

## **ATTACHMENT G**

### **FISCAL & ECONOMIC IMPACT ANALYSIS**



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# FISCAL IMPACT REPORT

CITY OF SAN MARCOS

CAPALINA APARTMENTS

SAN MARCOS, CALIFORNIA

October 6, 2023

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## **FISCAL IMPACT REPORT CAPALINA APARTMENTS**

**Prepared for:**

**City of San Marcos**

**1 Civic Center Drive**

**San Marcos, CA 92069**

**Attention: Chris Garcia, Senior Planner**

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## **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") from the zoning and land use change proposed for the development on the 2.51-acre property (the "Project").

The project site (APN 219-115-33-00) is located on Capalina Road and immediately south of West Mission Blvd, with frontage on both roads, north of Highway 78. Under the Existing Land Use Designation Alternative, the project site is designated Mixed-Use-3 (MU-3) with a mix of commercial retail and office space and envisioned as ground-floor neighborhood supportive retail with office suites on the ground floor and upper level(s) in a two- or three-story building configuration. Based on the market analysis prepared by Zonda Advisory (the "Zonda Analysis"), under (the "Approved Plan") it has been assumed that the alternative scenario would include 10,000 square feet of small-suite service-oriented retail and quick-service restaurant spaces and 90,000 square feet of planned office space with parking. Throughout this Study, the term "Approved Plan" refers to a hypothetical development scenario under current City zoning laws. It does not imply the approval of any plans submitted to the City.

Specifically, the proposed project (the "Proposed Plan") consists of 119 residential apartments (47.4 dwelling units/acre). The project will have 11 studio plans, 53 one-bedroom plans, 47 two-bedroom plans, and 8 three-bedroom plans. Six of the units will be affordable at the very low-income level (30-50%) of the Area Median Income or AMI. The ground floor of the building fronting Capalina Apartments will offer a leasing office of 650 square feet and a coworking office space of 950 square feet. There are 142 parking spaces for the residents and 5 spaces for commercial land use.

The project applicant is requesting approval of a General Plan Amendment (GPA22-20003) and Rezone (R22-0003) to change the designation of the site from Mixed-Use 3 (MU-3) to Mixed-Use 2 (MU-2) and a Site Development Plan (SDP22-0007). If approved, these entitlements would allow for the development of 119 apartment units and 4,000 square feet of commercial use. However, aside from the 950 square feet of coworking area and 650 square foot leasing office, most of the commercial space including a 1,250 square foot fitness / meeting center is included in the apartment-serving amenity common area.

The project site is located within the SM-7 Mixed Use Transit Corridor as identified in the San Diego Association of Governments (SANDAG) Smart Growth Concept Map for North County. The project applicant will utilize the State Density Bonus Program and a minimum of 5% of the units will be affordable housing units, as defined under the State Density Bonus Law, California Government Code (Section 65915 – 65918) as enacted by California Assembly Bill No. 2345 (State Density Bonus). The Density Bonus Law allows for parking reductions and, in addition, the allowance of "incentives" or "concessions" from the local jurisdiction to assist with the construction and economic viability of the project.

Chapter 20.305 of the City's Zoning Ordinance addresses the Density Bonus law and states that it is the intent of the City to encourage and facilitate development of affordable housing and to implement the goals, objectives, and policies of the City's Housing Element. The proposed project will rely on the State Density Bonus law parking ratios for residential parking. For the commercial parking, the proposed project will use an incentive, as provided by the State Density Bonus law, in order to reduce the proposed commercial parking from 12 spaces to 5 spaces. The proposed project is also requesting waivers for development standards relating to minimum floor area ratio (FAR) and setbacks. 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. 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.

For the purpose of this Fiscal Study, it is assumed that both residential and non-residential development is at full capacity – where non-residential development is 100% occupied and all residential development is fully leased. This allows the City to make a comparison of the revenue and costs between two fully built-out scenarios on the General Fund and avoids any bias that may occur due to estimated occupancy and vacancy rates.

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

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

Table ES-1: Annual Net Fiscal Impact <sup>1</sup> (City General Fund)

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	\$155,667	\$206,155
Total Recurring General Fund Expenditures	(\$92,858)	(\$204,938)
Net Fiscal Impact	\$62,809	\$1,217
Revenue-to-Expense Ratio	1.68	1.01

Notes

1. Assumes both residential and non-residential development is at full capacity.

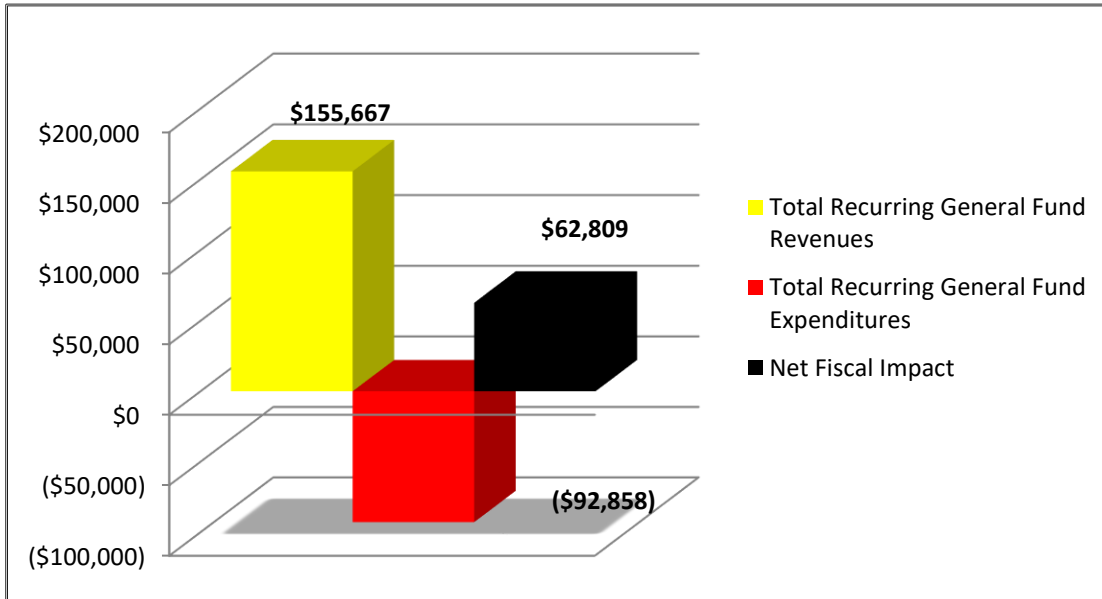
As indicated in **Table ES-1** above, under the Approved Plan the overall fiscal impact to the City General Fund, resulting from revenues generated by development and the recurring costs associated with the Project, is an annual recurring fiscal surplus of \$62,809. This total is based on \$155,667 in recurring annual revenue and \$92,858 in recurring annual costs. In this analysis, the total annual revenue-to-cost ratio is projected to equal 1.68, which represents a positive fiscal impact to the City.

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 \$1,217. This amount is based on \$206,155 in recurring annual revenues and \$204,938 in recurring current annual costs (expenditures). In this analysis, the total annual revenue-to-cost ratio is projected to equal 1.01, which also represents a positive fiscal impact to the City.

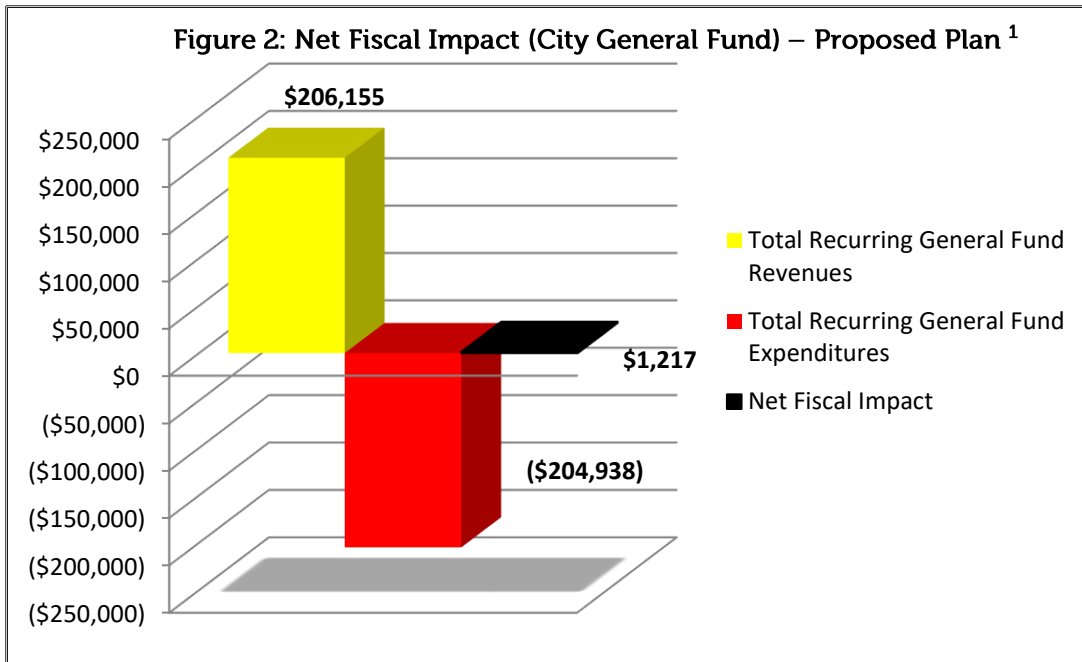
### D Market Considerations

The primary advantage of the Proposed Plan over the Approved Plan is that the site can provide new rental apartment products to San Marcos, which currently does not have new rental multi-family product and limited multi-family for-sale communities. Additional advantages are proximity to Grand Plaza and nearby retail, services, and food supports apartment tenancy at this location. Site access via Capalina Road and West Mission Blvd affords optimum traffic flow for residents entering and leaving the apartment complex and comparable apartments in the submarket have healthy occupancy rates above 94.5%. The proposed plan also maximizes tax revenue potential at the site and provides much needed income-restricted housing units in the City. In contrast, the approved plan does not maximize the tax revenue potential of the area, in addition, office development is not found in the vicinity as it is geared more toward light industrial, retail, and residential. (High office vacancies and several unused spaces limit potential revenue) In addition, the office development proposed for the Approved Plan has not been a viable use for this property as evidenced by the fact that it has been vacant and has remained undeveloped for so many years.

**Figure 1: Net Fiscal Impact (City General Fund) – Approved Plan <sup>1</sup>**



**Figure 2: Net Fiscal Impact (City General Fund) – Proposed Plan <sup>1</sup>**



**Notes**

1. Assumes both residential and non-residential development is at full capacity.

## **II INTRODUCTION**

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#### **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 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.

#### **B Persons Served Calculation**

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. Residents require the availability of City services 24/7 365 days a week, while employees require services for just a portion of the day and a portion of the week) Quantitatively, residents require City services 16 hours a day (8 hours are assumed sleep) while employees require City services



8 hours a day. This methodology involves calculating the average Citywide revenues/costs per Persons Served, utilizing the City's Operating Budget for fiscal year ("FY") 2022-2023 (the "City Budget"), and applying these revenue/cost assumptions to the specific number of Persons Served projected for the Project.

According to information provided by the California Department of Finance Housing and Population Information and the State of California Employees Development Department (EDD), as of 2023, the City has a resident population of 94,530 and an employee population base of 41,800 persons. Given the assumptions presented in the previous paragraph; the City population of 94,530 plus the employee base of (41,800 x 50%), results in a current Persons Served population of 115,430 for the City.

Both Approved and Proposed plans presented in this report will generate a Persons Served total, which will be used to calculate recurring fiscal revenue and expenditures to the City General fund. As indicated earlier, the Approved Plan consists of 10,000 square feet of small-suite service-oriented retail and quick-service restaurant spaces and 90,000 square feet of planned office space with parking to be developed on 2.51-acres of the proposed project site. As illustrated in **Table 1** below, this scenario projects 267 employees in retail and office development x (50%) resulting in 134 persons served. The persons served totals presented in this table are used in this Study to generate both revenue and expenditures totals to the City's General Fund as a result of the implementation of the Approved Plan scenario.

**Table 1: Persons Served (Approved Plan)**

Land Use <sup>1</sup>	Direct Employees	Persons Served
Ground-Floor Retail	8	4
Commercial Office and Parking	259	130
<b>Total</b>	<b>267</b>	<b>134</b>

Note:

1. Numbers may not sum due to rounding.

In contrast, the Proposed Plan scenario consists of a mix of apartments within the development. In this scenario, 6 of the 119 total units (5 percent of the total) would be designated as deed-restricted affordable units. The 2.51-acre subject property as indicated in **Table 2** below, generates 296 persons served. The persons served total presented in both of these tables are used throughout this Study to generate both revenue and expenditures totals to the City's General Fund due to the implementation of the Proposed Plan scenario.

Table 2: Persons Served (Proposed Plan)

Land Use <sup>1</sup>	Residents	Direct Employees	Persons Served
Ground-Floor Office Cowork <sup>2</sup>		3	2
Leasing Office		2	1
Apartments	278		278
Apartments Affordable	15		15
<b>Total</b>	<b>293</b>		<b>296</b>

**Notes:**

1. Numbers may not sum due to rounding.
2. Ground-Floor Office Cowork is "ready to use" office space that needs no additions or improvements to occupy. An example of this type of development is a ready-made "Executive Suite."

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 Citywide 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.

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.

### C Case Study Methodology

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 Citywide revenue factor. For purposes of this Study, all recurring revenues and costs are stated in current (un-inflated) 2023 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.

### D 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 15.15% of the basic 1% property tax levy, for Tax Rate Area ("TRA") 13151. Please refer to **Table 3** on the next page and **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 City 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 Citywide gross assessed valuation of taxable property from the prior fiscal year.

Property tax in lieu of VLF revenues constitutes 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 Citywide basis. **Table 3** presents details regarding the property tax assumptions utilized in the fiscal impact analysis.

**Table 3: Property Tax Assumptions**

Property Tax Assumptions	Approved Plan	Proposed Plan
<b>Assessed Valuation</b>		
Residential ( <i>Includes Estimated Exemptions</i> )	\$0	\$57,485,000
Non-Residential	\$28,720,000	\$597,750
<b>Secured Property Tax (<i>Assumptions Apply to Both Scenarios</i>)</b>		
<i>(As a Portion of the 1% General Property Tax Levy)</i>		
TRA 13151 City of San Marcos	8.832%	8.832%
TRA 13151 Fire District	6.319%	6.319%
<b>Combined Total</b>	<b>15.15%</b>	<b>15.15%</b>
<b>Unsecured Property Tax (<i>Assumptions Apply to Both Scenarios</i>)</b>		
Residential	2.75%	2.75%
Non-Residential	10.0%	10.0%
<b>Property Transfer Tax (<i>Assumptions Apply to Both Scenarios</i>)</b>		
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%
<b>Property Tax in Lieu of Vehicle License Fee (VLF) (<i>Assumptions Apply to Both Scenarios</i>)</b>		
Total City 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 (2018) publication and total estimated taxable sales for the Project, based on development assumptions provided by the City and the Zonda 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 (2018), DTA assumed that each on-site employee spends approximately \$5,945 annually within the City, while local household Residential spending is expected to range from \$6,969 to \$14,752 depending on income levels within the City. The assumed capture rate for employee spending in the City is 50%. Sales tax assumptions presented in this Study are summarized in **Table 4** below.

Table 4: Sales Tax Assumptions

Sales Tax Assumptions	Approved Plan	Proposed Plan
Percentage of Sales Tax Passed through City of San Marcos	1.00%	1.00%
Local Employee Spending	\$5,945	\$5,945
Local Residential Spending (Apartment) <sup>1</sup>	-	\$14,752
Local Residential Spending (Affordable Apartments) <sup>1</sup>	-	\$6,969
Capture Rate of Retail Spending (Within the City)	50%	50%
Displacement Rate (Approved Taxable Sales Within the City)	20%	20%
Taxable Sales Per Square Foot – Ground-Floor Retail	\$300	\$0

**Notes:**

1. Residential spending based on San Diego County Area Median Income levels.

#### 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 5** below and **Exhibit 7 of Appendix A** summarize the CFD assumptions utilized for the Approved Plan and the Proposed Plan.

**Table 5: CFD Assumptions**

CFD	Approved Plan	Proposed Plan	Fund Designation
<b>CFD 98-01 IA 1</b>			General Fund
Commercial (per Acre)	\$1,260.31		
Office (per Acre)	\$2,520.62		
Residential (per Unit)		\$180.04	
<b>CFD 98-02 (Zones A-E)</b>			Non-General Fund
Commercial (per Acre)	\$1,105.32		
Office (per Acre)	\$1,105.32		
Residential (Per Unit)		\$247.60	
<b>CFD 98-02 (Zone F)</b>			Non-General Fund
Commercial (per Acre)	N/A		
Office (per Acre)	N/A		
Residential (per Unit)		N/A	
<b>CFD 2001-01</b>			General Fund
Commercial (per Acre)	\$1,165.03		
Office (per Acre)	\$2,330.07		
Residential (per Unit)		\$166.43	
<b>CFD 2011-01</b>			Non-General Fund
Commercial (per Sq. Ft.)	\$0.372		
Office (per Sq. Ft.)	\$0.372		
Residential (per Unit)		\$354.11	

## **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 6** 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 6: General Fund Revenues (Multiplier Method)**

Revenue Category	Amount	Methodology	Discount
Franchise Fees	\$36.90	Persons Served	0%
Licenses and Permits	\$11.95	Persons Served	0%
Fines and Forfeitures	\$2.55	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 \$36.90 per persons served. This number represents the marginal increase in revenue per additional persons served in this category.

### **B.2 Licenses and Permits**

Although Licenses and Permits made up only a small portion of the City's revenue in FY 2022-2023, it 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 \$11.95 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 \$2.55 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 26.07%. This is based on total general government expenditures of \$20,080,196 and non-general government expenditures of \$77,015,563. 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, Parks and Recreation, and other Financing Sources.

## D Analysis of Recurring Costs – Multiplier Method

Table 7 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 7: General Fund Costs (Multiplier Method)**

Categories	Amount	Methodology	Discount
Public Works	\$98.23	Persons Served	0%
Development Services	\$62.55	Persons Served	0%
Public Safety	\$334.20	Persons Served	0%
Parks and Recreation	\$16.24	Persons Served	0%
Other Financing Sources	\$1.10	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 \$98.23 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 Approved 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 ("NPDES") 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 \$62.55 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 \$334.20 per persons served using the *Per Capita/Employee Multiplier* approach.

### **D.4 Parks and Recreation**

The Parks 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 Parks and Recreation multiplier at \$16.24 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. In FY 2022-23 it is projected to have a combined multiplier of \$1.10 per persons served using the *Per Capita/Employee Multiplier* approach as no other financing sources were reported in the 2022-2023 budget. However, as explained in the earlier Scope and Methodology section, a discount rate of 90% would have been 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

### A Total Recurring Revenues

Under the Approved Plan, total annual incremental recurring revenues are projected to total \$155,667. Secured Property Tax revenue makes up the largest percentage total (55.9%). In addition, as shown in the table below, Direct and Indirect Sales Tax (18.0%) also make up significant portions of the revenue to the City.

Under the Proposed Plan, annual incremental recurring revenues total \$206,155. As illustrated below in **Table 8**, the largest percentage of revenue generated under the Proposed Plan is attributed to Secured Property Tax revenue (43.1%). Other areas making up a significant portion of the revenue to the City include Property In Lieu of Vehicle License fee (18.3%) and CFD Revenues (20.1%). **Exhibits 1 and 11**, in **Appendix A** provide additional details regarding all recurring revenues and the assumptions used in their derivation.

Table 8: Recurring Fiscal Revenues (City General Fund)

Revenue Category	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Secured Property Tax	\$87,027	55.9%	\$88,907	43.1%
Unsecured Property Tax	\$4,351	2.8%	\$2,486	1.2%
Property Transfer Tax	\$790	0.5%	\$3,178	1.5%
Property In Lieu of Vehicle License Fee	\$18,049	11.6%	\$37,703	18.3%
Direct and Indirect Sales tax	\$27,983	18.0%	\$17,325	8.4%
Franchise Fees	\$4,945	3.2%	\$10,913	5.3%
Licenses and Permits	\$1,601	1.0%	\$3,534	1.7%
Fines and Forfeitures	\$342	0.2%	\$754	0.4%
CFD Revenue	\$10,579	6.8%	\$41,356	20.1%
<b>Total Revenues</b>	<b>\$155,667</b>	<b>100.0%</b>	<b>\$206,155</b>	<b>100.0%</b>

### B Total Recurring Costs

As illustrated in **Table 9** below, under the Approved Plan, the total annual incremental recurring costs are projected to be \$92,858 per year. Public Safety (48.2%), Public Works (14.2%) and General Government (26.1%) make up the largest cost percentages in this category. Under the Proposed Plan, the total annual recurring costs are projected to be \$204,938 per year. Like the Approved Plan, the largest annual costs are expected to be Public Safety, General Government, and Public Works. **Exhibits 1 and 12**, in **Appendix A** provide additional details about all recurring costs and the assumptions used in their derivation.

**Table 9: Recurring Fiscal Costs (City General Fund)**

Categories	Approved Plan		Proposed Plan	
	Amount	Percent	Amount	Percent
Public Works	\$13,163	14.2%	\$29,051	14.2%
Development Services	\$8,378	9.0%	\$18,490	9.0%
Public Safety	\$44,783	48.2%	\$98,836	48.2%
Parks and Recreation	\$2,176	2.3%	\$4,803	2.3%
Other Financing Sources	\$147	0.2%	\$325	0.2%
General Government	\$24,211	26.1%	\$53,433	26.1%
<b>Total Revenues</b>	<b>\$92,858</b>	<b>100.0%</b>	<b>\$204,938</b>	<b>100.0%</b>

### C Overall Net Fiscal Impact

In **Table 10** presented below, under the Approved Plan the overall fiscal impact to the City General Fund, resulting from revenues generated by development is an annual recurring fiscal surplus of \$62,809. This total is based on \$155,667 in recurring annual revenue and \$92,858 in recurring annual costs. In this analysis, the total annual revenue-to-cost ratio is projected to equal 1.68, which represents a positive fiscal impact to the City.

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 \$1,217. This amount is based on \$206,155 in recurring annual revenues and \$204,938 in recurring current annual costs (expenditures). In this analysis, the total annual revenue-to-cost ratio is projected to equal 1.01, which also represents a positive fiscal impact to the City.

**Table 10: Annual Net Fiscal Impact (City General Fund)**

Fiscal Impact	Approved Plan	Proposed Plan
Total Recurring General Fund Revenues	\$155,667	\$206,155
Total Recurring General Fund Expenditures	<b>(\$92,858)</b>	<b>(\$204,938)</b>
Net Fiscal Impact	\$62,809	\$1,217
<b>Revenue-to-Expense Ratio</b>	<b>1.68</b>	<b>1.01</b>

#### Notes

1. Assumes both residential and non-residential development is at full capacity.

#### **D Market Considerations**

The primary advantage of the Proposed Plan over the Approved Plan is that the site can provide new rental apartment products to San Marcos, which currently does not have new rental multi-family product and limited multi-family for-sale communities. Additional advantages are proximity to Grand Plaza and nearby retail, services, and food supports apartment tenancy at this location. Site access via Capalina Road and West Mission Blvd affords optimum traffic flow for residents entering and leaving the apartment complex and comparable apartments in the submarket have healthy occupancy rates above 94.5%. The proposed plan also maximizes tax revenue potential at the site and provides much needed income-restricted housing units in the City. In contrast, the approved plan does not maximize the tax revenue potential of the area, in addition, office development is not found in the vicinity as it is geared more toward light industrial, retail, and residential. (High office vacancies and several unused spaces limit potential revenue) In addition, the office development proposed for the Approved Plan has not been a viable use for this property as evidenced by the fact that it has been vacant and has remained undeveloped for so many years.

# **APPENDIX A**

City of San Marcos  
Catalina Apartments  
Fiscal Impact Report



## **FISCAL IMPACT STUDY**

**CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
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  
CAPALINA APARTMENTS  
FISCAL IMPACT SUMMARY**

<b>RECURRING GENERAL FUND REVENUES <sup>1</sup></b>	<b>APPROVED PLAN</b>		<b>PROPOSED PLAN</b>	
	<b>AMOUNT</b>	<b>% OF TOTAL</b>	<b>AMOUNT</b>	<b>% OF TOTAL</b>
SECURED PROPERTY TAX	\$87,027	55.9%	\$88,907	43.1%
UNSECURED PROPERTY TAX	\$4,351	2.8%	\$2,486	1.2%
PROPERTY TRANSFER TAX	\$790	0.5%	\$3,178	1.5%
PROPERTY TAX IN-LIEU OF VEHICLE LICENSE FEE	\$18,049	11.6%	\$37,703	18.3%
DIRECT AND INDIRECT SALES TAX	\$27,983	18.0%	\$17,325	8.4%
FRANCHISE FEES	\$4,945	3.2%	\$10,913	5.3%
LICENSES AND PERMITS	\$1,601	1.0%	\$3,534	1.7%
FINES AND FORFEITURES	\$342	0.2%	\$754	0.4%
CFD REVENUE	\$10,579	6.8%	\$41,356	20.1%
<b>TOTAL RECURRING GENERAL FUND REVENUES</b>	<b>\$155,667</b>	<b>100.0%</b>	<b>\$206,155</b>	<b>100.0%</b>

<b>RECURRING GENERAL FUND EXPENDITURES <sup>2</sup></b>	<b>APPROVED PLAN</b>		<b>PROPOSED PLAN</b>	
	<b>AMOUNT</b>	<b>% OF TOTAL</b>	<b>AMOUNT</b>	<b>% OF TOTAL</b>
PUBLIC WORKS	\$13,163	14.175%	\$29,051	14.176%
DEVELOPMENT SERVICES	\$8,378	9.022%	\$18,490	9.022%
PUBLIC SAFETY	\$44,783	48.227%	\$98,836	48.227%
PARKS AND RECREATION	\$2,176	2.343%	\$4,803	2.344%
OTHER FINANCING USES	\$147	0.158%	\$325	0.159%
GENERAL GOVERNMENT	\$24,211	26.073%	\$53,433	26.073%
<b>TOTAL RECURRING GENERAL FUND EXPENDITURES</b>	<b>\$92,858</b>	<b>100.0%</b>	<b>\$204,938</b>	<b>100.0%</b>

<b>NET FISCAL IMPACT <sup>3</sup></b>	<b>APPROVED PLAN</b>	<b>PROPOSED PLAN</b>
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TOTAL ANNUAL RECURRING GENERAL FUND SURPLUS/(DEFICIT) <sup>3</sup>	\$62,809	\$1,217
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TOTAL ANNUAL REVENUE/EXPENDITURE RATIO	<b>1.68</b>	<b>1.01</b>
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**NOTES:**

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

<sup>2</sup> Please see Exhibits 8 and 10 for the derivation of these calculations.

<sup>3</sup> Assumes both residential and non-residential development is at full capacity.

*\*All figures subject to rounding*

EXHIBIT 2																					
CITY OF SAN MARCOS																					
CAPALINA APARTMENTS																					
PROJECT SUMMARY																					
		APPROVED PLAN										PROPOSED PLAN									
TOTAL GROSS ACRES		BUILDING SPACE ACRES <sup>1</sup>	BUILDING SPACE SF <sup>1</sup>	ESTIMATED VALUE BSF	TOTAL ESTIMATED VALUE <sup>2</sup>	BUILDING SPACE ACRES <sup>1</sup>	UNITS <sup>1</sup>	BUILDING SPACE SF <sup>1</sup>	ESTIMATED VALUE BSF	ESTIMATED AVERAGE VALUATION <sup>1,3</sup>	TOTAL ESTIMATED VALUE <sup>2</sup>	BUILDING SPACE ACRES <sup>1</sup>	BUILDING SPACE SF <sup>1</sup>	ESTIMATED VALUE BSF	TOTAL ESTIMATED VALUE <sup>2</sup>	BUILDING SPACE ACRES <sup>1</sup>	UNITS <sup>1</sup>	BUILDING SPACE SF <sup>1</sup>	ESTIMATED VALUE BSF	ESTIMATED AVERAGE VALUATION <sup>1,3</sup>	TOTAL ESTIMATED VALUE <sup>2</sup>
LAND USE TYPE																					
GRAND TOTAL	2.51	2.30	100,000	\$287	\$28,720,000	0.00	0	0	\$0	\$0	\$0	0.04	1,600	\$374	\$597,750	2.36	119	102,860	\$599	\$497,689	\$57,485,000
NON-RESIDENTIAL		2.30	100,000		\$28,720,000																
GROUND FLOOR RETAIL		0.23	10,000	\$397	\$3,970,000																
COMMERCIAL OFFICE + PARKING		2.07	90,000	\$275	\$24,750,000																
RESIDENTIAL																					
NON-RESIDENTIAL												0.04	1,600		\$597,750						
GROWN FLOOR OFFICE COWORK												0.02	950	\$400	\$380,000						
LEASING OFFICE												0.01	650	\$335	\$217,750						
RESIDENTIAL																2.36	119	102,860		\$57,485,000	
APARTMENTS												2.26	113	98,370	\$580			\$505,000		\$51,005,000	
APARTMENTS AFFORDABLE												0.10	6	4,490	\$481			\$360,000		\$6,480,000	

NOTES

<sup>1</sup>Source: City of San Marcos.

<sup>2</sup>Source: Zonda Research

<sup>3</sup>“Estimated average sale price” refers to the Estimated closing price per Zonda assumptions.

<sup>4</sup>Source: Zonda Research, “Capalina Apartments 2023”.

\* Totals may not sum due to rounding

EXHIBIT 3

CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
CITY DEMOGRAPHICS

**POPULATION, HOUSEHOLDS, AND EMPLOYMENT (2023)**

POPULATION <sup>1</sup>	94,530
EMPLOYMENT <sup>2</sup>	41,800
<b>TOTAL PERSONS SERVED<sup>3</sup></b>	115,430
HOUSEHOLDS <sup>1</sup>	19,713
MFR AVERAGE HOUSEHOLD SIZE <sup>1</sup>	2.46

**NOTES**

<sup>1</sup> California Department of Finance, Housing and Population Information, January 1, 2023.

<sup>2</sup> Source: Calif. Employment Development Dept. January 2023

<sup>3</sup> Assumes City population plus 50% of employees.



EXHIBIT 4																				
CITY OF SAN MARCOS CAPALINA APARTMENTS PROJECT DEMOGRAPHICS																				
APPROVED PLAN											PROPOSED PLAN									
LAND USE TYPE	SF				PERSONS						SF				PERSONS					
	BSF	PER EMPLOYEE <sup>1</sup>	DIRECT EMPLOYEES	PERSONS SERVED	BSF	UNITS	PER HOUSEHOLD <sup>1</sup>	RESIDENTS	DIRECT EMPLOYEES	PERSONS SERVED	BSF	PER EMPLOYEE <sup>1</sup>	DIRECT EMPLOYEES	PERSONS SERVED	BSF	UNITS	PER HOUSEHOLD <sup>1</sup>	RESIDENTS	DIRECT EMPLOYEES	PERSONS SERVED
GRAND TOTAL	100,000		267	134							1,600	694	5	3	102,860	119	2.46	293	0	293
NON-RESIDENTIAL	100,000		267	134																
GROUND FLOOR RETAIL	10,000	1,221	8	4																
COMMERCIAL OFFICE + PARKING	90,000	347	259	130																
RESIDENTIAL																				
NON-RESIDENTIAL											1,600		5	3						
GROWN FLOOR OFFICE COWORK											950	347	3	2						
LEASING OFFICE											650	347	2	1						
RESIDENTIAL															102,860	119		293	0	293
APARTMENTS															98,370	113	2.46	278	0	278
APARTMENTS AFFORDABLE															4,490	6	2.46	15	0	15

NOTES

<sup>1</sup> Source: Zonda Research.

<sup>2</sup> Source: Commercial Buildings Energy Consumption Survey (CBECS), 2018.

