



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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To: Dave Harzoff
From: Tim Kelly
Date: November 14, 2007
Subject: Thomas Enterprises Development Program
Conceptual Feasibility Analysis

Pursuant to your request, Keyser Marston Associates, Inc. has prepared the attached conceptual feasibility analysis for the proposed Railyards project.

Purpose of Feasibility Analysis

The purpose of the assignment is to assess the feasibility, on a broad conceptual level, of the ability of the Developer, Thomas Enterprises, to have a viable project. The conceptual feasibility analysis is based on the four phases as outlined by Thomas Enterprises. This analysis accepts this program and is not intended to be an evaluation of the land use planning of the project or an assessment of market support. In summary, the analysis evaluates the ability of the real estate values created by new development to support the anticipated private sector development costs. If the program is changed, then the findings of this analysis would need to be reexamined.

A key private sector cost variable is still not known, which is the cost to fund site development, particularly costs associated with soils and remediation. A cost allowance for remediation and soils conditions has been included by Thomas Enterprises. However, this cost will need to be refined to provide more clarity with respect to feasibility. Therefore, as a starting point for the analysis, the significant costs for regional transportation improvements, backbone infrastructure, parking garages serving commercial development, as well as other desired public benefits related to the plan are not included as a private sector cost, other than through Mello Roos financing and development impact fees.

Summary of Findings

The findings of this conceptual feasibility analysis are a function of a very specific development program specified by Thomas Enterprises.

The table below summarizes the conceptual feasibility analysis. Details are presented in the attached tables. A positive balance represents conceptual feasibility at this stage, recognizing that significant caveats remain. A negative balance indicates that the development program and the timing of the program will be market driven.

| | <i>Value of Development</i> | <i>Development Costs* And Profit</i> | <i>Balance</i> |
|---------|------------------------------------|---|-----------------------|
| Phase 1 | \$1,395,680,000 | \$1,347,000,000 | \$48,680,000 |
| Phase 2 | \$782,640,000 | \$628,980,000 | \$153,660,000 |
| Phase 3 | \$2,256,580,000 | \$2,749,930,000 | (\$493,350,000) |
| Phase 4 | \$2,102,200,000 | \$2,672,690,000 | (\$570,490,000) |

*Excludes costs for regional transportation improvements, backbone infrastructure, parking garages serving commercial development, as well as other desired public benefits related to the plan.

Key factors that influence the findings of this analysis include:

1. Phases 1 and 2: The high commercial density for Phases 1 and 2, with over 3.4 million square feet of development, enhances the feasibility and creates value for Thomas Enterprises, provided that the market supports the physical configuration and construction costs associated with high density.
2. Phases 3 and 4: The feasibility of Phases 3 and 4 is influenced by the development economics of high density in fill housing with over 8,200 units, averaging 171 units per acre and 183 units per acre, respectively. The feasibility challenges with Phase 3 and 4 are that high density construction costs need to be in balance with residential values. Residential values proposed by the Thomas Enterprise team, estimated to be on average \$550,000 per unit, are not sufficient to offset the estimated cost premium attributable to the density.

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Specific Development Program (Private Development)

The "Illustrative Delivery Schedule of Programmatic Square Footage," dated September 26, 2007 by Thomas Enterprise is:

| | | |
|-------------------------------|-----------|-------------|
| Residential | 10,160 | units |
| Commercial | 4,791,000 | square feet |
| Cultural (Historic Buildings) | 385,000 | square feet |

The private sector development program that is the focus of this analysis is:

Private Development Program

| | | |
|-------------|-----------|-------------|
| Residential | 10,160 | units |
| Retail | 1,384,800 | square feet |
| Mixed Use | 491,000 | square feet |
| Hotel | 1,100 | rooms/keys |
| Office | 2,145,200 | square feet |

The feasibility analysis does not include the historic properties because there are too many variables with respect to financial feasibility that are not known at this time. There is not adequate information available to us to evaluate if private sector real estate values created with the rehabilitation of these historic buildings would support the costs to rehabilitate, such as seismic and structural, and the costs to create commercially leasable spaces.

Land Area for New Private Development (Developable Acres)

Thomas Enterprise land use distribution is summarized in the table below. The land acreage upon which new development will occur, which excludes acreage for the historic properties, is referred to as developable acres. New development is the private development program referred to above and includes residential, retail, mixed use, hotel and office. The balance of the land is designated for open space, transportation, utilities, and historic/cultural properties.

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Conceptual Feasibility Analysis

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Acreege for New Private Development

| | <u>Total Acreage</u> | Acreage designated for Open Space, Transportation, <u>Utilities, Historic Properties</u> | Acreage for New Private Development |
|---------|----------------------|--|--|
| Phase 1 | 71.45 | 39.43 | 32.02 |
| Phase 2 | 28.21 | 14.11 | 14.10 |
| Phase 3 | 53.63 | 31.10 | 22.53 |
| Phase 4 | <u>27.09</u> | <u>2.90</u> | <u>24.19</u> |
| | 180.39 | 87.54 | 92.84 |

Source: Thomas Enterprises Land Use Distribution dated July 23, 2007

Key Inputs

Key inputs for this feasibility analysis include:

1. As estimated by Thomas Enterprises, the land purchase price is approximately \$110 million, including the associated cost of the land loan. Thomas Enterprises estimated remediation costs at approximately \$40 million, predevelopment costs at \$37.7 million and post development costs of \$15 million. The total of land purchase, remediation, predevelopment and post development costs is approximately \$202.7 million. Land purchase price to be paid by City to Thomas Enterprises is estimated by City staff for the purposes of this analysis to be approximately \$55 million. A final purchase price has not yet been agreed to. The net land cost to Thomas Enterprises for acquisition, remediation, predevelopment and post development is therefore \$147.7 million (\$202.7 million less \$55 million). This costs translates into approximately \$1,590,000 per developable acre (\$147.7 million allocated over 93 acres). The net land cost per developable acre is used in the analysis.
2. Affordable housing is included within the project in accordance with the City's inclusionary housing ordinance. No public assistance is assumed in underwriting the cost of affordable housing.
3. Commercial parking garages, backbone infrastructure, regional transportation improvements are not included as part of the private sector development costs.
4. The development program includes over 10,000 units. The Thomas Enterprise team and this analysis assume that the current housing recession will not have a negative impact on the future market demand for high density, in fill residential units at the Railyards. The Thomas Enterprises team projects residential condominium prices will average \$550,000 per unit.

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Approach to Assignment

The analysis examines the ability of the real estate values created by the new development to support the anticipated private sector development costs.

Our analysis draws from our experience as a financial advisor to public agencies with respect to structuring public private development agreements. We have been successful in structuring such agreements on behalf of our public sector clients with development firms, such as, The Related Companies, Madison Marquette, MacFarlane Partners, Catellus, CIM Group, Forest City, Westfield, and General Growth to name a few. In these efforts for our public sector clients, we are called upon to evaluate the reasonableness of development economics and developer feasibility proposal to privately fund infrastructure and other public benefits.

