

TABLE 1**PROJECT DESCRIPTION ⁽¹⁾****MARINER'S COVE****SAN DIEGO HOUSING COMMISSION**

I. Site Area	31.01 Acres ⁽²⁾		
II. Gross Building Area			
Leasable Area	728,177 SF	85%	
Circulation / Common Areas	<u>128,156</u> SF	<u>15%</u>	
Total Residential GBA	856,333 SF	100%	
III. Unit Mix	Number of Units	Average Unit Size	
Studio	79 Units	10%	564 SF
One Bedroom	284 Units	37%	749 SF
Two Bedroom	362 Units	47%	1,019 SF
Three Bedroom	29 Units	4%	1,274 SF
Townhome	<u>18</u> Units	<u>2%</u>	<u>3,600</u> SF
Total/Average	772 Units	100%	943 SF
IV. Affordability Mix			
Low Income (60% AMI)	6 Units	1%	
Low Income (80% AMI)	100 Units	13%	
Moderate Income (120% AMI)	200 Units	26%	
Market Rent	<u>466</u> Units	<u>60%</u>	
Total	772 Units	100%	
V. Density	24.9 Units/Acre		
VI. Construction Type	Type V		
VII. Stories	3 Stories		
VIII. Parking			
A. Spaces			
Surface	---		
Subterranean	---		
Total	1,538 Spaces		
B. Parking Ratio	2.0 Spaces/Unit		

(1) Based on previous podium parking development concept. Not updated to reflect Developer's current wrap parking development concept.

(2) Not consistent with 30.21 acre site size estimate in Appraisal Report prepared by Jones, Roach & Caringella, Inc., March 12, 2020.

TABLE 2

**DEVELOPMENT COSTS
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION**

Year 2025			
	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>
I. Direct Costs			
Off-Site Improvements (1)	\$275,000	\$356	\$0 Per SF Site
On-Site Improvements (2)	\$22,906,000	\$29,671	\$17 Per SF Site
Parking	\$50,000,000	\$64,767	\$32,510 Per Space
Shell Construction	\$240,000,000	\$310,881	\$280 Per SF GBA
Amenities/FF& E	\$2,800,000	\$3,627	Allowance
Contingency	<u>\$16,195,545</u>	<u>\$20,979</u>	5.1% of Directs
Subtotal Direct Costs	\$332,176,545	\$430,280	\$388 Per SF GBA
(Less) Value Engineering	<u>\$0</u>	<u>\$0</u>	0% of Above
Subtotal w/Value Engineering	\$332,176,545	\$430,280	\$388 Per SF GBA
Add: Prevailing Wage	<u>\$43,920,000</u>	<u>\$56,891</u>	13.2% of Above
Subtotal w/Prevailing Wages	\$376,096,545	\$487,172	\$439 Per SF GBA
Add: Escalation	<u>\$74,533,874</u>	<u>\$96,546</u> (3)	19.8% of Above
Total Direct Costs	\$450,630,419	\$583,718	\$526 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$8,000,000	\$10,363	2.1% of Directs
Permits & Fees (2)	\$20,000,000	\$25,907	\$23 Per SF GBA
Entitlements	\$2,500,000	\$3,238	0.7% of Directs
Relocation Costs	\$1,500,000	\$1,943	Allowance
Legal & Accounting	\$750,000	\$972	0.2% of Directs
Taxes & Insurance	\$0	\$0	0.0% of Directs
Developer Fee	\$10,000,000	\$12,953	2.7% of Directs
Marketing/Lease-Up	\$500,000	\$648	0.1% of Directs
Contingency	<u>\$1,000,000</u>	<u>\$1,295</u>	2.3% of Indirects
Subtotal Indirect Costs	\$44,250,000	\$57,319	11.8% of Directs
Add: Escalation	<u>\$2,245,798</u>	<u>\$2,909</u> (4)	0.6% of Directs
Total Indirect Costs	\$46,495,798	\$60,228	12.4% of Directs
III. Financing Costs			
Interest During Sales/Lease-Up	\$0	\$0	0.0% of Directs
Operating/Lease-Up Reserves	\$10,000,000	\$12,953	2.7% of Directs
Loan Fees	\$2,364,663	\$3,063	0.6% of Directs
Interest During Construction	<u>\$69,509,586</u>	<u>\$90,038</u>	18.5% of Directs
Total Financing Costs	\$81,874,249	\$106,055	21.8% of Directs
IV. Unleveraged Development Costs w/o Acquisition	\$579,000,466	\$750,001	\$676 Per SF GBA
V. Acquisition Costs	\$143,000,000 (5)	\$185,233	\$167 Per SF Site
VI. Total Development Costs w/Acquisition or Say (Rounded)	\$722,000,466 \$722,000,000	\$935,234 \$935,000	\$843 Per SF GBA

