APPENDIX H: JAPAN CENTER PROFORMA ANALYSIS

Introduction

A financial feasibility analysis was completed to examine the relative feasibility of various development scenarios, measure the impact of key variables and evaluate the tradeoffs between each scenario in terms of fulfilling community goals and their effect on profitability.

The Japan Center has approximately 132,000 square feet of commercial floor area on 3 acres. The garage under the Center holds 745 parking spaces, 400 of which are currently leased to California Pacific Medical Center. The existing development was built in 1968 as a redevelopment project. The City of San Francisco maintained ownership of the garage which is currently operated as a public parking garage, and distributed the ownership of the retail development among several owners.

It is important to note that the existing Japan Center project was not financially feasible at the time it was built and required significant assistance from the Redevelopment Agency. The revenues from the project would not have been enough to cover the cost of the underground parking garage, let alone the costs associated with multiple owners, parcel assembly and infill development.

Methodology

Financial feasibility analysis estimates whether a particular development scenario will be profitable for a developer. There are a number of ways to measure financial feasibility including measuring the return on cost and residual land value. This analysis used a return on cost method to determined expected profit. The return on cost method requires estimating project revenues, subtracting the estimated development costs from the revenues, and dividing the remainder, which is profit, by the estimated development costs. For a relatively small and straightforward project the expected return on costs must be at least 15 percent. For a larger, more complicated infill projects involving multiple uses, land owners and the possibility of joint development, a developer will require a return on costs of 20 percent or more before considering moving forward with the project.

DEVELOPMENT SCENARIOS

Key Facts and Assumptions

The analysis looked at five base scenarios, with sub-alternatives. One scenario examined a solely commercial development and the other four examined mixed-use scenarios. Table1 below

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illustrates the details of each scenario. None of these scenarios modify the existing size or location of Peace Plaza. Key variables that changed among scenario include:

- Square feet of commercial space
- Number of residential units
- Existence and height of a residential tower
- Residential Parking Ratio

Table 1

	Existing	Commercial Scenarios			Mixed-Use Scenarios				
		A	B	C	1	2	3	4	
Commercial SF	**132,952**	84,242	131,012	249,842	84,242	84,242	131,012	249,842	*gross sf*
Residential SF	**0**	0	0	0	326,701	390,120	430,273	199,874	*gross sf*
Residential Units	**0**	0	0	0	307	367	405	248	*units*
Parking Spaces	**747**	253	393	750	560-647	647	819	997	*spaces*
Affordable Housing	**0**	0	0	0	61	73	81	50	*units*

The analysis made the following assumptions:

- All scenarios feature a newly constructed parking podium.
- All scenarios are evaluated with and without accounting for the impact of phased commercial construction on feasibility. A portion of the commercial space would be kept open, with the purpose of retaining some existing commercial tenants.
- All scenarios assume the commercial parking is operated as a public parking garage, and as such, revenues from commercial parking are not included in the analysis.
- All scenarios feature for-sale residential units. Additional discussion regarding this assumption is described in the results section.
- The analysis is static, reflecting expected values as of the midpoint of construction, approximately three to four years from now.
- The analysis also estimates the feasibility of each scenario with and without a parking subsidy for the commercial portion of the development.
- See Appendix A for more detailed assumptions.

FINDINGS

- All options for reconstructing the Japan Center are large, complicated development projects that require an experienced developer and active and vigorous participation from the City.
- None of the development scenarios tested are likely to be feasible in the next three to five years.
- The commercial parking must be subsidized by the City or the project will not be feasible even in the long-term.

- The cost of building the commercial portion of the parking garage is currently $45 million.
- Residential revenues would have to increase by 16 percent to make the most promising scenarios feasible.
- Phasing raises the required increase in revenues to 24 percent.
- The commercial only scenarios are the most infeasible.
- The scenarios that maximize residential development and minimize retail development have the most favorable ratios between costs and revenues.

- Factors that Improve Feasibility
  - Increasing the number of residential units
  - Increasing the number of highly-valued residential units, such as those in the upper floors of a tower
  - Reducing the residential parking ratios, though only marginally
  - Decreasing the amount of commercial square feet

- Factors that Decrease Feasibility
  - Increasing the square feet of commercial space
  - Phasing the development

VII. RECOMMENDATIONS

- Amend the zoning to allow for a residential tower of at least 12 stories, but allow for flexibility.
- Do not require phasing of the project as a method to preserve existing businesses
- Allow flexibility in terms of residential unit sizes.
- Allow for less retail square feet than currently exists, but require ground floor retail on Post Street and Peace Plaza.
- Allow commercial space facing Geary and any other commercial spaces areas to be tenanted by office users or community groups or to be used as community gathering space.
- Utilize the City’s resources to facilitate negotiation among multiple property owners.
- The City should fully subsidize the reconstruction of the public parking garage.

APPENDIX H1: DETAILED DESCRIPTIONS OF DEVELOPMENT SCENARIOS

Scenario 0 (Commercial A, B and C).
Scenario 0 measures the feasibility of an entirely commercial project at a range of commercial square feet, from 84,242 to 249,842 square feet. It demonstrates the extent to which the revenues from the commercial development are sufficient to cover the costs of building a new parking garage. The scenarios only include enough parking to serve the development.

Scenario 1 (Mixed-Use 1A and 1B)
Scenario 1 contains:

- 84,242 square feet of commercial on the street level and Peace Plaza level of the Miyako and Kintetsu Malls.
- Four stories of residential along Post Street, and six to seven stories of residential along Geary Blvd.

Scenario 1 has two sub-alternatives:

- Sub-alternative 1 assumes only enough parking to accommodate the new commercial and residential units. .
- Sub-alternative 2 assumes the new parking garage will replace 100 percent of the existing spaces within the current footprint, however all of the parking podium will be new construction (not renovated) and will be 90 degree parking.

Scenario 2 (Mixed-Use 2)
Scenario 2 contains:

- 84,242 feet of commercial on the street level and Peace Plaza level of the Miyako and Kintetsu Malls.
- A 12-story residential tower above the commercial space in the general location that has been proposed, in addition to the four stories of residential along Post Street.

Scenario 3 (Mixed-Use 3A and 3B)
Scenario 3 contains:

- Approximately 131,012 square feet of commercial space.
- A 21-story residential tower above the commercial space in addition to the four stories of residential along Post Street.

This scenario has two sub-alternatives:

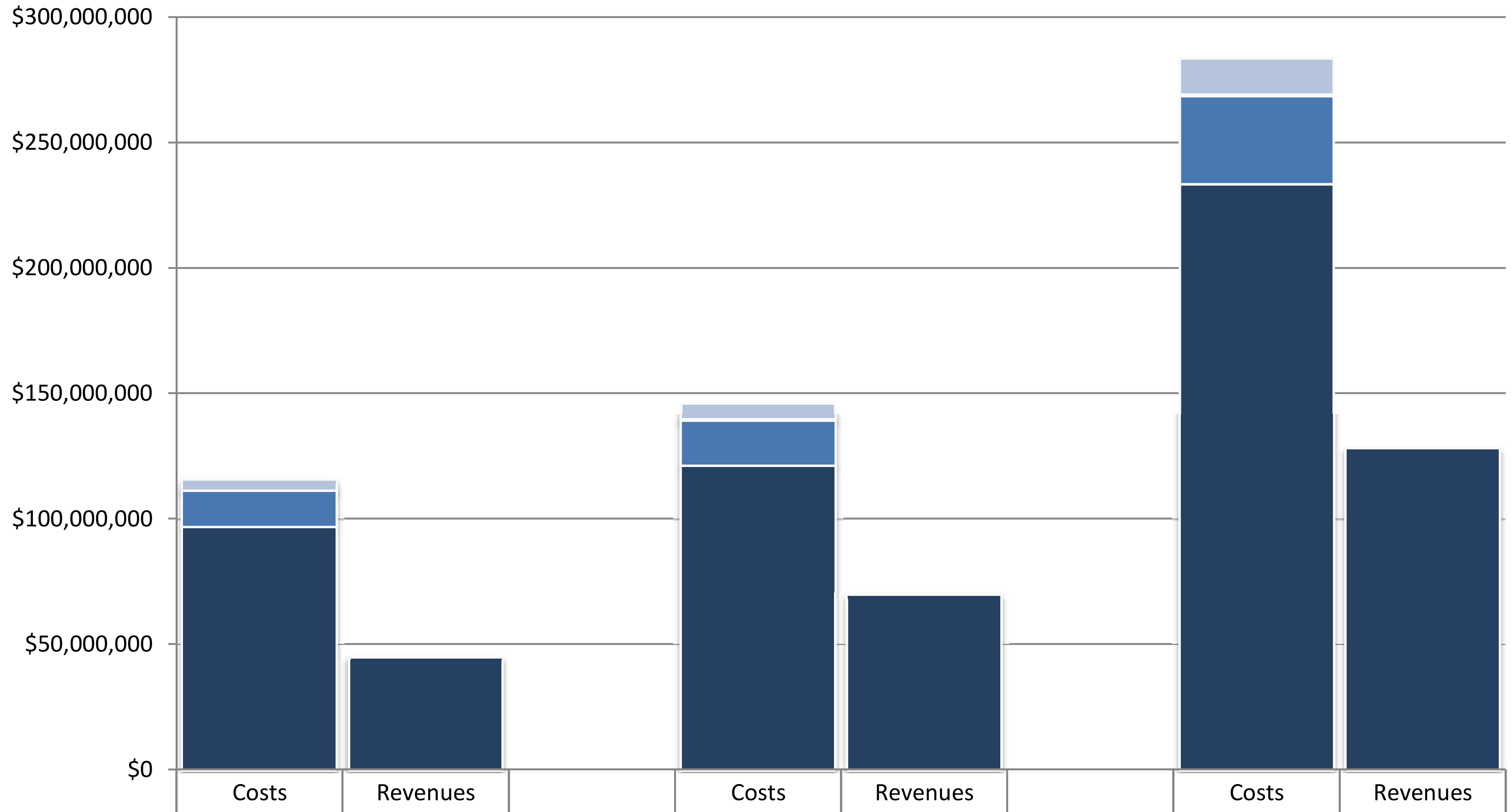
- Sub-alternative 1 assumes a 1 to 1 residential parking ratio.
- Sub-alternative 2 assumes a .75 to 1 residential parking ratio.

Scenario 4 (Mixed-Use 4)
Scenario 4 contains:

- Three stories of commercial totaling 249,842 gross square feet.
- A 12-story residential tower above the commercial space in addition to the four stories of residential along Post Street.

Figure 1

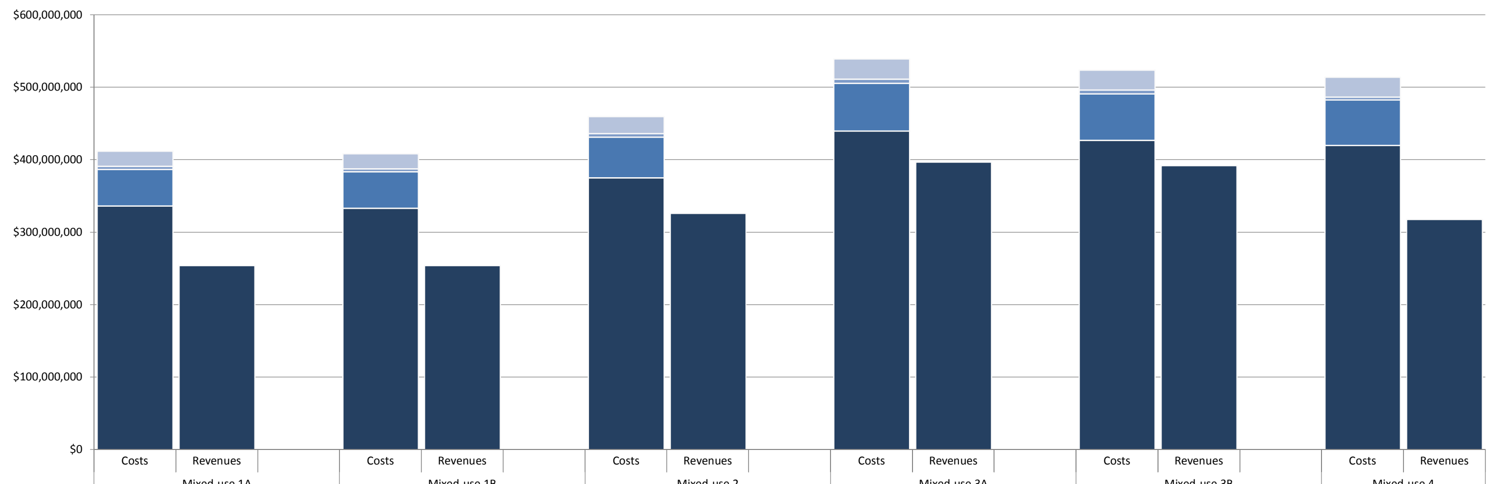
Japan Center Feasibility Analysis
Commercial Scenarios



	Commercial A Costs	Commercial A Revenues	Commercial B Costs	Commercial B Revenues	Commercial C Costs	Commercial C Revenues
Phasing	$4,261,570		$6,054,777		$14,243,045	
Community Benefits	$269,574		$419,238		$799,494	
Developer Return	$14,529,645		$18,210,790		$35,019,888	
Hard and Soft Costs	$96,864,301	$44,946,347	$121,405,264	$69,899,941	$233,465,923	$128,328,993