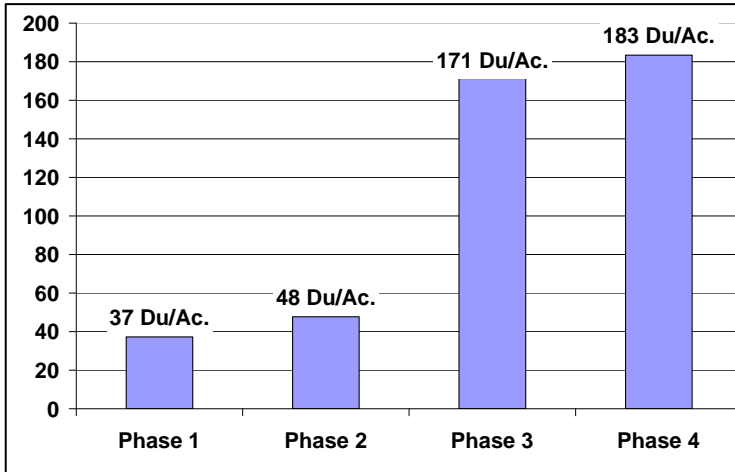
Our analysis consists of the following:

1. Review of technical documents prepared by the property owner's consultants related to the feasibility (PFM and BAE financial projections, for example).
2. The analysis is done by phase. Within each phase, the analysis is shown for each land use.
3. When possible, cost and income projections provided by the Thomas Enterprises team have been used. The agreed upon cost to construction the buildings and the potential revenues have been provided by Thomas Enterprises and are used in this analysis. The projected costs and income have been reviewed by City staff and Keyser Marston for reasonableness.
4. The analysis is prepared in 2007 dollars. This analytical approach for a conceptual project seems to be the most straightforward, given the magnitude of the project, in excess of \$6.5 billion, and the extended time frame over which development will occur.

A. Density

The findings of the analysis are influenced by the density, as discussed above. The following discusses the proposed density of the project:

**RAILYARDS RESIDENTIAL DENSITY
 UNITS PER ACRE (Du/Ac)**



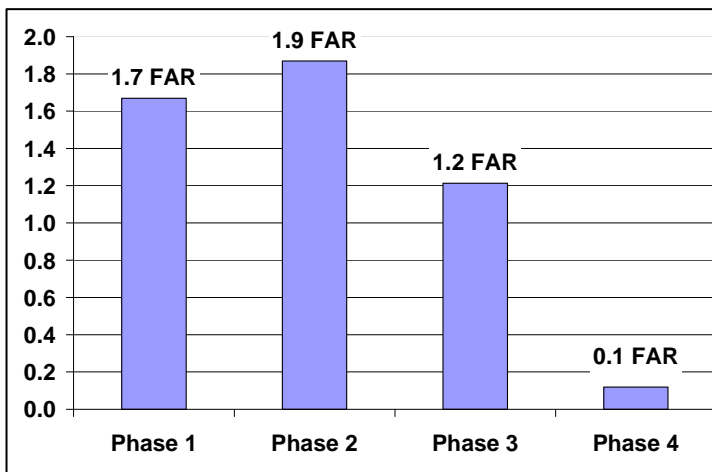
| Phase | New Development Land Area (Acres) | Units | Units per Acre |
|--------------|-----------------------------------|---------------|----------------|
| 1 | 32.02 | 1,192 | 37 |
| 2 | 14.10 | 672 | 48 |
| 3 | 22.53 | 3,858 | 171 |
| 4 | 24.19 | 4,438 | 183 |
| Total | 92.84 | 10,160 | |

800 J Lofts by CIM

| New Development Land Area (Acres) | Units | Units per Acre |
|-----------------------------------|-------|----------------|
| 1.17 | 225 | 192 |

Phases 1 and 2 reflect in fill housing at lower densities. Phases 3 and 4 reflect urban density, with 171 and 183 units per acre, respectively. To illustrate the density of Phases 3 and 4, the recently constructed downtown Sacramento project known as 800 J Lofts developed by CIM is approximately 192 units per acre. To build out the full residential entitlements of 8,296 for Phases 3 and 4, over 30 projects similar to 800 J Lofts would need to be developed.

**RAILYARDS COMMERCIAL DENSITY
 FLOOR AREA RATIO (FAR)
 (Excludes Historic/Cultural Buildings)**



| Phase | New Development Land Area (Acres) | Building Area | Floor Area Ratio |
|--------------|-----------------------------------|------------------|------------------|
| 1 | 32.02 | 2,328,300 | 1.7 |
| 2 | 14.10 | 1,147,700 | 1.9 |
| 3 | 22.53 | 1,190,000 | 1.2 |
| 4 | 24.19 | 125,000 | 0.1 |
| Total | 92.84 | 4,791,000 | |

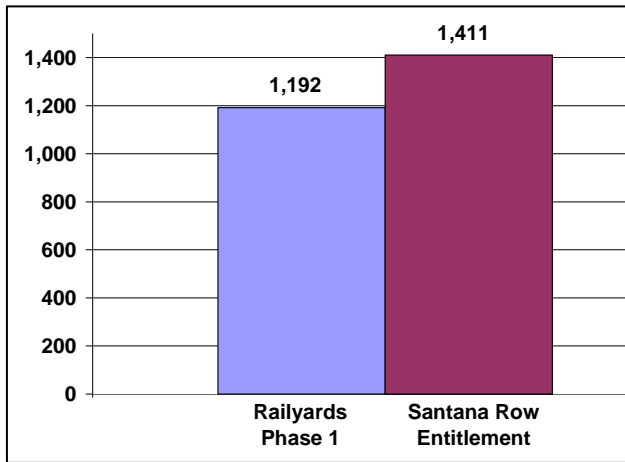
Excludes Historic/Cultural Buildings

The high commercial density for Phases 1 and 2, with over 3.4 million square feet of development, enhances the feasibility and creates value for Thomas Enterprises.

With respect to Phase 1, Santana Row in San Jose offers an interesting comparison with respect to density. Santana Row is the urban, mixed-use community comprised of shops, restaurants, cinema, hotel and office oriented around a main street. Developed by Federal Realty, Santana Row opened in 2002.

Phase 1 and Santana Row have many similarities in terms of creating a main street concept with mixed uses. Santana Row, with 42 acres, and Phase 1 have essentially the same land area. As shown in the following table, Santana Row and Phase 1 have about the same number of entitled units. However, the commercial density for Phase 1 is over 2 times the density of Santana Row, illustrating the urban density proposed for Phase 1.

