

Memorandum

To: Andrew Thomas
City of Alameda

From: Matt Kowta, Managing Principal
Mary Burkholder, Vice President

Date: October 24, 2018

Re: Shipways
1100 – 1250 Marina Village Parkway, Alameda CA 94501
Financial Feasibility Analysis of Development Alternatives

Introduction

BAE Urban Economics, Inc. has extensive experience, particularly in the Bay Area, with the preparation of pro forma analyses of residential and mixed-use residential developments to determine housing development feasibility, conducting feasibility analysis for a range of public agencies and private development organizations. A summary of BAE's company qualifications along with the Author's is located in Appendix A.

BAE Urban Economics, Inc. was contracted by Steelwave Acquisitions, LLC to conduct an independent financial feasibility analysis of 2 project alternatives for the proposed Shipways project under consideration as part of the City of Alameda EIR Environmental Impact Report. The purpose of this analysis is to test the financial feasibility of these two alternatives to the applicant's current project design (the "Revised Project").

- Revised Project (AKA Preferred Alternative) – 329 apartments units
- Partial Preservation Alternative – 272 apartment units
- Reduced Density Alternative – 146 apartment units

Site Overview

The Shipways community is a proposed multifamily residential development project located at 1100-1250 Marina Village Parkway in the City of Alameda. The project site is 8.1 acres over three parcels bounded by the Oakland Estuary to the north, Marina Village Parkway to the south, and parking lots for marinas to the east and west. The current condition of the Shipways site was constructed in 1942-1943 as part of the Bethlehem Alameda Shipyard to Support World War II shipbuilding activities. Shipbuilding activities were reduced after World War II and the yard closed in 1956. At its peak the Shipyard covered over 100 acres and included offices, cafeteria, machine shops, warehouses, and fabricating plants, and other

San Francisco
2600 10th St., Suite 300
Berkeley, CA 94710
510.547.9380

Sacramento
803 2nd St., Suite A
Davis, CA 95616
530.750.2195

Los Angeles
448 South Hill St., Suite 701
Los Angeles, CA 90013
213.471.2666

Washington DC
700 Pennsylvania Ave. SE, 2nd Floor
Washington, DC 20003
202.588.8945

New York City
215 Park Ave. S, 6th Floor
New York, NY 10003
212.683.4486

www.bae1.com

buildings to support the ship building activities. All buildings have since been demolished and only the Powerhouse (1305 Marina Village Parkway) and the 8.1 acre Shipways site remain.

During the mid-1980's, the adjacent Marinas were developed, the Site Owner pumped approx. 15,000 cubic yards of the dredged material onto the Shipways site via approximately 100 holes cut into the concrete ramps. At the same time, the Site Owner renovated and updated the 4 "Head Houses" in order to convert them to leasable office space. These buildings are now signed and known as Shipway #1, #2, #3 and #4.

Project Overview

The Revised Project would consist of 4 buildings on a common raised podium deck and includes both affordable units (27 very low-income, 10 low-income, and 17 moderate income) and 275 market rate units for a total of 329 apartment units. The two buildings fronting Marina Village Parkway would be 4 stories, approx. 56' in height and the two buildings fronting the Oakland Estuary would be six stories, approx. 71' in height. In order to accommodate the new housing community, approx. 2.5-acre public waterfront park, and significant shoreline improvements, demolition of all the existing structures would be required.

The Partial Preservation Alternative would include the preservation of two of the four Shipways structures with their associated head houses including it's 28,800SF of existing office space. Residential development in this alternative is located in the center of the site and would be flanked by the preserved and renovated Shipways structures. This alternative includes both affordable housing units (13 very low-income, 10 low-income, and 17 moderate-income) and 232 market rate units for a total of 272 apartment units. Because this alternative includes the preservation of the two Shipways structures, this alternative does not include the public waterfront park, though access to the Bay Trail would be provided through an approximately 15-foot wide strip along the water side of the site.

The Reduced Density Alternative has the same development footprint as the Revised Project but fewer units and includes both affordable units (7 very low-income, 5 low-income, and 9 moderate-income) and 125 market rate units for a total of 146 apartment units. The public waterfront park and significant shoreline improvements is included in this alternative.

Approach and Methodology

BAE prepared a pro-forma financial feasibility analysis to test whether the two alternatives to the Revised Project would generate a sufficient rate of return to make them financially attractive to developers and investors. Real Estate Developers use this same type of financial feasibility analysis to test projects for initial viability. After completing this type of pro-forma analysis a developer would then typically perform a more detailed cash flow analysis for projects that pass this initial screening tool.

Key Modeling Inputs/Assumptions

The structure of the pro-formas for the two alternatives is the same, but certain assumptions are modified to reflect the two different projects. (See Appendix B– Exhibit A-1 and Exhibit A-2.) In performing our analysis, Steelwave, shared cost assumptions for the Revised Project and we reviewed the provided information, conducted our own internal research and drew from our extensive experience with other projects to establish the cost assumptions for our analysis. It should be noted that some site development costs, particularly for the Partial Preservation Alternative, are unique to this project, and BAE relied on cost estimates prepared by a third-party expert that Steelwave retained to estimate costs for the project alternatives.

Below is a summary listing of the key cost and income assumptions and feasibility metrics for each of the two alternatives.

DEVELOPMENT COSTS

The first group of model inputs relate to the land acquisition cost, site preparation, and construction.

Land Acquisition Costs

BAE incorporated land costs based on the actual site acquisition cost as provided by the developer, which equates to \$60 per site square foot. This cost would remain the same for both project alternatives.