Figure 2

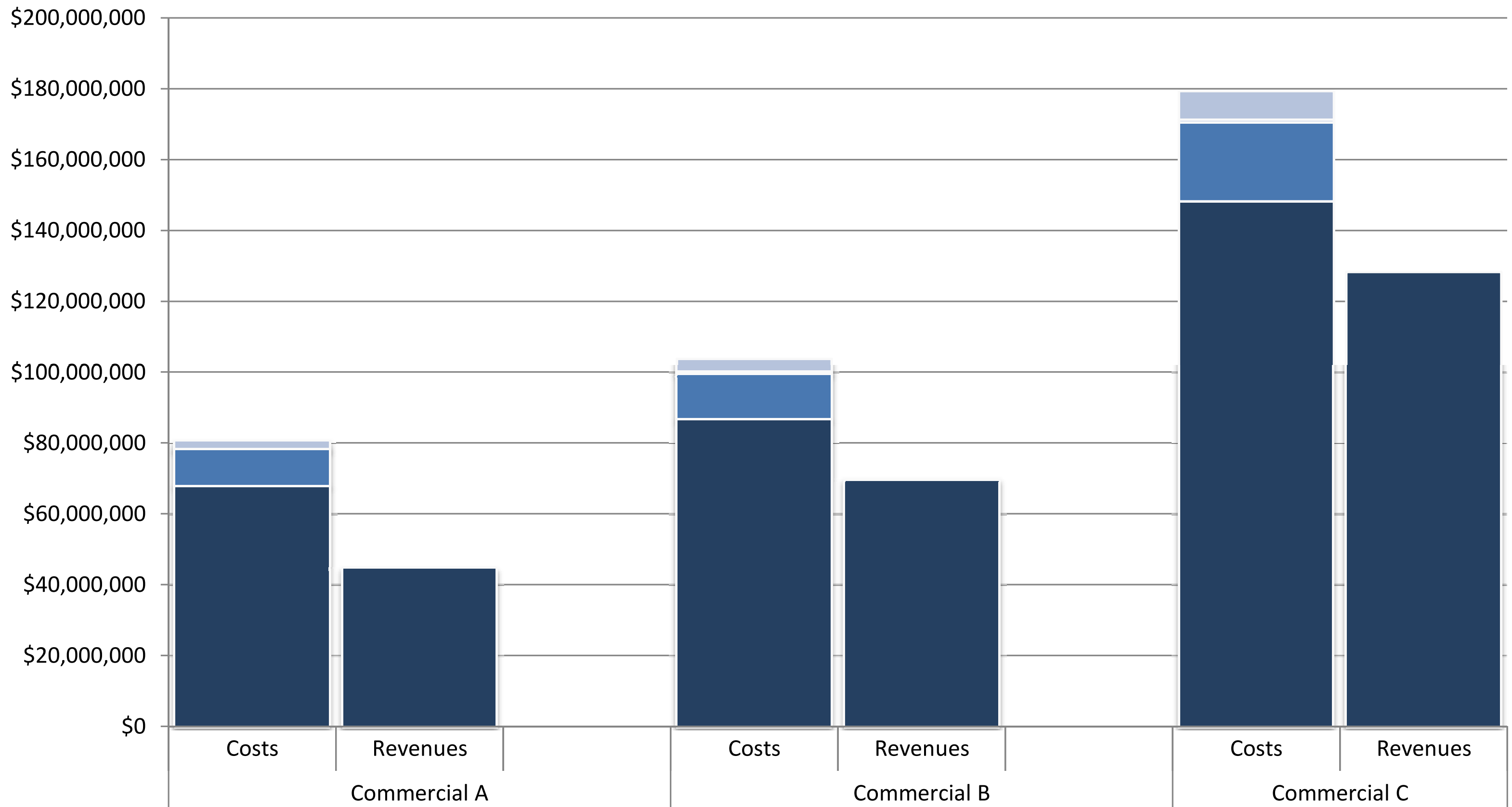
Japan Center Feasibility Analysis
Mixed-Use Scenarios



	Mixed-use 1A Costs	Mixed-use 1A Revenues	Mixed-use 1B Costs	Mixed-use 1B Revenues	Mixed-use 2 Costs	Mixed-use 2 Revenues	Mixed-use 3A Costs	Mixed-use 3A Revenues	Mixed-use 3B Costs	Mixed-use 3B Revenues	Mixed-use 4 Costs	Mixed-use 4 Revenues
Phasing	$20,844,162		$20,632,210		$23,500,214		$28,116,590		$27,170,421		$27,126,191	
Community Benefits	$4,189,986		$4,189,986		$4,951,014		$5,582,514		$5,582,514		$3,959,214	
Developer Return	$50,443,742		$50,008,640		$56,259,725		$65,966,533		$64,024,211		$62,976,256	
Hard and Soft Costs	$336,291,611	$254,034,987	$333,390,935	$254,034,987	$375,064,831	$325,832,747	$439,776,887	$396,907,421	$426,828,076	$391,845,386	$419,841,705	$317,912,193

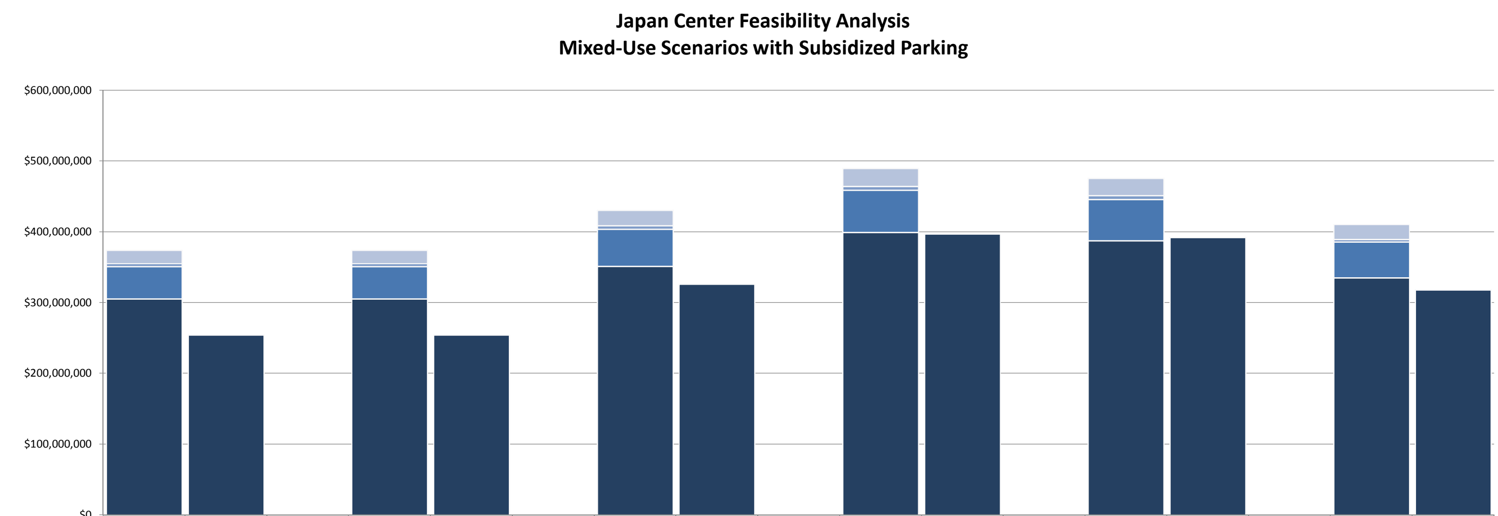
Figure 3

Japan Center Feasibility Analysis
Commercial Scenarios with Subsidized Parking



	Commercial A Costs	Commercial A Revenues		Commercial B Costs	Commercial B Revenues		Commercial C Costs	Commercial C Revenues
Phasing	$2,163,145			$3,528,753			$8,019,611	
Community Benefits	$269,574			$419,238			$799,494	
Developer Return	$10,221,943			$13,025,299			$22,244,255	
Hard and Soft Costs	$68,146,285	$44,946,347		$86,835,329	$69,899,941		$148,295,030	$128,328,993

Figure 4



	Mixed-use 1A		Mixed-use 1B		Mixed-use 2		Mixed-use 3A		Mixed-use 3B		Mixed-use 4	
	Costs	Revenues	Costs	Revenues	Costs	Revenues	Costs	Revenues	Costs	Revenues	Costs	Revenues
Phasing	$18,572,214		$18,572,214		$21,757,532		$25,139,887		$24,299,269		$20,937,561	
Community Benefits	$4,189,986		$4,189,986		$4,951,014		$5,582,514		$5,582,514		$3,959,214	
Developer Return	$45,779,824		$45,779,824		$52,682,299		$59,855,877		$58,130,234		$50,272,068	
Hard and Soft Costs	$305,198,830	$254,034,987	$305,198,830	$254,034,987	$351,215,326	$325,832,747	$399,039,177	$396,907,421	$387,534,891	$391,845,386	$335,147,121	$317,912,193

