APPENDIX VI

Economic Feasibility Analysis Data

Urban Partners Letter
Dated March 3, 2006

Urban Partners, LLC

Memo

To: Paul Keller, Matt Burton, Mark Wareham, Devan Pailet – Urban Partners

Marty Cepkauskas – Hearst Corporation

Loren Montgomery – Latham & Watkins

From: Dan Rosenfeld

Date: 3/13/2006

Re: Herald Examiner Project EIR Alternatives – Financial Feasibility Analysis

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Attached, please find analyses documenting the financial feasibility of project alternatives identified in the Herald Examiner project EIR.

The summary page presents the Baseline Scenario and six alternatives from the EIR. There are three buildings that comprise the "project". Therefore, three individual financial analyses must be blended (using a weighted average) to create a single overall financial analyses for each project alternative.

Capital markets evaluate projects like the Herald Examiner by examination of "static net margin". "Static net margin" is defined as net sales proceeds (total sales revenues in current dollars less total project costs, including sales expenses and commissions, in current dollars) divided by total sales revenues. Since this is the metric that will determine whether the project can be financed, it is, therefore, the metric we are using to determine project feasibility.

Baseline Scenario

The Baseline Scenario for the Broadway Building alone shows a static net margin of -7.3%. This clearly illustrates that renovation of the building is not financially feasible as a stand-alone project. Instead, it requires a "subsidy" from the other two buildings in order to justify its rehabilitation. Including a 20.9% margin on the Hill Street Building and a 21.8% margin on the 12th Street Building, the combined three building project yields an overall project margin of 19.5%, which approaches the industry standard of 20% required for a financially feasible project.

Alternative Projects

Alternative 1: (No project alternative)

This alternative does not allow a financial analysis.

Alternative 2: (Reduced Density/Adaptive Reuse: Adaptive reuse of Press Building alternative)

Under this alternative, the Broadway and 12th Streets Buildings remain the same as in the Baseline Scenario. The Hill Street Building (Press Building) margin declines to -58.9%, resulting in an overall combined project margin of 13.6%. In addition to being financially infeasible, this alternative assumes the majority of parking for the Broadway Building will be located at 12th Street, which also renders the project alternative infeasible from a marketing perspective.

Alternative 3: (Reduced Density: Replace the Press Building with a building of similar scale to the Broadway Building alternative)

This alternative holds the Broadway and 12th Street Buildings the same as the Baseline Scenario, while the Hill Street Building is reduced to the size of the current Press building. This building delivers an 8.4% margin, yielding an overall project margin of 16.4%. This margin is below the financial feasibility threshold.

Alternative 4: (Reduced Density: 6:1 FAR per site alternative)

This alternative holds the Broadway Building consistent with the Baseline Scenario, while the Hill Street Building, with a 6:1 FAR, yields a 12.6% margin. The 12th Street Building, also with a 6:1 FAR, yields a 19.3% margin. The blended overall margin is 14.2%, less than the feasibility threshold.

Alternative 5: (Revised Land Use: Residential in Broadway Building alternative)

This alternative holds the Hill Street and 12th Street Buildings consistent with the Baseline Scenario, while the return on the Broadway Building, assuming residential rather than commercial use, decreases to -16.3%. The overall margin for this alternative is 18.3% and the alternative is considered infeasible.

Alternative 6: (Affordable Housing: 20-35 percent density bonus alternative)

This alternative with affordable housing causes the 12th Street Building margin to decrease to 14.9%, while the Broadway and Hill Street Buildings remain consistent with the Baseline Scenario. The blended overall margin for this alternative is 16.1% and is considered infeasible. This alternative assumes the best case scenario, with a density bonus added to our current 8:1 FAR, not to the by right FAR of 6:1. As such, the margins would only decrease if one scaled back the density to 6:1 FAR before adding the bonus.

None of the alternatives described above are financially feasible, and some imply unacceptable marketing impediments .

Enclosure:
EIR Alternatives Financial Comparison matrix, March 10, 2006

Herald Examiner Development
Developer: Urban Partners, LLC
Revised: March 10, 2006

EIR Alternatives Financial Analysis

Static Net Margins[1]

