only)					
Jobs-housing linkage fee (\$/GSF)	n/a	n/a	n/a	n/a	n/a
Jobs-housing linkage fee (total)	n/a	n/a	n/a	n/a	n/a
Mello-Roos					
Residential: condo (\$/GSF)	\$0.00	\$5.00	\$0.00	\$0.00	\$7.36
Office (\$/GSF)	-	-	-	-	-
Land use requirements (office only)					
PDR space	n/a	n/a	n/a	n/a	n/a
Nonprofit office space	n/a	n/a	n/a	n/a	n/a
Central SoMa Fee					
Central SoMa Fee (\$/GSF)	\$0	\$10	\$0	\$0	\$10
Central SoMa Fee (total)	\$0	\$605,500	\$0	\$0	\$605,500
Transfer of Development Rights (TDR)					
TDR purchase (# of FAR)	0	3.0	0	3.0	0
TDR purchase (total)	\$0	\$900,000	\$0	\$900,000	\$0
Community facilities fee (residential only)					
Community facilities fee (total)	\$0	\$121,100	\$0	\$121,100	\$0

**Table 7. Summary of RLV Results and Public Benefit Scenarios:
C-1 (160' Residential Condo)**

Description:	128 unit condo building (paying affordable housing fee), on lot upzoned from MUO (85' height limit) to MUO (160' height limit)				
Scenario:	<i>Baseline</i>	<i>Full community benefits</i>	<i>Alternative 1 (affordable housing & amenities)</i>	<i>Alternative 2 (job diversity)</i>	<i>Alternative 3 (infrastructure)</i>
Financial Results					
RLV	\$16,052,780	\$5,283,432	\$11,311,254	\$11,277,493	\$11,300,368
RLV/door (if applicable)	\$125,412	\$41,277	\$88,369	\$88,105	\$88,284
RLV/GSF	\$101	\$33	\$71	\$71	\$71
% Value Capture (target range: 66-75%)	0%	163%	72%	72%	72%
Inclusionary Housing / Affordable Housing Fee (residential only)					
Fee or onsite BMR?	fee	fee	fee	fee	fee
% Affordable	17%	33%	29%	25%	22%
Jobs-housing linkage fee (office only)					
Jobs-housing linkage fee (\$/GSF)	n/a	n/a	n/a	n/a	n/a
Jobs-housing linkage fee (total)	n/a	n/a	n/a	n/a	n/a
Mello-Roos					
Residential: condo (\$/GSF)	\$0.00	\$5.00	\$0.00	\$0.00	\$7.36
Office (\$/GSF)	-	-	-	-	-
Land use requirements (office only)					
PDR space	n/a	n/a	n/a	n/a	n/a
Nonprofit office space	n/a	n/a	n/a	n/a	n/a
Central SoMa Fee					
Central SoMa Fee (\$/GSF)	\$0	\$10	\$0	\$0	\$10
Central SoMa Fee (total)	\$0	\$1,582,600	\$0	\$0	\$1,582,600
Transfer of Development Rights (TDR)					
TDR purchase (# of FAR)	0	3.0	0	3.0	0
TDR purchase (total)	\$0	\$1,350,000	\$0	\$1,350,000	\$0
Community facilities fee (residential only)					
Community facilities fee (total)	\$0	\$316,520	\$0	\$316,520	\$0

**Table 8. Summary of RLV Results and Public Benefit Scenarios:
C-2 (400' Residential Condo)**

Description:	217 unit condo building (paying affordable housing fee), on lot upzoned from MUO (85' height limit) to MUO (400' height limit)				
Scenario:	<i>Baseline</i>	<i>Full community benefits</i>	<i>Alternative 1 (affordable housing & amenities)</i>	<i>Alternative 2 (job diversity)</i>	<i>Alternative 3 (infrastructure)</i>
Financial Results					
RLV	\$28,281,313	\$10,675,456	\$14,318,745	\$14,449,705	\$14,337,100
RLV/door (if applicable)	\$130,329	\$49,196	\$65,985	\$66,589	\$66,070
RLV/GSF	\$90	\$34	\$45	\$46	\$46
% Value Capture (target range: 66-75%)	0%	94%	74%	73%	74%
Inclusionary Housing / Affordable Housing Fee (residential only)					
Fee or onsite BMR?	fee	fee	fee	fee	fee
% Affordable	17%	33%	38%	35%	29%
Jobs-housing linkage fee (office only)					
Jobs-housing linkage fee (\$/GSF)	n/a	n/a	n/a	n/a	n/a
Jobs-housing linkage fee (total)	n/a	n/a	n/a	n/a	n/a
Mello-Roos					
Residential: condo (\$/GSF)	\$0.00	\$5.00	\$0.00	\$0.00	\$7.36
Office (\$/GSF)	-	-	-	-	-
Land use requirements (office only)					
PDR space	n/a	n/a	n/a	n/a	n/a
Nonprofit office space	n/a	n/a	n/a	n/a	n/a
Central SoMa Fee					
Central SoMa Fee (\$/GSF)	\$0	\$10	\$0	\$0	\$10
Central SoMa Fee (total)	\$0	\$3,150,100	\$0	\$0	\$3,150,100
Transfer of Development Rights (TDR)					
TDR purchase (# of FAR)	0	3.0	0	3.0	0
TDR purchase (total)	\$0	\$1,350,000	\$0	\$1,350,000	\$0
Community facilities fee (residential only)					
Community facilities fee (total)	\$0	\$630,020	\$0	\$630,020	\$0

List of Exhibits:
Seifel Consulting Inc. – Central SoMa Plan Area Financial Analysis

- **Exhibit 1:** Summary of the Key Development Assumptions for the Baseline and Full Community Benefits Alternatives for Each Prototype
- **Exhibit 2:** Prototype A – 160' Office Mixed Use
- **Exhibit 3:** Prototype B – 85' Residential Condo Mixed Use (BMR On-Site)
- **Exhibit 4:** Prototype C-1 – 160' Residential Condo Mixed Use (Affordable Housing fee)
- **Exhibit 5:** Prototype C-2 – 400' Residential Condo Mixed Use
- **Exhibit 6:** Prototype C-i – 85' Residential Condo under Existing Zoning
- **Exhibit 7:** Development Assumptions
- **Exhibit 8:** Acknowledgements & Sources

Exhibit 1
 Summary of the Key Development Assumptions for the Baseline and Full Community Benefits Alternatives for Each Prototype
 Central SoMa Area Plan Financial Analysis

