

Central Platte Valley-Auraria

Height Incentive Feasibility Evaluation Study

Updated December 10, 2018

What is this study?

The Downtown Area Plan Amendment for Central Platte Valley-Auraria, adopted by the Denver City Council in June 2018, recommends creation of new zone districts (the D-CPV districts) to promote development that is transit-oriented and provides benefits to the community, such as integrated affordable housing and space for community-serving uses. To implement these objectives, an incentive system is proposed that would allow taller building heights in the D-CPV zone districts for development that provides increased affordable housing and other specific community benefits. To obtain the right to build to incentive heights, developers would have to provide affordable housing units, pay fees or provide community-serving space.

In order to test the feasibility of this proposed system, the City contracted with California development advisory firm David Paul Rosen and Associates, which has previously analyzed other City initiatives, such as the Affordable Housing Linkage Fee and the 38th and Blake Station Area Incentive Overlay. The study is a model analysis based on localized assumptions for land value, construction costs, expected income and other factors for a variety of residential and non-residential prototypes. These assumptions originated from third-party sources based on local trends, which were then discussed with developers with experience building in Downtown Denver.

Outcomes, as indicated by Residual Land Value and Return on Equity, are compared for residential and commercial projects built at the proposed 5-story base height (subject to citywide affordable housing requirements) or potential 12-, 20-, 35- or 50-story incentive heights at three different multiples of citywide affordable housing requirements (note that the proposed D-CPV-T zone district would have a 12 story height limit while the proposed D-CPV-R and D-CPV-C districts would also allow for the tested 20, 35 and 50 story prototypes).

What did the study find?

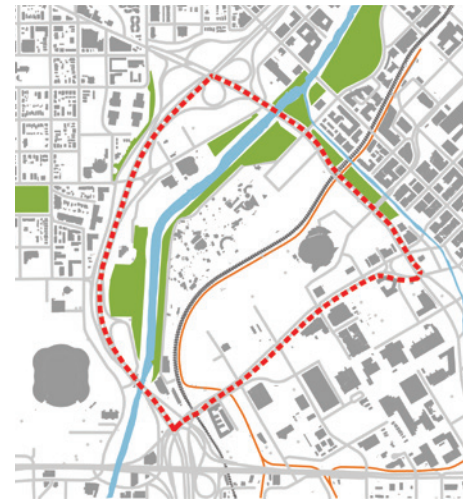
In all of the tested residential scenarios, use of incentive height resulted in higher financial returns (as measured by changes in Residual Land Value) than development to the base height without incentives, despite costs associated with provision of additional affordable housing. For the tested commercial scenarios, only the 50 story prototype resulted in higher financial returns than development at the 5-story base height. However, based on the assumptions used in this analysis, 12-, 20- and 35-story office prototypes would generate lower returns than the 5-story office prototype even if incentive requirements were not applied to the taller prototypes, indicating that the incentive requirements do not specifically result in the infeasibility of developing commercial buildings at 12-, 20- or 35- stories. Detailed results are provided in the attached memo.

What happens next?

The Denver City Council is tentatively expected to consider adoption of Denver Zoning Code and Denver Revised Municipal Code amendments to enable the height incentive system for the proposed D-CPV zone districts on December 17, 2018.

Where can I learn more and provide comments?

www.denvergov.org/textamendments (navigate to Central Platte Valley-Auraria Plan Implementation)



Implementation

The affordable housing incentive system described in this document is proposed for implementation through a Denver Zoning Code text amendment, as well as a related amendment to the Denver Revised Municipal Code (DRMC) to establish affordable housing requirements. Property owners will submit official zoning map amendment applications to rezone individual properties for use of the incentive system.

The Denver City Council must adopt all zoning code and DRMC amendments in public hearings.



December 7, 2018

To: Abe Barge
Laura Brudzynski
Melissa Thate

From: Nora Lake-Brown

Subject: Financial Analysis of Downtown Central Platte Valley Auraria Zone
District Incentive Requirements

This memorandum presents a financial analysis of the proposed Downtown Central Platte Valley Auraria Zone District Incentive Requirements (“Incentive”). DRA analyzed the estimated financial feasibility of prototypical residential and office projects with and without utilization of the Incentive provisions.

Summary of Findings

DRA’s findings are summarized as follows:

- All of the residential development scenarios analyzed generate higher residual land values by building to incentive heights while providing on-site affordable housing, rather than building to the base heights.
- For the office prototypes, the 5-story to 50-story office scenario also generates higher residual land values with the incentive, while the other office scenarios do not.
 - However, even without any additional fee associated with the height incentive, the 20-story and 35-story office prototypes generate lower residual land values than the 5-story base prototype, indicating that the result is a financial feasibility issue rather than the result of the incentive requirement.
- When comparing the value of base height prototypes to those using the incentive heights, DRA recommends focusing on the change in the residual land value (RLV) rather than the change in the return on equity (ROE).
 - If a 5-story and a 20-story project both generate comparable ROE’s, the 20-story project will generate a higher dollar value to the site, in terms of land value per square foot, because it is a larger, more



Abe Barge, Laura Brudzynski, Melissa Thate
December 7, 2018
Page 2 of 6

- valuable project. A larger project requires more equity, but generates a higher dollar return on equity at the same rate of return on equity.
- Therefore, while ROE may be useful in assessing financial feasibility, it does not provide the full story in terms of which of two feasible projects generate the greatest value to the land owner.

In this memo, we summarize the approach and findings of the analysis, followed by a description of the development prototypes and financial return measures used. The attached appendix contains detailed tables with all of the financial analysis assumptions and calculations.

Background and Approach

DRA estimated the value of the height incentive for the proposed Downtown Central Platte Valley Auraria Zone District under the following alternatives:

- a. 5-story to 12-story (rental residential and office)
- b. 5-story to 20-story (rental residential and office)
- c. 5-story to 35-story (rental and for-sale residential and office)
- d. 5-story to 50-story (rental and for-sale residential and office)

DRA used a series of five apartment, three condominium and five office prototypes to estimate the economic effect of using the Incentive provisions. In particular, we compared the financial performance of the base-height prototype with that of the incentive height prototype, after accounting for the Incentive requirements.

The base height prototypes assume payment of the citywide nexus fee (\$1.76 per GSF for commercial and \$1.55 per GSF for residential), while the incentive height prototypes are analyzed under the three options listed below:



Abe Barge, Laura Brudzynski, Melissa Thate
December 7, 2018
Page 3 of 6

Assumed Requirements Downtown Central Platte Valley Auraria Zone District Prototypes with Incentives		
Requirement	Commercial	Residential
Citywide Requirement (on Total Floor Area)	\$1.76/GSF	.0168 Units/1000 GSF
Incentive Requirement (on Incentive Floor Area)		
Option 1 ¹	\$7.04/GSF	0.0672 Units/1000 GSF
Option 2 ²	\$8.80/GSF	0.0840 Units/1000 GSF
Option 3 ³	\$10.56/GSF	0.1008 Units/1000 GSF

¹Equals four times citywide requirement.

²Equals five times citywide requirement.

³Equals six times citywide

We used a site size of 1-acre for each of the residential prototypes, so that we could use the higher-density prototypes to model the incentive versions of the lower-density base height prototypes. For the office prototypes, we assumed a site size of 0.75 acres. We first analyzed the financial feasibility of the base-height prototypes (5-story) assuming payment of the Citywide nexus fee. We then compared the feasibility of the incentive prototypes for these sites (12-story, 20-story, 35-story, 50-story) after accounting for the loss in net operating income in the residential prototypes (resulting from lower affordable rents on some units) and additional nexus fees on the office prototypes costs required to comply with the Incentive requirements.

The financial effect on prototypical residential and office developments of utilizing the Incentive provisions were analyzed using two financial measures:

1. Residual land value (RLV): The value to the land generated by income-producing uses on site, after accounting for development costs, including developer overhead and profit.
2. Annual return on equity (ROE): Estimated net annual cash flow after debt service as a percentage of the total equity investment.



Abe Barge, Laura Brudzynski, Melissa Thate
December 7, 2018
Page 4 of 6

Financial Analysis Results

Table 1 summarizes key results of the financial analysis.

The residual land value (RLV) and return on equity (ROE) are shown for each of the incentive options. The options are distinguished by the base and incentive building heights listed in each column at the top of the table. Residual land value (RLV) per square foot of site area is shown for the base height and the incentive height prototypes, along with the percentage increase (or decrease) in residual land value resulting from going from the base height to the incentive height under each option.

Residual land values can be compared with estimated market land costs of \$120 (low scenario) to \$250 (high scenario) shown in the assumption section of the table as an indication of feasibility. If RLVs are nearly equal to or above estimated market land values the prototype is considered feasible. If the RLV increases from the base height to the incentive height then the incentive is having a positive net financial impact on the project.

ROEs can be compared to an estimated threshold return of 8%.

The percentage change in RLV and ROE are also shown.

Development Prototypes

DRA used five multifamily residential, three residential condominium and five office prototypes ranging from 5 stories to 50 stories to analyze the impact of the Incentive provisions on project financial performance. DRA built upon residential and office development prototypes used in its 2016 nexus fee feasibility analysis to produce the prototypes listed above, with input from City staff and review of actual project plans to refine unit size, density, parking, residential unit mix, and other development characteristics. Ground floor retail is included in the 12-story to 50-story prototypes.



Abe Barge, Laura Brudzynski, Melissa Thate
December 7, 2018
Page 5 of 6

Measures of Financial Return

DRA evaluated the economic feasibility of the prototype developments using Residual Land Value (RLV) and Return on Equity (ROE) approaches. Residual Land Value analysis methodology calculates the value of a development based on its income potential and subtracts the costs of development (excluding land but including an assumed return on the land and improvement costs), to yield the underlying value of the land. An alternative that generates a value to the land that is negative, or well below market land sales prices, is not financially feasible.

The ROE approach calculates the annual net cash flow from development based on its stabilized net operating income potential and subtracts the annual debt service for the portion of total development costs (including land) that is financed with debt. The annual net cash flow after debt represents the available return on equity. Annual net cash flow is then divided by the total amount of equity investment in the project to determine the ROE.

Both approaches calculate the value of rental prototypes (residential and non-residential) at a point in time based on the estimated stabilized net operating income of the prototype.

