

ATTACHMENT E
Fiscal and Economic Impact Reports



www.FinanceDTA.com

FISCAL IMPACT REPORT

CITY OF SAN MARCOS

1210 EAST MISSION ROAD

SAN MARCOS, CALIFORNIA

APRIL 12, 2019

Public Finance
Public Private Partnerships
Development Economics
Clean Energy Bonds

*Newport Beach / San Jose / San Francisco / Riverside
Dallas / Houston / Raleigh*



www.FinanceDTA.com

5000 Birch Street, Suite 6000
Newport Beach, CA 92660

FISCAL IMPACT REPORT

1210 EAST MISSION ROAD

Prepared for:

City of San Marcos

1 Civic Center Drive, San Marcos CA

Attention: Sean del Solar, Associate Planner

TABLE OF CONTENTS

SECTION

I	EXECUTIVE SUMMARY	1
A	Purpose of the Report.....	1
B	Types of Fiscal Impacts Evaluated in this Study.....	1
C	Fiscal Impact on City General Fund (Approved Plan vs. Proposed Plan)	1
D	Fiscal Impact Conclusions	2
E	Market Considerations	2
II	INTRODUCTION	5
A	Scope and Methodology – Recurring Fiscal Impacts	5
B	Limitations – Accuracy of Information	6
III	DESCRIPTION OF RECURRING FISCAL REVENUES/COSTS	8
A	Analysis of Recurring Revenues - Case Study Method.....	8
B	Analysis of Recurring Revenues – Multiplier Method.....	11
C	Analysis of Recurring Costs – Case Study Method	12
D	Analysis of Recurring Costs – Multiplier Method	12
IV	FISCAL IMPACTS TO THE CITY’S GENERAL FUND.....	15
A	Total Recurring Revenues.....	15
B	Total Recurring Costs	15
C	Overall Net Fiscal Impact	16
D	Market Considerations	17

APPENDIX A FISCAL IMPACT REPORT

I EXECUTIVE SUMMARY

A Purpose of the Report

The objective of this Fiscal Impact Study (the "Study") is to analyze the fiscal impacts to the City of San Marcos (the "City") of the proposed zoning and land use changes to the 1210 East Mission Road project (the "Project").

The Project site is located at 1210 East Mission Road, on a 1.52 acre-site that is zoned for Neighborhood Commercial and currently includes a bank building that has been vacant for approximately 10 years. Based on the absorption study prepared by Meyer's Research (the "Meyers Analysis"), the Study assumes that, under the existing zoning, the Project site would likely be occupied by non-sales tax generating commercial uses (the "Approved Plan"). The City of San Marcos is processing a General Amendment and Zone Change that would allow the Applicant to redevelop the site into a 24-unit residential condominium development (the "Proposed Plan").

Consequently, the Study estimates the fiscal impacts of the Approved Plan and Proposed Plan (collectively, the "Scenarios") and provides a side-by-side comparison of both Scenarios.

B Types of Fiscal Impacts Evaluated in this Study

The fiscal impacts identified in this Study include recurring municipal revenues and costs to the City General Fund that result from the Project. The recurring revenues to the City identified in this Study are generated from a variety of sources, including property taxes, sales taxes, licenses and permits, franchise fees, fines, and other revenues. Although these revenues vary from year to year, they occur on a regular basis and are part of the City's budgeting plans on a yearly basis. The recurring General Fund expenditures for the City are equally important in this analysis. These recurring costs are associated with a variety of other services including public safety, public works maintenance, and general government administrative services. Like the General Fund revenues, these are costs that the City must anticipate and plan for on a yearly basis.

Revenues that are considered non-recurring to the City, such as various permitting fees are excluded from this Study. The reason for excluding them is because new development is generally required to pay specific fees such as grading and building prior to the construction of a project. As these are considered one-time revenues, there is no expectation that new development will need to pay these fees a second time. In addition, expenditures resulting from the Project that are considered to be non-recurring are also excluded from the Study.

C Fiscal Impact on City General Fund (Approved Plan vs. Proposed Plan)

The following table displays the net fiscal impact to the City under the Approved Plan and the Proposed Plan.

Table ES-1: Net Fiscal Impact (City General Fund)

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	\$2,829	\$44,668
Total Recurring General Fund Expenditures	(\$1,638)	(\$41,179)
Net Fiscal Impact	\$1,191	\$3,489
Revenue to Expense Ratio	1.73	1.08

As indicated in Table ES-1, under the Approved Plan the overall fiscal impact to the City General Fund, resulting from revenues generated by development and the recurring costs associated with the Project, is a recurring fiscal surplus of \$1,191. This total is based on \$2,829 in recurring annual revenue and \$1,638 in recurring annual costs. In this analysis, the total annual revenues generated are projected to equal 1.73 times the associated City General Fund costs.

Under the Proposed Plan, the overall fiscal impact to the City General Fund, resulting from revenues generated by the Project and the recurring costs associated with this area is a recurring fiscal surplus of \$3,489. This amount is based on \$44,668 in recurring annual revenues and \$41,179 in remaining current annual costs (expenditures). In this analysis, the total annual revenues generated are projected to equal 1.08 times the associated City General Funds Costs.

D Fiscal Impact Conclusions

Notably, the net fiscal impact for the Proposed Plan is significantly more positive, from a dollar perspective, than that for the Approved Plan, primarily due to higher property tax and CFD revenues generated by the proposed residential development.

E Market Considerations

The results summarized in this section assume buildout and full occupancy for each Scenario. Prior to buildout and full occupancy, only a portion of the projected fiscal benefits would likely be realized. Notably, according to the Meyers Analysis, although there are several traditional and non-traditional Commercial uses that are appropriate for the existing site under the Approved Plan, such as retail, church /religious facilities, and storage facilities, feedback from Real Estate professionals specializing in retail leases and investment argue that the existing site has run through its economic life cycle and is no longer able to attract quality tenants.

Figure 1: Net Fiscal Impact (City General Fund) – Approved Plan

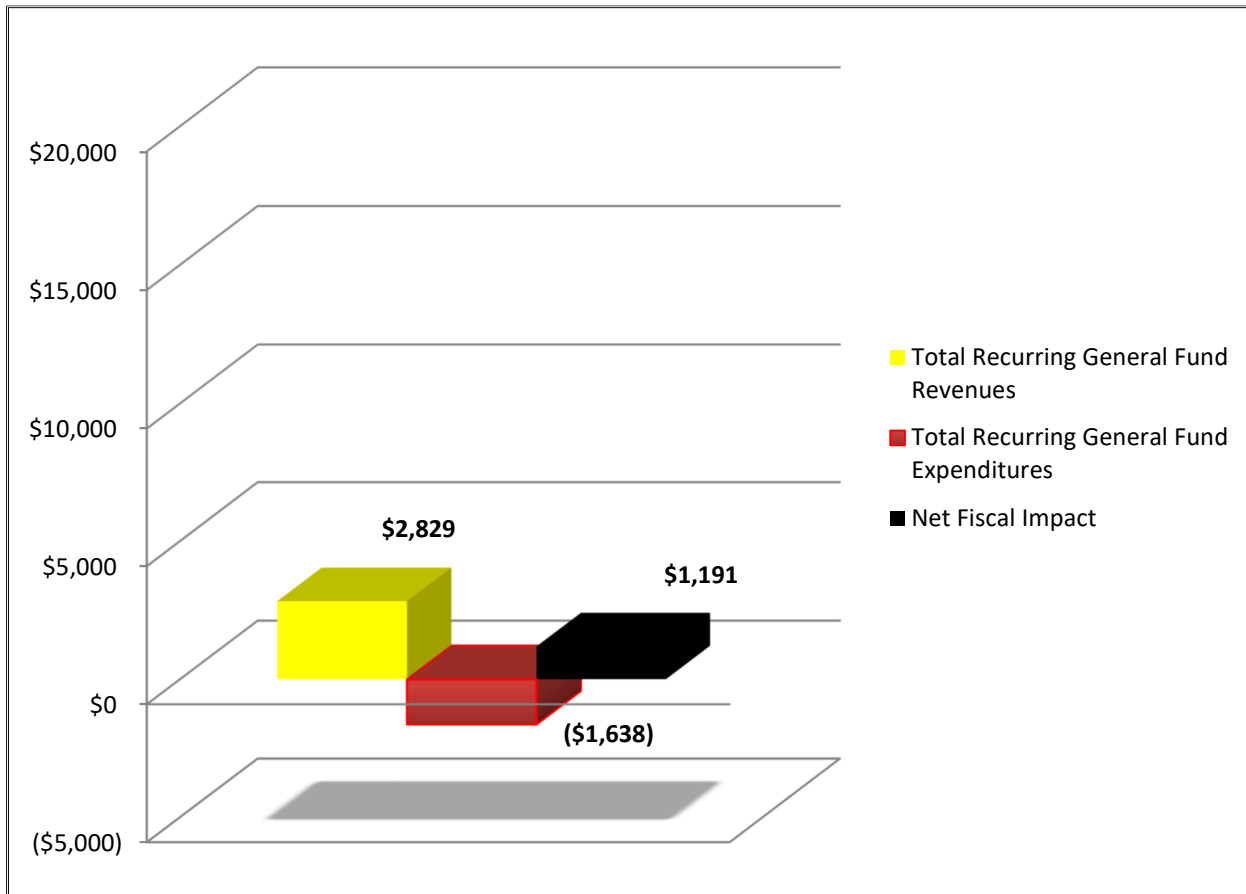
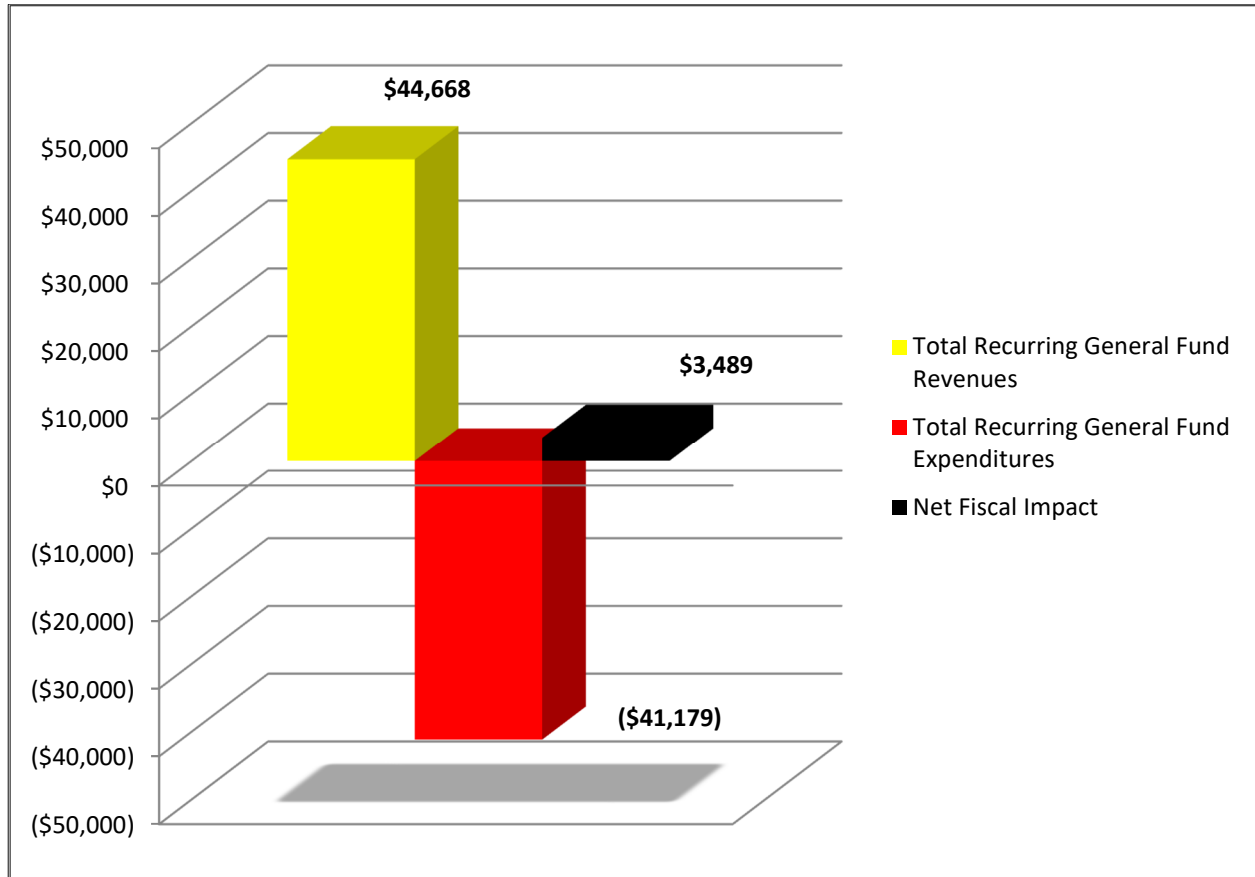


Figure 2: Net Fiscal Impact (City General Fund) – Proposed Plan



II INTRODUCTION

The objective of this Fiscal Impact Study (the “Study”) is to analyze the fiscal impacts to the City of San Marcos (the “City”) of the proposed zoning and land use changes to the 1210 East Mission Road project (the “Project”).

The Project site is located at 1210 East Mission Road, on a 1.52 acre-site that is zoned to Neighborhood Commercial and currently includes a bank building that has been vacant for approximately 10 years. Based on the market study prepared by Meyer’s Research (“Meyers Analysis”), the Study assumes that, under the existing zoning, the Project site would likely be occupied by non-sales tax generating commercial uses (the “Approved Plan”). Moreover, the City of San Marcos is processing a General Amendment and Zone Change that would allow the Applicant to redevelop the site into a 24-unit residential condominium development (the “Proposed Plan”).

Consequently, the Study estimates the Fiscal impacts of the Approved Plan and Proposed Plan (collectively, the “Scenarios”) and provides a side-by-side comparison of both Scenarios.

A Scope and Methodology – Recurring Fiscal Impacts

Fiscal impacts arising from a land development plan can be broadly categorized as one of two types: one-time impacts or recurring impacts. Each of these types may, in turn, be divided into a revenue component and a cost component. In this Study, it is assumed that one-time revenues would directly offset one-time costs; thus, the fiscal impacts considered focus on ongoing, or recurring, fiscal impacts of the Project on the City General Fund. Revenues that are generated outside of the City’s General Fund (e.g., special district revenues) or costs are incurred by the City outside of the General Fund (e.g., costs financed through a special district) are not included in the fiscal impact analysis.

The fiscal impact analysis presented in this Study utilizes two specific methods of analysis: The Multiplier approach (consisting of three separate methodologies, specifically “Per Capita”, “Per Employee”, and “Per Capita/Employee”) and the Case Study approach. Notably, the primary Multiplier approach used in this Study is the Per Capita/Employee methodology, which recognizes the fact that the exact relationship of service demands and revenue generating potential between residents and employees is difficult to quantify. In order to address this challenge, several assumptions are employed.

DTA has determined that utilizing a Per Capita/Employee, or Persons Served population, comprised of all residents and 50% of employees is common fiscal practice in quantifying the impact of a new development in a given service area. This number suggests that a resident generally has twice the fiscal impact of an employee. This methodology involves calculating the average City-wide revenues/costs per Persons Served, utilizing the City’s

Operating Budget for fiscal year ("FY") 2018-2019 (the "City Budget"), and applying these revenue/cost actors to the specific number of Persons Served projected for the Project.

If necessary, DTA will also use the Per Employee methodology to project recurring fiscal factors based on employment only, in areas such as business license revenues. Similarly, DTA will use the Per Capita methodology where appropriate to project recurring fiscal factors based on population only. Again, the Per Employee methodology or Per Capita methodology, involve calculating the average City-wide revenues/costs per employee or per capita, utilizing the City Budget, and applying these factors to the specific number of residents or employees, respectively, projected under each Scenario.

While most recurring revenues analyzed in this Study are projected using the Multiplier methodology, some major revenue sources, including Property Taxes and Sales Taxes, were calculated using a Case Study methodology that involves calculating marginal revenues to be specifically generated by a particular land use, instead of applying an average City-wide revenue factor. For purposes of this Study, all recurring revenues and costs are stated in current (un-inflated) 2019 dollars, based on the assumption that the relative impacts of inflation in future years will be the same for both of these fiscal impact categories.

Finally, certain revenues and expenditures for which the Multiplier methodology was utilized, were not expected to increase one-to-one with new development. Therefore, in order to accurately account for this, DTA applied a series of discount rates to specific revenues/costs. Generally, if needed, a discount rate would be applied to revenues or expenditures to exclude an administrative/overhead component of the revenue or expenditure that would likely not increase one-to-one with population or employment growth.

B Limitations – Accuracy of Information

The fiscal models in this Study contain an analysis of revenues, service costs (expenditures), and impacts to the City resulting from the Project. These models are based on both (i) information provided to DTA by City staff, and (ii) certain DTA assumptions compiled by DTA from various sources including previous fiscal impact studies prepared by the firm. The sources of information and basis of the estimates calculated in the Study are stated herein. While DTA is confident that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information.

Furthermore, the analysis of fiscal impacts contained in this Study is not considered to be a "financial forecast" or a "financial projection;" as technically defined by the American Institute of Certified Public Accountants. The word "projection" used within this Study relates to broad expectations of future events and/or market conditions. Since the analysis contained herein is based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent

that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary over time from the projections stated throughout this Study.

III DESCRIPTION OF RECURRING FISCAL REVENUES/COSTS

This section presents recurring revenue and service cost (expenditure) impacts to the City General Fund for both the Approved Plan and the Proposed Plan, along with the methodology and assumptions utilized to project these impacts. Detailed numerical analyses of anticipated revenue and service cost (expenditure) impacts are contained in **Appendix A**.

A Analysis of Recurring Revenues - Case Study Method

A.1 *Property Taxes – Secured and Unsecured*

Secured property tax revenues are projected based on the City's estimated share of the general one percent (1%) property tax levy. Total projected secured property tax revenues to the City from the Project are estimated at 13.178% of the basic 1% property tax levy, for Tax Rate Area ("TRA") 13029. Please refer to the following **Table** and to **Exhibit 5 of Appendix A** for details regarding the secured and unsecured property tax assumptions utilized in the fiscal impact analysis.

Unsecured property taxes collected in the City are levied on tangible personal property that is not secured by real estate. Examples of unsecured property include trade fixtures (e.g., manufacturing equipment and computers), as well as airplanes, boats, and mobile homes on leased land. In generating the fiscal impact models for this Study, DTA has assumed that unsecured property values average 2.75% of the secured value for residential land uses and 10.00% of the secured value for non-residential land uses. Unsecured property tax revenue generated for both the Approved Plan and Proposed Plan are presented in **Exhibit 5 of Appendix A**.

A.2 *Property Transfer Tax*

Per California Revenue & Taxation Code §11901 et seq. and the San Marcos Municipal Code §3.12.030, sales of real property are taxed by the County of San Diego (the "County") at a rate of \$1.10 per \$1,000 of property value. For property located in the City, the property transfer tax is divided equally between the City and the County, with the City receiving \$0.55 per \$1,000 of transferred property sale or resale value, excluding assumed liens or encumbrances. Per typical baseline assumptions, DTA assumes that residential development changes ownership at an average rate of 10% per year. DTA also assumes that non-residential development changes ownership at an average rate of 5% per year, and that continuing liens and encumbrances are insignificant.

A.3 *Property Taxes in-Lieu of Vehicle License Fees (VLF)*

The passage of Proposition 1A in California in 2004 enacted a constitutional amendment that introduced a new methodology to calculate property taxes in-lieu of VLF. Per California Revenue and Taxation Code §97.70, the property tax in-lieu of VLF amount now grows in proportion to the growth rate of gross assessed valuation

in a city or county. Property taxes in-lieu of VLF revenues are projected to grow with the change in the City-wide gross assessed valuation of taxable property from the prior fiscal year.

Property tax in-lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for purposes of this Study at \$0.67 per \$1,000 increase in assessed valuation on a City-wide basis. **Table 1** presents details regarding the property tax assumptions utilized in the fiscal impact analysis.

Table 1: Property Tax Assumptions

Property Tax Assumptions	Approved Plan	Proposed Plan
Assessed Valuation		
Residential	\$0	\$12,320,800
Non-residential	\$1,280,243	\$0
Secured Property Tax Allocation <i>(As a Portion of the 1% General Property Tax Levy)</i>		
City of San Marcos	6.988%	6.988%
Fire District	6.189%	6.189%
Unsecured Property Tax		
Residential	2.75%	2.75%
Non-residential	10.0%	10.0%
Property Transfer Tax		
Residential Property Turnover Rate	10.0%	10.0%
Non-residential Property Turnover Rate	5.0%	5.0%
Transfer Tax as a % of Assessed Value	0.11%	0.11%
Property Transfer Tax Passed through to the City	50.0%	50.0%
Property Tax in-Lieu of Vehicle License Fee (VLF)		
Total San Marcos Gross Assessed Value (VLF Base year)	\$7,756,621,947	\$7,756,621,947
Total City Property Tax In-Lieu of VLF Revenues	\$5,191,930	\$5,191,930
Property Tax In-Lieu of VLF Increase per \$1,000 of AV	\$0.67	\$0.67

A.4 Sales Taxes

Direct sales tax revenues are generated by retail sales from businesses within City limits, with 1.00% of taxable sales receipts passed through to the City. **Exhibit 6 of Appendix A** reflects estimated taxable sales per square foot for each on-site, non-residential land use type, based on data from the Urban Land Institute's Dollars & Cents of Shopping Projects (2008) publication and total estimated taxable sales for the Project, based on development assumptions provided by the City and the Meyers

Analysis.

Indirect sales tax revenues, as also summarized in **Exhibit 6** of **Appendix A**, are projected based on estimated purchases made by residents and employees of the Project within the City. Based on information outlined in the International Council of Shopping Centers' Office-Worker Retail Spending in a Digital Age (2012), DTA assumed that each on-site employee spends approximately \$5,652 annually within the City under each Scenario. Sales tax assumptions are summarized in **Table 2** below.

Table 2: Sales Tax Assumptions

Sales Tax Assumptions	All Scenarios
Percentage of Sales Tax Passed through City of San Marcos	1.00%
Local Employee Spending	\$5,652
Capture Rate of Retail Spending (within the City)	50%
Displacement Rate (existing taxable sales within the City)	20%

A.5 Community Facilities District ("CFD") Special Tax Revenue

The Project is currently located in five (5) separate Community Facilities Districts (collectively, the "CFDs") and will be subject to the applicable special tax for each CFD based on the land uses anticipated under each Scenario. Notably, revenues generated from CFD No. 98-02 and CFD No. 2011-01 will not be deposited in the City's General Fund and have therefore been excluded from this analysis. **Table 3** below and **Exhibit 7** of **Appendix A** summarize the CFD assumptions utilized for the Approved Plan and the Proposed Plan.

Table 3: CFD Assumptions

Community Facilities District	Approved Plan	Proposed Plan	Fund Designation
CFD 98-01 <i>Retail/Office (Per Acre)</i> <i>Residential (Per Unit)</i>	\$2,377.83	\$339.69	General Fund
CFD 2001-01 <i>Retail/Office (Per Acre)</i> <i>Residential (Per Unit)</i>	\$1,142.19	\$163.17	General Fund
CFD 98-02 (ZONES A - E) <i>Retail/Office (Per Acre)</i> <i>Residential (Per Unit)</i>	\$1,061.79	\$247.60	Non-General Fund
CFD 98-02 (ZONE F) <i>Retail (Per Acre)</i> <i>Residential (Per Unit)</i>	NA	NA	Non-General Fund
CFD 2011-01 <i>Retail/Office (Per Sq. Ft.)</i> <i>Residential (Per Unit)</i>	\$0.357	\$340.16	Non-General Fund

B Analysis of Recurring Revenues – Multiplier Method

Utilizing the Multiplier methodology discussed in Section II (A) of this Study, the multipliers presented in this section and illustrated in **Table 4** below quantify the marginal increase in revenue for each specific revenue category as a result of the proposed development Scenario(s). Additional details on each revenue category are also provided below.

Table 4: General Fund Revenues (Multiplier Method)

Revenue Category	Amount	Methodology	Discount
Franchise Fees	\$35.48	Persons Served	0%
Licenses and Permits	\$13.73	Persons Served	0%
Fines and Forfeitures	\$4.57	Persons Served	0%

B.1 Franchise Fees

The City receives franchise fee revenue from a variety of sources including utility companies (e.g. electricity, water, trash, etc.), pipelines that run under the City's streets, cable TV, taxi, and from companies that operate in the City's right-of-way to provide services for residents (e.g. tow trucks and solid waste haulers). Some franchise taxes (fees) are set dollar amounts that increase each year according to changes in some index, such as the Consumer Price Index. Other franchise fees are based on a percentage of utility revenues.

Using the *Per Capita/Employee Multiplier* approach, DTA has projected Franchise

fees at \$35.48 per persons served. This represents the marginal increase in revenue per additional persons served in this category.

B.2 Licenses and Permits

Licenses and Permits made up 7% of the City's revenue in FY 2018-2019 and is considered an important source of income to the City's General Fund. In addition to business licenses, the city imposes fees on a variety of permits including building, electrical, plumbing, grading, construction and many other areas.

DTA projects Licenses and Permits at \$13.73 per persons served using the *Per Capita/Employee Multiplier* approach.

B.3 Fines and Forfeitures

To ensure the payment of various licenses and fees, the City's Municipal Code empowers the City to impose penalties and to collect fines in several areas. Among the significant categories in this section are parking fines, traffic fines, and forfeitures/ penalties for business licenses and franchises. After a careful review of this revenue source, Fines and Forfeiture have also been projected using the *Per Capita/Employee Multiplier* approach, at \$4.57 per persons served.

C Analysis of Recurring Costs – Case Study Method

C.1 General Government

According to the City Budget, the percentage of recurring General Government overhead (percentage of total recurring General Fund expenditures) to the City General Fund non-government expenditures, is 20.1%. This is based on total general government expenditures of \$11,061.897 and non-general government expenditure of \$66,188,429. General Government costs are generated from several areas including City Council, Administration, Economic Development, City Attorney, City Clerk, Human Resources/Risk Management, Finance/Information Systems, and Real Property Services. Non-general government costs include Public Works, Development Services, Public Safety, Culture and Recreation, and other Financing Sources.

D Analysis of Recurring Costs – Multiplier Method

Table 5 below quantifies the marginal increase in expenditures for specific expenditure category as a result of the proposed development Scenario(s). A detailed description of each category is also provided below.

Table 5: General Fund Costs (Multiplier Method)

Expenditure Category	Amount	Methodology	Discount
Public Works	\$106.81	Persons Served	0%
Development Services	\$40.47	Persons Served	0%
Public Safety	\$289.82	Persons Served	0%
Culture and Recreation	\$15.49	Persons Served	0%
Other Financing Sources	\$2.52	Persons Served	90%

D.1 Public Works

The Public Works Department is responsible for the design, construction, maintenance and management of the City's vital municipal infrastructure system. It is composed of two divisions, Operations and Engineering. The Operations divisions includes administration, right-of-way maintenance, facilities maintenance, fleet maintenance, and parks and landscape maintenance, and is responsible for the maintenance and repair of City streets, buildings, flood control, storm drains, street lights, traffic signals, public places, parks, special districts, vehicles and equipment. The Engineering division administers and coordinates the capital improvement program, traffic engineering, stormwater maintenance, and construction inspection and management.

The Department also oversees the drafting and execution of related contracts and agreements; coordination with outside agencies; preparation and administration of capital grant funding; management of City-owned asset data; and provides inspection and acceptance services for development and public infrastructure improvements in the City.

DTA projects the combined Public Works Department multiplier at \$106.81 per persons served using the *Per-Capita/Employee Multiplier* approach. Again, this represents the marginal increase in expenditures per additional persons served in this category.

D.2 Development Services

The duties of the Development Services Department range from project entitlement approvals to approvals of construction permits and City ordinances related to land use and development. The department is made up of four divisions: (1) the Building Division that enforces laws, codes and ordinances for all building and parking activities in the City; (2) the Planning Division that administers the City's General Plan and various zoning and environmental regulation by analyzing and recommending measures to protect existing resources; (3) the Land Development Engineering Division that ensures compliance with City codes and ordinances, as well as the Subdivision Map Act, National Pollutant Discharge Elimination System ("NPES") permit, and Federal Emergency Management System ("FEMA") floodplain

requirements; and (4) the Housing Division that provides programs that include the development of new affordable housing units, the Down Payment Assistance Program and the Homeowner Rehabilitation Program.

Notably, DTA projects the combined Development Services multiplier at \$40.47 per persons served using the *Per-Capita/Employee Multiplier* approach.

D.3 Public Safety

The Public Safety division discussed in this section is made up of both Law Enforcement and Fire services. According to the City Budget, this division accounts for the City's largest General Fund expenditure (over 50.0% of the City's annual General Fund expenditure). The City currently has a contract for police services with the San Diego County Sheriff's Department. The City contract for law enforcement services includes patrol, traffic, community-oriented policing, gang and narcotics details, detectives, and clerical and supervisory personnel. In contrast, the City operates its own Fire Department, which provides services to over 100,000 residents in the 33 square mile San Marcos Fire Protection District ("SMFPD"). The City itself, comprises 24 square miles of the SMFPD.

Based on the City Budget, DTA projects the combined Public Safety multiplier at \$289.82 per persons served using the *Per Capita/Employee Multiplier* approach.

D.4 Culture and Recreation

The Culture and Recreation department is responsible for providing programs and services at the City's parks and recreation facilities. Among the specific elements of the department's work, are pre-school and youth programming, holiday celebrations, special events, cultural and performing arts activities, parks and trails planning, as well as aquatics and other programs. Additionally, the department oversees 17 neighborhood/community parks, 12 mini parks, and more than 60 miles of trails.

Based on the City Budget, DTA projects the Culture and Recreation multiplier at \$15.49 per persons served using the *Per Capita/Employee Multiplier* approach.

D.5 Other Financing Services

The Other Financial Services category is comprised of Transfers Out, Annual Replacement, and Rehab Transfers, and is projected to have a combined multiplier of \$2.52 per persons served using the *Per Capita/Employee Multiplier* approach. However, as explained in the earlier Scope and Methodology section, a discount rate of 90% was applied to this expenditure to exclude an administrative/overhead component of the expenditure that would not increase one-to-one with population or employment growth.

IV FISCAL IMPACTS TO THE CITY'S GENERAL FUND

A Total Recurring Revenues

Under the Approved Plan, the total annual incremental recurring revenues are projected to be \$2,829. Notably, Secured Property Tax makes up the largest percentage total (59.6%). As shown in the table below, CFD Revenue (19.8%) and Unsecured Property Taxes (6.0%), also make up significant portions of the revenue to the City.

Under the Proposed Plan, annual incremental recurring revenues total \$44,668. As illustrated below in **Table 6**, the largest percentage of revenue generated under the Proposed Plan is also attributed to Secured Property Tax (36.3%). Other revenues making up a significant portion of the revenue to the City include CFD Revenue (27.0%) from CFD 98-01 (Police and Fire) and CFD 2001-01 (Fire), and Property Tax in-lieu of VLF (17.1%). **Exhibits 1 and 11**, in **Appendix A** provide additional details regarding all recurring revenues and the assumptions used in their derivation.

Table 6: Recurring Fiscal Revenues (City General Fund)

Revenue Category	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Secured Property Tax	\$1,687	59.6%	\$16,236	36.3%
Unsecured Property Tax	\$169	6.0%	\$446	1.0%
Property Transfer Tax	\$35	1.2%	\$686	1.5%
Property In-Lieu of Vehicle License Fee	\$133	4.7%	\$7,624	17.1%
Direct and Indirect Sales tax	\$85	3.0%	\$3,554	8.0%
Franchise Fees	\$106	3.7%	\$2,674	6.0%
Licenses and Permits	\$41	1.4%	\$1,035	2.3%
Fines and Forfeitures	\$14	0.5%	\$344	0.8%
CFD Revenue	\$559	19.8%	\$12,069	27.0%
Total Revenues	\$2,829	100.0%	\$44,668	100.0%

B Total Recurring Costs

As illustrated in **Table 7** below, under the Proposed Plan, the total annual incremental recurring costs are projected to be \$41,179 per year. In contrast, under the Approved Plan, total annual costs are expected to total \$1,638 per year. In both cases, Public Safety (approximately 53.0%) makes up the largest cost percentage, followed by Public Works (19.5%), and General Government (16.7%). **Exhibits 1 and 12**, in **Appendix A** provide additional details about all recurring costs and the assumptions used in their derivation.

Table 7: Recurring Fiscal Costs (City General Fund)

Expenditure Category	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Public Works	\$320	19.5%	\$8,049	19.5%
Development Services	\$121	7.4%	\$3,050	7.4%
Public Safety	\$869	53.1%	\$21,841	53.0%
Culture and Recreation	\$46	2.8%	\$1,167	2.8%
Other Financing Sources	\$8	0.5%	\$190	0.5%
General Government	\$274	16.7%	\$6,882	16.7%
Total Revenues	\$1,638	100.0%	\$41,179	100.0%

C Overall Net Fiscal Impact

Table 8 presented below, shows the overall incremental fiscal impact to the City under both proposed development Scenarios. Under the Approved Plan, the overall fiscal impact to the City General Fund resulting from revenues generated by development and the recurring costs associated with the Project, is a recurring fiscal surplus of \$1,191. This total is based on \$2,829 in recurring annual revenue and \$1,638 in recurring annual costs. In this analysis, the total annual revenues generated are projected to equal 1.73 times the associated City General Funds Costs.

Under the Proposed Plan, the overall fiscal impact to the City General Fund, resulting from revenues generated by the Project and the recurring costs associated with the Project, is a recurring fiscal surplus of \$3,489. This amount is based on \$44,668 in recurring annual revenues and \$41,179 in remaining current annual costs (expenditures). In this analysis, the total annual revenues generated are projected to equal 1.08 times the associated City General Funds Costs.

Table 8: Net Fiscal Impact (City General Fund)

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	\$2,829	\$44,668
Total Recurring General Fund Expenditures	(\$1,638)	(\$41,179)
Net Fiscal Impact	\$1,191	\$3,489
Revenue to Expense Ratio	1.73	1.08

Notably, the fiscal impact for the Proposed Plan is significantly more positive (from a dollar perspective) than that for the Approved Plan primarily due to higher property tax and CFD revenues from the proposed residential development.

D Market Considerations

The results summarized in this section assume buildout and full occupancy for each Scenario. Prior to buildout and full occupancy, only a portion of the projected fiscal benefits would likely be realized. Notably, according to the Meyers Analysis, although there are several traditional and non-traditional Commercial uses that are appropriate for the existing site under the Approved Plan, such as retail, church /religious facilities and storage facilities, feedback from Real Estate professionals specializing in retail leases and investment argue that the existing site has run through its economic life cycle and is no longer able to attract quality tenants.

APPENDIX A

City of San Marcos
1210 East Mission Road
Fiscal Impact Report



FISCAL IMPACT REPORT

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
FISCAL IMPACT ANALYSIS**

FISCAL IMPACT SUMMARY

PROJECT SUMMARY

DEMOGRAPHICS

CASE STUDY REVENUES

CASE STUDY EXPENDITURES

MULTIPLIER REVENUES

MULTIPLIER EXPENDITURES

CITY BUDGET SUMMARY

EXHIBIT 1

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
FISCAL IMPACT SUMMARY**

RECURRING GENERAL FUND REVENUES ¹	APPROVED PLAN		PROPOSED PLAN	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
SECURED PROPERTY TAX	\$1,687	59.6%	\$16,236	36.3%
UNSECURED PROPERTY TAX	\$169	6.0%	\$446	1.0%
PROPERTY TRANSFER TAX	\$35	1.2%	\$686	1.5%
PROPERTY TAX IN-LIEU OF VEHICLE LICENSE FEE	\$133	4.7%	\$7,624	17.1%
DIRECT AND INDIRECT SALES TAX	\$85	3.0%	\$3,554	8.0%
FRANCHISE FEES	\$106	3.7%	\$2,674	6.0%
LICENSES AND PERMITS	\$41	1.4%	\$1,035	2.3%
FINES AND FORFEITURES	\$14	0.5%	\$344	0.8%
CFD REVENUE	\$559	19.8%	\$12,069	27.0%
TOTAL RECURRING GENERAL FUND REVENUES	\$2,829	100.0%	\$44,668	100.0%

RECURRING GENERAL FUND EXPENDITURES ²	APPROVED PLAN		PROPOSED PLAN	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
PUBLIC WORKS	\$320	19.5%	\$8,049	19.5%
DEVELOPMENT SERVICES	\$121	7.4%	\$3,050	7.4%
PUBLIC SAFETY	\$869	53.1%	\$21,841	53.0%
CULTURE AND RECREATION	\$46	2.8%	\$1,167	2.8%
OTHER FINANCING USES	\$8	0.5%	\$190	0.5%
GENERAL GOVERNMENT	\$274	16.7%	\$6,882	16.7%
TOTAL RECURRING GENERAL FUND EXPENDITURES	\$1,638	100.0%	\$41,179	100.0%

NET FISCAL IMPACT	APPROVED PLAN	PROPOSED PLAN
TOTAL ANNUAL RECURRING GENERAL FUND SURPLUS/(DEFICIT)	\$1,191	\$3,489
TOTAL ANNUAL REVENUE/EXPENDITURE RATIO	1.73	1.08

NOTES:

¹ Please see Exhibits 5-7 and 9 for the derivation of these calculations.

² Please see Exhibits 8 and 10 for the derivation of these calculations.

**All figures subject to rounding*

EXHIBIT 2

CITY OF SAN MARCOS
1210 EAST MISSION ROAD
PROJECT SUMMARY

LAND USE TYPE	TOTAL GROSS ACRES	APPROVED PLAN				PROPOSED PLAN					
		BUILDING SPACE ACRES ¹	BUILDING SPACE SF ¹	ESTIMATED VALUE/BSF ²	TOTAL ESTIMATED VALUE ²	BUILDING SPACE ACRES ¹	BUILDING SPACE SF ¹	UNITS ¹	ESTIMATED VALUE/BSF	ESTIMATED AVERAGE SALE PRICE ^{2,3}	TOTAL ESTIMATED VALUE ²
GRAND TOTAL	1.52	0.16	6,915	\$185	\$1,280,243	0.84	36,400	24	\$343	\$506,667	\$12,472,000
NON-RESIDENTIAL RETAIL (STORAGE)		0.16	6,915	\$185	\$1,280,243						
NON-RESIDENTIAL SUBTOTAL		0.16	6,915		\$1,280,243						
RESIDENTIAL CONDOMINIUM						0.84	36,400	24		\$506,667	\$12,472,000
RESIDENTIAL SUBTOTAL						0.84	36,400	24			\$12,472,000

NOTES

¹ Source: City of San Marcos.² Source: Meyers Research, "Pricing and Absorption Study: 1210 E. Mission Rd, San Marcos, CA.³ "Estimated average sale price" refers to the weighted average of the base price, as calculated using Meyers Research assumptions.***All figures subject to rounding**

EXHIBIT 3

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
CITY DEMOGRAPHICS**

POPULATION, HOUSEHOLDS, AND EMPLOYMENT (2018)

POPULATION ¹	95,768
EMPLOYMENT ²	39,200
TOTAL PERSONS SERVED ³	115,368
HOUSEHOLDS	29,941
AVERAGE HOUSEHOLD SIZE ¹	3.14

NOTES

¹ California Department of Finance, Housing and Population Information, January 1, 2018.

² Source: State of California Employment Development Department (EDD) (December 2018).

³ Assumes City population plus 50% of employees.

EXHIBIT 4
1210 EAST MISSION ROAD
CITY OF SAN MARCOS
1210 EAST MISSION ROAD
PROJECT DEMOGRAPHICS

APPROVED PLAN					PROPOSED PLAN						
LAND USE TYPE	BSF	SF PER EMPLOYEE ²	DIRECT EMPLOYEES	PERSONS SERVED	BSF	UNITS	SF PER EMPLOYEE	PERSONS PER HOUSEHOLD ¹	RESIDENTS	DIRECT EMPLOYEES	PERSONS SERVED
GRAND TOTAL	6,915		6	3	36,400	24	0	3.14	75	0	75
NON-RESIDENTIAL											
RETAIL (STORAGE)	6,915	1,232	6	3							
NON-RESIDENTIAL SUBTOTAL	6,915		6	3					0	0	0
RESIDENTIAL											
CONDOMINIUM					36,400	24	NA	3.14	75	NA	75
RESIDENTIAL SUBTOTAL			0	0	36,400	24			75		75

NOTES

¹ California Department of Finance, Housing and Population Information, January 1, 2018.

² Source: Commercial Buildings Energy Consumption Survey (CBECS), 2012.

**All figures subject to rounding*

EXHIBIT 5

CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED PROPERTY TAX REVENUES (CASE STUDY)

PROPERTY TAX SUMMARY		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN
ALL PROPERTY TAXES		
SECURED PROPERTY TAXES	\$1,687	\$16,236
UNSECURED PROPERTY TAXES	\$169	\$446
PROPERTY TRANSFER TAXES	\$35	\$686
PROPERTY TAX IN-LIEU OF VLF	\$133	\$7,624
GRAND TOTAL ALL PROPERTY TAXES	\$2,024	\$24,992
RESIDENTIAL PROPERTY TAXES		
SECURED PROPERTY TAXES		\$16,236
UNSECURED PROPERTY TAXES		\$446
PROPERTY TRANSFER TAXES		\$686
PROPERTY TAX IN-LIEU OF VLF		\$7,624
TOTAL RESIDENTIAL PROPERTY TAXES		\$24,992
NON-RESIDENTIAL PROPERTY TAXES		
SECURED PROPERTY TAXES	\$1,687	\$0
UNSECURED PROPERTY TAXES	\$169	\$0
PROPERTY TRANSFER TAXES	\$35	\$0
PROPERTY TAX IN-LIEU OF VLF	\$133	\$0
TOTAL NON-RESIDENTIAL PROPERTY TAXES	\$2,024	\$0

EXHIBIT 5

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED PROPERTY TAX REVENUES (CASE STUDY)**

SECURED PROPERTY TAX CALCULATION		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN

GRAND TOTAL

ESTIMATED BUILDOUT VALUE	\$1,280,243	\$12,472,000
ESTIMATED EXEMPTIONS	\$0	(\$151,200)
ESTIMATED ASSESSED VALUE	\$1,280,243	\$12,320,800
ESTIMATED SECURED PROPERTY TAXES	\$1,687	\$16,236

RESIDENTIAL

ESTIMATED BUILDOUT VALUE		\$0	\$12,472,000
ESTIMATED EXEMPTIONS		\$0	(\$151,200)
HOMEOWNER'S EXEMPTION (ANNUALLY)	\$7,000		
PERCENT OF SALE UNITS TAKING HOMEOWNER'S EXEMPTION ¹	90%		
ESTIMATED ASSESSED VALUE		\$0	\$12,320,800
ESTIMATED SECURED PROPERTY TAXES		\$0	\$16,236

NON-RESIDENTIAL

ESTIMATED BUILDOUT VALUE		\$1,280,243	\$0
ESTIMATED EXEMPTIONS		\$0	\$0
ESTIMATED ASSESSED VALUE		\$1,280,243	\$0
ESTIMATED SECURED PROPERTY TAXES		\$1,687	\$0

UNSECURED PROPERTY TAX CALCULATION		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN

GRAND TOTAL	\$169	\$446
--------------------	-------	-------

RESIDENTIAL

ESTIMATED UNSECURED PROPERTY TAXES		\$0	\$446
UNSECURED TAXES AS A % OF SECURED ²	2.75%		

NON-RESIDENTIAL

ESTIMATED UNSECURED PROPERTY TAXES		\$169	\$0
UNSECURED TAXES AS A % OF SECURED ²	10.00%		

EXHIBIT 5 - CONTINUED

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED PROPERTY TAX REVENUES (CASE STUDY)**

PROPERTY TRANSFER TAX CALCULATION

LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN
GRAND TOTAL	\$35	\$686
RESIDENTIAL		
ESTIMATED PROPERTY TRANSFER TAXES	\$0	\$686
ESTIMATED BUILDOUT VALUE	\$0	\$12,472,000
TRANSFER TAX AS A % OF ASSESSED VALUE	0.11%	
PROPERTY TRANSFER TAX PASSED THROUGH TO CITY OF SAN MARCOS	50.00%	
RESIDENTIAL PROPERTY TURNOVER RATE	10.00%	
NON-RESIDENTIAL		
ESTIMATED PROPERTY TRANSFER TAXES	\$35	\$0
ESTIMATED BUILDOUT VALUE	\$1,280,243	\$0
TRANSFER TAX AS A % OF ASSESSED VALUE	0.11%	
PROPERTY TRANSFER TAX PASSED THROUGH TO CITY OF SAN MARCOS	50.00%	
NON-RESIDENTIAL PROPERTY TURNOVER RATE	5.00%	

PROPERTY TAX IN-LIEU OF VEHICLE LICENSE FEE CALCULATION

LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN
GRAND TOTAL	\$133	\$7,624
RESIDENTIAL		
ESTIMATED PROPERTY TAX IN-LIEU OF VLF	\$0	\$7,624
ESTIMATED BUILDOUT VALUE	\$0	\$12,472,000
ESTIMATED EXISTING ASSESSED VALUE	\$0	\$1,082,258
PROPERTY TAX IN-LIEU OF VLF INCREASE PER \$1,000 OF AV	\$0.67	
NON-RESIDENTIAL		
ESTIMATED PROPERTY TAX IN-LIEU OF VLF	\$133	\$0
ESTIMATED BUILDOUT VALUE	\$1,280,243	\$0
ESTIMATED EXISTING ASSESSED VALUE	\$1,082,258	\$0
PROPERTY TAX IN-LIEU OF VLF INCREASE PER \$1,000 OF AV	\$0.67	

EXHIBIT 5 - CONTINUED

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED PROPERTY TAX REVENUES (CASE STUDY)**

PROPERTY TAX AND PROPERTY TRANSFER TAX RATES AND ASSUMPTIONS

PROPERTY TAX ALLOCATION (AS A PORTION OF THE 1% GENERAL PROPERTY TAX LEVY)

CITY OF SAN MARCOS ^{3,4}	6.988%
FIRE DISTRICT ^{3,4}	6.189%

TOTAL	13.178%
--------------	----------------

PROPERTY TRANSFER TAX RATE AND ALLOCATION⁵

TRANSFER TAX AS A % OF ASSESSED VALUE	0.11%
PROPERTY TRANSFER TAX PASSED THROUGH TO CITY OF SAN MARCOS	50.00%

PROPERTY TAX IN-LIEU OF VLF ASSUMPTIONS

TOTAL CITY OF SAN MARCOS GROSS ASSESSED VALUE ⁶	\$7,756,621,947
TOTAL CITY PROPERTY TAX IN-LIEU VLF REVENUES ⁶	\$5,191,930
PROPERTY TAX IN-LIEU OF VLF INCREASE PER \$1,000 OF AV	\$0.67

NOTES

¹ Estimate, subject to change.