*\*All figures subject to rounding*

**EXHIBIT 5  
CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
ESTIMATED PROPERTY TAX REVENUES (CASE STUDY)**

PROPERTY TAX SUMMARY		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN
<b>ALL PROPERTY TAXES</b>		
SECURED PROPERTY TAXES	\$87,027	\$88,907
UNSECURED PROPERTY TAXES	\$4,351	\$2,486
PROPERTY TRANSFER TAXES	\$790	\$3,178
PROPERTY TAX IN-LIEU OF VLF	\$18,049	\$37,703
<b>GRAND TOTAL ALL PROPERTY TAXES</b>	<b>\$110,217</b>	<b>\$132,273</b>
<b>RESIDENTIAL PROPERTY TAXES</b>		
SECURED PROPERTY TAXES	\$43,514	\$88,001
UNSECURED PROPERTY TAXES	\$0	\$2,395
PROPERTY TRANSFER TAXES	\$0	\$3,162
PROPERTY TAX IN-LIEU OF VLF	\$0	\$37,321
<b>TOTAL RESIDENTIAL PROPERTY TAXES</b>	<b>\$43,514</b>	<b>\$130,879</b>
<b>NON-RESIDENTIAL PROPERTY TAXES</b>		
SECURED PROPERTY TAXES	\$43,514	\$906
UNSECURED PROPERTY TAXES	\$4,351	\$91
PROPERTY TRANSFER TAXES	\$790	\$16
PROPERTY TAX IN-LIEU OF VLF	\$18,049	\$382
<b>TOTAL NON-RESIDENTIAL PROPERTY TAXES</b>	<b>\$66,704</b>	<b>\$1,395</b>

SECURED PROPERTY TAX CALCULATION		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN
<b>GRAND TOTAL</b>		
ESTIMATED BUILDOUT VALUE	\$28,720,000	\$58,082,750
ESTIMATED EXEMPTIONS	\$0	\$0
ESTIMATED ASSESSED VALUE	\$28,720,000	\$58,082,750
ESTIMATED SECURED PROPERTY TAXES	\$43,514	\$88,001
<b>RESIDENTIAL</b>		
ESTIMATED BUILDOUT VALUE	\$0	\$57,485,000
ESTIMATED EXEMPTIONS	\$0	\$0
HOMEOWNER'S EXEMPTION (ANNUALLY) <sup>1</sup>	\$7,000	
PERCENT OF SALE UNITS TAKING HOMEOWNER'S EXEMPTION <sup>1</sup>	0%	
ESTIMATED ASSESSED VALUE	\$0	\$57,485,000
ESTIMATED SECURED PROPERTY TAXES	\$0	\$87,095
<b>NON-RESIDENTIAL</b>		
ESTIMATED BUILDOUT VALUE	\$28,720,000	\$597,750
ESTIMATED EXEMPTIONS	\$0	\$0
ESTIMATED ASSESSED VALUE	\$28,720,000	\$597,750
ESTIMATED SECURED PROPERTY TAXES	\$43,514	\$906

UNSECURED PROPERTY TAX CALCULATION		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN
<b>GRAND TOTAL</b>		
	\$4,351	\$2,486
<b>RESIDENTIAL</b>		
ESTIMATED UNSECURED PROPERTY TAXES	\$0	\$2,395
UNSECURED TAXES AS A % OF SECURED	2.75%	
<b>NON-RESIDENTIAL</b>		
ESTIMATED UNSECURED PROPERTY TAXES	\$4,351	\$91
UNSECURED TAXES AS A % OF SECURED	10.00%	

**EXHIBIT 5 - CONTINUED**

**CITY OF SAN MARCOS**  
**CAPALINA APARTMENTS**  
**ESTIMATED PROPERTY TAX REVENUES (CASE STUDY)**

PROPERTY TRANSFER TAX CALCULATION		
LAND USE TYPE	APPROVED PLAN	PROPOSED PLAN
<b>GRAND TOTAL</b>	\$790	\$3,178
<b>RESIDENTIAL</b>		
ESTIMATED PROPERTY TRANSFER TAXES	\$0	\$3,162
ESTIMATED BUILDOUT VALUE	<b>\$0</b>	<b>\$57,485,000</b>
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%	
<b>NON-RESIDENTIAL</b>		
ESTIMATED PROPERTY TRANSFER TAXES	\$790	\$16
ESTIMATED BUILDOUT VALUE	<b>\$28,720,000</b>	<b>\$597,750</b>
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
<b>GRAND TOTAL</b>	\$18,049	\$37,703
<b>RESIDENTIAL</b>		
ESTIMATED PROPERTY TAX IN-LIEU OF VLF	\$0	\$37,321
ESTIMATED BUILDOUT VALUE	\$0	\$57,485,000
ESTIMATED EXISTING ASSESSED VALUE	<b>\$0</b>	<b>\$1,728,532</b>
PROPERTY TAX IN-LIEU OF VLF INCREASE PER \$1,000 OF AV	\$0.67	
<b>NON-RESIDENTIAL</b>		
ESTIMATED PROPERTY TAX IN-LIEU OF VLF	\$18,049	\$382
ESTIMATED BUILDOUT VALUE	\$28,720,000	\$597,750
ESTIMATED EXISTING ASSESSED VALUE	<b>\$1,755,420</b>	<b>\$26,888</b>
PROPERTY TAX IN-LIEU OF VLF INCREASE PER \$1,000 OF AV	\$0.67	

EXHIBIT 5 - CONTINUED

CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
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 <sup>3,4</sup>	8.832%
FIRE DISTRICT <sup>3,4</sup>	6.319%

**TOTAL** **15.150976%**

PROPERTY TRANSFER TAX RATE AND ALLOCATION <sup>5</sup>

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 <sup>6</sup>	\$7,756,621,947
TOTAL CITY PROPERTY TAX IN-LIEU VLF REVENUES <sup>6</sup>	\$5,191,930
PROPERTY TAX IN-LIEU OF VLF INCREASE PER \$1,000 OF AV	\$0.67

NOTES

<sup>1</sup> Estimate, subject to change.

<sup>2</sup> Based on typical DTA baseline assumptions.

<sup>3</sup> Based on "General Fund" levy for Tax Rate Area (TRA) 131151. Data provided by the County of San Diego Auditor-Controller's Office.

<sup>4</sup> Based on the average of the rates for TRA 13151.

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

<sup>6</sup> 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  
CAPALINA APARTMENTS  
ESTIMATED SALES TAX REVENUES (CASE STUDY)**

**SALES TAX SUMMARY**

<b>LAND USE TYPE</b>	<b>APPROVED PLAN</b>	<b>PROPOSED PLAN</b>
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<b>GRAND TOTAL</b>	<b>\$27,983</b>	<b>\$17,325</b>
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**RESIDENTIAL SALES TAXES**

DIRECT SALES TAX	NA	NA
INDIRECT SALES TAX - TAXABLE RESIDENT PURCHASES		
APARTMENTS	\$0	\$16,670
APARTMENTS AFFORDABLE	\$0	\$566
<b>TOTAL RESIDENTIAL SALES TAXES</b>	<b>\$0</b>	<b>\$17,236</b>

**NON-RESIDENTIAL SALES TAXES**

DIRECT SALES TAX <sup>1</sup>		
GROUND FLOOR RETAIL	\$24,000	NA
COMMERCIAL OFFICE + PARKING	\$0	NA
GROWN FLOOR OFFICE COWORK	\$0	\$0
LEASING OFFICE	\$0	\$0
INDIRECT SALES TAX - TAXABLE EMPLOYEE PURCHASES	\$3,983	\$89
<b>TOTAL NON-RESIDENTIAL SALES TAXES</b>	<b>\$27,983</b>	<b>\$89</b>

**DIRECT SALES TAX ASSUMPTIONS**

**TAXABLE SALES PER SF<sup>1</sup>**

GROUND FLOOR RETAIL	\$300.00	\$0.00
COMMERCIAL OFFICE + PARKING	\$0.00	\$0.00
GROWN FLOOR OFFICE COWORK	\$0.00	\$0.00

<b>DISPLACED TAXABLE SALES<sup>2</sup></b>	<b>20%</b>	<b>20%</b>
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<sup>1</sup> Based on typical DTA baseline assumptions.

<sup>2</sup> Based on typical DTA baseline assumptions.

**EXHIBIT 6 - CONTINUED**

**CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
ESTIMATED SALES TAX REVENUES (CASE STUDY)**

**RESIDENTIAL INDIRECT SALES TAX ASSUMPTIONS**

**RESIDENTIAL SALES TAX ASSUMPTIONS (RENTAL)**

DISPOSABLE INCOME PER HOUSEHOLD <sup>2</sup>	\$105,100
RETAIL TAXABLE EXPENDITURES (AS A % OF DISPOSABLE INCOME)	28.073%

**RESIDENTIAL SALES TAX ASSUMPTIONS (AFFORDABLE HOUSING)**

DISPOSABLE INCOME PER HOUSEHOLD <sup>2</sup>	\$49,650
RETAIL TAXABLE EXPENDITURES (AS A % OF DISPOSABLE INCOME)	37.97343%

**RESIDENTIAL / NON-RESIDENTIAL INDIRECT SALES TAX ASSUMPTIONS <sup>3</sup>**

EMPLOYEES (ANNUAL SPENDING PER EMPLOYEE) <sup>2</sup>	\$5,945
RESIDENTIAL (ANNUAL SPENDING PER HOUSEHOLD) RENTAL	\$14,752
RESIDENTIAL (ANNUAL SPENDING PER HOUSEHOLD) AFFORDABLE HOUSING	\$6,969

<sup>1</sup> Based on typical DTA baseline assumptions.

<sup>2</sup> San Diego Area Median Income (AMI) SD Housing and Community Development Services - Assumes a holdhold of 3 persons.

<sup>3</sup> Based on typical DTA baseline assumptions.

**EXHIBIT 6 - CONTINUED**

**CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
ESTIMATED SALES TAX REVENUES (CASE STUDY)**

**CITY INDIRECT SALES TAX ASSUMPTIONS**

<b>SALES TAX % TO CITY<sup>1</sup></b>	<b>1.00%</b>
<b>CITY RETAIL TAXABLE PURCHASE CAPTURE RATE <sup>2</sup></b>	<b>50%</b>

**SAMPLE PROPERTY TAX BILL**

<b>FY 2022-23 AD VALOREM PROPERTY TAX RATE ( )</b>	<b>1.12602%</b>
<b>PROPOSED SCHOOL CFD</b>	<b>0.00000%</b>
<b>CITY CFD SPECIAL TAXES</b>	<b>\$948.18</b>
<b>OTHER DIRECT ASSESSMENTS</b>	
<b>VECTOR CONTROL</b>	<b>\$7.92</b>
<b>CWA WATER AVAILABILITY</b>	<b>\$10.00</b>
<b>MOSQUITO SURVEILLANCE</b>	<b>\$2.28</b>
<b>MWD WATER STANDBY CHARGE</b>	<b>\$11.50</b>
<b>SEWER SERVICE CHARGE</b>	<b>\$467.88</b>
<b>TOTAL ETR</b>	<b>1.412706%</b>

**NOTES**

<sup>1</sup> Estimate, subject to change.

<sup>2</sup> Estimate, subject to change.

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

EXHIBIT 7								
CITY OF SAN MARCOS CAPALINA APARTMENTS ESTIMATED CFD SPECIAL TAX REVENUES (CASE STUDY)								
CFD SPECIAL TAX SUMMARY - GENERAL FUND IMPACTS								
LAND USE TYPE	APPROVED ACRES / SQ. FT.			PROPOSED ACRES / SQ FT/ UNITS			APPROVED	PROPOSED
	COMMERCIAL	OFFICE	RESIDENTIAL	COMMERCIAL	OFFICE	RESIDENTIAL	PLAN	PLAN
<b>TOTAL CFD SPECIAL TAXES</b>							<b>\$10,579</b>	<b>\$41,356</b>
<b>RESIDENTIAL CFD SPECIAL TAXES <sup>1</sup></b>								
CFD 98-01 IA 1						119	\$0.00	\$21,425
CFD 2001-01 (FIRE)						119	\$0.00	\$19,806
<b>TOTAL RESIDENTIAL CFD SPECIAL TAXES</b>							<b>\$0</b>	<b>\$41,230</b>
<b>NON-RESIDENTIAL CFD SPECIAL TAXES <sup>1</sup></b>								
CFD 98-01 IA 1	0.23	2.07		0.02	0.01		\$5,497	\$65
CFD 2001-01 (FIRE)	0.23	2.07		0.02	0.01		\$5,082	\$60
<b>TOTAL NON-RESIDENTIAL CFD SPECIAL TAXES</b>							<b>\$10,579</b>	<b>\$125</b>
CFD SPECIAL TAX SUMMARY - NON-GENERAL FUND IMPACTS (EXCLUDED FROM ANALYSIS)								
LAND USE TYPE	APPROVED ACRES / SQ. FT.			PROPOSED ACRES / SQ FT/ UNITS			APPROVED	PROPOSED
	COMMERCIAL	OFFICE	RESIDENTIAL	COMMERCIAL	OFFICE	RESIDENTIAL	PLAN	PLAN
<b>TOTAL CFD SPECIAL TAXES</b>							<b>\$39,697</b>	<b>\$72,239</b>
<b>RESIDENTIAL CFD SPECIAL TAXES <sup>1</sup></b>								
CFD 98-02 (ZONES A - E) <sup>2</sup>						119	\$0.00	\$29,464
CFD 98-02 (ZONE F) <sup>2,3</sup>						119	NA	NA
CFD 2011-01 <sup>2,4</sup>						119	\$0.00	\$42,139
<b>TOTAL RESIDENTIAL CFD SPECIAL TAXES</b>							<b>\$0</b>	<b>\$71,603</b>
<b>NON-RESIDENTIAL CFD SPECIAL TAXES <sup>1</sup></b>								
CFD 98-02 (ZONES A - E) <sup>2</sup>	0.23	2.07		0.02	0.01		\$2,537	\$41
CFD 98-02 (ZONE F) <sup>2,3</sup>							NA	NA
CFD 2011-01 <sup>2,5</sup>	10,000	90,000		950	650		\$37,160	\$595
<b>TOTAL NON-RESIDENTIAL CFD SPECIAL TAXES</b>							<b>\$39,697</b>	<b>\$635</b>
CFD SPECIAL TAX RATE ASSUMPTIONS								
LAND USE	FY 2022-23 SPECIAL TAX RATE							
	PER ACRE	PER SF	PER UNIT					
<b>RESIDENTIAL <sup>1</sup></b>								
CFD 98-01 IA 1			\$180.04					
CFD 2001-01 (FIRE)			\$166.43					
CFD 98-02 (ZONES A - E) <sup>2</sup>			\$247.60					
CFD 98-02 (ZONE F) <sup>2,3</sup>			NA					
CFD 2011-01 <sup>2,4</sup>			\$354.11					
<b>COMMERCIAL <sup>1</sup></b>								
CFD 98-01 IA 1	\$1,260.31							
CFD 2001-01 (FIRE)	\$1,165.03							
CFD 98-02 (ZONES A - E) <sup>2</sup>	\$1,105.32							
CFD 98-02 (ZONE F) <sup>2,3</sup>	N/A							
CFD 2011-01 <sup>2,5</sup>	\$0.3716							
<b>OFFICE <sup>1</sup></b>								
CFD 98-01 IA 1	\$2,520.62							
CFD 2001-01 (FIRE)	\$2,330.07							
CFD 98-02 (ZONES A - E) <sup>2</sup>	\$1,105.32							
CFD 98-02 (ZONE F) <sup>2,3</sup>	NA							
CFD 2011-01 <sup>2,5</sup>	\$0.3716							
<b>INDUSTRIAL <sup>1</sup></b>								
CFD 98-01 IA 1	\$954.24							
CFD 2001-01 (FIRE)	\$882.10							
CFD 98-02 (ZONES A - E) <sup>2</sup>	\$735.96							
CFD 98-02 (ZONE F) <sup>2,3</sup>	NA							
CFD 2011-01 <sup>2,5</sup>	\$0.8100							
<b>NOTES</b>								
<sup>1</sup> Source: City of San Marcos. Assumes Senior Residential property is charged as Commercial property under the RMA. Subject to confirmation by the City.								
<sup>2</sup> Special assessments collected from the CFD are deposited into Special Funds, not the General Fund. Therefore, these CFD revenues are excluded from this analysis.								
<sup>3</sup> No special tax rate for Zone F has been established for the project.								
<sup>4</sup> "Townhome" Rate, per dwelling unit								
<sup>5</sup> "Retail" Rate, per building square foot								
<b>*All figures subject to rounding</b>								



**EXHIBIT 8**

**CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
ESTIMATED GENERAL GOVERNMENT EXPENDITURES (CASE STUDY)**

**GENERAL GOVERNMENT EXPENDITURES CALCULATION**

	<b>APPROVED PLAN</b>	<b>PROPOSED PLAN</b>
--	--------------------------	--------------------------

ESTIMATED RECURRING GENERAL GOVERNMENT OVERHEAD EXPENDITURES <sup>1</sup>	\$24,211	\$53,433
---	----------	----------

**GENERAL GOVERNMENT ASSUMPTIONS**

TOTAL RECURRING CITY GENERAL FUND EXPENDITURES (EXCLUDING GENERAL GOVERNMENT OVERHEAD) <sup>2</sup>	\$56,935,367
TOTAL RECURRING CITY GENERAL GOVERNMENT OVERHEAD <sup>3</sup>	\$20,080,196
TOTAL RECURRING GENERAL FUND EXPENDITURES	\$77,015,563
RECURRING CITY GENERAL GOVERNMENT OVERHEAD (% OF TOTAL RECURRING GENERAL FUND EXPENDITURES) <sup>3</sup>	35.27%
MARGINAL INCREASE IN GENERAL GOVERNMENT COSTS	100%

**NOTES**

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

<sup>2</sup> Based on City of San Marcos Operating Budget, Fiscal Year 2022-23.

<sup>3</sup> 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  
CAPALINA APARTMENTS  
ESTIMATED MULTIPLIER BASED GENERAL FUND REVENUES**

**MULTIPLIER BASED GENERAL FUND REVENUE SUMMARY**

<b>REVENUE CATEGORY</b>	<b>APPROVED PLAN</b>	<b>PROPOSED PLAN</b>
FRANCHISE FEES	\$4,945	\$10,913
LICENSES AND PERMITS	\$1,601	\$3,534
FINES AND FORFEITURES	\$342	\$754
<b>TOTAL ESTIMATED MULTIPLIER REVENUES</b>	<b>\$6,888</b>	<b>\$15,201</b>

**MULTIPLIER BASED REVENUE ASSUMPTIONS**

<b>REVENUE CATEGORY</b>	<b>MULTIPLIER<sup>1</sup></b>	<b>BASIS</b>
SALES TAX	NA	CASE STUDY
PROPERTY TAX	NA	CASE STUDY
FRANCHISE FEES	\$36.90	PERSONS SERVED
LICENSES AND PERMITS	\$11.95	PERSONS SERVED
FINES AND FORFEITURES	\$2.55	PERSONS SERVED

**NOTES**

<sup>1</sup> Based on City of San Marcos Operating Budget, Fiscal Year 2022-23

*\*All figures subject to rounding*

**EXHIBIT 10**

**CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
ESTIMATED MULTIPLIER BASED GENERAL FUND EXPENDITURES**

**MULTIPLIER BASED GENERAL FUND EXPENDITURE SUMMARY**

<b>EXPENDITURE CATEGORY</b>	<b>APPROVED PLAN</b>	<b>PROPOSED PLAN</b>
PUBLIC WORKS	\$13,163	\$29,051
DEVELOPMENT SERVICES	\$8,378	\$18,490
PUBLIC SAFETY	\$44,783	\$98,836
PARKS AND RECREATION	\$2,176	\$4,803
OTHER FINANCING USES	\$147	\$325
<b>TOTAL MULTIPLIER EXPENDITURES</b>	<b>\$68,647</b>	<b>\$151,505</b>

**MULTIPLIER BASED EXPENDITURE ASSUMPTIONS**

<b>EXPENDITURE CATEGORY</b>	<b>MULTIPLIER<sup>1</sup></b>	<b>BASIS</b>
PUBLIC WORKS	\$98.23	PERSONS SERVED
DEVELOPMENT SERVICES	\$62.52	PERSONS SERVED
PUBLIC SAFETY	\$334.20	PERSONS SERVED
PARKS AND RECREATION	\$16.24	PERSONS SERVED
OTHER FINANCING USES	\$1.10	PERSONS SERVED

**NOTES**

<sup>1</sup> Based on City of San Marcos Operating Budget, Fiscal Year 2022-23

*\*All figures subject to rounding*

**EXHIBIT 11**  
**CAPALINA APARTMENTS**  
**CITY OF SAN MARCOS**  
**FY 2022-23 GENERAL FUND REVENUE SUMMARY**

REVENUE CATEGORY	TOTAL REVENUES	REVENUE TYPE	PROJECTION METHOD	DISCOUNT <sup>1</sup>	MULTIPLIER
<b>REVENUES INCLUDED IN FISCAL IMPACT ANALYSIS</b>					
SALES TAX	\$21,889,400	RECURRING	CASE STUDY	NA	NA
PROPERTY TAX	\$27,358,117	RECURRING	CASE STUDY	NA	NA
SPECIAL TAXES/ASSESSMENTS	\$6,337,000	RECURRING	CASE STUDY	NA	NA
TRANSIENT OCCUPANCY TAX	\$738,866	RECURRING	CASE STUDY	0%	NA
FRANCHISE FEES	\$4,259,027	RECURRING	PERSONS SERVED	0%	\$36.90
LICENSES AND PERMITS	\$1,379,350	RECURRING	PERSONS SERVED	0%	\$11.95
FINES AND FORFEITURES	\$293,800	RECURRING	PERSONS SERVED	0%	\$2.55
<b>TOTAL INCLUDED GENERAL FUND REVENUES</b>	<b>\$62,255,560</b>				<b>\$51.40</b>
<b>CHARGES FOR SERVICES <sup>3</sup></b>					
DEDUCTED FROM GENERAL GOV'T CHARGES	\$1,511,735	NA	NA	NA	NA
DEDUCTED FROM PUBLIC WORKS	\$1,079,532	NA	NA	NA	NA
DEDUCTED FROM DEVELOPMENT SERVICES	\$728,914	NA	NA	NA	NA
DEDUCTED FROM PUBLIC SAFETY: BUILDING REGULATION CHARGES	\$5,575,806	NA	NA	NA	NA
DEDUCTED FROM PARKS AND RECREATION	\$2,580,842	NA	NA	NA	NA
<b>TOTAL CHARGES FOR SERVICES</b>	<b>\$11,476,830</b>				
<b>REVENUES EXCLUDED FROM FISCAL IMPACT ANALYSIS</b>					
USE OF MONEY AND PROPERTY <sup>4</sup>	\$1,791,000	NA	NA	NA	NA
MISCELLANEOUS REVENUES	\$214,560	NA	NA	NA	NA
OTHER FINANCING SOURCES	\$6,479,300	NA	NA	NA	NA
INTERGOVERNMENTAL REVENUES	\$7,194,643	NA	NA	NA	NA
DEVELOPER FEES	\$11,500	NA	NA	NA	NA
<b>TOTAL EXCLUDED GENERAL FUND REVENUES</b>	<b>\$15,691,003</b>				
<b>TOTAL GENERAL FUND REVENUES + CHARGES FOR SERVICES</b>	<b>\$89,423,393</b>				
<b>TOTAL RECURRING GENERAL FUND REVENUES</b>	<b>\$62,255,560</b>				

**NOTES**

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

<sup>2</sup> Source: FY 2022-23 Budget.

<sup>3</sup> All Charges for Services are deducted from expenditures on Exhibit 12.

<sup>4</sup> Interest income is modeled on a case study basis on Exhibit 8.

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

**EXHIBIT 12**  
**CAPALINA APARTMENTS**  
**CITY OF SAN MARCOS**  
**FY 2022-23 GENERAL FUND EXPENDITURE SUMMARY**

EXPENDITURE CATEGORY	TOTAL EXPENDITURES	CHARGES FOR SERVICES ADJUSTMENT	EXPENDITURE TYPE	PROJECTION METHOD <sup>1</sup>	DISCOUNT <sup>2</sup>	MULTIPLIER
<b>EXPENDITURES INCLUDED IN FISCAL IMPACT ANALYSIS</b>						
<b>GENERAL GOVERNMENT EXPENDITURES</b>						
CITY COUNCIL	\$283,294		RECURRING	CASE STUDY	NA	NA
ADMINISTRATION	\$10,266,224		RECURRING	CASE STUDY	NA	NA
ECONOMIC DEVELOPMENT	\$335,896		RECURRING	CASE STUDY	NA	NA
CITY ATTORNEY	\$940,000		RECURRING	CASE STUDY	NA	NA
CITY CLERK	\$1,165,490		RECURRING	CASE STUDY	NA	NA
HUMAN RESOURCES/ RISK MANAGEMENT	\$4,096,247		RECURRING	CASE STUDY	NA	NA
FINANCE/ INFORMATION SYSTEMS	\$4,363,173		RECURRING	CASE STUDY	NA	NA
REAL PROPERTY SERVICES	\$141,607		RECURRING	CASE STUDY	NA	NA
<b>TOTAL GENERAL GOVERNMENT EXPENDITURES</b>	<b>\$21,591,931</b>	<b>(\$1,511,735)</b>				
		<b>\$20,080,196</b>				<b>\$0.00</b>
<b>PUBLIC WORKS</b>						
OPERATIONS	\$10,259,077	\$1,079,532	RECURRING	PERSONS SERVED	0%	\$98.23
ENGINEERING	\$0	\$0	RECURRING	PERSONS SERVED	0%	\$0.00
STORMWATER PROGRAM MANAGEMENT	\$0	\$0	RECURRING	PERSONS SERVED	0%	\$0.00
<b>TOTAL PUBLIC WORKS</b>	<b>\$10,259,077</b>	<b>(\$1,079,532)</b>	RECURRING	PERSONS SERVED	0%	
		<b>\$9,179,545</b>		<b>PERSONS SERVED</b>	<b>0%</b>	<b>\$98.23</b>
<b>DEVELOPMENT SERVICES</b>						
ADMINISTRATION	\$1,494,468	(\$122,656)	RECURRING	PERSONS SERVED	0%	\$11.88
PLANNING	\$1,484,910	(\$121,872)	RECURRING	PERSONS SERVED	0%	\$11.81
BUILDING	\$1,491,629	(\$122,423)	RECURRING	PERSONS SERVED	0%	\$11.86
ENGINEERING	\$2,386,017	(\$195,829)	RECURRING	PERSONS SERVED	0%	\$18.97
WATERSHED PROGRAM MANAGEMENT	\$923,403		RECURRING	PERSONS SERVED	0%	\$8.00
<b>TOTAL DEVELOPMENT SERVICES</b>	<b>\$7,780,427</b>	<b>(\$728,914)</b>				
		<b>\$7,051,513</b>		<b>PERSONS SERVED</b>	<b>0%</b>	<b>\$62.52</b>
<b>PUBLIC SAFETY</b>						
FIRE DEPARTMENT	\$20,086,339	(\$2,257,584)	RECURRING	PERSONS SERVED	0%	\$154.46
LAW ENFORCEMENT	\$23,374,137	(\$2,627,113)	RECURRING	PERSONS SERVED	0%	\$179.74
<b>TOTAL PUBLIC SAFETY</b>	<b>\$43,460,476</b>	<b>(\$5,575,806)</b>				
		<b>\$37,884,670</b>		<b>PERSONS SERVED</b>	<b>0%</b>	<b>\$334.20</b>
<b>PARKS AND RECREATION</b>						
COMMUNITY SERVICES	\$4,135,137	(\$2,260,952)	RECURRING	PERSONS SERVED	0%	\$16.24
<b>TOTAL PARKS AND RECREATION</b>	<b>\$4,135,137</b>	<b>(\$2,580,842)</b>				
		<b>\$1,554,295</b>		<b>PERSONS SERVED</b>	<b>0%</b>	<b>\$16.24</b>
<b>OTHER FINANCING USES</b>						
ANNUAL REPLACEMENT/REHAB TRANSFERS	\$1,265,345		RECURRING	PERSONS SERVED	90%	\$1.10
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$1,265,345</b>	<b>\$0</b>				
		<b>\$1,265,345</b>		<b>PERSONS SERVED</b>	<b>90%</b>	<b>\$1.10</b>
<b>TOTAL INCLUDED EXPENDITURES</b>	<b>\$88,492,393</b>	<b>\$77,015,563</b>				
<b>EXPENDITURES EXCLUDED FROM FISCAL IMPACT ANALYSIS</b>						
TRANSFERS OUT	\$931,000		NA	NA	NA	NA
<b>TOTAL EXCLUDED GENERAL FUND EXPENDITURES</b>	<b>\$931,000</b>					
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$89,423,393</b>	<b>\$77,015,563</b>		<b>Ratio</b>		
				26.07%		

**NOTES**

<sup>1</sup> Persons Served method assumes City population plus 50% of employees.

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

\* Source: FY 2022-23 Budget.

\*All figures subject to rounding



18201 VON KARMAN AVENUE, SUITE 220  
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# DRAFT ECONOMIC IMPACT STUDY

CITY OF SAN MARCOS

CAPALINA APARTMENTS

SAN MARCOS, CALIFORNIA

October 6, 2023

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## **ECONOMIC IMPACT REPORT CAPALINA APARTMENTS**

**Prepared for:**

**City of San Marcos**

**1 Civic Center Drive**

**San Marcos, CA 92069**

**Attention: Chris Garcia, Senior Planner**



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## **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") from the zoning and land use change proposed for the development on the 2.51-acre property (the "Project").

The project site (APN 219-115-33-00) is located on Capalina Road and immediately south of West Mission Blvd, with frontage on both roads, north of Highway 78. Under the Existing Land Use Designation Alternative, the project site is designated Mixed-Use-3 (MU-3) with a mix of commercial retail and office space and envisioned as ground-floor neighborhood supportive retail with office suites on the ground floor and upper level(s) in a two- or three-story building configuration. Based on the market analysis prepared by Zonda Advisory (the "Zonda Analysis"), under (the "Approved Plan") it has been assumed that the alternative scenario would include 10,000 square feet of small-suite service-oriented retail and quick-service restaurant spaces and 90,000 square feet of planned office space with parking. Throughout this Study, the term "Approved Plan" refers to a hypothetical development scenario under current City zoning laws. It does not imply the approval of any plans submitted to the City.

Specifically, the proposed project (the "Proposed Plan") consists of 119 residential apartments (47.4 dwelling units/acre). The project will have 11 studio plans, 53 one-bedroom plans, 47 two-bedroom plans, and 8 three-bedroom plans. Six of the units will be affordable at the very low-income level (30-50%) of the Area Median Income or AMI. The ground floor of the building fronting Capalina Apartments will offer a leasing office of 650 square feet and a coworking office space of 950 square feet. There are 142 parking spaces for the residents and 5 spaces for commercial land use.

The project applicant is requesting approval of a General Plan Amendment (GPA22-20003) and Rezone (R22-0003) to change the designation of the site from Mixed-Use 3 (MU-3) to Mixed-Use 2 (MU-2) and a Site Development Plan (SDP22-0007). If approved, these entitlements would allow for the development of 119 apartment units and 4,000 square feet of commercial use. However, aside from the 950 square feet of coworking area and 650 square foot leasing office, most of the commercial space including a 1,250 square foot fitness / meeting center is included in the apartment-serving amenity common area.

The project site is located within the SM-7 Mixed Use Transit Corridor as identified in the San Diego Association of Governments (SANDAG) Smart Growth Concept Map for North County. The project applicant will utilize the State Density Bonus Program and a minimum of 5% of the units will be affordable housing units, as defined under the State Density Bonus Law, California Government Code (Section 65915 – 65918) as enacted by California Assembly Bill No. 2345 (State Density Bonus). The Density Bonus Law allows for parking reductions and, in addition, the allowance of "incentives" or "concessions" from the local jurisdiction to assist with the construction and economic viability of the project.

Chapter 20.305 of the City's Zoning Ordinance addresses the Density Bonus law and states that it is the intent of the City to encourage and facilitate development of affordable housing and to implement the goals, objectives, and policies of the City's Housing Element. The proposed project will rely on the State Density Bonus law parking ratios for residential parking. For the commercial parking, the proposed project will use an incentive, as provided by the State Density Bonus law, in order to reduce the proposed commercial parking from 12 spaces to 5 spaces. The proposed project is also requesting waivers for development standards relating to minimum floor area ratio (FAR) and setbacks. 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. 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 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.