The RLV and ROE measures are calculated for each prototype assuming development at the base height, and then compared to the RLV and the ROE of the development at the incentive height. Development costs for the base height prototypes include the citywide nexus fees for residential and office uses. Development of the residential prototypes at the incentive height assumes the inclusion of the required affordable units, and the rental income at affordable rents for these units. Development costs for the office prototypes at the incentive height include the base citywide fee plus the additional incentive fee.

DRA compares the RLV and ROE of the base height and incentive height prototypes to evaluate the effect of the Incentive provisions on the financial feasibility of, and financial returns from, the developments.



Abe Barge, Laura Brudzynski, Melissa Thate
December 7, 2018
Page 6 of 6

Cost and Revenue Assumptions

The cost and revenue assumptions used in the analysis are detailed in the attached tables. DRA updated rents, operating costs and development costs to 2018 estimates based on review of published data and interviews with selected developers. Since projects coming on line at today's rents started construction several years ago, DRA reduced the building and parking hard cost assumptions back to the estimated start of construction using the estimated development time period for each prototype. This adjustment was based on the Mortenson Construction Cost Index for Denver.

The attached Appendix contains detailed calculations for *Option 3: 6 times the citywide fee*.



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City of Denver

Downtown Central Platte Valley Auraria Zone District

Incentive Analysis Results

7-Dec-18

Note: Tables 9 through 18 are for Option 3: 6 Times the Citywide Fee

Table Number	Table	Page
Table 1	Summary of Results: Incentive Multiplier of 4	1
Table 2	Summary of Results: Incentive Multiplier of 5	3
Table 3	Summary of Results: Incentive Multiplier of 6	5
Table 4	Development Prototypes	7
Table 5	Development Cost Assumptions and Budgets	9
Table 6	Net Operating Income from Market-Rate Apartments	11
Table 7	Net Sales Proceeds from Market-Rate Condominiums	12
Table 8	Net Operating Income from Office Uses	13
Table 9	Affordable and Market Rate Units: Rental Housing Prototypes with Height Incentives	14
Table 10	Affordable Rents: Mid- and High-Rise Rental Housing Prototypes with Incentive	15
Table 11	Affordable Rental Income: Rental Housing Prototypes with Incentive	16
Table 12	Net Operating Income: Prototypes with Height Incentives	17
Table 13	Affordable Sales Income: Condo Prototypes with Incentive	18
Table 14	Net Condo Sales Proceeds: Prototypes with Height Incentives	19
Table 15	Land Residual Analysis: Base Height Prototypes	20
Table 16	Land Residual Analysis: Prototypes with Incentives	21
Table 17	Return on Equity Analysis: Base Height Prototypes	22
Table 18	Return on Equity Analysis: Prototypes with Height Incentives	23

Table 1

Summary of Economic Feasibility Analysis Results

CPV Zone District Analysis

Incentive Fee Multiplier: 4

	Rental Residential				Owner Residential		Office			
	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Incentive Height	12-Story	20-Story	35-Story	50-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
Base Height										
Incentive Height										
Site Area (SF)	43,560	43,560	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670
Base Height Project Characteristics										
Residential Units	60	60	60	60	50	50	-	-	-	-
Residential Net SF	42,450	42,450	42,450	42,450	36,200	36,200	-	-	-	-
Office Net SF	-	-	-	-	-	-	56,000	56,000	56,000	56,000
Retail Net SF	-	-	-	-	-	-	-	-	-	-
Total Net SF	42,450	42,450	42,450	42,450	36,200	36,200	56,000	56,000	70,000	56,000
Total Gross SF (Excluding Parking)	53,063	53,063	53,063	53,063	45,250	45,250	70,000	70,000	70,000	70,000
Parking Spaces	45 Spaces	45 Spaces	45 Spaces	45 Spaces	51 Spaces	51 Spaces	50 Spaces	50 Spaces	50 Spaces	50 Spaces
Approximate Building Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories
Incentive Height Project Characteristics										
Residential Units	144	240	420	600	420	600	-	-	-	-
Residential Net SF	101,700	169,800	297,200	424,500	247,500	353,800	-	-	-	-
Office Net SF	-	-	-	-	-	-	116,000	192,000	336,000	480,000
Retail Net SF	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Net SF	106,700	174,800	302,200	429,500	302,200	429,500	121,000	197,000	341,000	485,000
Total Gross SF (Excluding Parking)	142,267	233,067	402,933	572,667	336,667	478,400	151,250	246,250	426,250	606,250
Parking Spaces	108 Spaces	180 Spaces	315 Spaces	450 Spaces	315 Spaces	450 Spaces	104 Spaces	171 Spaces	300 Spaces	429 Spaces
Approximate Building Stories	12 Stories	20 Stories	35 Stories	50 Stories	35 Stories	50 Stories	12 Stories	20 Stories	35 Stories	50 Stories
ASSUMPTIONS										
Assumed Land Price										
Low Scenario										
Land Price /SF Site Area	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120
High Scenario										
Land Price /SF Site Area	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Assumed Cap Rate (1)	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	5.00%	5.00%	5.00%	5.00%
Estimated Minimum Threshold ROE	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Developer Profit for RLV	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Assumed Investment Period (Months)	36 Months	36 Months	48 Months	48 Months	48 Months	48 Months	36 Months	36 Months	48 Months	48 Months
RESIDUAL LAND VALUE Per Site SF										
Prototypes at Base Height	\$150	\$150	\$150	\$150	\$137	\$137	\$232	\$232	\$232	\$232
Prototypes at Increased Height w/o Incentives*	\$377	\$525	\$644	\$774	\$692	\$1,158	\$108	\$126	\$214	\$620
Prototypes Using Incentive Height	\$346	\$473	\$538	\$607	\$587	\$975	\$91	\$88	\$175	\$542
% Increase (Decrease) in RLV Per SF	130%	215%	258%	304%	328%	611%	-61%	-62%	-25%	133%

Table 1
Summary of Economic Feasibility Analysis Results
 CPV Zone District Analysis

Incentive Fee Multiplier: 4

Base Height	Rental Residential				Owner Residential		Office			
	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Incentive Height	12-Story	20-Story	35-Story	50-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
RETURN ON EQUITY										
Prototypes at Base Height										
Low Land Cost Scenario	4.06%	4.06%	4.06%	4.06%			7.16%	7.16%	7.16%	7.16%
High Land Cost Scenario	2.89%	2.89%	2.89%	2.89%			3.74%	3.74%	3.74%	3.74%
Prototypes with Incentives										
Low Land Cost Scenario	7.27%	6.78%	7.18%	6.47%			3.91%	4.05%	4.30%	5.23%
High Land Cost Scenario	6.51%	6.44%	3.97%	5.62%			2.84%	2.79%	2.91%	3.19%
% Increase (Decrease) in ROE										
Low Land Cost Scenario	79.22%	67.24%	77.16%	59.52%			-45.35%	-43.50%	-39.95%	-27.02%
High Land Cost Scenario	125.43%	123.00%	37.59%	94.76%			-23.90%	-25.43%	-22.00%	-14.58%

(1) Based on CBRE 1st Half 2018 Cap Rate Survey data for the City of Denver. Represents the mid point of the estimated current cap rate range for urban residential and office projects.
 Source: DRA.

Table 2

Summary of Economic Feasibility Analysis Results

CPV Zone District Analysis

Incentive Fee Multiplier: 5

	Rental Residential				Owner Residential		Office			
	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Incentive Height	12-Story	20-Story	35-Story	50-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
Base Height										
Incentive Height										
Site Area (SF)	43,560	43,560	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670
Base Height Project Characteristics										
Residential Units	60	60	60	60	50	50	-	-	-	-
Residential Net SF	42,450	42,450	42,450	42,450	36,200	36,200	-	-	-	-
Office Net SF	-	-	-	-	-	-	56,000	56,000	56,000	56,000
Retail Net SF	-	-	-	-	-	-	-	-	-	-
Total Net SF	42,450	42,450	42,450	42,450	36,200	36,200	56,000	56,000	70,000	56,000
Total Gross SF (Excluding Parking)	53,063	53,063	53,063	53,063	45,250	45,250	70,000	70,000	70,000	70,000
Parking Spaces	45 Spaces	45 Spaces	45 Spaces	45 Spaces	51 Spaces	51 Spaces	50 Spaces	50 Spaces	50 Spaces	50 Spaces
Approximate Building Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories
Incentive Height Project Characteristics										
Residential Units	144	240	420	600	420	600	-	-	-	-
Residential Net SF	101,700	169,800	297,200	424,500	247,500	353,800	-	-	-	-
Office Net SF	-	-	-	-	-	-	116,000	192,000	336,000	480,000
Retail Net SF	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Net SF	106,700	174,800	302,200	429,500	302,200	429,500	121,000	197,000	341,000	485,000
Total Gross SF (Excluding Parking)	142,267	233,067	402,933	572,667	336,667	478,400	151,250	246,250	426,250	606,250
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Approximate Building Stories	12 Stories	20 Stories	35 Stories	50 Stories	35 Stories	50 Stories	12 Stories	20 Stories	35 Stories	50 Stories
ASSUMPTIONS										
Assumed Land Price										
Low Scenario										
Land Price /SF Site Area	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120
High Scenario										
Land Price /SF Site Area	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Assumed Cap Rate (1)	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	5.00%	5.00%	5.00%	5.00%
Estimated Minimum Threshold ROE	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Developer Profit for RLV	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Assumed Investment Period (Months)	36 Months	36 Months	48 Months	48 Months	48 Months	48 Months	36 Months	36 Months	48 Months	48 Months
RESIDUAL LAND VALUE Per Site SF										
Prototypes at Base Height	\$150	\$150	\$150	\$150	\$137	\$137	\$232	\$232	\$232	\$232
Prototypes at Increased Height w/o Incentives*	\$377	\$525	\$644	\$774	\$692	\$1,158	\$108	\$126	\$214	\$620
Prototypes Using Incentive Height	\$341	\$454	\$514	\$562	\$560	\$930	\$86	\$79	\$165	\$523
% Increase (Decrease) in RLV Per SF	127%	203%	242%	275%	309%	578%	-63%	-66%	-29%	125%

Table 2
Summary of Economic Feasibility Analysis Results
 CPV Zone District Analysis

Incentive Fee Multiplier: 5

Base Height	Rental Residential				Owner Residential		Office			
	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Incentive Height	12-Story	20-Story	35-Story	50-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
RETURN ON EQUITY										
Prototypes at Base Height										
Low Land Cost Scenario	4.06%	4.06%	4.06%	4.06%			7.16%	7.16%	7.16%	7.16%
High Land Cost Scenario	2.89%	2.89%	2.89%	2.89%			3.74%	3.74%	3.74%	3.74%
Prototypes with Incentives										
Low Land Cost Scenario	7.18%	6.56%	7.01%	6.26%			3.88%	4.00%	4.25%	5.17%
High Land Cost Scenario	6.41%	6.21%	3.83%	5.42%			2.85%	2.79%	2.92%	3.20%
% Increase (Decrease) in ROE										
Low Land Cost Scenario	76.94%	61.88%	72.84%	54.24%			-45.75%	-44.09%	-40.67%	-27.84%
High Land Cost Scenario	122.08%	115.20%	32.77%	87.67%			-23.77%	-25.22%	-21.75%	-14.33%

(1) Based on CBRE 1st Half 2018 Cap Rate Survey data for the City of Denver. Represents the mid point of the estimated current cap rate range for urban residential and office projects.
 Source: DRA.