JAPAN CENTER FEASIBILITY ANALYSIS

Table 1

OPERATING AND VALUATION ASSUMPTIONS
FOR APARTMENT, RETAIL & OFFICE USES

			Future Values		Current Values
Apartments					
Assumptions					
Monthly Rent	Per SF	$	3.50		
Stabilized Vacancy Rate	Percent		5%		
Operating Expenses	Percent Gross Rev		30%		
Capitalization Rate	Percent		6.0%		
Estimated Value					
Gross Annual Res. Income	Per SF	$	42.00		
Less Vacancy	Per SF	$	(2.10)		
Less Operating Expenses	Per SF	$	(12.60)		
Net Operating Income	Per SF	$	27.30		
Capitalized Value	Per SF	$	455.00		
Retail					
Assumptions					
Monthly Rent (NNN)	Per SF	$	4.25	$	1.50
Vacancy	Percent		5.0%		5.0%
Non-Reimbursable Expenses	Percent		10.0%		10.0%
Capitalization Rate	Percent		6.5%		6.5%
Estimated Value					
Gross Annual Retail Income	Per SF	$	51.00	$	18.00
Less Retail Vacancy	Per SF	$	(2.55)	$	(0.90)
Less Non-Reimbursable Exp	Per SF	$	(5.10)	$	(1.80)
Net Operating Income	Per SF	$	43.35	$	15.30
Capitalized Value	Per SF	$	666.92	$	235.38
Office					
Assumptions					
Monthly Rent (NNN)	Per SF	$	3.75		
Vacancy	Percent		5.0%		
Non-Reimbursable Expenses	Percent		10.0%		
Capitalization Rate	Percent		6.5%		
Estimated Value					
Gross Annual Retail Income	Per SF	$	45.00		
Less Retail Vacancy	Per SF	$	(2.25)		
Less Non-Reimbursable Exp	Per SF	$	(4.50)		
Net Operating Income	Per SF	$	38.25		
Capitalized Value	Per SF	$	588.46		

PRICING ASSUMPTIONS FOR FOR-SALE UNITS

Unit Type		Avg. Price/SF (Net)	Avg. Gross SF	Avg. Net SF		Avg. Price
High-rise 21-story Tower	$	950	1,063	850	$	807,500
High Rise 21-story Tower units w/out parking (.75 to 1 parking ratio)	$	891	1,063	850	$	757,500
Condos 12-story Tower w/ parking	$	900	1,063	850	$	765,000
Condos Low Rise w/ parking	$	800	1,063	850	$	680,000

Affordable Housing		**Fee**	**Unit Breakdown**
In-Lieu Fee 1 bedroom	$	248,210	50%
In-Lieu Fee 2 bedroom	$	334,478	40%
In-Lieu Fee 3 bedroom	$	374,712	10%
Average In-Lieu Fee	**$**	**270,387**	

Community Benefits

Commercial	$4.00	Per NSF
Residential	$15.00	Per NSF

Table 2

JAPAN CENTER FEASIBILITY ANALYSIS

FINANCING ASSUMPTIONS
Unphased

Amount Financed Excluding Land	% Other Costs	80.0%
Construction Loan Rate	Percent	6.0%
Construction Loan Term	Months	72
Avg. Outstanding Balance	Percent	55%
Construction Loan Fee	Percent	1%

Phased

Amount Financed Excluding Land	% Other Costs	80.0%
Construction Loan Rate	Percent	6.0%
Construction Loan Term	Months	84
Avg. Outstanding Balance	Percent	55%
Construction Loan Fee	Percent	1%

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 0: RETAIL
84,000, 131,000 or 249,000 SF OF RETAIL/OFFICE
PARKING FOR DEVELOPMENT ONLY

Amount of Retail	**Unit**	**Amt**	**84,242 Total**	**131,012 Total**	**249,842 Total**
Project Revenues					
Office	Per Net SF	$588	$0	$0	$37,284,923
Retail	Per Net SF	$667	$44,946,347	$69,899,941	$91,044,070
Residential	Per Net SF	$900			
Subtotal Revenues			**$44,946,347**	**$69,899,941**	**$128,328,993**
Development Costs					
Hard Costs					
Demolition					
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000	$5,032,000	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575	$796,575	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180	$1,106,180	$1,106,180
Construction					
Retail Construction	Per Bldg SF	$140	$11,793,880	$18,341,680	$34,977,880
Retail TI	Per NSF	$24	$1,617,446	$2,515,430	$4,796,966
Office Construction	Per GSF	$140	$0	$0	$11,088,000
Lobby	Per GSF	$335	$2,412,000	$4,824,000	$7,236,000
Residential Construction	Per GSF	$295	$0	$0	$0
Parking Garage	Per SF	$150	$15,147,699	$18,234,372	$44,924,519
Parking Lifts	Per Lift	$9,000	$0	$0	$0
Escalation	3 years to midpoint	12.0%	$4,548,694	$6,102,028	$13,194,974
Contingency	% Hard Costs	7.5%	$3,184,086	$4,271,420	$9,236,482
Subtotal Hard Costs			**$45,638,559**	**$61,223,686**	**$132,389,577**
Soft Costs					
Soft Costs (1)	% Hard Costs	35.0%	$15,973,496	$21,428,290	$46,336,352
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387			
Subtotal Soft Costs			**$15,973,496**	**$21,428,290**	**$46,336,352**
Acquisition Costs					
Land			$25,000,000	$25,000,000	$25,000,000
Subtotal Acquisition Costs			**$25,000,000**	**$25,000,000**	**$25,000,000**
Financing Costs					
Construction Loan Fee	% of Loan	1.0%	$492,896	$661,216	$1,429,807
Construction Interest	Rate	6.0%	$9,759,349	$13,092,073	$28,310,187
Subtotal Financing Costs			**$10,252,246**	**$13,753,289**	**$29,739,994**
Total Costs			**$96,864,301**	**$121,405,264**	**$233,465,923**
Unphased					
Total Revenue			$ 44,946,347	$ 69,899,941	$ 128,328,993
Less Costs			($96,864,301)	($121,405,264)	($233,465,923)
Developer Profit (Loss)			**$ (51,917,954)**	**$ (51,505,324)**	**$ (105,136,930)**
Profit as % of Cost (Unphased)			**-54%**	**-42%**	**-45%**
Phased					
Total Revenue			$ 48,885,316	$ 73,838,910	$ 132,267,963
Less Costs			**($103,995,204)**	**($130,095,479)**	**($249,276,370)**
Developer Profit (Loss)			**($55,109,888)**	**($56,256,568)**	**($117,008,407)**
Profit as % of Cost (Phased)			**-53%**	**-43%**	**-47%**
Required Return Threshold			**15%**	**15%**	**15%**
Gap (Unphased)			**$ 66,447,599**	**$ 69,716,113**	**$ 140,156,818**
Gap (Phased)			**$ 70,709,168**	**$ 75,770,890**	**$ 154,399,862**
Gap with Community Benefits			**$ 70,978,743**	**$ 76,190,128**	**$ 155,199,357**
Phasing					
Value of 6 years of Retail			$3,938,969	$3,938,969	$3,938,969
Hard Costs (2)			($2,040,000)	($2,040,000)	($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($1,907,142)	($2,530,547)	($5,377,183)
Associated Soft Costs	% of Hard Costs	35%	($667,500)	($885,692)	($1,882,014)
Additional Financing Costs			($2,516,261)	($3,233,975)	($6,511,250)
Community Benefits					
Commercial	Per NSF	$4.00	$269,574	$419,238	$799,494
Residential	Per NSF	$15.00	$0	$0	$0