Community Benefit	Prototype A 160' Office 268,400 GSF		Prototype B 85' Residential Condo 60 units		Prototype C-1 160' Residential Condo 128 units		Prototype C-2 400' Residential Condo 217 units	
	existing zoning: SLI		existing zoning: SALI		existing zoning: MUO		existing zoning: MUO	
	proposed zoning: MUO		proposed zoning: MUO		proposed zoning: MUO		proposed zoning: MUO	
	existing height: 85'		existing height: 85'		existing height: 85'		existing height: 85'	
	proposed height: 160'		proposed height: 85'		proposed height: 160'		proposed height: 400'	
	BASELINE	FULL COMMUNITY BENEFITS	BASELINE	FULL COMMUNITY BENEFITS	BASELINE	FULL COMMUNITY BENEFITS	BASELINE	FULL COMMUNITY BENEFITS
All Projects								
Affordable Housing¹	Jobs-Housing Linkage Fee	Jobs-Housing Linkage Fee + \$12/GSF increase	Onsite BMR Units @ 12%	Onsite BMR Units @ 20%	Affordable Housing Fee @ 17%	Affordable Housing Fee @ 33%	Affordable Housing Fee @ 17%	Affordable Housing Fee @ 33%
Eastern Neighborhoods Fee	EN Tier 3 Fees	same	EN Tier 3 fees	same	EN Tier 3 Fees	same	EN Tier 3 Fees	same
(proposed) Central SoMa fee	none required	\$10/GSF	none required	\$10/GSF	none required	\$10/GSF	none required	\$10/GSF
Transportation Sustainability Fee (TSF)²	\$7.74 / GSF residential; \$18.04 / GSF nonresidential	same	\$7.74 / GSF residential; \$18.04 / GSF nonresidential	same	\$7.74 / GSF residential; \$18.04 / GSF nonresidential	same	\$7.74 / GSF residential; \$18.04 / GSF nonresidential	same
(proposed) Community Facilities District (Mello-Roos)	none required	\$4.00/sf (office)	none required	\$5.00/sf (residential condo)	none required	\$5.00/sf (residential condo)	none required	\$5.00/sf (residential condo)
(proposed) Transfer of Development Rights (TDR)	none required	3.0 FAR at \$30/sf	none required	3.0 FAR at \$30/sf	none required	3.0 FAR at \$30/sf	none required	3.0 FAR at \$30/sf
Residential Projects								
(proposed) Community Facilities Fee	n/a	n/a	none required	\$2/GSF	none required	\$2/GSF	none required	\$2/GSF
Commercial Projects								
(proposed) Production, Distribution, Repair (PDR)	none required	0.5 FAR on ground floor	n/a	n/a	n/a	n/a	n/a	n/a
(proposed) Nonprofit office	none required	Devote 2nd story to nonprofit use	n/a	n/a	n/a	n/a	n/a	n/a

NOTES:

1. Jobs-Housing Linkage Fee increase (\$12/GSF) reflects potential updates to the maximum justified nexus, currently under study by OEWD.

2. TSF rates are based on current proposal.

Source: San Francisco Planning Department.

Exhibit 2. Prototype A – 160' Office Mixed Use

Summary of Development Program

Site Area	
Lot Size	35,000 SF
Zoning Change Under Central SoMa Plan	
Existing Zoning	SLI
Existing Height	85 Feet
Proposed Zoning	MUO
Proposed Height Limit	160 Feet
Prior Use on Site	Industrial
Development Program	
Description Building	High-Rise
Height Residential Units	160 Feet
(Total)	0 Units
Onsite BMR Units (Baseline)	N/A Units
Onsite BMR Units (Full Community Benefits)	N/A Units
Average Unit Size	N/A NSF
Building Size (Leaseable SF)	241,500 LSF
Building Size GSF (without parking)	268,400 GSF
FAR	7.2
Parking Ratio	N/A
Total Parking Spaces	86
Parking Construction Type (# of levels)	Underground (1)

Summary of Financial Analysis

Prototype A	Baseline	Full Community Benefits	
A: 160' Office MU	Amount	Amount	% Change from baseline
Revenues			
Residential For-Sale	\$0	\$0	-
Residential Rental	\$0	\$0	-
Subtotal Residential	\$0	\$0	-
Office	\$188,815,374	\$169,360,974	(10%)
Retail	\$17,215,600	\$9,665,440	(44%)
Total Revenues	\$206,030,974	\$179,026,414	(13%)
Hard and Soft Costs			
Hard Construction Costs	\$78,540,000	\$78,540,000	0%
Tenant Improvements	\$20,862,000	\$19,282,000	(8%)
Development Impact Fees/ Other Costs	\$16,879,565	\$25,576,272	52%
<i>TDR Purchase (proposed)</i>	\$0	\$3,150,000	-
<i>Affordable Housing Fee</i>	\$0	\$0	-
<i>Jobs-Housing Linkage Fee</i>	\$6,409,724	\$9,028,335	41%
<i>Central SoMa Fee (proposed)</i>	\$0	\$2,509,000	-
<i>Community Facilities Fee (proposed)</i>	\$0	\$0	-
<i>Mello Roos Special Tax Contribution</i>	\$0	\$1,032,000	-
<i>Other</i>	\$10,469,841	\$9,856,937	(6%)
Environmental/ Transportation Review	\$884,000	\$884,000	0%
Construction Financing/ Predev. Carry	\$11,635,946	\$11,635,946	0%
Other Soft Costs	\$14,137,200	\$14,137,200	0%
Total Hard and Soft Costs	\$142,938,711	\$150,055,418	5%
Developer Margin	\$32,964,956	\$28,644,226	(13%)
Total Costs	\$175,903,667	\$178,699,645	2%
Residual Land Value (RLV)	\$30,127,307	\$326,769	(99%)
<i>RLV as Percent of Revenues</i>	15%	0%	
<i>Developer Margin/ Total Dev. Costs</i>	19%	19%	
<i>Return (Yield) on Cost</i>	6.3%	6.2%	
Existing Land Value (reflecting 1-story industrial building)	\$10,500,000		
Value Differential	\$19,627,307		

Exhibit 2. Prototype A – 160' Office Mixed Use

Summary Development Pro Forma - Revenue Generation

A: 160' Office MU	Baseline	Full Community Benefits
Revenue		
Residential- For Sale		
MR Sales Proceeds	\$0	\$0
<u>BMR Sales Proceeds</u>	<u>\$0</u>	<u>\$0</u>
Total Sales Proceeds	\$0	\$0
<u>Less Sales Expense</u>	<u>\$0</u>	<u>\$0</u>
Net Residential Sales Proceeds	\$0	\$0
Residential - Rental		
MR Rent Revenue	\$0	\$0
BMR Rent Revenue	\$0	\$0
Parking Revenue	\$0	\$0
Less Vacancy	\$0	\$0
Less Operating Expenses	\$0	\$0
<u>Mello Roos Special Tax</u>	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0
Sales Value	\$0	\$0
<u>Less Sales Expense</u>	<u>\$0</u>	<u>\$0</u>
Net Residential Proceeds	\$0	\$0
Office		
Rent Revenue	\$11,836,800	\$11,185,800
Parking Revenue	\$448,200	\$448,200
Less Vacancy	(\$1,183,680)	(\$1,118,580)
Less Operating Expenses	(\$1,318,140)	(\$1,253,040)
<u>Mello Roos Special Tax</u>	<u>\$0</u>	<u>(\$487,200)</u>
Net Operating Income	\$9,783,180	\$8,775,180
Sales Value	\$195,663,600	\$175,503,600
<u>Less Sales Expense</u>	<u>(\$6,848,226)</u>	<u>(\$6,142,626)</u>
Net Office Proceeds	\$188,815,374	\$169,360,974
Retail (and PDR Space)		
Rent Revenue	\$1,338,000	\$769,200
Parking Revenue	\$0	\$0
Less Vacancy	(\$133,800)	(\$76,920)
Less Operating Expenses	(\$133,800)	(\$76,920)
<u>Mello Roos Special Tax</u>	<u>\$0</u>	<u>(\$14,400)</u>
Net Operating Income	\$1,070,400	\$600,960
Sales Value	\$17,840,000	\$10,016,000
<u>Less Sales Expense</u>	<u>(\$624,400)</u>	<u>(\$350,560)</u>
Net Retail Proceeds	\$17,215,600	\$9,665,440
Total Net Proceeds	\$206,030,974	\$179,026,414