² Based on typical DTA baseline assumptions.

³ Based on "General Fund" levy for Tax Rate Area (TRA) 013029. Data provided by the County of San Diego Auditor-Controller's Office.

⁴ Based on the average of the rates for TRA 013029.

⁵ Source: California Revenue & Taxation Code §11901, et seq.; San Marcos Municipal Code §3.12.020.

⁶ Source: State Controller's Office Division of Accounting and Reporting, Revenue and Taxation Code Section 97.70 (c)(1)(B)(i) - Vehicle License Fee Adjustment Amounts.

****All figures subject to rounding***

EXHIBIT 6

CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED SALES TAX REVENUES (CASE STUDY)

SALES TAX SUMMARY		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN

GRAND TOTAL	\$85	\$3,554
-------------	------	---------

RESIDENTIAL SALES TAXES

DIRECT SALES TAX		NA
------------------	--	----

INDIRECT SALES TAX - TAXABLE RESIDENT PURCHASES

CONDOMINIUMS		\$3,554
--------------	--	---------

TOTAL RESIDENTIAL SALES TAXES		\$3,554
-------------------------------	--	---------

NON-RESIDENTIAL SALES TAXES

DIRECT SALES TAX¹

NON-RETAIL	\$0	\$0
------------	-----	-----

INDIRECT SALES TAX - TAXABLE EMPLOYEE PURCHASES

\$85	\$0
------	-----

TOTAL NON-RESIDENTIAL SALES TAXES	\$85	\$0
-----------------------------------	------	-----

DIRECT SALES TAX ASSUMPTIONS

TAXABLE SALES PER SF¹

NON-RETAIL		\$0
------------	--	-----

DISPLACED TAXABLE SALES²

20%

EXHIBIT 6 - CONTINUED

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD**

RESIDENTIAL INDIRECT SALES TAX ASSUMPTIONS

DISPOSABLE INCOME PER HOUSEHOLD

ESTIMATED AVERAGE HOUSEHOLD INCOME (ASSUMES 3:1 INCOME TO HOUSEHOLD PAYMENT RATIO) ³

CONDOMINIUMS	\$105,506
--------------	-----------

MORTGAGE ASSUMPTIONS

CONDOMINIUMS

AVERAGE PROJECTED SALES PRICE PER UNIT	\$506,667
--	-----------

AVERAGE MORTGAGE (20% DOWN PAYMENT) ³	\$405,333
--	-----------

ANNUAL MORTGAGE PAYMENT (4.5% FOR 30 YEARS) ⁴	\$24,645
--	----------

ADDITIONAL ANNUAL PROPERTY TAXES & HOA ⁵	\$10,524
---	----------

RETAIL TAXABLE EXPENDITURES (AS A % OF DISPOSABLE INCOME) ⁶

CONDOMINIUMS	28.07%
--------------	--------

NON-RESIDENTIAL INDIRECT SALES TAX ASSUMPTIONS

EMPLOYEES (ANNUAL SPENDING PER EMPLOYEE) ⁷	\$5,652
---	---------

EXHIBIT 6 - CONTINUED

CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED SALES TAX REVENUES (CASE STUDY)

CITY INDIRECT SALES TAX ASSUMPTIONS

SALES TAX % TO CITY ⁸	1.00%
CITY RETAIL TAXABLE PURCHASE CAPTURE RATE ²	50%

SAMPLE PROPERTY TAX BILL

FY 2018-19 AD VALOREM PROPERTY TAX RATE (13029)	1.11185%
CITY CFD SPECIAL TAXES	\$1,090.62
OTHER DIRECT ASSESSMENTS	
VECTOR CONTROL	\$7.92
CWA WATER AVAILABILITY	\$10.00
MOSQUITO SURVEILLANCE	\$2.28
MWD WATER STANDBY CHARGE	\$11.50
SEWER SERVICE CHARGE	\$467.88
TOTAL ETR	1.425705%

NOTES

¹ Estimate, subject to change.

² Estimate, subject to change.

³ DTA estimates. Subject to change.

⁴ DTA estimate. Annual payment includes principal, interest, property taxes, and homeowner's insurance.

⁵ Assumption of \$275 monthly HOA. Source: Meyers Research, "Pricing and Absorption Study: 1210 E. Mission Rd, San Marcos, CA.

⁶ Source: Bureau of Labor Statistics (BLS) *Consumer Expenditure Survey (2015)*.

⁷ Source: "Office-Worker Retail Spending in a Digital Age," ICSC (2012). Adjusted for inflation using the change in CPI for San Diego.

⁸ Source: San Marcos Municipal Code §3.20.090.

*** All figures subject to rounding**

EXHIBIT 7

CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED CFD SPECIAL TAX REVENUES (CASE STUDY)

CFD SPECIAL TAX SUMMARY - GENERAL FUND IMPACTS

LAND USE TYPE	ACRES	SF	UNITS	APPROVED	PROPOSED
				PLAN	PLAN
TOTAL CFD SPECIAL TAXES				\$559	\$12,069
RESIDENTIAL CFD SPECIAL TAXES ¹					
CFD 98-01 (POLICE & FIRE)			24		\$8,153
CFD 2001-01 (FIRE)			24		\$3,916
TOTAL RESIDENTIAL CFD SPECIAL TAXES					\$12,069
NON-RESIDENTIAL CFD SPECIAL TAXES ¹					
CFD 98-01 (POLICE & FIRE)	0.16			\$377	
CFD 2001-01 (FIRE)	0.16			\$181	
TOTAL NON-RESIDENTIAL CFD SPECIAL TAXES				\$559	

CFD SPECIAL TAX SUMMARY - NON-GENERAL FUND IMPACTS (EXCLUDED FROM ANALYSIS)

LAND USE TYPE	ACRES	SF	UNITS	APPROVED PLAN	PROPOSED PLAN
TOTAL CFD SPECIAL TAXES				\$2,637	\$14,106
RESIDENTIAL CFD SPECIAL TAXES ¹					
CFD 98-02 (ZONES A - E) ²			24		\$5,942
CFD 98-02 (ZONE F) ^{2, 3}			24		NA
CFD 2011-01 ^{2, 4}			24		\$8,164
TOTAL RESIDENTIAL CFD SPECIAL TAXES					\$14,106
NON-RESIDENTIAL CFD SPECIAL TAXES ¹					
CFD 98-02 (ZONES A - E) ²	0.16			\$169	
CFD 98-02 (ZONE F) ^{2, 3}	0.16			NA	
CFD 2011-01 ^{2, 5}		6,915		\$2,469	
TOTAL NON-RESIDENTIAL CFD SPECIAL TAXES				\$2,637	

CFD SPECIAL TAX RATE ASSUMPTIONS

LAND USE	FY 2018-19 SPECIAL TAX RATE		
	PER ACRE	PER SF	PER UNIT
RESIDENTIAL¹			
CFD 98-01 (POLICE & FIRE)			\$339.69
CFD 2001-01 (FIRE)			\$163.17
CFD 98-02 (ZONES A - E) ²			\$247.60
CFD 98-02 (ZONE F) ^{2,3}			NA
CFD 2011-01 ^{2,4}			\$340.16
NON-RESIDENTIAL¹			
CFD 98-01 (POLICE & FIRE)	\$2,377.83		
CFD 2001-01 (FIRE)	\$1,142.19		
CFD 98-02 (ZONES A - E) ²	\$1,061.79		
CFD 98-02 (ZONE F) ^{2,3}	NA		
CFD 2011-01 ^{2,5}		\$0.3570	

NOTES

¹ Source: City of San Marcos.² Special assessments collected from the CFD are deposited into Special Funds, not the General Fund. Therefore, these CFD revenues are excluded from this analysis.³ No special tax rate for Zone F has been established for the project.⁴ "Condominium" Rate, per dwelling unit⁵ "Retail" Rate, per building square foot***All figures subject to rounding**

EXHIBIT 8

CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED GENERAL GOVERNMENT EXPENDITURES (CASE STUDY)

GENERAL GOVERNMENT EXPENDITURES CALCULATION

	APPROVED PLAN	PROPOSED PLAN
--	------------------	------------------

ESTIMATED RECURRING GENERAL GOVERNMENT OVERHEAD EXPENDITURES ¹	\$274	\$6,882
---	-------	---------

GENERAL GOVERNMENT ASSUMPTIONS

TOTAL RECURRING CITY GENERAL FUND EXPENDITURES (EXCLUDING GENERAL GOVERNMENT OVERHEAD) ²	\$55,126,532
TOTAL RECURRING CITY GENERAL GOVERNMENT OVERHEAD ³	\$11,061,897
TOTAL RECURRING GENERAL FUND EXPENDITURES	\$66,188,429
RECURRING CITY GENERAL GOVERNMENT OVERHEAD (% OF TOTAL RECURRING GENERAL FUND EXPENDITURES) ³	20.1%
MARGINAL INCREASE IN GENERAL GOVERNMENT COSTS	100%

NOTES

¹ Based on total recurring project general fund expenditures (excluding general government overhead) from Exhibit 12.

² Based on City of San Marcos Operating Budget, Fiscal Year 2018-19.

³ General Government Overhead Expenditures defined as costs for City Council, Administration, Housing and Neighborhood Services, City Attorney, City Clerk, Human Resources/Risk Management, Finance/Information Systems, and Real Property Services.

**All figures subject to rounding*

EXHIBIT 9

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED MULTIPLIER BASED GENERAL FUND REVENUES**

MULTIPLIER BASED GENERAL FUND REVENUE SUMMARY

REVENUE CATEGORY	APPROVED PLAN	PROPOSED PLAN
FRANCHISE FEES	\$106	\$2,674
LICENSES AND PERMITS	\$41	\$1,035
FINES AND FORFEITURES	\$14	\$344
TOTAL ESTIMATED MULTIPLIER REVENUES	\$161	\$4,053

MULTIPLIER BASED REVENUE ASSUMPTIONS

REVENUE CATEGORY	MULTIPLIER¹	BASIS
SALES TAX	NA	CASE STUDY
PROPERTY TAX	NA	CASE STUDY
FRANCHISE FEES	\$35.48	PERSONS SERVED
LICENSES AND PERMITS	\$13.73	PERSONS SERVED
FINES AND FORFEITURES	\$4.57	PERSONS SERVED

NOTES

¹ Based on City of San Marcos Operating Budget, Fiscal Year 2018-19.

****All figures subject to rounding***

EXHIBIT 10

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ESTIMATED MULTIPLIER BASED GENERAL FUND EXPENDITURES**

MULTIPLIER BASED GENERAL FUND EXPENDITURE SUMMARY

EXPENDITURE CATEGORY	APPROVED PLAN	PROPOSED PLAN
PUBLIC WORKS	\$320	\$8,049
DEVELOPMENT SERVICES	\$121	\$3,050
PUBLIC SAFETY	\$869	\$21,841
CULTURE AND RECREATION	\$46	\$1,167
OTHER FINANCING USES	\$8	\$190
TOTAL MULTIPLIER EXPENDITURES	\$1,364	\$34,297

MULTIPLIER BASED EXPENDITURE ASSUMPTIONS

EXPENDITURE CATEGORY	MULTIPLIER¹	BASIS
PUBLIC WORKS	\$106.81	PERSONS SERVED
DEVELOPMENT SERVICES	\$40.47	PERSONS SERVED
PUBLIC SAFETY	\$289.82	PERSONS SERVED
CULTURE AND RECREATION	\$15.49	PERSONS SERVED
OTHER FINANCING USES	\$2.52	PERSONS SERVED

NOTES

¹ Based on City of San Marcos Operating Budget, Fiscal Year 2018-19.

****All figures subject to rounding***

EXHIBIT 11
1210 EAST MISSION ROAD
CITY OF SAN MARCOS
FY 2018-19 GENERAL FUND REVENUE SUMMARY

REVENUE CATEGORY	TOTAL REVENUES	REVENUE TYPE	PROJECTION METHOD	DISCOUNT ¹	MULTIPLIER
REVENUES INCLUDED IN FISCAL IMPACT ANALYSIS					
SALES TAX	\$17,663,248	RECURRING	CASE STUDY	NA	NA
PROPERTY TAX	\$23,247,977	RECURRING	CASE STUDY	NA	NA
SPECIAL TAXES/ASSESSMENTS	\$6,093,313	RECURRING	CASE STUDY	NA	NA
TRANSIENT OCCUPANCY TAX	\$1,319,500	RECURRING	CASE STUDY	0%	NA
FRANCHISE FEES	\$4,092,841	RECURRING	PERSONS SERVED	0%	\$35.48
LICENSES AND PERMITS	\$1,584,547	RECURRING	PERSONS SERVED	0%	\$13.73
FINES AND FORFEITURES	\$527,500	RECURRING	PERSONS SERVED	0%	\$4.57
TOTAL INCLUDED GENERAL FUND REVENUES	\$54,528,926				\$53.78
CHARGES FOR SERVICES³					
DEDUCTED FROM GENERAL GOV'T CHARGES	\$1,290,559	NA	NA	NA	NA
DEDUCTED FROM PUBLIC WORKS	\$921,590	NA	NA	NA	NA
DEDUCTED FROM DEVELOPMENT SERVICES	\$622,270	NA	NA	NA	NA
DEDUCTED FROM PUBLIC SAFETY: BUILDING REGULATION CHARGES	\$4,760,033	NA	NA	NA	NA
DEDUCTED FROM CULTURE AND RECREATION	\$2,203,250	NA	NA	NA	NA
TOTAL CHARGES FOR SERVICES	\$9,797,702				
REVENUES EXCLUDED FROM FISCAL IMPACT ANALYSIS					
USE OF MONEY AND PROPERTY ⁴	\$6,137,949	NA	NA	NA	NA
MISCELLANEOUS REVENUES	\$236,770	NA	NA	NA	NA
OTHER FINANCING SOURCES	\$5,393,500	NA	NA	NA	NA
INTERGOVERNMENTAL REVENUES	\$904,780	NA	NA	NA	NA
DEVELOPER FEES	\$15,500	NA	NA	NA	NA
TOTAL EXCLUDED GENERAL FUND REVENUES	\$12,688,499				
TOTAL GENERAL FUND REVENUES + CHARGES FOR SERVICES	\$77,015,127				
TOTAL RECURRING GENERAL FUND REVENUES	\$54,528,926				

NOTES

¹ Certain revenues may not be expected to increase one-to-one with the new development.

² Source: FY 2018-19 Budget.

³ All Charges for Services are deducted from expenditures on Exhibit 13.

⁴ Interest income excluded from analysis.

***All figures subject to rounding**

EXHIBIT 12
1210 EAST MISSION ROAD
CITY OF SAN MARCOS
FY 2018-19 GENERAL FUND EXPENDITURE SUMMARY

EXPENDITURE CATEGORY	TOTAL EXPENDITURES	CHARGES FOR SERVICES ADJUSTMENT	EXPENDITURE TYPE	PROJECTION METHOD ¹	DISCOUNT ²	MULTIPLIER
EXPENDITURES INCLUDED IN FISCAL IMPACT ANALYSIS						
GENERAL GOVERNMENT EXPENDITURES						
CITY COUNCIL	\$299,672		RECURRING	CASE STUDY	NA	NA
ADMINISTRATION	\$1,772,797		RECURRING	CASE STUDY	NA	NA
ECONOMIC DEVELOPMENT	\$270,123		RECURRING	CASE STUDY	NA	NA
CITY ATTORNEY	\$833,000		RECURRING	CASE STUDY	NA	NA
CITY CLERK	\$674,437		RECURRING	CASE STUDY	NA	NA
HUMAN RESOURCES/ RISK MANAGEMENT	\$3,602,854		RECURRING	CASE STUDY	NA	NA
FINANCE/ INFORMATION SYSTEMS	\$3,810,697		RECURRING	CASE STUDY	NA	NA
REAL PROPERTY SERVICES	\$1,088,876		RECURRING	CASE STUDY	NA	NA
TOTAL GENERAL GOVERNMENT EXPENDITURES	\$12,352,456	(\$1,290,559)				
		\$11,061,897				\$0.00
PUBLIC WORKS						
OPERATIONS	\$11,100,893	(\$772,469)	RECURRING	PERSONS SERVED	0%	\$89.53
ENGINEERING	\$2,142,974	(\$149,121)	RECURRING	PERSONS SERVED	0%	\$17.28
TOTAL PUBLIC WORKS	\$13,243,867	(\$921,590)				
		\$12,322,277		PERSONS SERVED	0%	\$106.81
DEVELOPMENT SERVICES						
ADMINISTRATION	\$668,903	(\$78,667)	RECURRING	PERSONS SERVED	0%	\$5.12
PLANNING	\$1,352,161	(\$159,023)	RECURRING	PERSONS SERVED	0%	\$10.34
BUILDING	\$1,571,822	(\$184,857)	RECURRING	PERSONS SERVED	0%	\$12.02
ENGINEERING	\$852,381	(\$100,246)	RECURRING	PERSONS SERVED	0%	\$6.52
STORMWATER PROGRAM MANAGEMENT	\$845,849	(\$99,477)	RECURRING	PERSONS SERVED	0%	\$6.47
TOTAL DEVELOPMENT SERVICES	\$5,291,116	(\$622,270)				
		\$4,668,846		PERSONS SERVED	0%	\$40.47
PUBLIC SAFETY						
FIRE DEPARTMENT	\$18,615,070	(\$2,319,845)	RECURRING	PERSONS SERVED	0%	\$141.25
LAW ENFORCEMENT	\$19,580,742	(\$2,440,188)	RECURRING	PERSONS SERVED	0%	\$148.57
TOTAL PUBLIC SAFETY	\$38,195,812	(\$4,760,033)				
		\$33,435,779		PERSONS SERVED	0%	\$289.82
CULTURE AND RECREATION						
COMMUNITY SERVICES	\$3,990,275	(\$2,203,250)	RECURRING	PERSONS SERVED	0%	\$15.49
TOTAL CULTURE AND RECREATION	\$3,990,275	(\$2,203,250)				
		\$1,787,025		PERSONS SERVED	0%	\$15.49
OTHER FINANCING USES						
ANNUAL REPLACEMENT/REHAB TRANSFERS	\$2,912,605		RECURRING	PERSONS SERVED	90%	\$2.52
TOTAL OTHER FINANCING SOURCES	\$2,912,605	\$0				
		\$2,912,605		PERSONS SERVED	90%	\$2.52
TOTAL INCLUDED EXPENDITURES	\$75,986,131	\$66,188,429				
EXPENDITURES EXCLUDED FROM FISCAL IMPACT ANALYSIS						
TRANSFERS OUT	\$995,000		NA	NA	NA	NA
TOTAL EXCLUDED GENERAL FUND EXPENDITURES	\$995,000					
TOTAL GENERAL FUND EXPENDITURES	\$76,981,131	\$66,188,429				

NOTES

¹ Persons Served method assumes City population plus 50% of employees.

² Certain expenditures may not be expected to increase one-to-one with the new development.

**All figures subject to rounding*



www.FinanceDTA.com

5000 BIRCH STREET, SUITE 6000
NEWPORT BEACH, CA 92660
PHONE (800) 969-4DTA

Public Finance
Public Private Partnerships
Development Economics
Clean Energy Bonds



www.FinanceDTA.com

ECONOMIC IMPACT STUDY

CITY OF SAN MARCOS

1210 EAST MISSION ROAD

SAN MARCOS, CALIFORNIA

April 12, 2019

Public Finance
Public-Private Partnerships
Development Economics
Clean Energy Bonds

*Newport Beach / San Jose / San Francisco / Riverside
Dallas / Houston / Raleigh*



www.FinanceDTA.com

5000 Birch Street, Suite 6000
Newport Beach, CA 92660

ECONOMIC IMPACT STUDY 1210 EAST MISSION ROAD

Prepared for:

City of San Marcos

1 Civic Center Drive

San Marcos, CA 92069

Attention: Sean del Solar, Associate Planner

TABLE OF CONTENTS

SECTION

I	EXECUTIVE SUMMARY	1
A	Purpose of the Study.....	1
B	Types of Economic Impacts Evaluated in the Study.....	1
C	Economic Impact Conclusions	1
D	Market Considerations	3
II	INTRODUCTION	4
A	Scope and Methodology	4
B	Limitations – Accuracy of Information.....	6
III	ECONOMIC IMPACTS	8
A	Recurring Economic Impacts.....	8
B	One-Time Employment and Output Impacts (Construction)	11
C	Market Considerations	12

APPENDICES

APPENDIX A	ECONOMIC IMPACT MODEL, APPROVED PLAN
APPENDIX B	ECONOMIC IMPACT MODEL, PROPOSED PLAN

I EXECUTIVE SUMMARY

A Purpose of the Study

The objective of this Economic Impact Study (the "Study") is to analyze the economic impacts to the City of San Marcos (the "City") of the proposed zoning and land use changes to the 1210 East Mission Road project (the "Project").

The Project site is located at 1210 East Mission Road, on a 1.52 acre-site that is zoned for Neighborhood Commercial and currently includes a bank building that has been vacant for approximately 10 years. Based on the absorption study prepared by Meyer's Research (the "Meyers Analysis"), the Study assumes that, under the existing zoning, the Project site would likely be occupied by non-sales tax generating commercial uses (the "Approved Plan"). The City of San Marcos is processing a General Amendment and Zone Change that would allow the Applicant to redevelop the site into a 24-unit residential condominium development (the "Proposed Plan").

Consequently, the Study estimates the economic impacts of the Approved Plan and Proposed Plan (collectively, the "Scenarios") and provides a side-by-side comparison of both Scenarios.

B Types of Economic Impacts Evaluated in the Study

The Study identifies the general economic impacts that would occur due to the Project and quantifies these impacts wherever possible. General economic impacts include additions to employment (number of average annual full- and part-time jobs) and economic output (e.g., gross receipts) in the City.

The Study also distinguishes between one-time impacts and permanent impacts. One-time impacts include benefits that occur on a non-recurring basis as a result of construction activity, while permanent impacts refer to benefits that occur on a continuing basis, year after year. Generally, first, there is a one-time impact from the construction of a facility. Then, after the construction phases are complete, firms have a recurring impact on the economy through their ongoing operations.

Economic impact studies also operate under the basic assumption that any increase in spending has three effects: direct, indirect, and induced. First, there is a direct effect caused by the additional output of goods or services. Second, there is a ripple of indirect effects on all of the industries whose outputs are used by various industries and by a firm's supply chain. Third, there are induced effects that arise when employment increases in the region and stimulates greater household spending.

C Economic Impact Conclusions

The economic impact of the Approved Plan and the Proposed Plan are analyzed separately within the Study. In order to quantify the findings, the Study has evaluated the following elements as the major indicators of the economic impact: (i) Permanent Employment –

direct-on-site and indirect/induced (which supplies or supports direct employment), (ii) Permanent Output (Gross Receipts) – total direct output plus output produced by suppliers and employee spending, and (iii) One-Time Construction Impacts.

C.1 Recurring Impacts

As illustrated in **Tables ES-1** and **ES-2** below, the Permanent Employees and Permanent Gross Receipts, are all higher under the Approved Plan as compared to the Proposed Plan.

**Table ES-1: Permanent (Recurring) Employment and Overall Economic Output
Approved Plan**

Recurring Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	6	2	8
Overall Output			
City of San Marcos	\$598,910	\$292,953	\$891,863

**Table ES-2: Permanent (Recurring) Employment and Overall Economic Output
Proposed Plan**

Recurring Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	0	0	0
Employees			
City of San Marcos	\$355,422	\$156,837	\$512,259

C.2 One-Time Impacts

On the other hand, as shown in **Tables ES-3** and **ES-4** below, One-Time Construction Employees and Gross Receipts are both higher under the Proposed Plan. Although the Proposed Plan does not add any additional permanent full-time jobs, it significantly increases both One-time employment and One-Time Construction Overall Output. The tables presented in this section summarize the major conclusions related to the One-Time economic impacts of both the Approved Plan and the Proposed Plan.

**Table ES-3: Construction (One-Time) Employment and Overall Economic Output
Approved Plan**

One-Time Impact	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	7	3	10
Overall Output			
City of San Marcos	\$1,088,207	\$442,854	\$1,531,060

**Table ES-4: Construction (One-Time) Employment and Overall Economic Output
Proposed Plan**

One-Time Impact	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	28	14	42
Overall Output			
City of San Marcos	\$4,800,000	\$1,976,662	\$6,776,662

D Market Considerations

Importantly, the results summarized in this section assume buildout and full occupancy for each Scenario. Prior to buildout and full occupancy, only a portion of the projected economic benefits would likely be realized. Notably, according to the Meyers Analysis, although there are several traditional and non-traditional Commercial uses that are appropriate for the existing site under the Approved Plan, such as retail, church /religious facilities, and storage facilities, feedback from Real Estate professionals specializing in retail leases and investment argue that the existing site has run through its economic life cycle and is no longer able to attract quality tenants.

II INTRODUCTION

The objective of this Economic Impact Study (the "Study") is to analyze the economic impacts to the City of San Marcos (the "City") of the proposed zoning and land use changes to the 1210 East Mission Road project (the "Project").

The Project site is located at 1210 East Mission Road, on a 1.52 acre-site that is zoned for Neighborhood Commercial and currently includes a bank building that has been vacant for approximately 10 years. Based on the absorption study prepared by Meyer's Research (the "Meyers Analysis"), the Study assumes that, under the existing zoning, the Project site would likely be occupied by non-sales tax generating commercial uses (the "Approved Plan"). The City of San Marcos is processing a General Amendment and Zone Change that would allow the Applicant to redevelop the site into a 24-unit residential condominium development (the "Proposed Plan").

Consequently, the Study estimates the economic impacts of the Approved Plan and Proposed Plan (collectively, the "Scenarios") and provides a side-by-side comparison of both Scenarios.

A Scope and Methodology

A.1 Approach

The Study identifies the general economic impacts that would occur with the development of the Approved Plan and the Proposed Plan individually and quantifies these impacts wherever possible. General economic impacts include additions to employment (number of average annual full- and part-time jobs), and economic output (e.g., gross receipts). The Study also distinguishes between one-time economic impacts and permanent economic impacts. One-time impacts include benefits to the community that occur on a non-recurring basis as a result of construction and development activity, while permanent, recurring impacts refer to benefits that occur on a continuing basis, year after year. Additionally, for purposes of the Study, all economic impacts are stated in constant (un-inflated) 2019 dollars, based on the assumption that the relative impacts of inflation in future years may be difficult to gauge.

Furthermore, in evaluating economic impacts, the Study quantifies both direct and indirect/induced economic impacts on the City. Direct economic impacts reflect the initial or first-round increases in jobs and output, all of which occur directly on-site. Indirect/induced economic impacts are the secondary and other additional rounds of economic activity that occur as a consequence of the direct impacts and can occur elsewhere within the City. The indirect impacts represent the economic activity – buying and selling of goods and services – of suppliers to the land use types analyzed. In this Study, suppliers to the Proposed Plan would likely include maintenance and repair professionals, utilities' providers, wholesale trade companies, and business support services; while suppliers to the Approved

Plan may include real estate firms, computer and other technology firms, accounting and bookkeeping professionals, and utilities' providers. Additionally, the suppliers representing the indirect one-time impacts would likely include heavy industrial and construction suppliers for the actual development of buildings and facilities. Finally, the induced impacts represent the economic activity that results from household spending by employees of all companies directly and indirectly affected by the construction and operation of the land uses analyzed in the Study.

A.2 North American Industry Classification

Indirect and induced impacts can occur throughout all industries of the economy and have been categorized using the North American Industry Classification System ("NAICS"). Adopted by the Office of Management and Budget ("OMB") in 1997 to replace the Standard Industrial Classification System ("SIC"), NAICS is a widely-used system to classify business establishments for the collection, analysis, and publication of statistical data in Canada, Mexico, and the United States. NAICS industries are identified using a 6-digit coding system to classify all economic activity into twenty broad sectors, five of which are mainly goods-producing sectors and fifteen of which are services-providing sectors. This 6-digit hierarchical structure allows for the identification of nearly 1,170 industries. The broad NAICS sectors include the Retail/Commercial, Business Park, Industrial/Warehousing, and Construction, which are the focal NAICS categories analyzed within this Study to determine the indirect and induced economic impacts generated under both Scenarios.

A.3 IMPLAN Multiplier Method

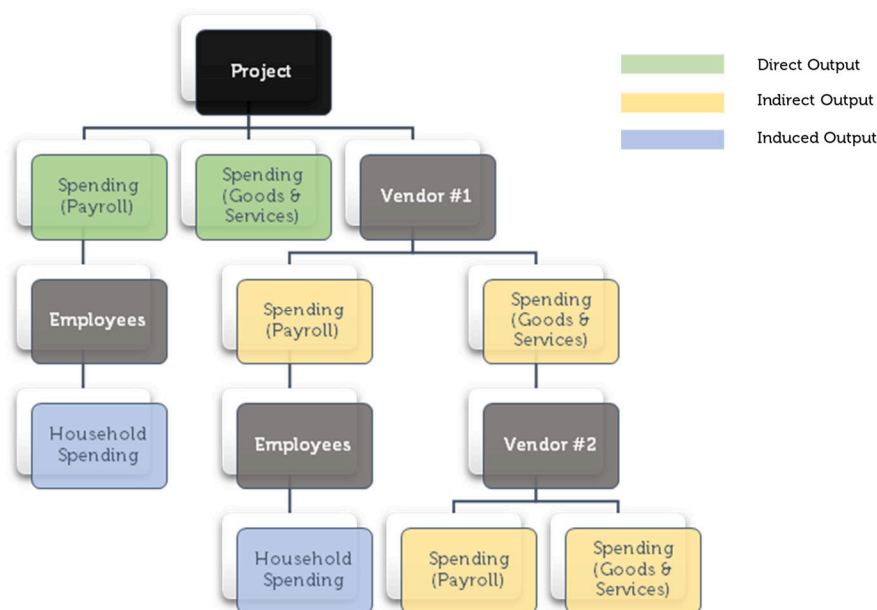
Although there is a consensus among economists that indirect and induced, or "multiplier" effects exist, most economists also agree that such effects are difficult to measure. Patterns on spending and employment among suppliers and employee households often vary over time and from one region to another. Nevertheless, there are certain input-output models that can be used to estimate indirect and induced effects.

In quantifying the indirect and induced economic impacts for the Study, DTA utilized the Impact Analysis for Planning ("IMPLAN") Input/output Modeling System, a type of quantitative economic model that provides an approximate measure of the "multiplier effect" of a firm's spending on payroll and the purchasing of goods and services. In this study, DTA used Version 3 of the IMPLAN economic modeling system.

Like similar econometric models, IMPLAN helps to calculate the flow of payments for goods and services across different industry sectors, and between households and industries. The IMPLAN model can be envisioned simply as a large spreadsheet with hundreds of industries (plus the household sector) arrayed

across the top as producers, and the same industries and households listed down the side as consumers. Each million dollars (output) in spending by any one consumer (i.e., within the Approved Plan or the Proposed Plan) is allocated across the producing industries from which that consumer buys goods and services. These producing industries, in turn, spend money buying goods and services from their own distinct sets of suppliers. Thus, the IMPLAN multiplier model allows one to gauge the effect on each dollar an industry spends as it diffuses through a regional economy. Furthermore, it allows one to translate the overall regional impact of spending into jobs and employee compensation. Please refer to the example presented in **Figure 1** for a graphical representation of the multiplier effect in development.

Figure 1: Example of the Multiplier Effect (Direct, Indirect and Induced Output)



Source: DTA, 2019

B Limitations – Accuracy of Information

The economic models presented in this Study contain analysis of revenues and impacts resulting from the Approved Plan and the Proposed Plan. These models are based on both (i) information provided to DTA by the City and its consultants, Applicant of the Proposed Plan, and (ii) certain DTA assumptions taken from DTA's proprietary databases, as compiled by DTA from previous studies prepared by the firm. The sources of information and basis of the estimates calculated in the Study are stated herein. While DTA is confident that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. The analysis of economic impacts contained in the Study is not considered to be a "financial

forecast” or a “financial projection” as technically defined by the American Institute of Certified Public Accountants. The word “projection” used within the Study relates to broad expectations of future events or market conditions. Since the analyses contained herein are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from these projections stated throughout the Study.

III ECONOMIC IMPACTS

The Study identifies the general economic impacts that would occur under the Approved Plan and compares them to the impacts under the Proposed Plan, quantifying the impacts of each Scenario wherever possible. General economic impacts include additions to employment (number of average annual full- and part-time jobs) and economic output (e.g., gross receipts). The Study also distinguishes between one-time economic impacts and permanent economic impacts. One-time impacts include benefits to the community that occur on a non-recurring time basis as a result of construction and development activity, while permanent, recurring impacts refer to benefits that occur on a continuing basis, year after year.

A Recurring Economic Impacts

A.1 Assumptions

Information provided to DTA by the City indicates that the Approved Plan use is expected to include approximately 6,915 square feet of Commercial land use. The 1.52 acre-site is zoned to Commercial and currently includes a bank building that has been vacant for approximately 10 years. The Study also assumes that, under the Approved Plan, the Project site would likely be occupied by non-sales tax generating commercial uses. In contrast, the Proposed Plan would involve a zoning change that would facilitate the development of 24-unit residential condominium units on the Project site. Please see **Table 1** below for a summary of the built-out projection on the Approved Plan and the Proposed Plan, respectively.

Table 1: Assumptions – Approved Plan vs. Proposed Plan

Assumptions	Approved Plan	Proposed Plan
Residential Land Uses	Units	Units
Condominium	0	24
Non-Residential Land Uses	Sq. Ft.	Sq. Ft.
Commercial	6,915	0
Permanent On-Site Jobs	Employees	Employees
Condominium	0	0
Commercial	6	0

A.2 Job Creation

As indicated in the tables below, development of the Approved Plan is expected to result in under eight (8) new jobs in the City. This total includes combined direct and indirect/induced employment. Moreover, due to the residential land use of the

Proposed Plan, development of the Proposed Plan is projected to generate no new jobs in the City.

Although the specific location of the additional indirect jobs created cannot be identified in this Study, most of these jobs will likely be support service jobs in Retail, Transportation, and similar areas. **Tables 2 and 3**, as well as **Exhibit 1 of Appendices A and B**, summarize the direct and indirect/induced employment impacts of the Approved Plan and the Proposed Plan.

Table 2: Approved Plan – Recurring Employment

Recurring Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	6	2	8

Table 3: Proposed Plan – Recurring Employment

Recurring Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	0	0	0

Since the analyses contained herein are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from these projections stated throughout the Study.

A.3 Overall Economic Output

In contrast to the employment projections presented in the previous section, Total Output (i.e., total expenditures including sales or gross receipts, or other operating income) within the City will increase under both development Scenarios. **Tables 4 and 5**, summarize the Total Output projections under the Approved Plan and Proposed Plan.

Table 4: Approved Plan – Recurring Total Output

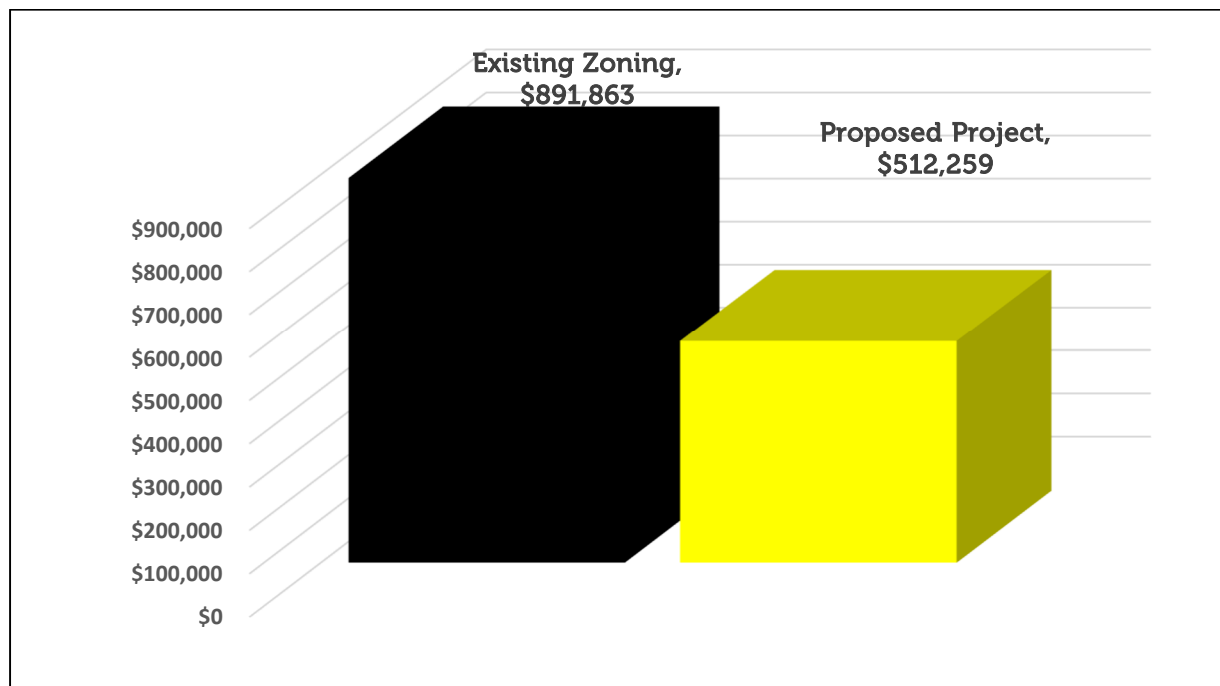
Recurring Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	\$598,910	\$292,953	\$891,863

Table 5: Proposed Plan – Recurring Total Output

Recurring Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	\$355,422	\$156,837	\$512,259

As shown in the tables above, DTA estimate that the direct and indirect/induced effects on the City would total \$891,863 for the Approved Plan and approximately \$512,259 for the Proposed Plan. The side-by-side comparison of Total Output can be seen in the graphical representation presented in **Figure 2** below.

Figure 2: Approved Plan vs. Proposed Plan – Recurring Total Output



B One-Time Employment and Output Impacts (Construction)

Under the Approved Plan, the area is projected to create approximately ten (10) one-time construction jobs in the City. For the Proposed Plan, forty-two (42) one-time construction jobs are expected to be created. **Tables 6** and **7** below summarize the projected increases in employment resulting from construction activities, under each Scenario.

Table 6: Approved Plan – One-Time Employment

One-Time Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	7	3	10

Table 7: Proposed Plan – One-Time Employment

One-Time Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	28	14	42

Notably, projected one-time Total Output is expected to increase with the development of the Proposed Plan, as illustrated in the following tables. DTA estimates that the direct and indirect/induced effects on the City total approximately \$1.53 million in One-Time Total Output for the Approved Plan and approximately \$6.78 million for the Proposed Plan. A side-by-side comparison of both Scenarios can be seen graphically in **Figure C** below.

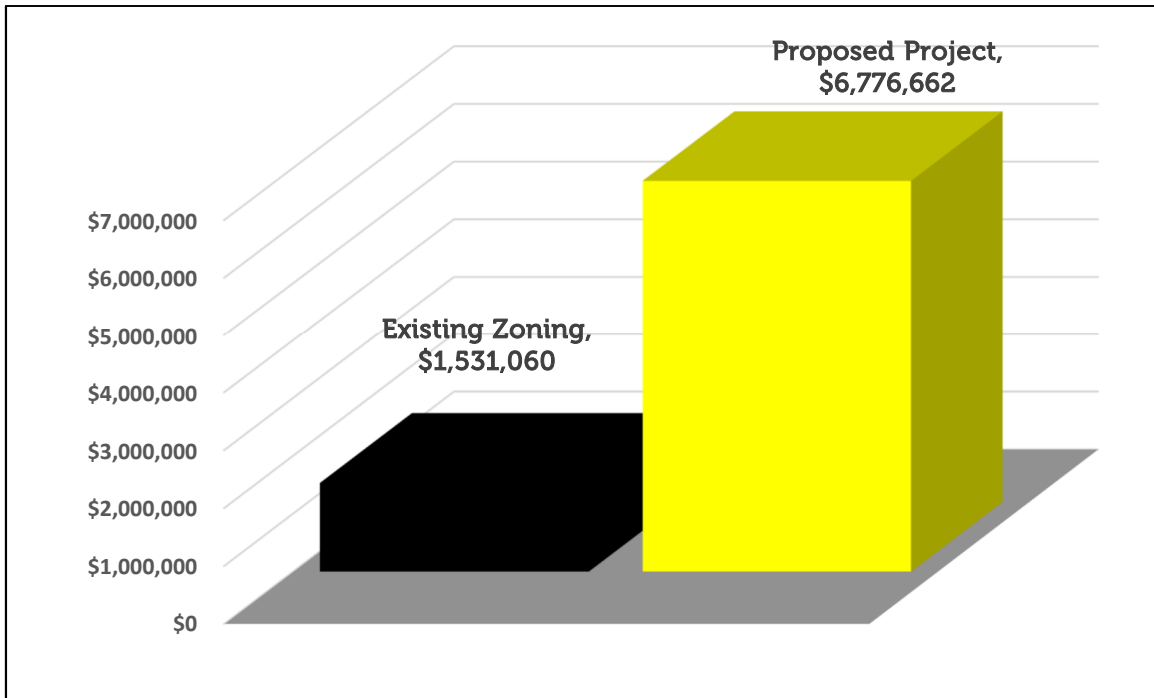
Table 8: Approved Plan – One-time Total Output

One-Time Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	\$1,088,207	\$442,854	\$1,531,060

Table 9: Proposed Plan – One-time Total Output

One-Time Impacts	Direct	Indirect / Induced	Total
Employees			
City of San Marcos	\$4,800,000	\$1,976,662	\$6,776,662

Figure 3: Approved Plan vs. Proposed Plan – One-Time Total Output



C Market Considerations

Importantly, the results summarized in this section assume buildout and full occupancy for each Scenario. Prior to buildout and full occupancy, only a portion of the projected economic benefits would likely be realized. Notably, according to the Meyers Analysis, although there are several traditional and non-traditional Commercial uses that are appropriate for the existing site under the Approved Plan, such as retail, church /religious facilities, and storage facilities, feedback from Real Estate professionals specializing in retail leases and investment argue that the existing site has run through its economic life cycle and is no longer able to attract quality tenants.