For the purpose of this Economic Study, it is assumed that both residential and non-residential development is at full capacity – where non-residential development is 100% occupied and all residential development is fully leased. This allows the City to make a comparison of the revenue and costs between two fully built out scenarios on the General Fund and avoids any bias that may occur due to estimated occupancy and vacancy rates.

## **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, both recurring permanent employees and permanent Gross Receipts are higher under the Approved Plan. The number of direct employees listed in the Tables below, specifically 267 for the Approved Plan and seven (7) for the Proposed Plan, refer solely to Direct Employment as opposed to the Employment totals presented in Tables ES-3 and ES-4, which refer to both Direct and Indirect/Induced Total Employees.

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

Recurring Impacts	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	267	122	389
Overall Output			
City of San Marcos	\$33,547,509	\$16,318,491	\$49,866,000

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

Recurring Impacts	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	5	2	7
Overall Output			
City of San Marcos	\$2,360,791	\$1,552,939	\$3,913,730

In addition, DTA has estimated with both residential and non-residential development at full capacity, the direct and indirect/induced effects on the City's General plan total \$49,866,000 for the Approved Plan and \$3,913,730 for the Proposed Plan. Again, this assumes that both residential and non-residential development is at full capacity, where non-residential development is 100% occupied and all residential development is fully leased.

### C.2 One-Time Impacts

The number of one-time construction employees is somewhat higher under the Approved Plan than the Proposed Plan. In addition, the Gross receipts are also expected to be slightly higher under the Proposed Plan. 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
<b>Employees</b>			
City of San Marcos	161	66	227
<b>Overall Output</b>			
City of San Marcos	\$24,412,000	\$9,895,404	\$34,307,404

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

One-Time Impact	Direct	Indirect/Induced	Total
<b>Employees</b>			
City of San Marcos	120	78	198
<b>Overall Output</b>			
City of San Marcos	\$21,333,088	\$10,644,387	\$31,977,475

## **D Market Considerations**

The Primary advantage of the Proposed Plan over the Approved Plan is that the site can provide new rental apartment products to San Marcos, which currently does not have new rental multi-family product and limited multi-family for-sale communities. Additional advantages are proximity to Grand Plaza and nearby retail, services, and food supports apartment tenancy at this location. Site access via Capalina Road and West Mission Blvd affords optimum traffic flow for residents entering and leaving the apartment complex and comparable apartments in the submarket have healthy occupancy rates above 94.5%. The proposed plan also maximizes tax revenue potential at the site and provides much needed income-restricted housing units in the City. In contrast, the approved plan does not maximize the tax revenue potential of the area, in addition, office development is not found in the vicinity as it is geared more toward light industrial, retail, and residential. (High office vacancies and several unused spaces limit potential revenue) In addition, the office development proposed for the Approved Plan has not been a viable use for this property as evidenced by the fact that it has been vacant and has remained undeveloped for so many years.

## **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”) from the zoning and land use change proposed for the development on the 2.51-acre property (the “Project”).

The project site (APN 219-115-33-00) is located on Capalina Road and immediately south of West Mission Blvd, with frontage on both roads, north of Highway 78. Under the Existing Land Use Designation Alternative, the project site is designated Mixed-Use-3 (MU-3) with a mix of commercial retail and office space and envisioned as ground-floor neighborhood supportive retail with office suites on the ground floor and upper level(s) in a two- or three-story building configuration. Based on the market analysis prepared by Zonda Advisory (the “Zonda Analysis”), under (the “Approved Plan”) it has been assumed that the alternative scenario would include 10,000 square feet of small-suite service-oriented retail and quick-service restaurant spaces and 90,000 square feet of planned office space with parking. Throughout this Study, the term “Approved Plan” refers to a hypothetical development scenario under current City zoning laws. It does not imply the approval of any plans submitted to the City.

Specifically, the proposed project (the “Proposed Plan”) consists of 119 residential apartments (47.4 dwelling units/acre). The project will have 11 studio plans, 53 one-bedroom plans, 47 two-bedroom plans, and 8 three-bedroom plans. Six of the units will be affordable at the very low-income level (30-50%) of the Area Median Income or AMI. The ground floor of the building fronting Capalina Apartments will offer a leasing office of 650 square feet and a coworking office space of 950 square feet. There are 142 parking spaces for the residents and 5 spaces for commercial land use.

The project applicant is requesting approval of a General Plan Amendment (GPA22-20003) and Rezone (R22-0003) to change the designation of the site from Mixed-Use 3 (MU-3) to Mixed-Use 2 (MU-2) and a Site Development Plan (SDP22-0007). If approved, these entitlements would allow for the development of 119 apartment units and 4,000 square feet square feet of commercial use. However, aside from the 950 square feet of coworking area and 650 square foot leasing office, most of the commercial space including a 1,250 square foot fitness / meeting center is included in the apartment-serving amenity common area.

The project site is located within the SM-7 Mixed Use Transit Corridor as identified in the San Diego Association of Governments (SANDAG) Smart Growth Concept Map for North County. The project applicant will utilize the State Density Bonus Program and a minimum of 5% of the units will be affordable housing units, as defined under the State Density Bonus Law, California Government Code (Section 65915 – 65918) as enacted by California Assembly Bill No. 2345 (State Density Bonus). The Density Bonus Law allows for parking reductions and, in addition, the allowance of “incentives” or “concessions”



from the local jurisdiction to assist with the construction and economic viability of the project.

Chapter 20.305 of the City's Zoning Ordinance addresses the Density Bonus law and states that it is the intent of the City to encourage and facilitate development of affordable housing and to implement the goals, objectives, and policies of the City's Housing Element. The proposed project will rely on the State Density Bonus law parking ratios for residential parking. For the commercial parking, the proposed project will use an incentive, as provided by the State Density Bonus law, in order to reduce the proposed commercial parking from 12 spaces to 5 spaces. The proposed project is also requesting waivers for development standards relating to minimum floor area ratio (FAR) and setbacks. 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. 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**

### **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) 2023 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, commercial and business support services; while suppliers to the Approved Plan may include construction supply 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 service-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.

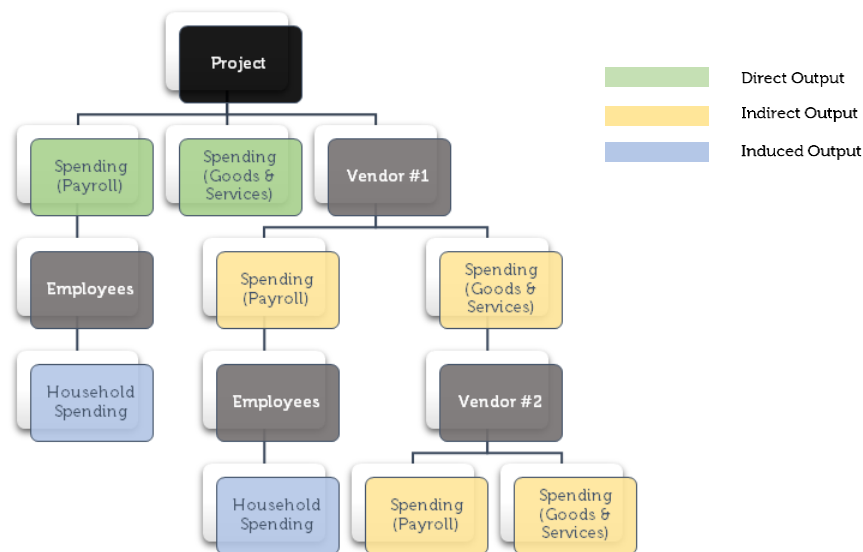
In quantifying the indirect and induced economic impacts for the Study, DTA utilized the Impact Analysis for Planning ("IMPLAN") Input/output Modeling System, a type of quantitative economic model that provides an approximate measure of the "multiplier effect" of a firm's spending on payroll and the 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 on 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. As indicated earlier, it is assumed that both residential and non-residential development is at full capacity – where non-residential development is 100% occupied and all residential development is fully leased. 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 indicates that the Approved Plan is anticipated to include scenario would include 10,000 square feet of small-suite service-oriented retail and quick-service restaurant spaces and 90,000 square feet of planned office space with parking. The project applicant is requesting approval of a General Plan Amendment (GPA22-20003) and Rezone (R22-0003) to change the designation of the site from Mixed-Use 3 (MU-3) to Mixed-Use 2 (MU-2) and a Site Development Plan (SDP22-0007).

Under the Proposed plan, the Project would consist of 119 residential apartments (47.4 dwelling units/acre). The project will have 11 studio plans, 53 one-bedroom plans, 47 two-bedroom plans, and 8 three-bedroom plans. Six of the units will be affordable at the very low-income level (30-50%) of the Area Median Income or AMI. The ground floor of the building fronting Capalina Apartments will offer a leasing office of 650 square feet and a coworking office space of 950 square feet. There are 142 parking spaces for the residents and 5 spaces for commercial land use. The summary comparing the assumptions used in the approved plan and the proposed plan are presented in **Table 1** below.

Table 1: Assumptions – Approved Plan vs. Proposed Plan

Assumptions	Approved Plan	Proposed Plan
<b>Residential Land Use</b>	<b>Units</b>	<b>Units</b>
Apartments	-	113
Apartments Affordable	-	6
<b>Residential Land Use</b>	<b>Sq. Ft.</b>	<b>Sq. Ft.</b>
Apartments	-	98,370
Apartments Affordable	-	4,490
<b>Residential Land Use</b>	<b>Residents</b>	<b>Residents</b>
Apartments	-	278
Apartments Affordable	-	15
<b>Non-Residential Land Use</b>	<b>Sq. Ft.</b>	<b>Sq. Ft.</b>
Ground-Floor Retail	10,000	-
Commercial Office/Parking	90,000	-
Ground-Floor Office Coworking		950
Leasing Office		650
<b>Employment</b>	<b>Direct Employees</b>	<b>Direct Employees</b>
Ground-Floor Retail	8	-
Commercial Office/Parking	259	-
Ground-Floor Office Coworking	-	3
Leasing Office	-	2

## A.2 Job Creation

As indicated in Table 2 below, full development and build-out of the Approved Plan is expected to be significant, resulting in 389 recurring new jobs, while the Proposed Plan is focused on residential development and is expected to result in seven (7) recurring jobs in the City. This total includes combined direct and indirect/induced employment. Although the specific location of any additional indirect jobs created cannot be identified in this Study, most of these jobs would likely be support service jobs in retail, transportation, and similar areas.

Table 2: Approved Plan – Recurring Employment

Recurring Impacts	Direct	Indirect/Induced	Total
City of San Marcos	267	122	389

Tables 2 and 3 presented here, as well as Exhibit 1 of Appendices A and B, summarize the direct and indirect/induced recurring employment impacts of the Approved Plan and the Proposed Plan.

Table 3: Proposed Plan – Recurring Employment

Recurring Impacts	Direct	Indirect/Induced	Total
City of San Marcos	5	2	7

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 addition 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 also increase under both development Scenarios. However, as indicated below in Tables 4 and 5, total output projections under the Approved Plan exceed those of the Proposed Plan. Total output is estimated and based on the different types of development projected to occur. As stated in Section I, this Study analyzes direct and indirect/induced impacts. Regarding gross receipts, the direct impact reflects the initial or first-round increases in output (total spending/gross receipts, including payroll), all of which occur directly on either the Approved Plan site or the Proposed Plan site.

Table 4: Approved Plan – Recurring Total Output

Recurring Impacts	Direct	Indirect/Induced	Total
Overall Output			
City of San Marcos	\$33,547,509	\$16,318,491	\$49,866,000

**Table 5: Proposed Plan – Recurring Total Output**

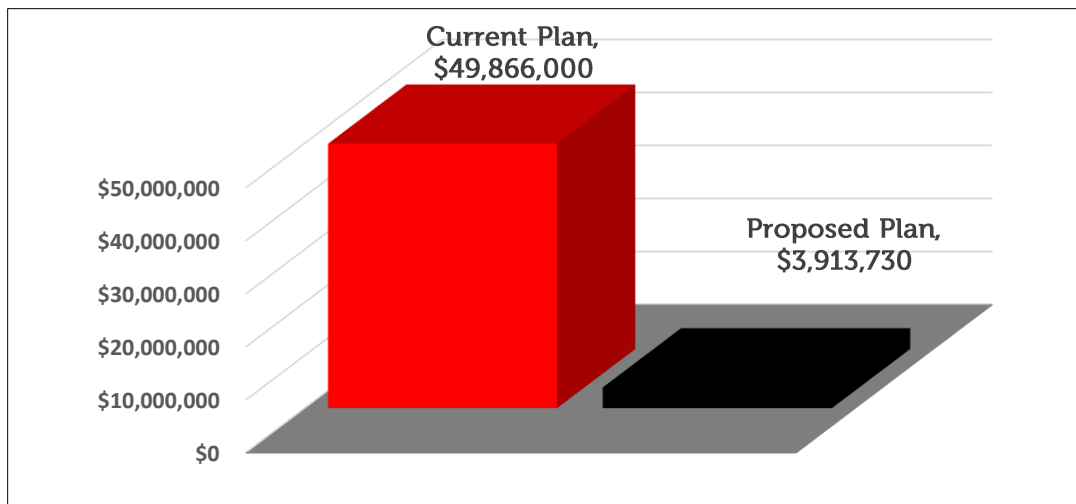
Recurring Impacts	Direct	Indirect/Induced	Total
<b>Overall Output</b>			
City of San Marcos	\$2,360,791	\$1,552,939	\$3,913,730

Indirect/induced economic impacts are the secondary effects, and other additional rounds of economic activity that occur as a consequence of the direct output impacts can occur outside of the Approved Plan and the Proposed Plan. The indirect impacts represent the economic activity – buying and selling of goods and services – of suppliers and/or supporting businesses. The induced impacts represent the economic activity that results from household spending by employees of all companies directly and indirectly affected by the Project.

Based again on IMPLAN Version 3 multipliers and other assumptions utilized in the Study, DTA has estimated that the direct and indirect/induced effects on the City to total \$49,866,000 for the Approved Plan and \$3,913,730 for the Proposed Plan as indicated in **Tables 4 and 5**. Again, this assumes that both residential and non-residential development is at full capacity.

As shown in the tables above, DTA estimates that the direct and indirect/induced effects on the City resulting from the Approved Plan (including employees and residents) are greater than those under the Proposed Plan. The side-by-side comparison of recurring Total Output can be seen in the graphical representation presented in **Figure 2** below.

**Figure 2: Approved Plan vs. Proposed Plan – Recurring Total Output <sup>1</sup>**



**Notes:**

1. This scenario assumes both residential and non-residential development is at full capacity where all non-residential is fully leased and all residential is 100% occupied.

## B One-Time Employment and Output Impacts (Construction)

According to IMPLAN, development of the Approved Plan area is projected to create approximately 227 one-time construction jobs in the City of San Marcos. This total includes combined direct and indirect/induced employment. For the Proposed Plan, 198 one-time construction jobs are expected to be created. Again, one-time construction and development costs will also have multiplier effects on the economy, generating one-time increases in output from construction of the non-residential buildings and all related site improvements. 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	161	66	227

Table 7: Proposed Plan – One-Time Employment

One-Time Impacts	Direct	Indirect/Induced	Total
Employees			
City of San Marcos	120	78	198

As with recurring economic impacts, past experience and current modeling indicate that a large percentage of these jobs will be support service and construction jobs in industries currently occupying the Approved area. These jobs are likely to be located close to either the Approved Plan or the Proposed Plan. The tables presented above summarize the projected increases in employment to be generated directly from construction of the Project land uses, based on DTA construction cost assumptions.

Table 8: Approved Plan – One-time Total Output

One-Time Impacts	Direct	Indirect/Induced	Total
Output			
City of San Marcos	\$24,412,000	\$9,895,404	\$34,307,404

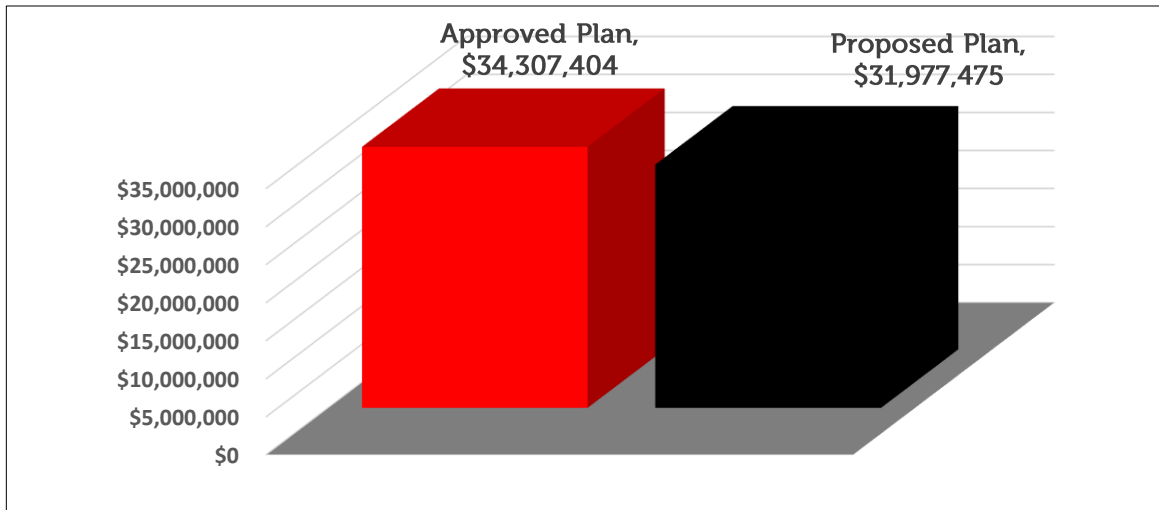
Table 9: Proposed Plan – One-time Total Output

One-Time Impacts	Direct	Indirect/Induced	Total
Output			
City of San Marcos	\$21,333,088	\$10,644,387	\$31,977,475

Notably, projected one-time Total Output is expected to increase considerably under both the Approved and Proposed scenarios, as illustrated in Tables 8 and 9 above. DTA estimates that the direct and indirect/induced effects on the City total \$34,307,404 in one-time total

output for the Approved Plan and \$31,977,475 for the Proposed Plan. A side-by-side comparison of both Scenarios can be seen graphically in Figure 3 presented below.

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



### **C Market Considerations**

The Primary advantage of the Proposed Plan over the Approved Plan is that the site can provide new rental apartment products to San Marcos, which currently does not have new rental multi-family product and limited multi-family for-sale communities. Additional advantages are proximity to Grand Plaza and nearby retail, services, and food supports apartment tenancy at this location. Site access via Capalina Road and West Mission Blvd affords optimum traffic flow for residents entering and leaving the apartment complex and comparable apartments in the submarket have healthy occupancy rates above 94.5%. The proposed plan also maximizes tax revenue potential at the site and provides much needed income-restricted housing units in the City. In contrast, the approved plan does not maximize the tax revenue potential of the area, in addition, office development is not found in the vicinity as it is geared more toward light industrial, retail, and residential. (High office vacancies and several unused spaces limit potential revenue) In addition, the office development proposed for the Approved Plan has not been a viable use for this property as evidenced by the fact that it has been vacant and has remained undeveloped for so many years.



## **APPENDIX A**

City of San Marcos  
Capalina Apartments  
Economic Impact Study



**ECONOMIC IMPACT  
MODEL, APPROVED  
PLAN**

**CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
ECONOMIC IMPACT ANALYSIS - (APPROVED PLAN)**

**RECURRING JOBS**

**RECURRING IMPACTS**

**ONE-TIME JOBS**

**ONE TIME IMPACTS**

**JOB HOUSING BALANCE**

**SUMMARY**

**EXHIBIT 1A**  
**CAPALINA APARTMENTS**  
**RECURRING EMPLOYMENT - APPROVED PLAN**

**ASSUMPTIONS**

**I. RESIDENTIAL LAND USE ASSUMPTIONS**  
**LAND USE CATEGORY**

**UNITS**

**II. NON-RESIDENTIAL LAND USE ASSUMPTIONS**  
**LAND USE CATEGORY<sup>1</sup>**

**EMPLOYEES/1,000 SQ. FT.<sup>2</sup>**

**SQ. FT.<sup>1</sup>**

Ground Floor Retail	0.82	10,000
Commercial Office / Parking	2.88	90,000

**100,000**

**RECURRING EMPLOYMENT**

**III. CITY**

**DIRECT EMPLOYEES<sup>3</sup>**

**INDIRECT EMPLOYEES<sup>4</sup>**

**INDUCED EMPLOYEES<sup>4</sup>**

**TOTAL EMPLOYEES**

Ground Floor Retail	8	1	1	10
Commercial Office / Parking	259	62	58	379
-				
<b>TOTAL RECURRING EMPLOYMENT</b>	<b>267</b>	<b>63</b>	<b>59</b>	<b>389</b>

**NOTES:**

<sup>1</sup> Source: City of San Marcos.

<sup>2</sup> Commercial Buildings Energy Consumption Survey (CBECS), 2018.

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

<sup>4</sup> Source: San Marcos City IMPLAN multipliers.

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

EXHIBIT 2A  
CAPALINA APARTMENTS  
RECURRING ECONOMIC IMPACTS - APPROVED PLAN

**ASSUMPTIONS**

I. RESIDENTIAL SPENDING ASSUMPTIONS	HOUSEHOLD INCOME	% INCOME SPENT IN CITY	TOTAL RESIDENT SPENDING / YR.
	\$0	0.00%	
-			
II. NON-RESIDENTIAL OUTPUT ASSUMPTIONS	AVERAGE OUTPUT / EMPLOYEE <sup>1</sup>		OUTPUT / YR. <sup>1</sup>
Ground Floor Retail		\$67,385	\$539,084
Commercial Office / Parking		\$127,446	\$33,008,425

**RECURRING OUTPUT**

III. CITY	<u>DIRECT OUTPUT</u>	<u>INDIRECT OUTPUT</u> <sup>1</sup>	<u>INDUCED OUTPUT</u> <sup>1</sup>	<u>TOTAL OUTPUT</u>
Ground Floor Retail	\$539,084	\$100,305	\$145,210	\$784,599
Commercial Office / Parking	\$33,008,425	\$7,102,787	\$8,970,189	\$49,081,401
-				
<b>TOTAL RECURRING OUTPUT</b>	<b>\$33,547,509</b>	<b>\$7,203,093</b>	<b>\$9,115,398</b>	<b>\$49,866,000</b>

**NOTES:**

<sup>1</sup>Source: San Marcos City IMPLAN multipliers.

**EXHIBIT 4A**  
**CAPALINA APARTMENTS**  
**ONE-TIME IMPACTS - APPROVED PLAN**

**ASSUMPTIONS**

<b>I. RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</b>	<b>UNITS</b>	<b>ESTIMATED COST PER SQ. FT.</b>	<b>COST PER UNIT</b>
-	-		

<b>II. NON-RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</b>	<b>IMPROVEMENT VALUE<sup>1</sup></b>	<b>CONSTRUCTION COST PER SQ. FT.</b>
Ground Floor Retail	\$3,374,500	\$337
Commercial Office / Parking	\$21,037,500	\$234

<b>III. PUBLIC FACILITIES</b>	<b>TOTAL COST</b>
PROJECT INFRASTRUCTURE	NA

**ONE-TIME OUTPUT**

<b>IV. CITY</b>	<b>DIRECT OUTPUT</b>	<b>INDIRECT OUTPUT <sup>2</sup></b>	<b>INDUCED OUTPUT <sup>2</sup></b>	<b>TOTAL OUTPUT</b>
Ground Floor Retail	\$3,374,500	\$582,522	\$751,518	\$4,708,541
Commercial Office / Parking	\$21,037,500	\$3,945,276	\$4,616,087	\$29,598,863
-				
<b>TOTAL ONE-TIME OUTPUT</b>	<b>\$24,412,000</b>	<b>\$4,527,798</b>	<b>\$5,367,605</b>	<b>\$34,307,404</b>

**NOTES:**

<sup>1</sup> Assumes that improvement value is approximately 85% of total valuation.

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

\* All figures subject to rounding

**EXHIBIT 5A  
CAPALINA APARTMENTS  
JOBS-HOUSING BALANCE - APPROVED PLAN**

**ASSUMPTIONS**

**I. EXISTING DEMOGRAPHICS**

**CITY OF SAN MARCOS**

HOUSING UNITS <sup>1</sup>	32,339
EMPLOYEES <sup>2</sup>	41,800

**II. JOB IMPACTS <sup>3</sup>**

**CITY OF SAN MARCOS**

DIRECT IMPACT	267
ADDITIONAL INDIRECT	63
ADDITIONAL INDUCED	59
<b>TOTAL</b>	<b>389</b>

**III. CUMULATIVE PROJECT DEMOGRAPHICS**

<b>EXISTING HOUSING UNITS PLUS PROJECT - CITY OF SAN MARCOS</b>	<b>32,339</b>
<i>PERCENTAGE INCREASE</i>	<i>0.00%</i>
<b>EXISTING EMPLOYEES PLUS PROJECT - CITY OF SAN MARCOS</b>	<b>42,189</b>
<i>PERCENTAGE INCREASE</i>	<i>0.93%</i>

**JOBS-HOUSING BALANCE**

**IV. JOBS-HOUSING BALANCE**

**CITY OF SAN MARCOS**

EXISTING	1.29
EXISTING WITH PROJECT	1.30
<i>PERCENTAGE INCREASE</i>	<b>0.93%</b>

**NOTES:**

<sup>1</sup> Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State (2023).

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

<sup>3</sup> Please see Exhibit B-1: Recurring Jobs.

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

**EXHIBIT 6A  
CAPALINA APARTMENTS  
SUMMARY - APPROVED PLAN**

**ASSUMPTIONS**

<b><u>I. RESIDENTIAL LAND USE ASSUMPTIONS</u></b>	<b><u>UNITS</u></b>
-	-

<b><u>II. NON-RESIDENTIAL LAND USE ASSUMPTIONS</u></b>	<b><u>EMPLOYEES/1,000 SQ. FT.</u></b>	<b><u>SQ. FT.</u></b>
Ground Floor Retail	0.82	10,000
Commercial Office / Parking	2.88	90,000

**ECONOMIC IMPACTS CONCLUSIONS**

**RECURRING IMPACTS**

<b><u>III. JOB CREATION</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	267	122	389
<b><u>IV. TOTAL OUTPUT</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	\$33,547,509	\$16,318,491	\$49,866,000

**ONE-TIME IMPACTS**

<b><u>V. CONSTRUCTION JOBS</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	161	66	227
<b><u>VI. CONSTRUCTION OUTPUT</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	\$24,412,000	\$9,895,404	\$34,307,404

**OTHER IMPACTS**

<b><u>VII. JOBS-HOUSING BALANCE</u></b>	<b><u>BALANCE EXISTING</u></b>	<b><u>BALANCE WITH PROJECT</u></b>	<b><u>% INCREASE/ (DECREASE)</u></b>
CITYWIDE	1.29256	1.30459	0.93%

EXHIBIT 3A  
CAPALINA APARTMENTS  
ONE-TIME EMPLOYMENT -APPROVED PLAN

ASSUMPTIONS

<u>I. RESIDENTIAL LAND ASSUMPTIONS</u>	<u>UNITS</u>
-	-

<u>II. NON-RESIDENTIAL LAND USE ASSUMPTIONS</u>	<u>SQ. FT.</u>
Ground Floor Retail	10,000
Commercial Office / Parking	90,000

<u>III. PUBLIC FACILITIES</u>	<u>TOTAL COST</u>
PROJECT INFRASTRUCTURE	NA

ONE-TIME EMPLOYMENT

<u>IV. CITY</u>	<u>DIRECT EMPLOYEES <sup>1</sup></u>	<u>INDIRECT EMPLOYEES <sup>1</sup></u>	<u>INDUCED EMPLOYEES <sup>1</sup></u>	<u>TOTAL EMPLOYEES</u>
Ground Floor Retail	23	3	6	32
Commercial Office / Parking	138	23	34	195
-				
<b>TOTAL ONE-TIME EMPLOYEES</b>	<b>161</b>	<b>26</b>	<b>40</b>	<b>227</b>

NOTES:

<sup>1</sup> Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).

\* *All figures subject to rounding*



## **APPENDIX B**

City of San Marcos  
Capalina Apartments  
Economic Impact Study



**ECONOMIC IMPACT  
MODEL, PROPOSED  
PLAN**

**CITY OF SAN MARCOS  
CAPALINA APARTMENTS  
ECONOMIC IMPACT ANALYSIS - (PROPOSED PLAN)**

**RECURRING JOBS**

**RECURRING IMPACTS**

**ONE-TIME JOBS**

**ONE TIME IMPACTS**

**JOB HOUSING BALANCE**

**SUMMARY**

**EXHIBIT 1b**  
**CAPALINA APARTNEMTS**  
**RECURRING EMPLOYMENT - PROPOSED PLAN**

**ASSUMPTIONS**

**I. RESIDENTIAL LAND USE ASSUMPTIONS**

<b>LAND USE CATEGORY</b>	<b>UNITS</b>
Apartments	113
Apartments Affordable	6

**II. NON-RESIDENTIAL LAND USE ASSUMPTIONS**

<b>LAND USE CATEGORY<sup>1</sup></b>	<b>EMPLOYEES/1,000 SQ. FT.<sup>2</sup></b>	<b>SQ. FT.<sup>1</sup></b>
Ground Floor Office Cowork	2.88	950
Leasing Office	2.88	650

**1,600**

**RECURRING EMPLOYMENT**

**III. CITY**

	<b>DIRECT EMPLOYEES<sup>3</sup></b>	<b>INDIRECT EMPLOYEES<sup>4</sup></b>	<b>INDUCED EMPLOYEES<sup>4</sup></b>	<b>TOTAL EMPLOYEES</b>
Apartments	0	0	0	0
Apartments Affordable	0	0	0	0
Ground Floor Office Cowork	3	1	1	5
Leasing Office	2	0	0	2
<b>TOTAL RECURRING EMPLOYMENT</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>7</b>

**NOTES:**

<sup>1</sup> Source: City of San Marcos.

<sup>2</sup> Commercial Buildings Energy Consumption Survey (CBECS), 2018.

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

<sup>4</sup> Source: San Marcos City IMPLAN multipliers.

\* **All figures subject to rounding**

**EXHIBIT 2b**  
**CAPALINA APARTNEMTS**  
**RECURRING ECONOMIC IMPACTS - PROPOSED PLAN**

**ASSUMPTIONS**

	<b>HOUSEHOLD INCOME</b>	<b>% INCOME SPENT IN CITY</b>	<b>TOTAL RESIDENT SPENDING / YR.</b>
<b>I. RESIDENTIAL SPENDING ASSUMPTIONS</b>			
Apartments	\$105,100	28.07%	\$1,667,001
Apartments Affordable	\$49,650	37.97%	\$56,561
<b>II. NON-RESIDENTIAL OUTPUT ASSUMPTIONS</b>	<b>AVERAGE OUTPUT / EMPLOYEE<sup>1</sup></b>		<b>OUTPUT / YR.<sup>1</sup></b>
Ground Floor Office Cowork		\$127,446	\$382,337
Leasing Office		\$127,446	

**RECURRING OUTPUT**

**III. CITY**

	<b>DIRECT OUTPUT</b>	<b>INDIRECT OUTPUT<sup>1</sup></b>	<b>INDUCED OUTPUT<sup>1</sup></b>	<b>TOTAL OUTPUT</b>
Apartments	\$1,667,001	\$363,008	\$59,727	\$2,089,736
Apartments Affordable	\$56,561	\$12,317	\$2,027	\$70,905
Ground Floor Office Cowork	\$382,337	\$82,272	\$103,902	\$568,510
Leasing Office	\$254,891	\$479,104	\$450,584	\$1,184,579
<b>TOTAL RECURRING OUTPUT</b>	<b>\$2,360,791</b>	<b>\$936,700</b>	<b>\$616,239</b>	<b>\$3,913,730</b>

**NOTES:**

<sup>1</sup> Source: San Marcos City IMPLAN multipliers.