(1) Developer estimate; not verified by KMA, the San Diego Housing Commission, or the City of San Diego.

(2) Inclusive of landscaping and surface parking.

(3) Reflects LMA assumption of 7.5% annual escalation for 2.5 years to reflect 2025 construction start.

(4) Reflects LMA assumption of 2.0% annual escalation for 2.5 years to reflect 2025 construction start.

(5) Based on KMA recommended approach for estimated value of existing leasehold interest, at December 31, 2024 (see Exhibit B).

Source: London Moeder Advisors (LMA), May 19, 2022.

TABLE 3

ESTIMATE OF NET OPERATING INCOME
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION

		<u>Unit Size (SF)</u>	<u># of Units</u>	<u>Monthly Rent</u>	<u>Rent/SF</u>	<u>Total Annual</u>	<u>Monthly Rent</u>	<u>Rent/SF</u>	<u>Total Annual</u>
I. Residential Income ⁽¹⁾				Year 2023 ⁽¹⁾			Year 2025 ⁽²⁾		
A. Affordable Units									
Studio	@ 60% AMI	564	1	\$1,196	\$2.12	\$14,000	\$1,269	\$2.25	\$15,000
Studio	@ 80% AMI	564	0	\$0	\$0.00	\$0	\$0	\$0.00	\$0
Studio	@ 120% AMI	564	0	\$0	\$0.00	\$0	\$0	\$0.00	\$0
One Bedroom	@ 60% AMI	749	2	\$1,377	\$1.84	\$33,000	\$1,461	\$1.95	\$35,000
One Bedroom	@ 80% AMI	749	24	\$1,927 ⁽³⁾	\$2.57	\$555,000	\$2,044	\$2.73	\$589,000
One Bedroom	@ 120% AMI	749	92	\$2,525	\$3.37	\$2,788,000	\$2,679	\$3.57	\$2,957,000
Two Bedroom	@ 60% AMI	1,019	2	\$1,487	\$1.46	\$36,000	\$1,578	\$1.55	\$38,000
Two Bedroom	@ 80% AMI	1,019	68	\$2,180 ⁽³⁾	\$2.14	\$1,779,000	\$2,313	\$2.27	\$1,887,000
Two Bedroom	@ 120% AMI	1,019	106	\$2,779	\$2.73	\$3,535,000	\$2,948	\$2.89	\$3,750,000
Three Bedroom	@ 60% AMI	1,274	1	\$1,552	\$1.22	\$19,000	\$1,647	\$1.29	\$20,000
Three Bedroom	@ 80% AMI	1,274	8	\$2,618 ⁽³⁾	\$2.06	\$251,000	\$2,777	\$2.18	\$267,000
Three Bedroom	@ 120% AMI	<u>1,274</u>	<u>2</u>	<u>\$2,989</u>	<u>\$2.35</u>	<u>\$72,000</u>	<u>\$3,171</u>	<u>\$2.49</u>	<u>\$76,000</u>
Total/Average		923	306	\$2,473	\$2.68	\$9,082,000	\$2,624	\$2.84	\$9,634,000
				Year 2022 ⁽⁴⁾			Year 2025 ⁽⁵⁾		
B. Market-Rate Units									
Studio @	Market	564	78	\$2,583	\$4.58	\$2,418,000	\$2,817	\$5.00	\$2,636,000
One Bedroom @	Market	749	166	\$3,374	\$4.50	\$6,720,000	\$3,679	\$4.91	\$7,328,000
Two Bedroom @	Market	1,019	186	\$4,229	\$4.15	\$9,438,000	\$4,611	\$4.52	\$10,292,000
Three Bedroom @	Market	1,274	18	\$5,199	\$4.08	\$1,123,000	\$5,669	\$4.45	\$1,225,000
Townhome @	Market	<u>3,600</u>	<u>18</u>	<u>\$13,524</u>	<u>\$3.76</u>	<u>\$2,921,000</u>	<u>\$14,747</u>	<u>\$4.10</u>	<u>\$3,185,000</u>
Total/Average		957	466	\$0	\$4.23	\$22,620,000	\$4,411	\$4.61	\$24,666,000
C. Total/Average		943	772	\$3,422	\$3.40	\$31,702,000	\$3,703	\$3.93	\$34,300,000