Exhibit 2. Prototype A – 160' Office Mixed Use

Summary of Development Pro Forma - Development Costs and Residual Land Value

A: 160' Office MU	Baseline	Full Community Benefits
Development Costs		
Demolition	\$0	\$0
On/Offsite Improvements	\$0	\$0
Hard Construction Costs	\$78,540,000	\$78,540,000
Residential	\$0	\$0
Office	\$60,900,000	\$60,900,000
Retail (and PDR Space)	\$5,600,000	\$5,600,000
Parking	\$4,900,000	\$4,900,000
Hard Cost Contingency	\$7,140,000	\$7,140,000
Tenant Improvements/Lease Up Costs	\$20,862,000	\$19,282,000
Office	\$18,632,000	\$18,632,000
Retail	\$2,230,000	\$650,000
Subtotal: Direct Costs	\$99,402,000	\$97,822,000
Soft Costs		
Environmental and Transportation Review	\$884,000	\$884,000
Development Impact Fees/ Other Costs	\$16,879,565	\$25,576,272
<i>Transportation Sustainability Fee</i>	<i>\$4,575,586</i>	<i>\$4,259,886</i>
<i>Eastern Neighborhood (Tier 3)</i>	<i>\$4,432,716</i>	<i>\$4,135,391</i>
<i>TDR Purchase for FAR Increase</i>	<i>\$0</i>	<i>\$3,150,000</i>
<i>Affordable Housing Fee</i>	<i>\$0</i>	<i>\$0</i>
<i>Jobs-Housing Linkage Fee</i>	<i>\$6,409,724</i>	<i>\$9,028,335</i>
<i>Central SoMa Area Plan Fee (proposed)</i>	<i>\$0</i>	<i>\$2,509,000</i>
<i>Community Facilities Fee (proposed)</i>	<i>\$0</i>	<i>\$0</i>
<i>Mello Roos Contribution</i>	<i>\$0</i>	<i>\$1,032,000</i>
<i>Childcare Fee</i>	<i>\$294,756</i>	<i>\$294,877</i>
<i>Downtown Parks Fee</i>	<i>\$0</i>	<i>\$0</i>
<i>Public Art Fee</i>	<i>\$785,400</i>	<i>\$785,400</i>
<i>School Impact Fee</i>	<i>\$100,787</i>	<i>\$100,787</i>
<i>Wastewater/Water Capacity Charges</i>	<i>\$280,596</i>	<i>\$280,596</i>
Construction Financing/ Predev. Carry	\$11,635,946	\$11,635,946
<i>Const. Loan Amount</i>	<i>\$106,751,800</i>	<i>\$106,751,800</i>
<i>Average Outstanding Balance</i>	<i>\$64,051,080</i>	<i>\$64,051,080</i>
<i>Construction Loan Interest</i>	<i>\$10,568,428</i>	<i>\$10,568,428</i>
<i>Construction Loan Fees (Points)</i>	<i>\$1,067,518</i>	<i>\$1,067,518</i>
Other Soft Costs	\$14,137,200	\$14,137,200
Developer Margin	\$32,964,956	\$28,644,226
Total Cost	\$175,903,667	\$178,699,645
Residual Land Value (RLV)	\$30,127,307	\$326,769
<i>RLV as Percent of Revenue</i>	<i>15%</i>	<i>0.2%</i>
<i>Return (Yield) on cost</i>	<i>6.3%</i>	<i>6.2%</i>
Existing Land Value (reflecting 1-story industrial building)	\$10,500,000	
Value Differential	\$19,627,307	

Exhibit 3. Prototype B– 85' Residential Condo Mixed Use (BMR On-Site)

Summary of Development Program

Site Area	
Lot Size	10,000 SF
Zoning Change Under Central SoMa Plan	
Existing Zoning	SALI
Existing Height	85 Feet
Proposed Zoning	MUO
Proposed Height Limit	85 Feet
Prior Use on Site	Industrial
Development Program	
Description Building	Residential Condo
Height Residential Units	85 Feet
(Total)	60 Units
Onsite BMR Units (Baseline)	7 Units
Onsite BMR Units (Full Community Benefits)	12 Units
Average Unit Size	719 NSF
Building Size (NSF)	47,625 NSF
Building Size GSF (without parking)	60,550 GSF
FAR	6.1
Parking Ratio	0.60 Spaces per Unit
Total Parking Spaces	36
Parking Construction Type (# of levels)	Underground (1)

Summary of Financial Analysis

Prototype B	Baseline	Full Community Benefits	
85' Residential Condo MU (BMR On-Site)	Amount	Amount	% Change from baseline
Revenues			
Residential For-Sale	\$44,997,593	\$42,207,480	(6%)
Residential Rental	\$0	\$0	-
Subtotal Residential	\$44,997,593	\$42,207,480	(6%)
Office	\$0	\$0	-
Retail	\$3,187,395	\$3,006,458	(6%)
Total Revenues	\$48,184,988	\$45,213,938	(6%)
Hard and Soft Costs			
Hard Construction Costs	\$21,266,850	\$21,266,850	0%
Tenant Improvements/Lease Up Costs	\$450,000	\$450,000	0%
Development Impact Fees/ Other Costs	\$1,787,399	\$3,569,387	100%
<i>TDR Purchase (proposed)</i>	\$0	\$900,000	-
<i>Affordable Housing Fee</i>	\$0	\$0	-
<i>Jobs-Housing Linkage Fee</i>	\$0	\$0	-
<i>Central SoMa Fee (proposed)</i>	\$0	\$605,500	-
<i>Community Facilities Fee (proposed)</i>	\$0	\$121,100	-
<i>Mello Roos Contribution (proposed)</i>	\$0	\$155,388	-
<i>Other</i>	\$1,787,399	\$1,787,399	0%
Environmental/ Transportation Review	\$119,000	\$119,000	0%
Construction Financing/ Predev. Carry	\$2,418,676	\$2,269,526	(6%)
Other Soft Costs	\$5,316,713	\$5,316,713	0%
Total Hard and Soft Costs	\$31,358,638	\$32,991,476	5%
Developer Margin	\$9,155,148	\$8,590,648	(6%)
Total Costs	\$40,513,785	\$41,582,124	3%
Residual Land Value (RLV)	\$7,671,202	\$3,631,814	(53%)
<i>RLV as Percent of Revenues</i>	16%	8%	
<i>Developer Margin/ Total Dev. Costs</i>	23%	23%	
Return (Yield) on Cost	N/A	N/A	
Existing Land Value (reflecting 1-story industrial building)	\$3,000,000		
Value Differential	\$4,671,202		