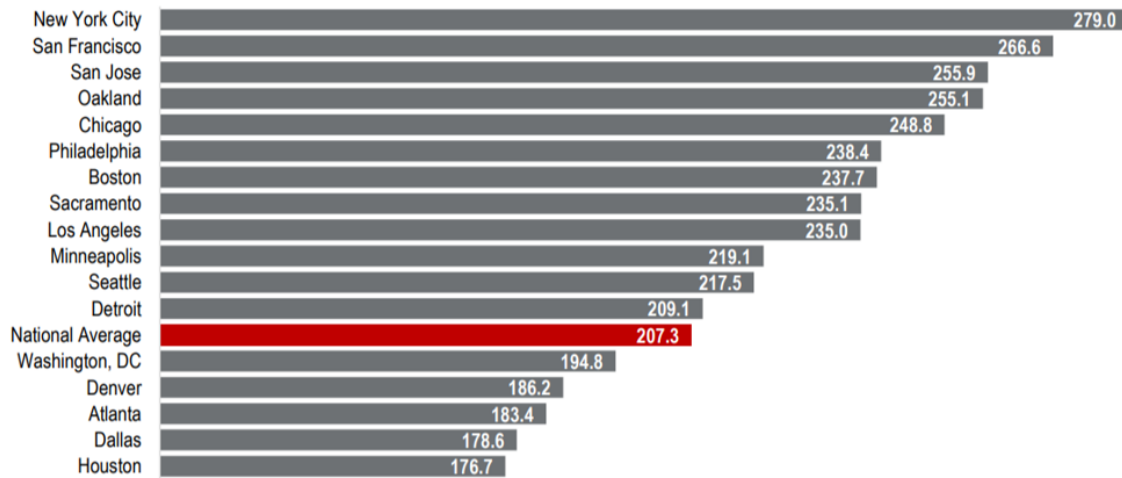
Construction Costs

BAE estimated construction costs on a cost per leasable square foot basis for the apartment development component for both alternatives. BAE also estimated cost per leasable square foot for the rehabilitation of the Head House office space for the Partial Preservation Alternative. The residential unit construction was estimated at \$320 / SF while the office renovation cost for the Partial Preservation Alternative was estimated at approx. \$130 / SF.

From BAE's extensive experience analyzing development costs for similar types of multifamily construction in the inner Bay Area, these assumptions are reasonably conservative. Some projects estimate higher per SF costs and construction costs have risen significantly in the Bay Area over the last several years. A 2016 study by the Turner Center for Housing Innovation at UC Berkeley noted that due to construction cost escalation many potential area housing projects were becoming "prohibitively expensive." The study reported San Francisco and Oakland were ranked 2nd and 4th for construction costs nationwide and estimated that these costs rose by more than 12% in the Bay Area between 2011 and 2016. (See Figure 1 – Construction Cost Indices for US Cities.)¹

¹ Turner Center Study: Understanding the Drivers of Rising Construction Costs in California. (2016). Retrieved from <https://turnercenter.berkeley.edu/construction-costs> Turner Center Study: October 5, 2018.

Figure 1: Construction Cost Indices in US Cities, Q3 2016



Sources: RSMeans via JLL, 2016.

Construction costs in the Bay Area increased in the past year and continue to trend upward. In a April 26, 2018 San Francisco Business Times article, developers and others estimate that construction costs have increased by 10% a year in recent years.²

It is also important to note that both alternatives would require a significant amount of site preparation due to the removal of the existing concrete structures, installation of shoreline improvements, and required site preparation. In addition, there would be significant costs incurred for the podium deck courtyard areas (\$30 / SF) and for the Water Front Park / Shoreline Improvements (\$75 / SF) in the Reduced Density Alternative. While the site prep costs are higher for the Reduced Density Alternative they include the full public Waterfront Park design. The additional Head House office and Shipway Craneways/Piers construction /rehabilitation cost applies only to the Partial Preservation Alternative.

Parking Costs

Structured parking will be provided in each of the two alternatives: 408 spaces in the Partial Preservation Alternative and 219 spaces in the Reduced Density Alternative. Based on construction costs for similar concrete parking podiums for other projects in the inner Bay Area market, BAE estimates this cost at \$55,000 per parking space.

² Retrieved from <https://www.bizjournals.com/sanfrancisco/news/2018/04/26/construction-costs-killing-new-bay-area-housing.html>

Soft Costs

Developers incur a range of miscellaneous costs when undertaking development projects, including professional fees for architects, engineers, and other professional service providers, and their own company overhead. BAE estimates soft cost costs as a percentage of hard construction costs. Based on conversations with developers (including Steelwave) and experience with other projects in this marketplace, BAE estimates this item at 15 % of hard costs.

Permit/Fee Costs

Steelwave calculated permit and fee based on information provided by the City of Alameda, BCDC, and other agencies having jurisdiction for the Revised Alternative. BAE has applied that estimate of \$42,500 per dwelling unit to each of the two alternatives analyzed.

Financing Costs

The pro-forma models BAE prepared assume that the alternative projects would be financed using a combination of developer equity and conventional bank financing. The bank financing terms are based on typical financing terms for new construction projects in the Bay Area. These assumptions are in line with Steelwave's own assumptions for the Revised Alternative, and also consistent with BAE's recent discussions with construction lenders in the local market. BAE assumes the developer would be able to finance 60% of the project construction cost, at an annual interest rate of 5%. The model assumes that banks would charge a 1.5% loan fee. The estimated financing costs assume a 48-month construction and lease-up period for the Partial Preservation Alternative and a 42-month period for the Reduced Density Alternative. The pro-formas for both alternatives assume a 60% loan drawdown factor, which represents the average outstanding loan balance that accrues interest during the construction and lease-up period.