TABLE 3

**ESTIMATE OF NET OPERATING INCOME
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION**

		Year 2025 ⁽⁶⁾
II. Gross Scheduled Income (GSI)		
A. Gross Rental Income		\$34,300,000
B. Add: Other Income	\$278 /Unit/Month	\$2,572,000
C. (Less) Vacancy	4.0% of GSI	<u>(\$1,372,000)</u>
III. Effective Gross Income (EGI)		\$3,832 /Unit/Month \$35,500,000
IV. Operating Expenses		
(Less) Operating Expenses	\$3,655 /Unit/Year	(\$2,822,000)
(Less) Property Taxes	\$4,006 /Unit/Year	(\$3,093,000)
(Less) Replacement Reserves	<u>\$1,407 /Unit/Year</u>	<u>(\$1,086,000)</u>
Total Operating Expenses	\$9,069 /Unit/Year	(\$7,001,000)
V. Net Operating Income (NOI)		\$28,499,000
VI. (Less) Ground Rent ⁽⁶⁾		(\$1,368,000)
VII. NOI after Ground Rent		\$27,131,000

(1) Source: San Diego Housing Commission Income and Rent Calculations, effective May 15, 2023. see Worksheet 1.

(2) Reflects KMA assumption of 3.0% annual escalation for 2 years.

(3) Includes project-based vouchers, see Worksheet 1.

(4) Source: LMA, May 19, 2022, see Worksheet 2.

(5) Reflects LMA assumption of 2.9% annual escalation for 3 years.

(6) Based on LMA estimate of Effective Gross Income and Operating Expenses at stabilization (Year 2030) adjusted by KMA to reflect Effective Gross Income and Operating Expenses at Year 2025, see Worksheet 3.

TABLE 4

**ESTIMATE OF FINANCING GAP
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION**

	Year 2025
I. Net Operating Income after Ground Rent	\$27,131,000
II. Total Development Costs w/Acquisition	<u>\$722,000,000</u>
III. Return on Investment	3.76%

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TABLE 5

ESTIMATE OF FINANCING GAP: SENSITIVITY TEST #1
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION

	<i>Escalation Factor</i>	2025	2030	2035
I. Total Development Costs w/o Acquisition	3.0%	\$750,000 /Unit	\$869,000 /Unit	\$1,008,000 /Unit
Acquisition Costs	3.0%	\$185,000 /Unit	\$215,000 /Unit	\$249,000 /Unit
II. Rent/Effective Gross Income	3.0%	\$3,832 /Unit/Month	\$4,442 /Unit/Month	\$5,150 /Unit/Month
III. Operating Expenses	3.0%	\$5,062 /Unit/Year	\$5,868 /Unit/Year	\$6,803 /Unit/Year
Property Tax	3.0%	\$4,006 /Unit/Year	\$4,645 /Unit/Year	\$5,384 /Unit/Year
IV. Return on Investment (ROI)		3.76%	3.76%	3.77%

Target Return on Investment

Target Apartment Cap Rate	4.5% - 5.0%
Add: Developer Profit Margin	1.5% - 2.0%
Add: Impact of Ground Lease and Affordability Restrictions	<u>1.0%</u>
Total Target Return on Investment	7.0% - 8.0%