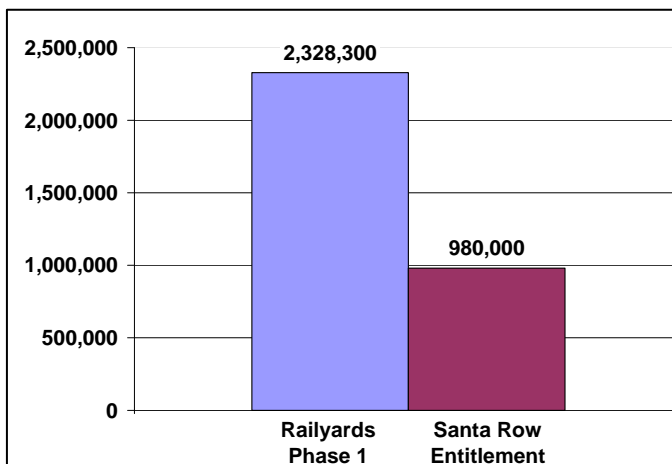
**NUMBER OF RESIDENTIAL UNITS
 RAILYARDS PHASE 1 and SANTANA ROW ENTITLEMENT**



| <i>Entitlements</i> | | |
|--------------------------|--------------------------|---|
| | Residential Units | Commercial Building Area (Square Feet) |
| <i>Railyards Phase 1</i> | 1,192 | 2,328,300 |
| <i>Santana Row</i> | 1,411 | 980,800 |

Excludes Historic/Cultural Buildings

**COMMERCIAL BUILDING AREA (SQUARE FEET)
 RAILYARDS PHASE 1 and SANTANA ROW ENTITLEMENT**



B. Development Costs by Land Use

Construction costs are impacted by density of development. The Thomas Enterprises team has provided the following cost estimates. Based on our experience and given the specific development program, the construction cost estimates are reasonable. However, Keyser Marston increased the Phase 3 and 4 residential costs to reflect the much higher urban density.

| <u>Land Use</u> | | <u>Construction Costs</u> | <u>Costs Incl. Softs (at 25%) + Financing (10%)</u> |
|-----------------------|-------------------|---------------------------------|---|
| Residential | Phases 1 and 2 | \$190/sq.ft.* \$228,000/unit | \$257/sq.ft. \$307,800/unit |
| Residential | Phases 3 and 4 | \$300/sq.ft.* | \$405/sq.ft. |
| Bass Pro/Retail/Rest. | Phase 1 | \$190/sq.ft. (wt. avg.) | \$257/sq.ft. (wt. avg.) |
| Retail/Restaurants | Phases 2, 3 and 4 | \$189/sq.ft. (wt. avg.) | \$255/sq.ft. (wt. avg.) |
| Hotel | Phases 1 and 3 | \$350/sq.ft. \$245,000/key | \$472/sq.ft. \$330,750/key |
| Mixed Use | Phases 1 and 2 | \$215/sq.ft. | \$290/sq.ft. |
| Office | Phases 1, 2 and 3 | \$190/sq.ft. | \$257/sq.ft. |

Source: Thomas Enterprises Development Team and Keyser Marston for Phase 3 & 4 Residential

*Based on average unit of 1,200 sq. ft., per Thomas Enterprises.

C. Revenues and Net Income by Land Use

| <u>Land Use</u> | | <u>Commercial / Net Income</u> |
|-----------------------|-------------------|--|
| Bass Pro/Retail/Rest. | Phase 1 | \$24/sq.ft. (wt. avg.) |
| Retail /Restaurants | Phases 2, 3 and 4 | \$26/sq.ft. (wt. avg.) |
| Hotel | Phases 1 and 3 | \$17,246/key (\$150/night, 75% occup.) |
| Mixed Use | Phases 1 and 2 | \$29/sq.ft. |
| Office | Phases 1, 2 and 3 | \$29/sq.ft. |

Source: Thomas Enterprises Development Team

D. Value at Completion by Land Use

Based on the above revenues/net income, the values of the development by land use are estimated as follows, using the capitalization rates (Cap Rate) provided by The Thomas Enterprises team:

| <u>Land Use</u> | | <u>Cap Rate</u> | <u>Value at Completion</u> |
|--|-------------------|-----------------|--|
| Residential - Market Rate (85%) - Low Income (5%) - Very Low Income (10%) | All Phases | | \$550,000/unit \$178,668/unit \$111,667/unit |
| Bass Pro/Retail/Rest. | Phase 1 | 6.5% – 7.0% | \$342/sq.ft. (wt. avg.) |
| Retail /Restaurants | Phases 2, 3 and 4 | 7.0% | \$371/sq.ft. (wt. avg.) |
| Hotel | Phases 1 and 3 | 7.0% | \$246,380/key |
| Mixed Use | Phases 1 and 2 | 7.0% | \$387/sq.ft. |
| Office | Phases 1, 2 and 3 | 7.0% | \$414/sq.ft. |

Source: Thomas Enterprises Development Team and City Inclusionary Housing Prices

With the exception of prices for the affordable units, all revenues and net income were provided by the Thomas Enterprises development team. The team's projections assume that the current housing recession will not have a negative impact on future market conditions. The prices for the affordable units are based on city information. The projected revenues and net income by land use used in the analysis are as follows:

E. Summary Development Costs and Value by Phase

The total development costs and completed value of the development program in each phase are summarized as follows and shown in the attached tables:

| | Value of Development | Development Costs* And Profit | Balance |
|---------|---------------------------------|--|-----------------|
| Phase 1 | \$1,395,680,000 | \$1,347,000,000 | \$48,680,000 |
| Phase 2 | \$782,640,000 | \$628,980,000 | \$153,660,000 |
| Phase 3 | \$2,256,580,000 | \$2,749,930,000 | (\$493,350,000) |
| Phase 4 | \$2,102,200,000 | \$2,672,690,000 | (\$570,490,000) |

** Excludes costs for regional transportation improvements, backbone infrastructure, parking garages serving commercial development, as well as other desired public benefits related to the plan.*

ALL PHASES - TABLE A.
 PRIVATE DEVELOPMENT PROGRAM SUMMARY - By Phase
 PROPOSED RAILYARDS
 SACRAMENTO, CALIFORNIA

CONCEPTUAL FEASIBILITY ANALYSIS
 November 14, 2007

| Area | | PHASE 1. | PHASE 2. | PHASE 3. | PHASE 4. |
|------------------------------|---|------------|------------|-------------|-------------|
| Net Developable Acres | acres (exclusive of roads, | 32.03 | 14.10 | 22.53 | 24.19 |
| % of All Phases | parks/open space, transportation, utilities, and historic buildings) | 34% | 15% | 24% | 26% |
| Development Program | | | | | |
| Residential | units | 1,192 | 672 | 3,858 | 4,438 |
| Avg. Density | | 37 Dus/Ac. | 48 Dus/Ac. | 171 Dus/Ac. | 183 Dus/Ac. |
| Commercial | sf | 2,328,300 | 1,147,700 | 1,190,000 | 125,000 |
| Avg. FAR | | 1.7 FAR | 1.9 FAR | 1.2 FAR | 0.1 FAR |

**ALL PHASES - TABLE B.
 DETAILED DEVELOPMENT PROGRAM SUMMARY - BY PHASE
 PROPOSED RAILYARDS
 SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
 November 14, 2007**