Table 3

Summary of Economic Feasibility Analysis Results

CPV Zone District Analysis

Incentive Fee Multiplier: 6

	Rental Residential				Owner Residential		Office			
	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Incentive Height	12-Story	20-Story	35-Story	50-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
Site Area (SF)	43,560	43,560	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670
Base Height Project Characteristics										
Residential Units	60	60	60	60	50	50	-	-	-	-
Residential Net SF	42,450	42,450	42,450	42,450	36,200	36,200	-	-	-	-
Office Net SF	-	-	-	-	-	-	56,000	56,000	56,000	56,000
Retail Net SF	-	-	-	-	-	-	-	-	-	-
Total Net SF	42,450	42,450	42,450	42,450	36,200	36,200	56,000	56,000	70,000	56,000
Total Gross SF (Excluding Parking)	53,063	53,063	53,063	53,063	45,250	45,250	70,000	70,000	70,000	70,000
Parking Spaces	45 Spaces	45 Spaces	45 Spaces	45 Spaces	51 Spaces	51 Spaces	50 Spaces	50 Spaces	50 Spaces	50 Spaces
Approximate Building Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories
Incentive Height Project Characteristics										
Residential Units	144	240	420	600	420	600	-	-	-	-
Residential Net SF	101,700	169,800	297,200	424,500	247,500	353,800	-	-	-	-
Office Net SF	-	-	-	-	-	-	116,000	192,000	336,000	480,000
Retail Net SF	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Net SF	106,700	174,800	302,200	429,500	302,200	429,500	121,000	197,000	341,000	485,000
Total Gross SF (Excluding Parking)	142,267	233,067	402,933	572,667	336,667	478,400	151,250	246,250	426,250	606,250
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Approximate Building Stories	12 Stories	20 Stories	35 Stories	50 Stories	35 Stories	50 Stories	12 Stories	20 Stories	35 Stories	50 Stories
ASSUMPTIONS										
Assumed Land Price										
Low Scenario										
Land Price /SF Site Area	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120
High Scenario										
Land Price /SF Site Area	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Assumed Cap Rate (1)	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	5.00%	5.00%	5.00%	5.00%
Estimated Minimum Threshold ROE	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Developer Profit for RLV	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Assumed Investment Period (Months)	36 Months	36 Months	48 Months	48 Months	48 Months	48 Months	36 Months	36 Months	48 Months	48 Months
RESIDUAL LAND VALUE Per Site SF										
Prototypes at Base Height	\$150	\$150	\$150	\$150	\$137	\$137	\$232	\$232	\$232	\$232
Prototypes at Increased Height w/o Incentives*	\$377	\$525	\$644	\$774	\$692	\$1,158	\$108	\$126	\$214	\$620
Prototypes Using Incentive Height	\$338	\$445	\$486	\$523	\$532	\$886	\$82	\$69	\$155	\$504
% Increase (Decrease) in RLV Per SF	125%	196%	224%	248%	288%	546%	-65%	-70%	-33%	117%
RETURN ON EQUITY										
Prototypes at Base Height										
Low Land Cost Scenario	4.06%	4.06%	4.06%	4.06%			7.16%	7.16%	7.16%	7.16%
High Land Cost Scenario	2.89%	2.89%	2.89%	2.89%			3.74%	3.74%	3.74%	3.74%
Prototypes with Incentives										
Low Land Cost Scenario	7.11%	6.45%	6.81%	6.07%			3.86%	3.96%	4.20%	5.11%

CPV Zone District Analysis

December 7, 2018

Table 3
Summary of Economic Feasibility Analysis Results
 CPV Zone District Analysis

Incentive Fee Multiplier: 6

	Rental Residential				Owner Residential		Office			
	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Base Height										
Incentive Height	12-Story	20-Story	35-Story	50-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
High Land Cost Scenario	6.34%	6.09%	3.67%	5.24%			2.85%	2.80%	2.93%	3.21%
Increase (Decrease) in ROE										
Low Land Cost Scenario	3.05%	2.40%	2.75%	2.01%			-3.30%	-3.20%	-2.96%	-2.05%
High Land Cost Scenario	3.45%	3.21%	0.79%	2.35%			-0.88%	-0.93%	-0.80%	-0.53%

(1) Based on CBRE 1st Half 2018 Cap Rate Survey data for the City of Denver. Represents the mid point of the estimated current cap rate range for urban residential and office projects.

Source: DRA.

% Increase (Decrease) in ROE

Low Land Cost Scenario	75.1%	59.1%	67.3%	49.5%			-46.1%	-44.7%	-41.3%	-28.6%
High Land Cost Scenario	119.4%	111.1%	27.3%	81.3%			-23.5%	-24.9%	-21.4%	-14.2%

Table 4
Development Prototypes
CPV Zone District Analysis

	Residential Apartment					Residential Condo		
	5-Story	12-Story	20-Story	35-Story	50-Story	5-Story	35-Story	50-Story
Primary Land Use	Residential	Residential	Residential	Residential	Residential	Residential	Residential	Residential
Other Land Use		1st Floor Retail	1st Floor Retail	1st Floor Retail	1st Floor Retail		1st Floor Retail	1st Floor Retail
Total Residential Units	60	144	240	420	600	50	350	500
Total DU's/Acre	60	144	240	420	600	50	350	500
Total Site Area (Acre)	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres
Total Site Area (SF)	43,560	43,560	43,560	43,560	43,560	43,560	43,560	43,560
Construction Type	Type V over Type I	Type 1	Type 1	Type 1	Type 1	Type V over Type I	Type 1	Type 1
Parking Type	Structured	Subterranean/Structured	Subterranean/Structured	Subterranean/Structured	Subterranean/Structured	Structured	Subterranean/Structured	Subterranean/Structured
Approximate Building Stories	5 Stories	12 Stories	20 Stories	35 Stories	50 Stories	5 Stories	35 Stories	50 Stories
Total Gross Building SF (Excluding Parking)	53,063	142,267	233,067 SF	402,933 SF	572,667 SF	45,250 SF	336,667 SF	478,400 SF
FAR	1.2	3.3	5.4	9.3	13.1	1.0	7.7	11.0
Total Gross Bldg. SF, Incl. Struct./Underg. Pkg (1)	68,813	180,067	296,067	513,333	730,317	63,100	459,317	653,550
FAR Including Parking	1.6	4	7	12	17	1	11	15
Building Efficiency Ratio (%)	80%	75%	75%	75%	75%	80%	75%	75%
Net Rentable SF Office	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Hotel	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Retail	0 SF	5,000 SF	5,000 SF	5,000 SF	5,000 SF	0 SF	5,000 SF	5,000 SF
Net Rentable SF Warehouse	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Manufacturing	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Residential	42,450 SF	101,700 SF	169,800 SF	297,200 SF	424,500 SF	36,200 SF	247,500 SF	353,800 SF
Net Rentable SF Total	42,450 SF	106,700 SF	174,800 SF	302,200 SF	429,500 SF	36,200 SF	252,500 SF	358,800 SF
Total Net Bldg. SF	42,450 SF	106,700 SF	174,800 SF	302,200 SF	429,500 SF	36,200 SF	252,500 SF	358,800 SF
Gross SF Office	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Retail	0 SF	6,667 SF	6,667 SF	6,667 SF	6,667 SF	0 SF	6,667 SF	6,667 SF
Gross SF Residential	53,063 SF	135,600 SF	226,400 SF	396,267 SF	566,000 SF	45,250 SF	330,000 SF	471,733 SF
Total Gross Bldg. SF Excluding Parking	53,063 SF	142,267 SF	233,067 SF	402,933 SF	572,667 SF	45,250 SF	336,667 SF	478,400 SF
Total Gross Bldg. SF Including Parking	68,813 SF	180,067 SF	296,067 SF	513,333 SF	730,317 SF	63,100 SF	459,317 SF	653,550 SF
Unit Bedroom Count Distribution								
Studio/Loft/Shotgun 1 BR	20%	20%	20%	20%	20%	20%	20%	20%
One Bedroom	65%	65%	65%	65%	65%	65%	65%	65%
Two Bedroom	15%	15%	15%	15%	15%	15%	15%	15%
Three Bedroom	0%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Units by BR Count								
Studio/Loft/Shotgun 1 BR	12	29	48	84	120	10	70	100
One Bedroom	39	94	156	273	390	33	228	325
Two Bedroom	9	21	36	63	90	8	52	75
Three Bedroom	0	0	0	0	0	0	0	0
Total Residential Units	60	144	240	420	600	51	350	500
Residential Density (units per acre)	60 du/a	144 du/a	240 du/a	420 du/a	600 du/a	51 du/a	350 du/a	500 du/a
Unit Size (Net SF)								
Studio/Loft/Shotgun 1 BR	550 SF	550 SF	550 SF	550 SF	550 SF	550 SF	550 SF	550 SF
One Bedroom	700 SF	700 SF	700 SF	700 SF	700 SF	700 SF	700 SF	700 SF
Two Bedroom	950 SF	950 SF	950 SF	950 SF	950 SF	950 SF	950 SF	950 SF
Three Bedroom	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
<i>Average Unit Size</i>	<i>708 SF</i>	<i>706 SF</i>	<i>708 SF</i>	<i>708 SF</i>	<i>708 SF</i>	<i>710 SF</i>	<i>707 SF</i>	<i>708 SF</i>
Parking Ratio - Residential (Spaces/Unit)								
Studio/Loft/Shotgun 1 BR	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
One Bedroom	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
Two Bedrooms	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
Three Bedrooms	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
Parking Spaces Based on Ratio--Residential	45	108	180	315	450	51	350	500
Parking Ratio - Office (GSF/Space)								
Parking Spaces Based on Ratio--Office								
Parking Ratio - Retail (GSF/Space)								
Parking Spaces Based on Ratio--Retail								
Parking Spaces - Total Based on Ratio								
Parking Spaces Per Floor	87	106	106	106	106	87	106	106
No. of Underground Parking Spaces	0 Spaces	108 Spaces	180 Spaces	211 Spaces	211 Spaces	0 Spaces	211 Spaces	211 Spaces
No. of Structured Parking Spaces	45 Spaces	0 Spaces	0 Spaces	104 Spaces	239 Spaces	51 Spaces	139 Spaces	289 Spaces
No. of Surface/Garage Parking Spaces	0 Spaces	0 Spaces	0 Spaces	0 Spaces	0 Spaces	0 Spaces	0 Spaces	0 Spaces
Total Parking Spaces Provided	45 Spaces	108 Spaces	180 Spaces	315 Spaces	450 Spaces	51 Spaces	350 Spaces	500 Spaces
Parking Spaces Provided /Unit or /1000 SF	0.75 Spaces/Unit	0.75 Spaces/Unit	0.75 Spaces/Unit	0.75 Spaces/Unit	0.75 Spaces/Unit	1.02 Spaces/Unit	1.00 Spaces/Unit	1.00 Spaces/Unit
Gross SF/Parking Space (Incl. Circulation)	350 SF	350 SF	350 SF	350 SF	350 SF	350 SF	350 SF	350 SF
Total Parking SF	15,750 SF	37,800 SF	63,000 SF	110,250 SF	157,500 SF	17,850 SF	122,500 SF	175,000 SF
Parking SF Underground	0 SF	37,800 SF	63,000 SF	74,000 SF	74,000 SF	0 SF	74,000 SF	74,000 SF
Parking SF Structured	15,750 SF	0 SF	0 SF	36,400 SF	83,650 SF	17,850 SF	48,650 SF	101,150 SF
Parking SF Surface	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF	0 SF
Total Parking GSF	15,750 SF	37,800 SF	63,000 SF	110,400 SF	157,650 SF	17,850 SF	122,650 SF	175,150 SF