TABLE 6

ESTIMATE OF FINANCING GAP: SENSITIVITY TEST #2
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION

	<i>Escalation Factor</i>	2025	2030	2035
I. Total Development Costs w/o Acquisition	3.0%	\$750,000 /Unit	\$869,000 /Unit	\$1,008,000 /Unit
Acquisition Costs	4.0%	\$185,000 /Unit	\$225,000 /Unit	\$274,000 /Unit
II. Rent/Effective Gross Income	5.0%	\$3,832 /Unit/Month	\$4,891 /Unit/Month	\$6,242 /Unit/Month
III. Operating Expenses	3.0%	\$5,062 /Unit/Year	\$5,868 /Unit/Year	\$6,803 /Unit/Year
Property Tax	3.0%	\$4,006 /Unit/Year	\$4,645 /Unit/Year	\$5,384 /Unit/Year
IV. Return on Investment (ROI)		3.76%	4.22%	4.71%

Target Return on Investment

Target Apartment Cap Rate	4.5% - 5.0%
Add: Developer Profit Margin	1.5% - 2.0%
Add: Impact of Ground Lease and Affordability Restrictions	<u>1.0%</u>
Total Target Return on Investment	7.0% - 8.0%

WORKSHEET 1

ESTIMATE OF AFFORDABLE RENTS, 2023
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION

	Gross Rent <u>2023</u> ⁽¹⁾	(Less) <u>Utility Allowance</u> ⁽²⁾	Add <u>Vouchers</u>	Net <u>Rent</u>
I. 60% AMI				
Studio	\$1,448	(\$252)		\$1,196
1 Bedroom	\$1,655	(\$278)		\$1,377
2 Bedroom	\$1,862	(\$375)		\$1,487
3 Bedroom	\$2,067	(\$515)		\$1,552
II. 80% AMI				
1 Bedroom	\$2,205	(\$278)		\$1,927
2 Bedroom	\$2,481	(\$375)	\$74 ⁽³⁾	\$2,180
3 Bedroom	\$2,756	(\$515)	\$377 ⁽³⁾	\$2,618
III. 120% AMI				
Studio	\$2,453	(\$252)		\$2,201
1 Bedroom	\$2,803	(\$278)		\$2,525
2 Bedroom	\$3,154	(\$375)		\$2,779
3 Bedroom	\$3,504	(\$515)		\$2,989

(1) Source: San Diego Housing Commission Income and Rent Calculations, 2023, effective May 15, 2023.

(2) Source: San Diego Housing Commission Allowances for Tenant-Furnished Utilities and Other Services, April 1, 2023. Utility allowance profile per LMA pro forma analysis, May 19, 2022. Assumes:

	<u>Studio</u>	<u>1BR</u>	<u>2BR</u>	<u>3BR</u>
Electric Heat	\$26	\$31	\$36	\$40
Electric Cooking	\$12	\$14	\$21	\$33
Other Electric	\$45	\$53	\$74	\$95
Electric Water Heating	\$27	\$32	\$50	\$62
Water	\$83	\$89	\$135	\$226
Sewer	<u>\$59</u>	<u>\$59</u>	<u>\$59</u>	<u>\$59</u>
Total	\$252	\$278	\$375	\$515

(3) Reflects 3.0% escalation of LMA 2022 estimate, see below:

<u>London Moeder Advisors, May 19, 2022:</u>				
	2022 Gross Rents <u>80% AMI</u>	(Less) <u>Utility Allowance</u>	Add: Vouchers <u>(imputed by KMA)</u>	Net <u>Rent</u>
1 Bedroom	\$2,083	(\$257)	(\$172)	\$1,654
2 Bedroom	\$2,343	(\$345)	\$72	\$2,070
3 Bedroom	\$2,603	(\$477)	\$366	\$2,492