*Source: Schedule of programmatic square footage provided by Thomas Enterprises/PFM ;
 acreage from Phasing Plan provided by Thomas Ent. dated 6-14-07.*

| | | TOTAL | PHASE 1. | PHASE 2. | PHASE 3. | PHASE 4. |
|----------------------------------|-------|--------------------|-------------------|-------------------|--------------------|--------------------|
| Residential Development | | | | | | |
| Market Rate Units (85%) | units | 8,636 | 1,013 | 571 | 3,279 | 3,772 |
| Low Income Units (5%) | units | 508 | 60 | 34 | 193 | 222 |
| Very Low Income Units (10%) | units | 1,016 | 119 | 67 | 386 | 444 |
| | | 10,160 | 1,192 | 672 | 3,858 | 4,438 |
| <i>Avg. Density Across Phase</i> | | <i>109 Dus/Ac.</i> | <i>37 Dus/Ac.</i> | <i>48 Dus/Ac.</i> | <i>171 Dus/Ac.</i> | <i>183 Dus/Ac.</i> |
| Other Retail | | | | | | |
| Bass Pro | sf | 200,000 | 200,000 | | | |
| Other Retail | sf | 1,184,800 | 935,300 | 84,500 | 40,000 | 125,000 |
| | sf | 1,384,800 | 1,135,300 | 84,500 | 40,000 | 125,000 |
| <i>Avg. FAR Across Phase</i> | | <i>0.3 FAR</i> | <i>0.8 FAR</i> | <i>0.1 FAR</i> | <i>0.0 FAR</i> | <i>0.1 FAR</i> |
| Hotel | | | | | | |
| Hotel | rooms | 1,100 | 600 | 0 | 500 | 0 |
| | sf | 770,000 | 420,000 | | 350,000 | |
| <i>Avg. FAR Across Phase</i> | | <i>0.2 FAR</i> | <i>0.3 FAR</i> | | <i>0.4 FAR</i> | |
| Mixed Use Office | | | | | | |
| Mixed Use Office | sf | 491,000 | 473,000 | 18,000 | N.A. | 0 |
| Office | sf | 2,145,200 | 300,000 | 1,045,200 | 800,000 | 0 |
| | sf | 2,636,200 | 773,000 | 1,063,200 | 800,000 | 0 |
| <i>Avg. FAR Across Phase</i> | | <i>0.7 FAR</i> | <i>0.6 FAR</i> | <i>1.7 FAR</i> | <i>0.8 FAR</i> | |

ALL PHASES - TABLE C.
 PRIVATE DEVELOPMENT COSTS AND REVENUES BY PHASE
 PROPOSED RAILYARDS
 SACRAMENTO, CALIFORNIA

CONCEPTUAL FEASIBILITY ANALYSIS
 November 14, 2007

Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
 Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
 Note: Costs and revenues are in constant, uninflated dollars.

| | | TOTAL ALL PHASES | PHASE 1. | PHASE 2. | PHASE 3. | PHASE 4. |
|---|----------------------------|------------------|-----------------|---------------|-----------------|-----------------|
| Development Costs - All Phases | | | | | | |
| Acquisition/Remediation/Pre-Dev. | <i>Pro-Rated</i> | \$147,700,000 | \$50,950,000 | \$22,430,000 | \$35,840,000 | \$38,480,000 |
| Development Costs | | \$6,017,800,000 | \$1,071,550,000 | \$501,720,000 | \$2,255,770,000 | \$2,188,760,000 |
| Total Costs (Rounded) | | \$6,165,500,000 | \$1,122,500,000 | \$524,150,000 | \$2,291,610,000 | \$2,227,240,000 |
| Developer Profit (Rounded) | <i>20% of Devel. Costs</i> | \$1,233,100,000 | \$224,500,000 | \$104,830,000 | \$458,320,000 | \$445,450,000 |
| Total Costs with Devel. Profit (Rounded) | | \$7,398,600,000 | \$1,347,000,000 | \$628,980,000 | \$2,749,930,000 | \$2,672,690,000 |
| Completed Value/Sales Price (Net of Condo Sales Costs) - Rounded | | | | | | |
| | | \$6,537,106,165 | \$1,395,678,353 | \$782,643,904 | \$2,256,583,127 | \$2,102,200,782 |
| Balance | | | | | | |
| | | (\$861,493,835) | \$48,678,353 | \$153,663,904 | (\$493,346,873) | (\$570,489,218) |

**PHASE 1 - TABLE 1.
PRIVATE DEVELOPMENT PROGRAM SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

**Source: Schedule of programmatic square footage provided by Thomas Enterprises/PFM ;
acreage from Phasing Plan provided by Thomas Ent. dated 6-14-07.**

| Area - Phase 1. | |
|------------------------------------|---------------------|
| Gross Area | N.A. acres |
| Net Developable Acres | 32.03 acres |
| % of All Phases | 34% 93 total acres |
| Market Rate Units (85%) | |
| Market Rate Units (85%) | 1,013 units |
| Low Income Units (5%) | |
| Low Income Units (5%) | 60 units |
| Very Low Income Units (10%) | |
| Very Low Income Units (10%) | 119 units |
| | <u>1,192 units</u> |
| Bass Pro | |
| Bass Pro | 200,000 sf |
| Other Retail | |
| Other Retail | 935,300 sf |
| | <u>1,135,300 sf</u> |
| Hotel | |
| Hotel | 600 rooms |
| Mixed Use Office | |
| Mixed Use Office | 473,000 sf |
| Office | |
| Office | 300,000 sf |
| | <u>773,000 sf</u> |
| Cultural | |
| Cultural | 194,517 sf |

**PHASE 1 - TABLE 2.
PRIVATE COST & REVENUE SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.*

Private Development - Phase 1.

| <u>Costs</u> | | <u>Source:</u> | <u>Revenues</u> | | <u>Balance</u> |
|---|-------------------------------|----------------|----------------------------|-------------------------------|----------------------------|
| Acquisition/Remediation/Pre-Dev. | | | | | |
| Land Acquisition/Loan | \$109,945,958 | Dev. | Land Use | | |
| Remediation | \$40,000,000 | Dev. | Condos | \$552,158,353 | |
| Predevelopment | \$37,755,875 | Dev. | Apartments | N.A. | |
| Post Development | \$15,000,000 | Dev. | Retail (Incl. Bass Pro) | \$388,510,000 | |
| Total | <u>\$202,701,833</u> | Dev. | Hotel | \$147,830,000 | |
| | | | Office Mixed | \$182,890,000 | |
| | | | Office | \$124,290,000 | |
| <Less> City Land Payment | <u>(\$55,000,000)</u> | | | | |
| | \$147,701,833 | | | | |
| Per Acre (Net) for All Phases | \$1,590,757/ac | | | | |
| Phase 1 Acres | 32 ac | | | | |
| Phase 1 Allocation | <u>\$50,950,000</u> | | | | |
| Development Costs | | | | | |
| Hard Costs | \$793,743,000 | | | | |
| Soft Costs | \$198,435,750 | | | | |
| Finance Costs | \$79,374,300 | | | | |
| Total (Rounded) | <u>\$1,071,550,000</u> | | | | |
| Developer Profit @ 20% | \$224,500,000 | | | | |
| Total Costs | <u><u>\$1,347,000,000</u></u> | | Value at Completion | <u><u>\$1,395,678,353</u></u> | <u><u>\$48,678,353</u></u> |