APPENDIX A

City of San Marcos
1210 East Mission Road
Economic Impact Study



**ECONOMIC IMPACT
MODEL, APPROVED PLAN**

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ECONOMIC IMPACT ANALYSIS - DRAFT (APPROVED PLAN)**

RECURRING JOBS

RECURRING IMPACTS

ONE-TIME JOBS

ONE TIME IMPACTS

JOB HOUSING BALANCE

SUMMARY

EXHIBIT 1

CITY OF SAN MARCOS - 1210 EAST MISSION ROAD RECURRING EMPLOYMENT - APPROVED PLAN

ASSUMPTIONS

I. RESIDENTIAL LAND USE ASSUMPTIONS

LAND USE CATEGORY

NA

UNITS

NA

II. NON-RESIDENTIAL LAND USE ASSUMPTIONS

LAND USE CATEGORY¹

RETAIL (STORAGE)

EMPLOYEES/1,000 SQ. FT.²

0.81

SQ. FT.¹

6,915

RECURRING EMPLOYMENT

III. CITY

	<u>DIRECT EMPLOYEES³</u>	<u>INDIRECT EMPLOYEES⁴</u>	<u>INDUCED EMPLOYEES⁴</u>	<u>TOTAL EMPLOYEES</u>
RETAIL (STORAGE)	6	1	1	8
TOTAL RECURRING EMPLOYMENT	6	1	1	8

NOTES:

¹ Source: City of San Marcos.

² Commercial Buildings Energy Consumption Survey (CBECS), 2012.

³ Based on multiplying Category SF by Employees/1,000 SF metric.

⁴ Source: San Marcos City IMPLAN multipliers.

* ***All figures subject to rounding***

EXHIBIT 2
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
RECURRING ECONOMIC IMPACTS - APPROVED PLAN

ASSUMPTIONS

	<u>HOUSEHOLD INCOME</u>	<u>% INCOME SPENT IN CITY</u>	<u>TOTAL RESIDENT SPENDING / YR.</u>
I. <u>RESIDENTIAL SPENDING ASSUMPTIONS</u>			
NA	NA	NA	NA
II. <u>NON-RESIDENTIAL OUTPUT ASSUMPTIONS</u>	<u>AVERAGE OUTPUT / EMPLOYEE¹</u>		<u>OUTPUT / YR.¹</u>
RETAIL (STORAGE)		\$99,818	\$598,910

RECURRING OUTPUT

III. <u>CITY</u>	<u>DIRECT OUTPUT</u>	<u>INDIRECT OUTPUT ¹</u>	<u>INDUCED OUTPUT ¹</u>	<u>TOTAL OUTPUT</u>
RETAIL (STORAGE)	\$598,910	\$142,971	\$149,982	\$891,863
TOTAL RECURRING OUTPUT	\$598,910	\$142,971	\$149,982	\$891,863

NOTES:

¹ Source: San Marcos City IMPLAN multipliers.

* *All figures subject to rounding*

EXHIBIT 3
 CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
 ONE-TIME EMPLOYMENT - APPROVED PLAN

ASSUMPTIONS

I.	<u>RESIDENTIAL LAND ASSUMPTIONS</u>	<u>UNITS</u>
	NA	NA
II.	<u>NON-RESIDENTIAL LAND USE ASSUMPTIONS</u>	<u>SQ. FT.</u>
	RETAIL (STORAGE)	6,915
III.	<u>PUBLIC FACILITIES</u>	<u>TOTAL COST</u>
	PROJECT INFRASTRUCTURE	NA

ONE-TIME EMPLOYMENT

IV.	<u>CITY</u>				
		<u>DIRECT EMPLOYEES</u> ¹	<u>INDIRECT EMPLOYEES</u> ¹	<u>INDUCED EMPLOYEES</u> ¹	<u>TOTAL EMPLOYEES</u>
	RETAIL (STORAGE)	7	1	2	10
	TOTAL ONE-TIME EMPLOYEES	7	1	2	10

NOTES:
¹Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).
 * All figures subject to rounding

EXHIBIT 4
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
ONE-TIME IMPACTS - APPROVED PLAN

ASSUMPTIONS

I. <u>RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</u>	UNITS	ESTIMATED	
		SQ. FT. PER DWELLING UNIT	COST PER UNIT
NA	NA	NA	NA
II. <u>NON-RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</u>		<u>SQ. FT.</u>	<u>CONSTRUCTION COST PER SQ. FT.</u>
RETAIL (STORAGE)		6,915	\$157
III. <u>PUBLIC FACILITIES</u>			<u>TOTAL COST</u>
PROJECT INFRASTRUCTURE			NA

ONE-TIME OUTPUT

IV. <u>CITY</u>	<u>DIRECT OUTPUT</u>	<u>INDIRECT OUTPUT</u> ²	<u>INDUCED OUTPUT</u> ²	<u>TOTAL OUTPUT</u>
RETAIL (STORAGE)	\$1,088,206.64	\$204,077	\$238,776	\$1,531,060
TOTAL ONE-TIME OUTPUT	\$1,088,207	\$204,077	\$238,776	\$1,531,060

NOTES:

¹ Assumes that land value is approximately 85% of total valuation.

² Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).

* All figures subject to rounding

EXHIBIT 5
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
JOBS-HOUSING BALANCE - APPROVED PLAN

ASSUMPTIONS

I. EXISTING DEMOGRAPHICS

CITY OF SAN MARCOS	
HOUSING UNITS ¹	31,366
EMPLOYEES ²	38,249

II. JOB IMPACTS ³

CITY OF SAN MARCOS	
DIRECT IMPACT	6
ADDITIONAL INDIRECT	1
ADDITIONAL INDUCED	1
TOTAL	8

III. CUMULATIVE PROJECT DEMOGRAPHICS

EXISTING HOUSING UNITS PLUS PROJECT - CITY OF SAN MARCOS	31,366
PERCENTAGE INCREASE	0.00%
EXISTING EMPLOYEES PLUS PROJECT - CITY OF SAN MARCOS	38,257
PERCENTAGE INCREASE	0.02%

JOBS-HOUSING BALANCE

IV. JOBS-HOUSING BALANCE

CITY OF SAN MARCOS	
EXISTING	1.22
EXISTING WITH PROJECT	1.22
PERCENTAGE INCREASE	0.02%

NOTES:

¹ Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State (2018).

² Source: California Employment Development Department ("EDD") - Labor Market Information Division.

³ Please see Exhibit B-1: Recurring Jobs.

* ***All figures subject to rounding***

EXHIBIT 6
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
SUMMARY - APPROVED PLAN

ASSUMPTIONS

I. <u>RESIDENTIAL LAND USE ASSUMPTIONS</u>		<u>UNITS</u>
NA		NA
II. <u>NON-RESIDENTIAL LAND USE ASSUMPTIONS</u>	<u>EMPLOYEES/1,000 SQ. FT.</u>	<u>SQ. FT.</u>
RETAIL (STORAGE)	0.81	6,915

ECONOMIC IMPACTS CONCLUSIONS

RECURRING IMPACTS

III. <u>JOB CREATION</u>	<u>DIRECT</u>	<u>INDIRECT/INDUCED</u>	<u>TOTAL</u>
CITYWIDE	6	2	8
IV. <u>TOTAL OUTPUT</u>	<u>DIRECT</u>	<u>INDIRECT/INDUCED</u>	<u>TOTAL</u>
CITYWIDE	\$598,910	\$292,953	\$891,863

ONE-TIME IMPACTS

V. <u>CONSTRUCTION JOBS</u>	<u>DIRECT</u>	<u>INDIRECT/INDUCED</u>	<u>TOTAL</u>
CITYWIDE	7	3	10
VI. <u>CONSTRUCTION OUTPUT</u>	<u>DIRECT</u>	<u>INDIRECT/INDUCED</u>	<u>TOTAL</u>
CITYWIDE	\$1,088,207	\$442,854	\$1,531,060

OTHER IMPACTS

VII. <u>JOBS-HOUSING BALANCE</u>	<u>BALANCE EXISTING</u>	<u>BALANCE WITH PROJECT</u>	<u>% INCREASE/ (DECREASE)</u>
CITYWIDE	1.22	1.22	0.02%

APPENDIX B

City of San Marcos
1210 East Mission Road
Economic Impact Study



**ECONOMIC IMPACT
MODEL, PROPOSED PLAN**

**CITY OF SAN MARCOS
1210 EAST MISSION ROAD
ECONOMIC IMPACT ANALYSIS - DRAFT (PROPOSED PLAN)**

RECURRING JOBS

RECURRING IMPACTS

ONE-TIME JOBS

ONE TIME IMPACTS

JOB HOUSING BALANCE

SUMMARY

EXHIBIT 1

CITY OF SAN MARCOS - 1210 EAST MISSION ROAD RECURRING EMPLOYMENT - PROPOSED PLAN

ASSUMPTIONS

I. RESIDENTIAL LAND USE ASSUMPTIONS¹

PRODUCT	LAND USE CATEGORY	UNITS
RESIDENTIAL	CONDOMINIUM	24

II. NON-RESIDENTIAL LAND USE ASSUMPTIONS

LAND USE CATEGORY	<u>EMPLOYEES/1,000 SQ. FT.</u>	<u>SQ. FT.</u>
NA	NA	NA

RECURRING EMPLOYMENT

III. CITY

	<u>DIRECT EMPLOYEES</u> ²	<u>INDIRECT EMPLOYEES</u>	<u>INDUCED EMPLOYEES</u>	<u>TOTAL EMPLOYEES</u>
RESIDENTIAL	0	0	0	0
TOTAL RECURRING EMPLOYMENT	0	0	0	0

NOTES:

¹ Source: Project Site Plan.

² Assume no permanent jobs are created on-site, given that the land use type is single family residential.

* *All figures subject to rounding*

EXHIBIT 2
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
RECURRING ECONOMIC IMPACTS - PROPOSED PLAN

ASSUMPTIONS

I. <u>RESIDENTIAL SPENDING ASSUMPTIONS</u>	<u>HOUSEHOLD INCOME</u>¹	<u>% INCOME SPENT IN CITY</u>²	<u>TOTAL RESIDENT SPENDING / YR.</u>
RESIDENTIAL	\$105,506	28%	\$355,422

II. <u>NON-RESIDENTIAL OUTPUT ASSUMPTIONS</u>	<u>AVERAGE OUTPUT / EMPLOYEE</u>	<u>OUTPUT / YR.</u>
NA	NA	NA

RECURRING OUTPUT

III. <u>CITY</u>	<u>DIRECT OUTPUT</u>	<u>INDIRECT OUTPUT</u>³	<u>INDUCED OUTPUT</u>³	<u>TOTAL OUTPUT</u>
RESIDENTIAL	\$355,422	\$62,672	\$94,165	\$512,259
TOTAL RECURRING OUTPUT	\$355,422	\$62,672	\$94,165	\$512,259

NOTES:

¹ Refer to fiscal impact analysis.

² Sources: Bureau of Labor Statistics (BLS) 2015 Consumer Expenditure Survey.

³ Source: San Marcos City IMPLAN multipliers (IMPLAN Retail Sectors 396-406).

* *All figures subject to rounding*

EXHIBIT 3
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
ONE-TIME EMPLOYMENT - PROPOSED PLAN

ASSUMPTIONS

I. <u>RESIDENTIAL LAND ASSUMPTIONS</u>	<u>UNITS</u>
RESIDENTIAL	24
II. <u>NON-RESIDENTIAL LAND USE ASSUMPTIONS</u>	<u>SQ. FT.</u>
NA	NA
III. <u>PUBLIC FACILITIES</u>	<u>TOTAL COST</u>
PROJECT INFRASTRUCTURE	NA

ONE-TIME EMPLOYMENT

IV. <u>CITY</u>	<u>DIRECT EMPLOYEES</u> ¹	<u>INDIRECT EMPLOYEES</u> ¹	<u>INDUCED EMPLOYEES</u> ¹	<u>TOTAL EMPLOYEES</u>
RESIDENTIAL	28	7	7	42
TOTAL ONE-TIME EMPLOYEES	28	7	7	42

NOTES:

¹ Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 59: Construction of new single-family residential structures).

* *All figures subject to rounding*

EXHIBIT 4
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
ONE-TIME IMPACTS - PROPOSED PLAN

ASSUMPTIONS

		ESTIMATED	
I. <u>RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</u>	<u>UNITS</u>	<u>SQ. FT. PER DWELLING UNIT</u>	<u>COST PER UNIT</u> ¹
RESIDENTIAL	24	1,517	\$200,000
II. <u>NON-RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</u>		<u>SQ. FT.</u>	<u>COST PER SQ. FT.</u> ¹
NA		NA	NA
III. <u>PUBLIC FACILITIES</u>			<u>TOTAL COST</u>
PROJECT INFRASTRUCTURE			NA

ONE-TIME OUTPUT

IV. <u>CITY</u>	<u>DIRECT OUTPUT</u>	<u>INDIRECT OUTPUT</u> ²	<u>INDUCED OUTPUT</u> ²	<u>TOTAL OUTPUT</u>
RESIDENTIAL	\$4,800,000	\$1,021,758	\$954,904	\$6,776,662
TOTAL ONE-TIME OUTPUT	\$4,800,000	\$1,021,758	\$954,904	\$6,776,662

NOTES:

¹Source: Reed Construction Data Inc. Assume "Medium Density" (Avg. Sq. Ft. ~ 1,500).

²Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 59: Construction of new single-family residential structures).

* All figures subject to rounding

EXHIBIT 5
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
JOBS-HOUSING BALANCE - PROPOSED PLAN

ASSUMPTIONS

I. EXISTING DEMOGRAPHICS

CITY OF SAN MARCOS	
HOUSING UNITS ¹	31,366
EMPLOYEES ²	38,249

II. JOB IMPACTS ³

CITY OF SAN MARCOS	
DIRECT IMPACT	0
ADDITIONAL INDIRECT	0
ADDITIONAL INDUCED	0
TOTAL	0

III. CUMULATIVE PROJECT DEMOGRAPHICS

EXISTING HOUSING UNITS PLUS PROJECT - CITY OF SAN MARCOS	31,390
PERCENTAGE INCREASE	0.08%
EXISTING EMPLOYEES PLUS PROJECT - CITY OF SAN MARCOS	38,249
PERCENTAGE INCREASE	0.00%

JOBS-HOUSING BALANCE

IV. JOBS-HOUSING BALANCE

CITY OF SAN MARCOS	
EXISTING	1.22
EXISTING WITH PROJECT	1.22
PERCENTAGE INCREASE	-0.08%

NOTES:

¹ Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State (2018).

² Source: California Employment Development Department ("EDD") - Labor Market Information Division.

³ Please see Exhibit B-1: Recurring Jobs.

* ***All figures subject to rounding***

EXHIBIT 6
CITY OF SAN MARCOS - 1210 EAST MISSION ROAD
SUMMARY - PROPOSED PLAN

ASSUMPTIONS

I. <u>RESIDENTIAL LAND USE ASSUMPTIONS</u>		<u>UNITS</u>
RESIDENTIAL		24
II. <u>NON-RESIDENTIAL LAND USE ASSUMPTIONS</u>	<u>EMPLOYEES/1,000 SQ. FT.</u>	<u>SQ. FT.</u>
NA	NA	NA

ECONOMIC IMPACTS CONCLUSIONS

RECURRING IMPACTS

III. <u>JOB CREATION</u>	DIRECT	INDIRECT/INDUCED	TOTAL
CITYWIDE	0	0	0
IV. <u>TOTAL OUTPUT</u>	DIRECT	INDIRECT/INDUCED	TOTAL
CITYWIDE	\$355,422	\$156,837	\$512,259

ONE-TIME IMPACTS

V. <u>CONSTRUCTION JOBS</u>	DIRECT	INDIRECT/INDUCED	TOTAL
CITYWIDE	28	14	42
VI. <u>CONSTRUCTION OUTPUT</u>	DIRECT	INDIRECT/INDUCED	TOTAL
CITYWIDE	\$4,800,000	\$1,976,662	\$6,776,662

OTHER IMPACTS

VII. <u>JOBS-HOUSING BALANCE</u>	BALANCE EXISTING	BALANCE WITH PROJECT	% INCREASE/ (DECREASE)
CITYWIDE	1.22	1.22	-0.08%



www.FinanceDTA.com

5000 BIRCH STREET, SUITE 6000
NEWPORT BEACH, CA 92660
PHONE (800) 969-4DTA

Public Finance
Public-Private Partnerships
Development Economics
Clean Energy Bonds



1210 E. Mission Road

Pricing and Absorption
David Taussig & Associates
San Marcos, California
January 2019

Meyers
RESEARCH
a Kennedy Wilson Company

Objective & Key Findings	3
Site Plan & Floor Plan Analysis	6
Product, Pricing and Absorption	9
Location Analysis	23
Economic Overview	28
Demographic Overview	35
Housing Market Overview	39
Commercial Comparables	45
San Diego Retail Market Overview	52
North County Retail Trends	59
San Marcos Retail Trends & Pricing	63
Appendix	66

Objective & Key Findings

1210 E. Mission Road, San Marcos, California

Contact Information

This market analysis was prepared by Meyers Research, a market research and consulting firm specializing in the real estate industry. It has been commissioned by David Taussig & Associates.

Alexis Wilmot served as Project Director and oversaw all aspects of this assignment. Tim Sullivan, Managing Principal, reviewed all recommendations and conclusions. Follow-up questions should be directed to Tim Sullivan at (858) 381- 4381 or tsullivan@meyersllc.com.

Objective

The objective of this analysis is to provide an independent analysis of the residential and retail market in the San Diego County and the San Marcos area to determine relevant market trends and to provide conclusions relevant to the future site use and the absorption potential for the planned residential units. The City of San Marcos is processing a General Amendment and Zone Change of a 1.52 acre Neighborhood Commercial site currently developed with a bank building that has been vacant for approximately 10 years. The proposed project would redevelop the site with a 24 unit residential condominium development (attached).

Limiting Conditions

David Taussig & Associates, is responsible for representations about its development plans, marketing expectations and for disclosure of any significant information that might affect the ultimate realization of the projected results.

There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

Payment of any and all of our fees and expenses is not in any way contingent upon any factor other than our providing services related to this report.

Meyers surveyed roughly 1,350 units across the attached market in the CMA, and approximately 600 detached condominiums and small lot homes to ascertain the current state of the market, and made several observations:

- The sales traffic at all communities dropped off significantly in October and November, but we have seen a resurgence in buyer activity since December 2018.
- We have based our pricing on an average unit size of 1,517 square feet, a monthly HOA fee of \$275 per unit, and a total tax rate of 1.34%.
- The average recommended base price is \$506,667 (\$334 per square foot) assumes a sales pace of 3.0 units per month (based on current market activity).
- Average recommended total price is just under \$520,000 (\$343 per square foot) and is in line with comparables including:
 - The three-story Verano at Skyline by D.R. Horton, which is selling at 4.0 units per month, at an average price of \$531,500, for slightly larger units
 - In line with Mission 316 (Mission Villas and Mission Terraces), also in the 92069 ZIP code just 1.75 miles from the Subject

As part of our due diligence for 1210 E. Mission Road, we researched the commercial market trends, sales comparables, and commercial buildings for lease, and spoke to local San Marcos commercial space broker representatives. Further, we analyzed the development activity and related values of other CA-78 corridor retail spaces in San Marcos and in Escondido, where the retail space provide some benchmarks of possible land values and lease rates at the project.

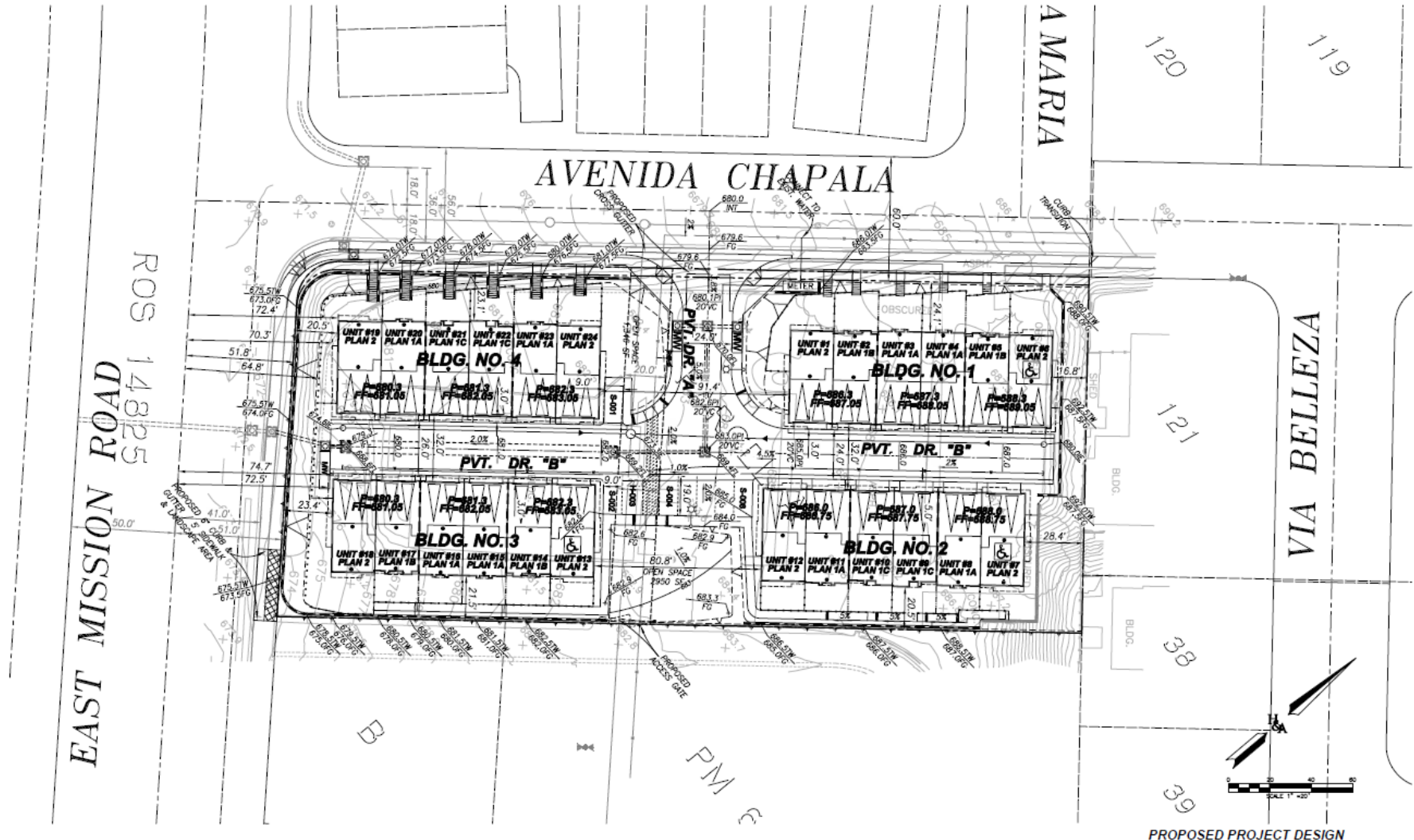
- Feedback from brokers who represented the site for 4 years spoke with confidence that the site has run through it's economic life cycle and can no longer attract quality tenants to the site. Ultimately, the consensus is that the site is best served rezoned to allow the townhome development.
- Our research suggests that a Dry Cleaning or Laundry facility and a storage facility are the most appropriate uses for the existing building if it were to remain in it's current condition.
- Using the net operating income/cap rate appraisal method, the Subject property with a Dry Cleaning or Laundry facility at 1210 E. Mission Road could be valued today at approximately \$872,396 (\$126.16 per square foot); and storage space would value the property at roughly \$550,987 (\$79.68 per square foot).
 - Based on recent sales comparables, our recommended sale price for 1210 E. Mission Road is \$160 per square foot.
- Vacancy rates in the North County Submarket are at a four-year low, roughly 4.6%. However, the submarket represents 54% (270,910 square feet) of the under construction retail in the San Diego MSA and it is likely that as the new retail space is delivered to market the lease rates will decrease as vacancy trends upward.
- The San Marcos retail Submarket has the lowest lease rates in San Diego County, at \$0.95 per square foot versus \$1.42 per square foot for the MSA overall. Additionally, the San Marcos retail submarket has the second highest vacancy rate of any submarket in San Diego, at 10.5% vacancy versus 3.7% vacancy for the MSA overall.

Site Plan & Floor Plan Analysis

1210 E. Mission Road, San Marcos, California

Site Plan & Floor Plan Analysis

A preliminary plotting analysis on the site yields a total of 24 alley load townhome units, plotted in rows of six. Assuming a site size of roughly 1.52 acres, this translates to a density of approximately 15.75 units per acre.



AERIAL MAP OF RETAIL & SERVICES

Site Plan & Floor Plan Analysis

The Subject is located along the CA-78 corridor, with excellent access to a employment nodes, local retail and services.



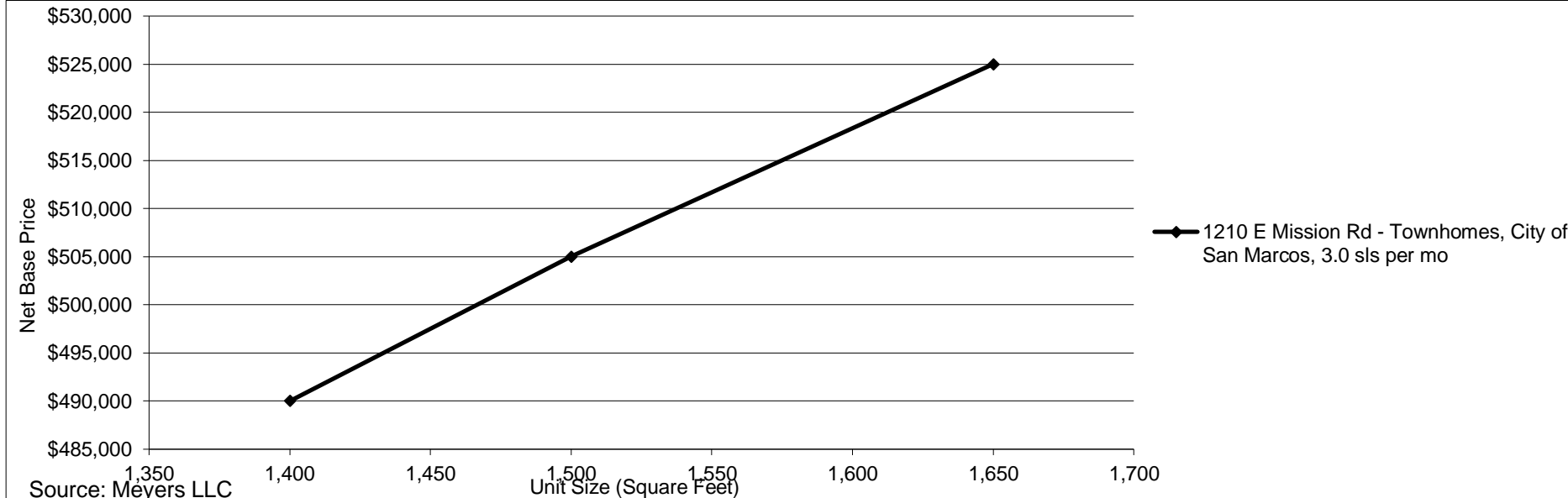
Product, Pricing and Absorption

1210 E. Mission Road, San Marcos, California

The recommended base pricing for the townhomes at 1210 E. Mission Road ranges from \$490,000 up to \$525,000, with an average total price of \$519,667 or \$343 per square foot. Meyers' recommendations assume:

- A monthly HOA fee of \$275 and a property base tax rate of 1.17461% plus a CFD of \$861.33 per month (these recommended benchmarks are in line with other townhomes communities in the CMA)
- All units will have a 2-car side by side garage
- Estimated options/upgrades spending at 3% of base price (+/- \$15,000 per door on average)
- Premiums are estimated at \$3,000 per unit to account for specific locations within the site
- An incentive towards closing costs of \$5,000, not to be taken as a credit to the purchase price, but rather as a discount to preferred lender closing costs.

COMMUNITY SPECIFICS				FLOORPLANS					RECOMMENDATIONS																
Subject Property Name					Size SF Bed Bath Level Pkg				Mo Sales Pace	Base Price	Base Price/ SF	Incentives		Net Base Price (\$ Impacting)	Net Base Price/ SF	Assumptions		Total Price/ SF	Payment Assumptions			90.0%			
Location												Options / Upgrades	Price Reduction			Options / Estimated Upgrades Premiums	Total Price		Monthly HOA	Base Tax Rate	Addl Tax Assess.		4.5% Mo. Pmt.		
Product Details		Sales Summary		Mix																					
<div>1210 E Mission Rd San Marcos</div> <div>Product: Townhomes Total Units: 24</div> <div>Configuration: 3-story Units Sold: 0</div> <div>Lot Dimensions: ATT 3 Months Sold: 0</div> <div>Units Remaining: 24</div> <div>% Remaining: 100%</div>				8	1,400	3	2.5	1	2	3.0	\$490,000	\$350	(\$5,000)	\$0	\$490,000	\$350	\$15,000	\$3,000	\$503,000	\$359	\$275	1.17%	0.17%	\$3,320	
				8	1,500	3	2.5	1	2		\$505,000	\$337	(\$5,000)	\$0	\$505,000	\$337	\$15,000	\$3,000	\$518,000	\$345	\$275	1.17%	0.17%	\$3,411	
				8	1,650	3+D	2.5	1	2		\$525,000	\$318	(\$5,000)	\$0	\$525,000	\$318	\$15,000	\$3,000	\$538,000	\$326	\$275	1.17%	0.17%	\$3,532	
Summary Statistics:				1,517				3.0	\$506,667	\$334	(\$5,000)	\$0	\$506,667	\$334	\$15,000	\$3,000	\$519,667	\$343	\$275	1.17%	0.17%	\$3,421			



LOCATION MAP OF ACTIVELY SELLING COMPETITORS

Product, Pricing and Absorption

Meyers focused on actively selling attached and small lot detached communities in and around San Marcos, in the Inland North County CMA as defined by the following ZIP codes:

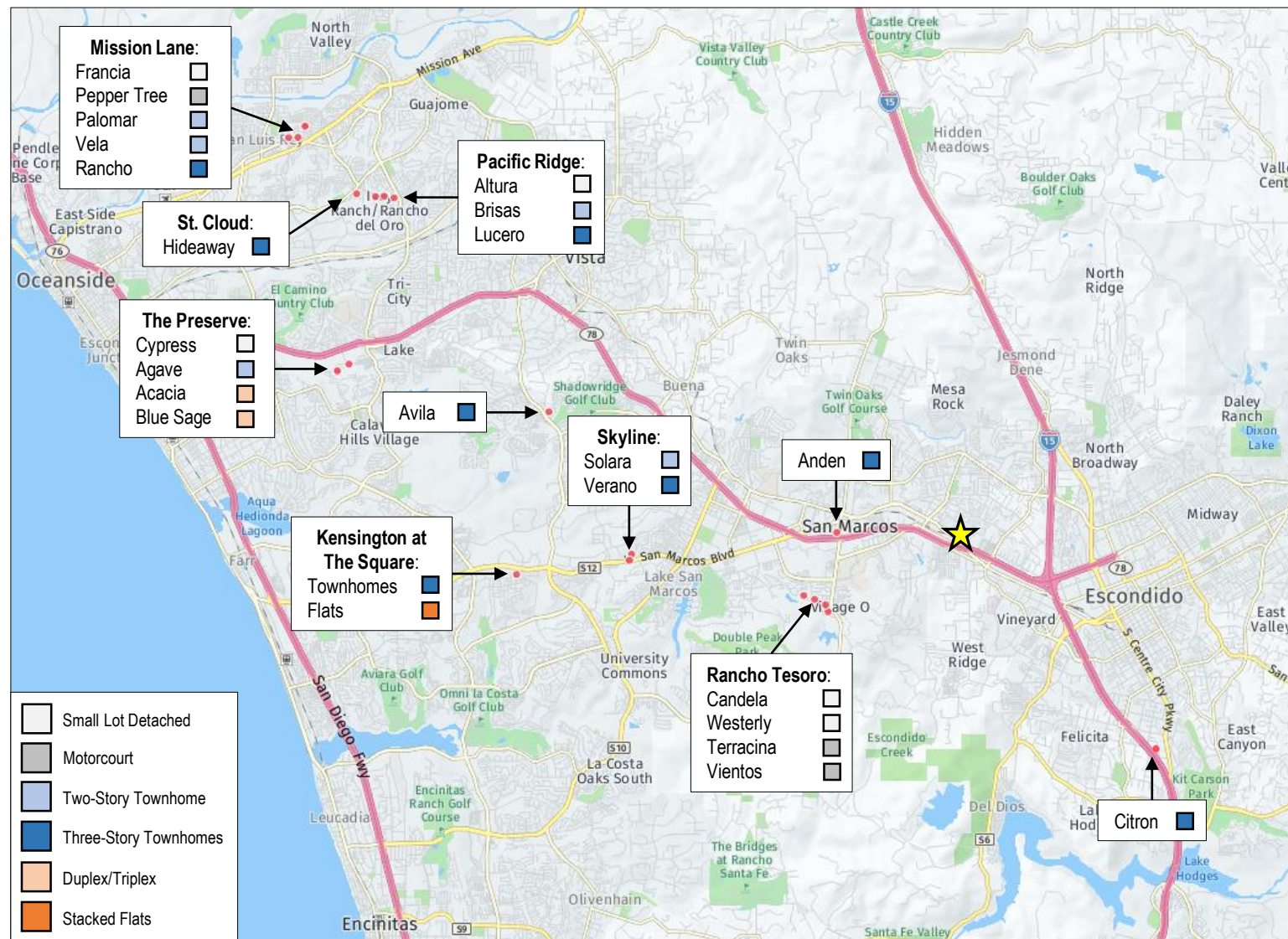
Carlsbad (92009/10)

Escondido (98025)

Oceanside (98056/7)

San Marcos (98069/78)

Vista (92081/4)



COMPETITIVE NEW HOME MARKET SUMMARY – ATTACHED

Product, Pricing and Absorption

Below is a summary of the actively selling new townhome and stacked flat developments in the North County Inland CMA defined on the previous page, where attached prices range from \$462,990 (Citron) to \$723,500 (Kensington Square at Bressi Ranch). It should be noted that almost all communities which have been selling for 6 months or more have standing inventory with between \$15,000 and \$25,000 already included in the published 'base' prices. Buyers are spending an average of 4% of the base price (\$12,000 to \$27,000) on options/upgrades, while unit premiums average \$5,500.

COMMUNITY	BUILDER / DEVELOPER	CITY	LOT SIZE	UNIT COUNT SUMMARY					SALES PACE		AVERAGE			MONTHLY		
				TOTAL	RLSD	SOLD	AVAIL.	REMAIN	ALL	3 MO.	SF	NET PRICE	\$/SF	HOA	TAX	PAYMENT
1210 E Mission Rd	City of San Marcos	San Marcos	3-story	24		0		24	3.0	--	1,517	\$519,667	\$343	\$250	1.34%	\$3,396
Kensington at the Square 3-St TH	Shea	Carlsbad	ATT	103	0	15	N/Av	88	5.0	5.0	1,906	\$723,500	\$380	\$370	1.30%	\$4,726
Lucero Pacific Ridge 3-St TH	Cornerstone Communities	Oceanside	ATT	125	0	30	N/Av	95	1.4	1.3	1,652	\$538,990	\$326	\$365	1.11%	\$3,534
Verano at Skyline 3-St TH	D.R. Horton	Vista	ATT	120	0	9	N/Av	111	3.6	3.6	1,570	\$531,490	\$339	\$335	1.28%	\$3,527
Avila 3-St TH	Lennar	Vista	ATT	47	0	12	N/Av	35	3.2	1.7	1,840	\$566,983	\$308	\$342	1.08%	\$3,662
Hideaway at St. Cloud 3-St TH	William Lyon Homes	Oceanside	ATT	122	0	17	N/Av	105	2.7	1.3	1,708	\$558,740	\$327	\$295	1.30%	\$3,659
Rancho at Mission Lane 3-St TH	Beazer Homes	Oceanside	ATT	50	0	49	N/Av	1	3.8	1.3	1,333	\$466,323	\$350	\$380	1.10%	\$3,118
Citron 3-St TH	William Lyon Homes	Escondido	ATT	63	0	36	N/Av	27	5.5	1.3	1,314	\$462,990	\$352	\$260	1.14%	\$2,992
Brisas Pacific Ridge 2-St TH	Cornerstone Communities	Oceanside	ATT	117	0	40	N/Av	77	1.7	0.7	1,635	\$583,323	\$357	\$349	1.11%	\$3,778
Agave The Preserve 2-St TH	Cornerstone Communities	Carlsbad	ATT	88	0	63	N/Av	25	2.4	0.0	1,518	\$597,657	\$394	\$363	1.30%	\$3,962
Solara at Skyline 2-St TH	D.R. Horton	Vista	ATT	79	0	1	N/Av	78	0.6	0.6	1,513	\$581,990	\$385	\$335	1.29%	\$3,834
Palomar 2-St TH	Beazer	Oceanside	ATT	86	0	5	N/Av	81	1.6	1.0	1,444	\$500,323	\$346	\$294	1.10%	\$3,231
Sierra	KB Home	Vista	ATT	60	0	0	N/Av	60	NEW	NEW	1,823	\$483,657	\$265	\$250	1.10%	\$3,090
Vela at Mission Lane Duplex	Beazer Homes	Oceanside	ATT	64	0	5	N/Av	59	1.5	1.3	1,671	\$535,323	\$320	\$292	1.10%	\$3,435
Blue Sage The Preserve Triplex	Cornerstone Communities	Carlsbad	ATT	102	0	16	N/Av	86	1.4	2.7	1,662	\$654,990	\$394	\$413	1.30%	\$4,357
NEW HOME AVERAGE:									2.6	1.7	1,614	\$556,163	\$346	\$332	1.19%	\$3,636
NEW HOME MEDIAN:									2.4	1.3	1,644	\$548,865	\$348	\$339	1.13%	\$3,596

COMPETITIVE NEW HOME MARKET SUMMARY – DETACHED

Product, Pricing and Absorption

Meyers also tracked the sales trends for motor-court and small lot detached product actively selling in the CMA, with average total prices ranging from \$625,000 (Peppertree at Mission Lane) to \$931,000 (Candela). The sales traffic at all communities dropped off significantly in October through December, and has picked up again at some communities. Sales prices at Brookfield's attached product in Rancho Tesoro have been adjusted recently and the sales agent believes they have successfully found the market. Buyers are spending an average of 5% of the base price (\$12,500 to \$70,000) on options/upgrades, while unit premiums average \$12,500.

COMMUNITY	BUILDER / DEVELOPER	CITY	LOT SIZE	UNIT COUNT SUMMARY					SALES PACE		AVERAGE			MONTHLY		
				TOTAL	RLSD	SOLD	AVAIL.	REMAIN	ALL	3 MO.	SF	NET PRICE	\$/SF	HOA	TAX	PAYMENT
1210 E Mission Rd	City of San Marcos	San Marcos	3-story	24		0		24	3.0	—	1,517	\$519,667	\$343	\$250	1.34%	\$3,396
Terracina MC	Brookfield Residential	San Marcos	1,900	117	0	65	N/Av	52	3.3	2.7	2,384	\$721,167	\$302	\$210	1.60%	\$4,715
Vientos MC	Brookfield Residential	San Marcos	2,100	102	0	50	N/Av	52	2.5	0.3	2,704	\$788,000	\$291	\$205	1.60%	\$5,127
Pepper Tree at Mission Lane	Beazer Homes	Oceanside	2,400	83	0	46	N/Av	37	2.6	1.0	1,970	\$624,657	\$317	\$177	1.30%	\$3,938
Candela	Brookfield Residential	San Marcos	3,300	56	0	46	N/Av	10	2.3	2.0	3,200	\$931,333	\$291	\$190	1.55%	\$5,972
Westerly	California West Communities	San Marcos	3,915	71	0	64	N/Av	7	3.3	1.0	3,083	\$839,150	\$272	\$164	1.55%	\$5,374
Altura Pacific Ridge	Cornerstone Communities	Oceanside	4,000	72	0	9	N/Av	63	0.9	1.3	1,885	\$694,157	\$368	\$136	1.11%	\$4,217
Francia at Mission Lane	Beazer Homes	Oceanside	4,900	59	0	42	N/Av	17	2.4	1.7	2,469	\$694,490	\$281	\$375	1.11%	\$4,458
NEW HOME AVERAGE:									2.5	1.4	2,528	\$756,136	\$303	\$208	1.40%	\$4,829
NEW HOME MEDIAN:									2.5	1.3	2,469	\$721,167	\$291	\$190	1.55%	\$4,715

RECOMMENDED PRICE APPRECIATION AND SALES PACE

Product, Pricing and Absorption

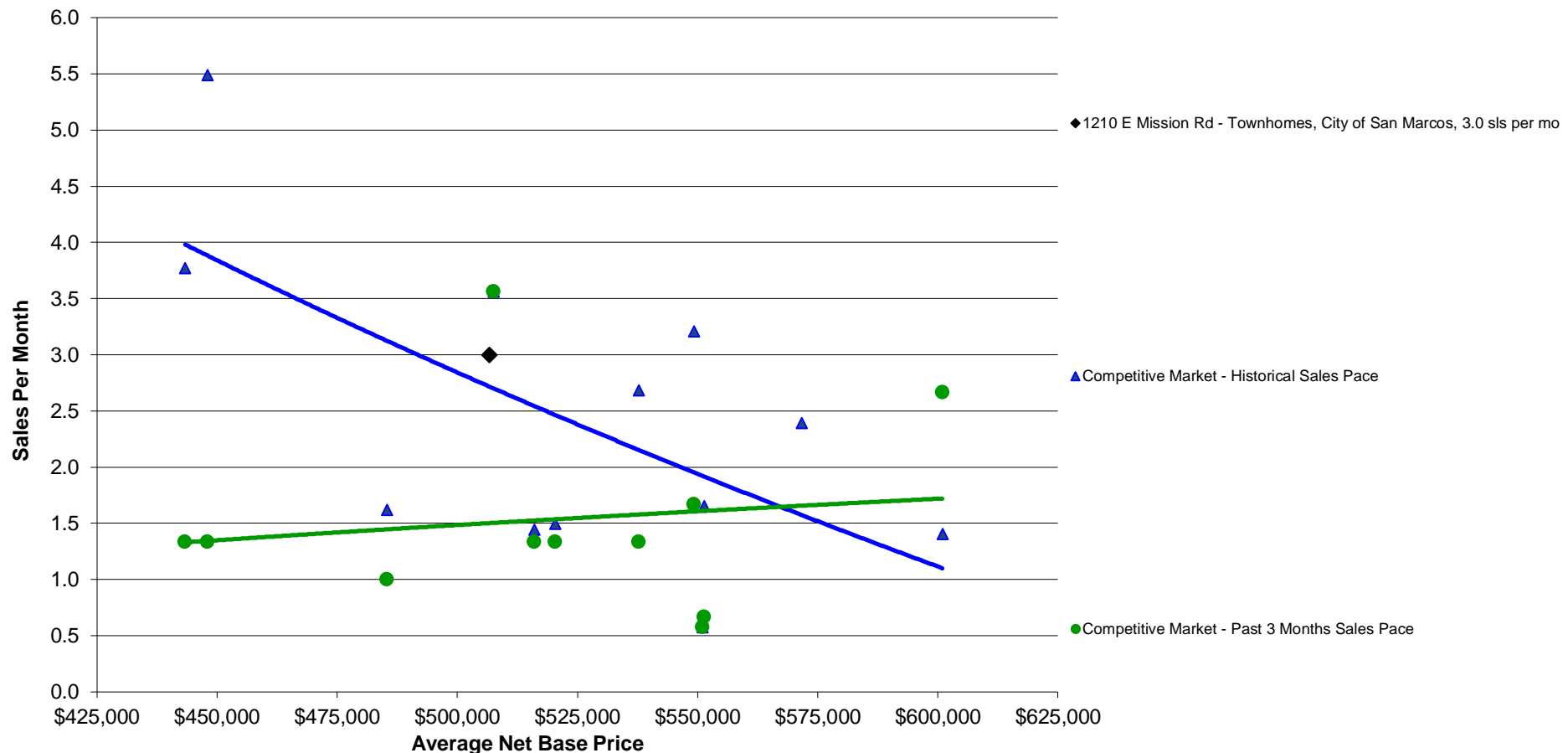
Recommended sales pace is based on recent market activity at Verano at Skyline in South Vista which is currently selling at 3.6 homes per month with comparable unit sizes and pricing. Comparable townhome communities actively selling in the CMA (shown on pages 12-13), average roughly 2.5 homes per month on a historical basis and 1.7 home per month over the past 3 months. Sales rates have slowed over the last three months across the County but local sales agents are reporting increased traffic again as of late-January. At a recommended sales pace of 3.0 homes per month, 1210 E. Mission Road could sell through its entire inventory in a little less than three market quarters, assuming a full-scale marketing and sales program, and regular operating hours.