WORKSHEET 2

AFFORDABLE AND MARKET RENTS - 2022 VS. 2025 ⁽¹⁾

MARINER'S COVE

SAN DIEGO HOUSING COMMISSION

				Year 2022	Year 2025
Market Rate					
A.	Studio - Altair West	@ Market-Rate	4	\$2,449	\$2,671
	Studio - Vega	@ Market-Rate	66	\$2,578	\$2,811
	Studio - Astra	@ Market-Rate	8	<u>\$2,692</u>	<u>\$2,936</u>
	Subtotal Studio		78	\$2,583	\$2,817
B.	One Bedroom - Altair East	@ Market-Rate	16	\$3,364	\$3,668
	One Bedroom - Altair West	@ Market-Rate	16	\$3,301	\$3,600
	One Bedroom - Lyra	@ Market-Rate	47	\$3,239	\$3,532
	One Bedroom - Vega	@ Market-Rate	75	\$3,457	\$3,770
	One Bedroom - Astra	@ Market-Rate	12	<u>\$3,488</u>	<u>\$3,804</u>
	Subtotal One Bedroom		166	\$3,374	\$3,679
C.	Two Bedroom - Altair East	@ Market-Rate	18	\$4,448	\$4,850
	Two Bedroom - Altair West	@ Market-Rate	2	\$4,639	\$5,058
	Two Bedroom - Lyra	@ Market-Rate	41	\$4,152	\$4,528
	Two Bedroom - Vega	@ Market-Rate	46	\$4,174	\$4,552
	Two Bedroom - Astra	@ Market-Rate	6	\$4,504	\$4,912
	Two Bedroom - Mira	@ Market-Rate	73	<u>\$4,218</u>	<u>\$4,599</u>
	Subtotal Two Bedroom		186	\$4,229	\$4,611
D.	Three Bedroom - Altair East	@ Market-Rate	7	\$5,259	\$5,735
	Three Bedroom - Altair West	@ Market-Rate	5	\$5,173	\$5,641
	Three Bedroom - Astra	@ Market-Rate	1	\$5,418	\$5,908
	Three Bedroom - Mira	@ Market-Rate	5	<u>\$5,096</u>	<u>\$5,557</u>
	Subtotal Three Bedroom		18	\$5,199	\$5,669
E.	Townhome - Lyra	@ Market-Rate	5	\$13,524	\$14,747
	Townhome - Astria	@ Market-Rate	13	<u>\$13,524</u>	<u>\$14,747</u>
	Subtotal Townhome		18	\$13,524	\$14,747
F.	Total Market-Rate		466	\$4,045	\$4,411

(1) Source: London Moeder Advisors, May 19, 2022

WORKSHEET 3

ESTIMATE OF NET OPERATING INCOME, 2025 AND 2030
MARINER'S COVE
SAN DIEGO HOUSING COMMISSION

	<i>Escalation Factor</i>	Year 2030 ⁽¹⁾		Year 2025 ⁽²⁾	
I. Gross Scheduled Income (GSI)					
A. Gross Rental Income	2.9%	\$4,265 /Unit/Month	\$39,510,760	\$3,703 /Unit/Month	\$34,300,000
B. Add: Other Income	2.9%	\$320 /Unit/Month	\$2,963,307	\$278 /Unit/Month	\$2,572,000
C. (Less) Vacancy		4.0% of Rental Income	<u>(\$1,580,430)</u>	4.0% of Rental Income	<u>(\$1,372,000)</u>
II. Effective Gross Income (EGI)			\$40,893,637		\$35,500,000
III. Operating Expenses					
A. (Less) Operating Expenses	2.75%	\$3,752 /Unit/Year	(\$2,896,218)	\$3,276 /Unit/Year	(\$2,529,000)
B. (Less) Insurance	3.00%	\$440 /Unit/Year	(\$339,401)	\$380 /Unit/Year	(\$293,000)
C. (Less) Property Taxes	2.00%	\$4,424 /Unit/Year	(\$3,415,183)	\$4,006 /Unit/Year	(\$3,093,000)
D. (Less) Replacement Reserves	0.00%	<u>\$1,407 /Unit/Year</u>	<u>(\$1,086,082)</u>	<u>\$1,407 /Unit/Year</u>	<u>(\$1,086,000)</u>
E. Total Operating Expenses		\$10,022 /Unit/Year	(\$7,736,884)	\$9,069 /Unit/Year	(\$7,001,000)
IV. Net Operating Income before Ground Lease			\$33,156,753		\$28,499,000

(1) Reflects stabilized year. Source: LMA, May 19, 2022.

(2) Imputed by KMA based on escalation factors assumed in LMA analysis.