PHASE 1 - TABLE 3.
 PRIVATE DEVELOPMENT COSTS AND REVENUES BY LAND USE
 PROPOSED RAILYARDS
 SACRAMENTO, CALIFORNIA

CONCEPTUAL FEASIBILITY ANALYSIS
 November 14, 2007

Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
 Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
 Note: Costs and revenues are in constant, uninflated dollars.

| | Total | Condo | Retail (Incl. Bass Pro) | Hotel | Mixed Use Office | Office |
|---|---------------------|-------------------|----------------------------|---------------|------------------|---------------|
| Gross Building Area | TBD | 1,430,400 | | | | |
| Rentable/Sellable Area | 4,679,440 | 1,215,840 | 1,135,300 | 420,000 | 473,000 | 300,000 |
| Residential Units/Hotel Rooms | 1,792 | 1,192 | | 600 | | |
| Average sf per Unit/Room | | 1,020 | | 700 | | |
| Parking Spaces - Surface | TBD | TBD | TBD | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD | TBD | TBD | TBD |
| Parking Ratio | | TBD | TBD | TBD | TBD | TBD |
| Acquisition/Remediation/Pre-Dev. | | | | | | |
| | <i>Ph. 1</i> | | | | | |
| | <i>%</i> | <i>Total Cost</i> | <i>Pro-Rated Cost</i> | | | |
| Land Acquisition/Loan | 34.5% | \$109,945,958 | \$37,928,000 | | | |
| Remediation | 34.5% | \$40,000,000 | \$13,799,000 | | | |
| Pre-Development | 34.5% | \$37,755,875 | \$13,025,000 | | | |
| Post Development | 34.5% | \$15,000,000 | \$5,175,000 | | | |
| Total | 34.5% | \$202,701,833 | \$69,927,000 | | | |
| City Land Payment | 34.5% | (\$55,000,000) | (\$18,973,000) | | | |
| | | | \$50,950,000 | | | |
| Development Costs | | | | | | |
| Hard Costs | | \$793,743,000 | \$271,776,000 | \$216,272,000 | \$147,000,000 | \$101,695,000 |
| Soft Costs | 25% | \$198,435,750 | \$67,944,000 | \$54,068,000 | \$36,750,000 | \$25,423,750 |
| Finance Costs | 10% | \$79,374,300 | \$27,177,600 | \$21,627,200 | \$14,700,000 | \$10,169,500 |
| Total (Rounded) | | \$1,071,553,050 | \$366,900,000 | \$291,970,000 | \$198,450,000 | \$137,290,000 |
| Total Costs | | \$1,122,503,050 | | | | |
| Developer Profit (Rounded) | 20% of Devel. Costs | \$224,500,000 | | | | |
| Total Costs with Devel. Profit (Rounded) | | \$1,347,000,000 | | | | |
| Stabilized NOI | | | | | | |
| Capitalization Rate | | | \$27,003,560 | \$10,347,750 | \$13,717,000 | \$8,700,000 |
| | | | 6.5 to 7.0% | 7.0% | 7.5% | 7.0% |
| Completed Value/Sales Price (Net of Condo Sales Costs) - Rounded | | \$1,395,678,353 | \$552,158,353 | \$388,510,000 | \$147,830,000 | \$182,890,000 |
| | | | | \$124,290,000 | | |

**PHASE 1 - TABLE 4.
PRIVATE DEVELOPMENT COST AND RENT/SALE ASSUMPTIONS
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

**Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.**

| | Total | Condo | Retail (Incl. Bass Pro) | Hotel | Mixed Use Office | Office |
|--|-----------|----------------|----------------------------|--------------|---------------------|----------|
| Gross Building Area | TBD | 1,430,400 | 0 | 0 | 0 | 0 |
| Rentable/Sellable Area | 4,679,440 | 1,215,840 | 1,135,300 | 420,000 | 473,000 | 300,000 |
| Residential Units/Hotel Rooms | 1,792 | 1,192 | 0 | 600 | 0 | 0 |
| Average sf per Unit/Room | 0 | 1,020 | 0 | 700 | 0 | 0 |
| Parking Spaces - Surface | TBD | TBD | TBD | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD | TBD | TBD | TBD |
| Parking Ratio | 0 | TBD | TBD | TBD | TBD | TBD |
| Hard Costs | | \$228,000/unit | \$190/sf | \$245,000/rm | \$215/sf | \$190/sf |
| Soft Costs | | \$57,000/unit | \$48/sf | \$61,250/rm | \$54/sf | \$48/sf |
| Finance Costs | | \$22,800/unit | \$19/sf | \$24,500/rm | \$22/sf | \$19/sf |
| Total | | \$307,800/unit | \$257/sf | \$330,750/rm | \$290/sf | \$257/sf |
| Market Rate Sales Price (85%) | | \$550,000/unit | | | | |
| Low Inc. Unit Sales Price (5%) | | \$178,668/unit | | | | |
| Very Low Inc. Unit Sales Price (10%) | | \$111,667/unit | | | | |
| Market Rate Monthly Rent | | | | | | |
| Yearly Sales | | | \$500/sf (Bass Pro) | | | |
| Portion of Yearly Sales | | | 2.5% Bass Pro | | | |
| NNN Rent/sf/yr | | | \$26/sf (Other Retail) | | \$29/sf | \$29/sf |
| Daily Rate | | | | \$150 | | |
| Occupancy (Stabilized) | | | | 75% | | |
| Stabilized NOI | | | \$24/sf | \$17,246/rm | \$29/sf | \$29/sf |
| Capitalization Rate | | | 6.5 to 7.0% | 7.0% | 7.5% | 7.0% |
| Completed Value (Net of Condo Sales Costs) | | \$463,220/unit | \$342/sf | \$246,383/rm | \$387/sf | \$414/sf |

**PHASE 2 - TABLE 1.
PRIVATE CONCEPTUAL DEVELOPMENT PROGRAM SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Source: Schedule of programmatic square footage provided by Thomas Enterprises/PFM;
acreage from Phasing Plan provided by Thomas Ent. dated 6-14-07.*

| | |
|-----------------------|--------------------|
| [REDACTED] | |
| Gross Area | N.A. acres |
| Net Developable Acres | 14.10 acres |
| % of All Phases | 15% 93 total acres |

| | |
|-----------------------------|-----------------|
| [REDACTED] | |
| Market Rate Units (85%) | 571 units |
| Low Income Units (5%) | 34 units |
| Very Low Income Units (10%) | <u>67 units</u> |
| | 672 units |

| | |
|-------------------|------------------|
| [REDACTED] | |
| Other Retail | <u>84,500 sf</u> |
| | 84,500 sf |

| | |
|-------------------|------|
| [REDACTED] | |
| Hotel | N.A. |

| | |
|-------------------|---------------------|
| [REDACTED] | |
| Mixed Use Office | 18,000 sf |
| Office | <u>1,045,200 sf</u> |
| | 1,063,200 sf |

| | |
|-------------------|------------|
| [REDACTED] | |
| Cultural | 190,873 sf |