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

Table 4

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 1: LOW DENSITY RESIDENTIAL, REDUCED RETAIL
4-7-STORY RESIDENTIAL BUILDINGS, 84,000 SF OF RETAIL
A - FULLY PARKED

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$588	$0
Retail	Per Net SF	$667	$44,946,347
Residential	Per Net SF	$800	$209,088,640
Subtotal Revenues			$254,034,987
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$11,793,880
Retail TI	Per NSF	$24	$1,617,446
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$2,412,000
Residential Construction	Per GSF	$295	$96,376,795
Parking Garage	Per SF	$150	$34,065,000
Parking Lifts	Per Lift	$9,000	$765,000
Escalation	3 years to midpoint	12.0%	$18,475,785
Contingency	% Hard Costs	7.5%	$12,933,050
Subtotal Hard Costs			**$185,373,711**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$64,880,799
Affordable Housing In-Lieu Fee	20% of total units	$270,387	$16,627,872
Subtotal Soft Costs			**$81,508,671**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,135,059
Construction Interest	Rate	6.0%	$42,274,169
Subtotal Financing Costs			**$44,409,228**
Total Costs			**$336,291,611**
Unphased			
Total Revenue			$254,034,987
Less Costs			($336,291,611)
Developer Profit (Loss)			**($82,256,624)**
Profit as % of Cost (Unphased)			**-24%**
Phased			
Total Revenue			$257,973,956
Less Costs			($357,842,160)
Developer Profit (Loss)			**($99,868,204)**
Profit as % of Cost (Phased)			**-28%**
Required Return Threshold			**15%**
Gap (Unphased)			**$132,700,366**
Gap (Phased)			**$153,544,528**
Gap with Community Benefits			**$157,734,514**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($7,496,548)
Associated Soft Costs	% of Hard Costs	35%	($2,623,792)
Additional Financing Costs			($9,390,209)
Community Benefits			
Commercial	Per NSF	$4.00	$269,574
Residential	Per NSF	$15.00	$3,920,412

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 1: LOW DENSITY RESIDENTIAL, REDUCED RETAIL
4-7-STORY RESIDENTIAL BUILDINGS, 84,000 SF OF RETAIL
B- REDUCED PARKING

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$ 588.46	$ -
Retail	Per Net SF	$ 666.92	$ 44,946,347
Residential	Per Net SF	$ 800.00	$ 209,088,640
Subtotal Revenues			**$ 254,034,987**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$11,793,880
Retail TI	Per NSF	$24	$1,617,446
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$2,412,000
Residential Construction	Per GSF	$295	$96,376,795
Parking Garage	Per SF	$150	$33,300,000
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$18,292,185
Contingency	% Hard Costs	7.5%	$12,804,530
Subtotal Hard Costs			**$183,531,591**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$64,236,057
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387	$16,627,872
Subtotal Soft Costs			**$80,863,929**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,115,164
Construction Interest	Rate	6.0%	$41,880,250
Subtotal Financing Costs			**$43,995,415**
Total Costs			**$333,390,935**
Unphased			
Total Revenue			$ 254,034,987
Less Costs			($333,390,935)
Developer Profit (Loss)			**$ (79,355,948)**
Profit as % of Cost (Unphased)			**-24%**
Phased			
Total Revenue			$ 257,973,956
Less Costs			**($354,757,178)**
Developer Profit (Loss)			**($96,783,221)**
Profit as % of Cost (Phased)			**-27%**
Required Return Threshold			**15%**
Gap (Unphased)			**$129,364,588**
Gap (Phased)			**$149,996,798**
Gap with Community Benefits			**$154,186,785**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($7,422,864)
Associated Soft Costs	% of Hard Costs	35%	($2,598,002)
Additional Financing Costs			($9,305,377)
Community Benefits			
Commercial	Per NSF	$4.00	$269,574
Residential	Per NSF	$15.00	$3,920,412

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer ov
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 2: MEDIUM DENSITY RESIDENTIAL, REDUCED RETAIL
12-STORY RESIDENTIAL TOWER, 84,000 SF OF RETAIL

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$588	$0
Retail	Per Net SF	$667	$44,946,347
Residential	Per Net SF	$900	$280,886,400
Subtotal Revenues			**$325,832,747**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$11,793,880
Retail TI	Per NSF	$24	$1,617,446
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$2,412,000
Residential Construction	Per GSF	$295	$115,085,400
Parking Garage	Per SF	$150	$33,822,000
Parking Lifts	Per Lift	$9,000	$765,000
Escalation	3 years to midpoint	12.0%	$20,691,658
Contingency	% Hard Costs	7.5%	$14,484,160
Subtotal Hard Costs			**$207,606,300**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$72,662,205
Affordable Housing In-Lieu Fee	20% of total units	$270,387	$19,855,665
Subtotal Soft Costs			**$92,517,870**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,400,993
Construction Interest	Rate	6.0%	$47,539,668
Subtotal Financing Costs			**$49,940,662**
Total Costs			**$375,064,831**
Unphased			
Total Revenue			$325,832,747
Less Costs			($375,064,831)
Developer Profit (Loss)			**($49,232,084)**
Profit as % of Cost (Unphased)			**-13%**
Phased			
Total Revenue			$329,771,716
Less Costs			($398,924,991)
Developer Profit (Loss)			**($69,153,275)**
Profit as % of Cost (Phased)			**-17%**
Required Return Threshold			**15%**
Gap (Unphased)			**$105,491,809**
Gap (Phased)			**$128,992,023**
Gap with Community Benefits			**$133,943,038**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($8,385,852)
Associated Soft Costs	% of Hard Costs	35%	($2,935,048)
Additional Financing Costs			($10,499,260)
Community Benefits			
Commercial	Per NSF	$4.00	$269,574
Residential	Per NSF	$15.00	$4,681,440

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer c
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

Table 7

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 3: HIGH DENSITY RESIDENTIAL, EXISTING RETAIL
21-STORY RESIDENTIAL TOWER, 131,000 SF OF RETAIL
A: 1 TO 1 PARKING RATIO

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$588	$0
Retail	Per Net SF	$667	$69,899,941
Residential	Per Net SF	$950	$327,007,480
Subtotal Revenues			**$396,907,421**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$18,341,680
Retail TI	Per NSF	$24	$2,515,430
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$4,824,000
Residential Construction	Per GSF	$295	$126,930,535
Parking Garage	Per SF	$150	$44,680,000
Parking Lifts	Per Lift	$9,000	$1,080,000
Escalation	3 years to midpoint	12.0%	$24,636,768
Contingency	% Hard Costs	7.5%	$17,245,738
Subtotal Hard Costs			**$247,188,906**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$86,516,117
Affordable Housing In-Lieu Fee	20% of total units	$270,387	$21,899,304
Subtotal Soft Costs			**$108,415,421**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,844,835
Construction Interest	Rate	6.0%	$56,327,725
Subtotal Financing Costs			**$59,172,560**
Total Costs			**$439,776,887**
Unphased			
Total Revenue			$396,907,421
Less Costs			($439,776,887)
Developer Profit (Loss)			**($42,869,467)**
Profit as % of Cost (Unphased)			**-10%**
Phased			
Total Revenue			$400,846,390
Less Costs			($467,651,287)
Developer Profit (Loss)			**($66,804,896)**
Profit as % of Cost (Phased)			**-15%**
Required Return Threshold			**15%**
Gap (Unphased)			**$108,836,000**
Gap (Phased)			**$136,952,589**
Gap with Community Benefits			**$142,535,104**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($9,969,156)
Associated Soft Costs	% of Hard Costs	35%	($3,489,205)
Additional Financing Costs			($12,376,038)
Community Benefits			
Commercial	Per NSF	$4.00	$419,238
Residential	Per NSF	$15.00	$5,163,276