Alternative	Broadway Building	Hill Street Building	12th Street Building	Overall Project (Weighted Average)	
Baseline Scenario	-7.3%	20.9%	21.8%	19.5%	Only financially feasible alternative[2]
Alternative 1: No project alternative	n/a	n/a	n/a	n/a	
Alternative 2: Reduced Density/Adaptive Reuse: Adaptive reuse of the Press Building alternative	-7.3%	-58.9%	21.8%	13.6%	
Alternative 3: Reduced Density: Replace the Press Building w/a building of similar scale to Broadway building alternative	-7.3%	8.4%	21.8%	16.4%	
Alternative 4: Reduced Density: 6:1 FAR per site alternative	-7.3%	12.6%	19.3%	14.2%	
Alternative 5: Revised Land Use: Residential in Broadway Building alternative	-16.3%	20.9%	21.8%	18.3%	
Alternative 6: Affordable Housing: 20-35 percent density bonus alternative	-7.3%	20.9%	14.9%	16.1%	

NOTE:
[1]: "Static net margin" equals net sales proceeds (total sales revenues in current dollars less total project costs, including sales expenses and commissions, in current dollars) divided by total sales revenues.

[2]: A "static net margin" at 20% is considered the threshold for project feasibility.

Herald Examiner Development
Developer: Urban Partners, LLC
Revised: March 9, 2006

(rounded to the nearest million)

EIR - Baseline

	BROADWAY	HILL ST	12TH ST	BLENDED RATE
Total Sales Revenue (Current $)	$35	$211	$246	
Total Project Cost	$37	$167	$192	
Net Sales Proceeds	($3)	$44	$54	
Static Net Margin	-7.3%	20.9%	21.8%	19.5%

Herald Examiner Development
Developer: Urban Partners, LLC
Revised: March 9, 2006

(rounded to the nearest million)

EIR Alternative #2 - Reduced Density/Adaptive Reuse: Adaptive reuse of the Press Building alternative

(Parking at 12th St - Project infeasible - inability to either finance or sell units)

	BROADWAY	HILL ST	12TH ST	BLENDED RATE
Total Sales Revenue (Current $)	$35	$18	$246	
Total Project Cost	$37	$29	$192	
Net Sales Proceeds	($3)	($11)	$54	
Static Net Margin	-7.3%	-58.9%	21.8%	13.6%

Herald Examiner Development
Developer: Urban Partners, LLC
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(rounded to the nearest million)

EIR Alternative #3 - Reduced Density: Replace the Press Building with a building of similar scale to the Broadway Building alternati

(Parking at 12th St - Project infeasible - inability to either finance or sell units)

	BROADWAY	HILL ST	12TH ST	BLENDED RATE
Total Sales Revenue (Current $)	$35	$71	$246	
Total Project Cost	$37	$65	$192	
Net Sales Proceeds	($3)	$6	$54	
Static Net Margin	-7.3%	8.4%	21.8%	16.4%

Herald Examiner Development
Developer: Urban Partners, LLC
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(rounded to the nearest million)

EIR Alternative #4 - Reduced Density: 6:1 FAR per site alternative

	BROADWAY	HILL ST	12TH ST	BLENDED RATE
Total Sales Revenue (Current $)	$35	$184	$193	
Total Project Cost	$37	$161	$156	
Net Sales Proceeds	($3)	$23	$37	
Static Net Margin	-7.3%	12.6%	19.3%	14.2%

Herald Examiner Development
Developer: Urban Partners, LLC
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(rounded to the nearest million)

EIR Alternative #5 - Revised Land Use: Residential in Broadway Building alternative

	BROADWAY	HILL ST	12TH ST	BLENDED RATE
Total Sales Revenue (Current $)	$44	$211	$246	
Total Project Cost	$51	$167	$192	
Net Sales Proceeds	($7)	$44	$54	
Static Net Margin	-16.3%	20.9%	21.8%	18.3%

Herald Examiner Development
Developer: Urban Partners, LLC
Revised: March 9, 2006

(rounded to the nearest million)

EIR Alternative #6 - Affordable Housing: 20-35 percent density bonus alternative

(Assumes Best-Case Scenario: Increased FAR)

	BROADWAY	HILL ST	12TH ST	BLENDED RATE
Total Sales Revenue (Current $)	$35	$211	$226	
Total Project Cost	$37	$167	$192	
Net Sales Proceeds	($3)	$44	$34	
Static Net Margin	-7.3%	20.9%	14.9%	16.1%

Economics Research Associates Letter
Dated March 13, 2006

ERA
Economics Research Associates

March 13, 2006

Mr. Mark Wareham
Urban Partners LLC
304 S. Broadway, Suite 400
Los Angeles, California 90013

PH: (213) 437-0470

Email: markwareham@kellercms.com

RE: ***Herald Examiner Building Development Pro Formas***
ERA Project 16458

Dear Mr. Wareham:

Economics Research Associates (ERA) has reviewed the development pro formas that analyze the financial implications of the project alternatives identified in the draft environmental impact report for the rehabilitation of the Herald Examiner Building and associated properties located at 1111 South Broadway, 1108 South Hill, and 1201 South Main (Assessor Parcels No. 5139-019-035, 5139-019-034, and 5139-026-011).