HYPOTHETICAL COMMUNITY SELL OUT								
Project/Subdivision	Type	Configuration	# of Units	Avg Yr/Qtr	Q1	Q2	Q3	Q4
1210 E Mission Rd	Townhomes	3-story	24	8	9	9	6	

Note: The current market activity in conjunction with slowing sales pace across the board does not support price appreciation at this time.

The recommended sales pace of 3.0 homes per month at the Subject is above the historical sales rate for townhomes in the CMA at this price point (currently at roughly 2.7 units per month).

- The recommended absorption is slightly lower than the sales pace currently being achieved at Verano at Skyline in South Vista, which is achievable given the comparable unit sizes and home prices offset by a slightly inferior location at the Subject with better schools.
- Across the market sales pace has slowed by roughly 1 home per month by community. Kensington Square in Bressi Ranch is still selling very well and the motor court product at Terracina in Rancho Tesoro is selling at 2.7 homes per month. Additionally, resale volume in South San Marcos (92078) is high with nearly 9.75 homes sold per month.



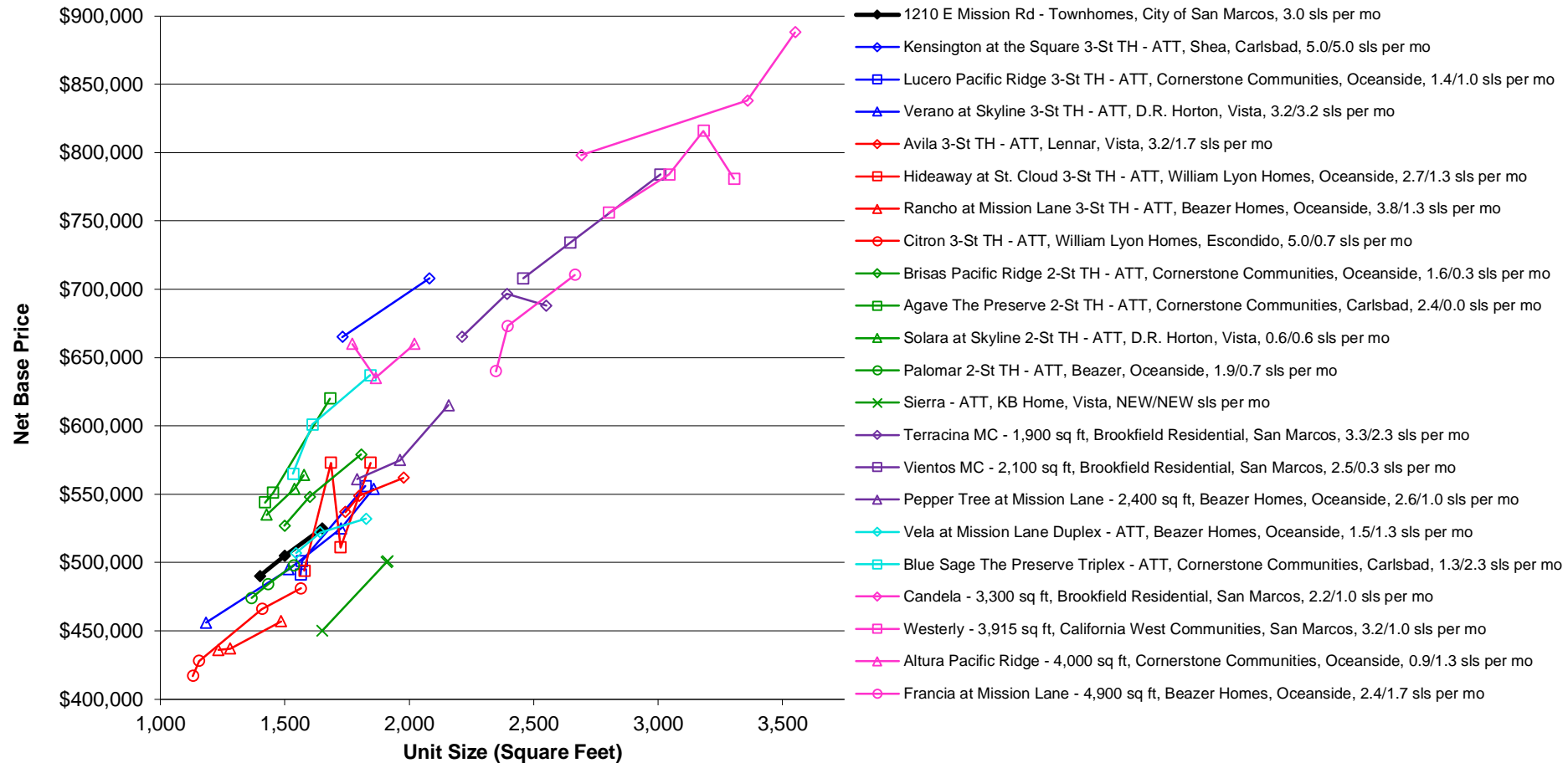
Source: Meyers Research; Individual Community Sales Offices

SUBJECT POSITIONING VS NEW HOME MARKET: BASE PRICE (OVERALL)

Product, Pricing and Absorption

The base prices at the Subject are positioned as follows:

- In line with the two smallest duplex plans at Vela at Mission Lane
- Slightly above the two-story townhomes at Palomar at Mission Lane, as well as Verano at Skyline which has been selling well at 3.2 sales per month despite having some of the lowest schools scores in the CMA
- Slightly below Brisas at Pacific Ridge located in Oceanside which has slightly better school scores and a more coastal proximate living experience



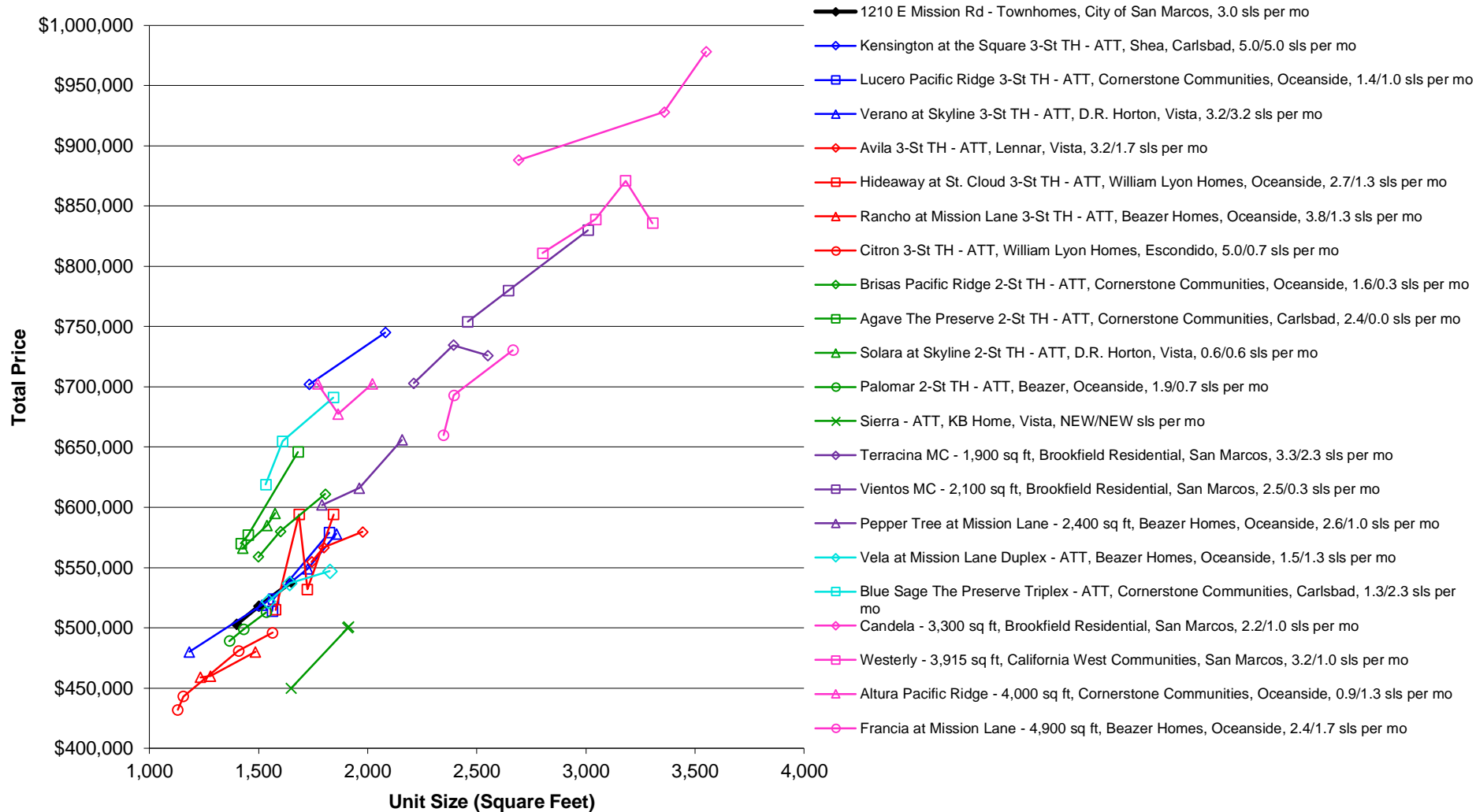
Source: Meyers Research; Individual Community Sales Offices

Absorption = Historical/3 Month

SUBJECT POSITIONING VS NEW HOME MARKET: TOTAL PRICE (OVERALL)

Product, Pricing and Absorption

The recommended total pricing (base price + average options/upgrades estimates + average lot premium) remains in a similar position relative to total average sales prices for the attached competitive projects, and falls below the detached products which have a greater increase owing to higher spending on options and upgrades, and better premium opportunities.



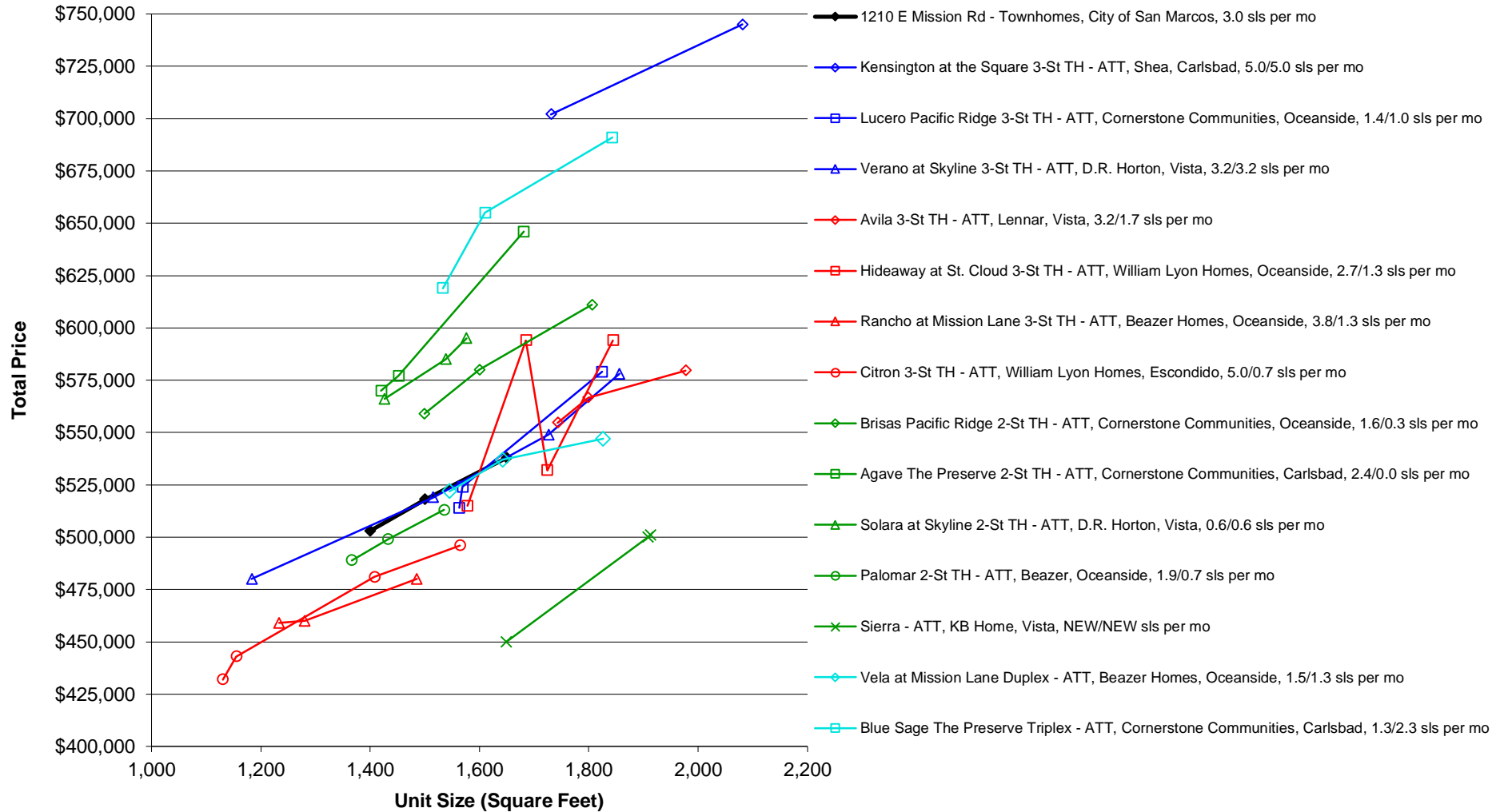
Source: Meyers Research; Individual Community Sales Offices

Absorption = Historical/3 Month

SUBJECT POSITIONING VS NEW HOME MARKET: TOTAL PRICE (ATTACHED)

Product, Pricing and Absorption

The recommended total pricing for the Subject is in line with the three-story townhomes at Verano at Skyline and the largest unit offered at the Subject is priced in line with the duplex product at Vela at Mission lane. Both of these communities offer a more coastal proximate living experience however the schools are not as highly ranked and they are located further from main transportation corridors.



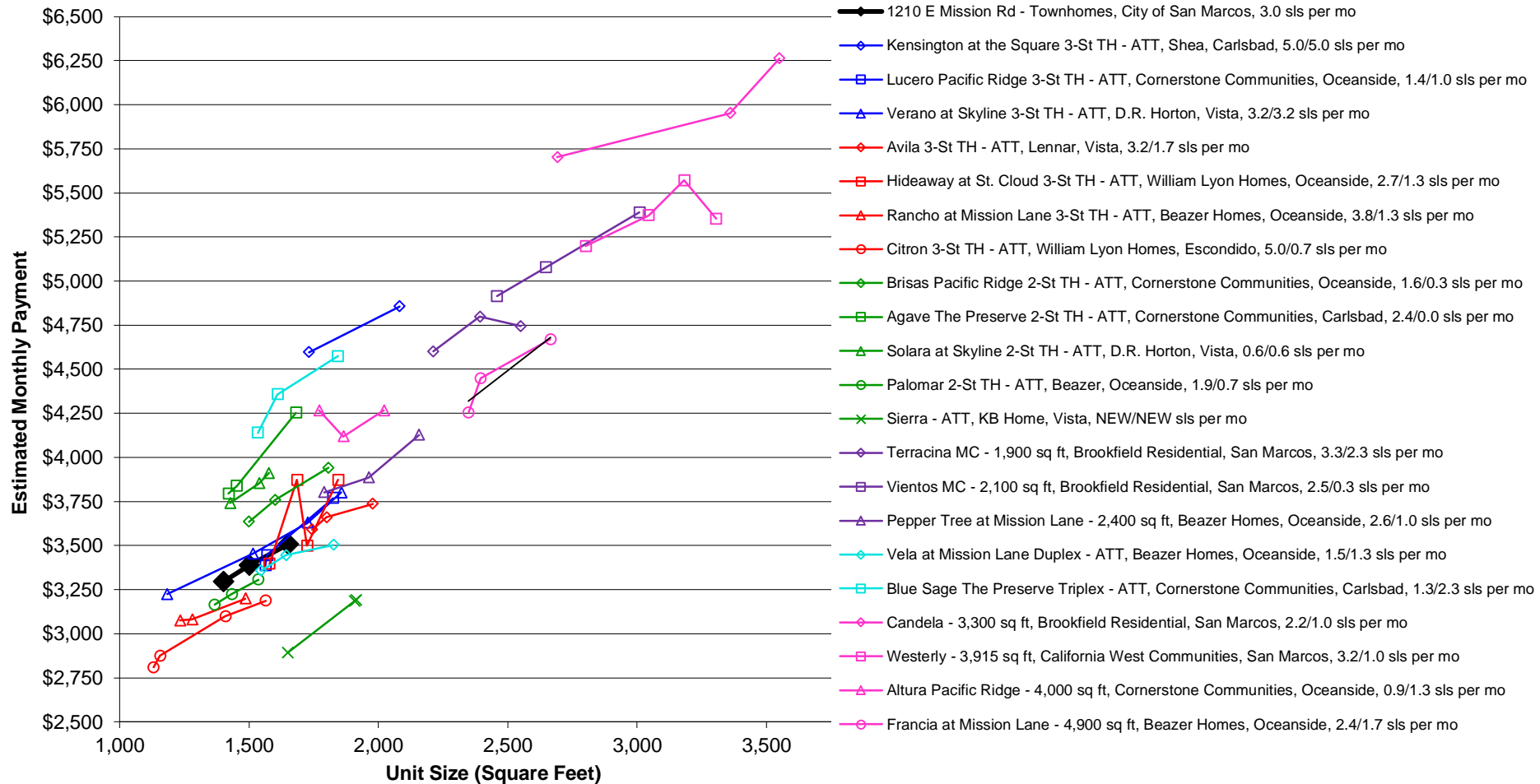
Source: Meyers Research; Individual Community Sales Offices

Absorption = Historical/3 Month

MONTHLY PAYMENT POSITIONING VS NEW HOME MARKET (OVERALL)

Product, Pricing and Absorption

The monthly payments at the Subject assume a conventional 30-year loan with a mortgage interest rate of 4.5%, a monthly HOA fee of \$275 per unit, and a total tax rate of 1.34%. The three-story Verano at Skyline product is has a total tax rate of roughly 1.18%, and is positioned between \$50 and \$100 above the expected payments at the Subject. A comparison of product at Verano versus the Subject reflects a trade off between denser product at the Subject and a more desirable location in the 92069 North San Marcos ZIP code with better schools and amenities close by. The Subject is additionally positioned at a significant value to the Kensington Square townhomes in Carlsbad, and just above the three-story townhomes at Lucero at Pacific Ridge in North Oceanside.



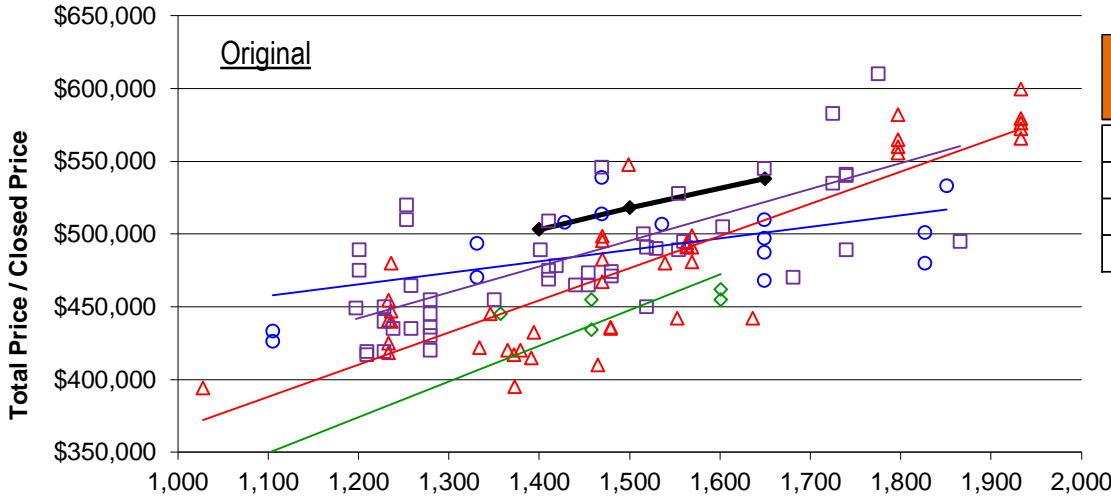
Source: Meyers Research; Individual Community Sales Offices

Absorption = Historical/3 Month

SUBJECT COMPARISON TO AGE ADJUSTED ATTACHED RESALES IN CMA

Product, Pricing and Absorption

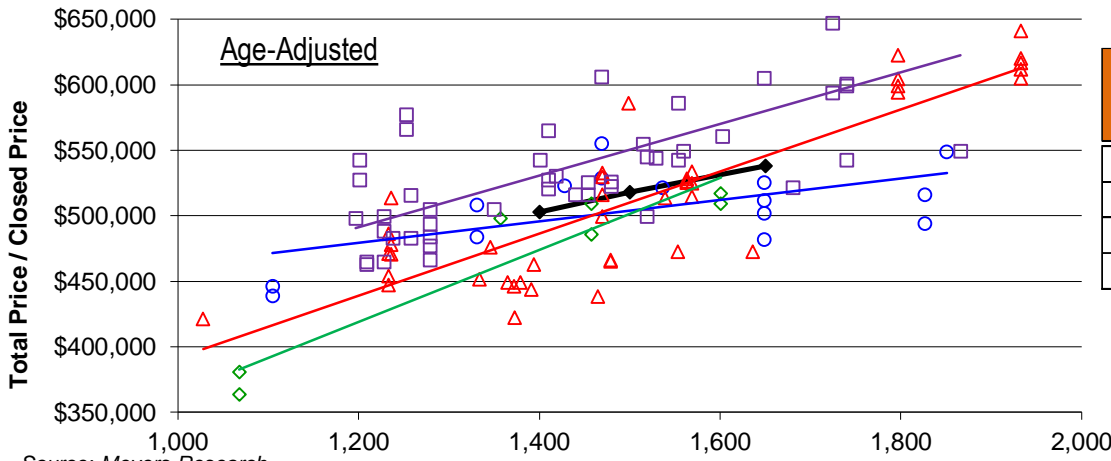
After applying an age adjustment factor to the resales in the area's found in the tables below, the Subject is appropriately positioned below the South San Marcos trendline, an in line with North Oceanside and North Vista to account for better schools offset against a less coastal proximate location. Attached resales in the 92069 ZIP code (which represents north San Marcos, the Subject ZIP code) is much lower priced than the South San Marcos (92078).



REFERENCE AREA	YEAR BUILT	AVERAGE		
		SF	NET PRICE	\$/SF
92069 North San Marcos Built 2010+, Sold 2018	2015	1,525	\$491,118	\$322
North Oceanside Built 1995+, Sold L3M	2010	1,510	\$478,673	\$317
North Vista Built 2000+, Sold L3M	2005	1,373	\$416,571	\$303
92078 South San Marcos Sold L3M	2006	1,441	\$485,187	\$337
AVERAGE:		1,462	\$467,888	\$320
MEDIAN:		1,475	\$481,930	\$320

1210 E Mission Rd - Townhomes, City of San Marcos, 3.0 sls per mo
 North Vista Built 2000+, Sold L3M
 92069 North San Marcos Built 2010+, Sold 2018
 92078 South San Marcos Sold L3M

North Oceanside Built 1995+, Sold L3M

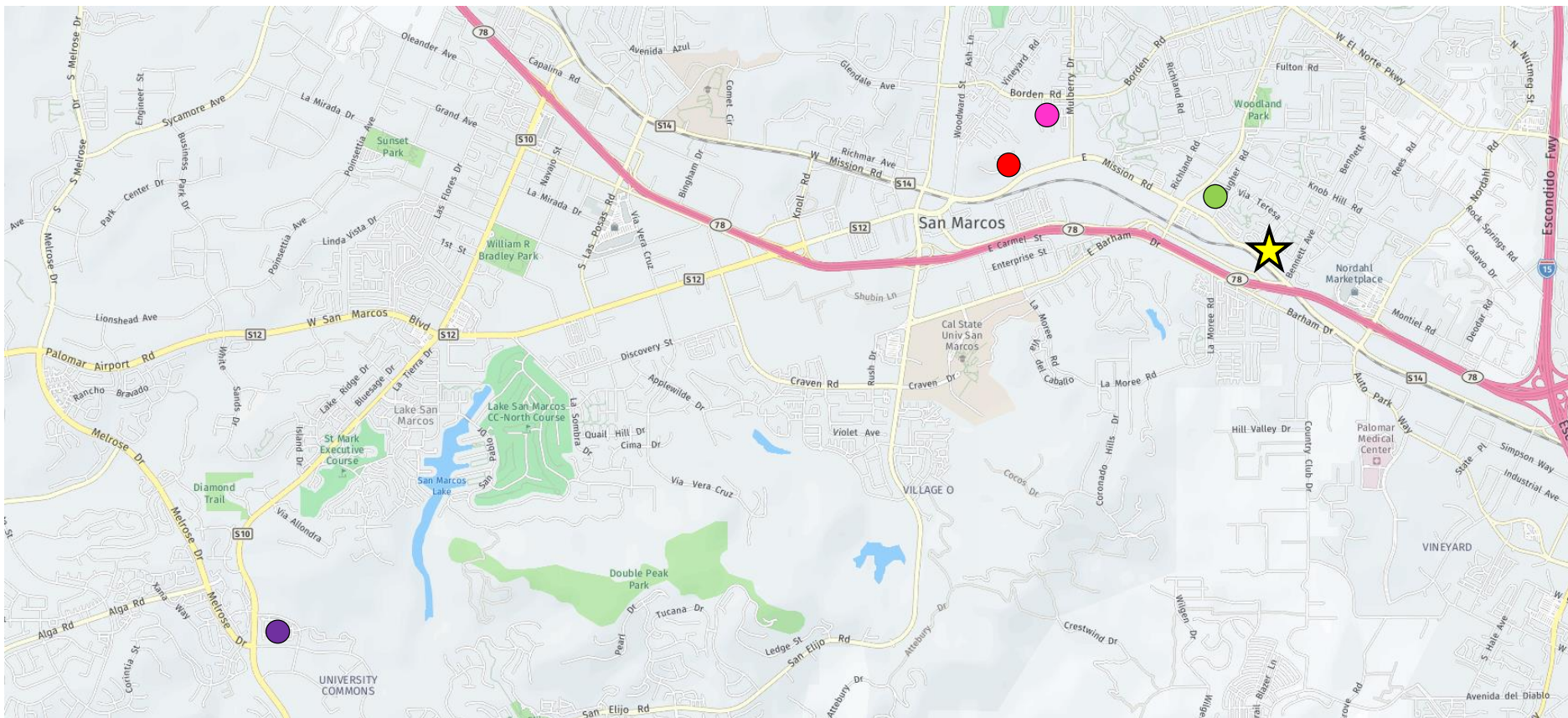


REFERENCE AREA	YEAR BUILT	AVERAGE		
		SF	NET PRICE	\$/SF
92069 North San Marcos Built 2010+, Sold 2018	2015	1,525	\$505,852	\$332
North Oceanside Built 1995+, Sold L3M	2010	1,510	\$512,180	\$339
North Vista Built 2000+, Sold L3M	2005	1,373	\$466,560	\$340
92078 South San Marcos Sold L3M	2006	1,441	\$538,558	\$374
AVERAGE:		1,462	\$505,788	\$346
MEDIAN:		1,475	\$509,016	\$340

Source: Meyers Research

MAP OF SELECT CASE STUDIES

Product, Pricing and Absorption



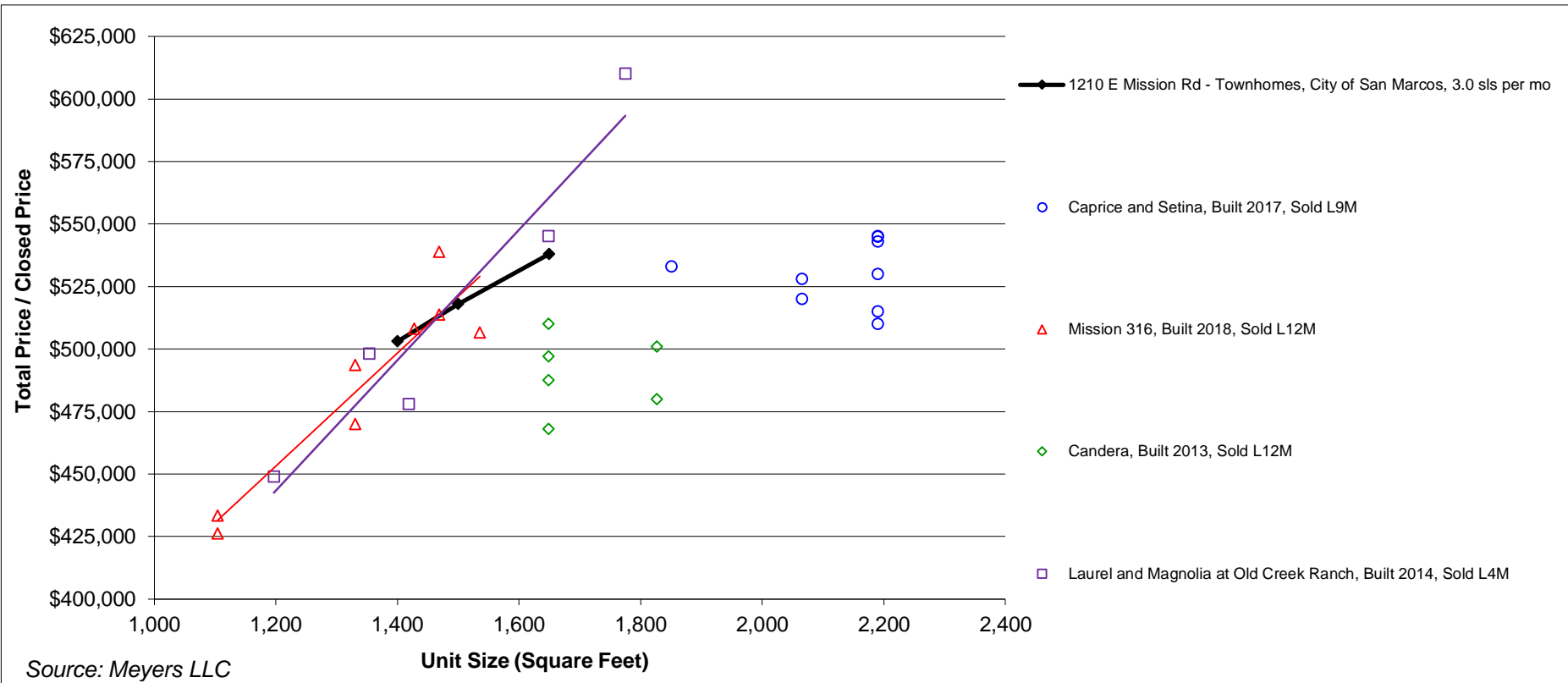
REFERENCE AREA	DATE RANGE	YEAR BUILT	LOT SIZE	SALES	SALES PACE		AVERAGE		
					ALL	3 MO.	SF	NET PRICE	\$/SF
Laurel and Magnolia at Old Creek Ranch, Built 2014	Oct. '18 to Jan. '19	2014	-	5	2.7	1.0	1,479	\$516,020	\$349
Caprice and Setina, Built 2017	Apr. '18 to Jan. '19	2015	-	9	0.9	0.7	2,125	\$529,867	\$249
Mission 316, Built 2018	Jan. '18 to Jan. '19	2017	-	8	0.9	0.0	1,347	\$486,285	\$361
Candera, Built 2013	Jan. '18 to Jan. '19	2013	-	6	0.7	0.0	1,708	\$490,583	\$287

SELECT MARKET AVERAGE:	7	1.3	0.4	1,665	\$505,689	\$312
SELECT MARKET MEDIAN:	7	0.9	0.3	1,594	\$503,302	\$318

SUBJECT COMPARISON TO SELECT RECENTLY BUILT RECENT ATTACHED RESALES IN CMA

Product, Pricing and Absorption

The Mission 316 and Old Creek Ranch resales are the closest competition in terms of existing newer inventory in North San Marcos, and the Subject is positioned toward the top of the resale market for select two and three-story attached product in the CMA. Mission 316 is located just 0.75 miles west of the Subject in a better location (newer construction in the surrounding area) but is further from the CA-78 corridor and the neighborhood retail in the area cannot beat what the Subject has to offer. This trade off justifies the slight discount the Subject is priced at in comparison to the resales at the newly constructed Mission 316.



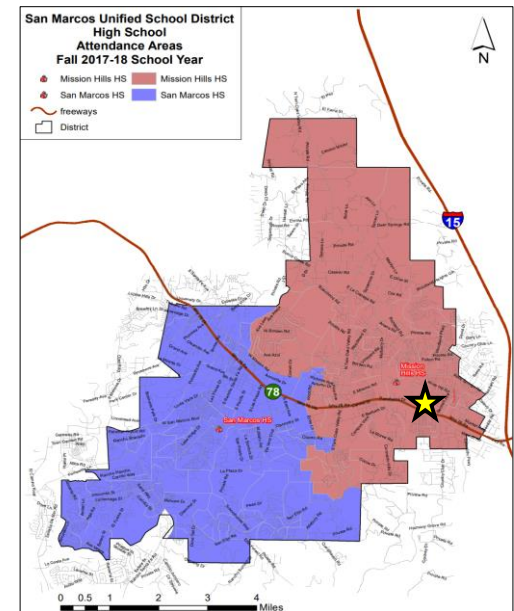
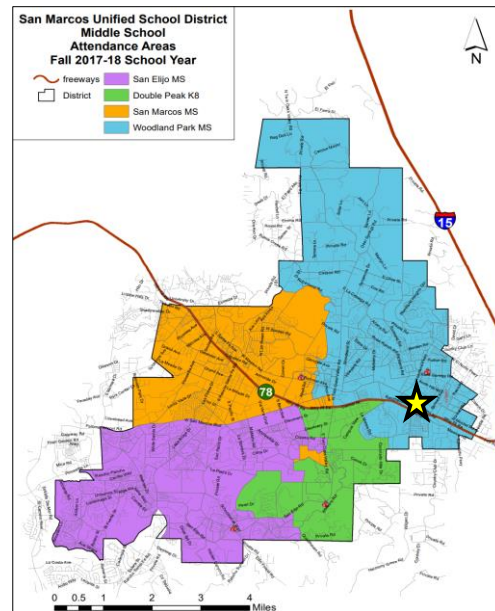
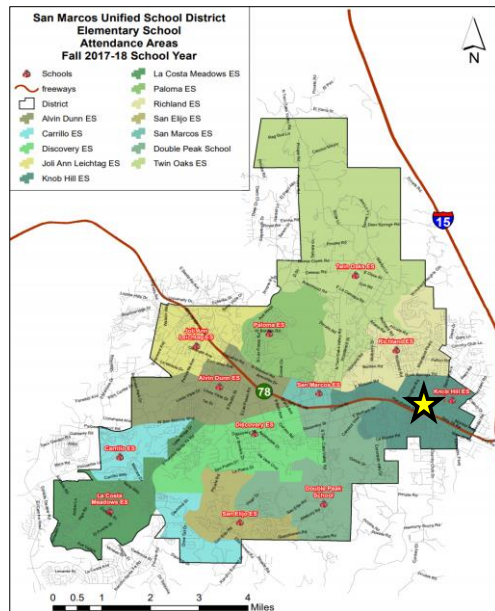
REFERENCE AREA	DATE RANGE	YEAR BUILT	LOT SIZE	SALES	SALES PACE		AVERAGE		
					ALL	3 MO.	SF	NET PRICE	\$/SF
Laurel and Magnolia at Old Creek Ranch, Built 2014	Oct. '18 to Jan. '19	2014	-	5	2.7	1.0	1,479	\$516,020	\$349
Caprice and Setina, Built 2017	Apr. '18 to Jan. '19	2015	-	9	0.9	0.7	2,125	\$529,867	\$249
Mission 316, Built 2018	Jan. '18 to Jan. '19	2017	-	8	0.9	0.0	1,347	\$486,285	\$361
Candera, Built 2013	Jan. '18 to Jan. '19	2013	-	6	0.7	0.0	1,708	\$490,583	\$287

Location Analysis

1210 E. Mission Road, San Marcos, California

The following table shows the assigned public schools for the Subject, ranked using the GreatSchools scoring system, with future 1210 E. Mission Road residents assigned to Knob Hill Elementary, Woodland Park Middle and Mission Hills High School. In comparison to actively selling communities, the schools assigned of the Subject rank in the middle of the competitive set. The new Kensington at The Square townhomes in Bressi Ranch have the highest ranked school scores in a highly amenitized community/area, and as such they are priced at a premium to other communities offering like product in the CMA.

Community	City/Area	District	Elementary	Great Schools	Middle	Great Schools	High	Great Schools	Average Great Schools
Kensington at The Square	Carlsbad	Carlsbad Unified School District	Poinsettia Elementary	7	Aviara Oaks Middle	9	Carlsbad High	9	8.3
Rancho Tesoro Masterplan	San Marcos	San Marcos Unified	Discovery Elementary	8	San Elijo Middle	8	Mission Hills High	8	8.0
The Preserve Masterplan	Carlsbad	Carlsbad Unified School District	Hope Elementary	8	Calavera Hills Middle	7	Carlsbad High	9	8.0
Pacific Ridge Masterplan	Oceanside	Oceanside Unified School District	Ivey Ranch Elementary	8	Martin Luther King Jr. Middle	6	El Camino High	8	7.3
1210 E. Mission Road	San Marcos	San Marcos Unified	Knob Hill Elementary	7	Woodland Park Middle	6	Mission Hills High	8	7.0
Hideaway at St. Cloud	Oceanside	Oceanside Unified School District	Ivey Ranch Elementary	8	Martin Luther King Jr. Middle	6	El Camino High	7	7.0
Avila	Vista	Vista Unified School District	Breeze Hill Elementary	7	Madison Middle School	5	Rancho Buena Vista High	8	6.7
Citron	Escondido	Escondido Union Elementary / High	L.R. Green Elementary	7	Bear Valley Middle	4	San Pasqual High	7	6.0
Skyline Masterplan	Vista	San Marcos Unified	Alvin M. Dunn Elementary	4	San Marcos Middle	5	San Marcos High	9	6.0
Mission Lane Masterplan	Oceanside	Oceanside Unified School District	Nichols Elementary	4	Cesar Chavez Middle	5	El Camino High	7	5.3
Sierra	Vista	Vista Unified School District	Hannalei Elementary	4	Rancho Minerva Middle	2	Rancho Buena Vista High	8	4.7



REGIONAL LOCATION & PROXIMITY TO EMPLOYMENT

Location Analysis

The site is located off of E. Mission Road, just north of the Hwy 78 and west of Nordahl Road. The CA-78 freeway is located 1.0 miles from the site and is a major thoroughfare for commuters to employment hubs shown along the CA-78 corridor on the following page.

San Diego County Top Employers

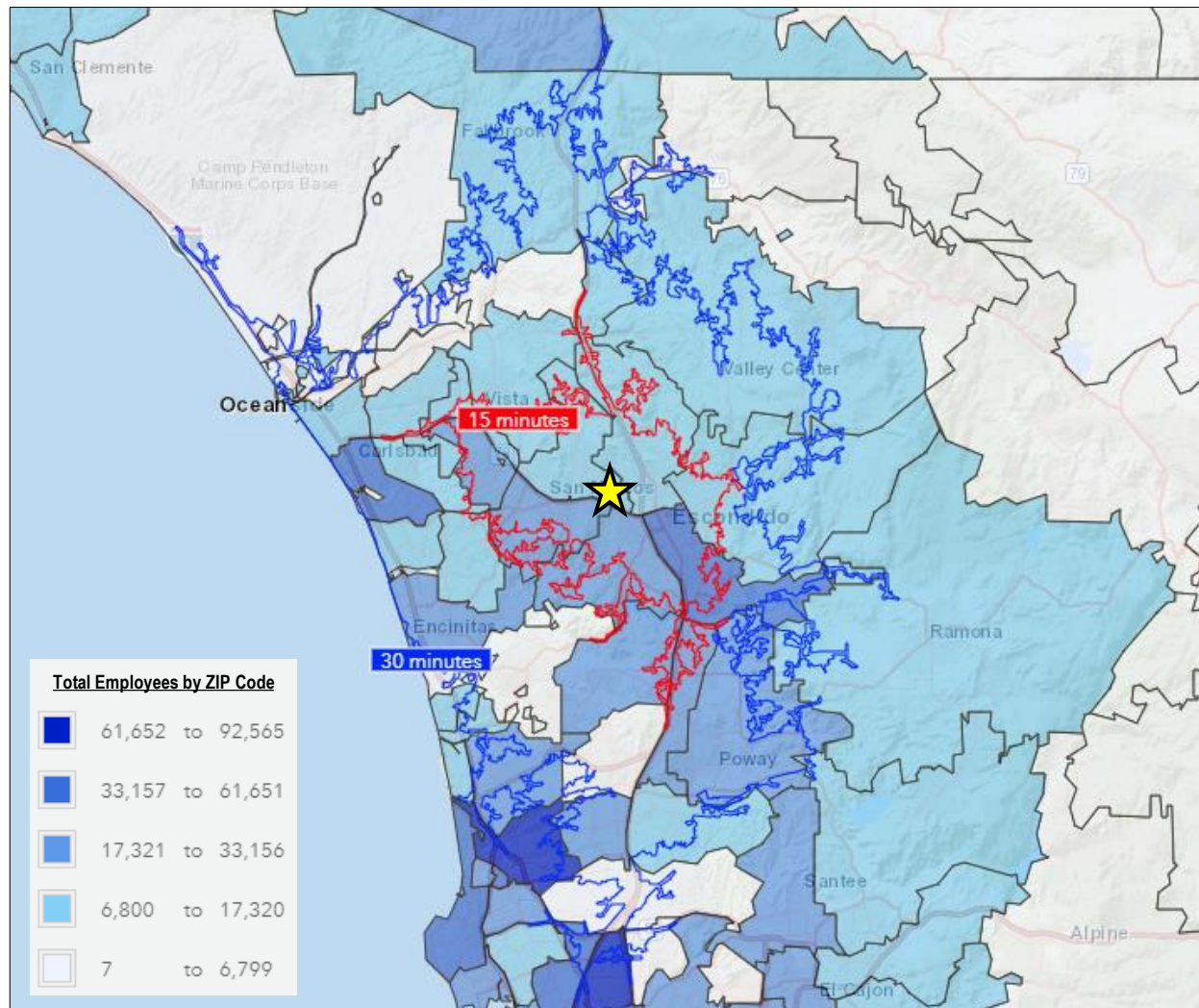
University of California, San Diego
County of San Diego
United States Navy, San Diego
City of San Diego
San Diego Unified School District
Sharp Health Care
Scripps Health
Qualcomm Inc.
Kaiser Foundation Hospital
San Diego State University
Sony Electronics Inc
Seaworld San Diego

City of San Marcos Top Employers

Hunter Industries
United Parcel Service
So. CA Permanente Med Group
Wal-Mart
Costco Wholesale
24 Hour Fitness
Lusardi Construction Co.
RB III Associates Inc.
Fluid Components International
University Aux. & Research Services

City of Carlsbad Top Employers

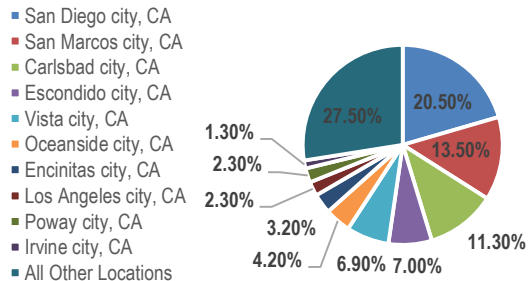
ViaSat, Inc.
Thermo Fisher Scientific
LEGOLAND California
Carlsbad Unified School District
Omni La Costa Resort & Spa
TaylorMade-Adidas
SGN Nutrition
Gemological Institute of America
City of Carlsbad
OptumRx



REGIONAL LOCATION & PROXIMITY TO EMPLOYMENT

Location Analysis

The color-concentrated areas indicate the highest proportion of commuter destinations from the Subject ZIP code 92069. Roughly 14% of local residents live and work in the City of San Marcos, while 33% of residents commute 10 miles or less to employment clusters primarily along the CA-78 in Carlsbad, Escondido, Vista, and Encinitas along the I-5. A further 25% commute between 10 and 24 miles to employment in Oceanside, Poway, and further south along the coast.