Project Income

The second group of assumptions deals with the income that the project would generate for the developer upon completion.

Gross Potential Rental Income

BAE conducted research using the proprietary CoStar database as well as online leasing information for Alameda apartments to estimate potential rental income from market rate apartments in the completed project. Estimated rental rates range from \$2,091 / month for the studio units to \$7,347 / month for the largest 3-bedroom units. BAE estimated the restricted rental rates for the below-market rate apartment units in each of the two alternatives based on standard rental housing affordability criteria and the applicable household income limits as dictated by the specified affordability levels and household sizes associated with each type of affordable unit. Considering potential rates for all market rate and affordable units in each alternative, BAE estimates the average rental rates for the two alternatives at \$4,122 per unit for the Partial Preservation Alternative and \$4,337 for the

Reduced Density Alternative. (See Appendix B, Exhibit A-3 and Exhibit A-4 for Rent Detail tables.) The higher average rental rate for the latter is higher because the average size of a unit is higher for the Reduced Density Alternative as a result of the maximization of potential units in the Partial Preservation Alternative. The average unit in the Partial Preservation Alternative is 998 SF versus 1,080 SF in the Reduced Density Alternative.

BAE estimates rental rates for the office space in the Head Houses in the Partial Preservation Alternative at \$2.75 / SF per month, full service. This estimate is based on research BAE performed on rental rates for Class B office space in the local market using the proprietary CoStar database.

Other Income

The Shipways Apartments development will have sources of income including pet fees, storage and parking that will add marginally to the rents collected for apartment units and for the renovated office space (the latter only in the case of the Partial Preservation Alternative). Additionally, the development will generate income for “view premiums” for those apartment units fronting the estuary. Following are estimates for these additional monthly revenues:

Other income for pet fees, storage, parking per dwelling unit	\$125 / Month
Other income for view premiums average per dwelling unit	\$158 / Month

These assumptions apply to both the Partial Preservation and the Reduced Density Alternative.

Vacancy Rates

BAE assumes a 5% vacancy rate for apartments for both alternatives. Although somewhat higher than current vacancy trends for apartments in the Bay Area marketplace as reported by CoStar, this is a reasonable assumption considering longer-term trends.

BAE assumes a 10% vacancy rate for office space in the Partial Preservation Alternative. Again, this is consistent with office vacancy rates as reported by CoStar and represents a reasonable assumption for long-term project planning purposes.

Operating Cost Assumptions

To estimate net operating income for the completed project, it is necessary to estimate project operating costs, as outlined below.

Rental Apartments

BAE estimates that annual operating costs per apartment unit are \$11,500. This figure represents approximately 23% of gross scheduled apartment rent for the Partial Preservation Alternative and 22% of gross scheduled apartment rent for the Reduced Density Alternative. BAE believes this is a conservative figure (e.g., some projects report operating expense ratios

of 35 to 45 %). This range of per unit apartment operating expenses is comparable to what is being reported by developers and other sources for new apartment projects in the Bay Area.

Office Space

BAE estimates that the estimated annual operating costs for the renovated office space included in the Partial Preservation Alternative, which includes 28,800 SF of office space in the preserved Head Houses, would be approximately the estimated annual developer estimates that annual operating costs are 28 % of gross revenues for the office space leased on a full-service basis. This figure is in-line with operating expense ratios reported for office buildings in the Oakland, California area market by the Building Owners and Managers Association (BOMA), a national real estate trade group that conducts an annual survey of building operating costs and published benchmark data for regional markets in its *2018 Experience Exchange Report*.

Findings

Using the assumptions described above, BAE prepared a pro-forma feasibility analyses for the two project Alternatives. (See Exhibits A-1 and A-2). Two common thresholds for pro-forma financial feasibility analysis are Yield on Cost (YOC) and Return on Cost (ROC). YOC is most applicable to a project that a developer intends to hold as an income-producing asset after completion. Because a development project entails considerable risk in both the entitlement and the construction process that can introduce unexpected increases in costs and time to complete the project, developers, banks, and other investors demand a risk premium for the financial return that a development project can generate upon completion. A common benchmark is the capitalization rate (net operating income divided by sale price) that completed comparable real estate projects generate in the same market. As discussed below in regard to estimating ROC for the alternatives, BAE assumes that a 5% capitalization rate is reasonable for a completed project that has reached stabilized occupancy.³ Then, BAE assumes that an additional risk premium of a minimum of 1.5 – 2 % points is reasonable for a new development project, meaning that YOC should be at least 6.5 to 7% for a new development project.

ROC is an appropriate metric to use in evaluating the feasibility of a real estate project that a developer intends to sell upon completion. It represents the profit that a developer could generate from the project. 10% is a common hurdle rate used for ROC, and it acknowledges that developers and their investors will not risk the capital necessary to build a project unless there is a reasonable expectation of profit that is commensurate with the development risk by

³ While there are examples of apartment rental projects that have sold at sale prices that support capitalization rates lower than five percent, these may have involved sales of projects whose rental incomes were perceived to be below-market, or to have the potential for substantial increases with minimal additional investment. Furthermore, with reports of apartment rental rates beginning to level off or, in some cases, decline in the Bay Area in recent months, upward pressures on capitalization rates can be expected.

achieving net sales revenue that is substantially in excess of the cost of developing the project.

Estimated YOC (net operating income of \$11,006,500 divided by total development cost for the Partial Preservation Alternative) would be just 5.1% for the Partial Preservation Alternative. Alternatively, with a capitalization rate of 5%, the capitalized value of the completed project's net operating income would be \$222.1 million. Less sales cost, the net sales proceeds would be about \$211 million. This would generate a gross return on the estimated \$197.9 million development costs equal to 6.1%.