Exhibit 3. Prototype B - 85' Residential Condo Mixed Use (BMR On-Site)

Summary Development Pro Forma– Revenue Generation

85' Residential Condo MU (BMR On-Site)	Baseline	Full Community Benefits
Revenue		
Residential- For Sale		
MR Sales Proceeds	\$45,712,500	\$41,400,000
BMR Sales Proceeds	<u>\$1,904,000</u>	\$3,264,000
Total Sales Proceeds	\$47,616,500	\$44,664,000
Less Sales Expense	<u>(\$2,618,908)</u>	<u>(\$2,456,520)</u>
Net Residential Sales Proceeds	<i>\$44,997,593</i>	<i>\$42,207,480</i>
Residential - Rental		
MR Rent Revenue	\$0	\$0
BMR Rent Revenue	\$0	\$0
Parking Revenue	\$0	\$0
Less Vacancy	\$0	\$0
Less Operating Expenses (Baseline)	\$0	\$0
Less Property Taxes (at 1.19%)	\$0	\$0
Mello Roos Special Tax	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0
Sales Value	\$0	\$0
Less Sales Expense	<u>\$0</u>	<u>\$0</u>
Net Residential Proceeds	\$0	\$0
Office		
Rent Revenue	\$0	\$0
Parking Revenue	\$0	\$0
Less Vacancy	\$0	\$0
Less Operating Expenses	\$0	\$0
Mello Roos Special Tax	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0
Sales Value	\$0	\$0
Less Sales Expense	<u>\$0</u>	<u>\$0</u>
Net Office Proceeds	\$0	\$0
Retail		
Rent Revenue	\$243,000	\$243,000
Parking Revenue	\$5,400	\$5,400
Less Vacancy	(\$24,300)	(\$24,300)
Less Operating Expenses	(\$25,920)	(\$25,920)
Mello Roos Special Tax	<u>\$0</u>	<u>(\$11,250)</u>
Net Operating Income	\$198,180	\$186,930
Sales Value	\$3,303,000	\$3,115,500
Less Sales Expense	<u>(\$115,605)</u>	<u>(\$109,043)</u>
Net Retail Proceeds	<i>\$3,187,395</i>	<i>\$3,006,458</i>
Total Revenues	\$48,184,988	\$45,213,938

Exhibit 3. Prototype B - 85' Residential Condo Mixed Use (BMR On-Site)

Summary Development Pro Forma– Development Costs and Residual Land Value

85' Residential Condo MU (BMR On-Site)	Baseline	Full Community Benefits
Hard Construction Costs	\$21,266,850	\$21,266,850
Residential	\$16,665,000	\$16,665,000
Office	\$0	\$0
Retail	\$1,012,500	\$1,012,500
Parking	\$1,656,000	\$1,656,000
Hard Cost Contingency	\$1,933,350	\$1,933,350
Tenant Improvements/Lease Up Costs	\$450,000	\$450,000
Office	\$0	\$0
Retail	\$450,000	\$450,000
Subtotal: Direct Costs	\$21,716,850	\$21,716,850
Soft Costs		
Environmental and Transportation Review	\$119,000	\$119,000
Transportation Analysis	\$103,000	\$103,000
<i>SF Planning</i>	\$23,365	\$23,365
<i>SFMTA</i>	\$4,494	\$4,494
<i>Transp. Consultant</i>	\$75,000	\$75,000
Environmental Review	\$16,000	\$16,000
<i>SF Planning</i>	\$16,386	\$16,386
<i>EIR/Legal Consultant</i>	\$0	\$0
Development Impact Fees/ Other Costs	\$1,787,399	\$3,569,387
<i>Transportation Sustainability Fee</i>	\$444,057	\$444,057
<i>Eastern Neighborhood (Tier 3)</i>	\$1,023,093	\$1,023,093
<i>TDR Purchase for FAR Increase</i>	\$0	\$900,000
<i>Affordable Housing Fee</i>	\$0	\$0
<i>Jobs-Housing Linkage Fee</i>	\$0	\$0
<i>Central SoMa Impact Fee (proposed)</i>	\$0	\$605,500
<i>Community Facilities Fee (proposed)</i>	\$0	\$121,100
<i>Mello Roos Contribution (Proposed)</i>	\$0	\$155,388
<i>Childcare Fee</i>	\$0	\$0
<i>Downtown Parks Fee</i>	\$0	\$0
<i>Public Art Fee</i>	\$0	\$0
<i>School Impact Fee</i>	\$162,866	\$162,866
<i>Wastewater/Water Capacity Charges</i>	\$157,383	\$157,383
Construction Financing/ Predev. Carry	\$2,418,676	\$2,269,526
<i>Const. Loan Amount</i>	\$25,459,750	\$23,889,750
<i>Average Outstanding Balance</i>	\$15,275,850	\$14,333,850
<i>Construction Loan Interest</i>	\$2,100,429	\$1,970,904
<i>Construction Loan Fees (Points)</i>	\$318,247	\$298,622
Other Soft Costs	\$5,316,713	\$5,316,713
Developer Margin	9,155,148	8,590,648
Total Cost	40,513,785	41,582,124
Residual Land Value (RLV)	\$7,671,202	\$3,631,814
<i>RLV as Percent of Revenue</i>	15.9%	8.0%
<i>Developer Margin/ Total Dev. Costs</i>	23.5%	23.5%
Existing Land Value (reflecting 1-story industrial building)	\$3,000,000	
Value Differential	\$4,671,202	

Exhibit 4. Prototype C-1 160' Residential Condo Mixed Use (Affordable Housing fee)

Summary of Development Program

Site Area	
Lot Size	15,000 SF
Zoning Change Under Central SoMa Plan	
Existing Zoning	MUO
Existing Height	85 Feet
Proposed Zoning	MUO
Proposed Height Limit	160 Feet
Prior Use on Site	Industrial
Development Program	
Description Building	High-Rise
Height Residential Units	160 Feet
(Total)	128 Units
Onsite BMR Units (Baseline)	0 Units
Onsite BMR Units (Full Community Benefits)	0 Units
Average Unit Size	942 NSF
Building Size (NSF)	126,575 NSF
Building Size GSF (without parking)	158,260 GSF
FAR	10.6
Parking Ratio	0.71 Spaces per Unit
Total Parking Spaces	104
Parking Construction Type (# of levels)	Underground (2)