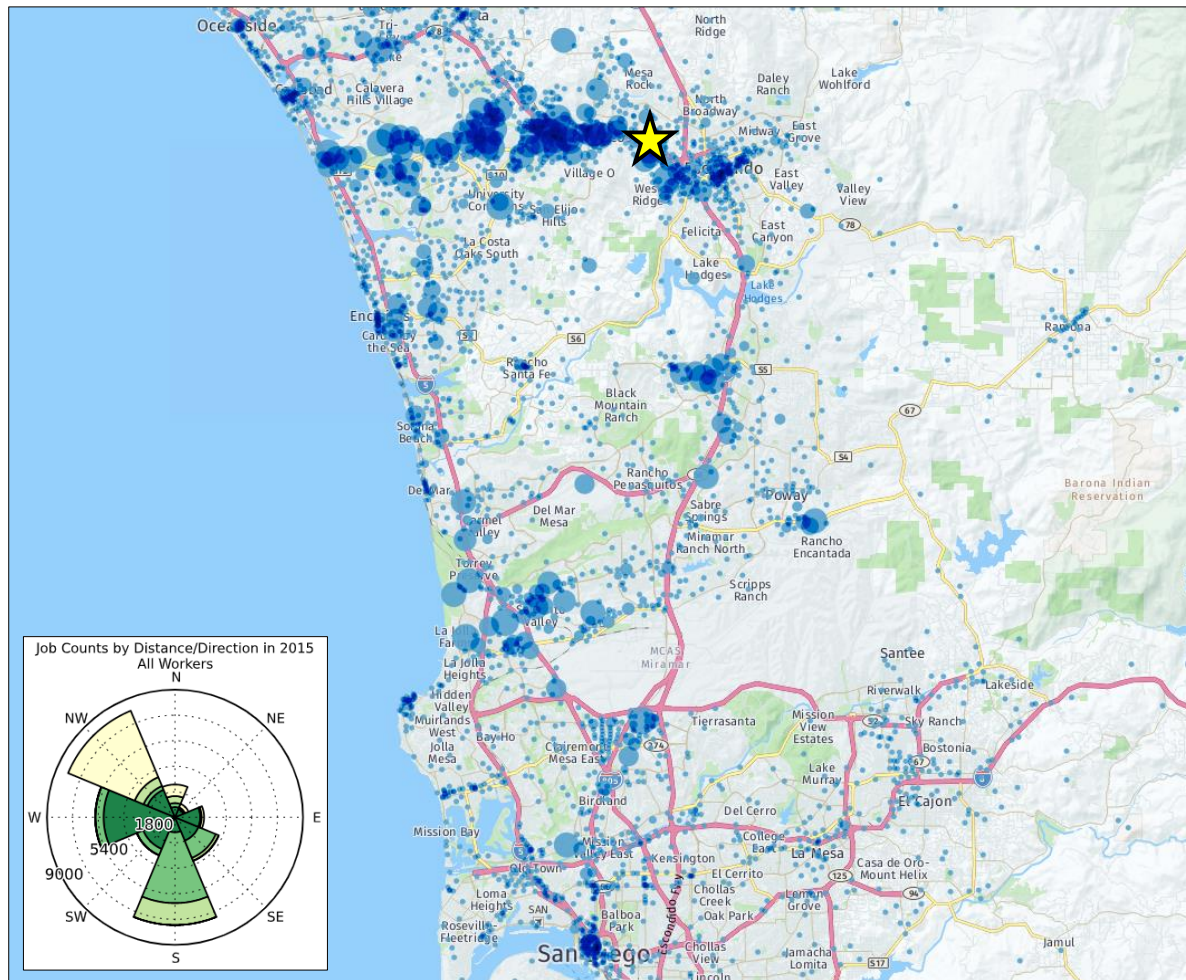


Jobs Counts by Places - Primary Jobs (2015)

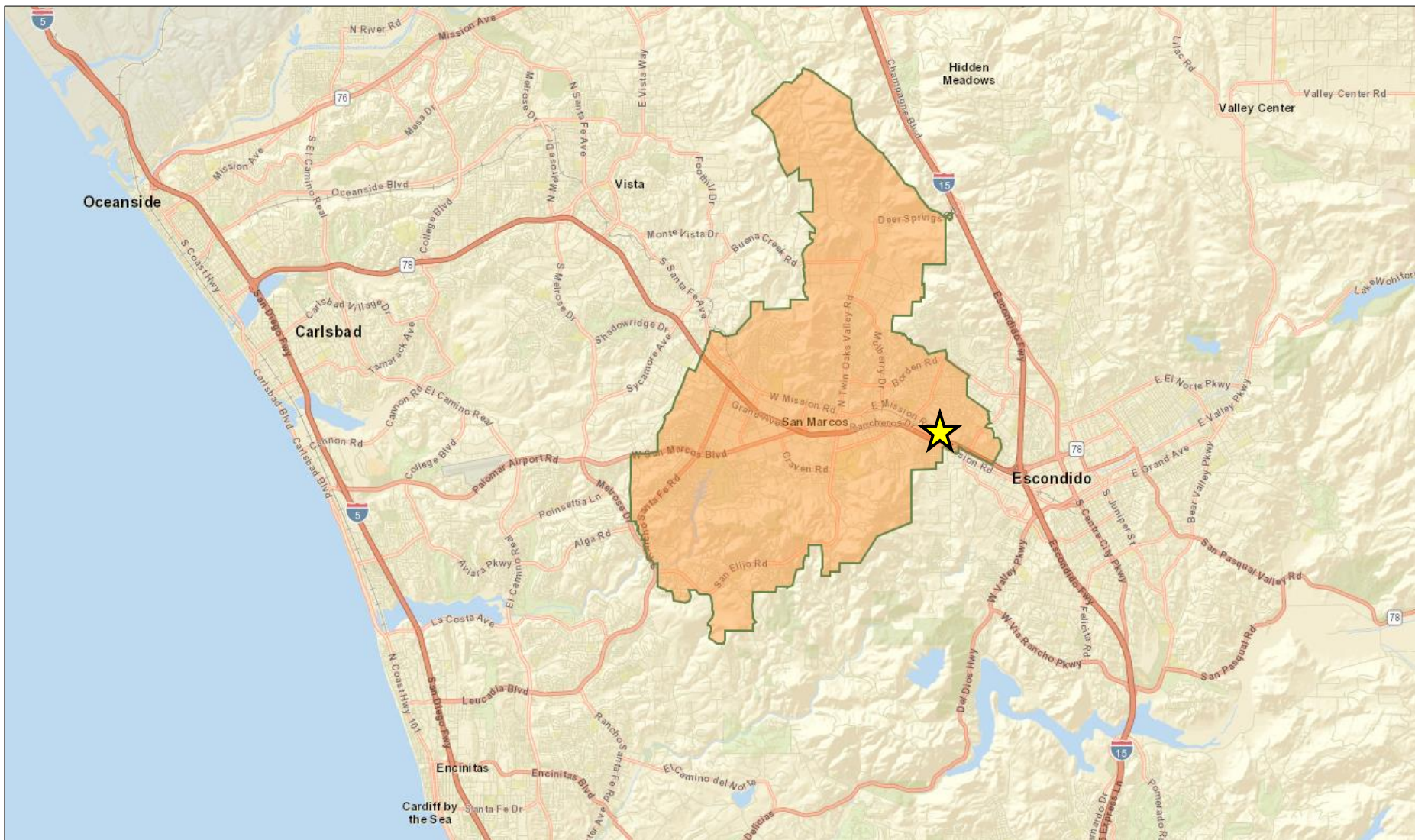
County Subdivision	Count	Share
San Diego city, CA	6,764	20.50%
San Marcos city, CA	4,448	13.50%
Carlsbad city, CA	3,723	11.30%
Escondido city, CA	2,295	7.00%
Vista city, CA	2,289	6.90%
Oceanside city, CA	1,369	4.20%
Encinitas city, CA	1,048	3.20%
Los Angeles city, CA	771	2.30%
Poway city, CA	751	2.30%
Irvine city, CA	416	1.30%
All Other Locations	9,078	27.50%

Jobs by Distance - Home Census Block to Work Census Block

	Count	Share
Total Primary Jobs	32,952	100.0%
Less than 10 miles	15,518	47.1%
10 to 24 miles	8,137	24.7%
25 to 50 miles	2,962	9.0%
Greater than 50 miles	6,335	19.2%



Meyers analyzed days on market time for attached home resales of all ages in the City of San Marcos over the past 12 months. The area used for the analysis on the following two pages is shown below.



Economic Overview

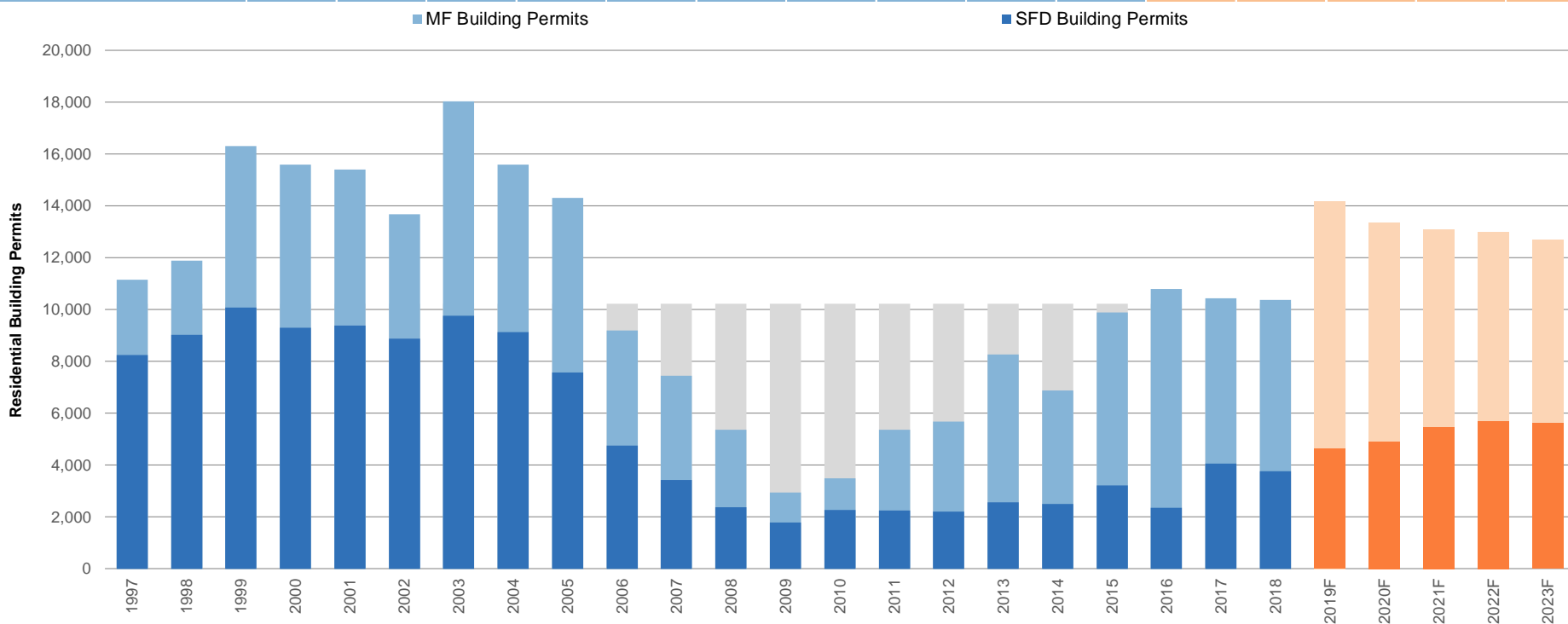
1210 E. Mission Road, San Marcos, California

RESIDENTIAL BUILDING PERMITS — SAN DIEGO-CARLSBAD MSA

Economic Overview

Since 2011 multi-family building permits have constituted roughly 66% of the total building permits in the San Diego MSA, and Economy.com forecasts that total permit issuance will spike 36.5% in 2019 and moderate thereafter to an average of 12,900 total permits per year for the next five years. Total building permits issued reached a 10-year high in 2016 at 10,791 permits and since that time total permit issuance has dropped roughly 3.8%. The forecast suggests strong growth in multi-family permit issuance in 2019/2020.

Residential Building Permit History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Total Building Permits	2,946	3,494	5,370	5,666	8,264	6,875	9,883	10,791	10,441	10,379	14,174	13,327	13,083	12,974	12,690
Annual %Change	-45.0%	18.6%	53.7%	5.5%	45.9%	-16.8%	43.8%	9.2%	-3.2%	-0.6%	36.6%	-6.0%	-1.8%	-0.8%	-2.2%
SFD Building Permits	1,778	2,270	2,245	2,197	2,565	2,487	3,222	2,351	4,056	3,751	4,622	4,901	5,455	5,704	5,610
Annual %Change	-24.7%	27.7%	-1.1%	-2.1%	16.8%	-3.0%	29.6%	-27.0%	72.5%	-7.5%	23.2%	6.1%	11.3%	4.6%	-1.6%
MF Building Permits	1,168	1,224	3,125	3,469	5,699	4,388	6,661	8,440	6,385	6,628	9,552	8,426	7,628	7,270	7,080
Annual %Change	-61.0%	4.8%	155.3%	11.0%	64.3%	-23.0%	51.8%	26.7%	-24.3%	3.8%	44.1%	-11.8%	-9.5%	-4.7%	-2.6%



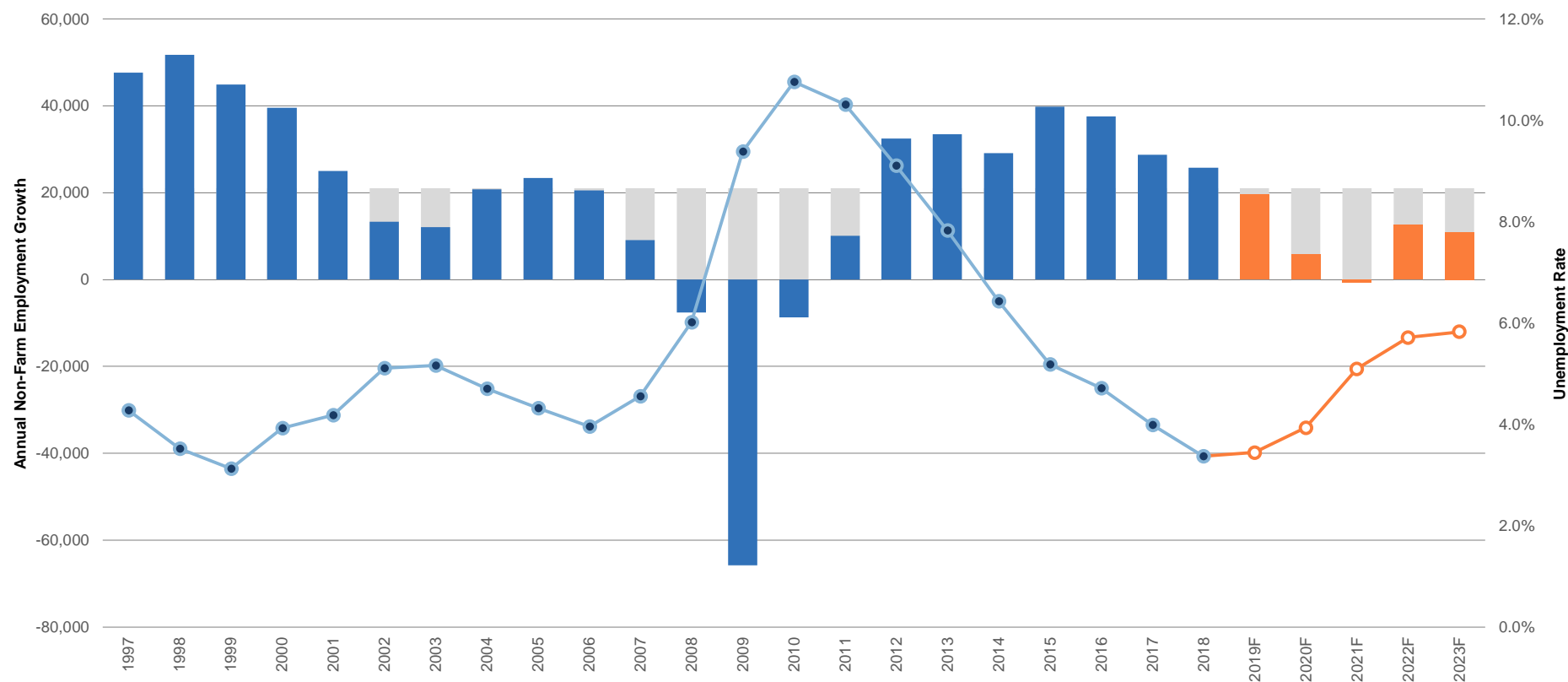
Source: Economy.com

EMPLOYMENT GROWTH — SAN DIEGO-CARLSBAD MSA

Economic Overview

The San Diego MSA non-farm employment has grown 2.4% per year over the past four years, with job growth moderating 31.5% over the past two years, at an unemployment rate of 3.4% (the second lowest rate recorded since 1999). Economy.com forecasts job growth slowing through 2020 and minor job losses in 2021.

Employment History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Five-Year Forecast*				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Non-Farm Employment	1,250,525	1,241,883	1,251,925	1,284,425	1,317,892	1,346,975	1,386,842	1,424,492	1,453,283	1,479,062	1,498,580	1,504,348	1,503,632	1,516,163	1,527,134
Prior Year Change	(65,858)	(8,642)	10,042	32,500	33,467	29,083	39,867	37,650	28,792	25,779	19,518	5,768	(716)	12,531	10,971
Annual %Change	-5.0%	-0.7%	0.8%	2.6%	2.6%	2.2%	3.0%	2.7%	2.0%	1.8%	1.3%	0.4%	0.0%	0.8%	0.7%
Unemployment Rate	9.4%	10.8%	10.3%	9.1%	7.8%	6.4%	5.2%	4.7%	4.0%	3.4%	3.4%	3.9%	5.1%	5.7%	5.8%



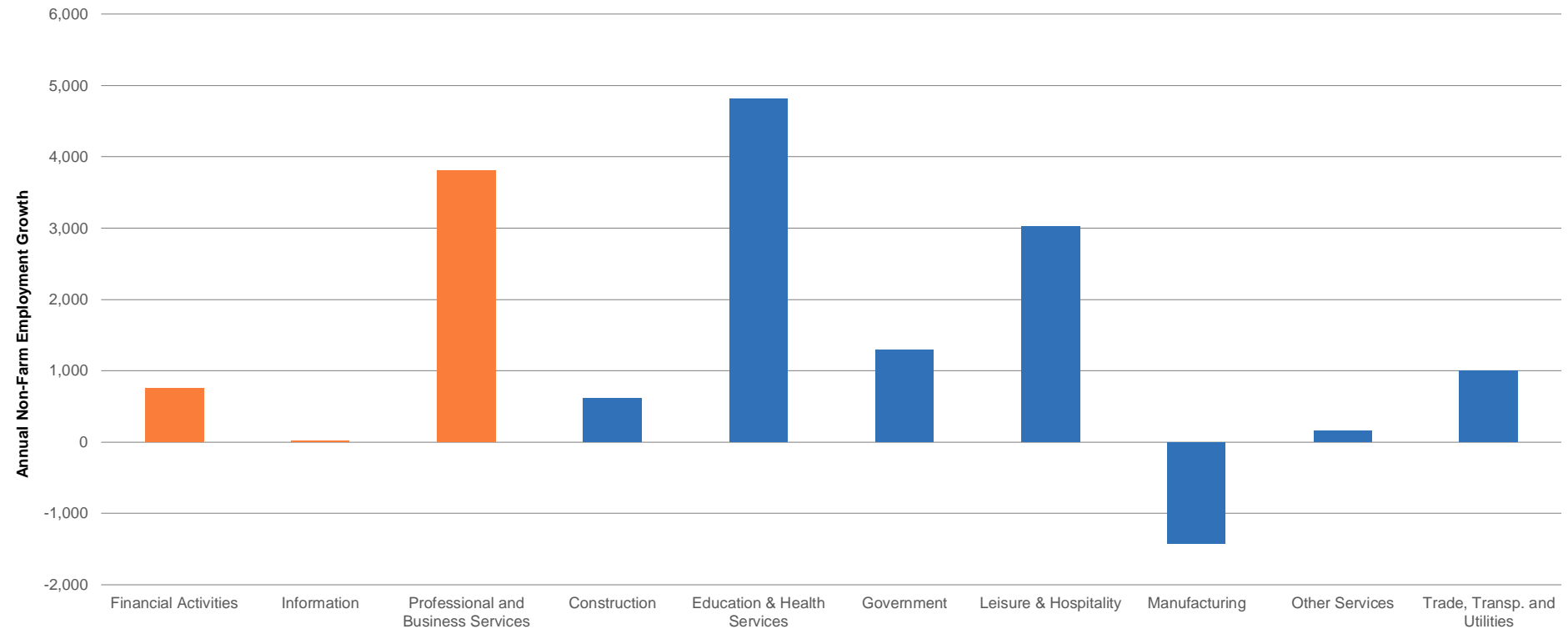
Source: Economy.com

EMPLOYMENT GROWTH BY SECTOR — SAN DIEGO-CARLSBAD MSA

Economic Overview

Employment gains in recent years have been largely driven by expanding employment in Education & Health Services, Professional and Business Services, followed by Leisure & Hospitality. Manufacturing is the only sector that has experienced job losses over the past year largely owed to local businesses outsourcing manufacturing in China.

Employment by Sector	High Income Sectors			Other Sectors						
	Financial Activities	Information	Professional and Business Services	Construction	Education & Health Services	Government	Leisure & Hospitality	Manufacturing	Other Services	Trade, Transp. and Utilities
Current Month	74,571	24,473	254,169	83,483	217,161	253,051	196,431	112,477	57,874	229,704
Same Month Previous Year	73,822	24,452	250,361	82,869	212,345	251,751	193,406	113,902	57,720	228,704
12-Month Growth	749	21	3,808	614	4,816	1,300	3,025	-1,425	154	1,000



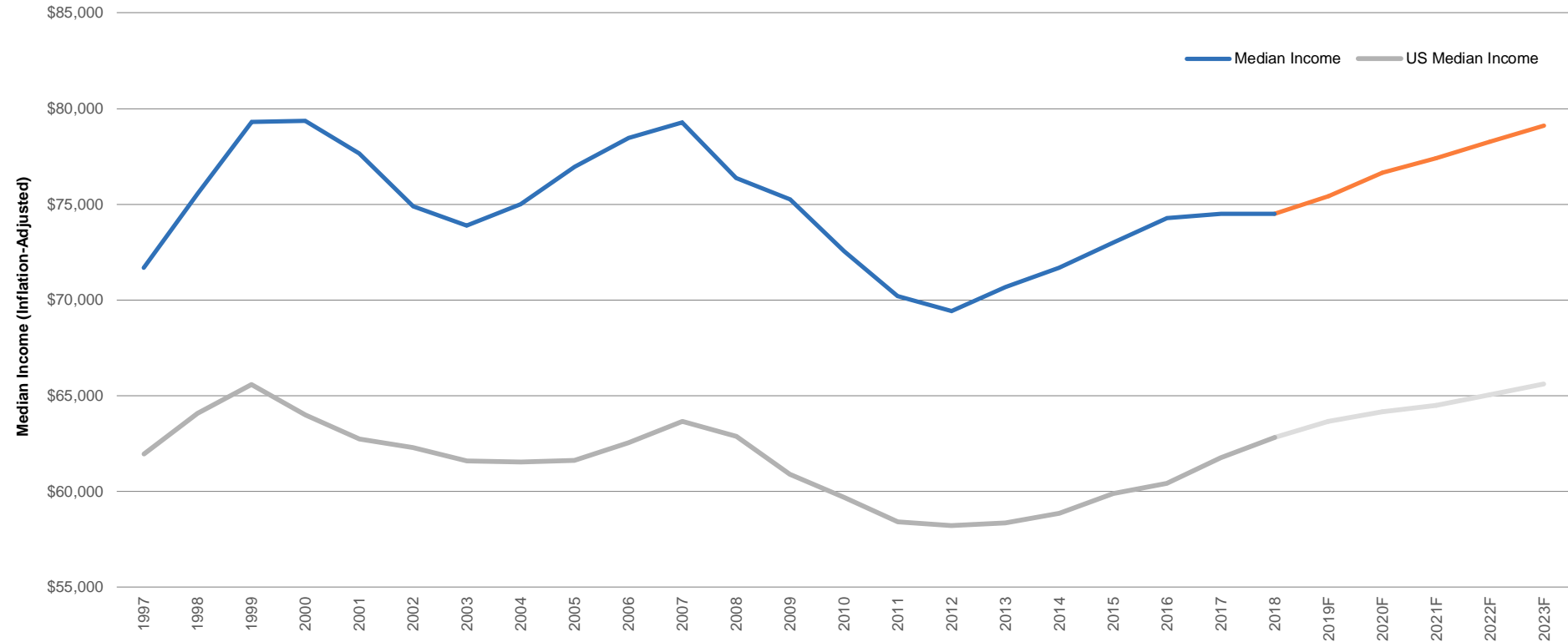
Source: Economy.com, Los Angeles Times

MEDIAN INCOME — SAN DIEGO-CARLSBAD MSA

Economic Overview

Median income levels in San Diego County are roughly \$12,000 higher than the national level however, median income growth in San Diego County remained unchanged while the national median income level increased 1.7% over the past year. Economy.com forecasts that median income levels in San Diego County will appreciate between 1% to 1.6% over the next five years.

Median Income & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Median Income	\$75,261	\$72,557	\$70,191	\$69,423	\$70,676	\$71,667	\$72,992	\$74,270	\$74,509	\$74,497	\$75,414	\$76,649	\$77,404	\$78,259	\$79,105
Annual %Change	-1.4%	-3.6%	-3.3%	-1.1%	1.8%	1.4%	1.8%	1.8%	0.3%	0.0%	1.2%	1.6%	1.0%	1.1%	1.1%
Median Income - United States	\$60,885	\$59,694	\$58,404	\$58,200	\$58,333	\$58,853	\$59,896	\$60,420	\$61,746	\$62,815	\$63,644	\$64,143	\$64,480	\$65,059	\$65,597
Annual %Change	-3.2%	-2.0%	-2.2%	-0.3%	0.2%	0.9%	1.8%	0.9%	2.2%	1.7%	1.3%	0.8%	0.5%	0.9%	0.8%



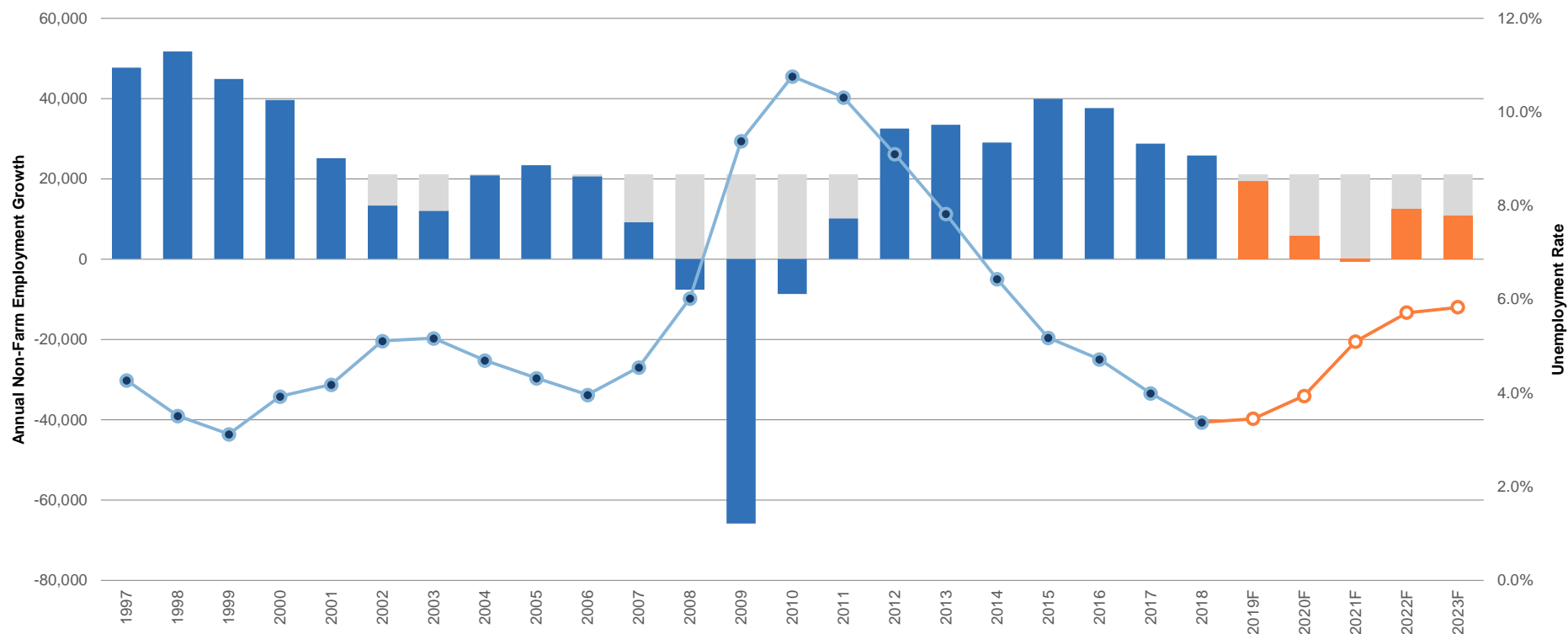
Source: Economy.com

EMPLOYMENT / PERMITS RATIO (E/P) — SAN DIEGO-CARLSBAD MSA

Economic Overview

The E/P ratio has maintained levels above 2.0 from 2012 through 2018 indicating that for every 1.0 housing permit filed, an average of 2+ jobs were added in the San Diego MSA. Moody's forecasts that the E/P ratio will begin to decline as housing starts rise against moderating employment gains. The E/P Ratio is based on employment growth versus building permits. An E/P Ratio over 1.0 means more jobs are being added than homes are being built. Ratios above 1.0 - 1.5 indicate an opportunity to introduce new homes to a market.

Employment/Housing History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Non-Farm Employment	1,250,525	1,241,883	1,251,925	1,284,425	1,317,892	1,346,975	1,386,842	1,424,492	1,453,283	1,479,062	1,498,580	1,504,348	1,503,632	1,516,163	1,527,134
Prior Year Change	(65,858)	(8,642)	10,042	32,500	33,467	29,083	39,867	37,650	28,792	25,779	19,518	5,768	(716)	12,531	10,971
Building Permits	2,946	3,494	5,370	5,666	8,264	6,875	9,883	10,791	10,441	10,379	14,174	13,327	13,083	12,974	12,690
Employment/Housing	-22.36	-2.47	1.87	5.74	4.05	4.23	4.03	3.49	2.76	2.48	1.38	0.43	-0.05	0.97	0.86



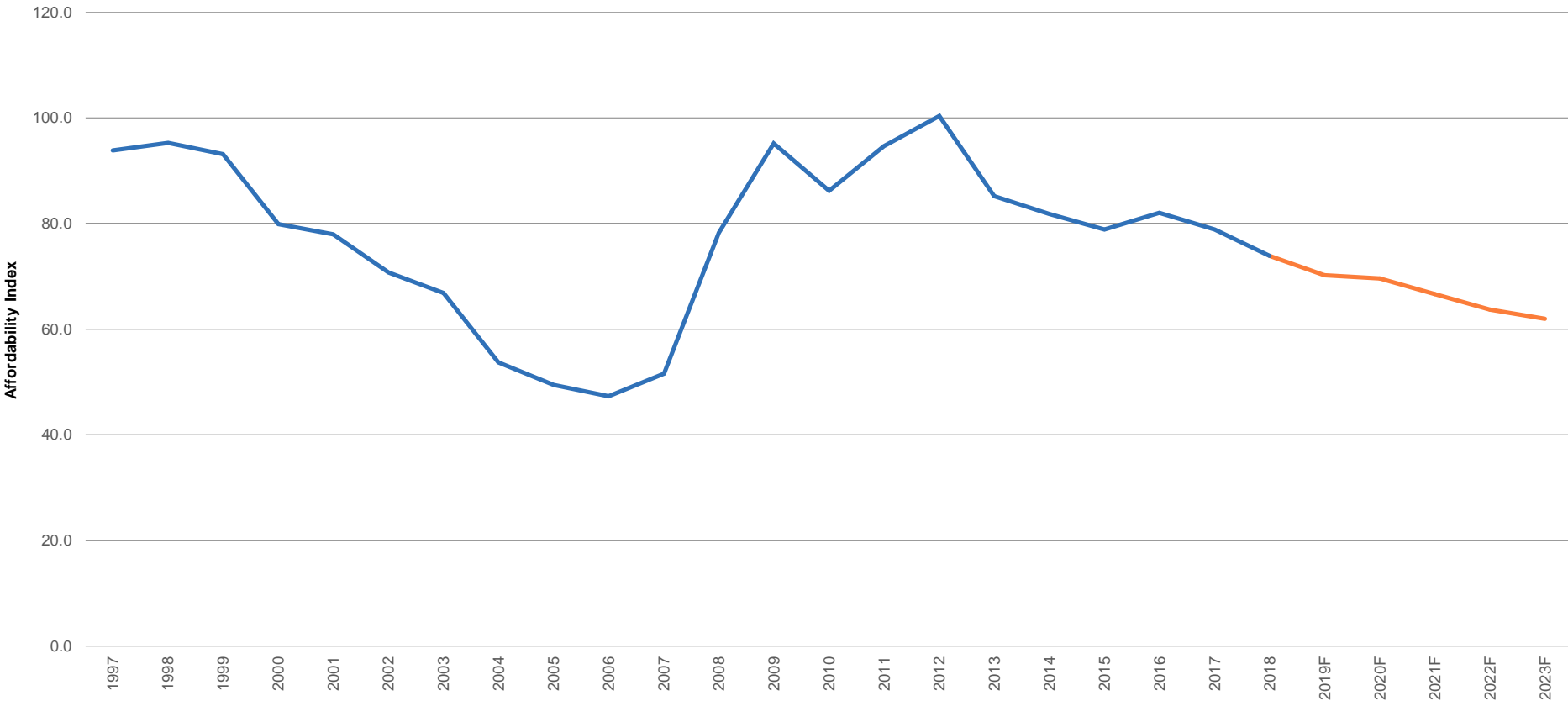
Source: Economy.com

AFFORDABILITY INDEX — SAN DIEGO-CARLSBAD MSA

Economic Overview

In recent years affordability peaked at 82.1 in 2016 due to a combination of price softening in the area and low interest rates. The index declined from 78.9 to 73.8 in 2018 and is forecast to decline over the next five years to levels into the 60's. The affordability index measures the ability of a family earning the median income amount to purchase a median-priced home. An index above 100 implies that the median income earning family has more than enough income to purchase a median-priced home.

Affordability Index w/ Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Affordability Index	95.2	86.2	94.7	100.3	85.2	81.9	78.9	82.1	78.9	73.8	70.2	69.7	66.7	63.7	61.9



Source: Economy.com

Demographic Overview

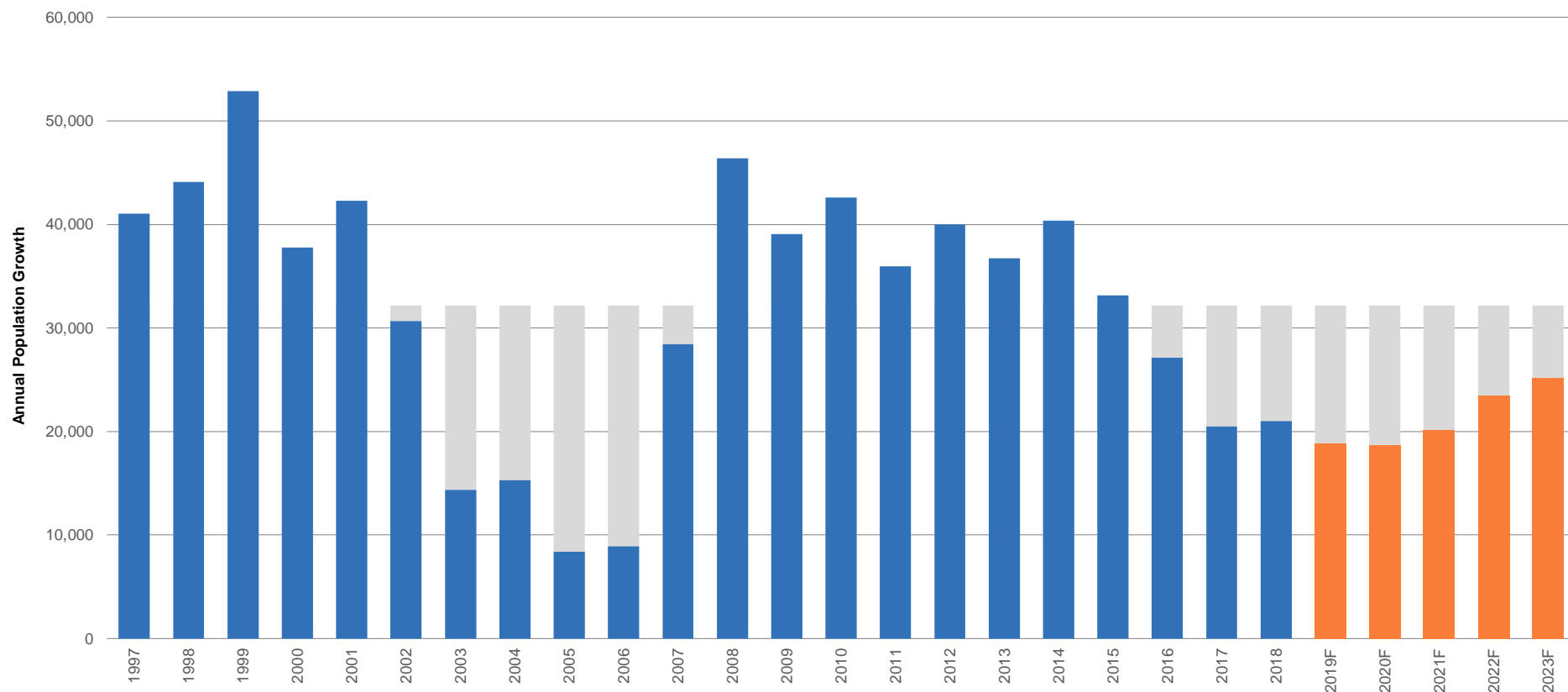
1210 E. Mission Road, San Marcos, California

POPULATION — SAN DIEGO-CARLSBAD MSA

Demographic Overview

Population growth in San Diego County slowed in 2015 from a historical trend of 1.3% average annual growth to 1%. That down trend has continued through 2018 to 0.6% growth per year. Economy.com forecasts that population growth will continue at this rate through 2021 before jumping up slightly to 0.7% in 2022.