Source: Interviews with Denver area developers; City of Denver; DRA

Table 4
Development Prototypes
CPV Zone District Analysis

	Office				
	5-Story	12-Story	20-Story	35-Story	50-Story
Primary Land Use	Residential	Office	Office	Office	Office
Other Land Use		1st Floor Retail	1st Floor Retail	1st Floor Retail	1st Floor Retail
Total Residential Units					
Total DU's/Acre					
Total Site Area (Acre)	0.75 Acres	0.75 Acres	0.75 Acres	0.75 Acres	0.75 Acres
Total Site Area (SF)	32,670	32,670	32,670	32,670	32,670
Construction Type	Type II	Type I	Type I	Type I	Type I
Parking Type	Structured	Subterranean/ Structured	Subterranean/ Structured	Subterranean/ Structured	Subterranean/ Structured
Approximate Building Stories	5 Stories	12 Stories	20 Stories	35 Stories	50 Stories
Total Gross Building SF (Excluding Parking)	70,000 SF	151,250 SF	246,250 SF	426,250 SF	606,250 SF
FAR	2.1	4.6	7.5	13.0	18.6
Total Gross Bldg. SF, Incl. Struct./Underg. Pkg (1)	87,500	187,650	306,100	531,250	756,400
FAR Including Parking	3	6	9	16	23
Building Efficiency Ratio (%)	80%	80%	80%	80%	80%
Net Rentable SF Office	56,000 SF	116,000 SF	192,000 SF	336,000 SF	480,000 SF
Net Rentable SF Hotel	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Retail	0 SF	5,000 SF	5,000 SF	5,000 SF	5,000 SF
Net Rentable SF Warehouse	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Manufacturing	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Residential	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Total	56,000 SF	121,000 SF	197,000 SF	341,000 SF	485,000 SF
Total Net Bldg. SF	56,000 SF	121,000 SF	197,000 SF	341,000 SF	485,000 SF
Gross SF Office	70,000 SF	145,000 SF	240,000 SF	420,000 SF	600,000 SF
Gross SF Retail	0 SF	6,250 SF	6,250 SF	6,250 SF	6,250 SF
Gross SF Residential	0 SF	0 SF	0 SF	0 SF	0 SF
Total Gross Bldg. SF Excluding Parking	70,000 SF	151,250 SF	246,250 SF	426,250 SF	606,250 SF
Total Gross Bldg. SF Including Parking	87,500 SF	187,650 SF	306,100 SF	531,250 SF	756,400 SF
Unit Bedroom Count Distribution					
Studio/Loft/Shotgun 1 BR					
One Bedroom					
Two Bedroom					
Three Bedroom					
Total					
Units by BR Count					
Studio/Loft/Shotgun 1 BR					
One Bedroom					
Two Bedroom					
Three Bedroom					
Total Residential Units					
Residential Density (units per acre)					
Unit Size (Net SF)					
Studio/Loft/Shotgun 1 BR					
One Bedroom					
Two Bedroom					
Three Bedroom					
<i>Average Unit Size</i>					
Parking Ratio - Residential (Spaces/Unit)					
Studio/Loft/Shotgun 1 BR					
One Bedroom					
Two Bedrooms					
Three Bedrooms					
Parking Spaces Based on Ratio--Residential					
Parking Ratio - Office (GSF/Space)	1,400	1,400	1,400	1,400	1,400
Parking Spaces Based on Ratio--Office	50	104	171	300	429
Parking Ratio - Retail (GSF/Space)	0	0	0	0	0
Parking Spaces Based on Ratio--Retail	0	0	0	0	0
Parking Spaces - Total Based on Ratio	50	104	171	300	429
Parking Spaces Per Floor	75	75	75	75	75
No. of Underground Parking Spaces	0 Spaces	104 Spaces	150 Spaces	150 Spaces	150 Spaces
No. of Structured Parking Spaces	50 Spaces	0 Spaces	21 Spaces	150 Spaces	279 Spaces
No. of Surface/Garage Parking Spaces	0 Spaces	0 Spaces	0 Spaces	0 Spaces	0 Spaces
Total Parking Spaces Provided	50 Spaces	104 Spaces	171 Spaces	300 Spaces	429 Spaces
Parking Spaces Provided /Unit or /1000 SF	1400 GSF/Space	1454 GSF/Space	1440 GSF/Space	1421 GSF/Space	1413 GSF/Space
Gross SF/Parking Space (Incl. Circulation)	350 SF	350 SF	350 SF	350 SF	350 SF
Total Parking SF	17,500 SF	36,400 SF	59,850 SF	105,000 SF	150,150 SF
Parking SF Underground	0 SF	36,400 SF	52,500 SF	52,500 SF	52,500 SF
Parking SF Structured	17,500 SF	0 SF	7,350 SF	52,500 SF	97,650 SF
Parking SF Surface	0 SF	0 SF	0 SF	0 SF	0 SF
Total Parking GSF	17,500 SF	36,400 SF	59,850 SF	105,000 SF	150,150 SF

Source: Interviews with Denver area developers; City

Table 5
Development Cost Assumptions and Budgets
Development Prototypes
CPV Zone District Analysis

	Residential					Residential Condo			Office				
	5-Story	12-Story	20-Story	35-Story	50-Story	5-Story	35-Story	50-Story	5-Story	12-Story	20-Story	35-Story	50-Story
PROTOTYPE ASSUMPTIONS													
Total Residential Units	60	144	240	420	600	50	350	500					
Average Unit Size (Net SF)	708	706	708	708	708	710	707	708					
Residential Net SF	42,450	101,700	169,800	297,200	424,500	36,200	247,500	353,800	0	0	0	0	0
Hotel Rooms	0	0	0	0	0	0	0	0	0	0	0	0	0
Average Hotel Room Size (Net SF)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Net SF (Rentable/Saleable SF)	42,450	106,700	174,800	302,200	429,500	36,200	252,500	358,800	56,000	121,000	197,000	341,000	485,000
Total Gross SF Building Area (Excluding Parking)	53,063	142,267	233,067	402,933	572,667	45,250	336,667	478,400	70,000	151,250	246,250	426,250	606,250
Total Gross SF Building Area (Including Str/Und Parking)	68,813	180,067	296,067	513,333	730,317	63,100	459,317	653,550	87,500	187,650	306,100	531,250	756,400
Underground Parking GSF, First Level	0	37,000	37,000	37,000	37,000	0	37,000	37,000	0	26,100	26,100	26,100	26,100
Underground Parking GSF, Second Level	0	800	26,000	37,000	37,000	0	37,000	37,000	0	10,300	26,400	26,400	26,400
Structured Parking GSF	15,750	0	0	36,400	83,650	17,850	48,650	101,150	17,500	0	7,350	52,500	97,650
Surface/Carage Parking GSF	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Parking Spaces	45	108	180	315	450	51	350	500	50	104	171	300	429
Total Parking GSF	15,750	37,800	63,000	110,250	157,500	17,850	122,500	175,000	17,500	36,400	59,850	105,000	150,150
Site Area (SF)	43,560	43,560	43,560	43,560	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670	32,670
Approximate Building Stories	5 Stories	12 Stories	20 Stories	35 Stories	50 Stories	5 Stories	35 Stories	50 Stories	5 Stories	12 Stories	20 Stories	35 Stories	50 Stories
DEVELOPMENT COST ASSUMPTIONS													
Annual % Reduction in Hard Costs to Start of Constr. (1)	10.7%	17.5%	17.5%	21.8%	21.8%	14.1%	21.8%	21.8%	10.7%	17.5%	17.5%	21.8%	21.8%
Construction and Sales/Stabilization Period (Months)	24 Months	36 Months	36 Months	48 Months	48 Months	30 Months	48 Months	48 Months	24 Months	36 Months	36 Months	48 Months	48 Months
Land Price													
Low Scenario Per Hsg. Unit	\$87,120	\$36,300	\$21,780	\$12,446	\$8,712	\$104,544	\$14,935	\$10,454					
Low Scenario Per Site SF	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120
High Scenario Per Hsg. Unit	\$181,500	\$75,625	\$45,375	\$25,929	\$18,150	\$217,800	\$31,114	\$21,780					
High Scenario Per Site SF	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Current Bldg. Hard Cost/GSF (Including Parking) (2)													
Low Scenario	\$185	\$220	\$250	\$275	\$300	\$300	\$325	\$350	\$200	\$300	\$325	\$350	\$350
High Scenario	\$185	\$220	\$250	\$275	\$300	\$300	\$325	\$350	\$200	\$300	\$325	\$350	\$350
Est. Bldg. Hard Cost/GSF aT Construction Close													
Low Scenario (Used in Pro Forma)	\$167	\$187	\$213	\$226	\$246	\$263	\$267	\$287	\$181	\$255	\$276	\$287	\$287
High Scenario (Used in Pro Forma)	\$167	\$187	\$213	\$226	\$246	\$263	\$267	\$287	\$181	\$255	\$276	\$287	\$287
Tenant Improvements (Per Net SF)													
Low Scenario									\$60	\$60	\$60	\$60	\$60
High Scenario									\$60	\$60	\$60	\$60	\$60
Soft Costs (2) % of Hard Costs													
	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Minimum Return Assumptions													
Cap Rate	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	5.00%	5.00%	5.00%	5.00%	5.00%
Minimum Developer Profit on Land + Improvements (3)	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Equity as a % of TDC	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%

