



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

MEMORANDUM

**To:** Pleasant Hill BART Station Leasing Authority (JPA)

**From:** Keyser Marston Associates, Inc. (KMA)

**Date:** November 12, 2014

**Subject:** Block C Condominium Feasibility Analysis

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In furtherance of our work with the Pleasant Hill BART Station Leasing Authority (JPA), Keyser Marston Associates, Inc. (KMA) has undertaken a preliminary assessment of the potential for residential condominium development on Block C at Contra Costa Centre. The assessment is considered preliminary because project planning is at a conceptual stage only and many requisite technical studies have not been performed. Nonetheless, the analysis is considered to be at a level sufficient to inform basic land use decisions.

In summary and as further described in this memorandum, KMA has determined that development of high density residential condominiums on Block C is not feasible today and will likely remain so for the foreseeable future. The existing market data and development economics for a high density, prevailing wage condominium project indicate that, even for this premium BART location, it would be difficult to attract a reputable and experienced condominium developer to undertake the high quality project that is expected for this site. In practical terms, staying with a for-sale condo project on Block C would result in a delay of construction start for reasons not limited to financial feasibility. The following steps would be needed before construction of Block C could begin: (1) BART and the County would need to authorize a new developer RFQ (if a new developer is desired), (2) a new developer is selected, (3) new business terms are negotiated, (4) project approvals are obtained, (5) construction documents are prepared, and (6) project financing and construction contracts are finalized.

The following are the key factors influencing the financial feasibility conclusions:

- The local apartment market still produces superior economic returns than condominiums, as exhibited in part by the much larger number of new apartments being built than condos as well as the fact that many condominium units in the market today continue to be rented rather than sold.

- The proposed project will be more costly to build than the vast majority of market rate condominium projects in the East Bay due to a combination of: (1) the subterranean parking and (2) the prevailing wage requirement.
- Building a large number of condominiums (100-150) in a single phase project involves a high level of risk that many suburban developers will shy away from based on today's market conditions.
- Condominium prices are not high enough to support financial feasibility for the Block C project and price appreciation going forward will be constrained by factors such as rising mortgage interest rates, slow growth of household incomes, and the inventory of unsold (rented) condo units in the market.

## **I. Background**

Block C is an approximately 1.61-acre vacant land parcel located in Contra Costa Centre in unincorporated Contra Costa County, straddling the border of Pleasant Hill and Walnut Creek. The site is immediately adjacent to the southern entrance to the Pleasant Hill BART station and immediately north of the initial phase of the mixed-use Transit Village project built by AvalonBay Apartment Communities under a ground lease with the JPA. Block C is owned by BART and development of the site falls under the jurisdiction of the JPA, whose members are BART and Contra Costa County.

Under the original agreement between the JPA and AvalonBay, entered into in December 2005, Block C was intended to be developed with an approximately 100-unit for-sale residential condominium development. The original condo project plan, with a residential density of 62 units per acre, featured four levels of condo flats, a small number of two-story units, a 1 ½ level subterranean parking garage, and a small retail/civic space on the ground floor (for reference, the original plans for the 100-unit condo project are included in Appendix A). As further explained in Section III of this memorandum, this feasibility analysis also considers a 150-unit alternative to assess the extent to which additional units improves financial feasibility.

In large part due to the onset of the recession in 2008 and the resulting severe decline in home prices, the planned condominium project did not proceed. More recently, AvalonBay has proposed developing Block C with rental apartments rather than the condominiums originally planned and to increase the number of units from 100 to 200. These changes were made in order to improve the economics of the project and to generate a fair return on BART's land. BART and Contra Costa County are considering the change from condominiums to apartments and the increase in building density in

order to ensure that a developer is on board in the near term and is contractually obligated to proceed with developing this next phase of the Transit Village project<sup>1</sup>. It is the shared goal of BART and the County to develop Block C with a high density residential project as soon as possible.

In recognition of the fact that Block C was originally intended to be developed with condominiums, the JPA has requested that KMA assess the local condominium market in order to determine whether it would be financially feasible to proceed with a high density condo project rather than the apartment project being discussed with AvalonBay.

## **II. Overview of Multi-family Residential Market**

### *a) Condominium Market*

In 2005 when the agreement between the JPA and AvalonBay was entered into, market conditions were favorable for condominium development. Higher density multi-family developments requiring structured parking garages were being developed in San Francisco and in select East Bay locations. Local projects that were developed at or around that time included the Mercer and Montecito projects in downtown Walnut Creek and Renaissance Phase I in downtown Concord. Some of the units in those projects were initially rented rather than sold due to the decline in home prices from the recession. In fact, given the continued strength of the rental market, the developers of some condominium projects are electing to continue to rent units rather than sell them. As one example, public records indicate that nearly half of the condo units in the 555 YVR project in Walnut Creek (discussed further in Section III) have never been sold and instead are being rented<sup>2</sup>.