Summary of Financial Analysis

Prototype C-1	Baseline	Full Community Benefits	
160' Residential Condo MU	SubTotal	SubTotal	% Change from Baseline
Revenues			
Residential For-Sale	\$139,581,792	\$139,581,792	0%
Residential Rental	\$0	\$0	-
<u>Subtotal Residential</u>	<u>\$139,581,792</u>	<u>\$139,581,792</u>	<u>0%</u>
Office	\$0	\$0	-
Retail	\$5,271,795	\$4,970,233	(6%)
Total Revenues	\$144,853,587	\$144,552,025	(0%)
Hard and Soft Costs			
Hard Construction Costs	\$60,567,210	\$60,567,210	0%
Tenant Improvements/Lease Up Costs	\$675,000	\$675,000	0%
Development Impact Fees/ Other Costs	\$11,690,971	\$22,240,506	90%
<i>TDR Purchase (proposed)</i>	\$0	\$1,350,000	-
<i>Affordable Housing Fee</i>	\$7,036,444	\$13,658,980	94%
<i>Jobs-Housing Linkage Fee</i>	\$0	\$0	-
<i>Central SoMa Fee (proposed)</i>	\$0	\$1,582,600	-
<i>Community Facilities Fee (proposed)</i>	\$0	\$316,520	-
<i>Mello Roos Special Tax Contribution</i>	\$0	\$0	-
<i>Other</i>	\$4,654,526	\$5,332,406	15%
Environmental/ Transportation Review	\$119,000	\$119,000	0%
Construction Financing/ Predev. Carry	\$10,032,543	\$10,012,075	(0%)
Other Soft Costs	<u>\$15,310,553</u>	<u>\$15,310,553</u>	<u>0%</u>
Total Hard and Soft Costs	\$98,395,276	\$108,924,343	11%
Developer Margin	<u>\$30,419,253</u>	<u>\$30,355,925</u>	<u>(0%)</u>
Total Costs	\$128,814,530	\$139,280,268	8%
Residual Land Value (RLV)	\$16,039,057	\$5,271,756	(67%)
<i>RLV as Percent of Revenues</i>	11%	4%	
<i>Developer Margin/Total Dev. Cost</i>	27%	27%	
Existing Land Value (reflecting 85' Condo building)	\$9,500,000		
Value Differential	\$6,539,057		

Exhibit 4. Prototype C-1 160' Residential Condo Mixed Use (Affordable Housing fee)

Summary Development Pro Forma - Revenue Generation

C-1: 160' Residential MU	Baseline	Full Community Benefits
Revenue		
Residential		
MR Sales Proceeds	\$147,705,600	\$147,705,600
<u>BMR Sales Proceeds</u>	<u>\$0</u>	<u>\$0</u>
Total Sales Proceeds	\$147,705,600	\$147,705,600
Less Sales Expense	(\$8,123,808)	(\$8,123,808)
Net Residential Sales Proceeds	\$139,581,792	\$139,581,792
Residential - Rental		
MR Rent Revenue	\$0	\$0
BMR Rent Revenue	\$0	\$0
Parking Revenue	\$0	\$0
Less Vacancy	\$0	\$0
Less Operating Expenses	\$0	\$0
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0
Sales Value	\$0	\$0
<u>Less Sales Expense</u>	<u>\$0</u>	<u>\$0</u>
Net Residential Proceeds	\$0	\$0
Office		
Rent Revenue	\$0	\$0
Parking Revenue	\$0	\$0
Less Vacancy	\$0	\$0
Less Operating Expenses	\$0	\$0
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0
Sales Value	\$0	\$0
<u>Less Sales Expense</u>	<u>\$0</u>	<u>\$0</u>
Net Office Proceeds	\$0	\$0
Retail (and PDR)		
Rent Revenue	\$405,000	\$405,000
Parking Revenue	\$5,400	\$5,400
Less Vacancy	(\$40,500)	(\$40,500)
Less Operating Expenses	(\$42,120)	(\$42,120)
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>	<u>(\$18,750)</u>
Net Operating Income	\$327,780	\$309,030
Sales Value	5,463,000	5,150,500
<u>Less Sales Expense</u>	<u>(\$191,205)</u>	<u>(\$180,268)</u>
Net Retail Proceeds	\$5,271,795	\$4,970,233
Total Net Proceeds	\$144,853,587	\$144,552,025

Exhibit 4. Prototype C-1 160' Residential Condo Mixed Use (Affordable Housing fee)
 Summary Development Pro Forma– Development Costs and Residual Land Value

C-1: 160' Residential MU	Baseline	Full Community Benefits
Development Cost		
Hard Construction Costs	\$60,567,210	\$60,567,210
<i>Residential</i>	\$48,243,200	\$48,243,200
<i>Office</i>	\$0	\$0
<i>Retail</i>	\$1,687,500	\$1,687,500
<i>Parking</i>	\$5,130,400	\$5,130,400
<i>Hard Cost Contingency</i>	\$5,506,110	\$5,506,110
Tenant Improvements	\$675,000	\$675,000
<i>Office</i>	\$0	\$0
<i>Retail</i>	\$675,000	\$675,000
Subtotal: Direct Costs	\$61,242,210	\$61,242,210
Soft Costs		
Environmental and Transportation Review	\$119,000	\$119,000
<i>Transportation Analysis</i>	\$103,000	\$103,000
<i>SF Planning</i>	\$23,365	\$23,365
<i>SFMTA</i>	\$4,494	\$4,494
<i>Transp. Consultant</i>	\$75,000	\$75,000
<i>Environmental Review</i>	\$16,000	\$16,000
<i>SF Planning</i>	\$16,368	\$16,368
<i>EIR Consultant</i>	\$0	\$0
Development Impact Fees/ Other Costs	\$11,690,971	\$22,240,506
<i>Transportation Sustainability Fee</i>	\$1,188,032	\$1,188,032
<i>Eastern Neighborhood (Tier 3)</i>	\$2,713,268	\$2,713,268
<i>TDR Purchase (proposed)</i>	\$0	\$1,350,000
<i>Affordable Housing Fee</i>	\$7,036,444	\$13,658,980
<i>Jobs-Housing Linkage Fee</i>	\$0	\$0
<i>Central SoMa Add'l Impact Fee</i>	\$0	\$1,582,600
<i>Community Facilities Fee (Proposed)</i>	\$0	\$316,520
<i>Mello Roos Special Tax Contribution</i>	\$0	\$677,880
<i>Childcare Fee</i>	\$0	\$0
<i>Downtown Parks Fee</i>	\$0	\$0
<i>Public Art Fee</i>	\$0	\$0
<i>School Impact Fee</i>	\$440,534	\$440,534
<i>Wastewater/Water Capacity Charges</i>	\$312,692	\$312,692
Construction Financing/ Predev. Carry	\$10,032,543	\$10,012,075
<i>Const. Loan Amount</i>	\$76,584,300	\$76,428,050
<i>Average Outstanding Balance</i>	\$45,950,580	\$45,856,830
<i>Construction Loan Interest</i>	\$9,266,700	\$9,247,794
<i>Construction Loan Fees (Points)</i>	\$765,843	\$764,281
Other Soft Costs	\$15,310,553	\$15,310,553
Developer Margin	30,419,253	30,355,925
Total Cost	128,814,530	139,280,268
Residual Land Value (RLV)	\$16,039,057	\$5,271,756
<i>RLV as a Percentage of Revenue</i>	11%	4%
<i>Developer Margin/Total Dev. Cost</i>	27%	27%
Existing Land Value (reflecting 85' Condo building)	\$9,500,000	
Value differential	\$6,539,057	

