MEMORANDUM

To: Kristin Gonsar, Millennium Partners
From: Jim Musbach, Ashleigh Kanat and Walker Toma
Subject: 706 Mission Street: The Mexican Museum and Residential Tower Project and Alternatives Feasibility Evaluation, Explanation of Tables in Appendix D; EPS #121084
Date: May 14, 2013

The purpose of this memorandum is to provide additional explanation regarding the tables in Appendix D of the Financial Feasibility of 706 Mission Street: The Mexican Museum and Residential Tower Project and Alternatives feasibility evaluation report (Feasibility Report) that has been prepared by Economic & Planning Systems, Inc. (EPS). It has been noted, in the Peer Review of the Feasibility Report prepared by Keyser Marston Associates, Inc., that when the gross square footages in the Appendix D tables are summed, the results do not exactly match the gross residential square footages provided in the program summaries on Table 2: Development Program by Alternative, Table 6: Residential Sales Revenue Assumptions, or the Appendix A Pro Forma Analyses of the Report. (Table 2, Table 6 and the Appendix A pro formas are consistent.) More specifically, the gross square footages in the Appendix D tables exceed the gross residential square footages as shown on Tables 2 and 6.

The Appendix D tables were created to calculate a project-wide weighted average price per square foot that accounts for price variations between the different floor segments of the tower and, under the residential flex options, the differences between the tower units and the Aronson Building units. The purpose of the Appendix D tables is simply to be transparent in showing the mathematical process of weighting the different square foot prices by floor segment and to show that EPS accounted for the higher value associated with the upper floors with view premiums.

The project-wide weighted average price per square foot estimates calculated in the Appendix D tables are applied to the net saleable square footages for the Project and Alternatives (calculations are shown on Table 6) to determine residential sales revenues. The net saleable square footages on Table 6 are derived from the specific gross square
footages shown on Table 2. The revenue from the sale of residential units is calculated on Table 6 and carries over to the Appendix A Pro Forma analyses.

The gross square footages differ between the Appendix D tables and Tables 2 and 6 because the tower floor plate area used in the Appendix D tables reflects the typical floor plate size of the majority of the floors in the tower, rather than an average of all individual floor plate sizes. In the Project, each floor plate size is not precisely the same on all levels of the tower. The floor plate on floor 6, the first residential floor of the tower, for example, is larger than the floor plate of the top several floors. The floor plate size of the Aronson Building floors does not vary by level.

The minor variations of floor plate square footage within the tower as between the typical floor plates and the average floor plates do not materially affect the weighted average price per square foot, or the residential sales revenue projections. Because of the smaller floor plates at the top of the tower, EPS has essentially over-estimated the residential revenues by “over-weighting” the high value square footage on the top several floors, which is conservative for purposes of the feasibility analysis. If EPS were to have calculated the Appendix D weighted average price per square foot using individual floor plate gross square footages on a floor-by-floor basis, the weighted average price per square foot would be slightly lower than what is estimated in the Appendix D tables due to the smaller floor plates at the top of the tower.

This reduction would result in a decrease in residential revenue for both the Residential and Office Flex Options. The overall findings and conclusions of the Feasibility Report for feasibility or infeasibility of the Project and Alternatives would not change, although the Project, and to a lesser extent the Alternatives, would reflect a lower Project Residual, and the Separate Buildings Alternative, which is currently feasible, would be pushed closer to the point of infeasibility.