The 2008 recession brought with it a severe decline in home values throughout the Bay Area. As can be seen in the following Figure 1, median home values in Walnut Creek and Pleasant Hill declined dramatically between 2006 and 2011. The prices have been on the rise since 2012<sup>3</sup>.

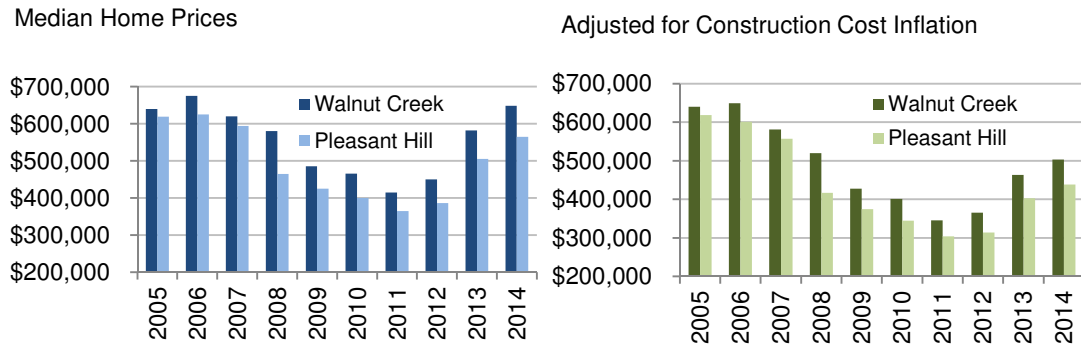
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<sup>1</sup> As was the case for the Phase 1 project, the Block C DDA would require AvalonBay to adhere to specific predevelopment and construction milestones pursuant to a schedule of performance.

<sup>2</sup> Additionally, public records indicate that the homeowners of well over 50% of the units in several condominium projects around Contra Costa Centre do not occupy the units as their principal place of residence.

<sup>3</sup> Median home prices include single family homes as well as condominiums. The data for condos alone is more susceptible to statistical anomalies from year to year because of the relatively small sample size. Data from the Contra Costa Association of Realtors indicates that, county-wide, the condo market experienced a similar price trend as the larger market as shown in Figure 1.

**Figure 1. Median Home Prices**



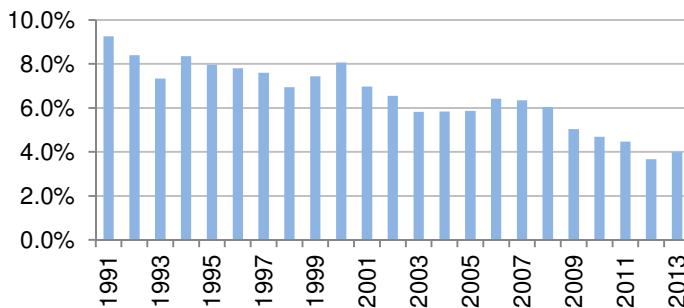
Source: Dataquick; construction cost inflation based on ENR Building Cost Index

Although median home prices in these cities are now close to their pre-recession highs, construction costs have also been increasing. When home prices are adjusted for construction cost inflation, the home prices are still well below their pre-recession highs (also shown in Figure 1). Over the past ten years, construction cost inflation in the San Francisco Bay Area has averaged approximately 3.7% per year<sup>4</sup>.

Another factor contributing to the recent rise in home values has been low mortgage interest rates, which are now hovering close to 4% for a 30-year fixed rate mortgage. As recently as 2000, 30-year fixed mortgage interest rates were at 8%. An increase in interest rates, which many economists expect to occur gradually going forward, would have the effect of putting downward pressure on home prices.

**Figure 2. 30-Year Fixed Mortgage Rates**

Freddie Mac



A related issue to mortgage interest rates is that mortgage financing standards have become stricter in the post-recession era, including higher credit and income requirements. The ability to obtain mortgage financing also affects the down payment that is needed to purchase a home. Assuming a 20% down payment, a condominium

<sup>4</sup> Source: Engineering News Record (ENR) Building Cost Index.

priced in the \$650,000 to \$700,000 range would require a \$130,000 to \$140,000 down payment. Prospective homebuyers often find that the down payment requirements are a more significant challenge than affording the mortgage itself.

The increasing home prices in the East Bay have resulted in new home construction, however most recent new for-sale residential development in Contra Costa County has been single family detached homes or lower density attached homes such as townhouses. These products yield overall residential densities of no more than 25 to 30 dwelling units per acre, far lower than the 62 units per acre that is required to develop 100 units on Block C. The higher densities envisioned for Block C are achieved by doing the following<sup>5</sup>:

- Building smaller units;
- Stacking units on top of one another;
- Providing parking in a common garage and, in the case of Block C, placing the garage underground;
- Not providing some amenities common to many residential developments such as a swimming pool and clubhouse.