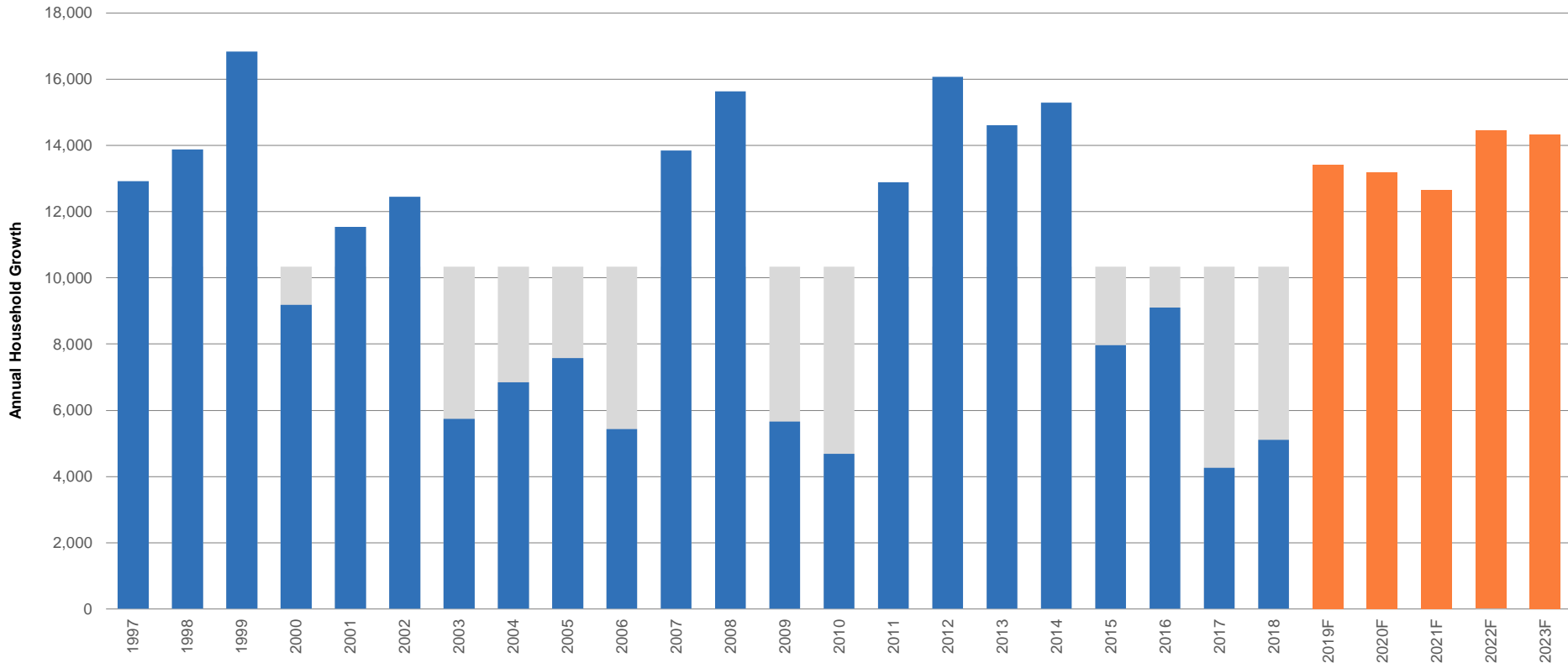
Population History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Total Population	3,061,203	3,103,793	3,139,767	3,179,798	3,216,522	3,256,875	3,290,044	3,317,200	3,337,685	3,358,685	3,377,538	3,396,196	3,416,395	3,439,897	3,465,051
Prior Year Change	39,087	42,590	35,974	40,031	36,724	40,353	33,169	27,156	20,485	21,000	18,853	18,658	20,199	23,502	25,154
Annual %Change	1.3%	1.4%	1.2%	1.3%	1.2%	1.3%	1.0%	0.8%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%



Source: Economy.com

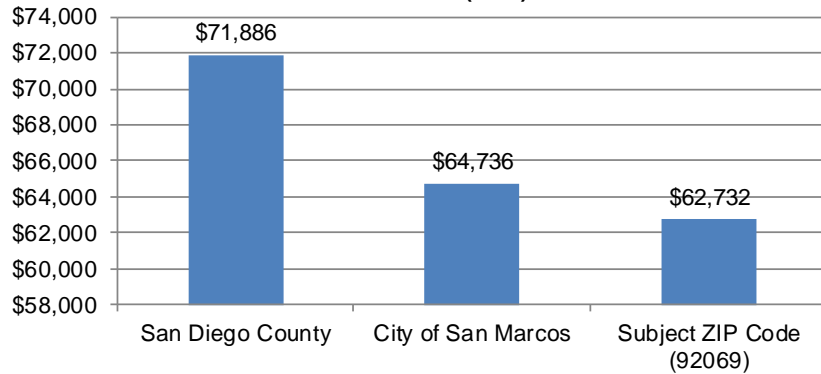
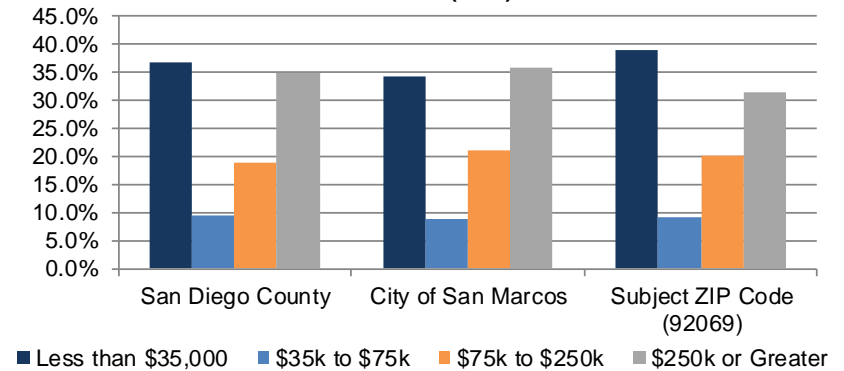
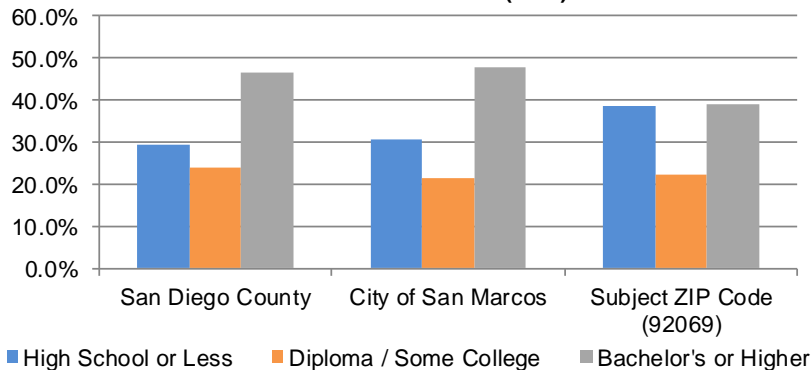
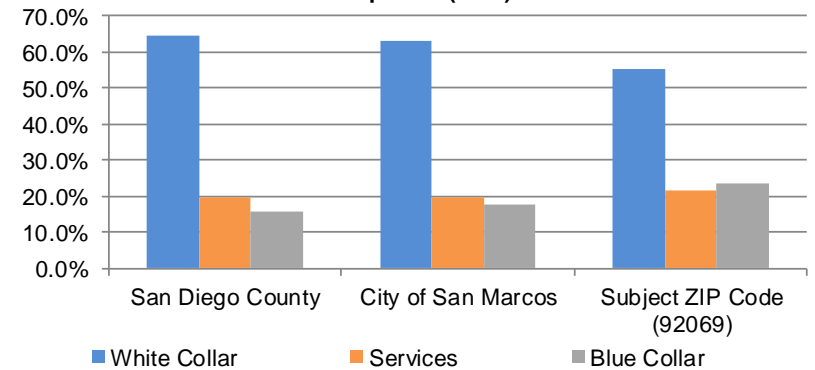
The San Diego MSA household growth has averaged between 4,250 to nearly 9,100 new households per year since 2015. The five year forecast suggests that strong household growth will begin in 2019 and continue through 2023 with roughly 13,000 to 14,500 new households per year over the foreseeable future, generating demand for all types of new housing. The forecasts growth rates mirror the level of growth seen between 2011 through 2014.

Household History & Forecasts	San Diego-Carlsbad, CA Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Total Households	1,086,316	1,091,008	1,103,905	1,119,972	1,134,581	1,149,874	1,157,847	1,166,949	1,171,205	1,176,308	1,189,719	1,202,908	1,215,573	1,230,024	1,244,357
Prior Year Change	5,658	4,692	12,897	16,067	14,609	15,293	7,973	9,102	4,256	5,103	13,411	13,189	12,665	14,451	14,333
Annual %Change	0.5%	0.4%	1.2%	1.5%	1.3%	1.3%	0.7%	0.8%	0.4%	0.4%	1.1%	1.1%	1.1%	1.2%	1.2%



Source: Economy.com

The Subject ZIP code (92069) has a slightly lower household income than the City of San Marcos as a whole. Additionally, the 92069 ZIP code has a lower average net worth than the City of San Marcos and San Diego County, with a higher concentration of service and blue collar workers. The financial buyer profile of the residents in this area suggest that the proposed product and price point would be well suited to the local population in the City of San Marcos in terms of both size and affordability.

HH. Income (2018)**Net Worth (2018)****Educational Attainment (2018)****Occupation (2018)**

Housing Market Overview

1210 E. Mission Road, San Marcos, California

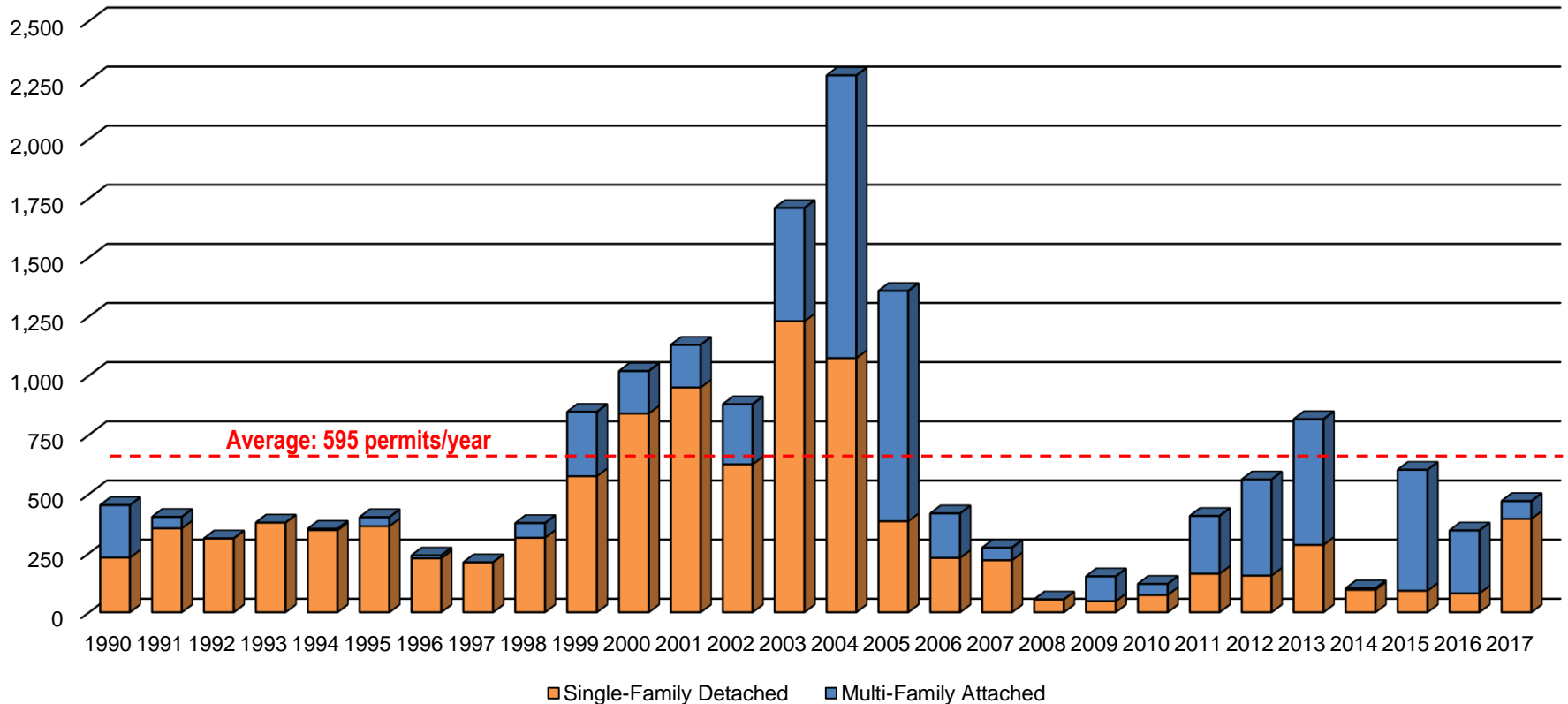
RESIDENTIAL BUILDING PERMITS IN THE CITY OF SAN MARCOS

Housing Market Overview

Total permit issuance in the City of San Marcos has averaged 473 permits/year over the past three years. Over that time period roughly 57% of the total permits pulled are for multi-family attached products which is up from a historical average of 32% since 1990. This indicates a shift in the area toward building attached homes likely owing to affordability concerns and scarce developable land.

City of San Marcos	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single-Family Detached	231	355	312	379	347	364	228	211	315	575	840	950	625	1,230	1,074	385	230	220	54	47	73	163	155	285	95	91	80	395
Multi-Family Attached	222	48	0	0	6	38	12	0	62	272	179	180	254	479	1,196	973	188	53	0	105	47	244	406	531	6	511	266	75
Total	453	403	312	379	353	402	240	211	377	847	1,019	1,130	879	1,709	2,270	1,358	418	273	54	152	120	407	561	816	101	602	346	470
% Capture SFD	51.0%	88.1%	100.0%	100.0%	98.3%	90.5%	95.0%	100.0%	83.6%	67.9%	82.4%	84.1%	71.1%	72.0%	47.3%	28.4%	55.0%	80.6%	100.0%	30.9%	60.8%	40.0%	27.6%	34.9%	94.1%	15.1%	23.1%	84.0%
% Capture MFA	49.0%	11.9%	0.0%	0.0%	1.7%	9.5%	5.0%	0.0%	16.4%	32.1%	17.6%	15.9%	28.9%	28.0%	52.7%	71.6%	45.0%	19.4%	0.0%	69.1%	39.2%	60.0%	72.4%	65.1%	5.9%	84.9%	76.9%	16.0%

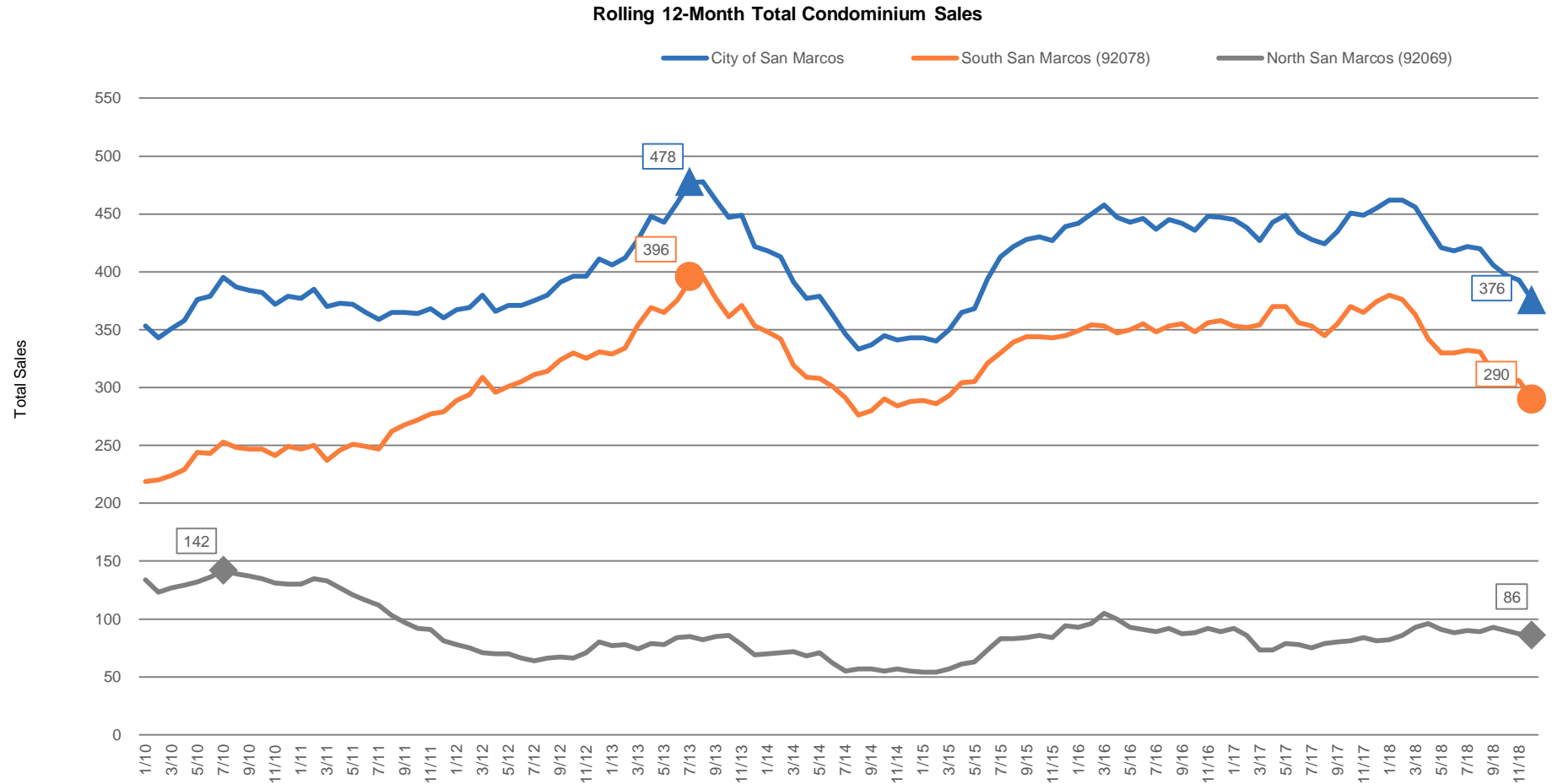
Historical Residential Building Permits City of San Marcos, San Diego County, CA



ATTACHED SALES VOLUME BY AREA

Housing Market Overview

Attached home sales volume in the City of San Marcos has been trending downwards since February of 2018, owing to a combination of limited supply and downward pressure from higher prices. South San Marcos (92078) accounts for 77% of the sales volume in the City and the majority of the down trend in the city overall. Attached sales volume in North San Marcos has increased by 5% over the past year while South San Marcos has decreased 20.5%.

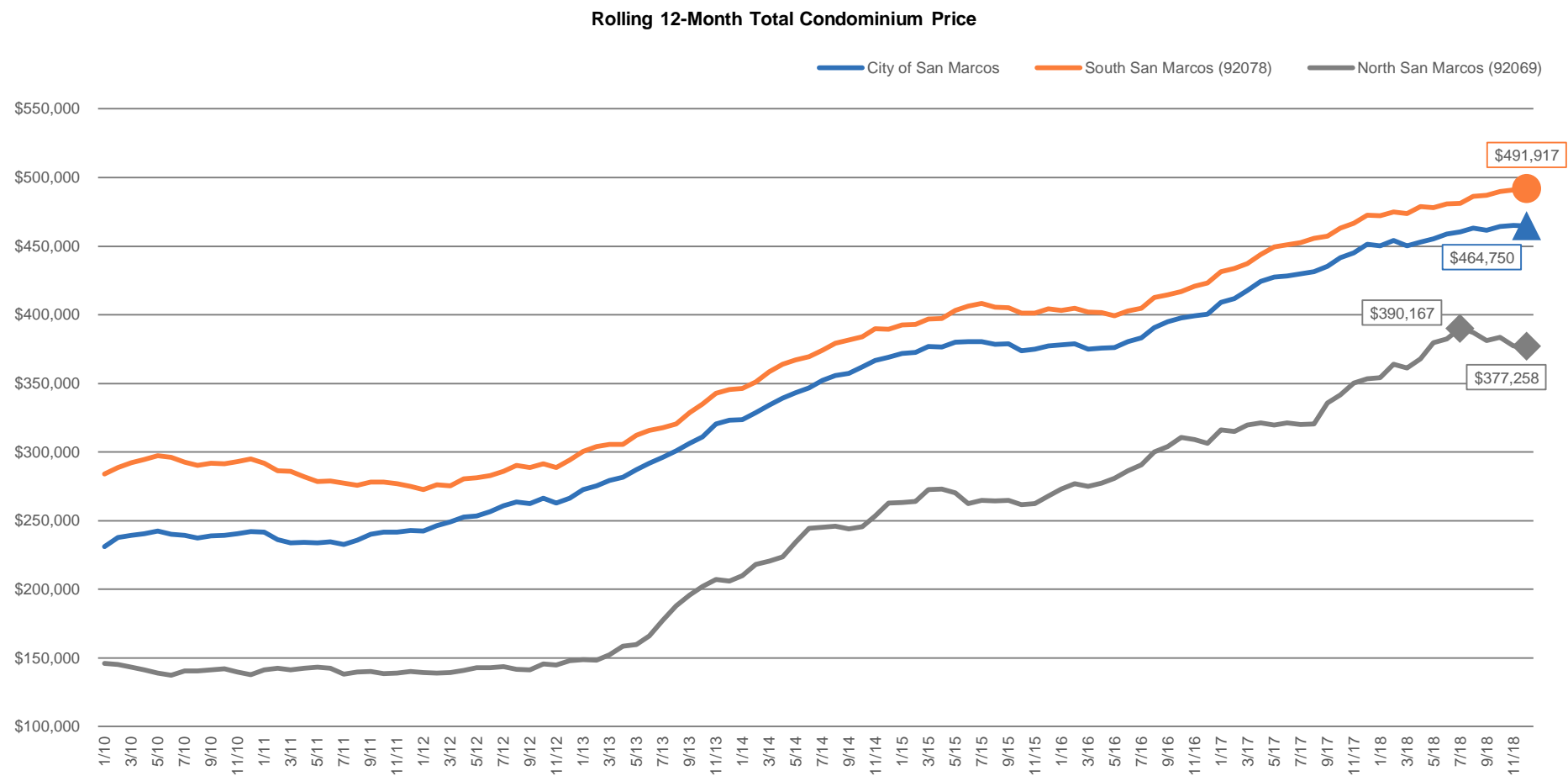


Source: Collateral Analytics

ATTACHED SALES PRICE TREND

Housing Market Overview

The average attached home price of all ages in the City of San Marcos has consistently trended upward over the past six years with minor slowing in 2016. The average attached home price in North San Marcos (92069) began to decline in the last six months of 2018, with a 3.3% decrease, reflecting the sellout of new construction homes at Caprice and Setina, as well as Mission 316.



Source: Collateral Analytics

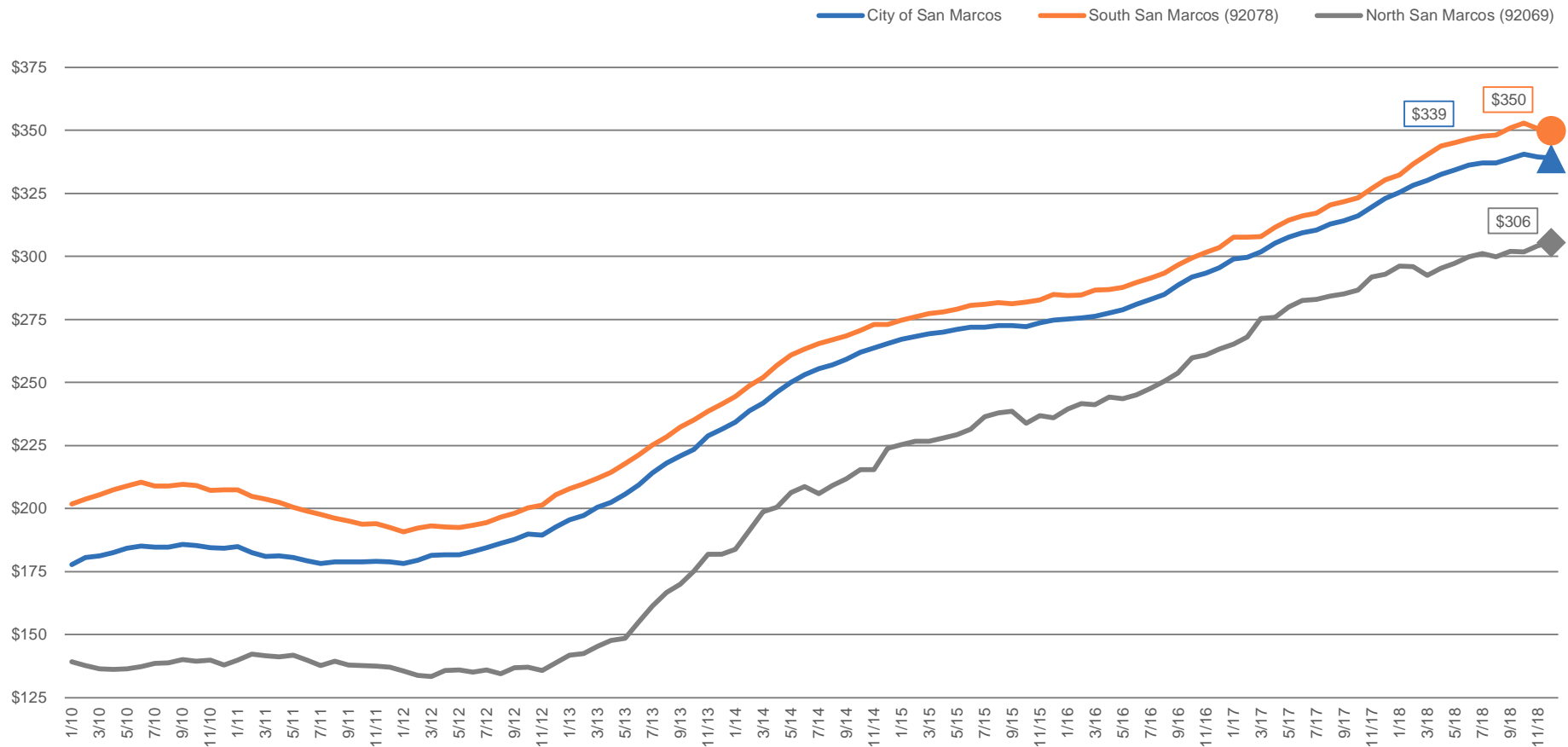
ATTACHED SALES PRICE PER SQUARE FOOT TREND

Housing Market Overview

It's important to note that while average attached prices in North San Marcos have decreased roughly \$13,000 over the past year, price per square foot has increased from \$292 to \$306 (nearly 5%) with 4.5% of this appreciation occurring in the first half of 2018, and just 0.5% in the second half.

This supports the argument that attached home sizes are becoming smaller to meet the supply demand and price points that people are willing and able to pay.

Rolling 12-Month Total Condominium Price per Square Foot



Source: Collateral Analytics

TOTAL ATTACHED HOME SALES VOLUME BY PRICE RANGE

Housing Market Overview

City of San Marcos: The average attached home prices in the City of San Marcos have steadily appreciated since 2010, which is clearly shown with the color concentrations spiking to the upper price ranges in 2014 and in 2017. Roughly 39% of the attached sales over the past two years were priced between \$450,000 to \$550,000.

Home Sales by Price Range: City of San Marcos											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
< \$150k	48	100	100	71	57	20	5	4	5	1	2
\$150 - \$249k	73	89	92	114	121	71	47	67	33	16	12
\$250 - \$349k	111	128	141	138	187	192	82	89	84	73	56
\$350 - \$449k	90	23	35	27	28	117	147	174	201	115	86
\$450 - \$549k	9	4	5	3	4	9	49	82	87	180	145
\$550 - \$649k	2	1	2	2	2	0	5	13	20	52	43
\$650 - \$749k	3	2	2	3	2	3	2	3	6	9	23
\$750k or Greater	3	3	2	2	10	10	6	7	11	9	9
Total	339	350	379	360	411	422	343	439	447	455	376
% Change		3.2%	8.3%	-5.0%	14.2%	2.7%	-18.7%	28.0%	1.8%	1.8%	-17.4%

South San Marcos (92078): The majority of the total attached sales in South San Marcos over the past two years have been priced between \$450,000 to \$550,000, accounting for 41.5% of sales. The majority of the higher priced attached homes in South San Marcos are in the Rancho Tesoro master plan.

Home Sales by Price Range: South San Marcos (92078)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
< \$150k	27	19	19	18	16	6	0	1	4	0	0
\$150 - \$249k	38	45	48	92	86	46	29	26	14	0	2
\$250 - \$349k	103	119	136	132	183	171	59	61	46	45	28
\$350 - \$449k	61	23	35	27	28	108	139	162	177	103	68
\$450 - \$549k	8	4	5	3	4	9	48	72	80	158	119
\$550 - \$649k	2	1	2	2	2	0	5	13	20	50	41
\$650 - \$749k	3	2	2	3	2	3	2	3	6	9	23
\$750k or Greater	3	3	2	2	10	10	6	7	11	9	9
Total	245	216	249	279	331	353	288	345	358	374	290
% Change		-11.8%	15.3%	12.0%	18.6%	6.6%	-18.4%	19.8%	3.8%	4.5%	-22.5%

North San Marcos (92069): Roughly 42% of attached home sales in North San Marcos are priced in excess of \$400,000. Historically North San Marcos has had limited attached housing development which kept average prices below \$200,000 through 2013. The North San Marcos area has been gentrifying over the last decade and home prices are forecast to continue to appreciate.

Home Sales by Price Range: North San Marcos (92069)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
< \$150k	18	64	73	52	39	14	3	3	1	0	2
\$150 - \$199k	25	47	36	19	25	14	6	17	14	4	2
\$200 - \$249k	11	14	16	4	11	7	9	18	4	13	4
\$250 - \$299k	6	7	0	5	2	12	20	18	21	10	11
\$300 - \$349k	4	2	5	1	3	11	6	14	15	15	19
\$350 - \$399k	28	0	0	0	0	11	6	8	19	11	12
\$400k or Greater	2	0	0	0	0	0	5	16	15	28	36
Total	94	134	130	81	80	69	55	94	89	81	86
% Change		42.6%	-3.0%	-37.7%	-1.2%	-13.8%	-20.3%	70.9%	-5.3%	-9.0%	6.2%

Commercial Comparables

1210 E. Mission Road, San Marcos, California

COMMERCIAL VALUE CONCLUSIONS

Commercial Comparables

As part of our due diligence for 1210 E. Mission Road, we researched the commercial market trends, sales comparables, commercial buildings for lease and spoke to local San Marcos commercial space broker representatives. Further, we analyzed the development activity and related values of other CA-78 corridor retail spaces in San Marcos and in Escondido, where the retail space provide some benchmarks of possible land values and lease rates at the project. We considered two methods to value the Subject property in its existing condition as a stand alone commercial building: a net operating income / cap rate approach and a sales comparable approach.

Using the net operating income/cap rate appraisal method, **the Subject property with a Dry Cleaning or Laundry facility at 1210 E. Mission Road could be valued today at approximately \$872,396 (\$126.16 per square foot); and storage space would value the property at roughly \$550,987 (\$79.68 per square foot).** This assumes no changes to the existing 6,915 square foot building and no changes to the current parking requirement. These values are based on market lease rates, broker feedback, property listings and recent sale transactions (with cap rates) and are supported by a sales transaction (comps) approach. The lease rates and sales pricing for retail space in the area is discussed in more detail on the following pages.

Net Operating Income/ Cap Rate Valuation Approach											
Type	Square Feet	Estimated Monthly Lease Rate Per SF (Gross+Utilities)	Estimated Annual Lease Rate Per SF (Gross+Utilities)	Annual Lease Revenue	Minus Stabilized Vacancy Rate	Minus Marketing, Commissions, Legal, Etc.	Vacancy and Credit Loss	Total Estimated Annual Revenues	Cap Rate (%)	Total Value	\$/SF
Dry Cleaning or Laundry	6,915	\$0.95	\$11.40	\$78,831	-10.0%	-7.0%	(\$13,401)	\$65,430	7.50%	\$872,396	\$ 126.16

Net Operating Income/ Cap Rate Valuation Approach											
Type	Square Feet	Estimated Monthly Lease Rate Per SF (Gross+Utilities)	Estimated Annual Lease Rate Per SF (Gross+Utilities)	Annual Lease Revenue	Minus Stabilized Vacancy Rate	Minus Marketing, Commissions, Legal, Etc.	Vacancy and Credit Loss	Total Estimated Annual Revenues	Cap Rate (%)	Total Value	\$/SF
Retail (Storage)	6,915	\$0.60	\$7.20	\$49,788	-10.0%	-7.0%	(\$8,464)	\$41,324	7.50%	\$550,987	\$ 79.68

Sales Transaction Valuation Approach			
Type	Square Feet	Price Per Square Foot	Total Value
Retail	6,915	\$160	\$1,106,400

RETAIL SALES COMPARABLES

Commercial Comparables

Based on recent sales comparables, our recommended sale price for 1210 E. Mission Road is \$160 per square foot. Recent retail property transactions range from \$114 per square foot to \$307 per square foot for the Rite Aid building located off the busy Centre City Parkway, and the average price is \$206 per square foot among these comparables. Although the Subject property is listed for \$1,795,000, or \$260 per square foot, our research indicates that this sale price is too high and not supportable for the property. A key comparable is a 21,000 square foot Bank of America building located at 220 S. Escondido Blvd in the City of Escondido transacted in July 2017 at \$192 per square foot, roughly 3.5 miles from the Subject. The Bank of America building is located along a high traffic road adjacent to the many other major banks in Escondido. According to commercial broker representatives that are active in the local market, the Subject has relatively poor visibility and lower traffic counts which no longer support many tenant uses, namely a bank. With that said, we can conclude that the site cannot achieve a sale price per square comparable to the Bank of America building. For perspective, the freestanding NYC Motorsports building in East San Marcos is a comparable location which recently sold for \$114 per square foot in October 2018. The building has better visibility to the Subject however, it has no surrounding uses that support the existing use and therefore the Subject can reasonably command a higher price per square foot.

No.	Property Name Address	Retail Center/Area	Type	Year Built	Type	Square Feet	Sale Price	Price/ SF	Cap Rate	Sale Date
1	SUBJECT	N San Marcos	Bank	1980	Retail	6,915 6,915	\$1,795,000	\$260	--	Listing
2	220 S. Escondido Blvd Bank of America	E. Escondido	Bank	1978	Retail	20,913 20,913	\$4,025,000	\$192	4.75%	7/11/2017
3	2333 Montiel Rd NYC Motorsports	N San Marcos	Freestanding Retail Building	1967	Retail	26,360 26,360	\$3,000,000	\$114	6.1%	10/30/2018
4	Twin Oaks Valley Rd 403-407 N. TOVR	S San Marcos	Neighborhood Center	2007	Retail	21,390	\$5,980,000	\$280	5.4%	Listing
5	156-190 S. Rancho Santa Fe Rd. San Marcos Square	S. San Marcos	Neighborhood Center	1975	Retail	19,274 19,274	\$4,250,000	\$221	7.0%	11/28/2017
6	1348 W. Valley Pkwy Escondido Valley Shopping Center	W. Escondido	Community Center	1988	Retail	14,372 14,372	\$1,750,000	\$122	7.0%	5/29/2015
7	2750 Auto Park Way Escondido Design Center	W. Escondido	Class B Flex	1980	Retail	40,000 40,000	\$5,900,000	\$148	7.70%	11/2/2018
8	315 W. Washington Ave Rite Aid	E. Escondido	Freestanding Retail Building	1998	Retail	17,908 17,908	\$5,499,000	\$307	7.00%	12/4/2017
9	190-220 W. El Norte Pkwy El Norte Center	E. Escondido	Retail Strip Center	1980	Retail	15,297 15,297	\$4,100,000	\$268	5.00%	7/30/2018

Min	14,372	\$1,750,000	\$114	4.75%
Max	40,000	\$5,980,000	\$307	7.70%
Total	175,514	\$34,504,000	--	--
Average	19,502	\$4,313,000	\$206	6.24%

RETAIL SALES COMPARABLES

Commercial Comparables

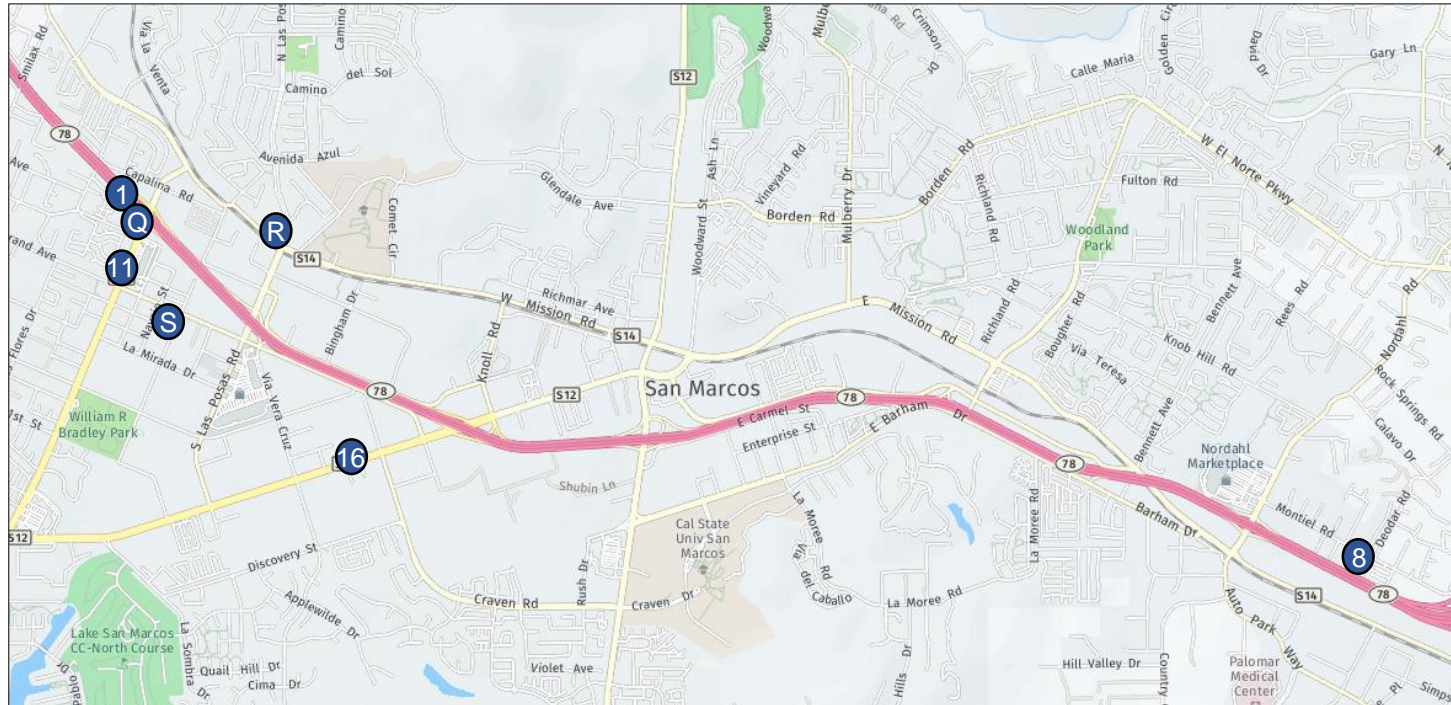
The Meyers recommended lease rate per square foot per month for the retail portion of 1210 E. Mission Road ranges from \$0.60 Full Gross to \$0.95 Gross + Utilities. These rates are predicated off the values that local brokers provided. The average price for retail lease transactions is \$1.51 per square foot however this value is skewed high owing to the large spae at the Indian Rock Center. Additionally, based off of broker feedback this site has run it's economic life cycle as a commercial center and that the lease rates would have to be less than \$1.00 to attract tenants.

Mulberry Plaza is a strip retail center in a very comparable location just west from the project (also on E. Mission Road), and recently transacted at \$1.00 to \$1.15 per square foot. Another site with a very comparable location and surrounding tenant mix is the Crossroads Shopping Center off of W. Mission Road currently listed at \$1.05 per square foot NNN.

No.	Building Name Address	Built	Total Building Leasable SF	Available Space	Occupancy Rate (%)	Vacancy Rate (%)	Asking Lease Rate (Per SF Per Mo.)	Terms	Description
1	Mulberry Plaza 574-576 E. Mission Rd San Marcos 92069	1977/2012	15,299	1,233			\$1.00	(NNN)	Strip Retail
				1,139			\$1.00	(NNN)	Strip Retail
				807			\$1.15	(NNN)	Strip Retail
			Total	3,179	79.2%	20.8%	\$1.00		
2	120 N Pacific St Unit C1 San Marcos 92069 Pioneer Industrial Condominium	1980	6,400	1,600			\$1.53	(NNN)	Showroom
			Total	1,600	90.0%	10.0%	\$1.53		
3	Indian Rock Center 630 Nordahl Rd San Marcos 92069	1986	36,273	1,450			\$1.95	(NNN)	Neighborhood Center
				1,398			\$1.95		
			Total	1,450	96.0%	4.0%	\$1.95		
4	Twin Oaks Valley Center 403-407 N TOVR Rd San Marcos 92078	2007	10,460	2,481		23.7%	\$1.60	(NNN)	Neighborhood Center
			Total	2,481	76.3%	23.7%	\$1.60		
5	Crossroads Shopping Center 1531 W Mission Rd San Marcos 92069	1979	19,360	3,234			\$1.05	(NNN)	Strip Retail
			Total	3,234	83.3%	16.7%	\$1.05		
6	Washington Square 1111 E. Washington Escondido	1979	57,111	4,482			\$1.65	(NNN)	Neighborhood Center
			Total	4,482	92.2%	7.8%	\$1.65		
7	Parkway Plaza 970 Parkway Escondido	1972	15,271	1,346			\$1.95	Modified Gross	Strip Center
			Total	1,346	91.2%	8.8%	\$1.95		

Min	6,400	1,233	76.3%	4.0%	\$1.00
Max	36,273	3,234	96.0%	23.7%	\$1.95
Total	87,792	9,998	--	--	--
Average	17,558	2,000	86.0%	14.4%	\$1.51

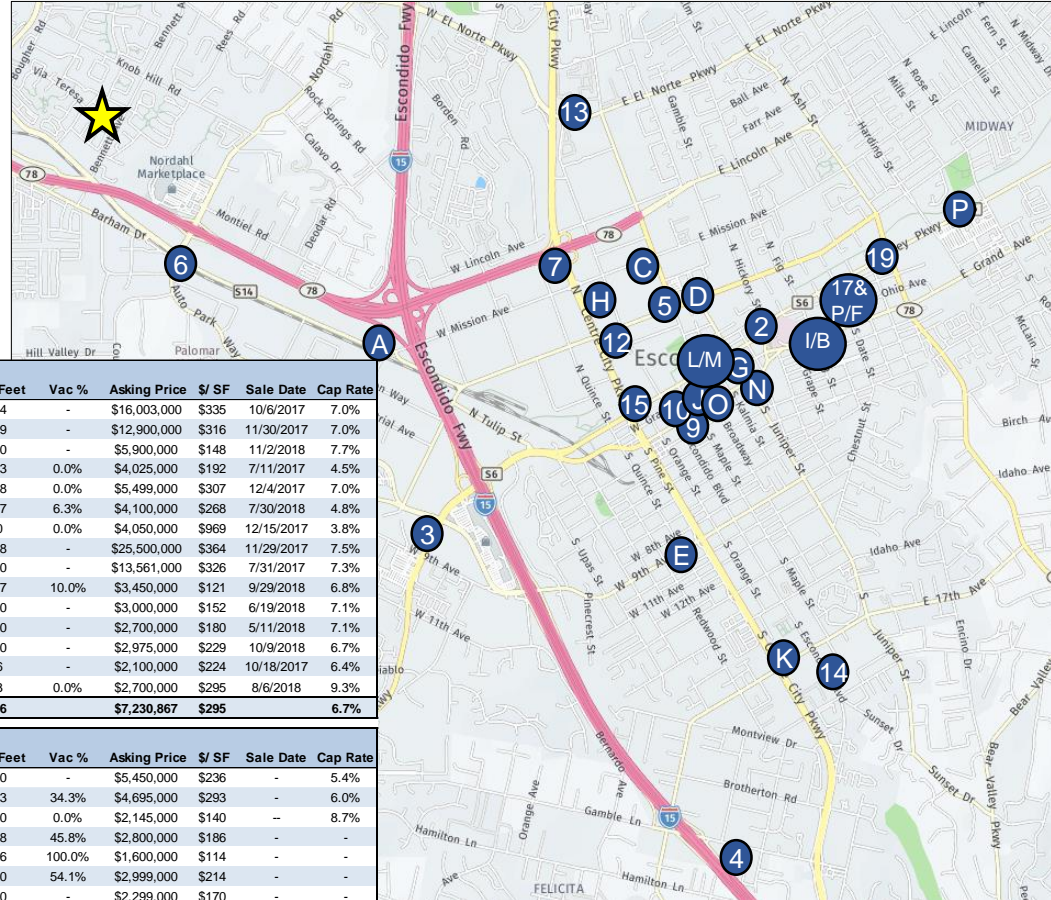
The City of San Marcos has had limited comparable sales activity over the past two years. The majority of the retail development in the city has been large shopping/retail centers with significantly higher traffic counts and site visibility. Meyers analyzed 4 comparable sales along the CA-78 corridor as well as 3 current listings.