\* All figures subject to rounding

**EXHIBIT 3b**  
**CAPALINA APARTNEMTS**  
**ONE-TIME EMPLOYMENT - PROPOSED PLAN**

**ASSUMPTIONS**

<b>I. RESIDENTIAL LAND ASSUMPTIONS</b>	<b>UNITS</b>
Apartments	113
Apartments Affordable	6

<b>II. NON-RESIDENTIAL LAND USE ASSUMPTIONS</b>	<b>SQ. FT.</b>
Ground Floor Office Cowork	950
Leasing Office	650

<b>III. PUBLIC FACILITIES</b>	<b>TOTAL COST</b>
PROJECT INFRASTRUCTURE	NA

**ONE-TIME EMPLOYMENT**

<b>IV. CITY</b>	<b>DIRECT EMPLOYEES <sup>1</sup></b>	<b>INDIRECT EMPLOYEES <sup>1</sup></b>	<b>INDUCED EMPLOYEES <sup>1</sup></b>	<b>TOTAL EMPLOYEES</b>
Apartments	111	41	31	183
Apartments Affordable	6	2	2	10
Ground Floor Office Cowork	2	0	1	3
Leasing Office	1	0	0	2
<b>TOTAL ONE-TIME EMPLOYEES</b>	<b>120</b>	<b>44</b>	<b>33</b>	<b>198</b>

**NOTES:**

<sup>1</sup> Source: San Marcos City IMPLAN multipliers (IMPLAN Sector 58: Construction of new non-residential structures).

\* **All figures subject to rounding**

**EXHIBIT 4b**  
**CAPALINA APARTNEMTS**  
**ONE-TIME IMPACTS - PROPOSED PLAN**

**ASSUMPTIONS**

<b>I. RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</b>		<b>UNITS</b>	<b>ESTIMATED SQ. FT. PER DWELLING UNIT</b>	<b>COST PER UNIT</b>
Apartments		113	550 to 2706	\$175,000
Apartments Affordable		6	550 to 2706	\$175,000
<b>II. NON-RESIDENTIAL CONSTRUCTION COST ASSUMPTIONS</b>			<b>IMPROVEMENT VALUE<sup>1</sup></b>	<b>CONSTRUCTION COST PER SQ. FT.</b>
Ground Floor Office Cowork			\$323,000	\$340
Leasing Office			\$185,088	\$285
<b>III. PUBLIC FACILITIES</b>				<b>TOTAL COST</b>
PROJECT INFRASTRUCTURE				NA

**ONE-TIME OUTPUT**

<b>IV. CITY</b>	<b>DIRECT OUTPUT</b>	<b>INDIRECT OUTPUT <sup>2</sup></b>	<b>INDUCED OUTPUT <sup>2</sup></b>	<b>TOTAL OUTPUT</b>
Apartments	\$19,775,000	\$5,322,167	\$4,179,368	\$29,276,535
Apartments Affordable	\$1,050,000	\$282,593	\$221,913	\$1,554,506
Ground Floor Office Cowork	\$323,000	\$60,574	\$70,873	\$454,447
Leasing Office	\$185,088	\$205,787	\$301,112	\$691,986
<b>TOTAL ONE-TIME OUTPUT</b>	<b>\$21,333,088</b>	<b>\$5,871,121</b>	<b>\$4,773,267</b>	<b>\$31,977,475</b>

**NOTES:**

<sup>1</sup> Assumes that improvement value is approximately 85% of total valuation.

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

\* All figures subject to rounding

EXHIBIT 5b  
CAPALINA APARTNEMTS  
JOBS-HOUSING BALANCE - PROPOSED PLAN

**ASSUMPTIONS**

**I. EXISTING DEMOGRAPHICS**

CITY OF SAN MARCOS	
HOUSING UNITS <sup>1</sup>	32,339
EMPLOYEES <sup>2</sup>	41,800

**II. JOB IMPACTS<sup>3</sup>**

CITY OF SAN MARCOS	
DIRECT IMPACT	5
ADDITIONAL INDIRECT	1
ADDITIONAL INDUCED	1
TOTAL	7

**III. CUMULATIVE PROJECT DEMOGRAPHICS**

EXISTING HOUSING UNITS PLUS PROJECT - CITY OF SAN MARCOS	32,458
PERCENTAGE INCREASE	0.37%
EXISTING EMPLOYEES PLUS PROJECT - CITY OF SAN MARCOS	41,807
PERCENTAGE INCREASE	0.02%

**JOBS-HOUSING BALANCE**

**IV. JOBS-HOUSING BALANCE**

CITY OF SAN MARCOS	
EXISTING	1.29
EXISTING WITH PROJECT	1.29
PERCENTAGE INCREASE	-0.35%

**NOTES:**

<sup>1</sup> Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State (2023).

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

<sup>3</sup> Please see Exhibit B-1: Recurring Jobs.

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

**EXHIBIT 6B  
CAPALINA APARTNEMTS  
SUMMARY - PROPOSED PLAN**

**ASSUMPTIONS**

<b>I. <u>RESIDENTIAL LAND USE ASSUMPTIONS</u></b>		<b><u>UNITS</u></b>
Apartments		113
Apartments Affordable		6
<b>II. <u>NON-RESIDENTIAL LAND USE ASSUMPTIONS</u></b>	<b><u>EMPLOYEES/1,000 SQ. FT.</u></b>	<b><u>SQ. FT.</u></b>
Ground Floor Office Cowork	2.88	950

**ECONOMIC IMPACTS CONCLUSIONS**

**RECURRING IMPACTS**

<b>III. <u>JOB CREATION</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	5	2	7
<b>IV. <u>TOTAL OUTPUT</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	\$2,360,791	\$1,552,939	\$3,913,730

**ONE-TIME IMPACTS**

<b>V. <u>CONSTRUCTION JOBS</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	120	78	198
<b>VI. <u>CONSTRUCTION OUTPUT</u></b>	<b><u>DIRECT</u></b>	<b><u>INDIRECT/INDUCED</u></b>	<b><u>TOTAL</u></b>
CITYWIDE	\$21,333,088	\$10,644,387	\$31,977,475

**OTHER IMPACTS**

<b>VII. <u>JOBS-HOUSING BALANCE</u></b>	<b><u>BALANCE</u></b>	<b><u>BALANCE</u></b>	<b><u>% INCREASE/</u></b>
CITYWIDE	<b><u>EXISTING</u></b>	<b><u>WITH PROJECT</u></b>	<b><u>(DECREASE)</u></b>
	1.293	1.288	-0.35%





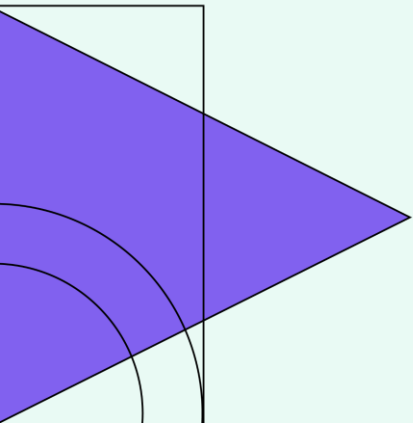
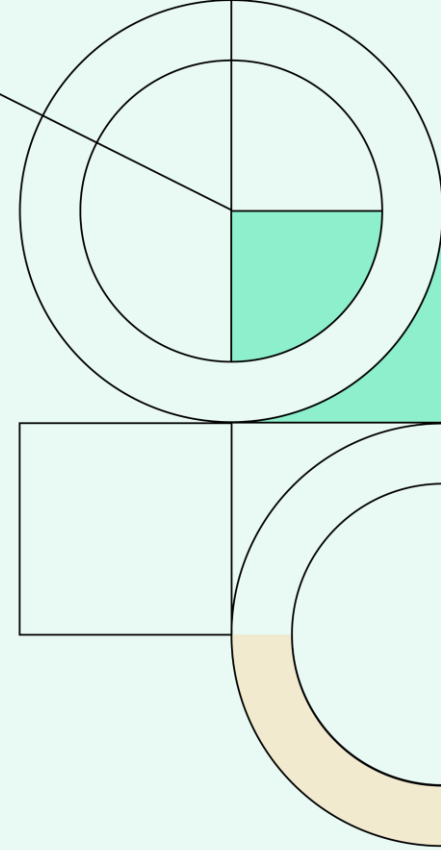
18201 VON KARMAN AVENUE, SUITE 220  
IRVINE, CA 92612  
PHONE (800) 969-4DTA

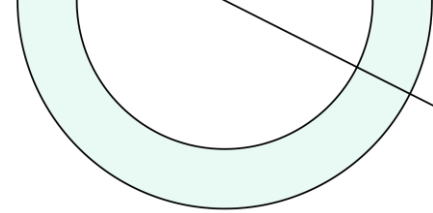
Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds



**Capalina Apartments**  
**San Marcos, California**  
DTA and City of San Marcos  
July 2023

<b>Key Findings</b>	<b>4</b>
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# Background/Objectives, Key Contacts & Limiting Conditions

## BACKGROUND & OBJECTIVES

Zonda Advisory has been retained by DTA in conjunction with the City of San Marcos to conduct a comparative analysis from an economic, and market perspective for the approval of a General Plan Amendment (GPA), Rezone (R), and Conditional Use Permit (CUP) to modify the General Plan and Zoning designation of a 2.51-acre site from Mixed-Use-3 (Office/Commercial) to Mixed-Use-2 (Residential/Commercial). The Subject is located on the north side of Capalina Rd, San Marcos, California, 92069, and entails a general plan Amendment (GPA22-0003), Rezone (R22-0003), and Site Development Plan (SDP22-0007). The change is being requested to allow for the construction of a residential/commercial development entailing 119 apartments and 4,000 square feet of commercial space on the subject property. This analysis will include valuation of existing and proposed building types uses and evaluate the current and foreseeable market demand for such uses. Our analysis will include Commercial Retail Office market trends in the San Marcos area and greater San Diego County. These findings will be used to assess the current land use inventory and identify how the proposed amendment will contribute to an increased tax base, economic development, and employment opportunities. Zonda will provide conclusions relevant to the proposed General Plan Amendment land uses based on July 2023 data.

*Note: Our research and conclusions are based upon the best information available to us at the time of publication. At the time of this report, the Fed has increased the discount rate. Interest rates are relatively high at above 6%, impacting the market. We recommend consistently monitoring the market for resulting market shifts.*

## LIMITING CONDITIONS

Client is responsible for representations about the 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 difference 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.

## KEY CONTACTS

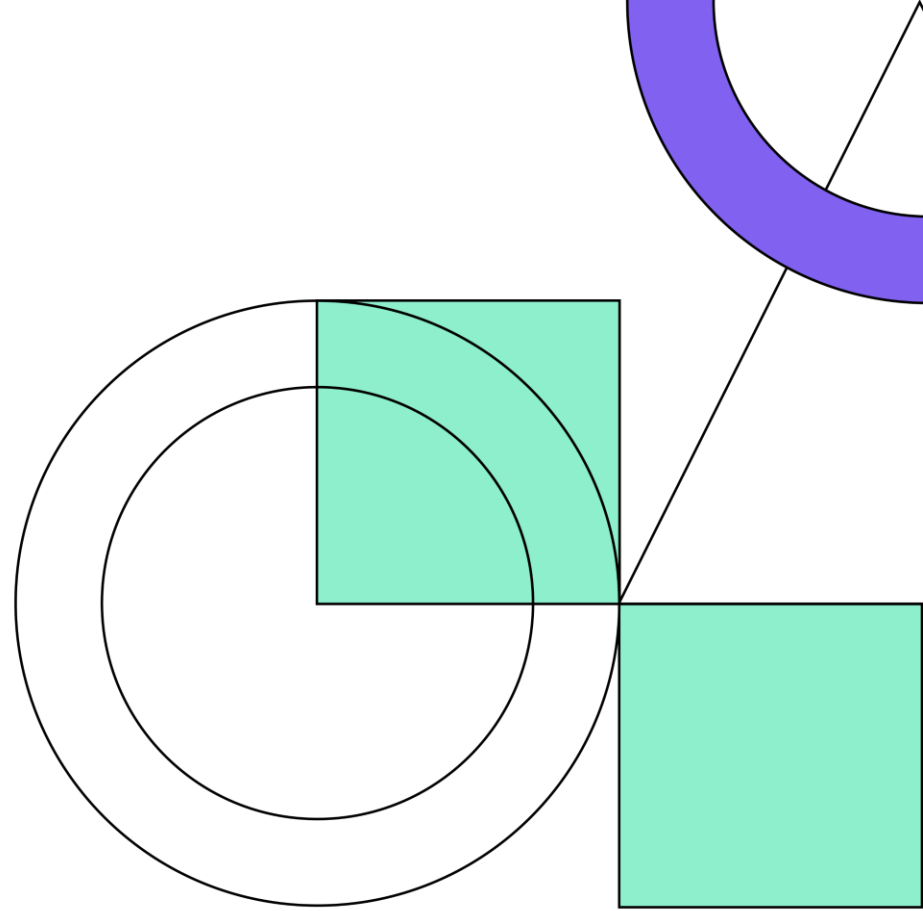
The following key team members participated on this analysis:

**Tim Sullivan, Senior Managing Principal**, oversees our Advisory practice. With over 38 years 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 - Advisory**, managed the engagement on a day-to-day basis. Ms. Wilmot has 18 years of experience evaluating for-sale , apartment and retail land uses in the real estate industry. She regularly analyzes residential and mixed-use developments around the country, with a specific focus on the Southern California market, and North Inland County in particular.

Additional support was provided as needed.

# Key Findings



# Opportunity Summary

## Key Findings

As part of our due diligence for the Subject, we compared the existing land use (Mixed Use-3 Commercial and Retail, referred to hereafter as the “Original”) and “Proposed” rezone land use (Residential Multifamily Mixed Use-2) using a S.W.O.T analysis. The main advantage of the rezone over the existing use is that the site can provide new rental product to San Marcos, which has not seen any new Multifamily product built since 2019.

Capalina Apartments		
Plan Element	SWOT	
	Internal Factors	
	Strengths	
Original M-U-3 Zoning	Site is right-sized for a small Biotech/Life Sciences campus, which is one of the only office sectors still performing well in today's market. Subject has visibility from the 78 Freeway Retail is consistent with surrounding uses.	
Proposed M-U-2 Zoning	Site access via both Capalina Rd and W Mission Blvd makes retail accessible to patrons, and provides much needed office parking space. Proximity to Grand Plaza nearby retail, services, and food supports apartment tenancy at this location. Site access via Capalina Rd and W Mission Blvd affords optimum traffic flow for residents entering and leaving the apartment complex. Comparable apartments in the Submarket have healthy occupancy rates above 94.5%.	
	Weaknesses	
Original M-U-3 Zoning	The current plan zoning does not maximize the tax revenue potential of the area. Office uses are not found in the vicinity, which is geared more towards Light Industrial, Retail and Residential. Other nearby mixed use commercial spaces are vacant, and are converting to residential	
Proposed M-U-2 Zoning	High density product with higher bedroom count may result in tight floor plans.	
	External Factors	
	Opportunities	
Original M-U-3 Zoning	None identified	
Proposed M-U-2 Zoning	A reduction in traffic generation from the MU-3 zoning estimated at 4,000 trips per day down to roughly 874 trips per day for the proposed use. Limited new apartment supply in San Marcos. The proposed plan maximizes tax revenue potential at the site. Higher interest rates are driving households to look for affordability and apartments provide housing for those priced out of purchasing The need for more income-restricted housing units in the city of San Marcos is very high	
	Threats	
Original M-U-3 Zoning	High office vacancy and several unused spaces limit potential revenue. Medical office sector has slowed over the past twelve months, and seems to be a less attractive investment for commercial developers.	
Proposed M-U-2 Zoning	There is some general uncertainty in the housing market with rising interest rates impacting price growth, which in turn is affecting rent growth. Apartment occupancy has softened slightly, and demand in San Marcos hit a 4-year low in Q2 2022.	



## Original vs Proposed Zoning & Land Use Comparison

### Key Findings

As part of our due diligence, Zonda researched the lease rates, cap rates, net operating income and sales prices for possible development of the Subject space on 2.51 acres under two uses:

Original: Mixed-Use-3 (MU-3) for a mix of commercial retail and office space, envisioned as ground floor neighborhood supportive retail with office suites on the ground floor and upper level(s) in a two- or three-story building configuration. Zonda researched complementary specific uses between these two commercial designations, concluding that 10,000 square feet of small-suite service-oriented retail and quick-service restaurant spaces would best support 90,000 square feet of planned office space.

Proposed: A change in Land Use Designation and Rezone to Mixed-Use-2 (MU-2) with Multi-Family Residential Apartments, and a small ground floor Commercial Retail and Office Co-work space. The development of a 119-unit apartment complex and 147 parking spaces would provide roughly 5% (6 units) designated as Very Low-Income affordable units. The apartment will offer full-scale recreational amenities. The proposed **Multifamily development will bring new apartment product** to an area that is undersupplied, with low vacancy. Furthermore, Palomar College Station is less than a mile and could attract student renters at the Subject apartments.

## Proposed and Original Use price Assessment

### Key Findings

The Subject site is a 2.51-acre property located on Capalina Road and immediately south of W Mission Blvd, with frontage on both roads, north of Highway 78 in the 92069 zip code of San Marcos. The site is approved for Mixed-Use-3 which allows for a mix of retail and office uses (the “Original” project). The proposed plan is for a 119-unit residential apartment with 147 parking spaces and a small office and retail component (the “Proposed” project). The project includes a General Plan Amendment (GPA) and Rezone (R) to modify the General Plan and Zoning designation of the property (APN 219-115-33-00) to Mixed-Use-2 which allows for the development of residential, in this case in the form of Multifamily. **The Original project has an estimated price assessment of roughly \$27.87 to \$28.72 million. The Proposed project has an estimated price assessment of between \$57.47 and \$58.125 million.** The methodology and supporting market research for our price assessment is included in the sections that follow.

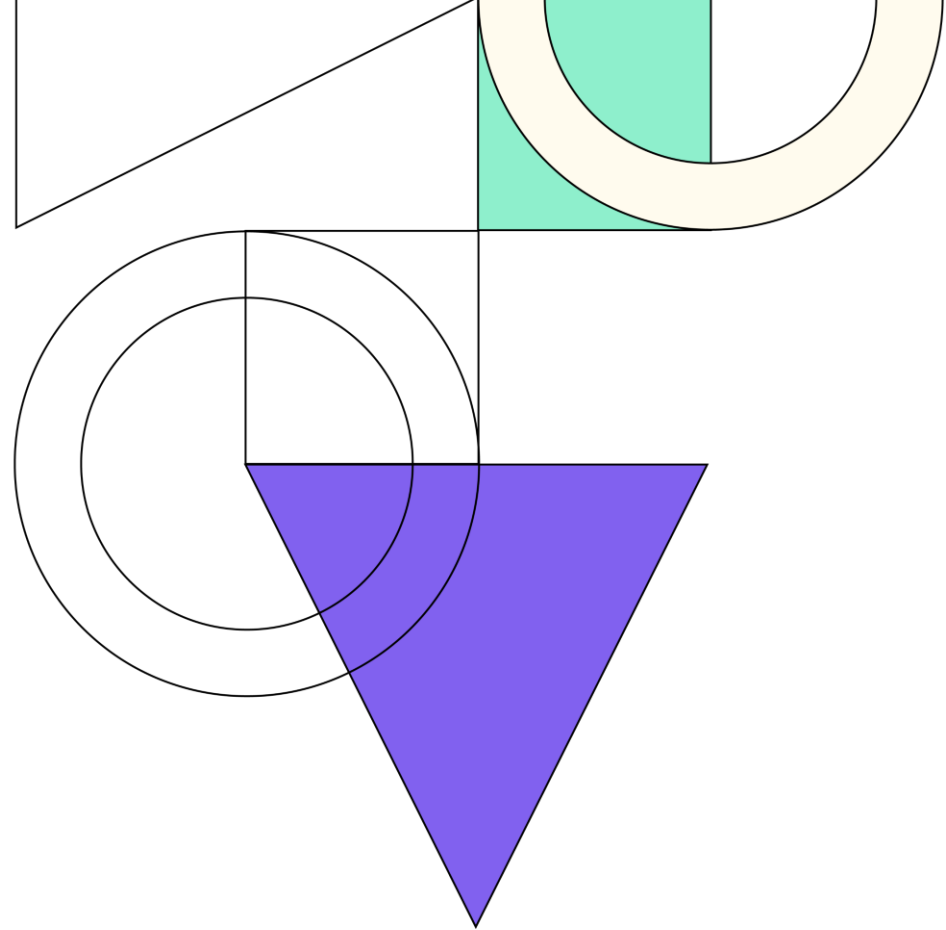
Net Operating Income / Cap Rate Valuation Approach														
Type	Building Square Feet	GLA (SF)	Est. Monthly Lease Rate	Est. Annual Lease Rate	Gross Receipts	Operating Expense %	Operating Expenses	Net Operating Income	Vacancy Rate	Vacancy	Total Est. Annual Revenues	Cap Rate (%)	Total Value	\$/SF
Multifamily Market Rate Apts (113) p	98,370	98,370	\$3.53	\$42.36	\$4,166,953	-35%	(\$1,458,434)	\$2,708,520	-5.0%	(\$208,348)	\$2,500,172	4.50%	\$55,559,376	\$565
Multifamily Affordable Apts (6)	4,490	4,490	\$1.82	\$21.84	\$98,062	-35%	(\$34,322)	\$63,740	-1.0%	(\$981)	\$62,759	4.90%	\$1,280,805	\$285
Leasing Office	650	650	\$3.75	\$45.00	\$29,250	-35%	(\$10,238)	\$19,013	-13.0%	(\$3,803)	\$15,210	7.05%	\$215,745	\$332
Ground Floor Office Cowork	950	950	\$6.00	\$72.00	\$68,400	-40%	(\$27,360)	\$41,040	-20.0%	(\$13,680)	\$27,360	7.60%	\$360,000	\$379
<b>Proposed Total</b>	<b>104,460</b>	<b>104,460</b>	<b>\$3.48</b>	<b>\$41.76</b>	<b>\$4,362,665</b>		<b>(\$1,530,353)</b>	<b>\$2,832,312</b>		<b>(\$226,811)</b>	<b>\$2,605,501</b>		<b>\$57,415,925</b>	<b>\$550</b>
Ground Floor Retail	10,000	10,000	\$2.69	\$32.28	\$322,800	-25%	(\$80,700)	\$242,100	-5.5%	(\$17,754)	\$224,346	6.55%	\$3,425,130	\$343
Commercial Office + Parking	90,000	90,000	\$2.62	\$31.44	\$2,829,600	-32%	(\$905,472)	\$1,924,128	-7.1%	(\$200,902)	\$1,723,226	7.05%	\$24,442,928	\$272
<b>Original Total</b>	<b>100,000</b>	<b>100,000</b>	<b>\$2.63</b>	<b>\$31.52</b>	<b>\$322,800</b>		<b>(\$80,700)</b>	<b>\$242,100</b>		<b>(\$17,754)</b>	<b>\$224,346</b>		<b>\$27,868,057</b>	<b>\$279</b>

\*Assumes all real estate property taxes, insurance, management fees (on or off-site), repairs and maintenance, and utilities are paid by tenant under a Triple Net lease.

Sales Transaction Valuation Approach					
Type	SF/Unit	GLA (SF)	\$/SF	\$/Unit	Total
Multifamily Market Rate Apts (113) p	871	98,370	\$580	\$505,000	\$51,005,000
Multifamily Affordable Apts (6)	748	4,490	\$481	\$360,000	\$6,480,000
Leasing Office	108	650	\$335		\$217,750
Ground Floor Office Cowork	950	950	\$400		\$380,000
<b>Proposed Total</b>	<b>104,460</b>	<b>104,460</b>			<b>\$58,082,750</b>
Ground Floor Retail	10,000	10,000	\$397		\$3,970,000
Commercial Office + Parking	90,000	90,000	\$275		\$24,750,000
<b>Original Total</b>	<b>114,460</b>	<b>114,460</b>			<b>\$28,720,000</b>



# Site Plan Analysis



## Aerial of Surrounding Uses

Site Plan Analysis

Surrounding uses include a 7-11 to the east, the Mission Center Strip Shopping Center to the west, retail to the south, and single family residential to the north. The Subject is currently a vacant lot sandwiched between W Mission Road and Capalina Road.





## Proposed Apartment Site Plan – MU-2

### Site Plan Analysis

The ground floor of the building fronting Capalina Road will offer a fitness retail space of 1,250 square feet and a coworking office space of 950 square feet. The additional common space (leasing office, trash, mail and restrooms) is set aside for apartment management. There are 142 parking spaces for the residents and 5 spaces for the commercial land use.



#### COMMERCIAL SUMMARY

CO-WORK	950 SF
LEASING	650 SF
MAIL	250 SF
RESTROOMS	400 SF
TRASH / CORRIDORS	500 SF
FITNESS / MEETING ROOM	1,250 SF
<b>TOTAL</b>	<b>4,000 SF</b>

#### PARKING SUMMARY

<b>RESIDENTIAL PARKING</b>	
TOTAL REQUIRED	142 SP
TOTAL PROVIDED	142 SP

#### ACCESSIBLE PARKING

RESIDENTIAL 142 SP X 2% =	3 SP REQ. / 3 SP PROVIDED
COMMERCIAL 5 SP =	1 SP REQ. / 1 SP PROVIDED

#### ELECTRIC VEHICLE PARKING

EV CAPABLE	
142 SP X 10% =	15 SP REQ. / 15 SP PROVIDED
EV READY	
142 SP X 25% =	36 SP REQ. / 36 SP PROVIDED
EV CHARGERS	
142 SP X 5% =	8 SP REQ. / 8 SP PROVIDED

#### COMMERCIAL PARKING

TOTAL REQUIRED	5 SP
TOTAL PROVIDED	5 SP

#### BICYCLE PARKING

4,000 SF / 1,000 SF = 4.0 X .75	3 SP REQ. / 3 SP PROVIDED
---------------------------------	---------------------------

#### OPEN SPACE SUMMARY

<b>PRIVATE OPEN SPACE</b>	
PLAN 1	11 X 50 SF
PLAN 2	8 X 80 SF
PLAN 3	45 X 60 SF
PLAN 4	6 X 66 SF
PLAN 5	41 X 66 SF
PLAN 6	8 X 80 SF
<b>SUBTOTAL</b>	<b>7,632 SF</b>

#### COMMON INDOOR SPACE

FITNESS / MEETING ROOM	1,250 SF
------------------------	----------

#### COMMON OUTDOOR SPACE

ROOF DECK	1,285 SF
AT GRADE	24,415 SF
<b>SUBTOTAL</b>	<b>25,700 SF</b>

<b>TOTAL OPEN SPACE</b>	<b>34,582 SF (32% OF SITE AREA)</b>
-------------------------	-------------------------------------

## Proposed Commercial Component Site Plan

### Site Plan Analysis

The Proposed plan includes the construction of a mixed use commercial component accompanying the 119-unit apartment. The apartment includes 11 studios, 53 one-bedroom plans, 47 two bedrooms and eight three bedrooms. An estimated 5% (6 units) are to be set aside as affordable targeted to very low-income households earning between 30% and 50% of AMI. Open space consists of a 1,250 square foot fitness facility, and a 7,500 square foot recreation area with pool, BBQ and seating.

#### PROJECT SUMMARY

4-STORY STACKED FLATS  
CONSTRUCTION TYPE V-A (1-HOUR)  
OCCUPANCY R-2 / B  
SPRINKLERS NFPA 13

ADDRESS CAPALINA ROAD  
APN 2191153300  
EXISTING ZONING MU-3  
PROPOSED ZONING MU-2

COMMERCIAL 4,000 SF\*

TOTAL HOMES 119 APTS  
GROSS AREA 2.51 AC  
NET AREA 2.41 AC  
DENSITY 47.4 DU/AC  
PARKING 147 SPACES  
FAR 1.24

#### UNIT MIX

PLAN	STUDIO/1BA	600 SF
11 PLAN 1	STUDIO/1BA	600 SF
8 PLAN 2	1BD/1BA	680 SF
45 PLAN 3	1BD/1BA	710 SF
6 PLAN 4	2BD/1BA	925 SF
41 PLAN 5	2BD/2BA	1,080 SF
8 PLAN 6	3BD/2BA	1,130 SF
119	TOTAL UNITS	

#### PARKING SUMMARY\*

RESIDENTIAL  
TOTAL REQUIRED 142 SP

COMMERCIAL PARKING  
TOTAL REQUIRED 5 SP

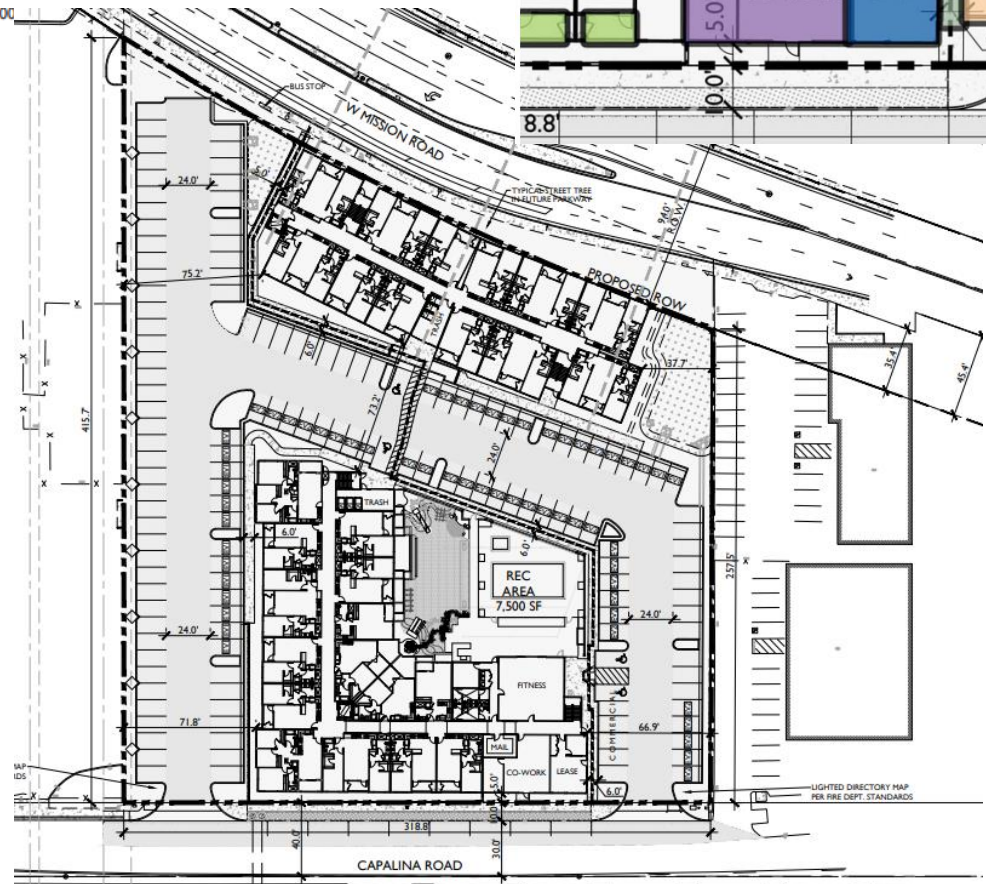
TOTAL PROVIDED 147 SP

#### OPEN SPACE\*

PRIVATE	7,632 SF
INDOOR COMMON	1,250 SF
OUTDOOR COMMON	25,700 SF
TOTAL	34,582 SF

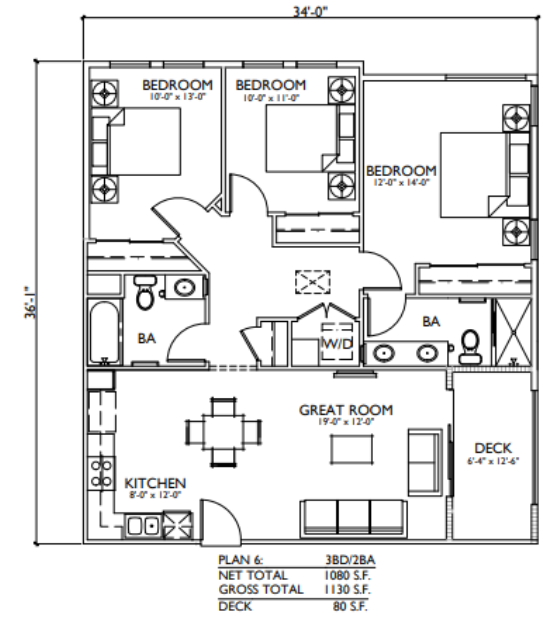
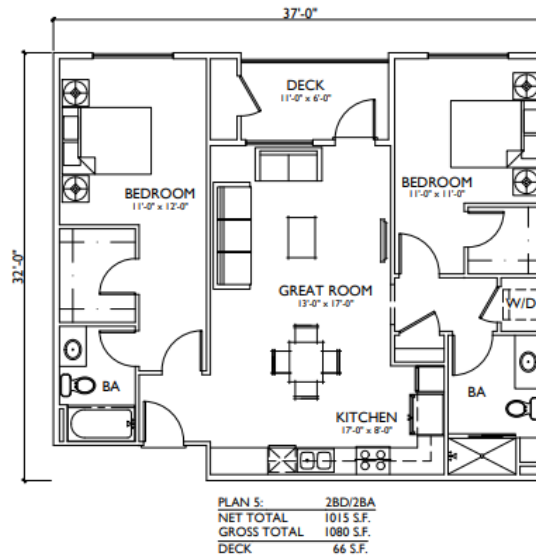
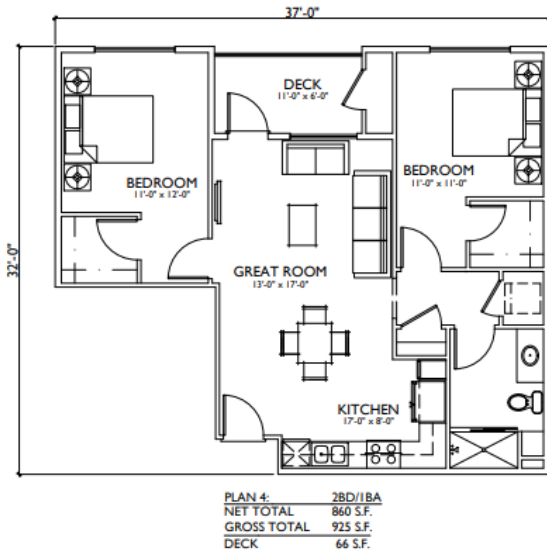
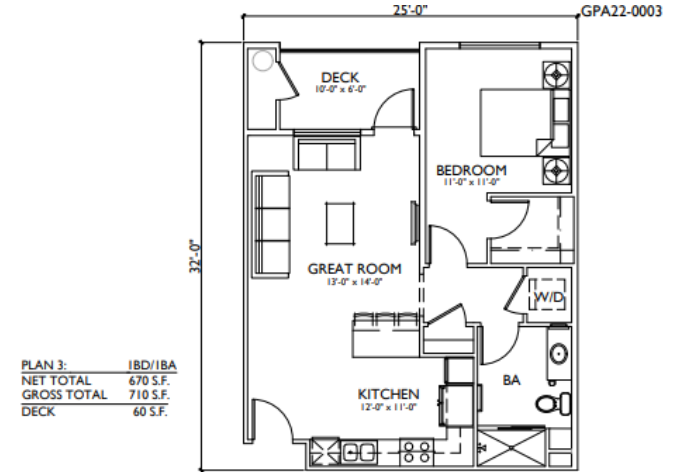
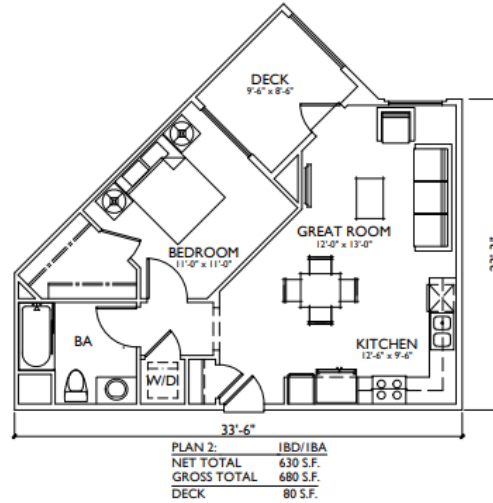
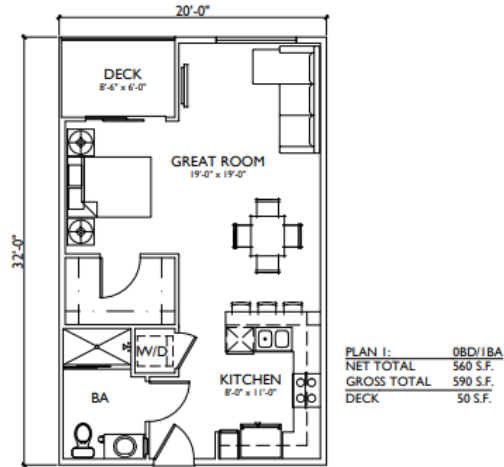
#### COMMERCIAL SUMMARY

CO-WORK	950 SF
LEASING	650 SF
MAIL	250 SF
RESTROOMS	400 SF
TRASH / CORRIDORS	500 SF
FITNESS / MEETING ROOM	1,250 SF
TOTAL	4,000 SF



## Proposed Project Plans (Cont'd)

### Site Plan Analysis





## Proposed Project Plans (Cont'd)

### Site Plan Analysis

The apartment unit payout along Capalina Road.