All of these factors have important implications for project feasibility, which is described further in Section III of this memorandum.

*b) Apartment Market*

For the last several years the rental apartment market has been the strongest real estate sector in the Bay Area. Paired with rising rents and stable occupancy rates, the apartment sector has attracted significant investment resulting in tens of thousands of new units being developed in San Francisco, the Peninsula, Silicon Valley, and more recently, the East Bay. Nearby examples of higher density apartment projects in the development pipeline are listed in the following table. All of these projects include stacked flat units and structured parking garages. By comparison, there are few high density condo projects in the development pipeline and those projects are generally smaller<sup>6</sup>.

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<sup>5</sup> Another factor impacting the efficient layout of Block C is the site's irregular (triangular) share.

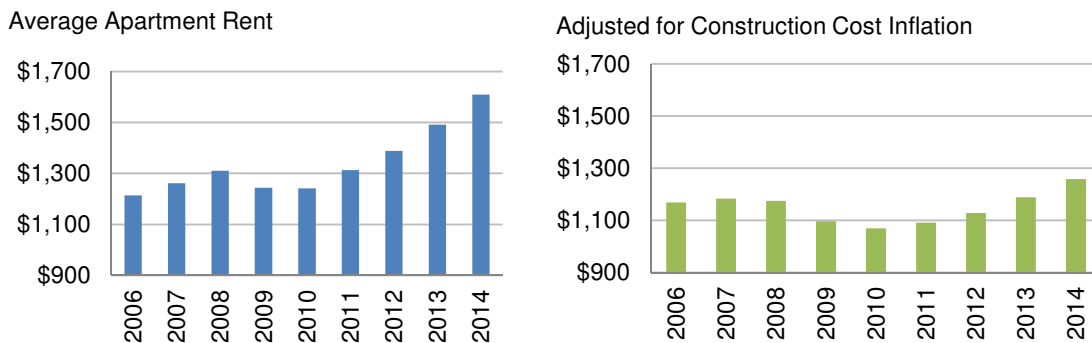
<sup>6</sup> The two largest condo projects in the development pipeline are The Village Mixed Use condo project in downtown Walnut Creek (49 units) and Town Center III condos in downtown Lafayette (72 units). It is also notable that as of the time of this writing, the developer of the Village project had not actually decided if the project's residential units would be initially sold or rented (the project is mapped for condos but could initially be rented if the developer so chose).

Figure 3. Pipeline Apartment Projects (partial list)	Units	Developer	Status
BRIO Apartment Community, Walnut Creek	300	SummerHill	In construction
The Arroyo Apartments, Walnut Creek	100	Hall Equities	In construction
North Main Apartments, Walnut Creek	126	Mill Creek	In construction
Walnut Creek BART Transit Village	596	BRE/Essex	Approved
Renaissance Phase 2, Concord	179	Fairfield	Approved
The Landing at Walnut Creek	178	CenterStreet	Under Review

Source: Pipeline Project reports for cities of Walnut Creek and Concord

Apartment rents have seen a dramatic rise beginning in 2010. As shown on the following charts, unlike median home prices, current rents are above pre-recession levels even when adjusted for construction cost inflation.

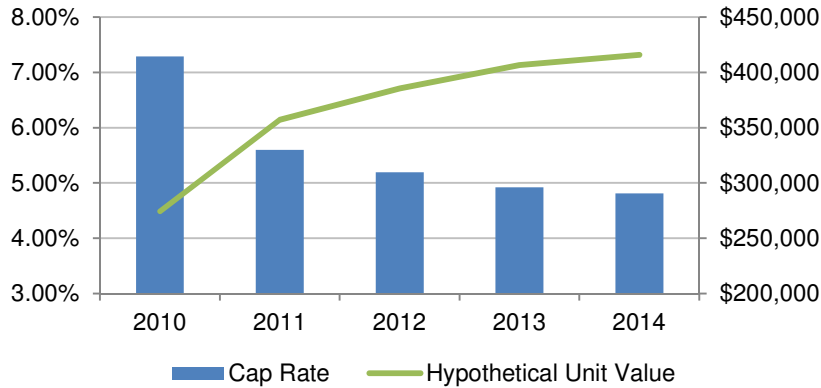
**Figure 4. Average Apartment Rents – Contra Costa County**



Source: Real Facts

The strength of the apartment market has also been supported by low capitalization rates (“cap rates”) in recent years. The cap rate represents the relationship between an apartment project’s net operating income (NOI) and the project’s market value. There is an inverse relationship between cap rates and values; therefore the recent low apartment cap rate environment reflects high apartment values. As an example, a hypothetical apartment project generating \$20,000/year in NOI would yield a project value of \$416,000/unit based on a 4.8% cap rate ( $\$20,000 \div 4.8\%$ ) but only a \$274,000/unit value based on a 7.3% cap rate ( $\$20,000 \div 7.3\%$ ), assuming the 2014 and 2010 figures in the chart below. The recent low apartment cap rates reflect a very strong apartment market.