The Reduced Density Alternative would perform worse than the Partial Preservation Alternative. This is because the project must spread the same site acquisition and site preparation costs over a significantly reduced number of units. Estimated YOC for the Reduced Density Alternative would be 4.4%. The gross return on costs would be -9.7%. This alternative's estimated net operating income would support a capitalized value of \$125.3 million. Less sales cost, the net sales proceeds would be about \$119.1 million; however, the estimated development cost is \$131.8 million.

The pro-forma analyses utilized reasonable assumptions for development costs and potential project income. BAE has chosen conservative key assumptions, such as construction costs and operating costs, that will tend to result in an optimistic initial assessment of project feasibility. Nevertheless, comparing the relationships between estimated project costs and potential net operating income/net sales proceeds to market-based metrics for financial feasibility, neither of the two project alternatives analyzed for the proposed Alameda Shipways project is financially feasible under current economic conditions, and neither alternative would be likely to attract equity investors or obtain debt financing needed to undertake development. Based on this analysis and these findings, BAE concludes that neither alternative is economically viable.

Appendix A: BAE Qualifications

BAE QUALIFICATIONS SUMMARY

BAE Urban Economics, Inc. is an award-winning, national urban economics and real estate consultancy. Since 1986, we have completed more than 2,100 client engagements for public agencies, non-profit organizations, financial institutions, and real estate investors and developers. All of our work is led by seasoned professionals, who are responsible for project direction and quality control.

BAE's services and practice areas include:

- Market and Financial Feasibility Analyses
- Fiscal Impacts and Economic Benefits Analyses
- Affordable and Workforce Housing
- Public-Private Partnership (P3) Structuring and Negotiation Support
- Sustainable Development and TOD
- Economic Development and Revitalization
- Public Finance

Specific to financial feasibility analysis, BAE has extensive experience with the preparation of pro forma analyses of residential and mixed-use residential developments to determine housing development feasibility, conducting feasibility analysis for a range of public agencies and private development organizations.

BAE's passion about the "triple bottom-line" of sustainable economics, equity, and environment makes us unique among urban economists. We believe that there are practical solutions to urban issues that achieve this triple bottom-line, and that consideration of environmental impacts and social benefits as well as financial returns result in the best value for our clients. Our company has practiced this same philosophy since our inception in 1986, with intentional investments in our staff and workplaces to foster creativity and a commitment to excellence. We have pioneered the use of survey research to target urban housing products, created innovative GIS tools for smart growth planning, and provided real estate advisory services to some of the nation's largest revitalization and sustainable development efforts.

The BAE difference shows - we have earned more awards for excellence than any other firm in our field, and our clients have retained us repeatedly over our 31-year history. BAE has 17 staff members in five offices including San Francisco, Sacramento, Los Angeles, New York City, and Washington DC. For more information, see www.bae1.com.

AUTHOR QUALIFICATIONS

Matt Kowta, MCP, Managing Principal



For over 25 years, Matt has pioneered innovative techniques in economic analysis to meet the challenges of contemporary urban development. Matt oversees BAE operations spanning all of BAE's offices, supporting clients with expertise in development feasibility and market analysis, affordable and workforce housing, public finance and fiscal impact, and strategic economic development.

Matt has extensive experience modeling development feasibility for housing ranging from single-family and townhouses to high density multifamily and mixed-use projects. He has recently served as BAE's Principal in Charge for studies including feasibility analysis for new infill redevelopment prototype projects as part of the Downtown Davis Plan Update; financial feasibility analysis for multiple single-family and multifamily development prototypes in Palm Beach County Florida, to assist with updates to the County's workforce housing policy; financial feasibility analysis residential mixed-use projects for the Heart of Fairfield Plan in Fairfield, CA; housing feasibility analysis for affordable housing nexus studies in Windsor, CA, Bloomington, MN and Moab, UT; and housing development cost analysis for the award-winning Sacramento Central City Specific Plan.

Matt has managed other projects in diverse locations ranging from the San Francisco Bay Area to Southern California, Oregon, Washington State, and Colorado. His experience spans the full continuum of the development process, from long range planning and pre-development through redevelopment and revitalization.

Matt earned a Bachelor of Arts in Geography from UCLA and a Masters in City and Regional Planning from UC Berkeley. He has served as a guest lecturer and speaker for organizations such as The Urban Land Institute, CALAFCo, UC Davis, UC Berkeley. He is past Chair of the Davis Downtown Business Association and chaired a task force appointed by the Davis City Council to develop a comprehensive downtown parking management plan.

Mary Burkholder, MCP, Vice President



Mary Burkholder leads BAE's Washington DC office, where she is responsible for managing BAE's Eastern United States practice, providing governmental, non-profit, and private-sector clients with the full range of BAE's real estate and urban economics advisory services. Mary is an expert in economic development, market and financial feasibility analysis, housing, and public finance. She brings over 20 years of professional experience working as a consultant and for organizations in the public and non-profit sectors.

Mary is a hands-on leader and advisor, with a broad portfolio of project experience that includes a financial feasibility analysis and market opportunity evaluation for new housing on the Route One Corridor of Alexandria, Virginia, preparing a market analysis and redevelopment plan for Chesapeake Redevelopment and Housing Authority's properties, preparing a regional workforce housing needs assessment in Truckee, CA; preparing a fiscal impact analysis of a major annexation for the City of Hyattsville, MD; preparing an economic impact analysis of base realignment and substantial employment growth at Ft. Meade on the adjacent communities in Maryland; preparing a financial feasibility analysis for and structuring tax-increment financing of a \$109 million transit-oriented development project at the Odenton (MD) MARC Train Station; preparing market analyses and providing guidance on large mixed use/mixed income urban developments in Washington, DC and Annapolis, MD.