FIRST FLOOR

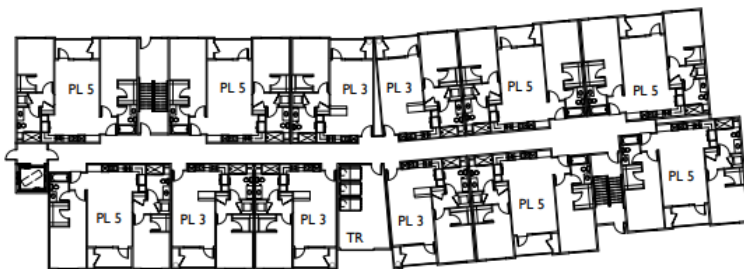


SECOND AND THIRD FLOOR

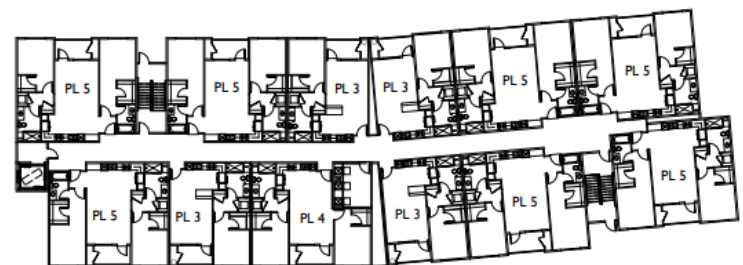


FOURTH FLOOR

The apartment unit payout along W. Mission Blvd.

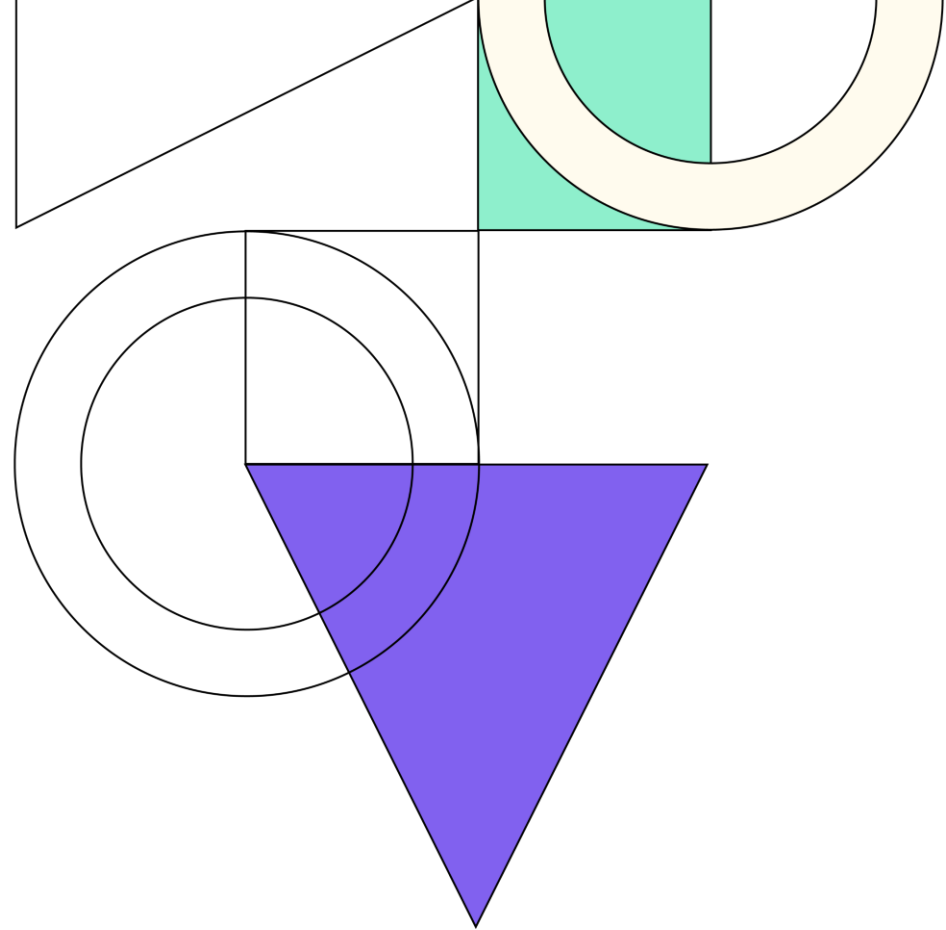


FIRST FLOOR



SECOND TO FOURTH FLOOR

# Apartment Rent Recommendations

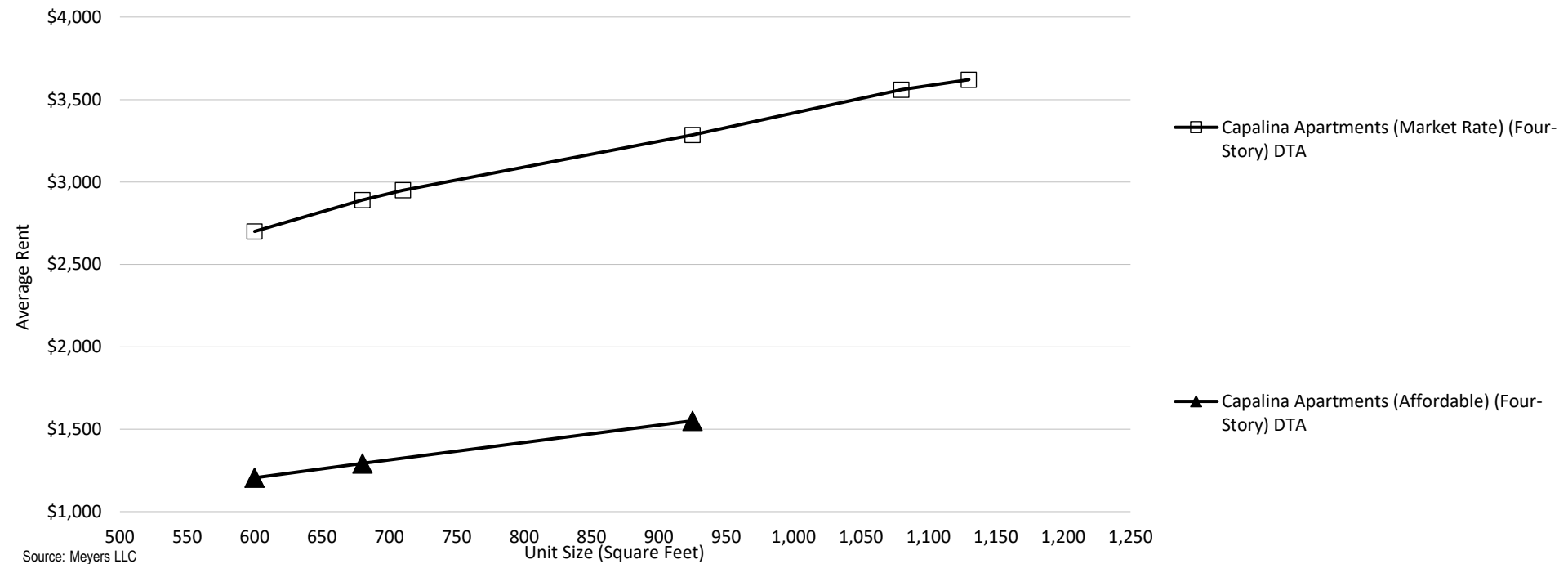


# Proposed Use Summary

## Rent Recommendations

**Zonda’s recommended weighted average market rate rent is \$3,072 or \$3.53 per square foot for the proposed 113 market rate apartment units.** We researched comparable communities and average rents in the San Marcos region to recommend target rents. The 5% set aside as affordable units average \$1.82 per square foot. See [page 17](#) for details on our assumptions for the low-income unit rents.

Project	Type	Building	# of	Est % of	Average	Base		Average		Rent	Base Net Effective		Average Net Effective	
		Stories	Units	Total Units	Unit Size	Rent	\$/SF	Rent	\$/SF	Conc.	Net Base	\$/SF	Avg. Rent	\$/SF
Capalina Apartments (Market Rate)	Stacked Flats	Four-Story	113	95%	871	\$3,206	\$3.68	\$3,206	\$3.68	(\$134)	\$3,072	\$3.53	\$3,072	\$3.53
Capalina Apartments (Affordable)	Stacked Flats	Four-Story	6	5%	748	\$1,364	\$1.82	\$1,364	\$1.82	\$0.00	\$1,364	\$1.82	\$1,364	\$1.82
Community Summary			119	100%	864	\$3,113	\$3.59	\$3,113	\$3.59	(\$127)	\$2,986	\$3.44	\$2,986	\$3.44





## Proposed Use Detail

### Rent Recommendations

**Zonda's recommended base rents for the 113 market rate apartment units range from \$2,700 to \$3,620, or \$3.20 up to \$4.50 per square foot, for a blended average base rent of \$3.68 per square foot.** We did not program unit premiums, but did factor in a concession estimated at two weeks rent free, to be applied during the lease up period. Unit premiums and concessions should be evaluated when the project comes to market. These proposed rents are consistent with the actively leasing competitive apartment communities.

Property Name		Unit Mix	Size SF	Bed	Bath	Level	Pkg	Type	Base Monthly		Est. Avg. Prem.	Avg. Monthly		Rent Conc.			Net. Eff. Base		Net. Eff. Avg	
Location	Client/Developer								Rent	\$/SF		Rent	\$/SF	Direct	Indirect	Total	Rent	\$/SF	Rent	\$/SF
Product Details	Lease Summary																			
Capalina Apartments (Market Rate) DTA		10	600	0	1.0	1	1	O	\$2,700	\$4.50	\$0	\$2,700	\$4.50	(\$113)	\$0	(\$113)	\$2,588	\$4.31	\$2,588	\$4.31
Location:	San Marcos	5	680	1	1.0	1	1	O	\$2,890	\$4.25	\$0	\$2,890	\$4.25	(\$120)	\$0	(\$120)	\$2,770	\$4.07	\$2,770	\$4.07
Product:	Stacked Flats	Total Units:	45	710	1	1.0	1	O	\$2,950	\$4.15	\$0	\$2,950	\$4.15	(\$123)	\$0	(\$123)	\$2,827	\$3.98	\$2,827	\$3.98
Building Stories:	Four-Story	Est Market Entry Jan - 2025	4	925	2	1.0	1	O	\$3,285	\$3.55	\$0	\$3,285	\$3.55	(\$137)	\$0	(\$137)	\$3,148	\$3.40	\$3,148	\$3.40
Parking Included:	Open	GLA	41	1,080	2	2.0	1	O	\$3,560	\$3.30	\$0	\$3,560	\$3.30	(\$148)	\$0	(\$148)	\$3,412	\$3.16	\$3,412	\$3.16
Affordable %	15% 17.85		8	1,130	3	2.0	1	O	\$3,620	\$3.20	\$0	\$3,620	\$3.20	(\$151)	\$0	(\$151)	\$3,469	\$3.07	\$3,469	\$3.07
Summary Statistics:		113	871						\$3,206	\$3.68	\$0	\$3,206	\$3.68	(\$134)	\$0	(\$134)	\$3,072	\$3.53	\$3,072	\$3.53
Capalina Apartments (Affordable) DTA		1	600	0	1.0	1	1	O	\$1,206	\$2.01	\$0	\$1,206	\$2.01	\$0	\$0	\$0	\$1,206	\$2.01	\$1,206	\$2.01
Location:	San Marcos	3	680	1	1.0	1	1	O	\$1,292	\$1.90	\$0	\$1,292	\$1.90	\$0	\$0	\$0	\$1,292	\$1.90	\$1,292	\$1.90
Product:	Stacked Flats	Total Units:	2	925	2	1.0	1	O	\$1,551	\$1.68	\$0	\$1,551	\$1.68	\$0	\$0	\$0	\$1,551	\$1.68	\$1,551	\$1.68
Building Stories:	Four-Story	Est Market Entry Jan - 2025																		
Parking Included:	Open	GLA																		
Summary Statistics:		6	748						\$1,364	\$1.82	\$0	\$1,364	\$1.82	\$0	\$0	\$0	\$1,364	\$1.82	\$1,364	\$1.82

**\*Notes:**

1/ Parking type definitions:

O = Open

C = Carport

A = Assigned Space In Lot

DAG = Direct Access Garage

AG = Attached Garage (No Direct Access)

DG = Detached Garage

2/ All concessions are translated into a monthly discount on rent, as follows:

Direct = A direct discount to the normal rate.

Indirect = Other discounts, such as "\$500 off the first month".

**Zonda used these values in our assessment of potential price as the Proposed land use scenario.** Our positioning rational versus the competitive for-rent residential market is explained in the following section. Our low-income housing units yield a blended average rent of \$1.82 per square foot, based on the tables show on the following page.

## Proposed Use Affordable Apartment Rent Detail

### Rent Recommendations

Zonda priced the Subject's Very Low Income (VLI) affordable units according to the lower of the 30%-50% Very Low Income levels as established by the Section 8 program and the LIHTC program. The Very Low Income Housing Tax Credit Allocation (LIHTC) Rents are slightly different at the same Average Median Income (AMI) set aside, and these discrepancies are based on occupancy for the one- and three-bedroom units.

Program and Location Information	
Affordable Housing Program	IRS Section 42 Low-Income Housing Tax Credit (LIHTC)
Year <sup>(1)(2)</sup>	2023 (effective 05/15/23)
State	CA
County	San Diego County
MSA	San Diego-Carlsbad, CA MSA
Persons / Bedroom	1.5 Person / Bedroom
4-person AMI <sup>(3)</sup>	\$116,800
National Non-Metropolitan Median Income <sup>(4)</sup>	\$76,800
HUD Published 50% National Non-Metropolitan Median Income	\$37,750
Hold Harmless <sup>(6)</sup>	You have indicated that your project was placed in service on or after 05/15/2023 and is therefore eligible to have its income and rent limit held harmless beginning with the 2023 limits.
Placed in Service Date <sup>(7)</sup>	On or after 05/15/2023.

HUD Published Income Limits for 2023 (with no adjustments)	
<input checked="" type="radio"/> Display Income Limits	<input type="radio"/> Hide Income Limits

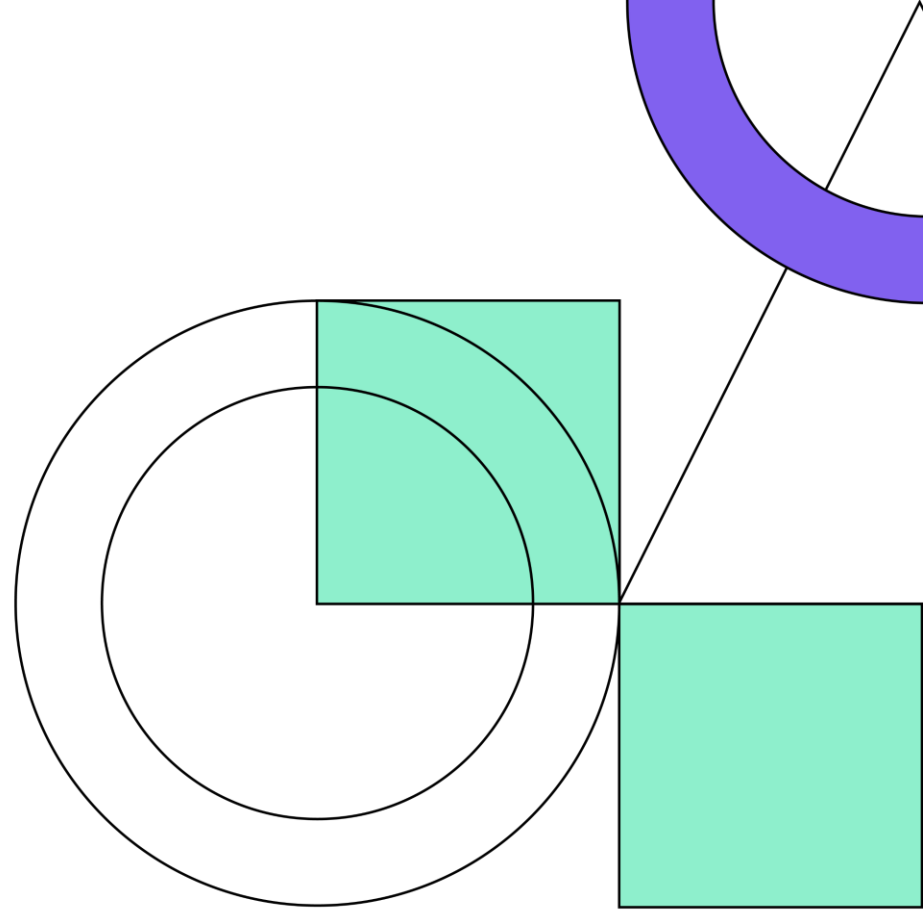
Section 8			Section 8			Limits			
Extremely Low	Very Low	Low	Extremely Low	Very Low	Low	Charts	60.00%	80.00%	140.00%
\$28,950	\$48,250	\$77,200	\$28,950	\$48,250	\$77,200		57,900	77,200	81,060
\$33,100	\$55,150	\$88,200	\$33,100	\$55,150	\$88,200		66,180	88,240	92,652
\$37,250	\$62,050	\$99,250	\$37,250	\$62,050	\$99,250		74,460	99,280	104,244
\$41,350	\$68,900	\$110,250	\$41,350	\$68,900	\$110,250		82,680	110,240	115,752
\$44,700	\$74,450	\$119,100	\$44,700	\$74,450	\$119,100		89,340	119,120	125,076
\$48,000	\$79,950	\$127,900	\$48,000	\$79,950	\$127,900		95,940	127,920	134,316
\$51,300	\$85,450	\$136,750	\$51,300	\$85,450	\$136,750		102,540	136,720	143,556
\$54,600	\$90,950	\$145,550	\$54,600	\$90,950	\$145,550		109,140	145,520	152,796
N/A <sup>(10)</sup>	\$96,450	\$154,350	N/A <sup>(10)</sup>	\$96,450	\$154,350		115,740	154,320	162,036
N/A <sup>(10)</sup>	\$101,950	\$163,150	N/A <sup>(10)</sup>	\$101,950	\$163,150		122,340	163,120	171,276
N/A <sup>(10)</sup>	\$107,500	\$172,000	N/A <sup>(10)</sup>	\$107,500	\$172,000		129,000	172,000	180,600
N/A <sup>(10)</sup>	\$113,000	\$180,800	N/A <sup>(10)</sup>	\$113,000	\$180,800		135,600	180,800	189,840

LIHTC Rent Limits for 2023 (Based on 2023 MTSP/VLI Income Limits)		SECTION 8 RENTS			
Bedrooms (People)	Charts	60.00%	30.00%	50.00%	FMR
Efficiency (1.0)	☞	1,447	723	1,206	1,714
1 Bedroom (1.5)	☞	1,551	775	1,292	1,885
2 Bedrooms (3.0)	☞	1,861	930	1,551	2,399
3 Bedrooms (4.5)	☞	2,150	1,075	1,791	3,279

LIHTC Rent Limits for 2023 (Based on 2023 MTSP/VLI Income Limits)		LIHTC RENTS			
Bedrooms (People)	Charts	60.00%	30.00%	50.00%	FMR
Efficiency (1.0)	☞	1,447	723	1,206	1,714
1 Bedroom (1.5)	☞	1,551	775	1,292	1,885
2 Bedrooms (3.0)	☞	1,861	930	1,551	2,399
3 Bedrooms (4.5)	☞	2,150	1,075	1,791	3,279

Source: Novogradac

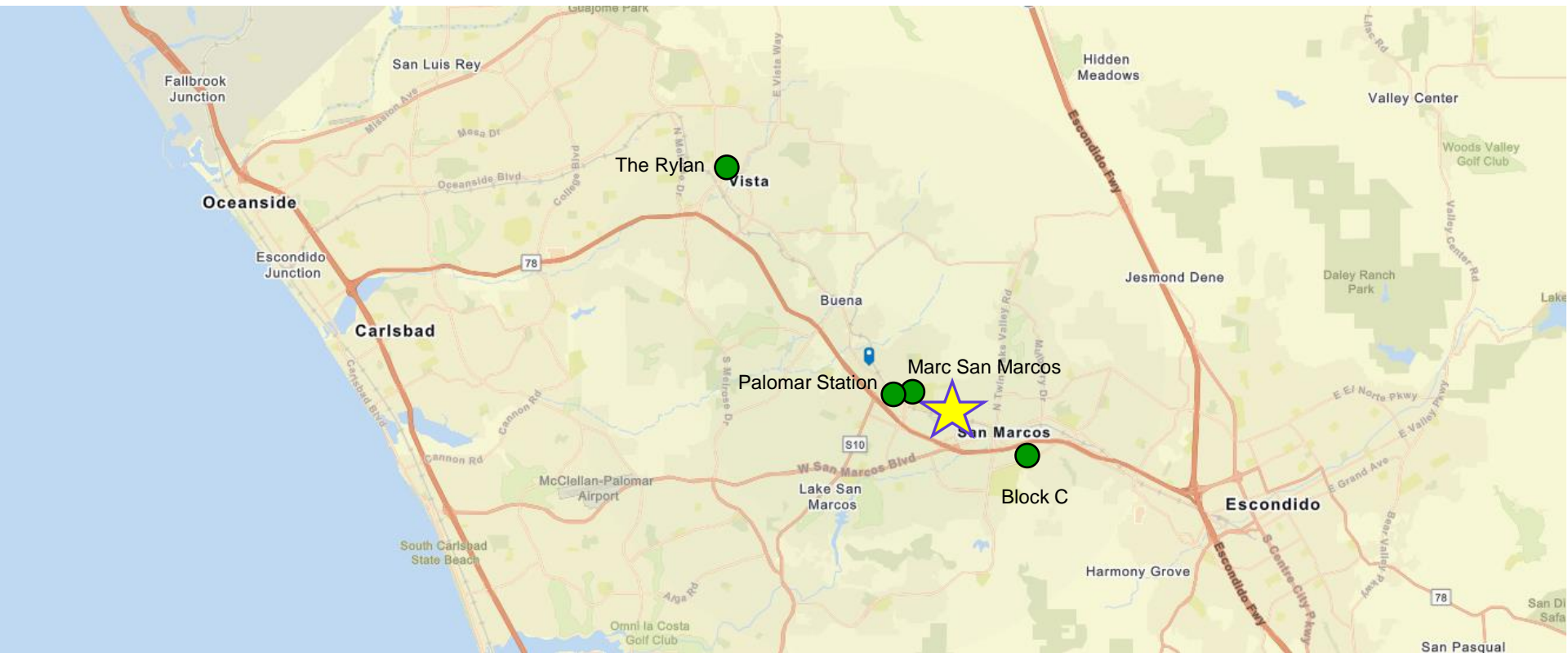
# Competitive For-Rent Market Analysis



# Competitive Project Location Summary

## Competitive For-Rent Market Analysis

Zonda considered comparable apartment communities proximate to the Subject, located in San Marcos and Vista. All apartments were built after 2014, with The Rylan being the newest built in 2020. Block C located south of the Highway 78 is considered the upper end of this Submarket.

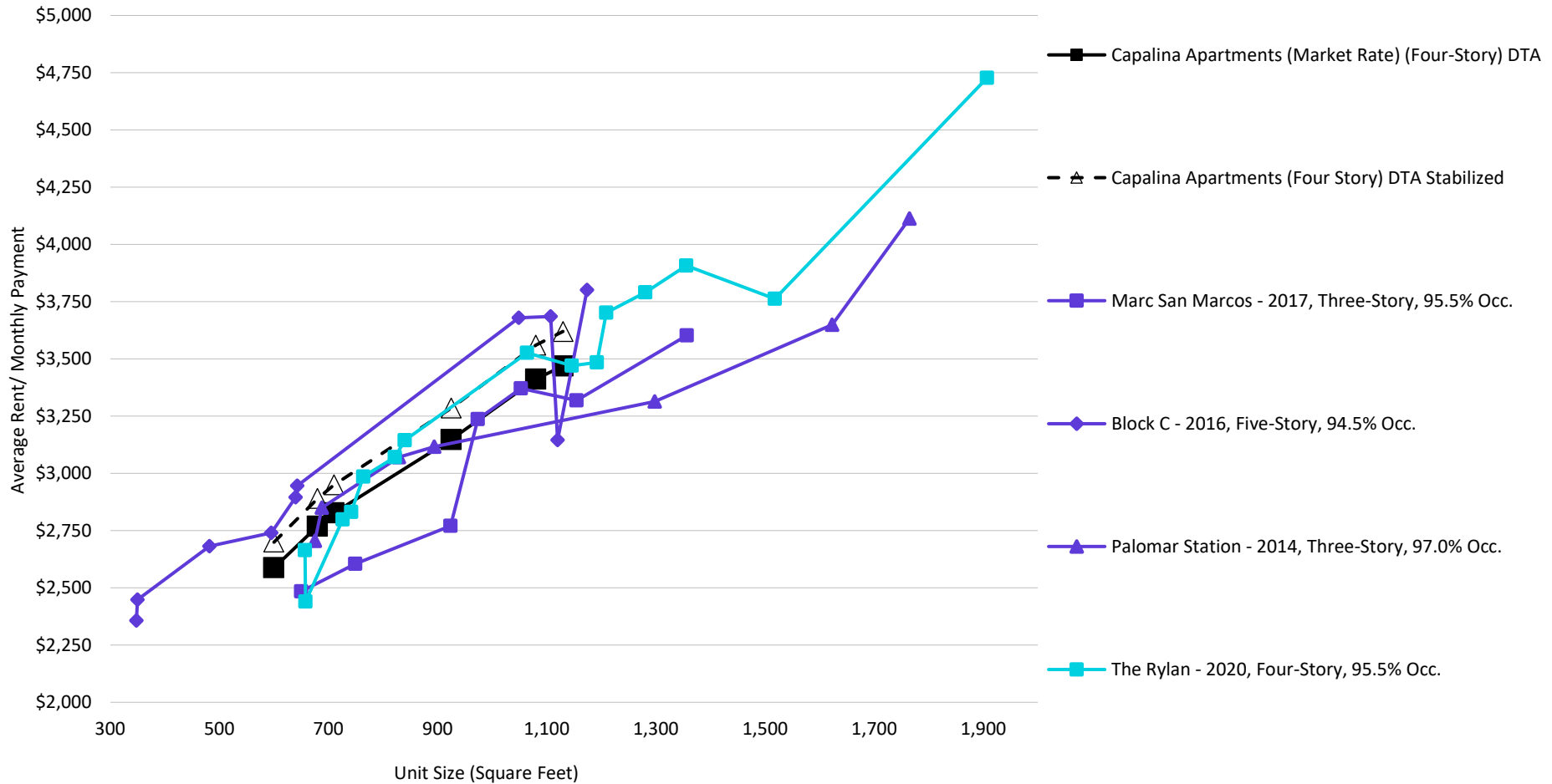


#	Community/Project	Management Company/ Builder	Lease Mo.					Unit Size Range			Rent Range			Rent/SF			Avg.	Eff. Rent Range			Eff. Rent/SF		
			Story	Total	Occ.	Up	Turns	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Conc.	Min	Max	Avg	Min	Avg	Avg
Traditional Apartment Competitors			282					606	1,526	1,024	\$2,529	\$3,935	\$3,187	\$2.58	\$4.56	\$3.42	\$0	\$2,529	\$3,935	\$3,187	\$2.58	\$4.52	\$3.42
1	Marc San Marcos	MG Properties	Three	416	95.5%	-	-	650	1,357	927	\$2,482	\$3,636	\$2,991	\$2.63	\$3.83	\$3.30	\$0	\$2,482	\$3,636	\$2,991	\$2.63	\$3.82	\$3.30
2	Block C	MG Properties	Five	198	94.5%	-	-	348	1,174	751	\$2,333	\$3,685	\$3,038	\$3.19	\$6.84	\$4.59	\$0	\$2,333	\$3,685	\$3,038	\$3.19	\$6.99	\$4.59
3	Palomar Station	Greystar	Three	386	97.0%	-	-	675	1,765	1,254	\$2,708	\$4,128	\$3,423	\$2.25	\$4.35	\$2.97	\$0	\$2,708	\$4,128	\$3,423	\$2.25	\$4.14	\$2.97
4	The Rylan	MG Properties	Four	126	95.5%	-	-	657	1,907	1,063	\$2,440	\$4,727	\$3,345	\$2.48	\$4.05	\$3.33	\$0	\$2,440	\$4,727	\$3,345	\$2.48	\$4.05	\$3.33

## Total Rent Positioning vs Competitive Market

### Competitive For-Rent Market Analysis

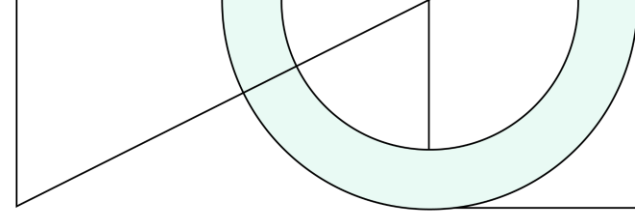
**Proposed net effective rents are positioned consistently with Phase II of Marc San Marcos, and base rents are consistent with or slightly above The Rylan in Vista.** Recommended Subject market rate rents are priced at a significant premium to the older Palomar Station (built 2014). This positioning adjusts for the perceived premium for new construction at the Subject, with the exception of Block C which has a more desirable location in North City.