Table 5
Development Cost Assumptions and Budgets
Development Prototypes
CPV Zone District Analysis

	Residential					Residential Condo			Office				
	5-Story	12-Story	20-Story	35-Story	50-Story	5-Story	35-Story	50-Story	5-Story	12-Story	20-Story	35-Story	50-Story
DEVELOPMENT BUDGET													
Low Scenario													
Land Acquisition	\$5,227,000	\$5,227,000	\$5,227,000	\$5,227,000	\$5,227,000	\$5,227,000	\$5,227,000	\$5,227,000	\$3,920,000	\$3,920,000	\$3,920,000	\$3,920,000	\$3,920,000
Hard Construction Costs	\$8,861,000	\$26,604,000	\$49,643,000	\$91,063,000	\$140,876,000	\$11,901,000	\$89,890,000	\$137,301,000	\$12,670,000	\$38,569,000	\$67,965,000	\$122,334,000	\$173,994,000
Tenant Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,360,000	\$7,260,000	\$11,820,000	\$20,460,000	\$29,100,000
Underground Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Above Grade Structured Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
On-Grade Surface Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Soft Costs (2)	\$1,772,200	\$5,320,800	\$9,928,600	\$18,212,600	\$28,175,200	\$2,380,200	\$17,978,000	\$27,460,200	\$3,206,000	\$9,165,800	\$15,957,000	\$28,558,800	\$40,618,800
Total Development Costs, Including Land	\$15,860,200	\$37,151,800	\$64,798,600	\$114,502,600	\$174,278,200	\$19,508,200	\$113,095,000	\$169,988,200	\$23,156,000	\$58,914,800	\$99,662,000	\$175,272,800	\$247,632,800
TDC Per Housing Unit	\$264,337	\$257,999	\$269,994	\$272,625	\$290,464	\$390,164	\$323,129	\$339,976	N/A	N/A	N/A	N/A	N/A
TDC per NSF Rentable/Saleable Area	\$374	\$348	\$371	\$379	\$406	\$539	\$448	\$474	\$414	\$487	\$506	\$514	\$511
TDC per Gross SF, Excluding Parking	\$299	\$261	\$278	\$284	\$304	\$431	\$336	\$355	\$331	\$390	\$405	\$411	\$408
TDC per Gross SF, Including Parking	\$230	\$206	\$219	\$223	\$239	\$309	\$246	\$260	\$265	\$314	\$326	\$330	\$327
Total Development Costs, Excluding Land	\$10,633,200	\$31,924,800	\$59,571,600	\$109,275,600	\$169,051,200	\$14,281,200	\$107,868,000	\$164,761,200	\$19,236,000	\$54,994,800	\$95,742,000	\$171,352,800	\$243,712,800
High Scenario													
Land Acquisition	\$10,890,000	\$10,890,000	\$10,890,000	\$10,890,000	\$10,890,000	\$10,890,000	\$10,890,000	\$10,890,000	\$8,168,000	\$8,168,000	\$8,168,000	\$8,168,000	\$8,168,000
Hard Construction Costs	\$8,861,000	\$26,604,000	\$49,643,000	\$91,063,000	\$140,876,000	\$11,901,000	\$89,890,000	\$137,301,000	\$12,670,000	\$38,569,000	\$67,965,000	\$122,334,000	\$173,994,000
Tenant Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,360,000	\$7,260,000	\$11,820,000	\$20,460,000	\$29,100,000
Underground Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Above Grade Structured Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
On-Grade Surface Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Soft Costs (2)	\$1,772,200	\$5,320,800	\$9,928,600	\$18,212,600	\$28,175,200	\$2,380,200	\$17,978,000	\$27,460,200	\$3,206,000	\$9,165,800	\$15,957,000	\$28,558,800	\$40,618,800
Total Development Costs, Including Land	\$21,523,200	\$42,814,800	\$70,461,600	\$120,165,600	\$179,941,200	\$25,171,200	\$118,758,000	\$175,651,200	\$27,404,000	\$63,162,800	\$103,910,000	\$179,520,800	\$251,880,800
TDC Per Housing Unit	\$358,720	\$297,325	\$293,590	\$286,109	\$299,902	\$503,424	\$339,309	\$351,302	N/A	N/A	N/A	N/A	N/A
TDC per NSF Rentable/Saleable Area	\$507	\$401	\$403	\$398	\$419	\$695	\$470	\$490	\$489	\$522	\$527	\$526	\$519
TDC per Gross SF, Excluding Parking	\$406	\$301	\$302	\$298	\$314	\$556	\$353	\$367	\$391	\$418	\$422	\$421	\$415
TDC per Gross SF, Including Parking	\$313	\$238	\$238	\$234	\$246	\$399	\$259	\$269	\$313	\$337	\$339	\$338	\$333
Total Development Costs, Excluding Land	\$10,633,200	\$31,924,800	\$59,571,600	\$109,275,600	\$169,051,200	\$14,281,200	\$107,868,000	\$164,761,200	\$19,236,000	\$54,994,800	\$95,742,000	\$171,352,800	\$243,712,800

(1) Estimated based on increases in the Mortenson Construction Cost Index for Denver as summarized below and the estimated number of months of construction. Applied to building and parking hard costs.

Quarter/Year	Constr. Cost Index	Months	% Increase
Q2 2018	134		
Q4 2017	126	12	6.3%
Q4 2016	121	24	10.7%
Q4 2015	114	36	17.5%
Q4 2014	110	48	21.8%
Q4 2013	107	60	25.2%

(2) Soft costs include A&E, consultants, construction financing costs, permits and fees, legal, accounting, insurance and developer overhead.

(3) Used in Land Residual Analysis.

Source: DRA.

Table 6
Net Operating Income from Market-Rate Apartments
Residential Prototypes
CPV Zone District Analysis

	5-Story	12-Story	20-Story	35-Story	50-Story
Net Rentable SF of Apartment Space	42,450	101,700	169,800	297,200	424,500
Parking Spaces	45	108	180	315	450
Net Rentable SF of Retail Space	0	5,000	5,000	5,000	5,000
Approximate Building Stories	5 Stories	12 Stories	20 Stories	35 Stories	50 Stories
Number of Apartment Units					
Studio/Loft/Shotgun 1 BR	12	29	48	84	120
One Bedroom	39	94	156	273	390
Two Bedroom	9	21	36	63	90
Three Bedroom	0	0	0	0	0
Total	60	144	240	420	600
Unit Size (Square Feet)					
Studio/Loft/Shotgun 1 BR	550	550	550	550	550
One Bedroom	700	700	700	700	700
Two Bedroom	950	950	950	950	950
Three Bedroom	-	-	-	-	-
Average	708	706	708	708	708
Ave. Mo. Rent Per Sq. Ft.					
	Incr. from 2017 (1) 3.80%				
	\$2.60	\$3.11	\$3.21	\$3.30	\$3.39
Miscellaneous Income (\$/Unit/Year)	\$120	\$120	\$120	\$120	\$120
Rental Vacancy Rate	6.0%	6.0%	6.0%	6.0%	6.0%
	Incr. from 2017 (2) 2.10%				
Rental Operating Cost/Unit	\$5,616	\$7,658	\$7,658	\$7,658	\$7,658
Retail Income (\$/NSF/Year)	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00
Retail Vacancy Rate (% Gross Retail Income)	10%	10%	10%	10%	10%
Retail Operating Cost (% of Gross Retail Income)	40%	40%	40%	40%	40%
Total Monthly Gross Rental Income	\$110,158	\$316,694	\$544,620	\$981,010	\$1,440,863
Annual Gross Income	\$1,321,893	\$3,800,326	\$6,535,439	\$11,772,116	\$17,290,360
Less: Residential Vacancy	(\$79,314)	(\$228,020)	(\$392,126)	(\$706,327)	(\$1,037,422)
Plus: Misc. Income	\$7,200	\$17,280	\$28,800	\$50,400	\$72,000
Plus: Retail Income	\$0	\$160,000	\$160,000	\$160,000	\$160,000
Less: Retail Vacancy	\$0	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)
Adjusted Annual Gross Income	\$1,249,779	\$3,733,586	\$6,316,113	\$11,260,189	\$16,468,939
Operating Costs					
Apartment Operating Costs	(\$336,930)	(\$1,102,680)	(\$1,837,800)	(\$3,216,150)	(\$4,594,500)
Retail Operating Costs	\$0	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)
Net Operating Income	\$912,849	\$2,614,906	\$4,462,313	\$8,028,039	\$11,858,439
NOI Per Net SF	\$21.50	\$25.71	\$26.28	\$27.01	\$27.94

(1) Increase in apartment rents from Q1 2017 to Q1 2018 from Colliers International Metro Denver Multifamily Report, Q1 2018.

(2) Increase in operating costs from 2017 to 2018 from National Apartment Association 2018 Survey of Operating Income & Expenses in Rental Apartment Communities.