Prior to joining BAE, Mary held a range of senior management positions in a diverse range of public and private sector organizations, including Anne Arundel Economic Development Corporation, Local Initiatives Support Corporation, Maryland Department of Housing and Community Development, ZHA, Inc., and the Illinois Department of Commerce and Community Affairs. Mary also ran her own independent consultancy.

Mary's leadership within the profession includes serving on the Maryland Economic Development Association Past Presidents Council. She is a member of the Urban Land Institute and the Maryland Economic Development Association.

Mary has a Master of Community Planning from the University of Maryland and Bachelor of Arts degree from the University of Michigan.

Appendix B: Pro-Formas and Rent Details

Exhibit A-1: Pro Forma for Partial Preservation Alternative

Exhibit A-2: Pro Forma for Reduced Density Alternative

Exhibit A-3: Rent Detail for Partial Preservation Alternative

Exhibit A-4: Rent Detail for Reduced Density Alternative

Exhibit A-1: Pro Forma for Partial Preservation Alternative

Development Program Assumptions			Cost and Income Assumptions		Development Cost Analysis		Feasibility Analysis	
Site Size - Acres / Square Feet	8.1	352,836	<u>Site Acquisition</u>	\$20,000,000	<u>Land and Related</u>		<u>Apartments</u>	
Development Site Area (Apartments) - Square Feet		204,981	<u>Construction</u>		Land Acquisition/Cost	\$20,000,000	Scheduled rents	\$13,455,432
Preservation Area (Shipways and Head Houses 1 & 2), Sq. Ft.		82,800	Site prep/improvements per sq. ft. - Development site	\$70	<u>Construction Costs</u>		Plus other income pets,storage, parking	\$408,000
Public Park/Access Areas/Motor Court (on grade) - Sq. Ft.		106,900	Partial preservation - Office/Shipways cost per sq. ft.	\$131	Site prep cost, development site	\$14,348,670	Plus other income view premiums	\$516,800
Private Open Space/Landscape Area (on structure)		71,155	Site improvements per sq. ft. - (on grade)	\$75	Partial preservation costs	\$10,883,408	Total rent, including premiums	\$14,380,232
Building Height (Apartments)	4-6 Story		Parking per space	\$55,000	Pub. Park/Access Areas/Motor Ct. (on grade)	\$8,017,500	Less vacancy	(\$719,012)
Apartments - number / average size	272	998	Residential unit construction cost per sq. ft.	\$320	Parking cost	\$22,440,000	Less operating expenses	(\$3,128,000)
Net Residential Space, Sq.Ft.		271,344	Private O.S. improvements per sq. ft. (on structure)	\$30	Vertical construction costs	\$86,830,080	Plus other income	\$473,280
Dwelling units/acre		33.58	Fees and permits per du	\$42,500	Private O.S./Landscape (on structure)	\$2,134,650	Net res. operating income (NOI)	\$11,006,500
Parking Spaces - Total (Structured Parking)		408	Construction, other soft costs, % of hard costs	15%	Total Hard Costs	\$144,654,308		
Apartments Construction Type		Wood	<u>Operations</u>		Fees/Permits	\$11,560,000	<u>Offices</u>	
Preserved Head House Office Space		28,800	Apartments		Other Soft Costs	\$21,698,146	Scheduled rents	\$79,200
			Average Rental Rate per du/mo	\$4,122	Subtotal Construction Costs	\$177,912,455	Less vacancy	(\$7,920)
			Annual op. cost - per du	\$11,500	<i>Cost per Unit</i>	<i>\$654,090</i>	Less Operating Expenses	(\$22,176)
			Vacancy Rate, Residential	5%			Net office operating income (NOI)	\$49,104
			Other income for pet fees, storage, parking per du/month	\$125	Total Development Cost	\$197,912,455		
			Other income for view premiums average per du/mo	\$158	<u>Financing Costs</u>		Stabilized Project Project Value	
			Other income incl. utility reimbursement per du/mo	\$145	Interest on construction loan	\$14,249,697	Cap Rate	5.00%
					Points on construction loan	\$1,781,212	Capitalized Value	\$221,112,088
			Office		Subtotal Financing Costs	\$16,030,909	Less Sales Cost	(\$11,055,604)
			Average Rental Rate (Ind. Gross) per sq. ft./mo.	\$2.75			Net Sales Proceeds	\$210,056,484
			Annual op. cost - % of gross revenues	28.0%	Total Project Costs	\$213,943,364	<u>Feasibility</u>	
			Vacancy Rate, Office	10.0%			Estimated Yield on Project Costs	5.1%
			<u>Financing</u>				Gross Return on Costs	6.1%
			Loan to cost ratio	60%				
			Initial construction loan fee (points)	1.5%				
			Interest rate	5.0%				
			Period of initial loan (Months)	48				
			Drawdown factor	60%				
			Total amount of loan	\$118,747,473				
			Sales Cost, Completed Project, % of sales price	5.0%				