The purpose of our analysis was to provide the project applicants with an independent third party analysis of the basic financial structure associated with each of the development alternatives as referenced in Urban Partners' memorandum of March 10, 2006, and to determine that the projected rates of return associated with each project alternative are both internally consistent and conform to generally accepted measures of performance within the real estate development industry.

<u>We have determined that the basic structure of the financial analysis is internally consistent and conforms to accepted, recognizable standards.</u>

ERA has not performed any market analysis associated with this project, nor have we determined whether the assumptions regarding costs, revenues, and timing of the development are likely to occur. Therefore, ERA is not in a position to comment on whether or not the implied rates of return associated with each development proposal will eventually be realized in the market, but rather can confirm through an independent analysis that the analytic approach and performance criteria are consistent and valid.

Sincerely,

David E. Bergman, AICP
Principal

DEB/jla

Ackman-Ziff Letter
Dated March 10, 2006

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ACKMAN-ZIFF

The Ackman-Ziff Real Estate Group LLC Real Estate Capital Advisors

March 10, 2006

David Bergman
Economics Research Boulevard
10990 Wilshire Boulevard
Suite 1500
Los Angeles, CA 90024

Dear David,

As you know, the Ackman-Ziff Real Estate Group, LLC, is representing Herald Examiner Development, LLC ("HED") in the capitalization of the Hill Street Building project with which you are familiar. As we have discussed with the principals of HED many times, according to industry standard, a 20% margin on net revenue is the minimum acceptable return for long-term, for-sale housing projects. This is a parameter that, when satisfied and, in conjunction with available first mortgage construction financing, provides the overall equity returns required by investors in order to compel investment. The returns are measured both in terms of IRR and equity multiple. Short of this, equity interest wanes as these returns are readily available in the market. I would be happy to discuss these concepts in greater detail at your convenience.

We base these conclusions on our experience arranging debt, mezzanine and equity financing on large condominium and mixed use projects across the United States. Our 10 most recently closed or currently active deals (not including the Hill Street building) representing more than $2.5 Billion in overall capitalization have all met this margin requirement, and include:

World Market Center, Las Vegas - Ackman-Ziff arranged an acquisition land loan, an equity partner to construct the deal and put up completion guarantees, $10M of equity, $35M of mezzanine financing and $165M of debt with a foreign lender for the construction of the 1.25M sq ft Phase I of this ultimately 7M sq ft furniture mart in Las Vegas. Ackman-Ziff just closed $225M fixed rate permanent loan to take out the construction financing and is now working on the $200M Phase II.

Columbus Center - Ackman-Ziff has arranged more than $500M of non-recourse debt, mezzanine and equity capital including the construction of a deck over the Mass Pike for a mixed use project in Boston.

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Collins Avenue - Ackman-Ziff is arranging $227M of debt, $21M of mezz and $35M of equity for a luxury hi-rise development in North Miami.

Cosmopolitan Square - Ackman-Ziff is arranging more than $210M of non-recourse debt, mezz and equity capital for the construction of a luxury hi-rise condominium project in San Diego.

Trump Waikiki - Ackman-Ziff has arranged more than $35M of non-recourse land debt, $50M of equity capital, and will ultimately provide a $250M construction loan for the construction of a luxury hi-rise condominium project in Waikiki, HI.

Cosmopolitan Square - Ackman-Ziff is arranging more than $210M of non-recourse debt, mezz and equity capital for the construction of a luxury hi-rise condominium project in San Diego.

Ritz Carlton Residences - Ackman-Ziff has arranged more than $210M of non-recourse debt, mezzanine and equity capital for the construction of a 258-unit luxury hi-rise condominium project attached to the Ritz Carlton in Philadelphia.

Axis - Ackman-Ziff has arranged more than $183M of non-recourse debt with a foreign lender for the construction of a 718-unit luxury hi-rise condominium project in Miami, Florida.

Chambers Street - Ackman-Ziff is arranging more than $100M of non-recourse debt and preferred equity for the conversion of a 56-unit condominium project in Tribeca, New York.

Miami Hi-Rise - Ackman-Ziff has arranged $90M of debt from a foreign bank for the ground up construction of a more than 220 unit luxury hi-rise in Miami, Florida.

Please let me know what other information you would need or if you would like to speak in more detail.

Yours truly,

Pat

Patrick Hanlon

The Ackman-Ziff Real Estate Group, LLC

Principal