**PHASE 2 - TABLE 2.
PRIVATE COST & REVENUE SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.*

Private Development - Phase 2.

| <u>Costs</u> | <u>Source:</u> | <u>Revenues</u> | <u>Balance</u> |
|---|-----------------------------|----------------------------|-----------------------------|
| Acquisition/Remediation/Pre-Dev. | | | |
| Land Acquisition/Loan | \$109,945,958 | Dev. | |
| Remediation | \$40,000,000 | Dev. | |
| Pre-Development | \$37,755,875 | | |
| Post Development | \$15,000,000 | | |
| Total | <u>\$202,701,833</u> | | |
| <Less> City Land Payment | <u>(\$55,000,000)</u> | | |
| | \$147,701,833 | | |
| Per Acre (Net) for All Phases | \$1,590,757/ac | | |
| Phase 2 Acres | 14 ac | | |
| Phase 2 Allocation | <u>\$22,430,000</u> | | |
| Development Costs | | | |
| Hard Costs | \$371,645,000 | | |
| Soft Costs | \$92,911,250 | | |
| Finance Costs | \$37,164,500 | | |
| Total (Rounded) | <u>\$501,720,000</u> | | |
| Developer Profit @ 20% | \$104,830,000 | | |
| Total Costs | <u>\$628,980,000</u> | Value at Completion | <u>\$782,643,904</u> |
| | | | <u>\$153,663,904</u> |

**PHASE 2 - TABLE 3.
PRIVATE DEVELOPMENT COSTS AND REVENUES BY LAND USE
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

**Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.**

| | Total | Condo | Retail | Mixed Use Office | Office |
|---|---------------------|----------------------|-----------------------|----------------------|--------------------|
| Gross Building Area | TBD | 806,400 | | | |
| Rentable/Sellable Area | 1,833,140 | 685,440 | 84,500 | 18,000 | 1,045,200 |
| Residential Units/Hotel Rooms | 672 | 672 | | | |
| Average sf per Unit/Room | | 1,020 | | | |
| Parking Spaces - Surface | TBD | TBD | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD | TBD | TBD |
| Parking Ratio | | TBD | TBD | TBD | TBD |
| Acquisition/Remediation/Pre-Dev. | | | | | |
| | <i>Ph. 1</i> | | | | |
| | <i>%</i> | <i>Total Cost</i> | <i>Pro-Rated Cost</i> | | |
| Land Acquisition/Loan | 15.2% | \$109,945,958 | \$16,696,000 | | |
| Remediation | 15.2% | \$40,000,000 | \$6,074,000 | | |
| Pre-Development | 15.2% | \$37,755,875 | \$5,734,000 | | |
| Post Development | 15.2% | \$15,000,000 | \$2,278,000 | | |
| Total | 15.2% | \$202,701,833 | \$30,782,000 | | |
| City Land Payment | 15.2% | (\$55,000,000) | (\$8,352,000) | | |
| | | | \$22,430,000 | | |
| Development Costs | | | | | |
| Hard Costs | | \$371,645,000 | \$153,216,000 | \$15,971,000 | \$3,870,000 |
| Soft Costs | 25% | \$92,911,250 | \$38,304,000 | \$3,992,750 | \$967,500 |
| Finance Costs | 10% | \$37,164,500 | \$15,321,600 | \$1,597,100 | \$387,000 |
| Total (Rounded) | | \$501,720,750 | \$206,840,000 | \$21,560,000 | \$5,220,000 |
| Total Costs | | \$524,150,750 | | | |
| Developer Profit (Rounded) | 20% of Devel. Costs | \$104,830,000 | | | |
| Total Costs with Devel. Profit (Rounded) | | \$628,980,000 | | | |
| Stabilized NOI | | | \$2,197,000 | \$522,000 | \$30,310,800 |
| Capitalization Rate | | | 7.0% | 7.5% | 7.0% |
| Completed Value/Sales Price (Net of Condo Sales Costs) - Rounded | | \$782,643,904 | \$311,283,904 | \$31,390,000 | \$6,960,000 |
| | | | | \$433,010,000 | |

**PHASE 2 - TABLE 4.
PRIVATE DEVELOPMENT COST AND RENT/SALE ASSUMPTIONS
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

**Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.**

| | Total | Condo | Retail | Mixed Use Office | Office |
|--|-----------|----------------|----------|---------------------|-----------|
| Gross Building Area | TBD | 806,400 | 0 | 0 | 0 |
| Rentable/Sellable Area | 1,833,140 | 685,440 | 84,500 | 18,000 | 1,045,200 |
| Residential Units/Hotel Rooms | 672 | 672 | 0 | 0 | 0 |
| Average sf per Unit/Room | 0 | 1,020 | 0 | 0 | 0 |
| Parking Spaces - Surface | TBD | TBD | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD | TBD | TBD |
| Parking Ratio | 0 | TBD | TBD | TBD | TBD |
| Hard Costs | | \$228,000/unit | \$189/sf | \$215/sf | \$190/sf |
| Soft Costs | | \$57,000/unit | \$47/sf | \$54/sf | \$48/sf |
| Finance Costs | | \$22,800/unit | \$19/sf | \$22/sf | \$19/sf |
| Total | | \$307,800/unit | \$255/sf | \$290/sf | \$257/sf |
| Market Rate Sales Price (85%) | | \$550,000/unit | | | |
| Low Inc. Unit Sales Price (5%) | | \$178,668/unit | | | |
| Very Low Inc. Unit Sales Price (10%) | | \$111,667/unit | | | |
| Market Rate Monthly Rent | | | | | |
| Yearly Sales | | | | | |
| Portion of Yearly Sales | | | | | |
| NNN Rent/sf/yr | | | \$26/sf | \$29/sf | \$29/sf |
| Daily Rate | | | | | |
| Occupancy (Stabilized) | | | 100% | | |
| Stabilized NOI | | | \$26/sf | \$29/sf | \$29/sf |
| Capitalization Rate | | | 7.0% | 7.5% | 7.0% |
| Completed Value (Net of Condo Sales Costs) | | \$463,220/unit | \$371/sf | \$387/sf | \$414/sf |