Exhibit A-2: Pro Forma for Reduced Density Alternative

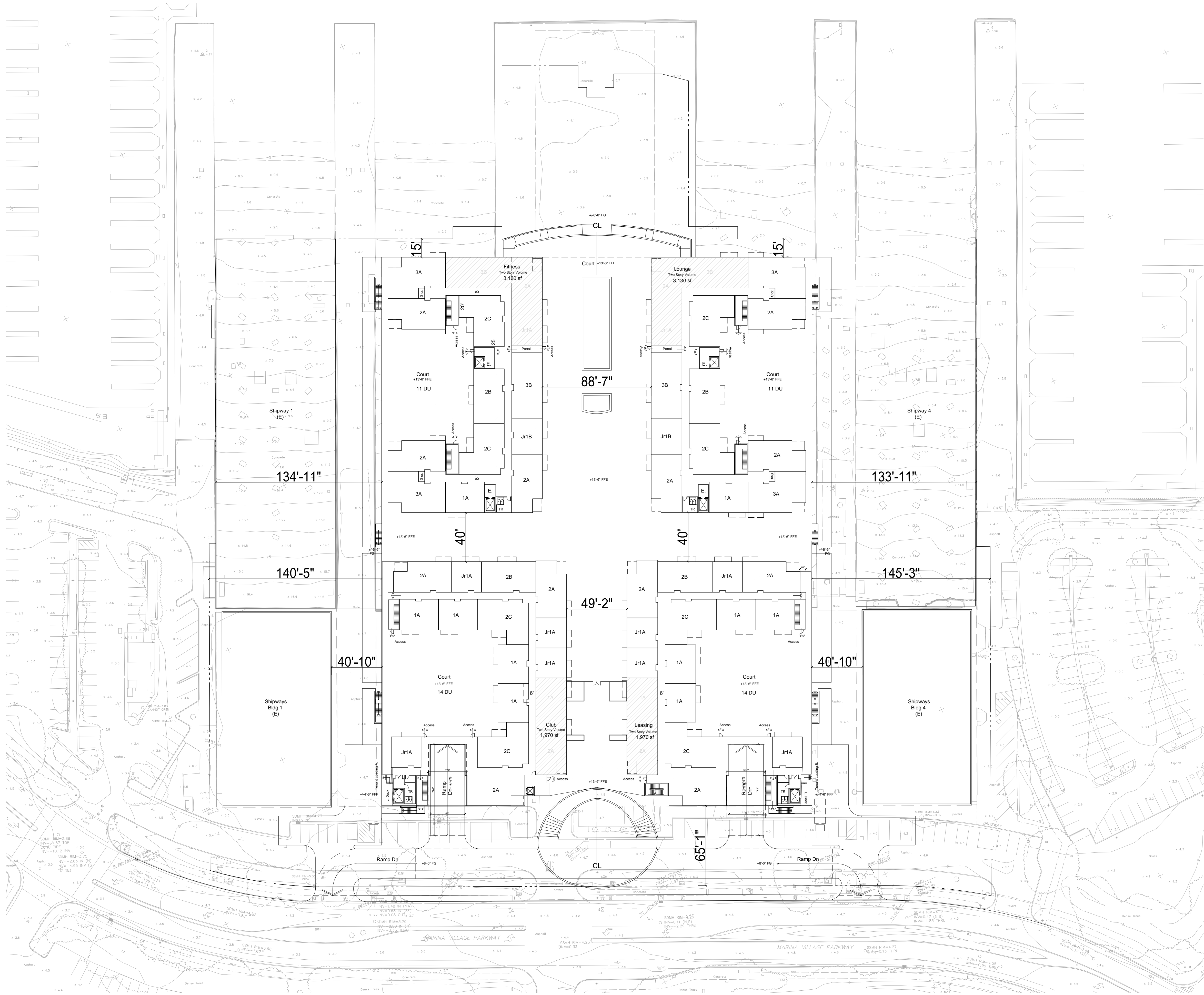
Development Program Assumptions			Cost and Income Assumptions		Development Cost Analysis		Feasibility Analysis	
Site Size - Acres / Square Feet	8.1	352,836	<u>Site Acquisition</u>	\$20,000,000	<u>Land and Related</u>		<u>Apartments</u>	
Development Site Area - Square Feet		250,000	<u>Construction</u>		Land Acquisition/Cost	\$20,000,000	Scheduled rents	\$7,599,276
Public Park/Access Areas/Motor Court (on grade) - Sq. Ft.		124,855	Site prep/improvements per sq. ft. - Development site	\$70	<u>Construction Costs</u>		Plus other income pets, storage, parking	\$219,000
Private Open Space/Landscape Area (on structure)		81,791	Site improvements per sq. ft. - (on grade)	\$75	Site prep cost, development site	\$17,500,000	Plus other income view premiums	\$277,400
Building Height		4 Story	Parking per space	\$55,000	Site prep cost, public park	\$9,364,125	Total rent, including premiums	\$8,095,676
Apartments - number / average size	146	1,080	Residential unit construction cost per sq. ft.	\$320	Parking cost	\$12,045,000	Less vacancy	(\$404,784)
Net Residential Space, Sq.Ft.		157,680	Private O.S. improvements per sq. ft. (on structure)	\$30	Vertical construction costs	\$50,457,600	Less operating expenses	(\$1,679,000)
Dwelling units/acre		18.02	Fees and permits per du	\$42,500	Landscaping for private open space cost	\$2,453,730	Plus other income	\$254,040
Parking Spaces - Total (Structured Parking)		219	Construction, other soft costs, % of hard costs	15%	Total Hard Costs	\$91,820,455	Net operating income (NOI)	\$6,265,932
Construction Type		Wood	<u>Operations</u>		Fees/Permits	\$6,205,000	Stabilized Project Project Value	
			Apartments		Other Soft Costs	\$13,773,068	Cap Rate	5.00%
			Average Rental Rate per du/mo	\$4,337	Subtotal Construction Costs	\$111,798,523	Capitalized Value	\$125,318,644
			Annual op. cost - per du	\$11,500	<i>Cost per Unit</i>	<i>\$765,743</i>	Less Sales Cost	(\$6,265,932)
			Vacancy Rate, Residential	5%	Total Development Cost	\$131,798,523	Net Sales Proceeds	\$119,052,712
			Other income for pet fees, storage, parking per du/month	\$125	<u>Financing Costs</u>		<u>Feasibility</u>	
			Other income for view premiums average per du/mo	\$158	Interest on construction loan	\$8,303,307	Estimated Yield on Project Costs	4.4%
			Other income incl. utility reimbursement per du/mo	\$145	Points on construction loan	\$1,186,187	Gross Return on Costs	-9.7%
			<u>Financing</u>		Subtotal Financing Costs	\$9,489,494		
			Loan to cost ratio	60%	Total Project Costs	\$141,288,017		
			Initial construction loan fee (points)	1.5%				
			Interest rate	5.0%				
			Period of initial loan (Months)	42				
			Drawdown factor	60%				
			Total amount of loan	\$79,079,114				
			<u>Sales Cost, Completed Project, % of sales price</u>	5.0%				