Source: DRA

Table 7
Net Sales Proceeds from Market-Rate Condominiums
Residential Prototypes
CPV Zone District Analysis

	5-Story	35-Story	50-Story
Net Saleable SF of Residential Space	36,200	247,500	353,800
Parking Spaces	51	350	500
Net Rentable SF of Retail Space	0	5,000	5,000
Approximate Building Stories	5 Stories	35 Stories	50 Stories
Number of Condominium Units			
Studio/Loft/Shotgun 1 BR	10	70	100
One Bedroom	33	228	325
Two Bedroom	8	52	75
Three Bedroom	0	0	0
Total	51	350	500
Unit Size (Square Feet)			
Studio/Loft/Shotgun 1 BR	550	550	550
One Bedroom	700	700	700
Two Bedroom	950	950	950
Three Bedroom	-	-	-
Average	710	707	708
Ave. Sales Price/Net Sq. Ft. (1)	\$558.00	\$682.00	\$744.00
Sales Costs (% of Sales Prices)	5%	5%	5%
Total Gross Sales Proceeds	\$20,199,600	\$168,795,000	\$263,227,200
Less: Sales Costs	(\$1,009,980)	(\$8,439,750)	(\$13,161,360)
Net Sales Proceeds	\$19,189,620	\$160,355,250	\$250,065,840

(1) Based on sales prices at new condo developments downtown, including the Coloradan and Lakehouse 17.
Source: DRA

Table 8
Net Operating Income from Office Uses
Non-Residential Prototypes
CPV Zone District Analysis

	5-Story	12-Story	20-Story	35-Story	50-Story
<i>Net SF Office</i>	56,000	116,000	192,000	336,000	480,000
<i>Net SF Retail</i>	0	5,000	5,000	5,000	5,000
<i>Total Net SF Non-Residential</i>	56,000	121,000	197,000	341,000	485,000
<i>Parking Spaces</i>	50	104	171	300	429
<i>Approximate Building Stories</i>	5 Stories	12 Stories	20 Stories	35 Stories	50 Stories
OPERATING ASSUMPTIONS					
Office Operating Assumptions					
Annual Rent Per NSF (NNN) (1)	\$43.41	\$44.28	\$45.58	\$46.45	\$47.75
Vacancy Rate	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Expenses (Annual Cost/NSF) (Excluding BID/Met. District costs)	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00
Retail Operating Assumptions					
Annual Rent Per NSF (NNN)	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00
Vacancy Rate	10.0%	10.0%	10.0%	10.0%	10.0%
Operating Expenses (Annual Cost/NSF)	\$13	\$13	\$13	\$13	\$13
Parking Income/Operating Assumptions					
Parking Income (\$/Space/Month)	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Parking Vacancy Rate	0.0%	0.0%	0.0%	0.0%	0.0%
STABILIZED NET OPERATING INCOME					
Annual Gross Office Rental Income	\$2,430,960	\$5,136,271	\$8,751,456	\$15,606,763	\$22,920,480
Annual Gross Retail Rental Income	\$0	\$160,000	\$160,000	\$160,000	\$160,000
Annual Gross Parking Income	\$90,000	\$187,200	\$307,800	\$540,000	\$772,200
Annual Gross Non-Residential Rental Income	\$2,520,960	\$5,483,471	\$9,219,256	\$16,306,763	\$23,852,680
Less: Office Vacancy	(\$243,096)	(\$513,627)	(\$875,146)	(\$1,560,676)	(\$2,292,048)
Less: Retail Vacancy	\$0	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)
Less: Parking Vacancy	\$0	\$0	\$0	\$0	\$0
Adjusted Annual Gross Income	\$2,277,864	\$4,953,844	\$8,328,110	\$14,730,087	\$21,544,632
Less: Office Operating Expenses	(\$728,000)	(\$1,508,000)	(\$2,496,000)	(\$4,368,000)	(\$6,240,000)
Less: Retail Operating Expenses	\$0	(\$65,000)	(\$65,000)	(\$65,000)	(\$65,000)
Less: Parking Operating Expenses	\$0	\$0	\$0	\$0	\$0
Annual Total Net Operating Income	\$1,549,864	\$3,380,844	\$5,767,110	\$10,297,087	\$15,239,632
Net Operating Income Per NSF	\$27.68	\$27.94	\$29.27	\$30.20	\$31.42

(1) Based on data from Cushman & Wakefield Marketbeat Denver CBD Office Q3 2018.
Source: DRA.

Table 9
Affordable and Market Rate Units: Rental Housing Prototypes with Height Incentives
 CPV Zone District Analysis

Incentive Floor Area Multiplier: 6

Base Height Incentive Height	Residential Apartment				
	5-Story	5-Story	5-Story	5-Story	5-Story
	12-Story	16-Story	20-Story	35-Story	50-Story
Total Site Area (Acre)	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres	1.00 Acres
Total Site Area (SF)	43,560	43,560	43,560	43,560	43,560
Base Height Project Characteristics					
Total Residential Units	60	60	60	60	60
Gross SF Residential	53,063 SF	53,063 SF	53,063 SF	53,063 SF	53,063 SF
Incentive Height Project Characteristics					
Total Residential Units	144	360	240	420	600
Gross SF Residential	135,600 SF	339,600 SF	226,400 SF	396,267 SF	566,000 SF
Total Units by Bedroom Count Distribution					
Studio/Loft/Shotgun 1 BR	29	72	48	84	120
One Bedroom	94	234	156	273	390
Two Bedroom	21	54	36	63	90
Three Bedroom	0	0	0	0	0
Affordable Units Required Units/1000 GSF					
Total Floor Area	2	6	4	7	10
Incentive Floor Area	8	29	17	35	52
Total Affordable Units	10	35	21	42	62
Unit Bedroom Count Distribution					
Studio/Loft	20%	20%	20%	20%	20%
One Bedroom	65%	65%	65%	65%	65%
Two Bedroom	15%	15%	15%	15%	15%
Three Bedroom	0%	0%	0%	0%	0%
Affordable Units by Bedroom Count					
Studio/Loft	2	7	4	8	12
One Bedroom	6	23	14	27	40
Two Bedroom	2	5	3	6	9
Three Bedroom	0	0	0	0	0
Total Affordable Units	10	35	21	41	61
Market Units					
Studio/Loft	27	65	44	76	108
One Bedroom	88	211	142	246	350
Two Bedroom	19	49	33	57	81
Three Bedroom	0	0	0	0	0
Total Market Units	134	325	219	379	539

Source: City of Denver; DRA

Table 10
Affordable Rents: Mid- and High-Rise Rental Housing Prototypes with Incentive
CPV Zone District Analysis

Assumptions

HUD Median Household Income, Denver, 2018	\$89,900
Affordable Housing Expense As a % of Income	30%

No. of Bedrooms	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Household Size	1.0 Persons	1.5 Persons	3.0 Persons	4.5 Persons	6.0 Persons
Household Size Income Adjust. Factor	70%	75%	90%	104%	116%
Renter Utility Allowance, City of Denver (2)					
Mid-Rise/High-Rise (5+ Stories)	\$53	\$66	\$80	\$93	\$106

	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
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Affordability Gap Calculations

30% of Median

Annual Income Limit	\$18,879	\$20,228	\$24,273	\$28,049	\$31,285
Affordable Monthly Housing Expense	\$472	\$506	\$607	\$701	\$782
Less: Monthly Utility Allowance	(\$53)	(\$66)	(\$80)	(\$93)	(\$106)
Affordable Monthly Rent	\$419	\$440	\$527	\$608	\$676

60% of Median

Annual Income Limit	\$37,758	\$40,455	\$48,546	\$56,098	\$62,570
Affordable Monthly Housing Expense	\$944	\$1,011	\$1,214	\$1,402	\$1,564
Less: Monthly Utility Allowance	(\$53)	(\$66)	(\$80)	(\$93)	(\$106)
Affordable Monthly Rent	\$891	\$945	\$1,134	\$1,309	\$1,458

80% of Median

Annual Income Limit	\$50,344	\$53,940	\$64,728	\$74,797	\$83,427
Affordable Monthly Housing Expense	\$1,259	\$1,349	\$1,618	\$1,870	\$2,086
Less: Monthly Utility Allowance	(\$53)	(\$66)	(\$80)	(\$93)	(\$106)
Affordable Monthly Rent	\$1,206	\$1,283	\$1,538	\$1,777	\$1,980

120% of AMI

Annual Income Limit	\$75,516	\$80,910	\$97,092	\$112,195	\$125,141
Affordable Monthly Housing Expense	\$1,888	\$2,023	\$2,427	\$2,805	\$3,129
Less: Monthly Utility Allowance	(\$53)	(\$66)	(\$80)	(\$93)	(\$106)
Affordable Monthly Rent	\$1,835	\$1,957	\$2,347	\$2,712	\$3,023

Summary of Affordable Rents

	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
30% of Median	\$419	\$440	\$527	\$608
60% of Median	≥ Monthly Rent	\$891	\$945	\$1,134
80% of Median	≥ Monthly Rent	\$1,206	\$1,283	\$1,538
120% of Median	≥ Monthly Rent	\$1,835	\$1,957	\$2,347

(1) Source: Denver Housing Authority, effective January 1, 2018.

Assumes tenant pays gas heating, water heating, and cooking and other electric.