Retail/Office Property Transactions - San Marcos, CA											
No.	County	Submarket	Name	Notes	Year Built	Square Feet	Vac %	Asking Price	\$/ SF	Sale Date	Cap Rate
1	San Diego	Northeast County	1730 Descanso Ave	Class A Neighborhood Center	1982/1990	74,169	-	\$7,950,000	\$107	7/20/18	7.6%
8	San Diego	Northeast County	NYC Motorsports	Freestanding Retail Building	1967	26,360	0.0%	\$3,000,000	\$114	10/30/18	6.1%
11	San Diego	Northeast County	San Marcos Square	Neighborhood Center	1975	19,274	-	\$4,250,000	\$221	11/28/17	7.0%
16	San Diego	Northeast County	864-866 W. San Marcos Blvd	Gas Station/Repair Garage	1991	9,709	0.0%	\$2,225,000	\$229	2/22/18	7.1%
					1979	32,378		\$4,356,250	\$168		7.0%

Retail/Office Property Listings - San Marcos, CA											
No.	County	Submarket	Name	Notes	Year Built	Square Feet	Vac %	Asking Price	\$/ SF	Sale Date	Cap Rate
Q	San Diego	-	1706 Descanso Ave	Class B Office/Medical	1982	19,592	0.0%	\$5,557,000	\$284	-	5.5%
R	San Diego	-	CVS North San Diego	Class B Retail Freestanding	2009	13,225	0.0%	\$12,356,926	\$934	-	4.8%
S	San Diego	-	Pacific Street Center	Class B Flex (Condo)	2007	2,950	-	\$849,000	\$288	-	-
Average:					1996	11,922		\$6,254,309	\$502	-	5.1%

The City of Escondido has had 15 comparable sales over the past two and half years and 16 current listings.



Retail/Office Property Transactions - Escondido, CA

No.	County	Submarket	Name	Notes	Year Built	Square Feet	Vac %	Asking Price	\$/ SF	Sale Date	Cap Rate
3	San Diego	Northeast County	Escondido Valley Shopping Center	Community Center	1988	47,814	-	\$16,003,000	\$335	10/6/2017	7.0%
5	San Diego	Northeast County	Country Corner Shopping Center	Neighborhood Center	1985	40,809	-	\$12,900,000	\$316	11/30/2017	7.0%
6	San Diego	Northeast County	Escondido Design Center	Class B Flex	1980	40,000	-	\$5,900,000	\$148	11/2/2018	7.7%
9	San Diego	Northeast County	Bank of America	Bank	1978	20,913	0.0%	\$4,025,000	\$192	7/11/2017	4.5%
12	San Diego	Northeast County	Rite Aid	Freestanding Retail Building	1998	17,908	0.0%	\$5,499,000	\$307	12/4/2017	7.0%
13	San Diego	Northeast County	190-220 W. El Norte Pkwy	Retail Strip Center	1980	15,297	6.3%	\$4,100,000	\$268	7/30/2018	4.8%
19	San Diego	Northeast County	McDonald's	Restaurant	2014	4,180	0.0%	\$4,050,000	\$969	12/15/2017	3.8%
2	San Diego	Highway 78 Corridor	Valley Parkway Health Center	Class B Office/Medical	1990	70,058	-	\$25,500,000	\$364	11/29/2017	7.5%
4	San Diego	Highway 78 Corridor	Citracado Medical Plaza	Class B Office/ Medical	1970	41,610	-	\$13,561,000	\$326	7/31/2017	7.3%
7	San Diego	Highway 78 Corridor	Mission Office Park	Class C Office	1981/2012	28,517	10.0%	\$3,450,000	\$121	9/29/2018	6.8%
10	San Diego	Highway 78 Corridor	201 W. Grand Ave	Class B Office	1976/2011	19,750	-	\$3,000,000	\$152	6/19/2018	7.1%
14	San Diego	Highway 78 Corridor	1820 S. Escondido Blvd	Class B Office	1979/2005	15,000	-	\$2,700,000	\$180	5/11/2018	7.1%
15	San Diego	Highway 78 Corridor	390 W. Valley Pkwy	Office/Bank	2000	13,000	-	\$2,975,000	\$229	10/9/2018	6.7%
17	San Diego	Highway 78 Corridor	925 E. Pennsylvania Ave	Class C Office/Medical	1974	9,376	-	\$2,100,000	\$224	10/18/2017	6.4%
18	San Diego	Highway 78 Corridor	157 E. Valley Pkwy	Class B Office	1972	9,153	0.0%	\$2,700,000	\$295	8/6/2018	9.3%
					1984	26,226		\$7,230,867	\$295		6.7%

Retail/Office Property Listings - Escondido, CA

No.	County	Submarket	Name	Notes	Year Built	Square Feet	Vac %	Asking Price	\$/ SF	Sale Date	Cap Rate
A	San Diego	-	Escondido Auto Service Center	Class B Retail	1985	23,110	-	\$5,450,000	\$236	-	5.4%
B	San Diego	-	1516 E. Valley Pkwy	Class C Retail	1990	16,033	34.3%	\$4,695,000	\$293	-	6.0%
C	San Diego	-	125 W. Mission Ave	Class C Office	1976	15,300	0.0%	\$2,145,000	\$140	-	8.7%
D	San Diego	-	200 E. Washington Ave	Class C Office	1992	15,088	45.8%	\$2,800,000	\$186	-	-
E	San Diego	-	607 W. 9th Ave	Class C Retail/Office	1953	14,016	100.0%	\$1,600,000	\$114	-	-
F	San Diego	-	910 E. Ohio Ave	Class C Office/Medical Freestanding	1978	13,990	54.1%	\$2,999,000	\$214	-	-
G	San Diego	-	224-228 E. Grand Ave	Class C Retail	1940	13,500	-	\$2,299,000	\$170	-	-
H	San Diego	-	Escondido Wash & Mart	Class B Retail	1990	10,102	0.0%	\$7,762,000	\$768	-	6.9%
I	San Diego	-	704 E. Grand Ave	Class B Office/Medical (Class A Renovations)	1973	8,844	-	\$2,950,000	\$334	-	-
J	San Diego	-	143-145 W. Grand Ave	Class C Retail/Office	1950	8,000	50.0%	\$1,350,000	\$169	-	-
K	San Diego	-	440 W. Felicita Ave	Class C Retail Freestanding	1986	7,468	0.0%	\$2,580,000	\$345	-	-
L	San Diego	-	128 N. Broadway	Class B Retail Freestanding	1977	6,267	-	\$2,000,000	\$319	-	-
M	San Diego	-	661-665 E. Grand Ave	Class C Office/Medical	1952	3,562	-	\$800,000	\$225	-	9.1%
N	San Diego	-	305 E. 2nd Ave	Class B Medical Freestanding	1957	3,104	39.3%	\$682,880	\$220	-	-
O	San Diego	-	113 W. Grand Ave	Class C Retail	1940	3,000	0.0%	\$1,000,000	\$333	-	-
P	San Diego	-	935 E. Pennsylvania Ave	Class C Office/Medical	1979	2,536	-	\$665,000	\$262	-	-
					Average:	1970	10,245		\$2,611,118	\$271	6.9%

COMMERCIAL BROKER SURVEY

Commercial Comparables

Questions/ Participant	Vic Gausepohl Colliers International (760) 930-7912	Kirk Allison Colliers International (760) 930-7922	David Sandistevan Colliers International (858) 677-5314
Is it a free standing pad? And not a part of the shopping center? Is it governed by any CC&R's or any architectural guidelines?	It's governed by CC&R's but you will need to talk to David for detail on those.	No comment	Free standing pad, with CC&R's from the neighboring shopping center but those have been ammended in the past few years to allow residential townhomes.
How are overall market conditions for retail space in East San Marcos?	The market is a bit soft, there are a plethora of options for small retail space in the area. There is no particular demand for a certain retail use in this particular submarket	A large amount of retail space has recently been delivered and vacancy rates have gone up over the past two quarters. In general the San Marcos retail market has high vacancy rates across the board and the spaces in demand are along roads/streets with high traffic counts	No comment
What are the issues with the site? Why do you think the site has been vacant for 10 years?	The site has really struggled since the Nordah Shopping Center was constructed. All of the big name retailers are clustered in the shopping center and you essentially need to drive past Nordahl shopping center to get to the Subject.	The traffic counts are too low on E. Mission Road for a traditional bank/strorefront. Poor site visibility and the surrounding retail use does not mix with well with prospective tenants.	The neighboring shopping center owners were very particular with what uses they wanted to permit.
2. Would you say rents are rising, falling or the same as they were a year ago? What about vacancy rates?	Rents are generally trending up however, there is an oversupply of retail in the immediate area and that is resulting in higher vacancy rates.	Rents in San Marcos have fluctuated over the past two quarters but have generally trended upward	No comment
If the space were available today for lease what type of tenants would be an ideal use for the site? Could a medical/dental office fit the site?	Potential tenants could include: Cell phone store, transportation dispatch, commercial bank, ATM, food market, merchandising sales, business support center, medical/dental office, small recylcing facility, dry cleaning, and massage/nail services. No. There are many other spaces in the area that are closer to the nearby hospital.	The only interest the site attracted over the past few years were either small Churches or storage facilities. There is already a surplus of medical office space is the nearby area.	No comment
What type of lease rates could be achieved?	The building could achieve lease rates between \$0.70 and 1.40 per square foot per month. But \$1.40 is highly unlikely.	A lease rate of approx. \$1.00 per square foot per month for Church use and about \$0.50-\$0.60 per square foot per month for storage space.	No comment
How many months of free rent would you expect?	At least a month and half of free rent per year of lease term.	The lease would have to include many months of free rent to attract a quality tenant. A minimim of 1 month free per year of lease term however, it will likely require more if the goal is too attract a B+ tenant	No comment
8. Other comments?	The best use for the site is by far going the residential townhomes route.	"Vic and I tried to bring quality tenants to the site for years and we couldn't find anyone that wanted the site. I think it's a no brainer to go with the townhomes."	"The site struggled to attract quality tenants for years...the surrounding neighborhoods just want something on the site at this point and townhomes is a good fit."

San Diego Retail Market Overview

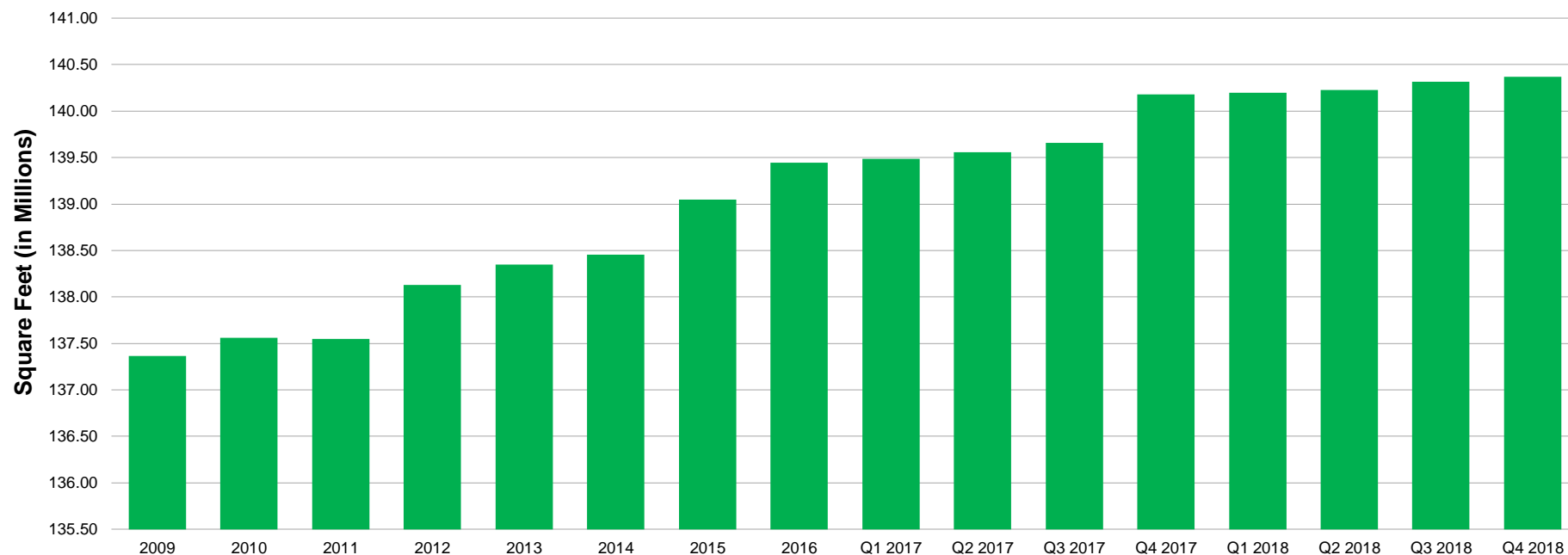
1210 E. Mission Road, San Marcos, California

The following bullets summarize our findings for retail market conditions in the San Diego MSA, North County market and the San Marcos submarket.

- **Retail inventory** in San Diego has been increasing since 2009, with roughly 189,000 to 739,000 square feet added each year over the past four years. New retail deliveries have averaged 1.5 million square feet annually over the past 30 years, which is largely reflective of the building boom in the late 1980s, while new deliveries have been well below the historical average since 2008, which is partially a function of limited land supply. Retail inventory grew by 189,000 square feet in 2018, the smallest growth since 2014.
- **San Diego MSA** retail lease rates have been on the increase, and were up over \$2.00 per square foot in second and third of 2018. Currently, lease rates have fallen back slightly to \$1.93 in the fourth quarter of 2018, while vacancy rates have trended downward since 2010 to 3.8% at year-end 2018. San Diego's retail market experienced negative absorption of 366,000 square feet with deliveries at roughly 268,000 square feet over the past year. Based on current construction activity, an additional 390,000+ square feet of retail space is projected for delivery through 2019-20.
- **In the North County Submarket**, roughly 342,000 square feet of retail has been added since 2015, with between 30,000 and 142,000 square feet being delivered each year since 2015. The largest inventory deliveries have been in the North County Retail Submarket (primarily Escondido) as well as the Central San Diego Submarket (primarily Little Italy). Rents in the North County retail market increased in to \$1.75 in Q2 2018 and fell in the third and fourth quarter to \$1.45 per square foot at year end (the lowest asking lease rate since Q3 2015) as more inventory has been added. Vacancy rates are currently at a four-year low at 4.6%. Nearly 643,000 square feet of retail space has been absorbed since 2015 compared to 342,000 square feet of completed space. Over the past four quarters, absorption came at negative (81,000) square feet while the market delivered 142,000 square feet of new retail space. The North County submarket represents 54% (270,910 square feet) of the under construction retail in the San Diego MSA, once the space has been delivered to market, it is likely that lease rates will decrease as vacancy trends upwards.
- **The San Marcos retail Submarket** has the lowest lease rates in San Diego County, at \$0.95 per square foot versus \$1.42 per square foot for the MSA overall. The San Marcos retail submarket has the second highest vacancy rate of any submarket in San Diego, at 10.5% vacancy versus 3.7% vacancy for the MSA overall.
- Brokers that we interviewed report market conditions are somewhat soft in San Marcos, and the anchored centers fare better than the numerous un-anchored retail strips. Generally, rents are decreasing and vacancy is increasing. Prospective tenants for 1210 E. Mission Road should be a veterinary hospital, small recycling facility, dry cleaning, a business support facility, a transportation dispatch, storage facility, and a church. It is estimated that a lease up period could take 9 to 18 months, with achievable lease rates in the \$0.55 to \$1.50 range (NNN).

New annual retail deliveries in San Diego have averaged 460,000 square feet over the past 10 years. Over the past year, a total of 268,209 square feet of retail space was delivered in the San Diego retail market. Additionally there were 390,692 square feet of retail space under construction at the end of the fourth quarter 2018.

Retail Inventory (in Millions of Square Feet)

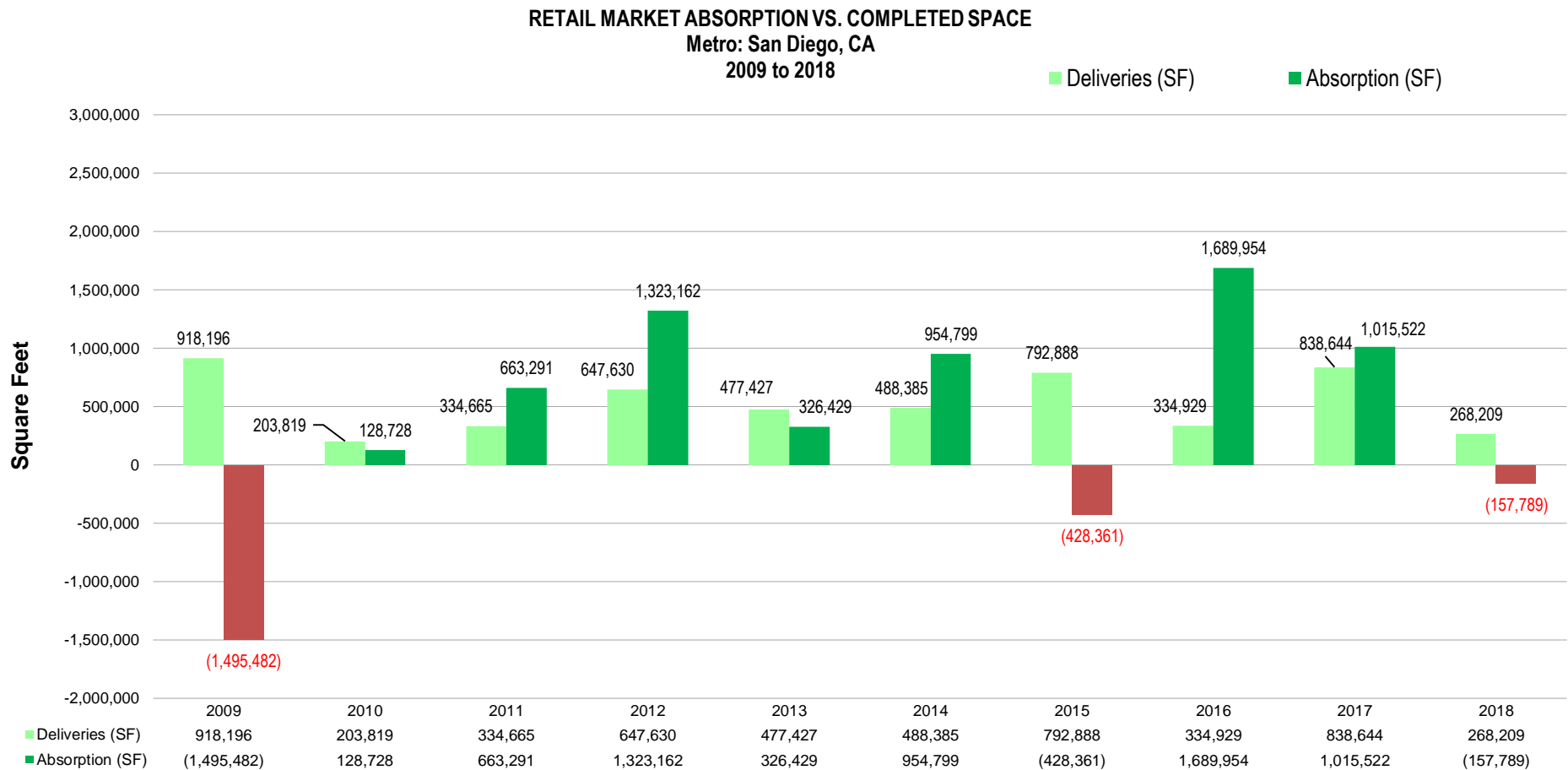


Inventory	2009	2010	2011	2012	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Total Inventory (SF)	137,363,426	137,562,647	137,547,155	138,131,892	138,348,786	138,453,040	139,047,204	139,443,356	139,486,151	139,558,949	139,658,357	140,182,420	140,195,309	140,227,314	140,313,860	140,371,737
Inventory Change		199,221	-15,492	584,737	216,894	104,254	594,164	396,152	42,795	72,798	99,408	524,063	12,889	32,005	86,546	57,877
% Change		0.1%	0.0%	0.4%	0.2%	0.1%	0.4%	0.3%	0.0%	0.1%	0.1%	0.4%	0.0%	0.0%	0.1%	0.0%

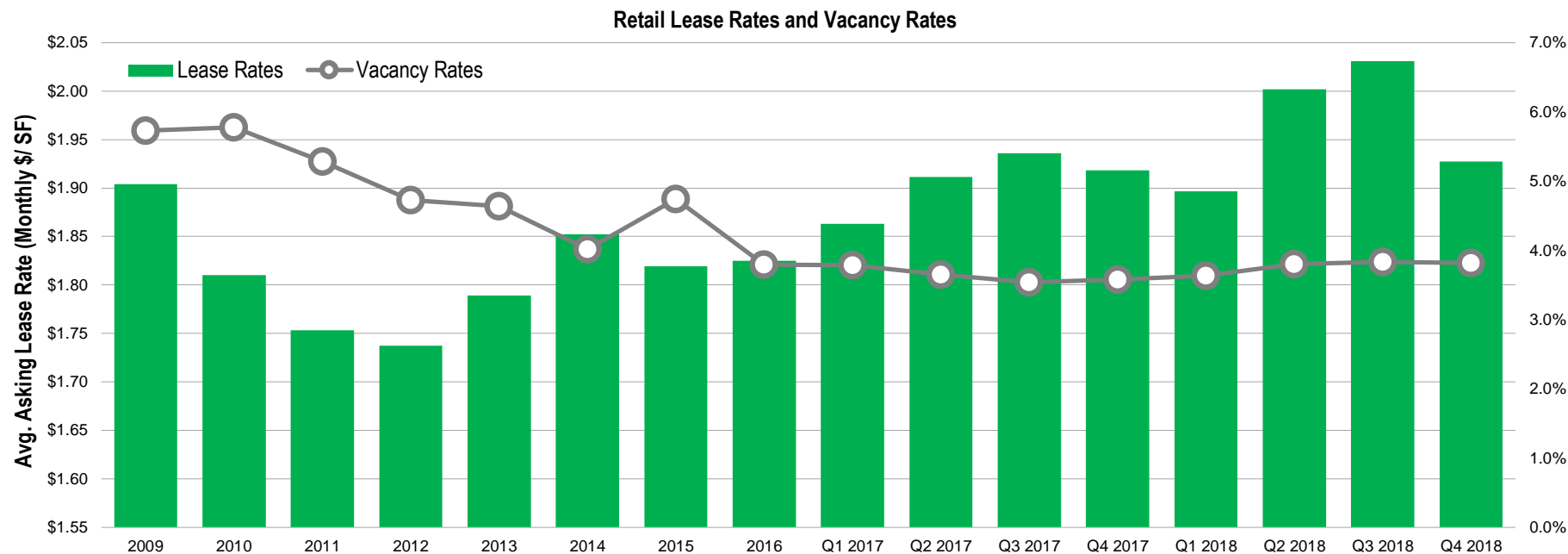
SAN DIEGO MSA ABSORPTION vs. COMPLETED SPACE (DELIVERIES)

San Diego Retail Market Overview

San Diego's retail market experienced negative absorption during the recession in 2008 and 2009 and again in 2015. Retail net absorption was slightly positive in San Diego fourth quarter 2018, with positive 76,614 square feet absorbed in the quarter. In third quarter 2018, net absorption was positive 28,031 square feet, while in second quarter 2018, absorption came at negative (205,432) square feet. In first quarter 2018, negative (57,002) square feet was absorbed in the market. The biggest retail delivery activity over the past year includes the redevelopment of the long-vacant Toyota Dealership in Escondido with a new El Super supermarket. Other large retail deliveries of this year include, the ongoing redevelopment of Little Italy, a Ford dealership in La Mesa, and the development of the Village at Pacific Highlands.



Average quoted asking rental rates in the San Diego retail market are down over previous quarter levels, and up from their levels four quarters ago. San Diego's retail vacancy rate ended the year at 3.8% which is a strong benchmark for the market, however, the amount of vacant sublease space in the market has trended up over the past four quarters. At the end of Q1 2018, there were 225,140 square feet of vacant sublease space. Currently, there are 246,587 square feet vacant in the market.



Source: Costar

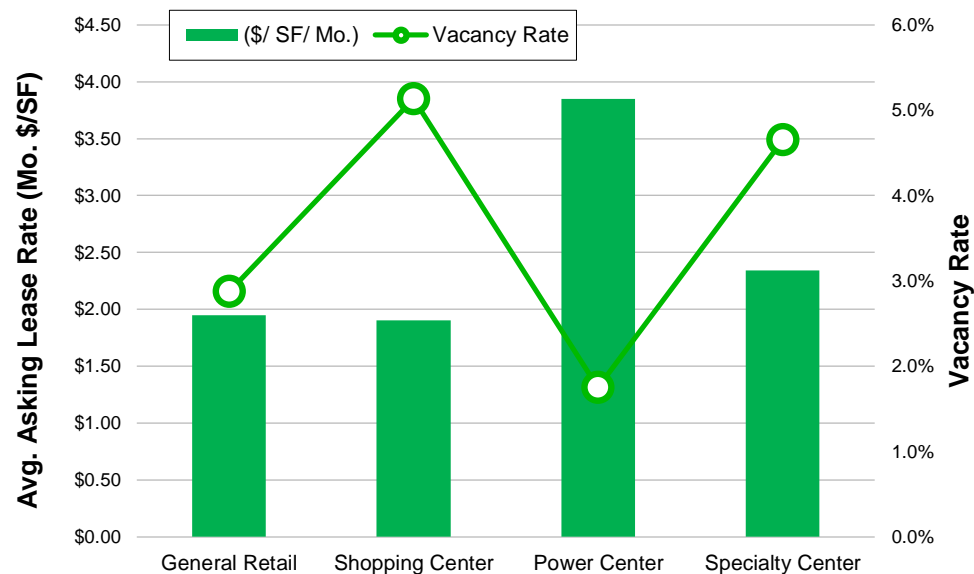
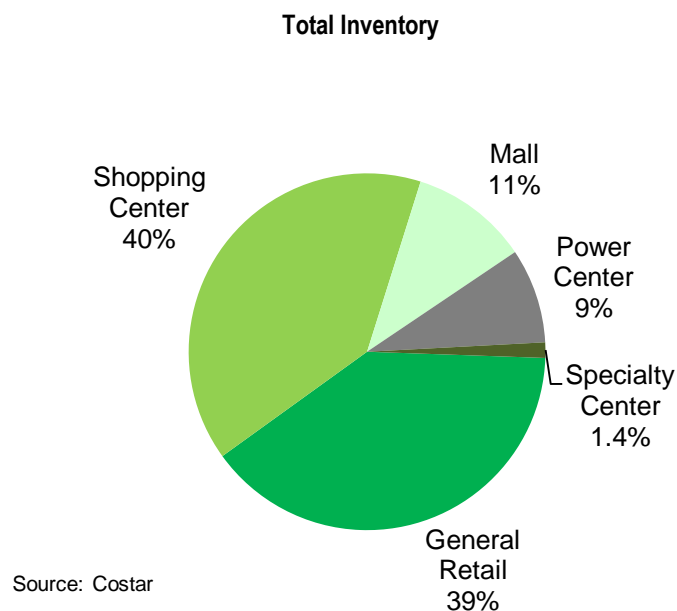
Lease Rates	2009	2010	2011	2012	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Lease Rate (\$/ SF/ Mo.)	\$1.90	\$1.81	\$1.75	\$1.74	\$1.79	\$1.85	\$1.82	\$1.83	\$1.86	\$1.91	\$1.94	\$1.92	\$1.90	\$2.00	\$2.03	\$1.93
Lease Rate Change		(\$0.09)	(\$0.06)	(\$0.02)	\$0.05	\$0.06	(\$0.03)	\$0.01	\$0.04	\$0.05	\$0.02	(\$0.02)	(\$0.02)	\$0.11	\$0.03	(\$0.10)
% Change		-4.9%	-3.1%	-0.9%	3.0%	3.5%	-1.8%	0.3%	2.1%	2.6%	1.3%	-0.9%	-1.1%	5.5%	1.5%	-5.1%
Vacancy Rates	2009	2010	2011	2012	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Vacancy Rate	5.7%	5.8%	5.3%	4.7%	4.6%	4.0%	4.7%	3.8%	3.8%	3.7%	3.5%	3.6%	3.6%	3.8%	3.8%	3.8%
Vac. Rate Change		0.0%	-0.5%	-0.6%	-0.1%	-0.6%	0.7%	-0.9%	0.0%	-0.1%	-0.1%	0.0%	0.1%	0.2%	0.0%	0.0%
% Change		0.7%	-8.5%	-10.5%	-1.8%	-13.3%	17.9%	-19.9%	-0.4%	-3.5%	-3.0%	1.1%	1.6%	4.6%	0.8%	-0.4%

TOTAL RETAIL INVENTORY BY TYPE

San Diego Retail Market Overview

General Retail space and Shopping Centers dominate the San Diego retail market, accounting for 80% of total space. Lease rates are highest for Power Center space (\$3.85 per square foot), and the vacancy rate is lowest for Power Centers (1.0%) followed by General Retail space (2.9%).

Type	Total SF	Vacant SF	Vacancy Rate	Absorption (SF) 2018	Deliveries (SF) 2018	Under Construction (SF)	Asking Rent (\$/ SF/ Mo.)
General Retail	55,440,672	1,593,059	2.9%	246,140	185,710	105,122	\$1.95
Shopping Center	55,873,545	2,865,893	5.1%	(58,629)	20,905	264,270	\$1.90
Mall	15,036,047	597,843	4.0%	187,313	405,000	0	\$0.00
Power Center	12,059,961	211,431	1.8%	133,535	0	21,300	\$3.85
Specialty Center	1,961,512	91,230	4.7%	11,057	0	0	\$2.34
TOTAL:	140,371,737	5,359,456	3.8%	519,416	611,615	390,692	\$1.93

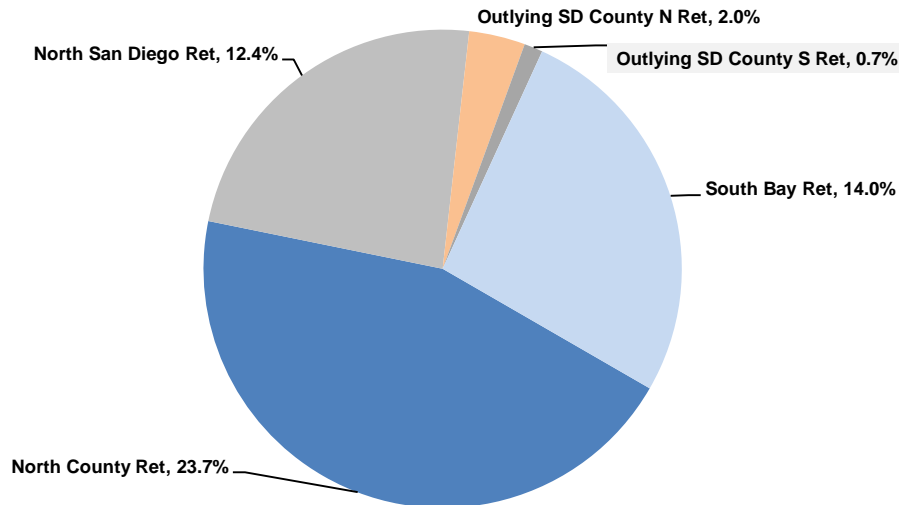


The North County retail submarket comprises of nearly a quarter of the San Diego MSA overall. Additionally, the North County retail market is more affordable than any of the other submarkets, with average lease rates of ± 1.45 per square foot per month. The vacancy rate is the second lowest rate in the MSA overall, at 4.8%, indicating there likely isn't support for additional retail space at market rate.

RETAIL SNAPSHOT BY MARKET
Metro: San Diego
Year-End 2018

Submarket	Total SF	Vacant SF	Vacancy Rate	2018 YTD Net Absorption (SF)	2018 YTD Deliveries (SF)	Under Construction (SF)	Avg. Asking Rent (\$/ SF/ Mo.)
Camp Pendleton Ret	74,846	0	0.0%	0	0	0	\$0.00
Central San Diego Re.	39,592,929	1,149,102	2.9%	91,526	59,622	2,640	\$2.35
East County Ret	20,220,272	729,737	3.6%	(166,664)	23,594	15,834	\$1.63
I-15 Corridor Ret	6,455,804	201,593	3.1%	30,968	0	0	\$2.95
MCAS Miramar Ret	23,702	0	0.0%	0	0	0	\$0.00
North County Ret	33,204,037	1,592,952	4.8%	(81,299)	141,794	210,790	\$1.45
North San Diego Ret	17,445,962	925,143	5.3%	(165,028)	23,167	44,558	\$2.80
Outlying SD County N Ret	2,813,285	69,217	2.5%	16,923	6,632	0	\$1.83
Outlying SD County S Ret	930,043	24,360	2.6%	(1,096)	0	0	\$1.60
South Bay Ret	19,610,857	667,352	3.4%	116,881	13,400	116,870	\$1.99
TOTAL:	140,371,737	5,359,456	3.8%	(157,789)	268,209	390,692	\$1.93

Total Inventory



Source: Costar

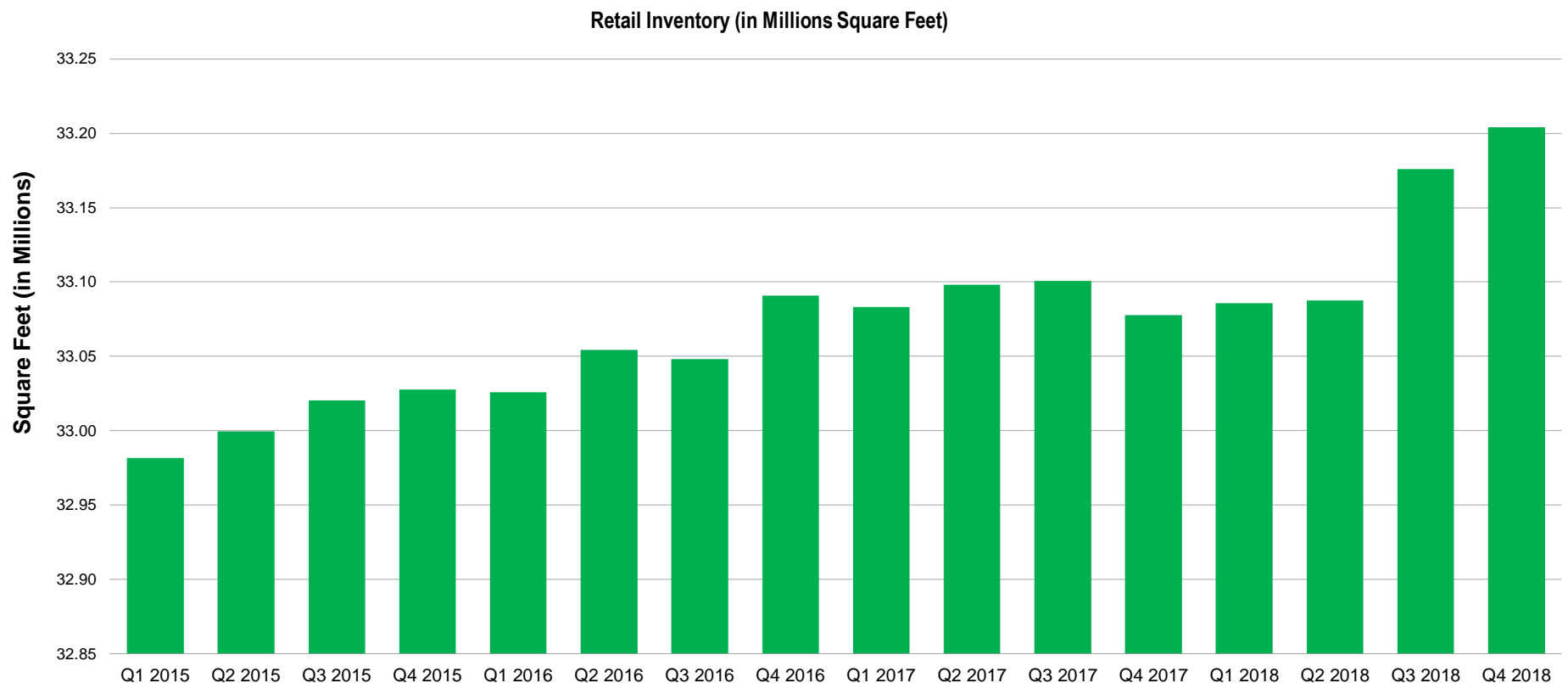
North County Retail Trends

1210 E. Mission Road, San Marcos, California

NORTH COUNTY RETAIL INVENTORY

North County Retail Trends

Over the past four years, the North County retail submarket cluster has net 222,000 square feet of new retail space, of which 106,500 square feet have been added since the third quarter 2018. The new retail deliveries are likely a major contributing factor to the North County vacancy rate of 4.8.



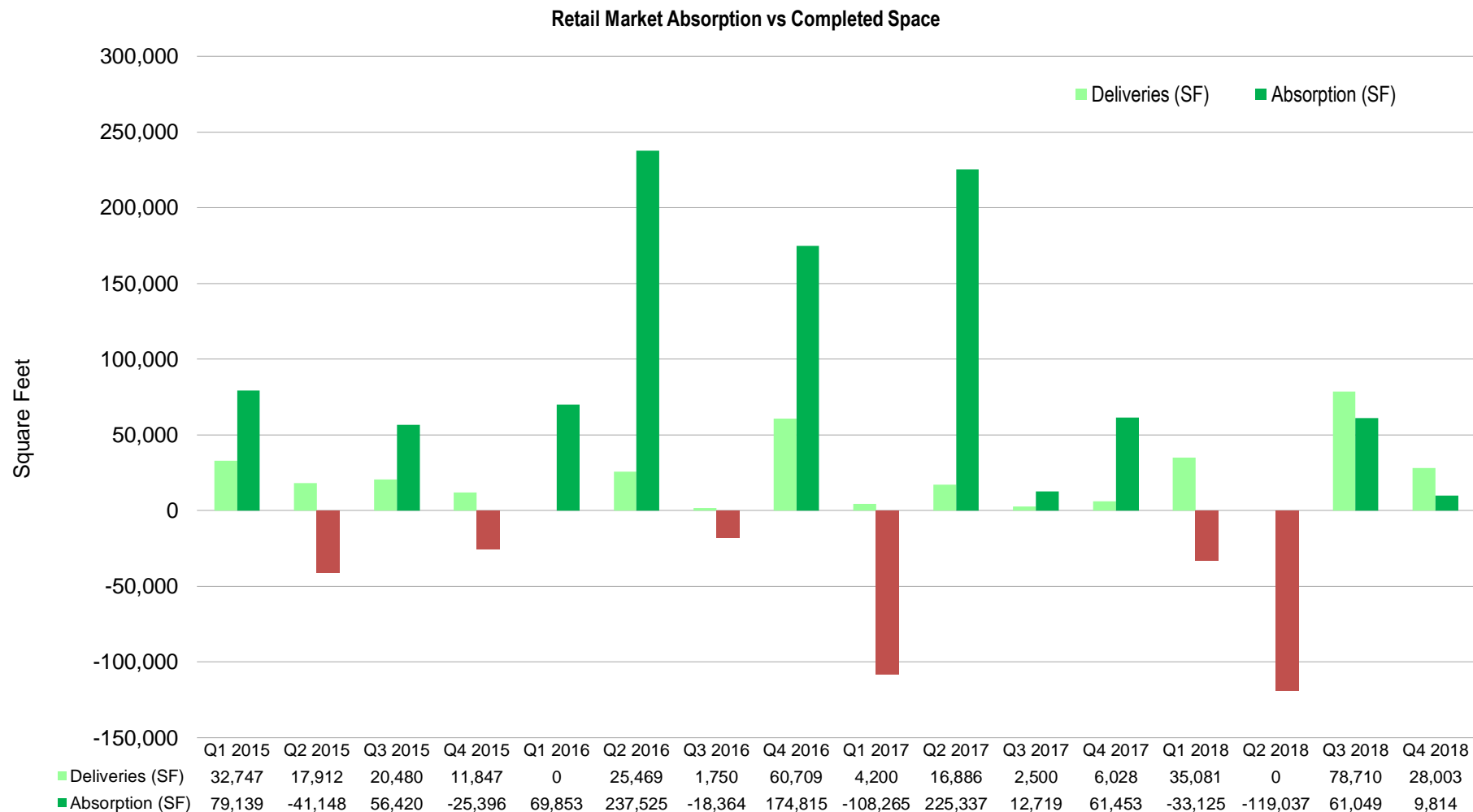
Inventory	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Total Inventory (SF)	32,981,791	32,999,703	33,020,183	33,027,702	33,025,852	33,054,331	33,048,081	33,090,790	33,083,328	33,098,268	33,100,768	33,077,583	33,085,568	33,087,462	33,176,034	33,204,037
Inventory Change	--	17,912	20,480	7,519	-1,850	28,479	-6,250	42,709	-7,462	14,940	2,500	-23,185	7,985	1,894	88,572	28,003
% Change	--	0.1%	0.1%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.3%	0.1%

Source: CoStar

NORTH COUNTY ABSORPTION vs. COMPLETED SPACE (DELIVERIES)

North County Retail Trends

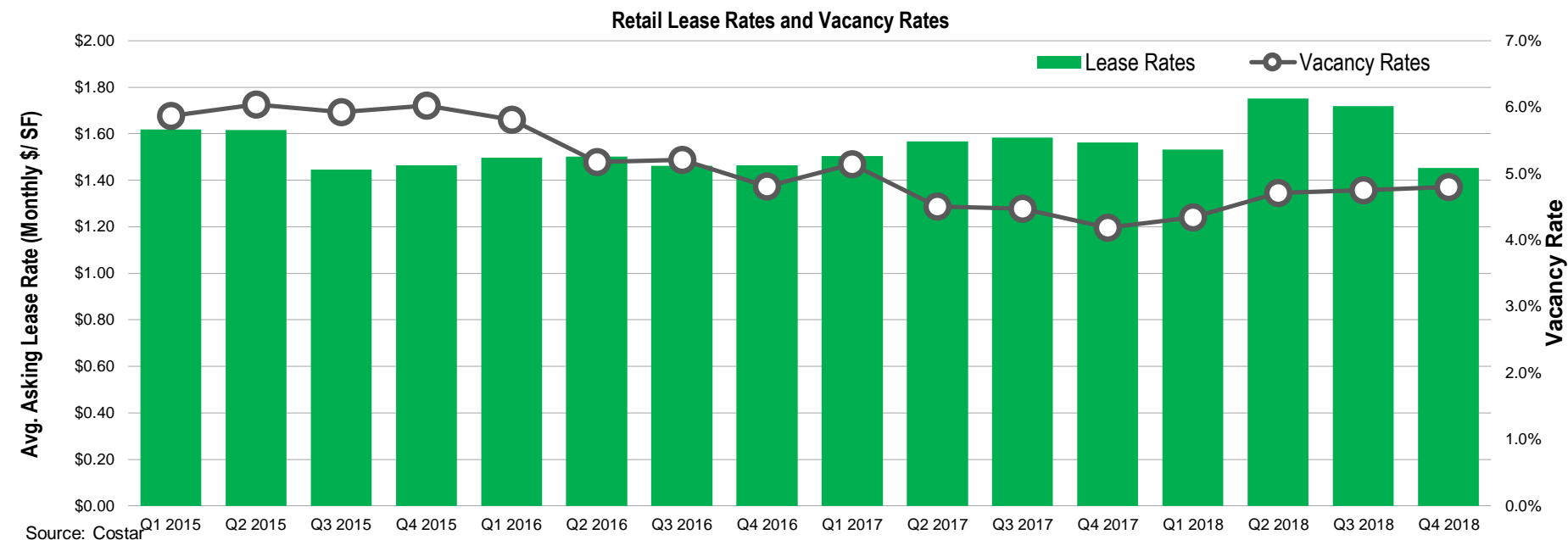
Absorption in the North County retail market was strong through 2017, with 724,000 square feet leased compared to deliveries of just 200,000 square feet, pushing up the lease asking rates in the area. Over the past four quarters, absorption came at negative (81,000) square feet while the market delivered 142,000 square feet of new retail space. Additionally, there are 210,790 square feet of retail under construction in the North County submarket.