Exhibit A-3: Rent Detail for Partial Preservation Alternative

Description	# of Units	Unit Mix %	Sq. Ft. Per Unit	Total Sq. Ft.	Rent per Unit	Rent per Sq. Ft.	Monthly	Annual
Jr 1A	27	9.9%	600	16,200	2,700	4.50	72,900	\$874,800
Jr 1B	3	1.1%	720	2,160	2,750	3.82	8,250	\$99,000
1A	42	15.4%	780	32,760	2,800	3.59	117,600	\$1,411,200
2A	72	26.5%	1,078	77,616	4,875	4.52	351,000	\$4,212,000
2B	14	5.1%	1,100	15,400	4,950	4.50	69,300	\$831,600
2C	34	12.5%	1,234	41,956	5,500	4.46	187,000	\$2,244,000
3A	24	8.8%	1,290	30,960	5,650	4.38	135,600	\$1,627,200
3B	16	5.9%	1,333	21,328	6,700	5.03	107,200	\$1,286,400
Jr 1A (Very Low)	5	1.8%	600	3,000	978	1.63	4,890	\$58,680
Jr 1A (Low)	2	0.7%	600	1,200	1,565	2.61	3,130	\$37,560
Jr 1A (Medium)	6	2.2%	600	3,600	2,347	3.91	14,082	\$168,984
Jr 1B (Very Low)	3	1.1%	720	2,160	978	1.36	2,934	\$35,208
Jr 1B (Low)	2	0.7%	720	1,440	1,565	2.17	3,130	\$37,560
Jr 1B (Medium)	4	1.5%	720	2,880	2,347	3.26	9,388	\$112,656
1A (Very Low)	2	0.7%	780	1,560	978	1.25	1,956	\$23,472
1A (Low)	2	0.7%	780	1,560	1,565	2.01	3,130	\$37,560
1A (Medium)	2	0.7%	780	1,560	2,347	3.01	4,694	\$56,328
1B (Very Low)	0	0.0%	820	0	978	1.19	-	\$0
1B (Low)	0	0.0%	820	0	1,565	1.91	-	\$0
1B (Medium)	0	0.0%	820	0	2,347	2.86	-	\$0
2A (Very Low)	0	0.0%	1,078	0	1,173	1.09	-	\$0
2A (Low)	0	0.0%	1,078	0	1,877	1.74	-	\$0
2A (Medium)	0	0.0%	1,078	0	2,815	2.61	-	\$0
2B (Very Low)	2	0.7%	1,100	2,200	1,173	1.07	2,346	\$28,152
2B (Low)	2	0.7%	1,100	2,200	1,877	1.71	3,754	\$45,048
2B (Medium)	2	0.7%	1,100	2,200	2,815	2.56	5,630	\$67,560
2C (Very Low)	1	0.4%	1,234	1,234	1,173	0.95	1,173	\$14,076
2C (Low)	2	0.7%	1,234	2,468	1,877	1.52	3,754	\$45,048
2C (Medium)	3	1.1%	1,234	3,702	2,815	2.28	8,445	\$101,340
3A (Very Low)	0	0.0%	1,333	0	1,270	0.95	0	\$0
3A (Low)	0	0.0%	1,333	0	2,040	1.53	0	\$0
3A (Medium)	0	0.0%	1,333	0	3,000	2.25	0	\$0
				0				
				0				
				0				
Totals/Averages	272	100.0%	998	271,344	4,122	4.13	1,121,286	\$13,455,432