Exhibit 5. Prototype C-2 400' Residential Condo Mixed Use

Summary of Development Program

Site Area		
Lot Size	15,000	SF
Zoning Change Under Central SoMa Plan		
Existing Zoning	MUO	
Existing Height	85	Feet
Proposed Zoning	MUO	
Proposed Height Limit	400	Feet
Prior Use on Site	Industrial	
Development Program		
Description Building	Residential Condo	
Height Residential Units	400	Feet
(Total)	217	Units
Onsite BMR Units (Baseline)	0	Units
Onsite BMR Units (Full Community Benefits)	0	Units
Average Unit Size	1,061	Units
Building Size (NSF)	230,150	NSF
Building Size GSF (without parking)	315,010	GSF
FAR	21.0	
Parking Ratio	0.86	
Total Parking Spaces	186	
Parking Construction Type (# of levels)	Underground (2)	

Summary of Financial Analysis- Central SoMa Prototype Scenarios

Prototype C-2	Baseline	Full Community Benefits	
	Amount	Amount	% Change from Baseline
C-2: 400' Residential MU (BMR Off-Site)			
Revenues			
Residential For-Sale	\$293,724,853	\$293,724,853	0%
<u>Residential Rental</u>	<u>\$0</u>	<u>\$0</u>	-
Subtotal Residential	\$293,724,853	\$293,724,853	0%
Office	\$0	\$0	-
Retail	<u>\$5,162,535</u>	<u>\$4,867,223</u>	(6%)
Total Revenues	\$298,887,388	\$298,592,075	(0%)
Hard and Soft Costs			
Hard Construction Costs	\$125,588,430	\$125,588,430	0%
Tenant Improvements/Lease Up Costs	\$675,000	\$675,000	0%
Development Impact Fees/ Other Costs	\$20,545,738	\$37,947,306	85%
<i>TDR Purchase (proposed)</i>	\$0	\$1,350,000	-
<i>Affordable Housing Fee</i>	\$11,324,123	\$21,982,122	94%
<i>Jobs-Housing Linkage Fee</i>	\$0	\$0	-
<i>Central SoMa Fee (proposed)</i>	\$0	\$3,150,100	-
<i>Community Facilities Fee (proposed)</i>	\$0	\$630,020	-
<i>Mello Roos Special Tax Contribution</i>	\$0	\$0	-
<i>Other</i>	\$9,221,614	\$10,835,064	17%
Environmental/ Transportation Review	\$119,000	\$119,000	0%
Construction Financing/ Predev. Carry	\$26,370,091	\$26,344,036	(0%)
Other Soft Costs	<u>\$31,565,858</u>	<u>\$31,565,858</u>	0%
Total Hard and Soft Costs	\$204,864,116	\$222,239,630	8%
Developer Margin	<u>\$65,755,225</u>	<u>\$65,690,257</u>	<u>(0%)</u>
Total Costs	\$270,619,341	\$287,929,886	6%
Residual Land Value (RLV)	\$28,268,046	\$10,662,189	(62%)
<i>RLV as Percentage of Revenue</i>	9%	4%	
<i>Developer Margin/Total Dev. Cost</i>	28%	28%	
Existing Land Value (reflecting 85' Condo building)	\$9,500,000		
Value Differential	\$18,768,046		

Exhibit 5. Prototype C-2 400' Residential Condo Mixed Use

Summary Development Pro Forma - Revenue Generation

C-2: 400' Residential MU (BMR Off-Site)	Baseline	Full Community Benefits
Revenue		
Residential		
MR Sales Proceeds	\$310,819,950	\$310,819,950
BMR Sales Proceeds	\$0	\$0
Total Sales Proceeds	\$310,819,950	\$310,819,950
Less Sales Expense	(\$17,095,097)	(\$17,095,097)
Net Residential Sales Proceeds	\$293,724,853	\$293,724,853
Residential - Rental		
MR Rent Revenue	\$0	\$0
BMR Rent Revenue	\$0	\$0
Parking Revenue	\$0	\$0
Less Vacancy	\$0	\$0
Less Operating Expenses	\$0	\$0
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0
Sales Value	\$0	\$0
<u>Less Sales Expense</u>	<u>\$0</u>	<u>\$0</u>
Net Residential Proceeds	\$0	\$0
Office		
Rent Revenue	\$0	\$0
Parking Revenue	\$0	\$0
Less Vacancy	\$0	\$0
Less Operating Expenses	\$0	\$0
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$0	\$0
Sales Value	\$0	\$0
<u>Less Sales Expense</u>	<u>\$0</u>	<u>\$0</u>
Net Office Proceeds	\$0	\$0
Retail (and PDR)		
Rent Revenue	\$405,000	\$405,000
Parking Revenue	\$5,400	\$5,400
Less Vacancy	(\$40,500)	(\$40,500)
Less Operating Expenses	(\$42,120)	(\$42,120)
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>	<u>(\$18,750)</u>
Net Operating Income	\$327,780	\$309,030
Sales Value	5,463,000	5,150,500
<u>Less Sales Expense</u>	<u>(\$300,465)</u>	<u>(\$283,278)</u>
Net Retail Proceeds	\$5,162,535	\$4,867,223
Total Net Proceeds	\$298,887,388	\$298,592,075

Exhibit 5. Prototype C-2 400' Residential Condo Mixed Use

Summary Development Pro Forma– Development Costs and Residual Land Value

C-2: 400' Residential MU (BMR Off-Site)	Baseline	Full Community Benefits
Development Cost		
Hard Construction Costs	\$125,588,430	\$125,588,430
<i>Residential</i>	\$104,553,400	\$104,553,400
<i>Office</i>	\$0	\$0
<i>Retail</i>	\$1,687,500	\$1,687,500
<i>Parking</i>	\$7,930,400	\$7,930,400
<i>Hard Cost Contingency</i>	\$11,417,130	\$11,417,130
Tenant Improvements	\$675,000	\$675,000
Office	\$0	\$0
Retail	\$675,000	\$675,000
Subtotal: Direct Costs	\$126,263,430	\$126,263,430
Soft Costs		
<i>EIR Consultant</i>	\$0	\$0
Development/ Impact Fees	\$20,545,738	\$37,947,306
<i>Transportation Sustainability Fee</i>	\$2,401,277	\$2,401,277
<i>Eastern Neighborhood (Tier 3)</i>	\$5,452,945	\$5,452,945
<i>TDR Purchase (proposed)</i>	\$0	\$1,350,000
<i>Affordable Housing Fee</i>	\$11,324,123	\$21,982,122
<i>Jobs-Housing Linkage Fee Central</i>	\$0	\$0
<i>SoMa Add'l Impact Fee Community</i>	\$0	\$3,150,100
<i>Facilities Fee (Proposed) Mello Roos</i>	\$0	\$630,020
<i>Special Tax Contribution Childcare Fee</i>	\$0	\$1,613,450
<i>Downtown Parks Fee</i>	\$0	\$0
<i>Public Art Fee</i>	\$0	\$0
<i>School Impact Fee</i>	\$896,677	\$896,677
<i>Wastewater/Water Capacity Charges</i>	\$470,716	\$470,716
Construction Financing/ Predev. Carry	\$26,370,091	\$26,344,036
<i>Const. Loan Amount</i>	\$158,141,475	\$157,985,225
<i>Average Outstanding Balance</i>	\$94,884,885	\$94,791,135
<i>Construction Loan Interest</i>	\$24,788,676	\$24,764,184
<i>Construction Loan Fees (Points)</i>	\$1,581,415	\$1,579,852
Other Soft Costs	\$31,565,858	\$31,565,858
Developer Margin	\$65,755,225	\$65,690,257
Total Cost	\$270,619,341	\$287,929,886
Residual Land Value (RLV)	\$28,268,046	\$10,662,189
<i>RLV as a Percentage of Revneue</i>	9%	4%
<i>Developer Margin/Total Dev. Cost</i>	28%	28%
Existing Land Value (reflecting 85' Condo building)	\$9,500,000	
Value differential	\$18,768,046	