NORTH COUNTY RETAIL LEASE & VACANCY RATES

North County Retail Trends

The average lease rate (\$/ SF/ Mo.) in Q4 2018 is \$1.45, down from the two year average lease rate of \$1.58. Vacancy is improving in the submarket, currently at 4.8%, down from the four year average of 5.1%. However it is important to note that the vacancy rate reached a low of 4.2% in Q4 2017 and has since increased steadily to 4.8% year-end 2018.



Lease Rates	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Lease Rate (\$/ SF/ Mo.)	\$1.62	\$1.62	\$1.45	\$1.47	\$1.50	\$1.50	\$1.46	\$1.47	\$1.50	\$1.57	\$1.58	\$1.56	\$1.53	\$1.75	\$1.72	\$1.45
Lease Rate Change		(\$0.00)	(\$0.17)	\$0.02	\$0.03	\$0.01	(\$0.04)	\$0.00	\$0.04	\$0.06	\$0.02	(\$0.02)	(\$0.03)	\$0.22	(\$0.03)	(\$0.27)
% Change		-0.1%	-10.5%	1.3%	2.2%	0.4%	-2.7%	0.2%	2.6%	4.2%	1.1%	-1.3%	-2.0%	14.3%	-1.8%	-15.5%
Vacancy Rates	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Vacancy Rate	5.9%	6.0%	5.9%	6.0%	5.8%	5.2%	5.2%	4.8%	5.1%	4.5%	4.5%	4.2%	4.3%	4.7%	4.7%	4.8%
Vac. Rate Change		0.2%	-0.1%	0.1%	-0.2%	-0.6%	0.0%	-0.4%	0.3%	-0.6%	0.0%	-0.3%	0.2%	0.4%	0.0%	0.1%
% Change		3.0%	-1.9%	1.7%	-3.6%	-11.0%	0.7%	-7.8%	7.0%	-12.4%	-0.7%	-6.3%	3.7%	8.4%	0.9%	1.1%

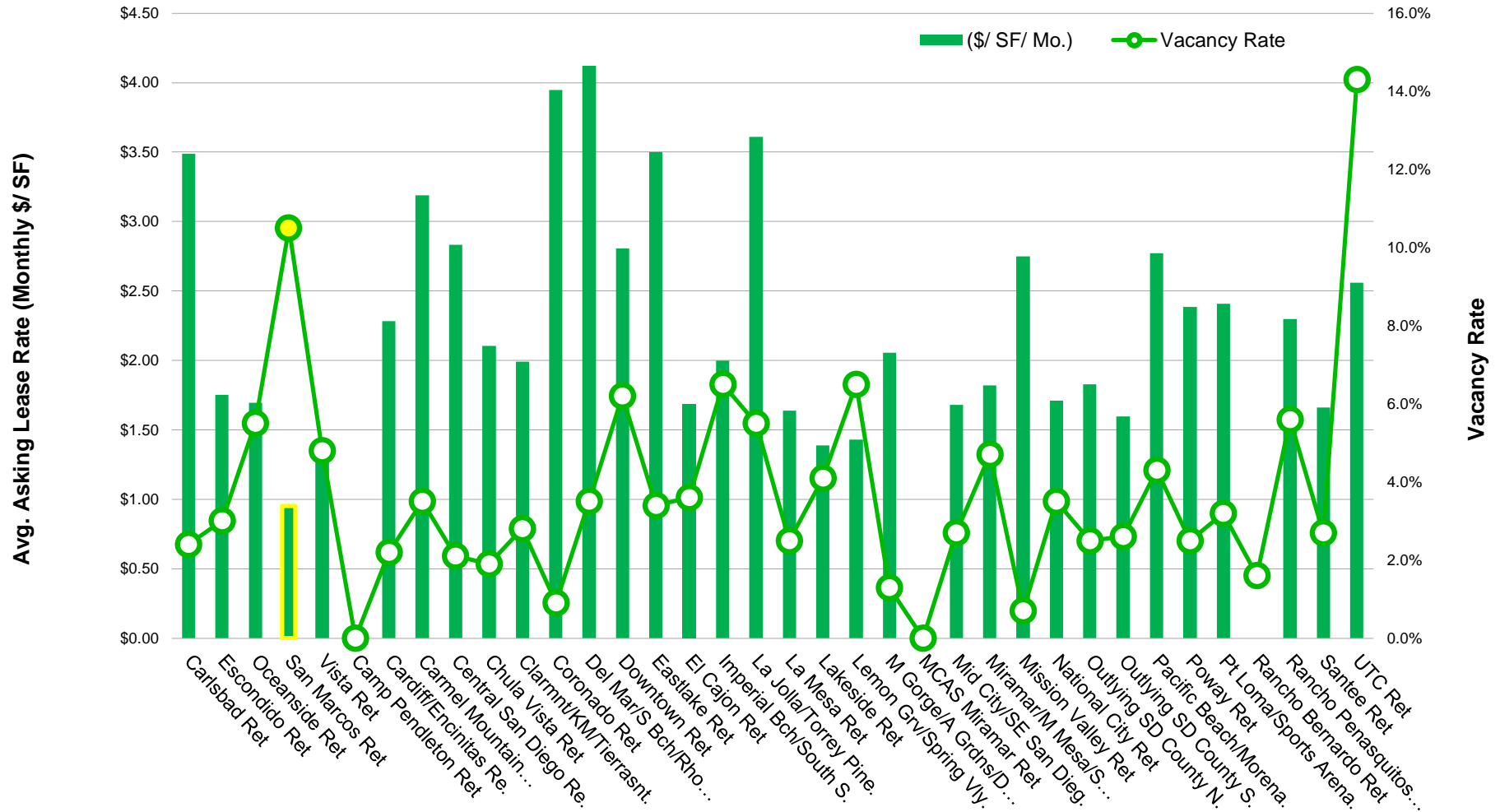
San Marcos Retail Trends & Pricing

1210 E. Mission Road, San Marcos, California

AVERAGE ASKING LEASE & VACANCY RATE

San Marcos Retail Pricing

Despite having the lowest asking lease rate, at \$0.95, the San Marcos retail submarket has the second highest vacancy rate, at 10.5%. The average asking lease rate in North County is \$1.45 and the average vacancy rate is 3.7%. The City of San Marcos is a relatively new city compared to the greater San Diego area and the number of households has not grown proportionately with the amount of retail space that has been delivered along the CA-78 corridor and San Marcos Blvd. This directly translates to low asking rates and high vacancy rates that we see today.



NORTHCOUNTY SUBMARKET CLUSTER OVERVIEW

San Marcos Retail Pricing

Submarket	Total SF	Vacant SF	Vacancy Rate	2018 YTD Net Absorption (SF)	2018 YTD Deliveries (SF)	Under Construction (SF)	Avg. Asking Rent (\$/ SF/ Mo.)
Carlsbad Ret	5,597,537	136,678	2.4%	(16,042)	0	161,708	\$3.49
Escondido Ret	10,191,273	303,981	3.0%	73,114	64,900	7,082	\$1.75
Oceanside Ret	7,516,121	414,699	5.5%	(29,453)	32,881	0	\$1.70
San Marcos Ret	4,628,309	485,563	10.5%	(170,985)	40,078	0	\$0.95
Vista Ret	5,270,797	252,031	4.8%	62,067	3,935	42,000	\$1.42
Camp Pendleton Ret	74,846	0	0.0%	0	0	0	\$0.00
Cardiff/Encinitas Re.	5,388,120	115,888	2.2%	(37,989)	3,697	4,409	\$2.28
Carmel Mountain Ranc.	2,209,371	78,245	3.5%	6,285	0	0	\$3.19
Central San Diego Re.	5,046,188	105,783	2.1%	97,298	10,600	0	\$2.83
Chula Vista Ret	9,255,029	179,991	1.9%	68,839	0	0	\$2.11
Clarmnt/KM/Tierrasnt.	7,117,604	200,862	2.8%	(35,100)	4,000	2,640	\$1.99
Coronado Ret	630,430	5,937	0.9%	7,220	0	0	\$3.95
Del Mar/S Bch/Rho SF.	3,185,762	109,959	3.5%	23,977	19,470	11,849	\$4.12
Downtown Ret	4,800,390	297,894	6.2%	11,373	16,057	0	\$2.81
Eastlake Ret	2,429,181	82,252	3.4%	67,383	0	111,198	\$3.50
El Cajon Ret	9,206,746	334,202	3.6%	(38,651)	4,299	15,834	\$1.69
Imperial Bch/South S.	4,257,080	276,393	6.5%	(10,610)	0	0	\$2.00
La Jolla/Torrey Pine.	1,786,329	97,870	5.5%	(5,740)	0	0	\$3.61
La Mesa Ret	5,122,207	126,850	2.5%	(26,321)	15,463	0	\$1.64
Lakeside Ret	618,779	25,643	4.1%	(7,122)	0	0	\$1.39
Lemon Grv/Spring Vly.	2,619,575	171,271	6.5%	(109,485)	0	0	\$1.43
M Gorge/A Grdns/D Ce.	1,015,353	13,186	1.3%	7,590	0	0	\$2.06
MCAS Miramar Ret	23,702	0	0.0%	0	0	0	\$0.00
Mid City/SE San Dieg.	7,407,700	203,235	2.7%	25,215	2,465	0	\$1.68
Miramar/M Mesa/S Rnc.	4,269,740	199,314	4.7%	2,945	0	28,300	\$1.82
Mission Valley Ret	5,863,785	41,666	0.7%	106	0	0	\$2.75
National City Ret	3,669,567	128,716	3.5%	(8,731)	13,400	5,672	\$1.71
Outlying SD County N.	2,813,285	69,217	2.5%	16,923	6,632	0	\$1.83
Outlying SD County S.	930,043	24,360	2.6%	(1,096)	0	0	\$1.60
Pacific Beach/Morena.	3,136,055	135,828	4.3%	(29,390)	6,000	0	\$2.77
Poway Ret	2,843,826	72,470	2.5%	26,913	0	0	\$2.38
Pt Loma/Sports Arena.	4,575,424	144,711	3.2%	7,214	20,500	0	\$2.41
Rancho Bernardo Ret	683,836	10,753	1.6%	(3,091)	0	0	\$0.00
Rancho Penasquitos R.	718,771	40,125	5.6%	861	0	0	\$2.30
Santee Ret	2,652,965	71,771	2.7%	14,915	3,832	0	\$1.66
UTC Ret	2,816,011	402,112	14.3%	(148,221)	0	0	\$2.56
TOTAL:	140,371,737	5,359,456	3.7%	(157,789)	268,209	390,692	\$1.42

Appendix

1210 E. Mission Road, San Marcos, California

COMPETITIVE FLOORPLAN PRODUCT DETAIL

Appendix

COMMUNITY SPECIFICS AND SALES PACE				FLOORPLAN SUMMARY				COMPETITIVE MARKET PRICING SUMMARY																
Project Name Location		Builder Name Master Plan		Size				Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price (\$ Reduction)	Net Base Price/ Sq. Ft.	Typical		Total Price	Total Price/ SF	Monthly Payment Inputs				90.0% 4.5%	
Product Details		Sales Summary		SF	Bed	Bath	Level			Pkg	Price	Options			Closing \$ /	Upgrades			Other	Options /	Premiums	HOA		Base
Kensington at the Square 3-St TH Carlsbad	Shea Bressi Ranch		1,731	3+L	3.0	3	2	\$665,000	\$384	\$0	\$0	(\$2,500)	\$665,000	\$384	\$27,000	\$10,000	\$702,000	\$406	\$370	1.30%	0.00%	\$4,597		
	Product:	Attached	Total Units:	103	2,081	3	3.5	3	2	\$708,000	\$340	\$0	\$0	(\$2,500)	\$708,000	\$340	\$27,000	\$10,000	\$745,000	\$358	\$370	1.30%	0.00%	\$4,856
	Configuration:	ATT	Units Sold:	15																				
			3 Months Sold:	7																				
	Sales Open Date:	Oct-18	Units Remaining:	88																				
	Overall Sales Rate:	5.0	% Remaining:	85%																				
3 Mon. Sales Rate:			5.0																					
Totals/Averages:				1,906				\$686,500	\$360	\$0	\$0	(\$2,500)	\$686,500	\$360	\$27,000	\$10,000	\$723,500	\$380	\$370	1.30%	0.00%	\$4,726		
Lucero Pacific Ridge 3-St TH Oceanside	Cornerstone Communities Pacific Ridge		1,563	4	4.0	3	2	\$490,990	\$314	\$0	\$0	(\$5,000)	\$490,990	\$314	\$20,000	\$3,000	\$513,990	\$329	\$365	1.11%	0.00%	\$3,387		
	Product:	Attached	Total Units:	125	1,569	3	2.5	3	2	\$500,990	\$319	\$0	\$0	(\$5,000)	\$500,990	\$319	\$20,000	\$3,000	\$523,990	\$334	\$365	1.11%	0.00%	\$3,445
	Configuration:	ATT	Units Sold:	30	1,824	4	3.5	3	2	\$555,990	\$305	\$0	\$0	(\$5,000)	\$555,990	\$305	\$20,000	\$3,000	\$578,990	\$317	\$365	1.11%	0.00%	\$3,769
			3 Months Sold:	4																				
	Sales Open Date:	Apr-17	Units Remaining:	95																				
	Overall Sales Rate:	1.4	% Remaining:	76%																				
3 Mon. Sales Rate:			1.3																					
Totals/Averages:				1,652				\$515,990	\$312	\$0	\$0	(\$5,000)	\$515,990	\$312	\$20,000	\$3,000	\$538,990	\$326	\$365	1.11%	0.00%	\$3,534		
Verano at Skyline 3-St TH Vista	D.R. Horton Skyline		1,183	2	2.5	3	2	\$455,990	\$385	\$0	\$0	(\$5,000)	\$455,990	\$385	\$20,000	\$4,000	\$479,990	\$406	\$335	1.10%	0.20%	\$3,224		
	Product:	Attached	Total Units:	120	1,515	3	3.0	3	2	\$494,990	\$327	\$0	\$0	(\$5,000)	\$494,990	\$327	\$20,000	\$4,000	\$518,990	\$343	\$335	1.10%	0.18%	\$3,453
	Configuration:	ATT	Units Sold:	9	1,726	3	3.5	3	2	\$524,990	\$304	\$0	\$0	(\$5,000)	\$524,990	\$304	\$20,000	\$4,000	\$548,990	\$318	\$335	1.10%	0.17%	\$3,629
			3 Months Sold:	9	1,856	4	3.5	3	2	\$553,990	\$298	\$0	\$0	(\$5,000)	\$553,990	\$298	\$20,000	\$4,000	\$577,990	\$311	\$335	1.10%	0.16%	\$3,800
	Sales Open Date:	Nov-18	Units Remaining:	111																				
	Overall Sales Rate:	3.6	% Remaining:	93%																				
3 Mon. Sales Rate:			3.6																					
Totals/Averages:				1,570				\$507,490	\$323	\$0	\$0	(\$5,000)	\$507,490	\$323	\$20,000	\$4,000	\$531,490	\$339	\$335	1.10%	0.18%	\$3,527		

COMPETITIVE FLOORPLAN PRODUCT DETAIL

Appendix

COMMUNITY SPECIFICS AND SALES PACE			FLOORPLAN SUMMARY				COMPETITIVE MARKET PRICING SUMMARY																	
Project Name	Builder Name		Size	Bed	Bath	Level	Pkg	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price (\$ Reduction)	Net Base Price/ Sq. Ft.	Typical		Total Price/ SF	Monthly Payment Inputs				90.0% 4.5%		
Location	Master Plan									Price	Options	Closing \$ / Other			Options / Upgrades	Premiums		Total Price	Monthly HOA	Base Tax	Addl Taxes		Mo.Pmt.	
Product Details		Sales Summary		SF																				
	Avila 3-St TH Vista		Lennar		1,743	3	3.5	3	2	\$536,900	\$308	\$0	(\$2,500)	(\$2,500)	\$536,900	\$308	\$13,000	\$7,250	\$554,650	\$318	\$342	1.08%	0.00%	\$3,590
			January 0, 1900		1,799	3	3.5	3	2	\$548,900	\$305	\$0	(\$2,500)	(\$2,500)	\$548,900	\$305	\$13,000	\$7,250	\$566,650	\$315	\$342	1.08%	0.00%	\$3,660
	Product:	Attached	Total Units:	47	1,977	4	3.5	3	2	\$561,900	\$284	\$0	(\$2,500)	(\$2,500)	\$561,900	\$284	\$13,000	\$7,250	\$579,650	\$293	\$342	1.08%	0.00%	\$3,737
	Configuration:	ATT	Units Sold:	12																				
			3 Months Sold:	5																				
	Sales Open Date:	Oct-18	Units Remaining:	35																				
	Overall Sales Rate:	3.2	% Remaining:	74%																				
	3 Mon. Sales Rate:	1.7																						
Totals/Averages:				1,840					\$549,233	\$299	\$0	(\$2,500)	(\$2,500)	\$549,233	\$299	\$13,000	\$7,250	\$566,983	\$308	\$342	1.08%	0.00%	\$3,662	
	Hideaway at St. Cloud 3-St TH Oceanside		William Lyon Homes St. Cloud		1,578	2	2.5	3	2	\$493,990	\$313	\$0	\$0	(\$5,000)	\$493,990	\$313	\$18,000	\$3,000	\$514,990	\$326	\$295	1.30%	0.00%	\$3,396
					1,685	4+L	3.0	2	2	\$572,990	\$340	\$0	\$0	(\$5,000)	\$572,990	\$340	\$18,000	\$3,000	\$593,990	\$353	\$295	1.30%	0.00%	\$3,872
	Product:	Attached	Total Units:	122	1,724	3	3.5	3	2	\$510,990	\$296	\$0	\$0	(\$5,000)	\$510,990	\$296	\$18,000	\$3,000	\$531,990	\$309	\$295	1.30%	0.00%	\$3,498
	Configuration:	ATT	Units Sold:	17	1,844	4	4.0	3	2	\$572,990	\$311	\$0	\$0	(\$5,000)	\$572,990	\$311	\$18,000	\$3,000	\$593,990	\$322	\$295	1.30%	0.00%	\$3,872
			3 Months Sold:	4																				
	Sales Open Date:	Jul-18	Units Remaining:	105																				
	Overall Sales Rate:	2.7	% Remaining:	86%																				
	3 Mon. Sales Rate:	1.3																						
Totals/Averages:				1,708					\$537,740	\$315	\$0	\$0	(\$5,000)	\$537,740	\$315	\$18,000	\$3,000	\$558,740	\$327	\$295	1.30%	0.00%	\$3,659	
	Rancho at Mission Lane 3-St TH Oceanside		Beazer Homes Mission Lane		1,233	2	2.5	3	2	\$435,990	\$354	\$0	\$0	(\$5,000)	\$435,990	\$354	\$15,000	\$8,000	\$458,990	\$372	\$380	1.10%	0.00%	\$3,075
					1,280	3	3.0	3	2	\$436,990	\$341	\$0	\$0	(\$5,000)	\$436,990	\$341	\$15,000	\$8,000	\$459,990	\$359	\$380	1.10%	0.00%	\$3,081
	Product:	Attached	Total Units:	50	1,485	3	2.5	2	2	\$456,990	\$308	\$0	\$0	(\$5,000)	\$456,990	\$308	\$15,000	\$8,000	\$479,990	\$323	\$380	1.10%	0.00%	\$3,198
	Configuration:	ATT	Units Sold:	49																				
			3 Months Sold:	4																				
	Sales Open Date:	Dec-17	Units Remaining:	1																				
	Overall Sales Rate:	3.8	% Remaining:	2%																				
	3 Mon. Sales Rate:	1.3																						
Totals/Averages:				1,333					\$443,323	\$333	\$0	\$0	(\$5,000)	\$443,323	\$333	\$15,000	\$8,000	\$466,323	\$350	\$380	1.10%	0.00%	\$3,118	
	Citron 3-St TH Escondido		William Lyon Homes January 0, 1900		1,130	2	2.5	0	2	\$416,990	\$369	\$0	\$0	(\$3,000)	\$416,990	\$369	\$12,000	\$3,000	\$431,990	\$382	\$260	1.14%	0.00%	\$2,809
					1,155	2	2.5	0	2	\$427,990	\$371	\$0	\$0	(\$3,000)	\$427,990	\$371	\$12,000	\$3,000	\$442,990	\$384	\$260	1.14%	0.00%	\$2,874
	Product:	Attached	Total Units:	63	1,408	3	3.5	0	2	\$465,990	\$331	\$0	\$0	(\$3,000)	\$465,990	\$331	\$12,000	\$3,000	\$480,990	\$342	\$260	1.14%	0.00%	\$3,098
	Configuration:	ATT	Units Sold:	36	1,564	3	3.0	0	2	\$480,990	\$308	\$0	\$0	(\$3,000)	\$480,990	\$308	\$12,000	\$3,000	\$495,990	\$317	\$260	1.14%	0.00%	\$3,187
			3 Months Sold:	4																				
	Sales Open Date:	Jul-18	Units Remaining:	27																				
	Overall Sales Rate:	5.5	% Remaining:	43%																				
	3 Mon. Sales Rate:	1.3																						
Totals/Averages:				1,314					\$447,990	\$341	\$0	\$0	(\$3,000)	\$447,990	\$341	\$12,000	\$3,000	\$462,990	\$352	\$260	1.14%	0.00%	\$2,992	

COMPETITIVE FLOORPLAN PRODUCT DETAIL

Appendix

COMMUNITY SPECIFICS AND SALES PACE				FLOORPLAN SUMMARY				COMPETITIVE MARKET PRICING SUMMARY																
Project Name Location		Builder Name Master Plan		Size				Base	Base	Current Incentives			Net Base	Net Base	Typical		Total	Total	Monthly Payment Inputs			90.0%		
				Size	Bed	Bath	Level	Pkg	Price	Price/	Price	Options	/ Closing \$	Price (\$	Price/	Options /	Total	Price/	Monthly	Base	Addl	4.5%		
Product Details		Sales Summary		SF						Sq. Ft.	Reduction	Upgrades	Other	Reduction)	Sq. Ft.	Upgrades	Premiums	Price	SF	HOA	Tax	Taxes	Mo.Pmt.	
	Brisas Pacific Ridge 2-St TH Oceanside		Cornerstone Communities Pacific Ridge		1,499	3	2.5	2	2	\$526,990	\$352	\$0	\$0	(\$5,000)	\$526,990	\$352	\$22,000	\$10,000	\$558,990	\$373	\$349	1.11%	0.00%	\$3,635
					1,600	3	2.5	2	2	\$547,990	\$342	\$0	\$0	(\$5,000)	\$547,990	\$342	\$22,000	\$10,000	\$579,990	\$362	\$349	1.11%	0.00%	\$3,759
	Product:	Attached	Total Units:	117	1,806	3	2.5	2	2	\$578,990	\$321	\$0	\$0	(\$5,000)	\$578,990	\$321	\$22,000	\$10,000	\$610,990	\$338	\$349	1.11%	0.00%	\$3,941
	Configuration:	ATT	Units Sold:	40																				
			3 Months Sold:	2																				
	Sales Open Date:	Jan-17	Units Remaining:	77																				
	Overall Sales Rate:	1.7	% Remaining:	66%																				
3 Mon. Sales Rate:	0.7																							
Totals/Averages:				1,635					\$551,323	\$337	\$0	\$0	(\$5,000)	\$551,323	\$337	\$22,000	\$10,000	\$583,323	\$357	\$349	1.11%	0.00%	\$3,778	
	Agave The Preserve 2-St TH Carlsbad		Cornerstone Communities The Preserve		1,420	3	2.5	2	2	\$543,990	\$383	\$0	\$0	(\$5,000)	\$543,990	\$383	\$22,000	\$4,000	\$569,990	\$401	\$363	1.30%	0.00%	\$3,795
					1,452	3	2.5	2	2	\$550,990	\$379	\$0	\$0	(\$5,000)	\$550,990	\$379	\$22,000	\$4,000	\$576,990	\$397	\$363	1.30%	0.00%	\$3,837
	Product:	Attached	Total Units:	88	1,681	3	2.5	2	2	\$619,990	\$369	\$0	\$0	(\$5,000)	\$619,990	\$369	\$22,000	\$4,000	\$645,990	\$384	\$363	1.30%	0.00%	\$4,253
	Configuration:	ATT	Units Sold:	63																				
			3 Months Sold:	0																				
	Sales Open Date:	Nov-16	Units Remaining:	25																				
	Overall Sales Rate:	2.4	% Remaining:	28%																				
3 Mon. Sales Rate:	0.0																							
Totals/Averages:				1,518					\$571,657	\$377	\$0	\$0	(\$5,000)	\$571,657	\$377	\$22,000	\$4,000	\$597,657	\$394	\$363	1.30%	0.00%	\$3,962	
	Solara at Skyline 2-St TH Vista		D.R. Horton Skyline		1,426	3	2.5	2	2	\$534,990	\$375	\$0	\$0	(\$5,000)	\$534,990	\$375	\$25,000	\$6,000	\$565,990	\$397	\$335	1.10%	0.19%	\$3,741
					1,538	3	2.5	2	2	\$553,990	\$360	\$0	\$0	(\$5,000)	\$553,990	\$360	\$25,000	\$6,000	\$584,990	\$380	\$335	1.10%	0.19%	\$3,852
	Product:	Attached	Total Units:	79	1,576	3	2.5	2	2	\$563,990	\$358	\$0	\$0	(\$5,000)	\$563,990	\$358	\$25,000	\$6,000	\$594,990	\$378	\$335	1.10%	0.18%	\$3,911
	Configuration:	ATT	Units Sold:	1																				
			3 Months Sold:	1																				
	Sales Open Date:	Dec-18	Units Remaining:	78																				
	Overall Sales Rate:	0.6	% Remaining:	99%																				
3 Mon. Sales Rate:	0.6																							
Totals/Averages:				1,513					\$550,990	\$364	\$0	\$0	(\$5,000)	\$550,990	\$364	\$25,000	\$6,000	\$581,990	\$385	\$335	1.10%	0.19%	\$3,834	
	Palomar 2-St TH Oceanside		Beazer Mission Lane		1,366	3	2.5	2	2	\$473,990	\$347	\$0	\$0	(\$8,000)	\$473,990	\$347	\$15,000	\$0	\$488,990	\$358	\$294	1.10%	0.00%	\$3,165
					1,432	3	2.5	2	2	\$483,990	\$338	\$0	\$0	(\$8,000)	\$483,990	\$338	\$15,000	\$0	\$498,990	\$348	\$294	1.10%	0.00%	\$3,224
	Product:	Townhomes	Total Units:	86	1,535	4	2.5	2	2	\$497,990	\$324	\$0	\$0	(\$8,000)	\$497,990	\$324	\$15,000	\$0	\$512,990	\$334	\$294	1.10%	0.00%	\$3,306
	Configuration:	ATT	Units Sold:	5																				
			3 Months Sold:	3																				
	Sales Open Date:	Oct-18	Units Remaining:	81																				
	Overall Sales Rate:	1.6	% Remaining:	94%																				
3 Mon. Sales Rate:	1.0																							
Totals/Averages:				1,444					\$485,323	\$336	\$0	\$0	(\$8,000)	\$485,323	\$336	\$15,000	\$0	\$500,323	\$346	\$294	1.10%	0.00%	\$3,231	
	Sierra Vista		KB Home -		1,649	3	2.5	2	2	\$449,990	\$273	\$0	\$0	(\$5,000)	\$449,990	\$273	\$0	\$0	\$449,990	\$273	\$250	1.10%	0.00%	\$2,892
					1,908	3	2.5	2	2	\$499,990	\$262	\$0	\$0	(\$5,000)	\$499,990	\$262	\$0	\$0	\$499,990	\$262	\$250	1.10%	0.00%	\$3,186
	Product:	Attached	Total Units:	60	1,913	3	2.5	2	2	\$500,990	\$262	\$0	\$0	(\$5,000)	\$500,990	\$262	\$0	\$0	\$500,990	\$262	\$250	1.10%	0.00%	\$3,191
	Configuration:	ATT	Units Sold:	0																				
			3 Months Sold:	0																				
	Sales Open Date:	Jan-19	Units Remaining:	60																				
	Overall Sales Rate:	NEW	% Remaining:	100%																				
3 Mon. Sales Rate:	NEW																							
Totals/Averages:				1,823					\$483,657	\$265	\$0	\$0	(\$5,000)	\$483,657	\$265	\$0	\$0	\$483,657	\$265	\$250	1.10%	0.00%	\$3,090	

COMPETITIVE FLOORPLAN PRODUCT DETAIL

Appendix

Community Specifics and Sales Pace				Floorplan Summary				Competitive Market Pricing Summary																
Project Name Location		Builder Name Master Plan		Size SF	Bed	Bath	Level	Pkg	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price (\$ Reduction)	Net Base Price/ Sq. Ft.	Typical		Total Price	Total Price/ SF	Monthly Payment Inputs				90.0% 4.5% Mo.Pmt.
Product Details		Sales Summary									Price Reduction	Options / Upgrades	Closing \$ / Other			Options / Upgrades	Premiums			Monthly HOA	Base Tax	Addl Taxes		
Vela at Mission Lane Duplex Oceanside	Beazer Homes Mission Lane		1,545	3	2.5	2	2	\$506,990	\$328	\$0	\$0	(\$8,000)	\$506,990	\$328	\$15,000	\$0	\$521,990	\$338	\$292	1.10%	0.00%	\$3,357		
	Total Units: 64		1,642	3	2.5	2	2	\$521,990	\$318	\$0	\$0	(\$8,000)	\$521,990	\$318	\$15,000	\$0	\$536,990	\$327	\$292	1.10%	0.00%	\$3,445		
	Product: Attached	Units Sold: 5	1,826	4	3.0	2	2	\$531,990	\$291	\$0	\$0	(\$8,000)	\$531,990	\$291	\$15,000	\$0	\$546,990	\$300	\$292	1.10%	0.00%	\$3,503		
	Configuration: ATT	3 Months Sold: 4																						
	Sales Open Date: Oct-18	Units Remaining: 59																						
	Overall Sales Rate: 1.5	% Remaining: 92%																						
	3 Mon. Sales Rate: 1.3																							
Totals/Averages:			1,671					\$520,323	\$311	\$0	\$0	(\$8,000)	\$520,323	\$311	\$15,000	\$0	\$535,323	\$320	\$292	1.10%	0.00%	\$3,435		
Blue Sage The Preserve Triplex Carlsbad	Cornerstone Communities The Preserve		1,533	3	2.5	2	2	\$564,990	\$369	\$0	\$0	(\$5,000)	\$564,990	\$369	\$34,000	\$20,000	\$618,990	\$404	\$413	1.08%	0.22%	\$4,140		
	Total Units: 102		1,610	3	2.5	2	2	\$600,990	\$373	\$0	\$0	(\$5,000)	\$600,990	\$373	\$34,000	\$20,000	\$654,990	\$407	\$413	1.08%	0.22%	\$4,357		
	Product: Attached	Units Sold: 16	1,843	3	2.5	2	2	\$636,990	\$346	\$0	\$0	(\$5,000)	\$636,990	\$346	\$34,000	\$20,000	\$690,990	\$375	\$413	1.08%	0.22%	\$4,574		
	Configuration: ATT	3 Months Sold: 8																						
	Sales Open Date: Feb-18	Units Remaining: 86																						
	Overall Sales Rate: 1.4	% Remaining: 84%																						
	3 Mon. Sales Rate: 2.7																							
Totals/Averages:			1,662					\$600,990	\$362	\$0	\$0	(\$5,000)	\$600,990	\$362	\$34,000	\$20,000	\$654,990	\$394	\$413	1.08%	0.22%	\$4,357		
Terracina MC San Marcos	Brookfield Residential Rancho Tesoro		2,211	3	2.5	2	2	\$668,000	\$302	(\$3,000)	\$0	(\$5,000)	\$665,000	\$301	\$36,000	\$2,000	\$703,000	\$318	\$210	1.60%	0.00%	\$4,601		
	Total Units: 117		2,392	4	3.5	2	2	\$699,500	\$292	(\$3,000)	\$0	(\$5,000)	\$696,500	\$291	\$36,000	\$2,000	\$734,500	\$307	\$210	1.60%	0.00%	\$4,798		
	Product: Detached Condo	Units Sold: 65	2,550	4	3.0	2	2	\$691,000	\$271	(\$3,000)	\$0	(\$5,000)	\$688,000	\$270	\$36,000	\$2,000	\$726,000	\$285	\$210	1.60%	0.00%	\$4,745		
	Configuration: 1,900	3 Months Sold: 8																						
	Sales Open Date: Jun-17	Units Remaining: 52																						
	Overall Sales Rate: 3.3	% Remaining: 44%																						
	3 Mon. Sales Rate: 2.7																							
Totals/Averages:			2,384					\$686,167	\$288	(\$3,000)	\$0	(\$5,000)	\$683,167	\$287	\$36,000	\$2,000	\$721,167	\$302	\$210	1.60%	0.00%	\$4,715		
Vientos MC San Marcos	Brookfield Residential Rancho Tesoro		2,458	4	3.0	2	2	\$708,000	\$288	\$0	\$0	(\$5,000)	\$708,000	\$288	\$42,000	\$4,000	\$754,000	\$307	\$205	1.60%	0.00%	\$4,915		
	Total Units: 102		2,646	4	3.0	2	2	\$734,000	\$277	\$0	\$0	(\$5,000)	\$734,000	\$277	\$42,000	\$4,000	\$780,000	\$295	\$205	1.60%	0.00%	\$5,077		
	Product: Detached Condo	Units Sold: 50	3,009	5	3.5	2	2	\$784,000	\$261	\$0	\$0	(\$5,000)	\$784,000	\$261	\$42,000	\$4,000	\$830,000	\$276	\$205	1.60%	0.00%	\$5,389		
	Configuration: 2,100	3 Months Sold: 1																						
	Sales Open Date: Jun-17	Units Remaining: 52																						
	Overall Sales Rate: 2.5	% Remaining: 51%																						
	3 Mon. Sales Rate: 0.3																							
Totals/Averages:			2,704					\$742,000	\$274	\$0	\$0	(\$5,000)	\$742,000	\$274	\$42,000	\$4,000	\$788,000	\$291	\$205	1.60%	0.00%	\$5,127		
Pepper Tree at Mission Lane Oceanside	Beazer Homes Mission Lane		1,790	3	2.5	2	2	\$560,990	\$313	\$0	\$0	(\$5,000)	\$560,990	\$313	\$30,000	\$11,000	\$601,990	\$336	\$177	1.10%	0.20%	\$3,802		
	Total Units: 83		1,962	4	2.5	2	2	\$574,990	\$293	\$0	\$0	(\$5,000)	\$574,990	\$293	\$30,000	\$11,000	\$615,990	\$314	\$177	1.10%	0.20%	\$3,886		
	Product: Detached Condo	Units Sold: 46	2,157	4	4.0	2	2	\$614,990	\$285	\$0	\$0	(\$5,000)	\$614,990	\$285	\$30,000	\$11,000	\$655,990	\$304	\$177	1.10%	0.20%	\$4,127		
	Configuration: 2,400	3 Months Sold: 3																						
	Lot Dimensions: 40x60	Units Remaining: 37																						
	Sales Open Date: Jul-17	% Remaining: 45%																						
	Overall Sales Rate: 2.6																							
3 Mon. Sales Rate: 1.0																								
Totals/Averages:			1,970					\$583,657	\$296	\$0	\$0	(\$5,000)	\$583,657	\$296	\$30,000	\$11,000	\$624,657	\$317	\$177	1.10%	0.20%	\$3,938		

COMPETITIVE FLOORPLAN PRODUCT DETAIL

Appendix

Community Specifics and Sales Pace				Floorplan Summary				Competitive Market Pricing Summary																
Project Name Location		Builder Name Master Plan		Size				Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price (\$ Reduction)	Net Base Price/ Sq. Ft.	Typical		Total Price	Total Price/ SF	Monthly Payment Inputs				90.0%	
Product Details		Sales Summary		SF	Bed	Bath	Level	Pkg			Price Reduction	Options / Upgrades	Closing \$ / Other			Options / Upgrades	Premiums			Monthly HOA	Base Tax	Addl Taxes	4.5% Mo.Pmt.	
<div>Candela San Marcos</div>	Brookfield Residential Rancho Tesoro		2,691	4	3.0	2	2		\$798,000	\$297	\$0	\$0	(\$5,000)	\$798,000	\$297	\$70,000	\$20,000	\$888,000	\$330	\$190	1.55%	0.00%	\$5,703	
			3,359	5	3.5	3	2		\$838,000	\$249	\$0	\$0	(\$5,000)	\$838,000	\$249	\$70,000	\$20,000	\$928,000	\$276	\$190	1.55%	0.00%	\$5,952	
	Product:	Single Family	Total Units:	56						\$888,000	\$250	\$0	\$0	(\$5,000)	\$888,000	\$250	\$70,000	\$20,000	\$978,000	\$275	\$190	1.55%	0.00%	\$6,262
	Configuration:	3,300	Units Sold:	46																				
	Lot Dimensions:	47x70'	3 Months Sold:	6																				
	Sales Open Date:	Jun-17	Units Remaining:	10																				
	Overall Sales Rate:	2.3	% Remaining:	18%																				
	3 Mon. Sales Rate:	2.0																						
Totals/Averages:			3,200					\$841,333	\$263	\$0	\$0	(\$5,000)	\$841,333	\$263	\$70,000	\$20,000	\$931,333	\$291	\$190	1.55%	0.00%	\$5,972		
<div>Westerly San Marcos</div>	California West Communities Rancho Tesoro		2,801	4	3.0	2	2		\$755,900	\$270	\$0	\$0	(\$5,000)	\$755,900	\$270	\$45,000	\$10,000	\$810,900	\$289	\$164	1.55%	0.00%	\$5,199	
			3,044	5	4.0	2	2		\$783,900	\$258	\$0	\$0	(\$5,000)	\$783,900	\$258	\$45,000	\$10,000	\$838,900	\$276	\$164	1.55%	0.00%	\$5,372	
	Product:	Single Family	Total Units:	71						\$815,900	\$256	\$0	\$0	(\$5,000)	\$815,900	\$256	\$45,000	\$10,000	\$870,900	\$274	\$164	1.55%	0.00%	\$5,571
	Configuration:	3,915	Units Sold:	64						\$780,900	\$236	\$0	\$0	(\$5,000)	\$780,900	\$236	\$45,000	\$10,000	\$835,900	\$253	\$164	1.55%	0.00%	\$5,354
	Lot Dimensions:	45x87'	3 Months Sold:	3																				
	Sales Open Date:	Jun-17	Units Remaining:	7																				
	Overall Sales Rate:	3.3	% Remaining:	10%																				
	3 Mon. Sales Rate:	1.0																						
Totals/Averages:			3,083					\$784,150	\$254	\$0	\$0	(\$5,000)	\$784,150	\$254	\$45,000	\$10,000	\$839,150	\$272	\$164	1.55%	0.00%	\$5,374		
<div>Altura Pacific Ridge Oceanside</div>	Cornerstone Communities Pacific Ridge		1,771	3	2.5	2	2		\$659,990	\$373	\$0	\$0	(\$6,000)	\$659,990	\$373	\$25,000	\$17,500	\$702,490	\$397	\$136	1.11%	0.00%	\$4,266	
			1,864	3	2.5	2	2		\$634,990	\$341	\$0	\$0	(\$6,000)	\$634,990	\$341	\$25,000	\$17,500	\$677,490	\$363	\$136	1.11%	0.00%	\$4,119	
	Product:	Single Family	Total Units:	72						\$659,990	\$327	\$0	\$0	(\$6,000)	\$659,990	\$327	\$25,000	\$17,500	\$702,490	\$348	\$136	1.11%	0.00%	\$4,266
	Configuration:	4,000	Units Sold:	9																				
			3 Months Sold:	4																				
	Sales Open Date:	Mar-18	Units Remaining:	63																				
	Overall Sales Rate:	0.9	% Remaining:	88%																				
	3 Mon. Sales Rate:	1.3																						
Totals/Averages:			1,885					\$651,657	\$346	\$0	\$0	(\$6,000)	\$651,657	\$346	\$25,000	\$17,500	\$694,157	\$368	\$136	1.11%	0.00%	\$4,217		
<div>Francia at Mission Lane Oceanside</div>	Beazer Homes Mission Lane		2,348	3	2.5	2	2		\$639,990	\$273	\$0	\$0	(\$5,000)	\$639,990	\$273	\$12,500	\$7,500	\$659,990	\$281	\$375	1.11%	0.00%	\$4,255	
			2,395	4	2.5	2	2		\$672,990	\$281	\$0	\$0	(\$5,000)	\$672,990	\$281	\$12,500	\$7,500	\$692,990	\$289	\$375	1.11%	0.00%	\$4,449	
	Product:	Single Family	Total Units:	59						\$710,490	\$267	\$0	\$0	(\$5,000)	\$710,490	\$267	\$12,500	\$7,500	\$730,490	\$274	\$375	1.11%	0.00%	\$4,669
	Configuration:	4,900	Units Sold:	42																				
	Lot Dimensions:	50x80	3 Months Sold:	5																				
	Sales Open Date:	Jul-17	Units Remaining:	17																				
	Overall Sales Rate:	2.4	% Remaining:	29%																				
	3 Mon. Sales Rate:	1.7																						
Totals/Averages:			2,469					\$674,490	\$273	\$0	\$0	(\$5,000)	\$674,490	\$273	\$12,500	\$7,500	\$694,490	\$281	\$375	1.11%	0.00%	\$4,458		

The following key team members participated on this analysis:

Tim Sullivan, Managing Principal, oversees our Advisory practice. With over three decades of experience, Mr. Sullivan is an expert in residential and mixed use feasibility studies, strategic planning and product development, and regularly conducts market analyses around the United States and internationally.

Alexis Wilmot, Manager, has 16 years of experience in real estate development, and a strong background in financial analysis of residential home building markets. Her career has focused on master-planned communities, transit oriented development, infill and mixed-use projects, and affordable housing development, both new construction and acquisition rehabilitation.

Mason Brusseau, Analyst, conducts analysis on a variety of product types while aiding the advisory team.

Additional support was provided as needed.

COMPANY EXPERIENCE

Appendix

Meyers Research, a Kennedy Wilson Company, is a nation-wide research firm guiding real estate investors throughout the country. Our highly educated and experienced consulting staff believes in providing the highest quality service possible to our clients, which means completing the exact analysis they need. Based in Beverly Hills, we are home to over 140 experts in 10 offices across the country.

Our company offers a unique research tool known as Zonda that offers an edge to our research with easy access real-time data at a local level across the United States. Our local Zonda database provides our team with a history of new and resale housing information, maps, comprehensive data, and many other metrics we use in our analyses to begin the reporting process with greater accuracy -- quickly, accurately and cost-effectively -- with on the ground and in person research. Zonda provides access to over 275 metrics influencing the housing industry including monthly and annual historical trends, future projections and real-time narrative reported by seasoned analysts across the country.

Our senior executive team are thought leaders that individually have more than 30 years of experience in housing and real estate research. With our advisory services, we have navigated builders through different housing cycles and have a deep understanding of local markets. Our consulting team has a broad range of housing expertise and experience spanning the country including consumer research, feasibility studies, portfolio valuation, business planning, and custom research designed to make better decisions related to any real estate investment.

Zonda and Our Research

- Competitive Analysis throughout the Country
- Exclusive Access to our Research & Consulting Executives
- Metro Analysis & Housing Trends
- Apartment Analysis & Forecast
- Exclusive Client Events
- Presentations & Webinars
- Proprietary Surveys

Advisory

- For-Sale, Apartment, Commercial & Mixed Use
- Resort & International Development
- Strategic Direction & Planning
- Home Builder Operations Assessment
- Demand Analysis
- Consumer Research & Focus Groups
- Custom Economic Analysis & Forecasting
- Litigation Support & Expert Witness
- Financial Modeling
- Project & Product Positioning

Consumer and Product Strategy

- Consumer and Product Insights
- Tactical and Marketing Strategies
- Product Design Advisory
- Custom Consumer Research
- Customer Shop Research

Thank you!

This analysis was prepared by Meyers Research, LLC, a Kennedy Wilson company.