**Figure 5. Overall Apartment Cap Rates  
Pacific Region**



Source: PwC Real Estate Investor Survey

In summary, the local rental apartment market remains strong as exhibited by rising rents, low capitalization rates, and continued apartment construction activity in the local development pipeline.

### III. Pro forma Feasibility Analysis

In order to test the financial feasibility of for-sale condominiums on Block C, KMA ran a development pro forma under two density alternatives, the first with the approved plans for a 100-unit condo project and the second with 150 units. The 150-unit alternative is a rough approximation of the condo project that could be built within the building envelope of the 200-unit apartment project being discussed with AvalonBay. The condominium project yields fewer units than the apartments because condo unit sizes are typically larger<sup>7</sup>.

The pro forma estimates the costs to build the project including land acquisition, direct construction costs, and indirect and financing costs. The output of the pro forma is the average condo sale price required for project feasibility. The following summarizes the major inputs into the pro forma. Further detail on the pro formas is included in Appendix B.

<sup>7</sup> The approved condominium plans for Block C have an average unit size of 1,200 square feet while the average unit size for the proposed apartments is approximately 930 square feet.

*a) Land Acquisition Costs*

As a general matter of policy, BART prefers to ground lease its land rather than sell. Additionally, BART prefers rental apartment projects over for-sale condominiums. Some of the key reasons why BART generally takes these policy stances are:

1. With ground leases, BART retains fee ownership of the land. Once the term of the ground lease expires, both the land and improvements on the land revert back to BART. In doing so, BART retains long-term control of its strategically located land assets and also allows BART to realize additional land value when the property is ultimately redeveloped.
2. Ground leases produce a long-term income stream to BART, which in many cases is preferable to a lump sum land purchase.
3. From an operational point of view, it is generally more manageable for BART to interface with a single apartment owner/operator rather than individual condominium homeowners or a homeowners association.
4. For Contra Costa Centre in particular, there are advantages to maintaining the continuity of ownership with AvalonBay. As the owner of the Phase I project and as master developer of the overall Transit Village project, AvalonBay has a vested interest in maintaining the high-quality of all components of the project (i.e. residential, retail, and public spaces) in order ensure that the project minimizes competing interests and functions well as a whole.

In order to persuade BART to sell its land for a condo project and set aside its policy preference for a ground lease, there would need to be a compelling economic reason to do so. As such, this financial feasibility analysis assumes that if BART were to sell its land, the purchase price would need to be at a substantial premium. The following table summarizes the upper end sale prices of East Bay multi-family land.

**Figure 6. Higher Value East Bay Multi-family Land Sales**

	Location	Acres	Sale Date	Units	Sale Price		
					Total Price	\$/SF	\$/Unit
1	1200 Ashby Ave, Berkeley	0.79	5/31/2013	98	\$5,105,000	\$148	\$52,100
2	37350 Sequoia Rd, Fremont	4.55	9/3/2014	132	\$13,300,000	\$67	\$100,800
3	207 Ygnacio Valley Rd, Walnut Creek	1.33	In Contract	133	\$5,800,000	\$100	\$43,600
4	Stevenson Place, Fremont	2.01	For Sale	N/Av	\$6,000,000	\$69	

Source: CoStar

Given Block C's unique locational advantages adjacent to the BART station and within the existing Transit Village project, Block C should be able to command a high land



value. However, the land value for Block C also needs to recognize the cost of the prevailing wage requirement. This financial feasibility analysis assumes a pre-adjusted land value of \$10.5 million based on a \$150 per square foot value for the 1.61-acre site. This value is then downwardly adjusted for the cost of prevailing wages since prevailing wages are not a requirement of the other land sale sites.

Unadjusted Land Value	\$10.5 million
(Less) Prevailing Wage Adjustment	<u>(\$4.5 million)</u>
Adjusted Block C Land Value	\$6.0 million

*b) Direct Construction Costs*

Direct construction costs include all labor and materials costs related to direct construction of the site and building, including general conditions, contractor fees, and contingency. The cost estimate is based on third party construction data sources such as RS Means as well as KMA's experience with similar building types in other current East Bay projects. The construction costs for the proposed project would be higher than many other projects in the local market for a variety of reasons:

- *Prevailing Wages.* Projects that pay prevailing union wages are more costly than projects that do not. The cost premium associated with prevailing wages varies by trade, however for the primarily wood frame building proposed for Block C the cost premium for prevailing wages would be significant.
- *Subterranean Parking.* The approved Block C project includes a costly subterranean parking garage. The subterranean parking allows for a more aesthetically pleasing building, however subterranean parking is substantially more expensive than alternative parking formats (e.g. at-grade podium or stand-alone garage).
- *Quality of Materials, Finishes, and Appliances.* Construction costs tend to be slightly higher for condominiums than for apartments because homebuyers generally expect a higher quality of materials, finishes, and appliances.