**PHASE 3 - TABLE 1.
PRIVATE DEVELOPMENT PROGRAM SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Source: Schedule of programmatic square footage provided by Thomas Enterprises/PFM;
acreage from Phasing Plan provided by Thomas Ent. dated 6-14-07.*

| | |
|-----------------------|--------------------|
| Gross Area | N.A. acres |
| Net Developable Acres | 22.53 acres |
| % of All Phases | 24% 93 total acres |

| | |
|-----------------------------|--------------------|
| Market Rate Units (85%) | 3,279 units |
| Low Income Units (5%) | 193 units |
| Very Low Income Units (10%) | 386 units |
| | <u>3,858 units</u> |

| | |
|--------------|------------------|
| Other Retail | <u>40,000 sf</u> |
| | 40,000 sf |

| | |
|-------|-----------|
| Hotel | 500 rooms |
|-------|-----------|

| | |
|------------------|-------------------|
| Mixed Use Office | N.A. |
| Office | <u>800,000 sf</u> |
| | 800,000 sf |

| | |
|----------|------|
| Cultural | N.A. |
|----------|------|

**PHASE 3 - TABLE 2.
PRIVATE COST & REVENUE SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.*

| Costs | | <i>Source:</i> | Revenues | | Balance |
|---|------------------------|----------------|----------------------------|------------------------|------------------------|
| Acquisition/Remediation/Pre-Dev. | | | Land Use | | |
| Land Acquisition/Loan | \$109,945,958 | <i>Dev.</i> | Condos | \$1,787,103,127 | |
| Remediation | \$40,000,000 | <i>Dev.</i> | Apartments | N.A. | |
| Pre-Development | \$37,755,875 | <i>Dev.</i> | Retail (Incl. Bass Pro) | \$14,860,000 | |
| Post Development | \$15,000,000 | <i>Dev.</i> | Hotel | \$123,190,000 | |
| Total | \$202,701,833 | | Office Mixed | N.A. | |
| | | | Office | \$331,430,000 | |
| <Less> City Land Payment | (\$55,000,000) | | | | |
| | \$147,701,833 | | | | |
| Per Acre (Net) for All Phases | \$1,590,757/ac | | | | |
| Phase 3 Acres | 23 ac | | | | |
| Phase 3 Allocation | \$35,840,000 | | | | |
| Development Costs | | | | | |
| Hard Costs | \$1,670,940,000 | | | | |
| Soft Costs | \$417,735,000 | | | | |
| Finance Costs | \$167,094,000 | | | | |
| Total (Rounded) | \$2,255,770,000 | | | | |
| Developer Profit @ 20% | \$458,320,000 | | | | |
| Total Costs | \$2,749,930,000 | | Value at Completion | \$2,256,583,127 | (\$493,346,873) |

**PHASE 3 - TABLE 3.
PRIVATE DEVELOPMENT COSTS AND REVENUES BY LAND USE
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

**Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.**

| | Total | Condo | Retail | Hotel | Office |
|-------------------------------|-----------|-----------|--------|---------|---------|
| Gross Building Area | TBD | 4,629,600 | | | |
| Rentable/Sellable Area | 5,125,160 | 3,935,160 | 40,000 | 350,000 | 800,000 |
| Residential Units/Hotel Rooms | 4,358 | 3,858 | | 500 | |
| Average sf per Unit/Room | | 1,020 | | 700 | |
| Parking Spaces - Surface | TBD | TBD | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD | TBD | TBD |
| Parking Ratio | | TBD | TBD | TBD | TBD |

| | <i>Ph. 1</i> | | | | |
|---|---------------------|----------------------|------------------------|------------------------|----------------------|
| Acquisition/Remediation/Pre-Dev. | % | Total Cost | Pro-Rated Cost | | |
| Land Acquisition/Loan | 24.3% | \$109,945,958 | \$26,679,000 | | |
| Remediation | 24.3% | \$40,000,000 | \$9,706,000 | | |
| Pre-Development | 24.3% | \$37,755,875 | \$9,162,000 | | |
| Post Development | 24.3% | \$15,000,000 | \$3,640,000 | | |
| Total | 24.3% | \$202,701,833 | \$49,187,000 | | |
| City Land Payment | 24.3% | (\$55,000,000) | (\$13,346,000) | | |
| | | | \$35,840,000 | | |
| Development Costs | | | | | |
| Hard Costs | | | \$1,670,940,000 | \$1,388,880,000 | \$7,560,000 |
| Soft Costs | 25% | | \$417,735,000 | \$347,220,000 | \$1,890,000 |
| Finance Costs | 10% | | \$167,094,000 | \$138,888,000 | \$756,000 |
| Total (Rounded) | | | \$2,255,769,000 | \$1,874,990,000 | \$10,210,000 |
| Total Costs | | | \$2,291,609,000 | | |
| Developer Profit (Rounded) | 20% of Devel. Costs | | \$458,320,000 | | |
| Total Costs with Devel. Profit (Rounded) | | | \$2,749,930,000 | | |
| Stabilized NOI | | | | \$1,040,000 | \$8,623,125 |
| Capitalization Rate | | | | 7.0% | 7.0% |
| Completed Value/Sales Price (Net of Condo Sales Costs) - Rounded | | | \$2,256,583,127 | \$1,787,103,127 | \$14,860,000 |
| | | | | \$123,190,000 | \$331,430,000 |

**PHASE 3 - TABLE 4.
PRIVATE DEVELOPMENT COST AND RENT/SALE ASSUMPTIONS
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.*

| | Total | Condo | Retail | Hotel | Office |
|--|-----------|----------------|----------|--------------|----------|
| Gross Building Area | TBD | 4,629,600 | 0 | 0 | 0 |
| Rentable/Sellable Area | 5,125,160 | 3,935,160 | 40,000 | 350,000 | 800,000 |
| Residential Units/Hotel Rooms | 4,358 | 3,858 | 0 | 500 | 0 |
| Average sf per Unit/Room | 0 | 1,020 | 0 | 700 | 0 |
| Parking Spaces - Surface | TBD | TBD | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD | TBD | TBD |
| Parking Ratio | 0 | TBD | TBD | TBD | TBD |
| Hard Costs | | | | | |
| Hard Costs | | \$360,000/unit | \$189/sf | \$245,000/rm | \$190/sf |
| Soft Costs | | \$90,000/unit | \$47/sf | \$61,250/rm | \$48/sf |
| Finance Costs | | \$36,000/unit | \$19/sf | \$24,500/rm | \$19/sf |
| Total | | \$486,000/unit | \$255/sf | \$330,750/rm | \$257/sf |
| Market Rate Sales Price (85%) | | | | | |
| Market Rate Sales Price (85%) | | \$550,000/unit | | | |
| Low Inc. Unit Sales Price (5%) | | \$178,668/unit | | | |
| Very Low Inc. Unit Sales Price (10%) | | \$111,667/unit | | | |
| Market Rate Monthly Rent | | | | | |
| Yearly Sales | | | | | |
| Portion of Yearly Sales | | | | | |
| NNN Rent/sf/yr | | | \$26/sf | | \$29/sf |
| Daily Rate | | | | \$150 | |
| Occupancy (Stabilized) | | | 100% | 75% | |
| Stabilized NOI | | | | | |
| Stabilized NOI | | | \$26/sf | \$17,246/rm | \$29/sf |
| Capitalization Rate | | | 7.0% | 7.0% | 7.0% |
| Completed Value (Net of Condo Sales Costs) | | \$463,220/unit | \$372/sf | \$246,380/rm | \$414/sf |