Source: DRA

Table 11
Affordable Rental Income: Rental Housing Prototypes with Incentive
 CPV Zone District Analysis

Base Height Incentive Height	5-Story 12-Story	5-Story 20-Story	5-Story 35-Story	5-Story 50-Story
Mo. Per Unit Affordable Rents by Income Level 80% of AMI	High Rise	High Rise	High Rise	High Rise
Studio/Loft	\$1,206	\$1,206	\$1,206	\$1,206
One Bedroom	\$1,283	\$1,283	\$1,283	\$1,283
Two Bedroom	\$1,538	\$1,538	\$1,538	\$1,538
Three Bedroom	\$1,777	\$1,777	\$1,777	\$1,777
Number of Affordable Units				
Studio/Loft	2	4	8	12
One Bedroom	6	14	27	40
Two Bedroom	2	3	6	9
Three Bedroom	-	-	-	-
Total Affordable Units	10	21	41	61
Monthly Gross Income				
Studio/Loft	\$2,412	\$4,824	\$9,648	\$14,472
One Bedroom	\$7,698	\$17,962	\$34,641	\$51,320
Two Bedroom	\$3,076	\$4,614	\$9,228	\$13,842
Three Bedroom	\$0	\$0	\$0	\$0
Total Gross Income from Affordable Units	\$13,186	\$27,400	\$53,517	\$79,634

Source: DRA

Table 12
Net Operating Income: Prototypes with Height Incentives
Prototypes with Height Incentives
CPV Zone District Analysis

Base Height Incentive Height	5-Story 12-Story	5-Story 20-Story	5-Story 35-Story	5-Story 50-Story
Net Rentable SF of Apartment Space	101,700	169,800	297,200	424,500
Net Rentable SF of Retail Space	5,000	5,000	5,000	5,000
Total Housing Units with Incentive				
Studio/Loft	29	48	84	120
One Bedroom	94	156	273	390
Two Bedroom	21	36	63	90
Three Bedroom	0	0	0	0
Total Housing Units	144	240	420	600
Average Unit Size (SF)				
Studio/Loft	550	550	550	550
One Bedroom	700	700	700	700
Two Bedroom	950	950	950	950
Three Bedroom	-	-	-	-
Average	706	706	708	706
Net Rentable SF of Retail Space	5,000	5,000	5,000	5,000
Ave. Monthly Market Rent Per SF	\$3.11	\$3.21	\$3.30	\$3.39
Ave. Monthly Market Rent Per Unit	\$2,199	\$2,265	\$2,335	\$2,397
Affordable and Market Units				
Total Market Units	134	219	379	539
Total Affordable Units	10	21	41	61
Miscellaneous Income (\$/Unit/Year)	\$120	\$120	\$120	\$120
Rental Vacancy Rate	6.0%	6.0%	6.0%	6.0%
Rental Operating Cost/Unit (2)				
Low Scenario	\$7,658	\$7,658	\$7,658	\$7,658
High Scenario	\$7,658	\$7,658	\$7,658	\$7,658
Retail Income (\$/NSF/Year)				
Low Scenario	\$32.00	\$32.00	\$32.00	\$32.00
High Scenario	\$32.00	\$32.00	\$32.00	\$32.00
Retail Vacancy Rate (% Gross Retail Income)	10%	10%	10%	10%
Retail Operating Cost (% of Gross Retail Income)	40%	40%	40%	40%
Monthly Gross Rental Income, Market Rate Units	\$294,701	\$496,088	\$885,095	\$1,292,089
Monthly Gross Rental Income, Affordable Units	\$13,186	\$27,400	\$53,517	\$79,634
Total Monthly Gross Rental Income	\$307,887	\$523,488	\$938,612	\$1,371,723
Annual Gross Income	\$3,694,646	\$6,281,852	\$11,263,350	\$16,460,673
Less: Residential Vacancy	(\$221,679)	(\$376,911)	(\$675,801)	(\$987,640)
Plus: Misc. Income	\$17,280	\$28,800	\$50,400	\$72,000
Plus: Retail Income	\$160,000	\$160,000	\$160,000	\$160,000
Less: Retail Vacancy	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)
Adjusted Annual Gross Income	\$3,634,247	\$6,077,741	\$10,781,949	\$15,689,032
Operating Costs				
Apartment Operating Costs	(\$1,102,680)	(\$1,837,800)	(\$3,216,150)	(\$4,594,500)
Retail Operating Costs	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)
Net Operating Income	\$2,467,567	\$4,175,941	\$7,501,799	\$11,030,532
NOI Per Net SF	\$24.26	\$24.59	\$25.24	\$25.98

Source: DRA

Table 13
Affordable Sales Income: Condo Prototypes with Incentive
 CPV Zone District Analysis

Base Height Incentive Height	5-Story 35-Story	5-Story 50-Story
Affordable Sales Prices (1) 80% of AMI	High Rise	High Rise
Studio/Loft	\$176,181	\$176,181
One Bedroom	\$187,553	\$187,553
Two Bedroom	\$232,167	\$232,167
Three Bedroom	\$262,816	\$262,816
Sales Costs	5%	5%
Number of Affordable Units		
Studio/Loft	7	10
One Bedroom	23	33
Two Bedroom	5	8
Three Bedroom	-	-
Total Affordable Units	35	51
Gross Sales Income		
Studio/Loft	\$1,233,267	\$1,761,810
One Bedroom	\$4,313,719	\$6,189,249
Two Bedroom	\$1,160,835	\$1,857,336
Three Bedroom	\$0	\$0
Total Gross Income from Affordable Units	\$6,707,821	\$9,808,395
Less: Sales Costs	(\$335,391)	(\$490,420)
Net Sales Income from Affordable Units	\$6,372,430	\$9,317,975

(1) Source: City of Denver Office of Economic Development 2018 maximum sales prices for households at 80% of AMI.

Source: DRA

Table 14
Net Condo Sales Proceeds: Prototypes with Height Incentives
Residential Prototypes
CPV Zone District Analysis

	35-Story	50-Story
Net Rentable SF of Residential Space	247,500	353,800
Parking Spaces	350	500
Net Rentable SF of Retail Space	5,000	5,000
Approximate Building Stories	35 Stories	50 Stories
Number of Condo Units		
Studio/Loft/Shotgun 1 BR	70	100
One Bedroom	228	325
Two Bedroom	52	75
Three Bedroom	0	0
Total	350	500
Unit Size (Square Feet)		
Studio/Loft/Shotgun 1 BR	550	550
One Bedroom	700	700
Two Bedroom	950	950
Three Bedroom	-	-
Average	707	708
Total Market-Rate Units	315	449
Total Affordable Units	35	51
Total Market-Rate SF	222,750	317,668
Total Affordable Net SF	24,750	36,083
Ave. Sales Price/Net Sq. Ft.	\$682.00	\$744.00
Condo Sales Costs (% of Sales Prices)	5%	5%
Gross Sales Proceeds, Market Rate Units	\$151,915,500	\$236,344,620
Gross Sales Proceeds, Affordable Unit	\$6,707,821	\$9,808,395
Total Gross Sales Proceeds	\$158,623,321	\$246,153,015
Less: Sales Costs	(\$7,931,166)	(\$12,307,651)
Net Sales Proceeds	\$150,692,155	\$233,845,364
Net Sales Proceeds Per Net SF	\$608.86	\$660.95

Source: DRA

Table 15
Land Residual Analysis: Base Height Prototypes
CPV Zone District Analysis

	Rental Residential	Owner Residential	Office
	5-Story	5-Story	5-Story
<i>Residential Units</i>	60	60	-
<i>Residential Net SF</i>	42,450	42,450	-
<i>Site Area (SF)</i>	43,560	43,560	32,670
<i>Total Net SF</i>	42,450	42,450	56,000
Total Gross SF (Excluding Parking)	53,063	53,063	70,000
<i>Approximate Building Stories</i>	5 Stories	5 Stories	5 Stories
Assumed Land Value/SF Site Area			
Low Scenario	\$120	\$120	\$120
High Scenario	\$250	\$250	\$250
Total Annual Net Operating Income, Rental	\$912,849		\$1,549,864
NOI Per NSF	\$21.50		\$27.68
Cap Rate	4.60%		5.00%
Market Value			
Total Annual Net Operating Income, Rental	\$19,844,553	\$19,189,620	\$30,997,280
Per NSF	\$467	\$452	\$554
Citywide Nexus Fee at Fee Level of:			
Fee of \$1.55 Per GSF Residential	\$82,247	\$82,247	
Fee of \$1.76 Per GSF Office			\$123,200
Less: Total Development Cost, Excluding Land	\$10,715,447	\$10,715,447	\$19,359,200
Per NSF	\$252	\$252	\$346
Less: Assumed Return on Cost+Land @:	\$2,588,420	\$2,502,994	\$4,043,123
Residual Land Value	\$6,540,686	\$5,971,179	\$7,594,957
Per NSF	\$150.15	\$137.08	\$232.47

Source: DRA.

Table 16

Land Residual Analysis: Prototypes with Incentives
 CPV Zone District Analysis

Incentive Floor Area Multiplier: 6

	Rental Residential				Owner Residential		Office			
Base Height	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Incentive Height	12-Story	20-Story	35-Story	50-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
Base Height Project Characteristics										
Residential Units	60	60	60	60	50	50	-	-	-	-
Residential Net SF	42,450	42,450	42,450	42,450	36,200	36,200	-	-	-	-
Site Area (SF)	43,560	43,560	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670
Total Net SF	42,450	42,450	42,450	42,450	36,200	36,200	56,000	56,000	197,000	197,000
Total Gross SF (Excluding Parking)	53,063	53,063	53,063	53,063	45,250	45,250	70,000	70,000	246,250	246,250
Parking Spaces	45 Spaces	45 Spaces	45 Spaces	45 Spaces	51 Spaces	51 Spaces	230 Spaces	230 Spaces	104 Spaces	230 Spaces
Approximate Building Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories
Incentive Height Project Characteristics										
Residential Units	144	240	420	600	350	500	-	-	-	-
Residential Net SF	101,700	169,800	297,200	424,500	247,500	353,800	-	-	-	-
Site Area (SF)	43,560	43,560	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670
Total Net SF	106,700	174,800	302,200	429,500	252,500	358,800	121,000	197,000	341,000	485,000
Total Gross SF (Excluding Parking)	142,267	233,067	402,933	572,667	336,667	478,400	151,250	246,250	426,250	606,250
Parking Spaces	108 Spaces	180 Spaces	315 Spaces	450 Spaces	350	500	104 Spaces	171 Spaces	300 Spaces	429 Spaces
Approximate Building Stories	12 Stories	20 Stories	35 Stories	50 Stories	35	50	12 Stories	20 Stories	35 Stories	50 Stories
Assumed Land Value/SF Site Area										
Low Scenario	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120	\$120
High Scenario	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Total Annual Net Operating Income	\$2,467,567	\$4,175,941	\$7,501,799	\$11,030,532	\$3,380,844	\$5,767,110	\$3,380,844	\$5,767,110	\$10,297,087	\$15,239,632
NOI Per NSF	\$23.13	\$23.89	\$24.82	\$25.68	\$27.94	\$29.27	\$27.94	\$29.27	\$22.79	\$29.27
Cap Rate										
	4.60%	4.60%	5.00%	5.00%			5.00%	5.00%	5.00%	5.00%
Minum Return on Equity	15.00%	15.00%	15.00%	15.00%			15.00%	15.00%	15.00%	15.00%
Capitalized Market Value/Net Sales Proceeds										
Market Value (Capitalized Value or Sales Rev.)	\$53,642,768	\$90,781,317	\$150,035,978	\$220,610,644	\$150,692,155	\$233,845,364	\$67,616,882	\$115,342,208	\$205,941,738	\$304,792,640
Per NSF	\$503	\$519	\$496	\$514	\$597	\$652	\$559	\$585	\$604	\$628
Citywide Fee on Total Floor Area										
Fee of \$1.76 Per GSF Office							\$266,200	\$433,400	\$750,200	\$1,067,000
Incentive Fee on Additional Height										
Fee of \$10.56 Per GSF Office							\$858,000	\$1,861,200	\$1,900,800	\$3,801,600
Less: Total Development Cost, Excluding Land	\$31,924,800	\$59,571,600	\$109,275,600	\$169,051,200	\$107,868,000	\$164,761,200	\$56,119,000	\$98,036,600	\$174,003,800	\$248,581,400
Per NSF	\$299	\$341	\$362	\$394	\$427	\$459	\$464	\$498	\$510	\$513
Assumed Return on Cost+Land @:										
	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Less: Assumed Return on Cost+Land @:	\$6,996,883	\$11,841,041	\$19,569,910	\$28,775,301	\$19,655,498	\$30,501,569	\$8,819,593	\$15,044,636	\$26,861,966	\$39,755,562
Residual Land Value	\$14,721,085	\$19,368,676	\$21,190,468	\$22,784,142	\$23,168,656	\$38,582,595	\$2,678,288	\$2,260,972	\$5,075,972	\$16,455,678
Per NSF	\$337.95	\$444.64	\$486.47	\$523.05	\$531.88	\$885.73	\$81.98	\$69.21	\$155.37	\$503.69