In total, the direct construction costs are estimated at \$37 million for the 100-unit alternative and \$56 million for the 150-unit alternative.

*c) Indirect Development Costs*

Indirect development costs include non-direct construction costs including architecture and engineering costs (A&E), municipal fees and permits costs, marketing, taxes,

insurance, overhead, and financing. As with direct construction costs, indirect development costs also tend to be higher for condominium projects as compared to apartments; among the reasons are:

- *Financing Costs.* Financing costs are typically high for high-density condominium projects because all of the project costs are incurred in a single phase and condo sale revenues are not generated until the project is completed and the units are absorbed over an extended sales period. With lower density projects, such as townhomes, smaller increments of units can be built in multiple phases which results in less debt and equity outstanding at any given time.
- *Marketing Costs.* Similar to financing costs, marketing costs are typically higher for condominium projects than apartments because it takes longer to fully sell out a condo project than it would to fully lease a comparably sized apartment project.
- *Insurance Costs.* Insurance costs are typically higher for condominiums than apartments because these high density condo projects require construction defect liability coverage. This type of insurance is not needed for rental projects.
- *Miscellaneous Condominium Costs.* Condominium projects have certain indirect costs that are not applicable to apartment projects such as the costs to fund homeowner warranties and the funding of homeowner association (HOA) dues until the units are sold.

In total, the indirect costs are estimated at \$15 million for the 100-unit alternative and \$22 million for the 150-unit alternative.

*d) Condo Sale Price Needed for Financial Feasibility*

The total land, direct, and indirect cost to develop the 100-unit and 150-unit alternatives are \$58.2 million and \$83.5 million. To this figure, the following adjustments are made:

- *Value of Retail Space.* The retail space in the project will have a value based on its income potential and this value represents an offset to the development costs. However, the value of the retail space is less than the associated costs of development. Therefore, in effect, the residential units are subsidizing the commercial space.
- *Cost of Residential Sales.* Transaction costs associated with sale of the condominium units, such as broker commissions and closing costs, are an added cost of development.

- *Development Return.* In order to attract the necessary debt and equity investment in the project, there will need to be an adequate return, or profit margin, reflecting the risks of the project. Because the project is a large, high density, stacked flat condo development and is still a pioneering development in a largely suburban environment, this project has a much higher risk profile than many residential projects in the market. The development return is estimated by KMA at 13% of gross residential sales.
  
- *BART Transit Benefit Fee.* For condominium projects built on land sold by BART, BART policy is that all units in the project have a Transit Benefit Fee covenant allowing BART to receive a small percentage of all condominium unit sales – the initial sale and all subsequent sales. The assumption in this analysis is that 1.5% of the sale price of each unit in the project would need to be paid to BART<sup>8</sup>.

Accounting for the above factors, the 100-unit project would require condominium sale proceeds of \$70.5 million, or \$705,000/unit. For the 150-unit project, the condo sale price needed for feasibility would be approximately \$677,000/unit. The feasible price is lower for the 150-unit alternative because the \$6 million land acquisition cost is spread over more units, thereby reducing the land cost on a per-unit basis.

Figure 7. Pro forma Summary	100-Unit Condo Alternative		150-Unit Condo Alternative	
	Per Unit	Total	Per Unit	Total
<u>Development Costs</u>				
Land Acquisition	\$60,000	\$6,000,000	\$40,000	\$6,000,000
Direct Construction	\$374,400	\$37,440,000	\$372,000	\$55,800,000
Indirects & Financing	<u>\$148,100</u>	<u>\$14,810,000</u>	<u>\$145,100</u>	<u>\$21,770,000</u>
Subtotal	\$582,500	\$58,250,000	\$557,100	\$83,570,000
(Less) Value of Retail Space	(\$5,600)	(\$560,000)	(\$3,700)	(\$560,000)
Cost of Sales	\$26,400	\$2,640,000	\$25,400	\$3,810,000
Development Return	\$91,700	\$9,170,000	\$88,000	\$13,200,000
BART Transit Benefit Fee	<u>\$10,600</u>	<u>\$1,058,000</u>	<u>\$10,200</u>	<u>\$1,523,000</u>
Total Net Development Costs	\$705,600	\$70,558,000	\$677,000	\$101,543,000
Average Condo Sale Price Needed for Financial Feasibility	\$705,600		\$677,000	

Note: The per unit costs are higher for the Block C condo project than they would be for the Block C apartment project because the condos are significantly larger. Further pro forma detail is provided in Appendix B.