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

Table 8

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 3: HIGH DENSITY RESIDENTIAL, EXISTING RETAIL
21-STORY RESIDENTIAL TOWER, 131,000 SF OF RETAIL
B: .75 TO 1 PARKING RATIO

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$588	$0
Retail	Per Net SF	$667	$69,899,941
Residential w/ Parking	Per Net SF	$950	$245,255,610
Residential w/out Parking	Per Net SF	$891	$76,689,835
Subtotal Revenues			**$ 391,845,386**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$18,341,680
Retail TI	Per NSF	$24	$2,515,430
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$4,824,000
Residential Construction	Per GSF	$295	$126,930,535
Parking Garage	Per SF	$150	$38,929,977
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$23,817,165
Contingency	% Hard Costs	7.5%	$16,672,016
Subtotal Hard Costs			**$238,965,559**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$83,637,946
Affordable Housing In-Lieu Fee	20% of total units	$270,387	$21,899,304
Subtotal Soft Costs			**$105,537,250**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,756,022
Construction Interest	Rate	6.0%	$54,569,245
Subtotal Financing Costs			**$57,325,267**
Total Costs			**$426,828,076**
Unphased			
Total Revenue			$391,845,386
Less Costs			($426,828,076)
Developer Profit (Loss)			**($34,982,690)**
Profit as % of Cost (Unphased)			**-8%**
Phased			
Total Revenue			$ 395,784,355
Less Costs			($453,879,719)
Developer Profit (Loss)			**($58,095,364)**
Profit as % of Cost (Phased)			**-14%**
Required Return Threshold			**15%**
Gap (Unphased)			**$99,006,902**
Gap (Phased)			**$126,177,322**
Gap with Community Benefits			**$131,759,837**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($9,640,222)
Associated Soft Costs	% of Hard Costs	35%	($3,374,078)
Additional Financing Costs			($11,997,343)
Community Benefits			
Commercial	Per NSF	$4.00	$419,238
Residential	Per NSF	$15.00	$5,163,276

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer ov
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

Table 9

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 4: MEDIUM DENSITY RESIDENTIAL, MAX RETAIL AND OFFICE
12-STORY RESIDENTIAL TOWER, 250,000 SF OF RETAIL

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$588	$37,284,923
Retail	Per Net SF	$667	$91,044,070
Residential	Per Net SF	$900	$189,583,200
Subtotal Revenues			**$317,912,193**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$34,977,880
Retail TI	Per NSF	$24	$4,796,966
Office Construction	Per GSF	$140	$8,870,400
Lobby	Per GSF	$335	$7,236,000
Residential Construction	Per GSF	$295	$77,676,450
Parking Garage	Per SF	$150	$58,600,000
Parking Lifts	Per Lift	$9,000	$927,000
Escalation	3 years to midpoint	12.0%	$24,002,334
Contingency	% Hard Costs	7.5%	$16,801,634
Subtotal Hard Costs			**$240,823,419**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$84,288,197
Affordable Housing In-Lieu Fee	20% of total units	$270,387	$13,401,505
Subtotal Soft Costs			**$97,689,702**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,708,105
Construction Interest	Rate	6.0%	$53,620,478
Subtotal Financing Costs			**$56,328,583**
Total Costs			**$419,841,705**
Unphased			
Total Revenue			$317,912,193
Less Costs			($419,841,705)
Developer Profit (Loss)			**($101,929,512)**
Profit as % of Cost (Unphased)			**-24%**
Phased			
Total Revenue			$321,851,163
Less Costs			($446,854,887)
Developer Profit (Loss)			**($125,003,725)**
Profit as % of Cost (Phased)			**-28%**
Required Return Threshold			**15%**
Gap (Unphased)			**$164,905,767**
Gap (Phased)			**$192,031,958**
Gap with Community Benefits			**$195,991,172**
Phasing			
Value of 6 years of Retail and Office			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($9,714,537)
Associated Soft Costs	% of Hard Costs	35%	($3,400,088)
Additional Financing Costs			($11,858,558)
Community Benefits			
Commercial	Per NSF	$4.00	$799,494
Residential	Per NSF	$15.00	$3,159,720

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer ove
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 0: RETAIL
84,000, 131,000 or 249,000 SF OF RETAIL/OFFICE
PARKING FOR DEVELOPMENT ONLY, SUBSIDIZED RETAIL PARKING

Amount of Retail	**Unit**	**Amt**	**84,242 Total**	**131,012 Total**	**249,842 Total**
Project Revenues					
Office	Per Net SF	$ 588.46	$ -	$ -	$ 37,284,923.08
Retail	Per Net SF	$ 666.92	$ 44,946,347	$ 69,899,940.92	$ 91,044,070.15
Residential	Per Net SF	$ 900.00			
Subtotal Revenues			**$ 44,946,347**	**$ 69,899,941**	**$ 128,328,993**
Development Costs					
Hard Costs					
Demolition					
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000	$5,032,000	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575	$796,575	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180	$1,106,180	$1,106,180
Construction					
Retail Construction	Per Bldg SF	$140	$11,793,880	$18,341,680	$34,977,880
Retail TI	Per NSF	$24	$1,617,446	$2,515,430	$4,796,966
Office Construction	Per GSF	$140	$ -	$ -	$11,088,000
Lobby	Per GSF	$335	$2,412,000	$4,824,000	$7,236,000
Residential Construction	Per GSF	$295	$ -	$ -	$ -
Parking Garage	Per SF	$150			
Parking Lifts	Per Lift	$9,000	$ -	$ -	$ -
Escalation	3 years to midpoint	12.0%	$2,730,970	$ 3,913,904	$7,804,032
Contingency	% Hard Costs	7.5%	$1,911,679	$ 2,739,733	$5,462,823
Subtotal Hard Costs			**$27,400,730**	**$39,269,502**	**$78,300,456**
Soft Costs					
Soft Costs (1)	% Hard Costs	35.0%	$9,590,256	$13,744,326	$27,405,160
Affordable Housing In-Lieu Fee	20% of total units	$ 291,344			
Subtotal Soft Costs			**$9,590,256**	**$13,744,326**	**$27,405,160**
Acquisition Costs					
Land			$25,000,000	$25,000,000	$25,000,000
Subtotal Acquisition Costs			**$25,000,000**	**$25,000,000**	**$25,000,000**
Financing Costs					
Construction Loan Fee	% of Loan	1.0%	$295,928	$424,111	$845,645
Construction Interest	Rate	6.0%	$5,859,372	$8,397,390	$16,743,770
Subtotal Financing Costs			**$6,155,300**	**$8,821,501**	**$17,589,414**
Total Costs			**$68,146,285**	**$86,835,329**	**$148,295,030**
Unphased					
Total Revenue			$44,946,347	$69,899,941	$128,328,993
Less Costs			($68,146,285)	($86,835,329)	($148,295,030)
Developer Profit (Loss)			**($23,199,938)**	**($16,935,388)**	**($19,966,037)**
Profit as % of Cost (Unphased)			**-34%**	**-20%**	**-13%**
Phased					
Total Revenue			$48,885,316	$73,838,910	$132,267,963
Less Costs			**($73,452,472)**	**($93,329,000)**	**($158,693,796)**
Developer Profit (Loss)			**($24,567,156)**	**($19,490,090)**	**($26,425,833)**
Profit as % of Cost (Phased)			**-33%**	**-21%**	**-17%**
Required Return Threshold			**15%**	**15%**	**15%**
Gap (Unphased)			**$33,421,881**	**$29,960,687**	**$42,210,291**
Gap (Phased)			**$35,585,027**	**$33,489,440**	**$50,229,902**
Gap with Community Benefits			**$35,854,601**	**$33,908,678**	**$51,029,397**
Phasing					
Value of 6 years of Retail			$3,938,969	$3,938,969	$3,938,969
Hard Costs (2)			($2,040,000)	($2,040,000)	($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($1,177,629)	($1,652,380)	($3,213,618)
Associated Soft Costs	% of Hard Costs	35%	($412,170)	($578,333)	($1,124,766)
Additional Financing Costs			($1,676,387)	($2,222,959)	($4,020,381)
Community Benefits					
Commercial	Per NSF	$4.00	$269,574.40	$419,238.40	$799,494.40
Residential	Per NSF	$15.00	$0	$0	$0