**PHASE 4 - TABLE 1.
PRIVATE DEVELOPMENT PROGRAM SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

**Source: Schedule of programmatic square footage provided by Thomas Enterprises/PFM;
acreage from Phasing Plan provided by Thomas Ent. dated 6-14-07.**

| | |
|-----------------------------|--------------------|
| [REDACTED] | |
| Gross Area | N.A. acres |
| Net Developable Acres | 24.19 acres |
| % of All Phases | 26% 93 total acres |
| [REDACTED] | |
| Market Rate Units (85%) | 3,772 units |
| Low Income Units (5%) | 222 units |
| Very Low Income Units (10%) | 444 units |
| | <u>4,438 units</u> |
| [REDACTED] | |
| Other Retail | <u>125,000 sf</u> |
| | 125,000 sf |
| [REDACTED] | |
| Hotel | N.A. |
| [REDACTED] | |
| Mixed Use Office | N.A. |
| Office | N.A. |
| [REDACTED] | |
| Cultural | N.A. |

**PHASE 4 - TABLE 2.
PRIVATE COST & REVENUE SUMMARY
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.*

| Costs | | <i>Source:</i> | Revenues | | Balance |
|---|-------------------------------|----------------|----------------------------|-------------------------------|-------------------------------|
| Acquisition/Remediation/Pre-Dev. | | | Land Use | | |
| Land Acquisition/Loan | \$109,945,958 | <i>Dev.</i> | Condos | \$2,055,770,782 | |
| Remediation | \$40,000,000 | | Apartments | N.A. | |
| Pre-Development | \$37,755,875 | | Retail | \$46,430,000 | |
| Post Development | \$15,000,000 | | Hotel | N.A. | |
| Total | <u>\$202,701,833</u> | | Office Mixed | N.A. | |
| | | | Office | N.A. | |
| <Less> City Land Payment | <u>(\$55,000,000)</u> | | | | |
| | \$147,701,833 | | | | |
| Per Acre (Net) for All Phases | \$1,590,757/ac | | | | |
| Phase 4 Acres | 24 ac | | | | |
| Phase 4 Allocation | <u>\$38,480,000</u> | | | | |
| Development Costs | | | | | |
| Hard Costs | \$1,621,305,000 | | | | |
| Soft Costs | \$405,326,250 | | | | |
| Finance Costs | \$162,130,500 | | | | |
| Total (Rounded) | <u>\$2,188,760,000</u> | | | | |
| Developer Profit @ 20% | \$445,450,000 | | | | |
| Total Costs | <u><u>\$2,672,690,000</u></u> | | Value at Completion | <u><u>\$2,102,200,782</u></u> | <u><u>(\$570,489,218)</u></u> |

**PHASE 4 - TABLE 3.
PRIVATE DEVELOPMENT COSTS AND REVENUES BY LAND USE
PROPOSED RAILYARDS
SACRAMENTO, CALIFORNIA**

**CONCEPTUAL FEASIBILITY ANALYSIS
November 14, 2007**

*Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.
Note: Costs and revenues are in constant, uninflated dollars.*

| | Total | Condo | Retail |
|---|------------------------|------------------------|-----------------------|
| Gross Building Area | TBD | 5,325,600 | |
| Rentable/Sellable Area | 4,651,760 | 4,526,760 | 125,000 |
| Residential Units/Hotel Rooms | 4,438 | 4,438 | |
| Average sf per Unit/Room | | 1,020 | |
| Parking Spaces - Surface | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD |
| Parking Ratio | | TBD | TBD |
| Acquisition/Remediation/Pre-Dev. | | | |
| | <i>Ph. 1</i> | | |
| | <i>%</i> | <i>Total Cost</i> | <i>Pro-Rated Cost</i> |
| Land Acquisition/Loan | 26.1% | \$109,945,958 | \$28,644,000 |
| Remediation | 26.1% | \$40,000,000 | \$10,422,000 |
| Pre-Development | 26.1% | \$37,755,875 | \$9,837,000 |
| Post Development | 26.1% | \$15,000,000 | \$3,908,000 |
| Total | 26.1% | \$202,701,833 | \$52,811,000 |
| City Land Payment | 26.1% | (\$55,000,000) | (\$14,329,000) |
| | | | \$38,480,000 |
| Development Costs | | | |
| Hard Costs | | \$1,621,305,000 | \$1,597,680,000 |
| Soft Costs | 25% | \$405,326,250 | \$399,420,000 |
| Finance Costs | 10% | \$162,130,500 | \$159,768,000 |
| Total (Rounded) | | \$2,188,761,750 | \$2,156,870,000 |
| Total Costs | | \$2,227,241,750 | |
| Developer Profit (Rounded) | 20% of Devel. Costs | \$445,450,000 | |
| Total Costs with Devel. Profit (Rounded) | | \$2,672,690,000 | |
| Stabilized NOI | | | \$3,250,000 |
| Capitalization Rate | | | 7.0% |
| Completed Value/Sales Price (Net of Condo Sales Costs) - Rounded | \$2,102,200,782 | \$2,055,770,782 | \$46,430,000 |

PHASE 4 - TABLE 4.
PRIVATE DEVELOPMENT COST AND RENT/SALE ASSUMPTIONS
PROPOSED RAILYARDS CONCEPTUAL FEASIBILITY ANALYSIS
SACRAMENTO, CALIFORNIA November 14, 2007

*Sources: PFM Economic Benefit Calc 10-17-07 for hard costs and income/value;
Thomas Enterprises 11/12/07 estimates for land acquisition, remediation and pre-development.*

Note: Costs and revenues are in constant, uninflated dollars.

| | Total | Condo | Retail |
|--|-----------|----------------|----------|
| Gross Building Area | TBD | 5,325,600 | 0 |
| Rentable/Sellable Area | 4,651,760 | 4,526,760 | 125,000 |
| Residential Units/Hotel Rooms | 4,438 | 4,438 | 0 |
| Average sf per Unit/Room | 0 | 1,020 | 0 |
| Parking Spaces - Surface | TBD | TBD | TBD |
| Parking Spaces - Structure | TBD | TBD | TBD |
| Parking Ratio | 0 | TBD | TBD |
| Hard Costs | | \$360,000/unit | \$189/sf |
| Soft Costs | | \$90,000/unit | \$47/sf |
| Finance Costs | | \$36,000/unit | \$19/sf |
| Total | | \$486,000/unit | \$255/sf |
| Market Rate Sales Price (85%) | | \$550,000/unit | |
| Low Inc. Unit Sales Price (5%) | | \$178,668/unit | |
| Very Low Inc. Unit Sales Price (10%) | | \$111,667/unit | |
| Market Rate Monthly Rent | | | |
| Yearly Sales | | | |
| Portion of Yearly Sales | | | |
| NNN Rent/sf/yr | | | \$26/sf |
| Daily Rate | | | |
| Occupancy (Stabilized) | | | 100% |
| Stabilized NOI | | | \$26/sf |
| Capitalization Rate | | | 7.0% |
| Completed Value (Net of Condo Sales Costs) | | \$463,220/unit | \$371/sf |