<sup>8</sup> The original 2006 purchase and sale agreement for Block C, which is now expired, specified that BART would receive sale price participation equal to 50% above a pre-specified price per unit. BART staff has indicated that any new agreement for Block C condominiums would include the Transit Benefit Fee.

*e) Analysis & Conclusions*

In order to assess whether the above sale prices are supportable in the current market, KMA surveyed condominium sales in select projects that we believe bracket the upper and lower end of the range that could be expected for a Block C condominium project. First, it is important to recognize that there are very few condominium projects in the local market with direct comparability to Block C because of the high density nature of the proposed development as well as its location right on the border of Pleasant Hill and Walnut Creek. Home values are generally higher in Walnut Creek than Pleasant Hill due in part to the more highly rated schools and the popularity of downtown Walnut Creek as a retail, dining, and entertainment destination. On the other hand, Block C has the advantage of its proximity adjacent to the BART station which allows for convenient transit accessibility.

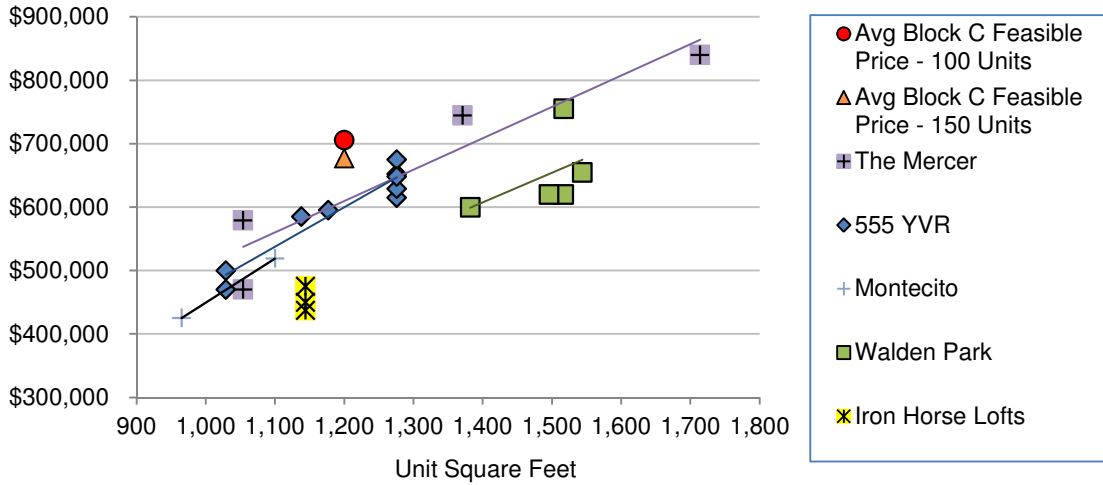
The projects included in KMA's survey were: The Mercer, a "luxury" project in the heart of downtown Walnut Creek; 555 YVR, a newer high density condo project near the Walnut Creek BART station; Montecito, a high density condo project on the southern end of downtown Walnut Creek; Walden Park Condominiums, a newer townhouse-style development located off Oak Road midway between the Pleasant Hill and Walnut Creek BART stations; and Iron Horse Lofts, immediately to the north of the BART station on Coggins and Las Juntas. It is noted that unit pricing is not yet available for the one higher density condominium project now in construction – the Village mixed use project in downtown Walnut Creek.

The following chart plots sales of units in these projects in 2013 and 2014 (through August)<sup>9</sup>:

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<sup>9</sup> Note: two short sales from Iron Horse Lofts have been excluded because the low sale prices are not representative of the market. Additionally, units smaller than 900 square feet have not been included.

Figure 8. Condominium Sales (2013-2014)



The following is an overview of KMA's observations regarding these projects:

- *The Mercer* – This project is located at 1655 N. California Boulevard in the heart of downtown Walnut Creek. It is considered one of the most desirable condominium developments in the area due to its premium location and amenities, such as a swimming pool, which the Block C plans do not have. For these reasons, KMA would not expect condominiums on Block C to achieve prices comparable to The Mercer. Nonetheless, it does represent an upper end price point in the market for a condominium project with similar physical characteristics and density as Block C.
- *555 YVR* – This project is also similar to the Block C project with respect to building type and density. Like Block C and The Mercer, it is a multi-story development with a common parking garage on the ground floor. Built in 2009-2010, it is located on Ygnacio Valley Road just 1 ½ blocks from the Walnut Creek BART station and within walking distance of downtown Walnut Creek. We believe this project represents the upper end of the range of prices that Block C could potentially achieve. As noted previously, close to half of the units in this project have never been sold and instead are being rented.
- *Montecito* – This project is located in the southwest corner of downtown Walnut Creek, within a short walk of the heart of downtown and adjacent to Alma Park and other housing developments. It also has a similar building format as the Block C plans including stacked units and a shared garage. Montecito was built in 2002.