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

Table 11

SCENARIO 1: LOW DENSITY RESIDENTIAL, REDUCED RETAIL
4-7-STORY RESIDENTIAL BUILDINGS, 84,000 SF OF RETAIL
A - FULLY PARKED, SUBSIDIZED RETAIL PARKING

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$ 588.46	$ -
Retail	Per Net SF	$ 666.92	$ 44,946,347
Residential	Per Net SF	$ 800.00	$ 209,088,640
Subtotal Revenues			**$ 254,034,987**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$11,793,880
Retail TI	Per NSF	$24	$1,617,446
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$2,412,000
Residential Construction	Per GSF	$295	$96,376,795
Parking Garage	Per SF	$150	$18,429,700
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$16,507,749
Contingency	% Hard Costs	7.5%	$11,555,424
Subtotal Hard Costs			**$165,627,749**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$57,969,712
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387	$16,627,872
Subtotal Soft Costs			**$74,597,585**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$1,921,803
Construction Interest	Rate	6.0%	$38,051,693
Subtotal Financing Costs			**$39,973,496**
Total Costs			**$305,198,830**
Unphased			
Total Revenue			$ 254,034,987
Less Costs			($305,198,830)
Developer Profit (Loss)			**$ (51,163,843)**
Profit as % of Cost (Unphased)			**-17%**
Phased			
Total Revenue			$ 257,973,956
Less Costs			**($324,773,772)**
Developer Profit (Loss)			**($66,799,815)**
Profit as % of Cost (Phased)			**-21%**
Required Return Threshold			**15%**
Gap (Unphased)			**$96,943,667**
Gap (Phased)			**$115,515,881**
Gap with Community Benefits			**$119,705,867**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($6,706,710)
Associated Soft Costs	% of Hard Costs	35%	($2,347,348)
Additional Financing Costs			($8,480,883)
Community Benefits			
Commercial	Per NSF	$4.00	$269,574
Residential	Per NSF	$15.00	$3,920,412

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

Table 12

SCENARIO 1: LOW DENSITY RESIDENTIAL, REDUCED RETAIL
4-7-STORY RESIDENTIAL BUILDINGS, 84,000 SF OF RETAIL
B- REDUCED PARKING, SUBSIDIZED RETAIL PARKING

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$ 588.46	$ -
Retail	Per Net SF	$ 666.92	$ 44,946,347
Residential	Per Net SF	$ 800.00	$ 209,088,640
Subtotal Revenues			**$ 254,034,987**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$11,793,880
Retail TI	Per NSF	$24	$1,617,446
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$2,412,000
Residential Construction	Per GSF	$295	$96,376,795
Parking Garage	Per SF	$150	$18,429,700
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$16,507,749
Contingency	% Hard Costs	7.5%	$11,555,424
Subtotal Hard Costs			**$165,627,749**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$57,969,712
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387	$16,627,872
Subtotal Soft Costs			**$74,597,585**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$1,921,803
Construction Interest	Rate	6.0%	$38,051,693
Subtotal Financing Costs			**$39,973,496**
Total Costs			**$305,198,830**
Unphased			
Total Revenue			$ 254,034,987
Less Costs			($305,198,830)
Developer Profit (Loss)			**$ (51,163,843)**
Profit as % of Cost (Unphased)			**-17%**
Phased			
Total Revenue			$ 257,973,956
Less Costs			**($324,773,772)**
Developer Profit (Loss)			**($66,799,815)**
Profit as % of Cost (Phased)			**-21%**
Required Return Threshold			**15%**
Gap (Unphased)			**$96,943,667**
Gap (Phased)			**$115,515,881**
Gap with Community Benefits			**$119,705,867**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($6,706,710)
Associated Soft Costs	% of Hard Costs	35%	($2,347,348)
Additional Financing Costs			($8,480,883)
Community Benefits			
Commercial	Per NSF	$4.00	$269,574
Residential	Per NSF	$15.00	$3,920,412

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

Table 13

SCENARIO 2: MEDIUM DENSITY RESIDENTIAL, REDUCED RETAIL
12-STORY RESIDENTIAL TOWER, 84,000 SF OF RETAIL
SUBSIDIZED RETAIL PARKING

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$ 588.46	$ -
Retail	Per Net SF	$ 666.92	$ 44,946,347
Residential	Per Net SF	$ 900.00	$ 280,886,400
Subtotal Revenues			**$ 325,832,747**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$11,793,880
Retail TI	Per NSF	$24	$1,617,446
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$2,412,000
Residential Construction	Per GSF	$295	$115,085,400
Parking Garage	Per SF	$150	$22,007,262
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$19,182,089
Contingency	% Hard Costs	7.5%	$13,427,462
Subtotal Hard Costs			**$192,460,295**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$67,361,103
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387	$19,855,665
Subtotal Soft Costs			**$87,216,768**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,237,417
Construction Interest	Rate	6.0%	$44,300,847
Subtotal Financing Costs			**$46,538,263**
Total Costs			**$351,215,326**
Unphased			
Total Revenue			$ 325,832,747
Less Costs			($351,215,326)
Developer Profit (Loss)			**$ (25,382,579)**
Profit as % of Cost (Unphased)			**-7%**
Phased			
Total Revenue			$ 329,771,716
Less Costs			**($373,560,110)**
Developer Profit (Loss)			**($43,788,393)**
Profit as % of Cost (Phased)			**-12%**
Required Return Threshold			**15%**
Gap (Unphased)			**$78,064,878**
Gap (Phased)			**$99,822,410**
Gap with Community Benefits			**$104,773,424**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($7,780,012)
Associated Soft Costs	% of Hard Costs	35%	($2,723,004)
Additional Financing Costs			($9,801,768)
Community Benefits			
Commercial	Per NSF	$4.00	$269,574
Residential	Per NSF	$15.00	$4,681,440

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

Table 14

SCENARIO 3: HIGH DENSITY RESIDENTIAL, EXISTING RETAIL
21-STORY RESIDENTIAL TOWER, 131,000 SF OF RETAIL
A: 1 TO 1 PARKING RATIO, SUBSIDIZED RETAIL PARKING