Exhibit A-4: Rent Detail for Reduced Density Alternative

Description	# of Units	Unit Mix %	Sq. Ft. Per Unit	Total Sq. Ft.	Rent per Unit	Rent per Sq. Ft.	Monthly	Annual
AJ 1	6	4.1%	600	3,600	\$2,700	\$4.50	\$16,200	\$194,400
AJ 2	6	4.1%	720	4,320	\$2,750	\$3.82	\$16,500	\$198,000
A1	19	13.0%	780	14,820	\$2,800	\$3.59	\$53,200	\$638,400
A2 Loft	5	3.4%	1,080	5,400	\$4,650	\$4.31	\$23,250	\$279,000
B1/B2	34	23.3%	1,085	36,890	\$4,875	\$4.49	\$165,750	\$1,989,000
B3	19	13.0%	1,234	23,446	\$5,500	\$4.46	\$104,500	\$1,254,000
B1 Loft	8	5.5%	1,477	11,816	\$6,075	\$4.11	\$48,600	\$583,200
B2 Loft	4	2.7%	1,499	5,996	\$6,100	\$4.07	\$24,400	\$292,800
B3 Loft	2	1.4%	1,633	6,530	\$6,300	\$3.86	\$12,600	\$151,200
C1/C2	18	12.3%	1,311	23,598	\$5,650	\$4.31	\$101,700	\$1,220,400
C1/C2 Lofts	4	2.7%	1,814	7,256	\$6,700	\$3.69	\$26,800	\$321,600
Jr 1A (Very Low)	3	2.1%	600	1,800	\$978	\$1.63	\$2,934	\$35,208
Jr 1A (Low)	1	0.7%	600	600	\$1,565	\$2.61	\$1,565	\$18,780
Jr 1A (Medium)	4	2.7%	600	2,400	\$2,347	\$3.91	\$9,388	\$112,656
Jr 1B (Very Low)	0	0.0%	720	0	\$978	\$1.36	\$0	\$0
Jr 1B (Low)	0	0.0%	720	0	\$1,565	\$2.17	\$0	\$0
Jr 1B (Medium)	0	0.0%	720	0	\$2,347	\$3.26	\$0	\$0
1A (Very Low)	0	0.0%	780	0	\$978	\$1.25	\$0	\$0
1A (Low)	0	0.0%	780	0	\$1,565	\$2.01	\$0	\$0
1A (Medium)	0	0.0%	780	0	\$2,347	\$3.01	\$0	\$0
1B (Very Low)	0	0.0%	820	0	\$978	\$1.19	\$0	\$0
1B (Low)	2	1.4%	820	1,640	\$1,565	\$1.91	\$3,130	\$37,560
1B (Medium)	2	1.4%	820	1,640	\$2,347	\$2.86	\$4,694	
2A (Very Low)	1	0.7%	920	920	\$1,173	\$1.28	\$1,173	\$14,076
2A (Low)	0	0.0%	920	0	\$1,877	\$2.04	\$0	\$0
2A (Medium)	1	0.7%	920	920	\$2,815	\$3.06	\$2,815	\$33,780
2B (Very Low)	1	0.7%	1,078	1,078	\$1,173	\$1.09	\$1,173	\$14,076
2B (Low)	1	0.7%	1,078	1,078	\$1,877	\$1.74	\$1,877	\$22,524
2B (Medium)	1	0.7%	1,078	1,078	\$2,815	\$2.61	\$2,815	\$33,780
2C (Very Low)	0	0.0%	1,234	0	\$1,173	\$0.95	\$0	\$0
2C (Low)	0	0.0%	1,234	0	\$1,877	\$1.52	\$0	\$0
2C (Medium)	0	0.0%	1,234	0	\$2,815	\$2.28	\$0	\$0
3A (Very Low)	2	1.4%	1,311	2,622	\$1,386	\$1.06	\$2,772	\$33,264
3A (Low)	1	0.7%	1,311	1,311	\$2,237	\$1.71	\$2,237	\$26,844
3A (Medium)	1	0.7%	1,311	1,311	\$3,200	\$2.44	\$3,200	\$38,400
				0				
				0				
				0				
				0				
Totals/Averages	146	100%	1,110	162,070	\$4,337	\$3.91	\$633,273	\$7,542,948



THINK CONTEXT

ALAMEDA SHIPWAYS

1200 MARINA VILLAGE PARKWAY, ALAMEDA, CA 94501

Project Summary:

Gross Site Area: 352,718 Sq.Ft. =8.1 Acres
Gross Density: 33.6 du/ac
Number of Units: 272

Phase I+II: 4-6-Stories, Type V-A and III-A construction

	No. of Units	Percentage	Sq.Ft. Average
Jr.1A	40	14.7%	600
Jr.1B	12	4.4%	720
1A-1br /1ba	48	17.6%	780
2A-2br /2ba	72	26.5%	1078
2B-2br /2ba	20	7.4%	1100
2C-2br /2ba	40	14.7%	1234
3A-3br /2ba	24	8.8%	1290
3B-3br /2ba	16	5.9%	1333

Total(MR+Aff.)Units: 272 100%

Net Rentable Area: +/- 271,344 Sq.Ft. (excludes project Amenities)
+/- 13,000 Sq.Ft. (Possible Loft Area)

Total Rentable Area: +/- 284,344 Sq.Ft.

Total Building Area: +/- 394,732 Sq.Ft.

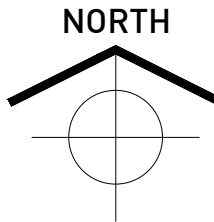
Parking: 1 level subterranean , type 1-A construction

Parking Required: 408 stalls +/- (parking ratio1.5 stall/unit)
Parking Provided: 408 stalls +/-

Garage Area: 158,039 Sq.Ft.+/-

HISTORIC PRESERVATION ALT. - B PODIUM CONCEPT - 4 & 6 LEVELS

CLIENT:
DENNIS CAVALLARI
THE CAVALLARI GROUP
314 LA RAMBLA
SAN CLEMENTE, CA 92672
T 949.916.1444 | C 949-338-6600
dennis@cavallariargroup.com
www.cavallariargroup.com



DATE ISSUED: 02-09-2018
PROJECT NO: 2016-40129
SCALE: 1"=30'-0"
0' 30' 60' 90'

SHEET NUMBER: A1



ARCHITECTS

3 MacArthur Plaza, Suite 850 Santa Ana, California 92707
T: 949.807.2385 www.sva-architects.com
SAN ANTONIO | OAKLAND | SAN DIEGO | HONOLULU