Source: DRA.

Table 17
Return on Equity Analysis: Base Height Prototypes
CPV Zone District Analysis

	Rental Residential	Office
	5-Story	5-Story
<i>Residential Units</i>	60	-
<i>Residential Net SF</i>	42,450	-
<i>Site Area (SF)</i>	43,560	32,670
<i>Total Net SF</i>	42,450	56,000
Total Gross SF (Excluding Parking)	53,063	70,000
<i>Approximate Building Stories</i>	5 Stories	5 Stories
Total Annual Net Operating Income, Rental Pro	\$912,849	\$1,549,864
NOI Per NSF	\$21.50	\$27.68
Cap Rate	4.60%	5.00%
Equity Investment Assumptions		
Equity as a % of TDC	30%	30%
Assumed Investment Period (Months)	24	24
Capitalized Value of Rental Prototypes	\$19,844,553	\$30,997,280
Per NSF	\$467	\$554
Citywide Nexus Fee at Fee Level of:		
Fee of \$1.55 Per GSF Residential	\$82,247	
Fee of \$1.76 Per GSF Office		\$123,200
Less: Total Development Cost, Including Land		
No Fee		
Low Land Cost Scenario	\$15,860,200	\$23,156,000
Per NSF	\$374	\$414
High Land Cost Scenario	\$21,523,200	\$27,404,000
Per NSF	\$507	\$489
With Citywide Nexus Fee		
Less: Total Development Cost, Including Land		
Low Land Cost Scenario	\$15,942,447	\$23,279,200
Per NSF	\$376	\$416
High Land Cost Scenario	\$21,605,447	\$27,527,200
Per NSF	\$509	\$492
Net Profit		
Low Land Cost Scenario	\$3,902,106	\$7,718,080
High Land Cost Scenario	\$3,641,625	\$3,470,080
Equity Investment		
Low Land Cost Scenario	\$4,782,734	\$6,983,760
High Land Cost Scenario	\$6,481,634	\$8,258,160
First Mortgage Debt	\$11,159,713	\$16,295,440
Low Land Cost Scenario	\$15,123,813	\$19,269,040
High Land Cost Scenario		
Annual Debt Service 5% 30 Yrs		
Low Land Cost Scenario	\$718,893	\$1,049,729
High Land Cost Scenario	\$974,255	\$1,241,284
Net Cash Flow		
Low Land Cost Scenario	\$193,956	\$500,135
High Land Cost Scenario	\$187,111	\$308,580
Annual Return on Equity		
Low Land Cost Scenario	4.06%	7.16%
High Land Cost Scenario	2.89%	3.74%

(1) Return on equity measured as annual net cash flow divided by the estimated equity investment.

Source: DRA.

Table 18

Return on Equity Analysis: Prototypes with Height Incentives
 CPV Zone District Analysis

Incentive Floor Area Multiplier: 6

Base Height	Residential Apartment				Office			
	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story	5-Story
Incentive Height	12-Story	20-Story	35-Story	50-Story	12-Story	20-Story	35-Story	50-Story
Base Height Project Characteristics								
Residential Units	60	60	60	60	-	-	-	-
Residential Net SF	42,450	42,450	42,450	42,450	-	-	-	-
Site Area (SF)	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670
Total Net SF	42,450	42,450	42,450	42,450	56,000	56,000	56,000	56,000
Total Gross SF (Excluding Parking)	53,063	53,063	53,063	53,063	70,000	70,000	70,000	70,000
Approximate Building Stories	5 Stories	5 Spaces	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories	5 Stories
Incentive Height Project Characteristics								
Residential Units	144	240	420	600	-	-	-	-
Residential Net SF	101,700	169,800	297,200	424,500	-	-	-	-
Site Area (SF)	43,560	43,560	43,560	43,560	32,670	32,670	32,670	32,670
Total Net SF	106,700	174,800	302,200	429,500	121,000	197,000	341,000	485,000
Parking Spaces	108 Spaces	180 Spaces	315 Spaces	450 Spaces	104 Spaces	171 Spaces	300 Spaces	429 Spaces
Approximate Building Stories	12 Stories	20 Stories	35 Stories	50 Stories	12 Stories	20 Stories	35 Stories	50 Stories
Total Annual Net Operating Income								
Total Annual Net Operating Income	\$2,467,567	\$4,175,941	\$7,501,799	\$11,030,532	\$3,380,844	\$5,767,110	\$10,297,087	\$15,239,632
NOI Per NSF	\$23.13	\$23.89	\$24.82	\$25.68	\$27.94	\$27.94	\$22.79	\$27.94
Cap Rate	4.60%	4.60%	4.60%	4.60%	5.00%	5.00%	5.00%	5.00%
Equity Investment Assumptions								
Equity as a % of TDC	30%	30%	30%	30%	30%	30%	30%	30%
Assumed Investment Period (Months)	36	36	48	48	36	36	36	36
Capitalized Value or Net Sales Proceeds								
Per NSF	\$53,642,768	\$90,781,317	\$163,082,584	\$239,794,178	\$67,616,882	\$115,342,208	\$205,941,738	\$304,792,640
Per NSF	\$503	\$519	\$540	\$558	\$559	\$559	\$456	\$559
Citywide Fee on Total Floor Area								
Fee of \$1.76 Per GSF Office					\$212,960	\$212,960	\$371,800	\$212,960
Incentive Fee on Additional Height								
Fee of \$10.56 Per GSF Office					\$538,560	\$1,341,120	\$2,861,760	\$4,382,400
Less: Total Development Cost, Including Land								
Low Land Cost Scenario	\$37,151,800	\$64,798,600	\$114,502,600	\$174,278,200	\$59,666,320	\$101,216,080	\$178,506,360	\$252,228,160
Per NSF	\$348	\$371	\$379	\$406	\$493	\$493	\$349	\$493
High Land Cost Scenario	\$42,814,800	\$70,461,600	\$120,165,600	\$179,941,200	\$63,914,320	\$105,464,080	\$182,754,360	\$256,476,160
Per NSF	\$401	\$403	\$398	\$419	\$528	\$528	\$365	\$528
Net Profit								
Low Land Cost Scenario	\$16,490,968	\$25,982,717	\$48,579,984	\$65,515,978	\$7,950,562	\$14,126,128	\$27,435,378	\$52,564,480
High Land Cost Scenario	\$16,850,123	\$26,618,711	\$26,423,451	\$57,915,103	\$3,702,562	\$5,377,379	\$10,060,194	\$18,311,488
Equity Investment								
Low Land Cost Scenario	\$11,145,540	\$19,439,580	\$34,350,780	\$52,283,460	\$17,899,896	\$30,364,824	\$53,551,908	\$75,668,448
High Land Cost Scenario	\$12,844,440	\$21,138,480	\$36,049,680	\$53,982,360	\$19,174,296	\$31,639,224	\$54,826,308	\$76,942,848
First Mortgage Debt								
Low Land Cost Scenario	\$26,006,260	\$45,359,020	\$80,151,820	\$121,994,740	\$41,766,424	\$70,851,256	\$124,954,452	\$176,559,712
High Land Cost Scenario	\$29,970,360	\$49,323,120	\$84,115,920	\$125,958,840	\$43,988,504	\$72,270,776	\$124,694,492	\$174,937,952
Annual Debt Service 5% 30 Yrs								
Low Land Cost Scenario	\$1,675,287	\$2,921,964	\$5,163,268	\$7,858,730	\$2,690,534	\$4,564,138	\$8,049,390	\$11,373,729
High Land Cost Scenario	\$1,930,648	\$3,177,326	\$5,418,629	\$8,114,091	\$2,833,678	\$4,655,582	\$8,032,644	\$11,269,257
Annual Net Cash Flow								
Low Land Cost Scenario	\$792,281	\$1,253,976	\$2,338,531	\$3,171,802	\$690,310	\$1,202,972	\$2,247,697	\$3,865,903
High Land Cost Scenario	\$813,938	\$1,288,368	\$1,324,467	\$2,827,298	\$547,166	\$886,491	\$1,608,084	\$2,470,125
Annual Return on Equity								
Low Land Cost Scenario	7.11%	6.45%	6.81%	6.07%	3.86%	3.96%	4.20%	5.11%
High Land Cost Scenario	6.34%	6.09%	3.67%	5.24%	2.85%	2.80%	2.93%	3.21%

(1) Return on equity measured as annual net cash flow divided by the estimated equity investment.

Source: DRA.