Source: Zonda Advisory; Individual Community Management Offices

# Competitive For-Sale Market Detail

## Competitive For-Rent Market Analysis



Traditional Apartment Competitors		Floorplan Summary																								
Project		Size				Pkg		Current Rents			Current Rent \$/SF			Rent Concessions			Net Effective				Net Effective \$/SF					
Project Detail	Mix	SF	Bed	Bath	Level	Pkg	Type	Low	-	High	Avg.	Low	-	High	Avg.	Direct	Indirect	Total	Low	-	High	Avg.	Low	-	High	Avg.
1	MARC SAN MARCOS   MG PROPERTIES		SAN MARCOS		THREE-STORY		YEAR BUILT - 2017																			
% Leased/Occupancy: 95.9/95.5	2	650	0	1.0	1	1	O	\$2,482	-	\$2,488	\$2,485	\$3.82	-	\$3.83	\$3.82	\$0	\$0	\$0	\$2,482	-	\$2,488	\$2,485	\$3.82	-	\$3.83	\$3.82
Total Units/Leased: 416/399	5	749	1	1.0	1	1	O	\$2,596	-	\$2,613	\$2,605	\$3.47	-	\$3.49	\$3.48	\$0	\$0	\$0	\$2,596	-	\$2,613	\$2,605	\$3.47	-	\$3.49	\$3.48
Available Units: 17	1	924	2	2.0	1	1	O	\$2,771	-	\$2,771	\$2,771	\$3.00	-	\$3.00	\$3.00	\$0	\$0	\$0	\$2,771	-	\$2,771	\$2,771	\$3.00	-	\$3.00	\$3.00
Turnover/Monthly: -	5	974	2	2.0	1	1	O	\$3,199	-	\$3,274	\$3,237	\$3.28	-	\$3.36	\$3.32	\$0	\$0	\$0	\$3,199	-	\$3,274	\$3,237	\$3.28	-	\$3.36	\$3.32
Lease-Up Rate: -	1	1,053	2	2.0	1	1	O	\$3,358	-	\$3,385	\$3,372	\$3.19	-	\$3.21	\$3.20	\$0	\$0	\$0	\$3,358	-	\$3,385	\$3,372	\$3.19	-	\$3.21	\$3.20
	1	1,155	2	3.0	2	1	O	\$3,206	-	\$3,432	\$3,319	\$2.78	-	\$2.97	\$2.87	\$0	\$0	\$0	\$3,206	-	\$3,432	\$3,319	\$2.78	-	\$2.97	\$2.87
	17	927						\$2,482	-	\$3,636	\$2,991	\$2.63	-	\$3.83	\$3.23	\$0	\$0	\$0	\$2,482	-	\$3,636	\$2,991	\$2.63	-	\$3.83	\$3.23
2	BLOCK C   MG PROPERTIES		SAN MARCOS		FIVE-STORY		YEAR BUILT - 2016																			
% Leased/Occupancy: 94.9/94.5	1	348	0	1.0	1	1	O	\$2,333	-	\$2,381	\$2,357	\$6.70	-	\$6.84	\$6.77	\$0	\$0	\$0	\$2,333	-	\$2,381	\$2,357	\$6.70	-	\$6.84	\$6.77
Total Units/Leased: 198/188	1	350	0	1.0	1	1	O	\$2,626	-	\$2,270	\$2,448	\$7.50	-	\$6.49	\$6.99	\$0	\$0	\$0	\$2,626	-	\$2,270	\$2,448	\$7.50	-	\$6.49	\$6.99
Available Units: 10	1	482	0	1.0	1	1	O	\$2,672	-	\$2,693	\$2,683	\$5.54	-	\$5.59	\$5.57	\$0	\$0	\$0	\$2,672	-	\$2,693	\$2,683	\$5.54	-	\$5.59	\$5.57
Turnover/Monthly: -	1	595	1	1.0	1	1	O	\$2,741	-	\$2,741	\$2,741	\$4.61	-	\$4.61	\$4.61	\$0	\$0	\$0	\$2,741	-	\$2,741	\$2,741	\$4.61	-	\$4.61	\$4.61
Lease-Up Rate: -	1	640	1	1.0	1	1	O	\$2,896	-	\$2,896	\$2,896	\$4.53	-	\$4.53	\$4.53	\$0	\$0	\$0	\$2,896	-	\$2,896	\$2,896	\$4.53	-	\$4.53	\$4.53
	10	751						\$2,333	-	\$3,685	\$3,038	\$3.19	-	\$6.84	\$4.05	\$0	\$0	\$0	\$2,333	-	\$3,685	\$3,038	\$3.19	-	\$6.84	\$4.05
3	PALOMAR STATION   GREYSTAR		SAN MARCOS		THREE-STORY		YEAR BUILT - 2014																			
% Leased/Occupancy: 97.2/97.0	1	675	1	1.0	1	1	O	\$2,744	-	\$2,668	\$2,706	\$4.07	-	\$3.95	\$4.01	\$0	\$0	\$0	\$2,744	-	\$2,668	\$2,706	\$4.07	-	\$3.95	\$4.01
Total Units/Leased: 386/375	1	688	1	1.0	1	1	O	\$2,708	-	\$2,993	\$2,851	\$3.94	-	\$4.35	\$4.14	\$0	\$0	\$0	\$2,708	-	\$2,993	\$2,851	\$3.94	-	\$4.35	\$4.14
Available Units: 11	2	829	1	1.0	1	1	O	\$3,053	-	\$3,088	\$3,071	\$3.68	-	\$3.72	\$3.70	\$0	\$0	\$0	\$3,053	-	\$3,088	\$3,071	\$3.68	-	\$3.72	\$3.70
Turnover/Monthly: -	1	894	2	1.0	1	1	O	\$3,043	-	\$3,191	\$3,117	\$3.40	-	\$3.57	\$3.49	\$0	\$0	\$0	\$3,043	-	\$3,191	\$3,117	\$3.40	-	\$3.57	\$3.49
Lease-Up Rate: -	2	1,298	2	1.0	1	1	O	\$3,314	-	\$3,314	\$3,314	\$2.55	-	\$2.55	\$2.55	\$0	\$0	\$0	\$3,314	-	\$3,314	\$3,314	\$2.55	-	\$2.55	\$2.55
	12	1,254						\$2,708	-	\$4,128	\$3,423	\$2.25	-	\$4.35	\$2.73	\$0	\$0	\$0	\$2,708	-	\$4,128	\$3,423	\$2.25	-	\$4.35	\$2.73
4	THE RYLAN   MG PROPERTIES		VISTA		FOUR-STORY		YEAR BUILT - 2020																			
% Leased/Occupancy: 95.5/95.5	7	657	1	1.0	1	1	O	\$2,664	-	\$2,664	\$2,664	\$4.05	-	\$4.05	\$4.05	\$0	\$0	\$0	\$2,664	-	\$2,664	\$2,664	\$4.05	-	\$4.05	\$4.05
Total Units/Leased: 126/120	7	658	1	1.0	1	1	O	\$2,440	-	\$2,440	\$2,440	\$3.71	-	\$3.71	\$3.71	\$0	\$0	\$0	\$2,440	-	\$2,440	\$2,440	\$3.71	-	\$3.71	\$3.71
Available Units: 6	6	726	1	1.0	1	1	O	\$2,711	-	\$2,886	\$2,799	\$3.73	-	\$3.98	\$3.85	\$0	\$0	\$0	\$2,711	-	\$2,886	\$2,799	\$3.73	-	\$3.98	\$3.85
Turnover/Monthly: -	6	742	1	1.0	1	1	O	\$2,831	-	\$2,831	\$2,831	\$3.82	-	\$3.82	\$3.82	\$0	\$0	\$0	\$2,831	-	\$2,831	\$2,831	\$3.82	-	\$3.82	\$3.82
Lease-Up Rate: -	6	764	1	1.0	1	1	O	\$2,986	-	\$2,986	\$2,986	\$3.91	-	\$3.91	\$3.91	\$0	\$0	\$0	\$2,986	-	\$2,986	\$2,986	\$3.91	-	\$3.91	\$3.91
	6	822	1	1.0	1	1	O	\$3,071	-	\$3,071	\$3,071	\$3.74	-	\$3.74	\$3.74	\$0	\$0	\$0	\$3,071	-	\$3,071	\$3,071	\$3.74	-	\$3.74	\$3.74
	6	840	1	1.0	1	1	O	\$3,100	-	\$3,189	\$3,145	\$3.69	-	\$3.80	\$3.74	\$0	\$0	\$0	\$3,100	-	\$3,189	\$3,145	\$3.69	-	\$3.80	\$3.74
	5	1,064	2	1.0	1	1	O	\$3,526	-	\$3,526	\$3,526	\$3.31	-	\$3.31	\$3.31	\$0	\$0	\$0	\$3,526	-	\$3,526	\$3,526	\$3.31	-	\$3.31	\$3.31
	5	1,146	2	1.0	1	1	O	\$3,470	-	\$3,470	\$3,470	\$3.03	-	\$3.03	\$3.03	\$0	\$0	\$0	\$3,470	-	\$3,470	\$3,470	\$3.03	-	\$3.03	\$3.03
	5	1,192	2	1.0	1	1	O	\$3,485	-	\$3,485	\$3,485	\$2.92	-	\$2.92	\$2.92	\$0	\$0	\$0	\$3,485	-	\$3,485	\$3,485	\$2.92	-	\$2.92	\$2.92
	88	1,063						\$2,440	-	\$4,727	\$3,345	\$2.48	-	\$4.05	\$3.15	\$0	\$0	\$0	\$2,440	-	\$4,727	\$3,345	\$2.48	-	\$4.05	\$3.15



## Traditional Apartment Comparables

Competitive For-Rent Market Analysis

Marc San Marcos



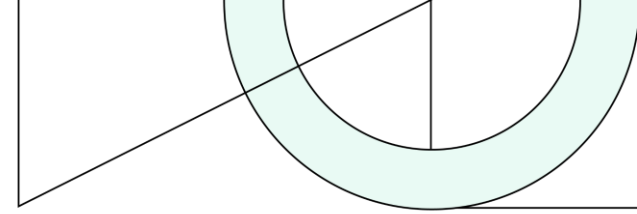
Palomar Station



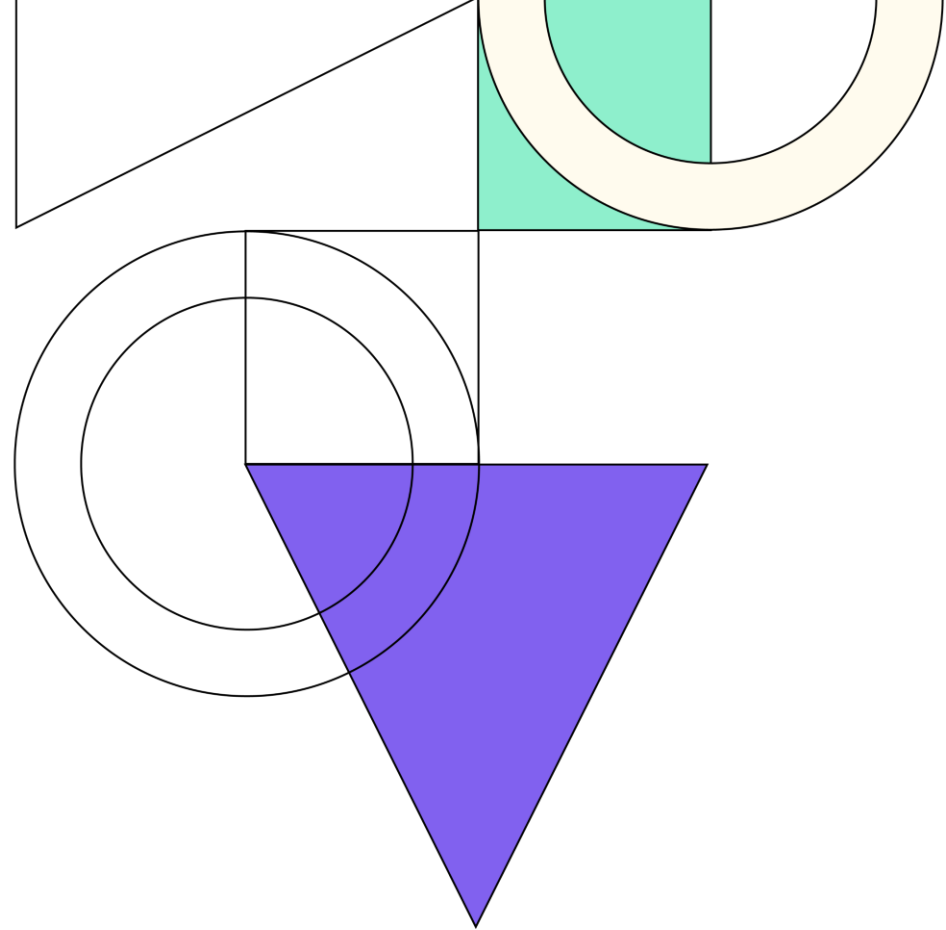
Block C



The Rylan



# Multifamily Market Overview

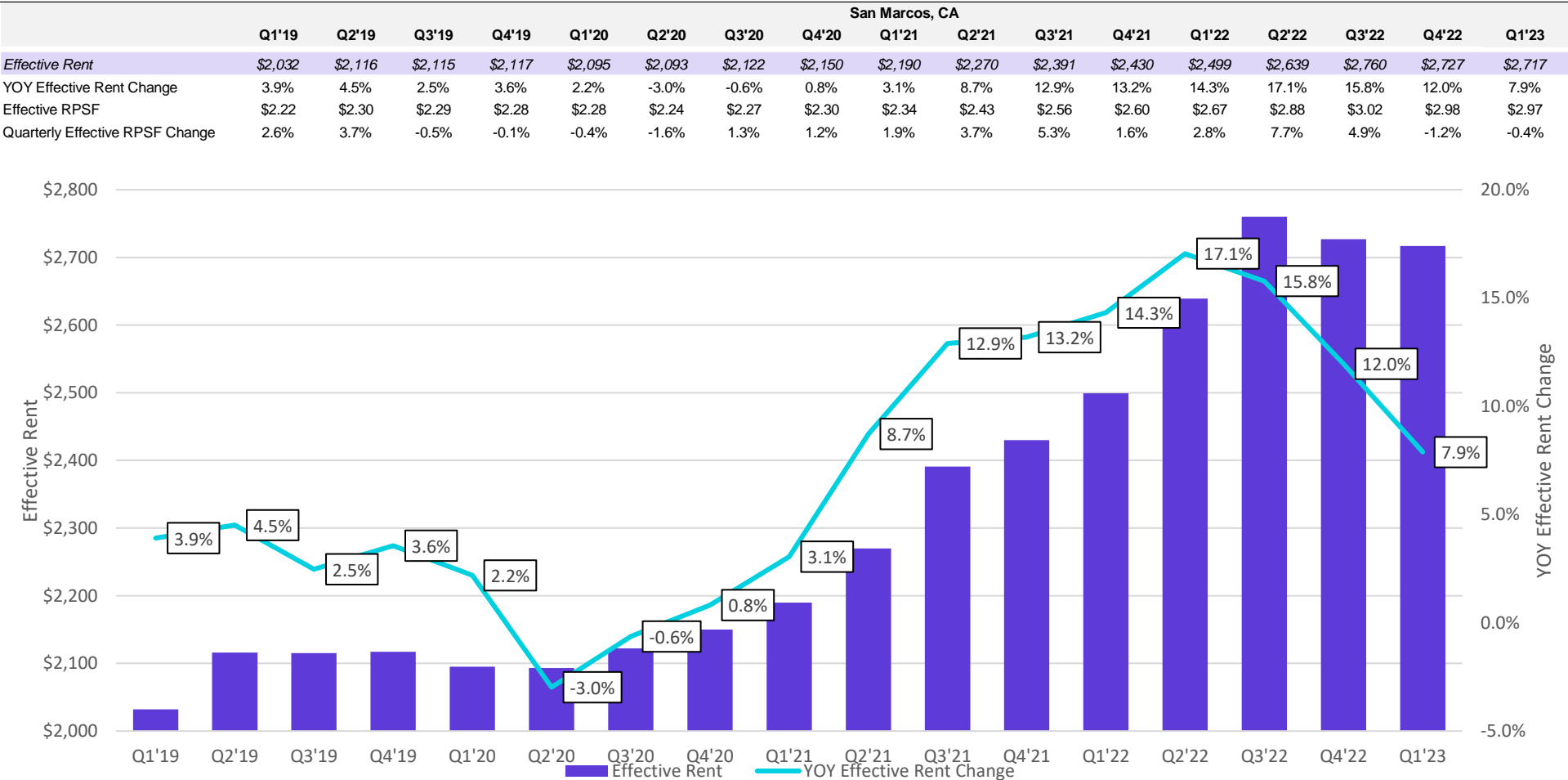




# San Marcos Absolute and Per Square Foot Rents

## Multifamily Market Overview

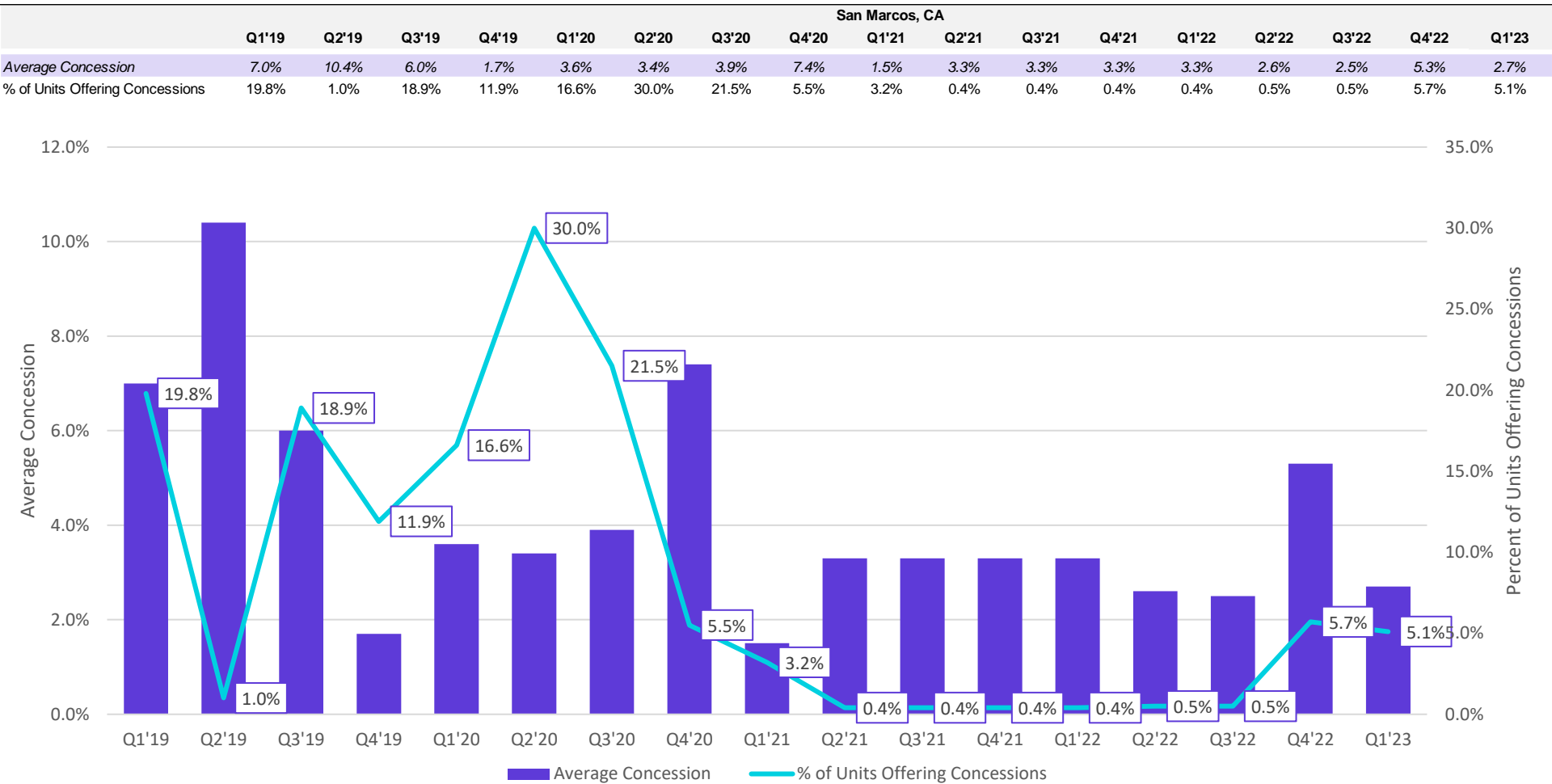
San Marcos average rents have decreased quarter over quarter since Q4 2022, but not enough to impact year-over numbers to go negative. However, rent per square foot which factors in unit size, has seen just a very small dip of \$0.03 and \$0.01 respectively over the past two quarters, indicating a more robust apartment market than an analysis only of absolute rents. Rent per square foot is therefore a more reliable benchmark. Zonda recommends continued monitoring to identify future softening in San Marcos rent.



# San Marcos Apartment Concessions

## Multifamily Market Overview

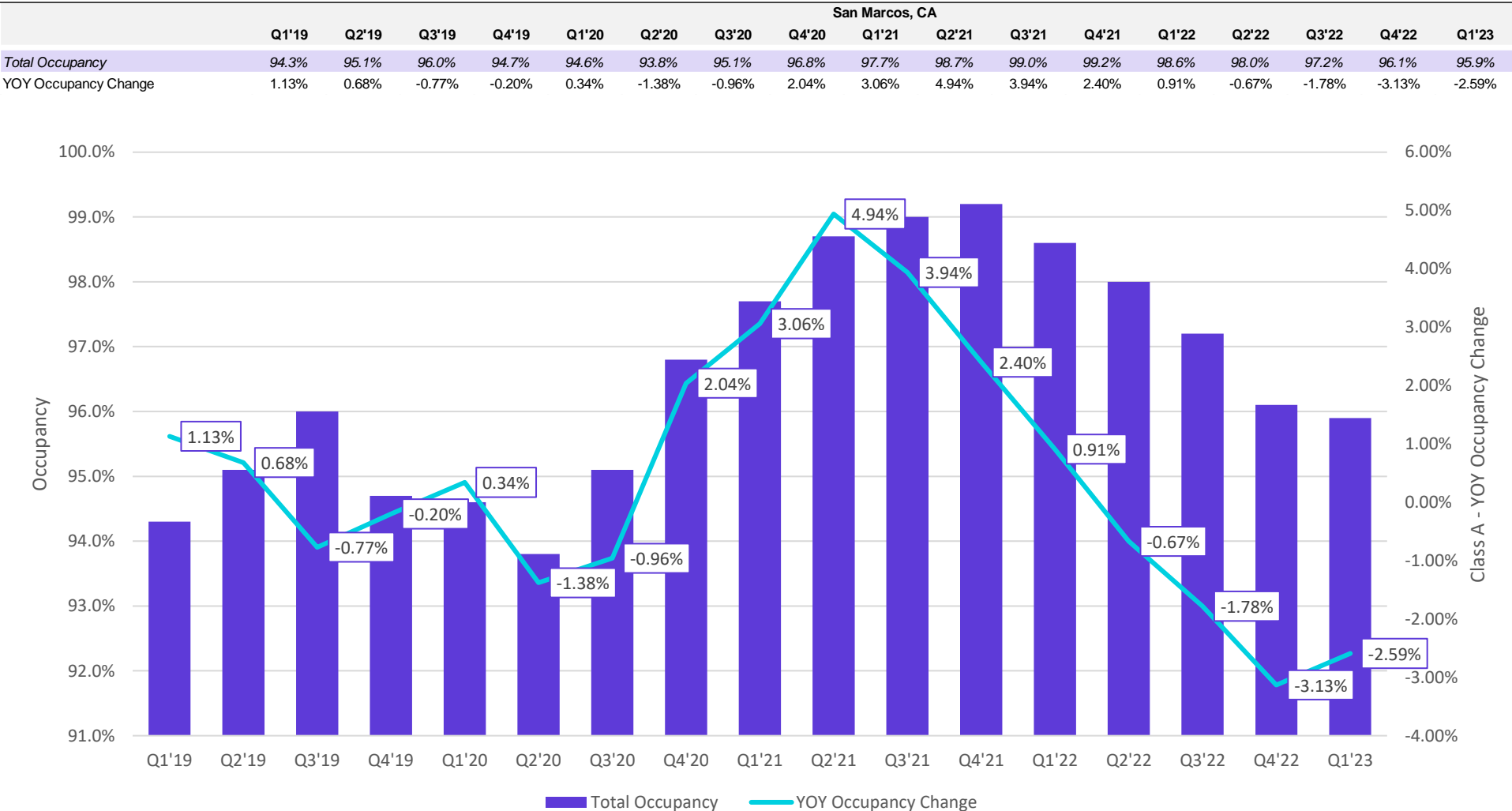
San Marcos concessions appear to be performing at historical norms after an extremely strong market during the COVID pandemic, when concessions disappeared almost entirely. Today's market offers an average concession equal to 2.7% of the base rent, across 5.1% of the apartments in the CMA.



## San Marcos Apartment Occupancy Rate

Multifamily Market Overview

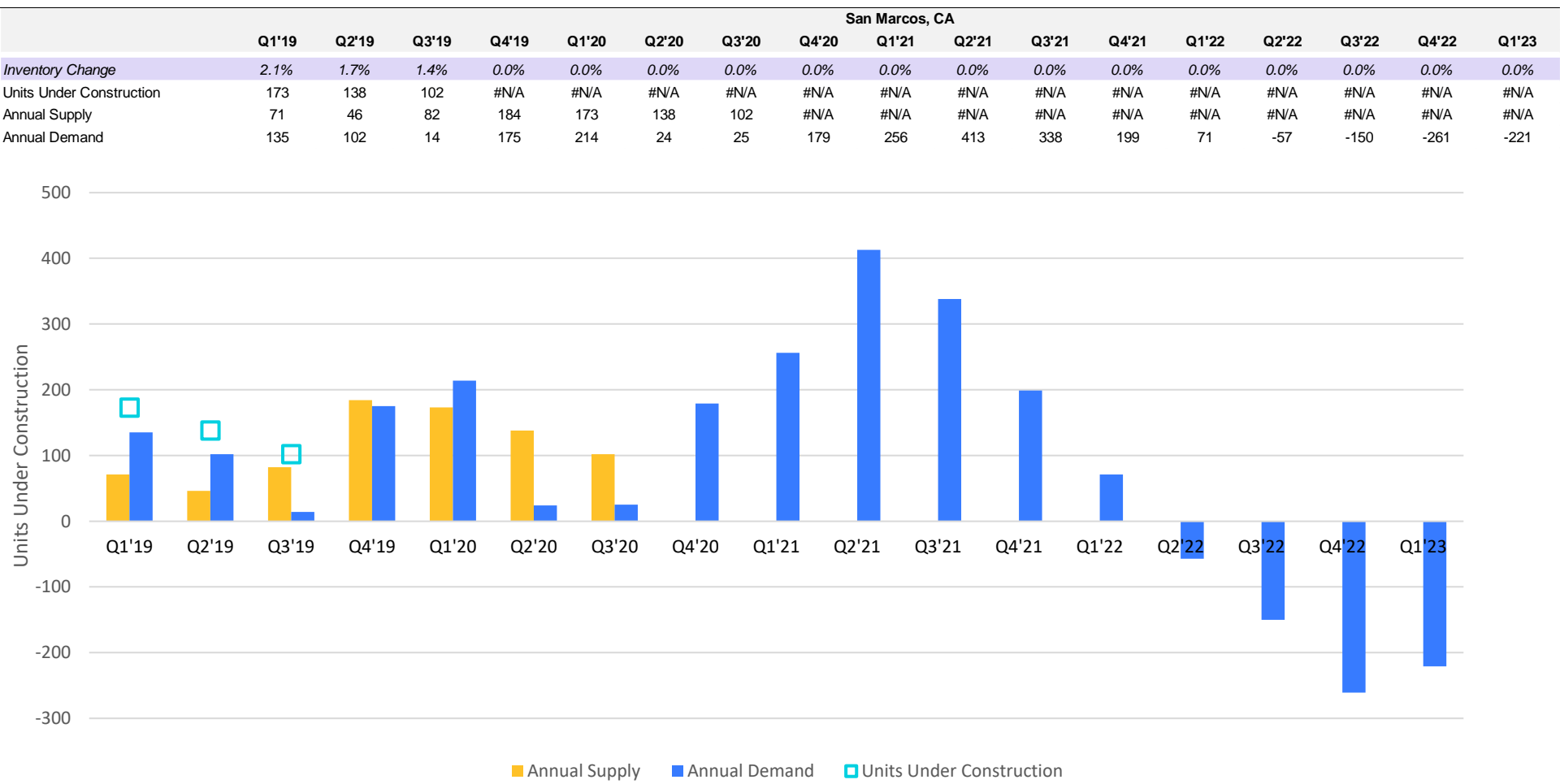
After an unprecedented run lasting almost two years, when apartments were almost fully occupied, occupancy is back to more normal levels. Occupancy levels are still strong at just under 96% after experiencing small downward corrections for six consecutive quarters.