- *Walden Park Condominiums* – This townhouse-style development is at a lower density than Block C, with larger units and parking in private attached garages. This project, with its private open spaces, swimming pool and clubhouse, offers a more suburban lifestyle which may be more appealing to young families with children and to homeowners seeking a more quiet setting than Contra Costa Centre. Nonetheless, this project is a relatively new development (built in 2011-2012) and represents a competitive price point. Therefore it would be a potential alternative for prospective Block C condominium buyers.
- *Iron Horse Lofts* – Given this project's location directly north of the Pleasant Hill BART station, it shares many of the same locational attributes as Block C. Like Walden Park, Iron Horse Lofts is lower density and has private garages which are often preferred over common garages because of their security and convenience. On the other hand, the school district serving Iron Horse Lofts is not as highly rated as the district serving Block C (Mt. Diablo vs. Walnut Creek schools). Nonetheless, Iron Horse Lofts represents another competitive project with sale price data that should be considered.

As shown in Figure 8, the sale prices required for financial feasibility of the Block C condominiums are above the sale prices being achieved for all five of the competitive projects surveyed. In order to be feasible and to attract the necessary debt and equity investment for a large condo development, it is KMA's assessment that the sale prices would need to be well within the range of prices being achieved in the competitive projects. Again, in order to sell 100 to 150 condominium units within a reasonable sales absorption period, as opposed to a small number of re-sales per project as shown in Figure 8, a condo project on Block C would have to be extremely price competitive.

As a final comment, a condo project on Block C will have operational and cost issues that would not apply to most other projects in the market. For example, Block C home owners would be responsible for paying HOA dues to fund a share of the costs of maintaining the significant place-making infrastructure built as part of the overall Transit Village project. These monthly HOA costs would be a factor in the prices that could be achieved in the sale of the units. In addition, a project immediately adjacent to the BART station, while advantageous with respect to commuter convenience, also brings potential issues related to noise, traffic, and public safety.

In summary, the condominium market data and pro forma financial feasibility analysis described in this memorandum, again which assume prevailing wages, subterranean parking, and other cost and risk factors, indicate that a 100- to 150-unit condominium development on Block C is not feasible based on market conditions today or in the expected near term. The existing market data and development economics for a high

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density, prevailing wage condominium project indicate that, even for this premium BART location, it would be difficult to attract a reputable and experienced condominium developer to undertake the high quality project that is expected for this site. In practical terms, staying with a for-sale condo project on Block C would result in a delay of construction start for reasons not limited to financial feasibility. The following steps would be needed before construction of Block C could begin: (1) BART and the County would need to authorize a new developer RFQ (if a new developer is desired), (2) a new developer is selected, (3) new business terms are negotiated, (4) project approvals are obtained, (5) construction documents are prepared, and (6) project financing and construction contracts are finalized.

## **APPENDIX A**

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Approved Block C Condominium Plans (100 Units)

Note: Due to the large file size, the approved Block C condominium plans are not attached in the electronic version of this memorandum. The plans can be accessed online at:

[http://www.ccreach.org/ccc\\_redevelopment/ph\\_finaldp.cfm](http://www.ccreach.org/ccc_redevelopment/ph_finaldp.cfm)



## **APPENDIX B**

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Development Pro formas

Table 1.  
 Development Program - 100-Unit Alternative  
 Contra Costa Centre - Block C Condominiums

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<b>I. Building Type</b>	4-stories w/ underground parking
<b>II. Land</b>	1.61 acres 70,194 sf (from public records)
<b>III. Building Program</b>	
<u>Residential Units</u>	100 units
<u>Sellable Building Area</u>	
Residential	120,000 sf
Retail Space	<u>2,315 sf</u>
Total Sellable	122,315 sf
Building Efficiency (estimated)	80% <sup>(1)</sup>
<u>Gross Building Area</u>	<u>152,894 sf</u>
Residential Density	62.1 du/acre
FAR	2.18 FAR <sup>(2)</sup>
<b>IV. Parking</b>	Pro forma assumes not more than 2 parking spaces/unit on average including guest spaces and retail spaces.

<sup>(1)</sup> Building efficiency is the ratio of total sellable building area to gross building area (floor area). In this case, approximately 20% of the gross area is dedicated to common areas such as the lobby, fitness center, hallways, etc.

<sup>(2)</sup> Floor area ratio (FAR) is the ratio of gross building area (floor area) to land area.