Exhibit 6. Prototype C-i 85' Residential Condo under Existing Zoning

Summary of Development Program

Site Area	
Lot Size	15,000 SF
Zoning Change Under Central SoMa Plan	
Existing Zoning	MUO
Existing Height	85 Feet
Proposed Zoning	MUO
Proposed Height Limit	85 Feet
Prior Use on Site	Industrial
Development Program	
Description Building	Residential Condo
Height Residential Units	85 Feet
(Total)	66 Units
Onsite BMR Units (Baseline)	0 Units
Average Unit Size	948 NSF
Building Size (NSF)	69,300 NSF
Building Size GSF (without parking)	91,060 GSF
FAR	6.1
Parking Ratio	0.79 Spaces per Unit
Total Parking Spaces	52
Parking Construction Type (# of levels)	Underground (1)

Summary of Financial Analysis

Prototype C-i	Baseline
C-i: 85' Condo (As Allowed)	Amount
Revenues	
Residential For-Sale	\$70,952,112
Residential Rental	
Subtotal Residential	\$70,952,112
Office	
<u>Retail</u>	<u>\$5,271,795</u>
Total Revenues	\$76,223,907
Hard and Soft Costs	
Hard Construction Costs	\$32,177,310
Tenant Improvements/Lease Up Costs	\$675,000
Development Impact Fees/ Other Costs	\$6,982,033
<i>TDR Purchase (proposed)</i>	\$0
<i>Affordable Housing Fee</i>	\$4,327,541
<i>Jobs-Housing Linkage Fee</i>	\$0
<i>Central SoMa Fee (proposed)</i>	\$0
<i>Community Facilities Fee (proposed)</i>	\$0
<i>Mello Roos Special Tax Contribution</i>	\$0
<i>Other</i>	\$2,654,492
Environmental/ Transportation Review	\$119,000
Construction Financing/ Predev. Carry	\$4,047,366
<u>Other Soft Costs</u>	<u>\$8,213,078</u>
Total Hard and Soft Costs	\$52,213,786
Developer Margin	<u>\$14,482,542</u>
Total Costs	\$66,696,329
Residual Land Value	\$9,527,579
<i>RLV as Percent of Revenues</i>	<i>12%</i>

Exhibit 6. Prototype C-i 85' Residential Condo under Existing Zoning

Summary Development Pro Forma– Revenue Generation

C-i: 85' Condo (As Allowed)	Baseline
Revenue	
Residential	
MR Sales Proceeds	\$75,081,600
<u>BMR Sales Proceeds</u>	<u>\$0</u>
Total Sales Proceeds	\$75,081,600
Less Sales Expense	(\$4,129,488)
Net Residential Sales Proceeds	\$70,952,112
Residential - Rental	
MR Rent Revenue	\$0
BMR Rent Revenue	\$0
Parking Revenue	\$0
Less Vacancy	\$0
Less Operating Expenses	\$0
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>
Net Operating Income	\$0
Sales Value	\$0
<u>Less Sales Expense</u>	<u>\$0</u>
Net Residential Proceeds	\$0
Office	
Rent Revenue	\$0
Parking Revenue	\$0
Less Vacancy	\$0
Less Operating Expenses	\$0
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>
Net Operating Income	\$0
Sales Value	\$0
<u>Less Sales Expense</u>	<u>\$0</u>
Net Office Proceeds	\$0
Retail (and PDR)	
Rent Revenue	\$405,000
Parking Revenue	\$5,400
Less Vacancy	(\$40,500)
Less Operating Expenses	(\$42,120)
<u>Less Mello Roos Special Tax</u>	<u>\$0</u>
Net Operating Income	\$327,780
Sales Value	5,463,000
<u>Less Sales Expense</u>	<u>(\$191,205)</u>
Net Retail Proceeds	\$5,271,795
Total Net Proceeds	\$76,223,907

Exhibit 6. Prototype C-i 85' Residential Condo under Existing Zoning

Summary Development Pro Forma - Development Costs

C-i: 85' Condo (As Allowed)	Baseline
Development Cost	
<i>Demolition</i>	\$0
<i>On/Offsite Improvements</i>	\$0
Hard Construction Costs	\$32,177,310
<i>Residential</i>	\$25,068,000
<i>Office</i>	\$0
<i>Retail</i>	\$1,687,500
<i>Parking</i>	\$2,496,600
<i>Hard Cost Contingency</i>	\$2,925,210
Tenant Improvements	\$675,000
<i>Office</i>	\$0
<i>Retail</i>	\$675,000
Subtotal: Direct Costs	\$32,852,310
Soft Costs	
Environmental and Transportation Review	\$119,000
Development/ Impact Fees	\$6,982,033
<i>Transportation Sustainability Fee</i>	\$667,904
<i>Eastern Neighborhoods Impact Fee (Tier 3)</i>	\$1,538,747
<i>TDR Purchase for FAR Increase</i>	\$0
<i>Affordable Housing Fee</i>	\$4,327,541
<i>Jobs-Housing Linkage Fee</i>	\$0
<i>Central SoMa Add'l Impact Fee (proposed)</i>	\$0
<i>Communtiy Facilities Fee (proposed)</i>	\$0
<i>Mello Roos Special Tax Contribution</i>	\$0
<i>Childcare Fee</i>	\$0
<i>Downtown Parks Fee</i>	\$0
<i>Public Art Fee</i>	\$0
<i>School Impact Fee</i>	\$244,982
<i>Wastewater/Water Capacity Charges</i>	\$202,859
Construction Financing/ Predev. Carry	\$4,047,366
<i>Const. Loan Amount</i>	\$40,272,300
<i>Average Outstanding Balance</i>	\$24,163,380
<i>Construction Loan Interest</i>	\$3,543,962
<i>Construction Loan Fees (Points)</i>	\$503,404
Other Soft Costs	\$8,213,078
Developer Margin	14,482,542
Total Cost	66,696,329
Residual Land Value (RLV)	\$9,527,579
<i>RLV as a Percent of Revenues</i>	12%
<i>Developer Margin/Total Dev. Cost</i>	23%