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$ 588.46	$ -
Retail	Per Net SF	$ 666.92	$ 69,899,941
Residential	Per Net SF	$ 950.00	$ 327,007,480
Subtotal Revenues			**$ 396,907,421**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$18,341,680
Retail TI	Per NSF	$24	$2,515,430
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$4,824,000
Residential Construction	Per GSF	$295	$126,930,535
Parking Garage	Per SF	$150	$24,272,353
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$22,058,250
Contingency	% Hard Costs	7.5%	$15,440,775
Subtotal Hard Costs			**$221,317,779**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$77,461,223
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387	$21,899,304
Subtotal Soft Costs			**$99,360,527**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,565,426
Construction Interest	Rate	6.0%	$50,795,444
Subtotal Financing Costs			**$53,360,870**
Total Costs			**$399,039,177**
Unphased			
Total Revenue			$ 396,907,421
Less Costs			($399,039,177)
Developer Profit (Loss)			**$ (2,131,756)**
Profit as % of Cost (Unphased)			**-1%**
Phased			
Total Revenue			$ 400,846,390
Less Costs			**($424,325,139)**
Developer Profit (Loss)			**($23,478,748)**
Profit as % of Cost (Phased)			**-6%**
Required Return Threshold			**15%**
Gap (Unphased)			**$61,987,632**
Gap (Phased)			**$87,127,519**
Gap with Community Benefits			**$92,710,034**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($8,934,311)
Associated Soft Costs	% of Hard Costs	35%	($3,127,009)
Additional Financing Costs			($11,184,642)
Community Benefits			
Commercial	Per NSF	$4.00	$419,238
Residential	Per NSF	$15.00	$5,163,276

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics; Van Meter Williams Pollack; EDAW; City of San Francisco

JAPAN CENTER FEASIBILITY ANALYSIS

Table 15

SCENARIO 3: HIGH DENSITY RESIDENTIAL, EXISTING RETAIL
21-STORY RESIDENTIAL TOWER, 131,000 SF OF RETAIL
B: .75 TO 1 PARKING RATIO, SUBSIDIZED RETAIL PARKING

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$ 588.46	$ -
Retail	Per Net SF	$ 666.92	$ 69,899,941
Residential w/ Parking	Per Net SF	$ 950.00	$ 245,255,610
Residential w/out Parking	Per Net SF	$ 891.18	$ 76,689,835
Subtotal Revenues			**$ 391,845,386**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$18,341,680
Retail TI	Per NSF	$24	$2,515,430
Office Construction	Per GSF	$140	$0
Lobby	Per GSF	$335	$4,824,000
Residential Construction	Per GSF	$295	$126,930,535
Parking Garage	Per SF	$150	$ 18,204,265.00
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$21,330,080
Contingency	% Hard Costs	7.5%	$14,931,056
Subtotal Hard Costs			**$214,011,801**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$74,904,130
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387	$21,899,304
Subtotal Soft Costs			**$96,803,435**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,486,522
Construction Interest	Rate	6.0%	$49,233,133
Subtotal Financing Costs			**$51,719,655**
Total Costs			**$387,534,891**
Unphased			
Total Revenue			$ 391,845,386
Less Costs			($387,534,891)
Developer Profit (Loss)			**$ 4,310,495**
Profit as % of Cost (Unphased)			**1%**
Phased			
Total Revenue			$ 395,784,355
Less Costs			**($412,089,881)**
Developer Profit (Loss)			**($16,305,526)**
Profit as % of Cost (Phased)			**-4%**
Required Return Threshold			**15%**
Gap (Unphased)			**$53,819,739**
Gap (Phased)			**$78,119,008**
Gap with Community Benefits			**$83,701,523**
Phasing			
Value of 6 years of Retail			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($8,642,072)
Associated Soft Costs	% of Hard Costs	35%	($3,024,725)
Additional Financing Costs			($10,848,193)
Community Benefits			
Commercial	Per NSF	$4.00	$419,238
Residential	Per NSF	$15.00	$5,163,276

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics; Van Meter Williams Pollack; EDAW; City of San Francisco.

JAPAN CENTER FEASIBILITY ANALYSIS

SCENARIO 4: MEDIUM DENSITY RESIDENTIAL, MAX RETAIL AND OFFICE
12-STORY RESIDENTIAL TOWER, 249,000 SF OF RETAIL
SUBSIDIZED RETAIL PARKING

	Unit	Amt	Total
Project Revenues			
Office	Per Net SF	$ 588.46	$ 37,284,923
Retail	Per Net SF	$ 666.92	$ 91,044,070
Residential	Per Net SF	$ 900.00	$ 189,583,200
Subtotal Revenues			**$ 317,912,193**
Development Costs			
Hard Costs			
Demolition			
Demolish/Restore Peace Plaza	Per SF	$160	$5,032,000
Demolish Kintetsu Mall	Per SF	$19	$796,575
Demolish Miyako Mall	Per SF	$19	$1,106,180
Construction			
Retail Construction	Per Bldg SF	$140	$34,977,880
Retail TI	Per NSF	$24	$4,796,966
Office Construction	Per GSF	$140	$8,870,400
Lobby	Per GSF	$335	$7,236,000
Residential Construction	Per GSF	$295	$77,676,450
Parking Garage	Per SF	$150	$14,853,717
Parking Lifts	Per Lift	$9,000	
Escalation	3 years to midpoint	12.0%	$18,641,540
Contingency	% Hard Costs	7.5%	$13,049,078
Subtotal Hard Costs			**$187,036,787**
Soft Costs			
Soft Costs (1)	% Hard Costs	35.0%	$65,462,875
Affordable Housing In-Lieu Fee	20% of total units	$ 270,387	$13,401,505
Subtotal Soft Costs			**$78,864,380**
Acquisition Costs			
Land			$25,000,000
Subtotal Acquisition Costs			**$25,000,000**
Financing Costs			
Construction Loan Fee	% of Loan	1.0%	$2,127,209
Construction Interest	Rate	6.0%	$42,118,745
Subtotal Financing Costs			**$44,245,954**
Total Costs			**$335,147,121**
Unphased			
Total Revenue			$ 317,912,193
Less Costs			($335,147,121)
Developer Profit (Loss)			**$ (17,234,928)**
Profit as % of Cost (Unphased)			**-5%**
Phased			
Total Revenue			$ 321,851,163
Less Costs			**($356,778,887)**
Developer Profit (Loss)			**($34,927,724)**
Profit as % of Cost (Phased)			**-10%**
Required Return Threshold			**15%**
Gap (Unphased)			**$67,506,996**
Gap (Phased)			**$88,444,557**
Gap with Community Benefits			**$92,403,772**
Phasing			
Value of 6 years of Retail and Office			$3,938,969
Hard Costs (2)			($2,040,000)
Additional Year of Escalation	% of Total Hard Costs	4%	($7,563,071)
Associated Soft Costs	% of Hard Costs	35%	($2,647,075)
Additional Financing Costs			($9,381,619)
Community Benefits			
Commercial	Per NSF	$4.00	$799,494
Residential	Per NSF	$15.00	$3,159,720

(1) Includes insurance, taxes, legal, accounting, marketing, permits & fees, architecture & engineering and developer overhead.
(2) Includes cost of storing and rebuilding the pagoda, building a temporary parking ramp and remobilizing.
Source: Strategic Economics, Van Meter Williams Pollack, EDAW, City of San Francisco