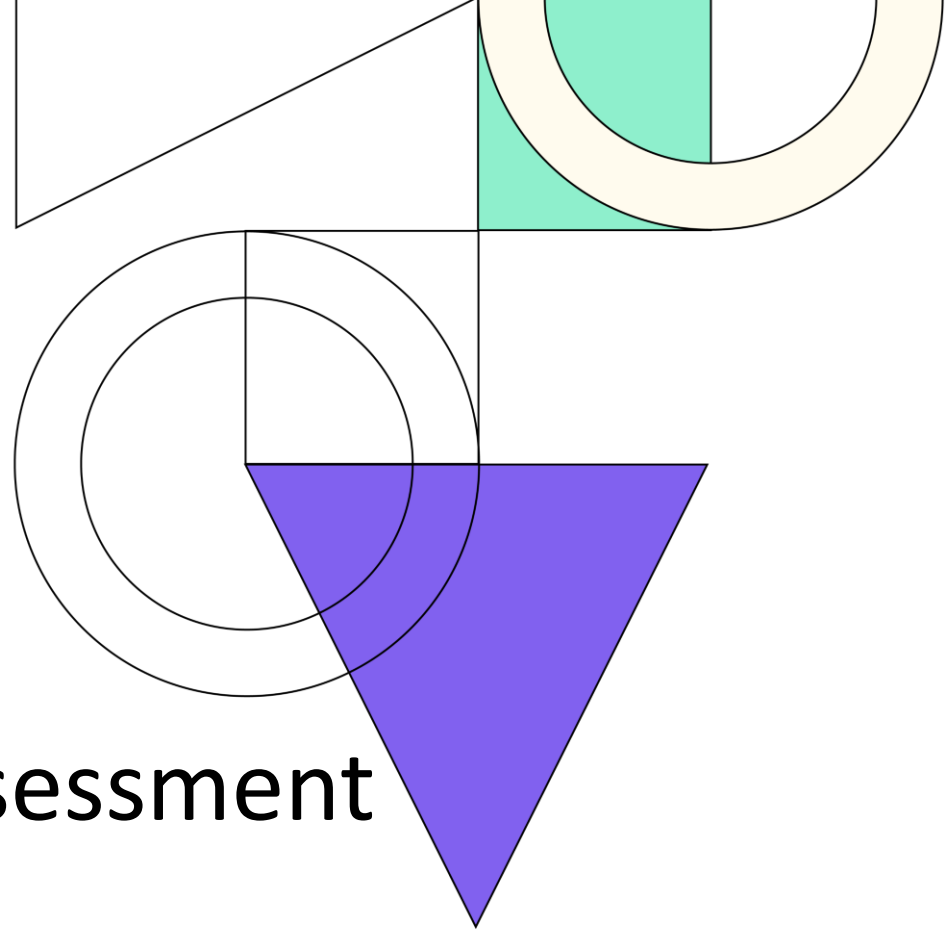


# North County Demand, Supply and New Construction

## Multifamily Market Overview

No new apartment supply has been introduced into the San Marcos multifamily market for the past three years, and new apartments at the Subject should therefore be well received. Annual demand went negative in Q2 2022 to counterbalance the abnormally high demand during the pandemic, and could be turning the corner in Q1 2023.





# Commercial Price Assessment

## Methodology and Price Assessment Conclusions – Original Use

### Price Assessment

Our valuation of the Subject includes both the NOI cap rate approach and a comparison of recent sales transactions and focused specifically the original land use. Sales truncations were researched both by price per square foot and price per unit where applicable, and the resulting average or median was used. Zonda assumptions are supported by extensive market research and interviews with local retail brokers including VOIT, REIS,, CBRE, Lee & Associates, Cushman and Wakefield, and Colliers. **The resulting price assessment cross-referencing both methods is between \$27.87 million and \$28.72 million, and averages around \$28.3 million.**

Net Operating Income / Cap Rate Valuation Approach														
Type	Building Square Feet	GLA (SF)	Est. Monthly Lease Rate	Est. Annual Lease Rate	Gross Receipts	Operating Expense %	Operating Expenses	Net Operating Income	Vacancy Rate	Vacancy	Total Est. Annual Revenues	Cap Rate (%)	Total Value	\$/SF
Ground Floor Retail	10,000	10,000	\$2.69	\$32.28	\$322,800	-25%	(\$80,700)	\$242,100	-5.5%	(\$17,754)	\$224,346	6.55%	\$3,425,130	\$343
Commercial Office + Parking	90,000	90,000	\$2.62	\$31.44	\$2,829,600	-32%	(\$905,472)	\$1,924,128	-7.1%	(\$200,902)	\$1,723,226	7.05%	\$24,442,928	\$272
<b>Original Total</b>	<b>100,000</b>	<b>100,000</b>	<b>\$2.63</b>	<b>\$31.52</b>	<b>\$322,800</b>		<b>(\$80,700)</b>	<b>\$242,100</b>		<b>(\$17,754)</b>	<b>\$224,346</b>		<b>\$27,868,057</b>	<b>\$279</b>

\*Assumes all real estate property taxes, insurance, management fees (on or off-site), repairs and maintenance, and utilities are paid by tenant under a Triple Net lease.

Sales Transaction Valuation Approach					
Type	SF/Unit	GLA (SF)	\$/SF	\$/Unit	Total
Ground Floor Retail	10,000	10,000	\$397		\$3,970,000
Commercial Office + Parking	90,000	90,000	\$275		\$24,750,000
<b>Original Total</b>	<b>113,810</b>	<b>113,810</b>			<b>\$28,720,000</b>

Cap Rates as of 07/06/2023 Commercial Property Cap Rates By Property Type, Sector & Class			
Property Type	Class A	Class B	Class C
Multifamily Metro Mid & High Rise	4.75 - 4.85	4.85 - 4.95	5.00 - 5.45
Multifamily Suburban	4.85 - 4.95	4.95 - 5.05	5.20 - 5.70
Retail Metro (CBD)	6.50 - 7.25	6.75 - 7.00	7.00 - 7.50
Retail Suburban	6.20 - 6.90	6.70 - 6.80	6.90 - 7.40
Office Metro	6.90 - 7.20	7.05 - 7.60	7.30 - 7.65
Office Suburban	6.10 - 7.40	7.20 - 7.60	7.15 - 7.80

Zonda used the San Diego County market cap rate table at left as a guide to establish possible land use values. However, we adjusted these assumptions to fit the local San Marcos market trends based on market research and interviews with local retail brokers including CBRE, Voit, Cushman and Wakefield, and Colliers as follows:

#### NEIGHBORHOOD RETAIL

- Vacancy rate of 5.5%, operating expenses of +/-25%, Median Cap Rate for Suburban Class A range of 6.55%.
- Sales price per square foot based on median sales price of comparables.
- Lease rate is the average rent per square foot of CMA.

#### COMMERCIAL OFFICE

- Vacancy rate of 7.1%, operating expenses of +/-32%, Median Cap Rate for Metro Class A range of 7.05%.
- Sales price per square foot is the CMA median price.
- Lease rate is the CMA average rent per square foot.

## Methodology and Price Assessment Conclusions – Proposed Use

### Price Assessment

Our valuation of the Subject includes both the NOI cap rate approach and a comparison of recent sales transactions and focused specifically the proposed land uses. Sales transactions were researched both by price per square foot and price per unit where applicable, and the resulting average was used. Zonda assumptions are supported by extensive market research and interviews with local retail brokers including VOIT, REIS, JLL, CBRE, Lee & Associates, Cushman and Wakefield, and Colliers. **The resulting price assessment cross-referencing both methods is between \$57.416 million and \$58.083, for an average of roughly \$57.75 million.**

Net Operating Income / Cap Rate Valuation Approach														
Type	Building Square Feet	GLA (SF)	Est. Monthly Lease Rate	Est. Annual Lease Rate	Gross Receipts	Operating Expense %	Operating Expenses	Net Operating Income	Vacancy Rate	Vacancy	Total Est. Annual Revenues	Cap Rate (%)	Total Value	\$/SF
Multifamily Market Rate Apts (113) p	98,370	98,370	\$3.53	\$42.36	\$4,166,953	-35%	(\$1,458,434)	\$2,708,520	-5.0%	(\$208,348)	\$2,500,172	4.50%	\$55,559,376	\$565
Multifamily Affordable Apts (6)	4,490	4,490	\$1.82	\$21.84	\$98,062	-35%	(\$34,322)	\$63,740	-1.0%	(\$981)	\$62,759	4.90%	\$1,280,805	\$285
Leasing Office	650	650	\$3.75	\$45.00	\$29,250	-35%	(\$10,238)	\$19,013	-13.0%	(\$3,803)	\$15,210	7.05%	\$215,745	\$332
Ground Floor Office Cowork	950	950	\$6.00	\$72.00	\$68,400	-40%	(\$27,360)	\$41,040	-20.0%	(\$13,680)	\$27,360	7.60%	\$360,000	\$379
<b>Proposed Total</b>	<b>104,460</b>	<b>104,460</b>	<b>\$3.48</b>	<b>\$41.76</b>	<b>\$4,362,665</b>		<b>(\$1,530,353)</b>	<b>\$2,832,312</b>		<b>(\$226,811)</b>	<b>\$2,605,501</b>		<b>\$57,415,925</b>	<b>\$550</b>

\*Assumes all real estate property taxes, insurance, management fees (on or off-site), repairs and maintenance, and utilities are paid by tenant under a Triple Net lease.

Sales Transaction Valuation Approach					
Type	SF/Unit	GLA (SF)	\$/SF	\$/Unit	Total
Multifamily Market Rate Apts (113) p	871	98,370	\$580	\$505,000	\$51,005,000
Multifamily Affordable Apts (6)	748	4,490	\$481	\$360,000	\$6,480,000
Leasing Office	108	650	\$335		\$217,750
Ground Floor Office Cowork	950	950	\$400		\$380,000
<b>Proposed Total</b>	<b>104,460</b>	<b>104,460</b>			<b>\$58,082,750</b>

*Of the 4,000 square feet of commercial space, the fitness center, mail room, restrooms and trash corridors are provided exclusively for the benefit of the prospective apartment tenants, free of charge, rather than as a stand-alone monetized retail concern. Therefore, only the 950 square foot coworking office and 650 square foot leasing office are considered revenue earners for this analysis.*

Zonda's assumptions include the following:

- Market Rate Multifamily cap rate is estimated at 4.5% based on interviews with local brokers and Cap Rate Index data sources which indicate slightly better rates for San Marcos than the overall San Diego County rates quoted below.
- Cap Rates for income restricted apartments typically run roughly 9% higher than market rate, hence the 4.9% estimated rate.
- Apartment vacancy rate of 5% for the market rate units and 1% for the low-income units.
- Operating expenses estimated at 35% of gross receipts.
- Average market rate rent of \$3.53 per square feet based on Zonda's recommended rents for the Subject apartments on page 15.
- Average income-restricted rent of \$2.81 per square foot per the Novogradac Low Income rent tables on page 17.

#### Cap Rates as of 07/06/2023 Commercial Property Cap Rates By Property Type, Sector & Class

Property Type	Class A	Class B	Class C
Multifamily Metro Mid & High Rise	4.75 - 4.85	4.85 - 4.95	5.00 - 5.45
Multifamily Suburban	4.85 - 4.95	4.95 - 5.05	5.20 - 5.70

## Original Use: Commercial Neighborhood Retail Sales

### Price Assessment

The following neighborhood retail listings and sales were used to help determine a likely sale price for the retail component. **Zonda priced the Subject Neighborhood Retail at \$397 per square foot, but used a higher cap rate to adjust for today's market compared to 2022 transactions.**

No.	Property Name Address	Zoning	Total SF	Sale Date	Year Built	Cap Rate	Leasable SF	Sale Price	Price/ SF
1	El Dorado II 309 Richmar Ave San Marcos, 92069	Restaurant/Café MU	2150	0.05	2022		2,150	\$1,018,000	\$473
2	712 Center Drive San Marcos, 92069	Nhbd Retail/Restaurant	18256	1/24/2022	2004		18,256	\$12,311,000	\$674
3	Lakeshore Learning Center 702 Center Drive San Marcos, 92069	Nhbd Retail/Restaurant	8060	1/24/2022	1991		16,954	\$5,276,500	\$311
4	San Marcos Square 156-190 Rancho Santa Fe Rd San Marcos, 92078	Nhbd Retail/Restaurant	21352	Listing	2014	5.47%	21,390	\$8,500,000	\$397
5	Twin Oaks Town Center 407 N Twin Oaks Valley Rd San Marcos, 92078	Nhbd Retail/Restaurant	21410	7/12/2022	2006		21,410	\$8,200,000	\$383
6	Slater's 50/50 110 Knoll Rd San Marcos, 92069	Restaurant	7065	3/3/2022	1999/2014		7,065	\$3,400,000	\$481
7	Galleria Vera Cruz 1001-1003 W San Marcos Blvd San Marcos, CA 92078	Nhbd Retail/Restaurant	28451	Listing	1986	5.33%	28,451	\$10,000,000	\$351

<b>Min:</b>	2,150	0.04935721	1986	5.33%	2,150	\$1,018,000	\$311
<b>Max:</b>	28,451	44754	2022	5.47%	28,451	\$12,311,000	\$674
<b>Median</b>	18,256	44585	2005	5.40%	18,256	\$8,200,000	<b>\$397</b>
<b>Average:</b>	15,249	35709.41	2004	5.40%	16,525	\$6,957,929	\$439



# Original Use: Commercial Retail Leases

## Price Assessment

The following retail leases were used to determine a likely lease rate for the retail component. All of the listed sales at right are for older properties, but many benefit from a more visible location, creating a trade of between the Subject new space, larger than average footprint, and slightly less desirable address north of the 78 Freeway. **Zonda priced the neighborhood retail space similarly to the CMA average of \$2.69.**

No.	Building Name Address	Class	Type	Built	Acreage	Total Building Leasable SF	Available Space	Occupancy Rate (%)	Vacancy Rate (%)	Asking Lease Rate (Per SF Per Mo.)	Terms
1	Home Depot Center 500 W San Marcos Blvd San Marcos, 92078	C	Inline Retail	2002	0.3	3,797	725			\$3.85	NNN
						Total	725	80.9%	19%	\$3.85	
2	Creekside at Promenade 6 Creekside Drive San Marcos, CA 92078	A	MU Retail	2018	0.55	11,003	1,598			\$2.25	NNN
						Total	1,598	85.5%	14.5%	\$2.25	
3	San Marcos Food Court 1158 W San Marcos Blvd San Marcos, 92078	C	Inline Retail	1988	0.17	7,500	1,721			\$2.50	NNN
							1,810			\$2.50	
						Total	1,721	77.1%	23%	\$2.50	
4	Park Place North 950 Boardwalk San Marcos, CA 92078	C	MU	2006	0.55	4,795	2,147			\$2.55	NNN
							1,324			\$2.55	
							1,324			\$2.55	
						Total	4,795	0.0%	100.0%	\$2.55	
5	ALDI - Rancho S.M. Village 621-701 S. Rancho Santa Fe Rd San Marcos, 92078	C	Inline Retail	1988	0.64	21,687	3,110			\$2.50	NNN
						Total	3,110	85.7%	14%	\$2.50	
6	Campus Pointe 801 S Twin Oaks Valley Rd San Marcos, CA 92078	A	Inline Retail	2010	0.55	4,795	1,103			\$3.25	NNN
						Total	1,103	77.0%	23.0%	\$3.25	
7	Creekside Marketplace 640 Grand Ave San Marcos, 92078	C	Inline Retail	1988	0.64	6,100	3,110			\$2.50	NNN
						Total	3,110	49.0%	51%	\$2.50	
8	West Vista Plaza 567-575 W Vista Way Vista, CA 92083	B	Inline Retail	1982	0.55	14,206	2,400			\$3.50	NNN
							1,032			\$2.50	
						Total	3,432	75.8%	24.2%	\$3.20	
9	902 W San Marcos Blvd San Marcos, 92078	B	Inline Retail			600				\$3.00	Mod. Gross
						Total	600	100.0%	0%	\$3.00	
						Min	4,795	1,032	0.0%	14.3%	\$2.25
						Max	21,687	4,795	85.7%	100.0%	\$3.50
						Median	7,500	1,766	77.0%	23.0%	\$2.53
						Average	10,012	2,197	64.3%	35.7%	\$2.69

## Original Use: Office Sales

### Price Assessment

The following neighborhood Office listings and sales were used to help determine a likely sale price for the Office component. **Zonda priced the Subject at the \$335 per square foot average price.** Zonda only found one transactional cap rate in our research of sales and listings, and based on the cooling market for this space type, used the more conservative rate of around 7.05% provided by the latest industry trend reports.

No.	Property Name Address	Class	Zoning	Total SF	Acreage	Year Built	Cap Rate	Leasable SF	Sale Price	Price/ SF	Price/Acre	Sale Date
1	San Marcos Plaza 330-340 Rancheros Dr San Marcos, 92069	B	Office	1410	0.58	2001			\$416,000	\$295		
				6459		2001			\$1,292,000	\$200		
				1118		2001			\$395,000	\$353		
				87806				8,987	\$2,103,000	\$234	\$3,598,426	
2	Palomar Crest Corporate Center 2710 Loker Ave Carlsbad, 92010	B	Office	32196	1.77	2002/2019		32,196	\$8,200,000	\$255	\$4,632,768	
3	San Marcos Plaza 330-340 Rancheros Dr San Marcos, 92069	B	Office	160000	5.71	2001		96,606	\$16,300,000	\$169	\$2,854,641	5/5/2021
4	1155 Grand Ave San Marcos, 92078	B	Office	2555	0.48	1978		2,555	\$1,570,000	\$614	\$3,270,802	10/21/2022
5	Park Place North 950 Boardwalk San Marcos, 92078	B	Office	2909	0.23	2007		2,909	\$858,000	\$295	\$3,730,435	Listing
7	Park Place South 955 Boardwalk San Marcos, CA 92078	A	Office	24396	0.12	2008		2,081	\$975,000	\$469	\$8,404,507	
8	469 E Mission Rd San Marcos, 92069	B	Office	3012	0.68		4.90%	3,012	\$1,341,000	\$445	\$1,974,979	4/18/2023
9	RSF Professional Building 365 S Rancho Santa Fe Rd San Marcos, 92078	B	Office	24447	1.52	1981		24,447	\$4,800,000	\$196	\$3,157,904	3/18/2022

Min:	2,555	0.12	1978	4.90%	2,081	\$858,000	\$169	\$1,974,979
Max:	160,000	5.71	2008	4.90%	96,606	\$16,300,000	\$614	\$8,404,507
Median:	24,422	0.68	2001	4.90%	6,000	\$1,836,500	\$275	\$3,434,614
Average:	42,165	1.50	1995	4.90%	21,599	\$4,518,375	\$335	\$3,953,058

## Original Use: Office Leases

### Price Assessment

The following Industrial leases were used to determine a likely lease rate for the Office component. **The higher performing comparable leases listed below are within a relatively tight price band of between \$30.60 to \$34.20.** These represent triple net asking prices which, after factoring in operating expense recapture, results in an estimated net effective rent of \$3.42 to \$3.72 per square foot. Zonda used the higher end of this spectrum as a rental rate for the leasing office at the Subject.

No.	Building Name Address	Class	Type	Built	Acreage	Total Building Leasable SF	Available Space	Occupancy Rate (%)	Vacancy Rate (%)	Asking Lease Rate (Per SF Per Mo.)	Terms
3	Civic View Corporate Center 300 Rancheros Drive San Marcos, 92069	A	Office	2008	0.64	95,531	9,336			\$2.85	NNN
						<b>Total</b>	<b>9,336</b>	<b>90.2%</b>	<b>10%</b>	<b>\$2.85</b>	
4	San Marcos Plaza 330-340 Rancheros Dr San Marcos, CA 92069	C	Office	2006	0.55	4,795	2,147			\$2.55	NNN
							1,324			\$2.55	
							1,324			\$2.55	
						<b>Total</b>	<b>4,795</b>	<b>0.0%</b>	<b>100.0%</b>	<b>\$2.55</b>	
5	Park Place North 950 Boardwalk San Marcos, 92078	B	Office	2006	3.0455	2,314	1,478			\$2.55	NNN
							<b>1,478</b>	<b>36.1%</b>	<b>64%</b>	<b>\$2.55</b>	
6	Gateway at San Marcos 100 E San Marcos San Marcos, 92069	A	Office	2002	0.55	66,130	16,532			\$2.60	NNN
							<b>Total</b>	<b>16,532</b>	<b>75.0%</b>	<b>25.0%</b>	<b>\$2.60</b>
7	North County Corporate Center 277 Rancheros Dr San Marcos, 92069	B	Office	2000	3.22	52,785	3,140			\$2.60	NNN
							<b>Total</b>	<b>3,140</b>	<b>94.1%</b>	<b>6%</b>	<b>\$2.60</b>
8	San Marcos Civic Center 1 Civic Center Dr San Marcos, 92078	A	Office	2018	0.55	54,703	6,770			\$2.65	NNN \$0.87 Eff rate = \$3.52
							3,400			\$2.65	
							<b>Total</b>	<b>10,170</b>	<b>81.4%</b>	<b>18.6%</b>	<b>\$2.65</b>

<b>Min</b>	2,314	1,324	0.0%	5.9%	\$2.55
<b>Max</b>	95,531	16,532	94.1%	100.0%	\$2.85
<b>Median</b>	53,744	3,400	78.2%	21.8%	\$2.60
<b>Average</b>	<b>46,043</b>	<b>6,060</b>	<b>62.8%</b>	<b>37.2%</b>	<b>\$2.62</b>

## Multifamily Sales – Market Rate

### Price Assessment

The following Multifamily sales were used to help determine a likely sale price for the Multifamily component. **Zonda priced the Subject Multifamily Market Rate apartments based on Palomar Station which is older but of a larger scale, with a better marketing window.** The median and average cap rates are consistent with what is reported in the current local market. Cap rates have softened slightly over the past year, and Zonda therefore used the reported 4.5% for the market rate apartments. Income restricted apartments, which are discussed in more detail on the following page.

No.	Property Name Address	Type	Zoning	Acreage	List Price	Sale Date	Year Built	# Units	Square Feet	Total SF	Total Sale Price	Sale \$/SF	Sale \$/Unit	Cap Rate	NOI	
1	Sunset View 2500 Sea Cliff Way Oceanside, 92056	Class A	Apt	22.25	\$45,500,000	8/25/2021	2016	111	780	86,580	\$45,500,000	\$526	\$409,910	4.40%		
2	The Dylan 550 Los Arbolitos Blvd Oceanside, CA 92058	Class B	Apt	9.22	\$74,100,000		1973	208	1,187	246,896	\$74,100,000	\$300	\$356,250			
3	Palomar Station 1257 Armolite Drive San Marcos, 92069	Class A	Apt	14.82	\$195,000,000	10/11/2021	2014	386	959	424,100	\$195,000,000	\$460	\$505,181	4.71%	\$9,184,500	
4	Sunterra 3851 Sherbourne Ave Oceanside, 92056	Class B	Apt	4.96	\$97,500,000	2/16/2022	1978	240	911	218,640	\$97,500,000	\$446	\$406,250			
5	Sofi Ocean Hills 3500 Windrift Way Oceanside, 92056	Class A	Apt	24.15	\$196,000,000		1987	404	858	346,632	\$196,000,000	\$565	\$485,149			
6	City Plaza 55 300 S. Escondido Blvd Escondido, 92025	Class A	Apt		\$25,000,000	4/14/2022	2018	55	634	34,848	\$25,000,000	\$717	\$454,545	3.90%		
							Min:	1973	55	634	34,848	\$25,000,000	\$300	\$356,250	3.9%	-
							Max:	2018	404	1,187	424,100	\$196,000,000	\$717	\$505,181	4.7%	-
							Median	2000.5	224	885	232,768	\$85,800,000	\$493	\$432,228	4.4%	\$9,184,500
							Average:	1998	234	888	226,283	\$105,516,667	\$502	\$436,214	4.3%	\$9,184,500

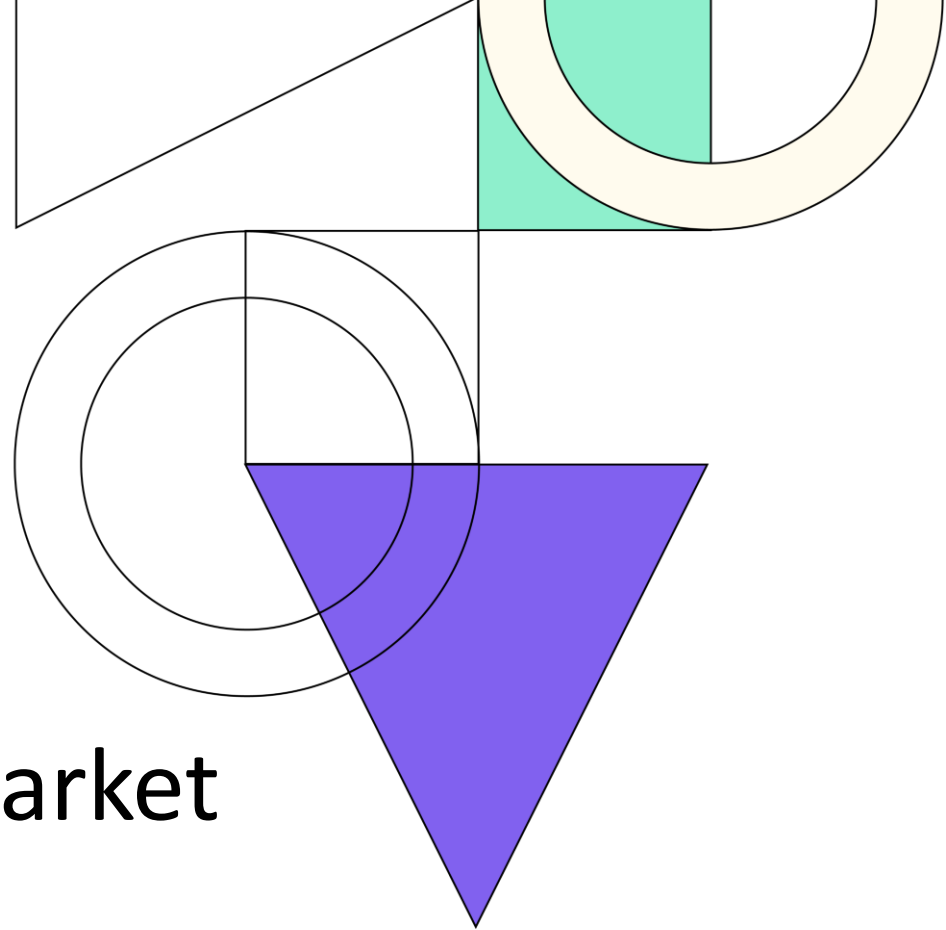
# Multifamily Sales

## Price Assessment

Affordable apartments generally transact at slightly higher rates, and our price assessment therefore uses a cap rate of 4.90% which is 9% higher than the market rate. Apartments which set aside 100% of the units as affordable generally fetch a higher price per unit by virtue of not bifurcating income level set asides. Alora is the latest 100% affordable community to be developed in San Marcos, at an average cost of roughly \$400,000. **Zonda therefore discounted the per unit Alora price of \$400,000 by 10% to establish a possible price per unit for the 5% very low income component of the Subject.**

No.	Property Name Address	Type	Zoning	Acreage	List Price	Sale Date	Year Built	# Units	Square Feet	Total SF	Total Sale Price	Sale \$/SF	Sale \$/Unit
1	Villa Serena Development Ph I 340 Marcos St San Marcos, 92069	Affordable	Apt	2.39	\$41,052,136	3/22/2021	1971	85	570	96,880	\$41,052,136	\$424	\$482,966
2	Alora 604 Richmar Ave San Marcos, 92069	Affordable	Apt	3.53	\$39,900,000		2023	100	790	79,000	\$39,900,000	\$505	\$399,000
3	Pacific Wind Apartments Carol Pl & Harding St Carlsbad, 92008	Affordable	Apt		\$54,049,758		2022	89	800	187,673	\$51,223,950	\$273	\$575,550
4	ShoreLINE 4470 Alvarado Cyn Rd San Diego, 92120	Affordable	Apt	3.53	\$60,947,113		2022	126	750	178,731	\$59,947,146	\$335	\$475,771
5	Crest on Imperial 101 50th St San Diego, 92113	Affordable	Apt		\$40,379,504		2023	100	780	203,937	\$37,895,100	\$186	\$378,951
					Min:		1971	85	570	79,000	\$37,895,100	\$186	\$378,951
					Max:		2023	126	800	203,937	\$59,947,146	\$505	\$575,550
					Median		2022	100	780	178,731	\$41,052,136	\$335	\$475,771
					Average:		2012	100	738	149,244	\$46,003,666	\$345	\$462,448

# Commercial Office Market Overview

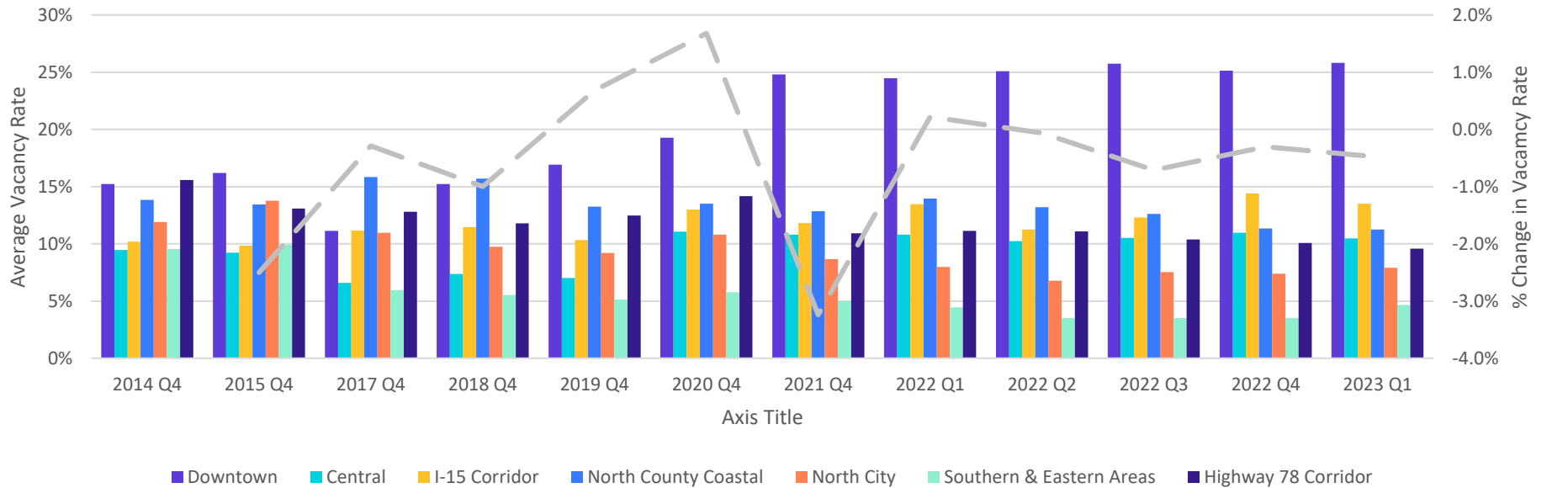


# North County Office Vacant Space & Occupancy Rate

## Commercial Retail Market Overview

The Subject is located in the Highway 78 Corridor Office Submarket. **Over the past year, vacant office space increased and occupancy rates softened across all Submarkets except for North County Coastal and the Highway 78 Corridor.** The vacancy rates stated below do not however truly reflect sublet space too, and are therefore likely higher than stated. North County remains an area of interest for Life Sciences office space and medical office space, but even this type of specific use is seeing slower growth.