Exhibit 7. Development Assumptions

General Development Assumptions (Height)	Prototype A 160'	Prototype B 85'	Prototype C-i 85'	Prototype C1 160'	Prototype C2 400'
Primary Land Use Type	Office High-Rise Central SoMa Office	Residential Mid-Rise Central SoMa Mixed-use	Residential Midrise Central SoMa Mixed-use	Residential High-Rise Central SoMa Mixed-use	Residential High-Rise Central SoMa Mixed-use
Construction Type	Office				
Geography	224,420				
Land Use		Owner	Owner	Owner	Owner
Housing Type / Units or Nonresidential SF		60	66	128	217
Development Costs					
Hard Construction Costs					
Residential		\$300 /GSF	\$300 /GSF	\$320 /GSF	\$340 /GSF
Office	\$250 /GSF				
Retail	\$225 /GSF	\$225 /GSF	\$225 /GSF	\$225 /GSF	\$225 /GSF
Parking	\$140 /GSF	\$140 /GSF	\$140 /GSF	\$160 /GSF	\$160 /GSF
Stacker cost	\$15,000 /space	\$15,000 /space	\$15,000 /space	\$15,000 /space	\$15,000 /space
Parking Construction Type	Underground (1)	Underground (1)	Underground (1)	Underground (2)	Underground (2)
Hard Construction Costs/ GSF	\$294 /GSF	\$351 /GSF	\$353 /GSF	\$383 /GSF	\$399 /GSF
Office Tenant Improvements/Lease Up Costs	\$85 /LSF	\$85 /LSF	\$85 /LSF	\$85 /LSF	\$85 /LSF
Retail Tenant Improvements/Lease Up Costs	\$100 /LSF	\$100 /LSF	\$100 /LSF	\$100 /LSF	\$100 /LSF
Direct Construction Costs/ NSF	\$413 /NSF	\$456 /NSF	\$474 /NSF	\$484 /NSF	\$533 /NSF
Direct Construction Costs/ Unit	NA /Unit	\$361,948 /Unit	\$497,762 /Unit	\$478,455 /Unit	\$581,859 /Unit
Construction Financing					
Construction Loan (Average Outstanding Balance)	60.0%	60.0%	60%	60%	60%
Loan Amount (as Percent of Value)	50.0%	50.0%	50%	50%	50%
Construction Timing	36 Months	24 Months	32 Months	44 Months	57 Months
Construction Interest Rate	5.5%	5.5%	5.5%	5.5%	5.5%
Loan Fee (Points) as a % of Loan Amount	1.0%	1.25%	1.25%	1.0%	1.00%
Other Soft Costs (as a % of Hard Costs)	18%	18%	25%	25%	25%
Target Return on Total Development Cost	19%	23%	23%	27%	29%
Developer Margin (as a % of Value/Net Proceeds)	16%	19%	19%	21%	22%
Revenue Assumptions					
Typical Residential Unit Size					
Sale Price Per Unit		719 NSF	948 NSF	942 NSF	1061 NSF
Sales Price / NSF		\$862,500 Per Unit	\$1,137,600 Per Unit	\$1,153,950 Per Unit	\$1,432,350 Per Unit
Sales Expense Rate (Condo)		\$1,200 /NSF	\$1,200 /NSF	\$1,225 /NSF	\$1,350 /NSF
Residential Rental		5.5%	5.5%	5.5%	5.5%
Annual Lease Rate/SF		\$0	\$0	\$0	\$0
Vacancy Rate - Residential (Market Rate)		\$69.00 /NSF	\$69.00 /NSF	\$69 /NSF	\$69 /NSF
Vacancy Rate - Residential (BMR)		5.0%	5.0%	5.0%	5.0%
Operating Expense (% of leasing revenue)		2.0%	2.0%	2.0%	2.0%
Net Operating Income		30.0%	30.0%	30.0%	30.0%
Capitalization Rate		\$44.85 /NSF	\$44.85	\$44.85	\$44.85
Typical Market Value/SF Sales		4.5%	4.5%	4.5%	5.5%
Expense Rate (Rental) Non-Residential Sales Expense		\$997 /NSF	\$997 /NSF	\$997 /NSF	\$815
Office	3.5%	3.5%	3.5%	3.5%	3.5%
Annual Lease Rate/SF (NNN)	\$54.00 /NSF	- /NSF	\$0.00 /LSF	- /NSF	\$0.00
Vacancy Rate	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Expense (% of leasing revenue)	10.0%	10.0%	10.0%	10.0%	10.0%
Net Operating Income	\$43.20 /NSF				
Capitalization Rate	5.0%	5.0%	6.0%	5.0%	6.0%
Typical Market Value/SF	\$864 /NSF				
Retail					
Annual Lease Rate/SF (NNN)	\$60.00 /NSF	\$54.00 /NSF	\$60.00 /NSF	\$60.00 /NSF	\$60.00 /NSF
Vacancy Rate	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Expense (% of leasing revenue)	10.0%	10.0%	10.0%	10.0%	10.0%
Net Operating Income	\$48.00 /NSF	\$43.20 /NSF	\$48.00 /NSF	\$48.00 /NSF	\$48.00 /NSF
Capitalization Rate	6.0%	6.0%	6.0%	6.0%	6.0%
Typical Market Value/SF	\$800 /NSF	\$720 /NSF	\$800 /NSF	\$800 /NSF	\$800 /NSF
Parking Revenue/Space/year					
Residential	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200
Retail	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
Office	\$5,400	\$4,800	\$4,800	\$5,400	\$5,400
Parking Op. Exp. (as % of Gross Revenues)	30.0%	30.0%	30.0%	30.0%	30.0%

Source: San Francisco Planning Department, San Francisco Municipal Transportation Agency, San Francisco Office of the Controller, San Francisco Office of Economic and Workforce Development, San Francisco Mayor's Office of Housing and Community Development, San Francisco Unified School District, San Francisco Public Utilities Commission, Keyser Marston Associates, The Concord Group, Polaris Pacific, The Mark Company, CBRE, Colliers International and DTZ Retail Terranomics, Clifford Advisory and Seifel Consulting Inc.

Exhibit 8. Acknowledgements and Sources

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The following reports and sources of information, in particular, informed this analysis:

- Association of Bay Area Government (ABAG), Projections 2013.
- Clifford Advisory, Land Value in Eastern Neighborhoods, April 14, 2008, plus updated data on land sales comparables and guidance on residual land value calculations provided during 2014 and 2015.
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- Interviews with residential and office developers, as well as a range of general contractors, many of whom are members of the Urban Land Institute, SPUR and San Francisco Housing Action Coalition.
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- San Francisco Planning Department (Planning Department)
- San Francisco Mayor's Office of Housing and Community Development (MOHCD)
- San Francisco Municipal Transportation Agency (SFMTA)
- San Francisco Office of the Controller
- San Francisco Office of Economic and Workforce Development (OEWD)
- San Francisco Public Utilities Commission (SFPUC)