Table 2.  
 Feasibility Analysis - 100-Unit Alternative  
 Contra Costa Centre - Block C Condominiums

	Per GSF 152,894	Per Unit (rounded) 100	Total
<b>I. Land</b>			
Land Acquisition Costs	\$39	\$60,000	\$6,000,000
<b>II. Directs (including Prevailing Wages)</b>			
Residential Construction	\$181	\$277,000	\$27,700,000
Subterranean Parking Garage	\$49	\$75,000	\$7,500,000
Retail Space	\$3	\$4,600	\$460,000
Contingency	\$12	\$17,800	\$1,780,000
Subtotal	\$245	\$374,400	\$37,440,000
<b>III. Indirects</b>			
A&E	\$9	\$14,200	\$1,420,000
Fees & Permits	\$21	\$31,800	\$3,180,000
Legal & Closing	\$3	\$4,200	\$420,000
Marketing/Model/Warranty/HOA	\$9	\$14,200	\$1,420,000
Retail Space	\$10	\$15,000	\$1,500,000
Taxes/Insurance/Accounting	\$9	\$13,100	\$1,310,000
Indirects Contingency	\$3	\$4,600	\$460,000
Financing Costs	\$33	\$51,000	\$5,100,000
Subtotal	\$97	\$148,100	\$14,810,000
<b>IV. Subtotal Costs</b>	\$381	\$582,500	\$58,250,000
(Less) Value of Retail Space	(\$4)	(\$5,600)	(\$560,000)
Plus Costs of Residential Sales	\$17	\$26,400	\$2,640,000
Plus Development Return	\$60	\$91,700	\$9,170,000
Plus BART Transit Benefit Fee Covenant	\$7	\$10,600	\$1,058,000
<b>V. Total Net Costs</b>	\$461	\$705,600	\$70,558,000

Table 3.  
 Development Program - 150-Unit Alternative  
 Contra Costa Centre - Block C Condominiums

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<b>I. Building Type</b>	5-stories w/ underground parking
<b>II. Land</b>	1.61 acres 70,194 sf (from public records)
<b>III. Building Program</b>	
<u>Residential Units</u>	150 units
<u>Sellable Building Area</u>	
Residential	180,000 sf
Retail Space	<u>2,315 sf</u>
Total Sellable	182,315 sf
Building Efficiency (estimated)	80% <sup>(1)</sup>
<u>Gross Building Area</u>	<u>227,894 sf</u>
Residential Density	93.1 du/acre
FAR	3.25 FAR <sup>(2)</sup>
<b>IV. Parking</b>	Pro forma assumes not more than 2 parking spaces/unit on average including guest spaces and retail spaces.

<sup>(1)</sup> Building efficiency is the ratio of total sellable building area to gross building area (floor area). In this case, approximately 20% of the gross area is dedicated to common areas such as the lobby, fitness center, hallways, etc.

<sup>(2)</sup> Floor area ratio (FAR) is the ratio of gross building area (floor area) to land area.

Table 4.  
Feasibility Analysis - 150-Unit Alternative  
Contra Costa Centre - Block C Condominiums

	Per GSF	Per Unit (rounded)	Total
<b>I. Land</b>	227,894	150	
Land Acquisition Costs	\$26	\$40,000	\$6,000,000
<b>II. Directs (including Prevailing Wages)</b>			
Residential Construction	\$182	\$276,200	\$41,430,000
Subterranean Parking Garage	\$49	\$75,000	\$11,250,000
Retail Space	\$2	\$3,100	\$460,000
Contingency	\$12	\$17,700	\$2,660,000
Subtotal	\$245	\$372,000	\$55,800,000
<b>III. Indirects</b>			
A&E	\$9	\$14,100	\$2,120,000
Fees & Permits	\$21	\$31,600	\$4,740,000
Legal & Closing	\$2	\$2,800	\$420,000
Marketing/Model/Warranty/HOA	\$9	\$14,200	\$2,130,000
Retail Space	\$10	\$14,900	\$2,230,000
Taxes/Insurance/Accounting	\$9	\$13,000	\$1,950,000
Indirects Contingency	\$3	\$4,500	\$680,000
Financing Costs	\$33	\$50,000	\$7,500,000
Subtotal	\$96	\$145,100	\$21,770,000
<b>IV. Subtotal Costs</b>	\$367	\$557,100	\$83,570,000
(Less) Value of Retail Space	(\$2)	(\$3,700)	(\$560,000)
Costs of Residential Sales	\$17	\$25,400	\$3,810,000
Development Return	\$58	\$88,000	\$13,200,000
Plus BART Transit Benefit Fee Covenant	\$7	\$10,200	\$1,523,000
<b>V. Total Net Costs</b>	\$446	\$677,000	\$101,543,000