Vacancy	2014 Q4	2015 Q4	2017 Q4	2018 Q4	2019 Q4	2020 Q4	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Downtown	15.22%	16.20%	11.13%	15.22%	16.93%	19.28%	24.80%	24.48%	25.08%	25.75%	25.13%	25.82%
Central	9.46%	9.23%	6.60%	7.37%	7.01%	11.07%	10.80%	10.80%	10.24%	10.51%	10.98%	10.48%
I-15 Corridor	10.20%	9.83%	11.15%	11.46%	10.34%	12.99%	11.82%	13.47%	11.24%	12.31%	14.41%	13.50%
North County Coastal	13.84%	13.43%	15.83%	15.71%	13.25%	13.52%	12.85%	13.95%	13.21%	12.62%	11.34%	11.26%
North City	11.92%	13.76%	10.96%	9.75%	9.20%	10.81%	8.66%	7.97%	6.78%	7.53%	7.39%	7.91%
Southern & Eastern Areas	9.56%	9.94%	5.95%	5.54%	5.13%	5.77%	5.00%	4.46%	3.50%	3.50%	3.50%	4.67%
Highway 78 Corridor	15.59%	13.09%	12.80%	11.80%	12.48%	14.16%	10.92%	11.14%	11.08%	10.37%	10.07%	9.59%
% Change Hwy 78 Corridor		-2.50%	-0.29%	-1.00%	0.68%	1.68%	-3.24%	0.22%	-0.06%	-0.71%	-0.30%	-0.48%

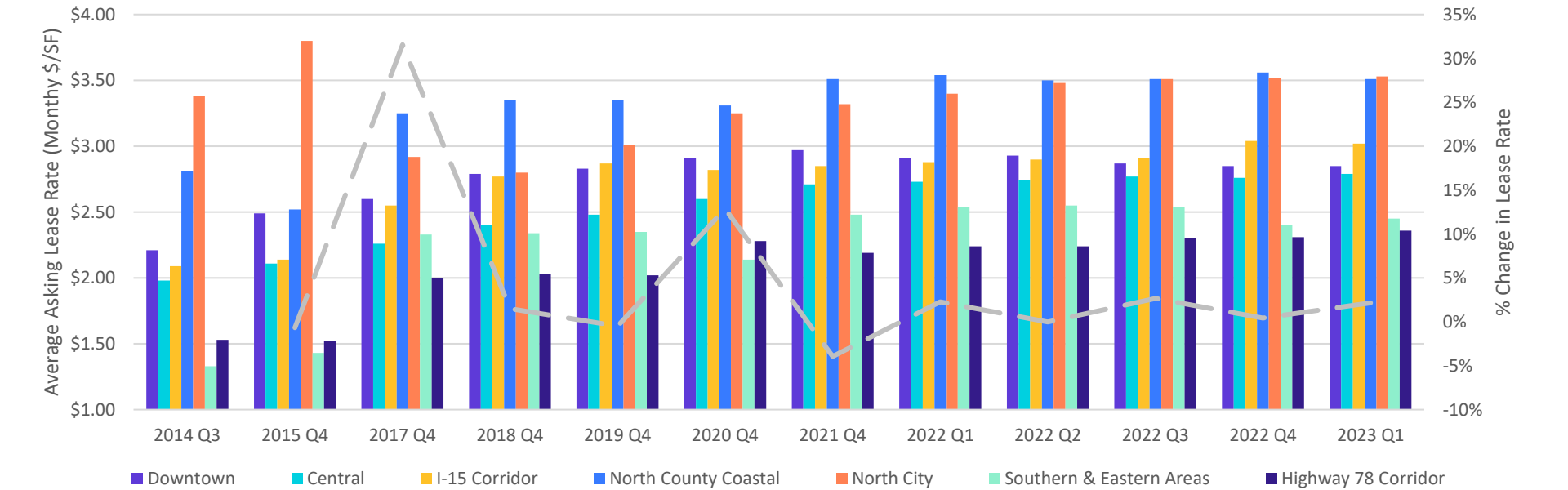


# North County Office Lease Rates

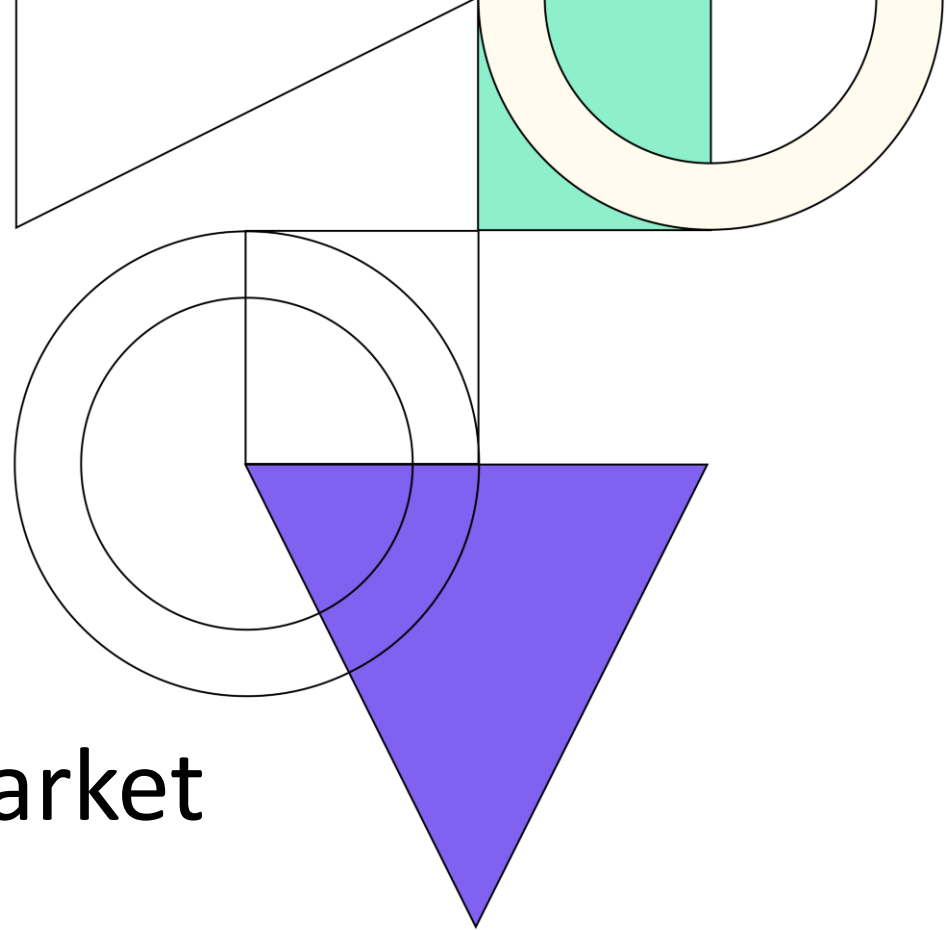
## Commercial Retail Market Overview

Office lease rates in the Subject Highway 78 Corridor Submarket have improved slowly quarter-over-quarter over the past eighteen months. However, local brokers indicate that landlords have been holding fast on lease rates in the face of weakening occupancy, resorting instead to deep concession in the short term. If vacancy rates continue to increase, brokers anticipated that lease rates will be renegotiated at lower rates in the future.

Rental Rate	2014 Q3	2015 Q4	2017 Q4	2018 Q4	2019 Q4	2020 Q4	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Downtown	\$2.21	\$2.49	\$2.60	\$2.79	\$2.83	\$2.91	\$2.97	\$2.91	\$2.93	\$2.87	\$2.85	\$2.85
Central	\$1.98	\$2.11	\$2.26	\$2.40	\$2.48	\$2.60	\$2.71	\$2.73	\$2.74	\$2.77	\$2.76	\$2.79
I-15 Corridor	\$2.09	\$2.14	\$2.55	\$2.77	\$2.87	\$2.82	\$2.85	\$2.88	\$2.90	\$2.91	\$3.04	\$3.02
North County Coastal	\$2.81	\$2.52	\$3.25	\$3.35	\$3.35	\$3.31	\$3.51	\$3.54	\$3.50	\$3.51	\$3.56	\$3.51
North City	\$3.38	\$3.80	\$2.92	\$2.80	\$3.01	\$3.25	\$3.32	\$3.40	\$3.48	\$3.51	\$3.52	\$3.53
Southern & Eastern Areas	\$1.33	\$1.43	\$2.33	\$2.34	\$2.35	\$2.14	\$2.48	\$2.54	\$2.55	\$2.54	\$2.40	\$2.45
Highway 78 Corridor	\$1.53	\$1.52	\$2.00	\$2.03	\$2.02	\$2.28	\$2.19	\$2.24	\$2.24	\$2.30	\$2.31	\$2.36
% Change Hwy 78 Corridor		-0.7%	31.6%	1.5%	-0.5%	12.9%	-3.9%	2.3%	0.0%	2.7%	0.4%	2.2%



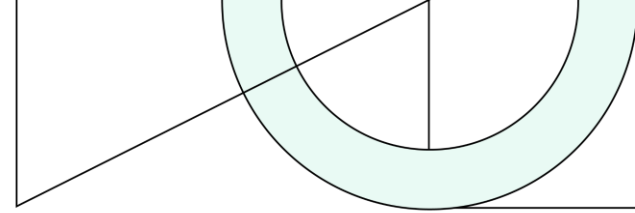




# Commercial Retail Market Overview

## San Diego County Retail Trends by Type

Commercial Retail Market Overview



North County is the second largest retail Submarket in San Diego County with the highest vacancy rate of 5.5%, relatively low asking lease rate averaging \$1.95 (East County is marginally lower at \$1.89), and a fairly robust pipeline of space. These market indicators suggest that a Mixed Use Multifamily land use at the Subject makes more sense than a Mixed-Use large-scale office and retail complex.

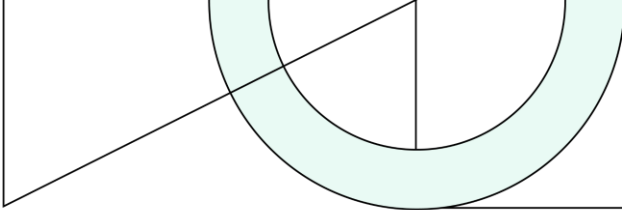
### North County San Diego MSA

#### Retail Market Statistics by Type for Subject Submarket (2nd Quarter 2022)

Type	Existing Inventory		Planned	Vacancy		YTD Net	YTD Gross	Under	Quoted	Quoted Rates
	# Bldgs.	Total GLA	SF	Total SF	Vac. %	Absorption	Absorption	Const. SF	Rates	(\$/ SF/ Mo.)
General Retail	1,680	11,671,330	139,500	465,678	4.0%	2,813	30,344	125,109	\$21.48	\$1.79
Mall	26	2,916,678	0	296,130	10.2%	37,443	37,443	0	\$0.00	\$0.00
Power Center	109	3,265,022	4,000	181,392	5.6%	(90,874)	20,241	5,000	\$0.00	\$0.00
Shopping Center	977	14,898,998	380,598	879,518	5.9%	(350)	84,501	0	\$24.12	\$2.01
Specialty Center	5	369,833	0	0	0.0%	0	0	0	\$0.00	\$0.00
<b>Total</b>	<b>2,797</b>	<b>33,121,861</b>	<b>524,098</b>	<b>1,822,718</b>	<b>5.5%</b>	<b>(50,968)</b>	<b>172,529</b>	<b>130,109</b>	<b>\$23.40</b>	<b>\$1.95</b>
SD County Total	13,170	134,681,928	2,370,434	2,733,225	4.3%	(394,774)	(394,774)	515,376	\$28.44	\$2.37

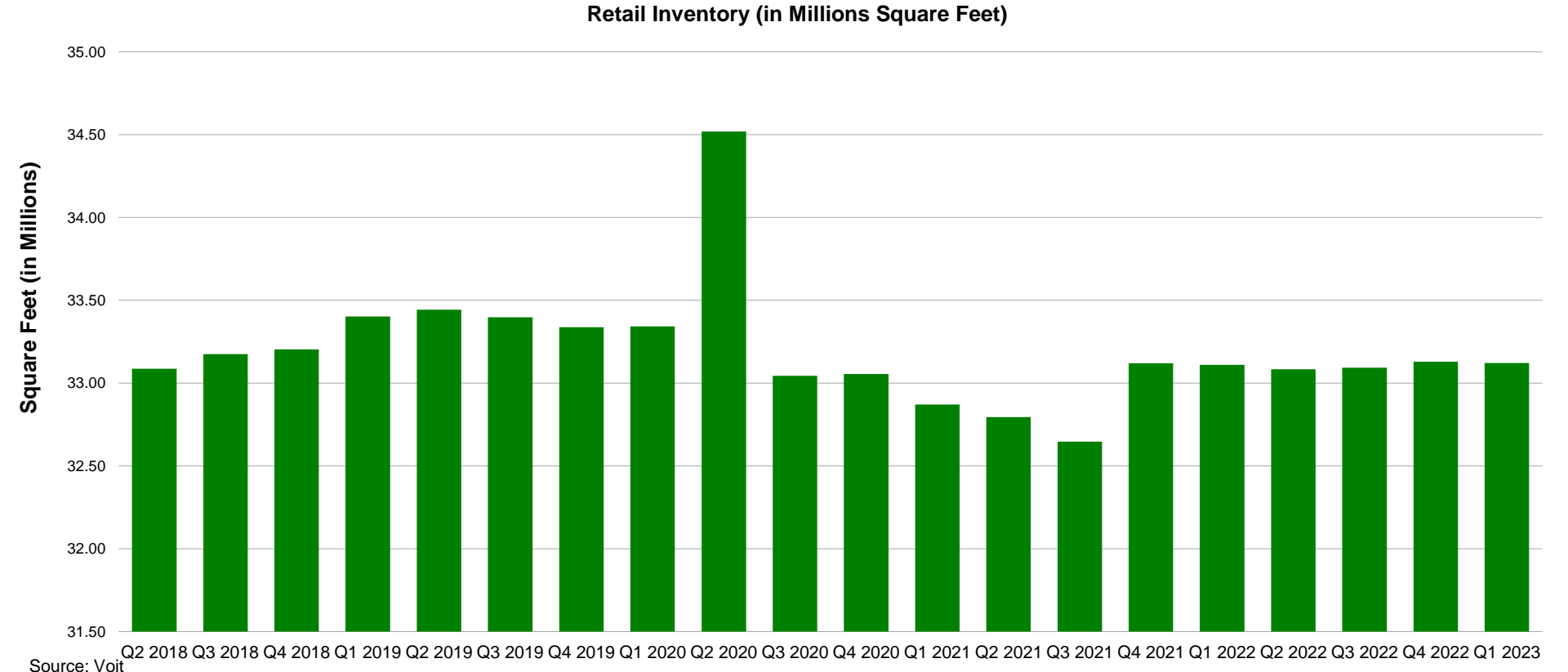
# North County Retail Inventory

## Commercial Retail Market Overview



Retail inventory in North County remains relatively flat at just over 33.1 million square feet, after jumping up in Q4 2021. However, inventory is still nowhere near the over \$34.5 million square feet reached in Q2 2020.

Inventory	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Total Inventory (SF)	33,087,462	33,176,034	33,204,037	33,402,058	33,444,016	33,397,068	33,338,121	33,343,107	34,520,068	33,043,585	33,056,152	32,870,481	32,795,536	32,646,928	33,119,470	33,110,789	33,083,358	33,093,752	33,129,419	33,121,861
Inventory Change	1,894	88,572	28,003	198,021	41,958	-46,948	-58,947	4,986	1,176,961	-1,476,483	12,567	-185,671	-74,945	-148,608	472,542	-8,681	-27,431	10,394	35,667	-7,558
% Change	0.0%	0.3%	0.1%	0.6%	0.1%	-0.1%	-0.2%	0.0%	3.5%	-4.3%	0.0%	-0.6%	-0.2%	-0.5%	1.4%	0.0%	-0.1%	0.0%	0.1%	0.0%

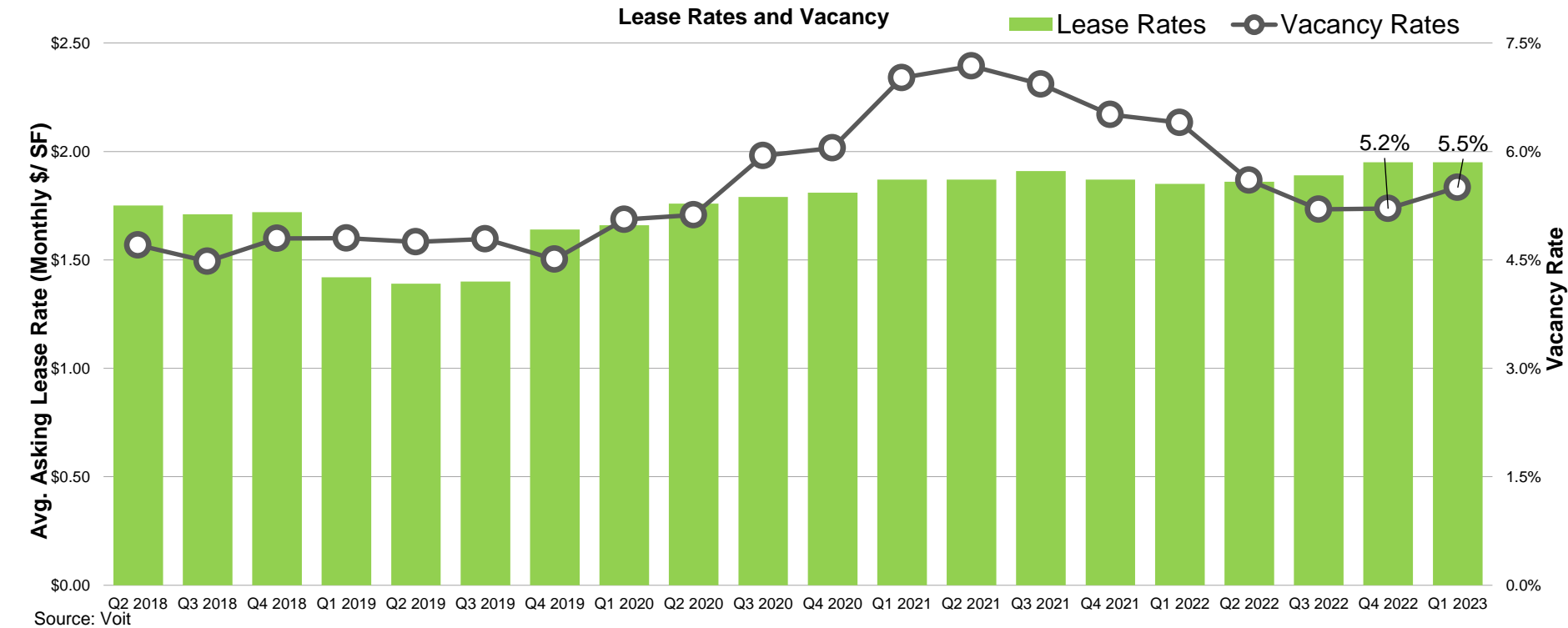


# North County Retail Lease Rates

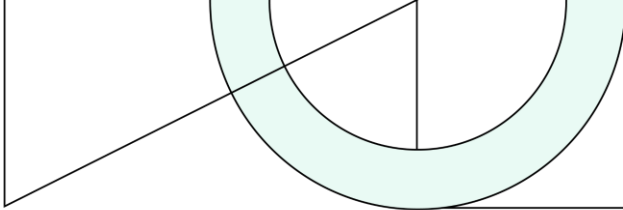
## Commercial Retail Market Overview

North County retail lease rate steadied at \$1.95 over the past two quarters, and vacancy is going in the right direction with an improvement of about 1% from the same time last year. However, word on the ground from local brokers is that the market is softening slightly, which may account for the uptick in vacancy from 5.2% in the latter half of 2022. The good news is that inventory under construction in San Marcos specifically is already 100% leased (the Panera on San Marcos Blvd), and that the newly constructed Creekside place is successfully leasing up to tenants such as Total Wine & More.

Lease Rates	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Lease Rate (\$/ SF/ Mo.)	\$1.75	\$1.71	\$1.72	\$1.42	\$1.39	\$1.40	\$1.64	\$1.66	\$1.76	\$1.79	\$1.81	\$1.87	\$1.87	\$1.91	\$1.87	\$1.85	\$1.86	\$1.89	\$1.95	\$1.95
Lease Rate Change	\$0.22	(\$0.04)	\$0.01	(\$0.30)	(\$0.03)	\$0.01	\$0.24	\$0.02	\$0.10	\$0.03	\$0.02	\$0.06	\$0.00	\$0.04	(\$0.04)	(\$0.02)	\$0.01	\$0.03	\$0.06	\$0.00
% Change	14.3%	-2.3%	0.6%	-17.4%	-2.1%	0.7%	17.1%	1.2%	6.0%	1.7%	1.1%	3.3%	0.0%	2.1%	-2.1%	-1.1%	0.5%	1.6%	3.2%	0.0%



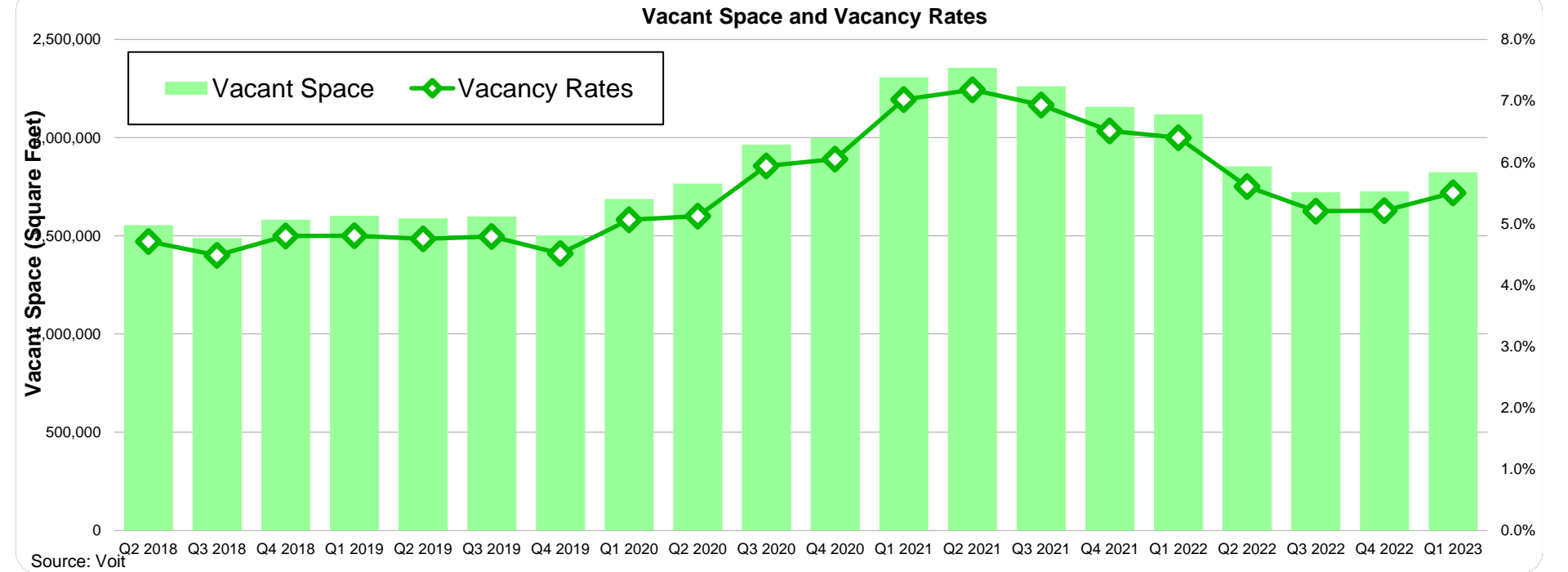
North County Retail Vacant Space & Occupancy Rate  
Commercial Retail Market Overview



Vacant space and occupancy rates indicate slightly softening in the North County market since the latter half of 2022. **However, small ground floor quick-service restaurant and neighborhood serving spaces are still in demand in the local San Marcos Submarket.**

Vacancy Rates	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Vacancy Rate	4.7%	4.5%	4.8%	4.8%	4.8%	4.8%	4.5%	5.1%	5.1%	5.9%	6.1%	7.0%	7.2%	6.9%	6.5%	6.4%	5.6%	5.2%	5.2%	5.5%
Vac. Rate Change	0.4%	-0.2%	0.3%	0.0%	-0.1%	0.0%	-0.3%	0.6%	0.1%	0.8%	0.1%	1.0%	0.2%	-0.3%	-0.4%	-0.1%	-0.8%	-0.4%	0.0%	0.3%
% Change	8.4%	-4.8%	7.1%	0.1%	-1.0%	0.8%	-5.8%	12.2%	1.2%	16.0%	1.9%	16.0%	2.3%	-3.5%	-6.1%	-1.7%	-12.5%	-7.1%	0.2%	5.6%

Vacant Space	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Vacant Space	1,553,747	1,489,495	1,582,027	1,602,460	1,589,003	1,598,746	1,502,082	1,687,798	1,766,041	1,963,907	1,998,857	2,307,225	2,355,253	2,261,464	2,155,761	2,119,322	1,853,233	1,722,158	1,725,591	1,822,718
Vac. Space Change	-	(64,252)	92,532	20,433	(13,457)	9,743	(96,664)	185,716	78,243	197,866	34,950	308,368	48,028	(93,789)	(105,703)	(36,439)	(266,089)	(131,075)	3,433	97,127
% Change	-	-4.1%	6.2%	1.3%	-0.8%	0.6%	-6.0%	12.4%	4.6%	11.2%	1.8%	15.4%	2.1%	-4.0%	-4.7%	-1.7%	-12.6%	-7.1%	0.2%	5.6%

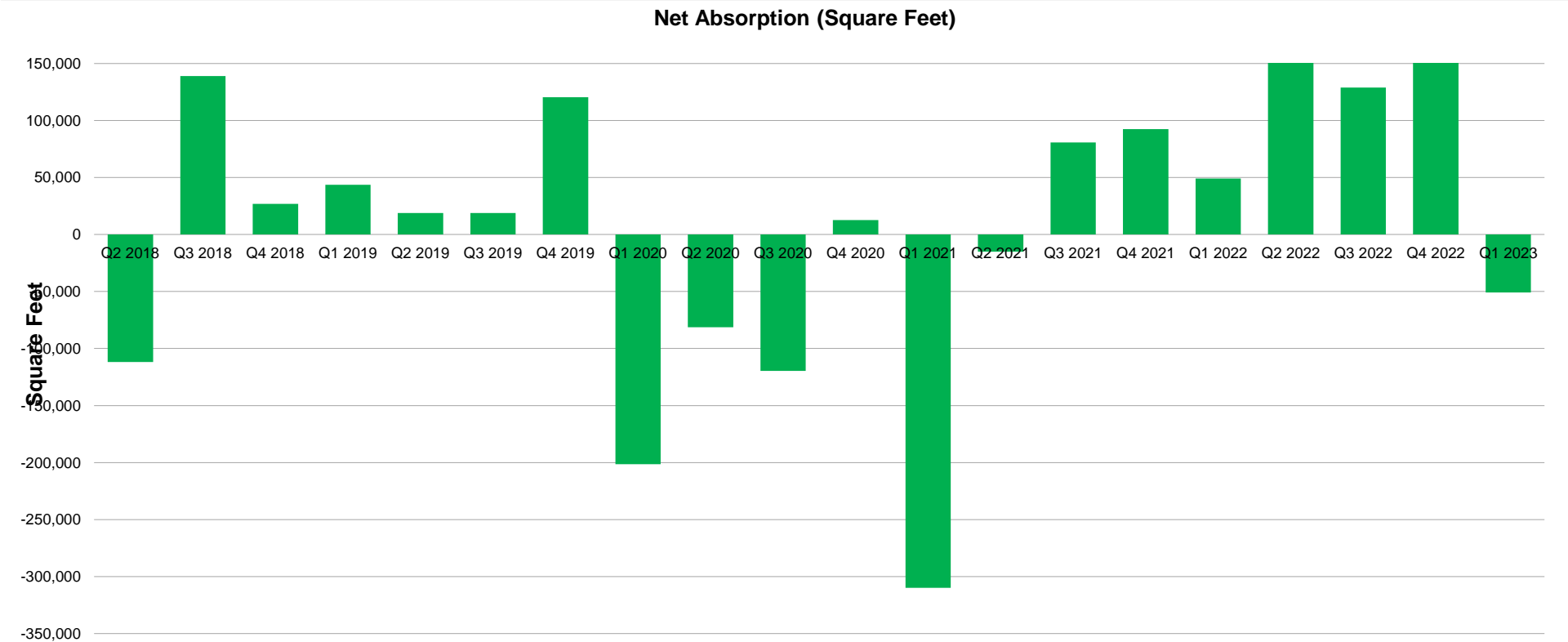


# North County Retail Net Absorption

## Commercial Retail Market Overview

**Net absorption in North County improved quarter-over-quarter between the second half of 2021 and the end of 2022.** The continued development of new retail space in North County is putting pressure on absorption in some areas of the Submarket, and the introduction of 10,000 of retail as approved would likely do the same in San Marcos. A smaller ground floor retail space below apartments would likely fare better.

Net Absorption	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net Absorption (SF)	(111,829)	139,017	26,939	43,537	18,901	18,755	120,457	(201,551)	(81,243)	(119,700)	12,567	(309,868)	(15,060)	80,616	92,381	49,183	221,731	128,892	483,264	(50,968)
Net Absorption Change	(78,704)	250,846	(112,078)	16,598	(24,636)	(146)	101,702	(322,008)	120,308	(38,457)	132,267	(322,435)	294,808	95,676	11,765	(43,198)	172,548	(92,839)	354,372	(534,232)
% Change	237.6%	224.3%	-80.6%	61.6%	-56.6%	0.8%	542.3%	-267.3%	59.7%	-47.3%	110.5%	-2565.7%	95.1%	635.3%	14.6%	-46.8%	350.8%	-41.9%	274.9%	-110.5%



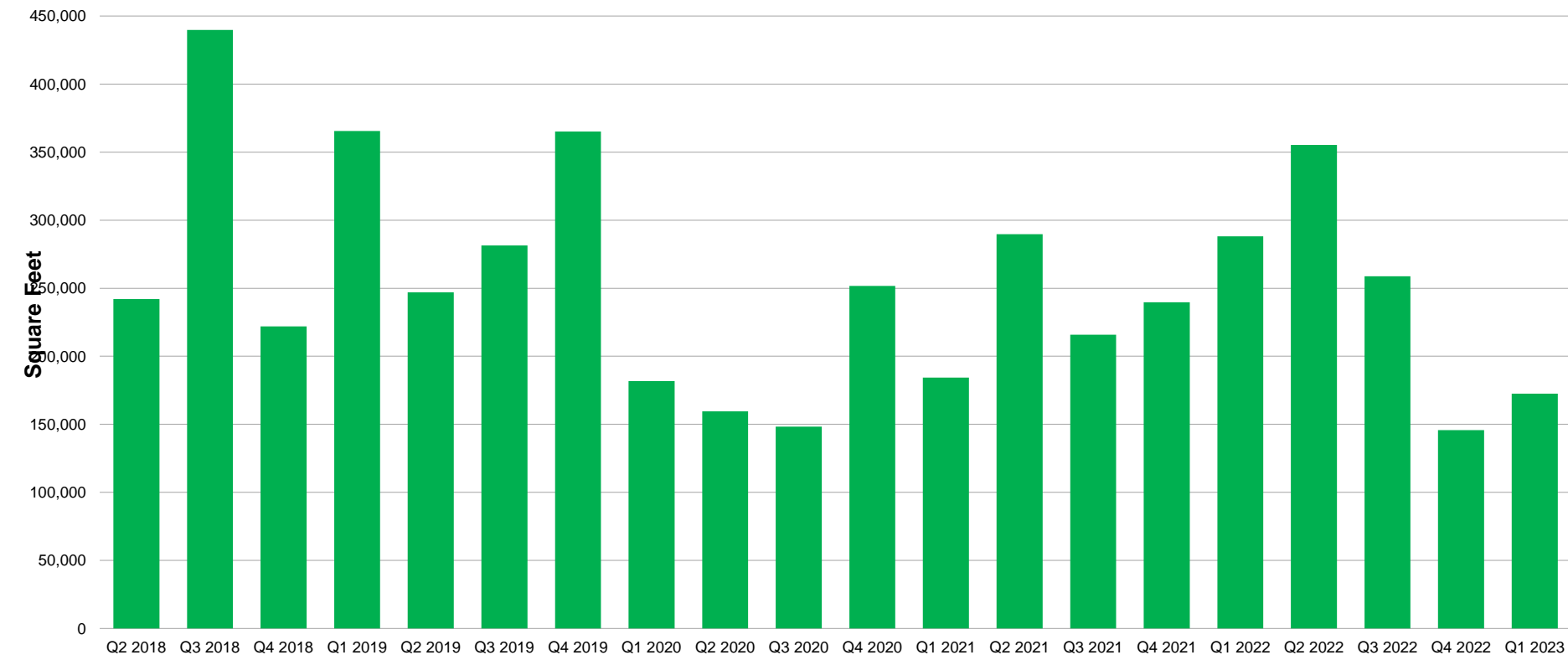
# North County Retail Space Gross Absorption

## Commercial Retail Market Overview

Gross absorption in North County remains positive, but volume has dropped off over the past two quarters to below average levels compared to activity over the past four years. This could point to further softening as discussed on the previous pages.

Gross Absorption	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Gross Absorption (SF)	241,966	439,842	221,958	365,476	246,985	281,522	365,248	181,689	159,465	148,322	251,623	184,350	289,657	215,907	239,673	288,113	355,390	258,871	145,801	172,529
Gross Absorption Change	206,885	197,876	(217,884)	143,518	(118,491)	34,537	83,726	(183,559)	(22,224)	(11,143)	103,301	(67,273)	105,307	(73,750)	23,766	48,440	67,277	(96,519)	(113,070)	26,728
% Change	-	81.8%	-49.5%	64.7%	-32.4%	14.0%	29.7%	-50.3%	-12.2%	-7.0%	69.6%	-26.7%	57.1%	-25.5%	11.0%	20.2%	23.4%	-27.2%	-43.7%	18.3%

Gross Absorption (Square Feet)



Source: Voit

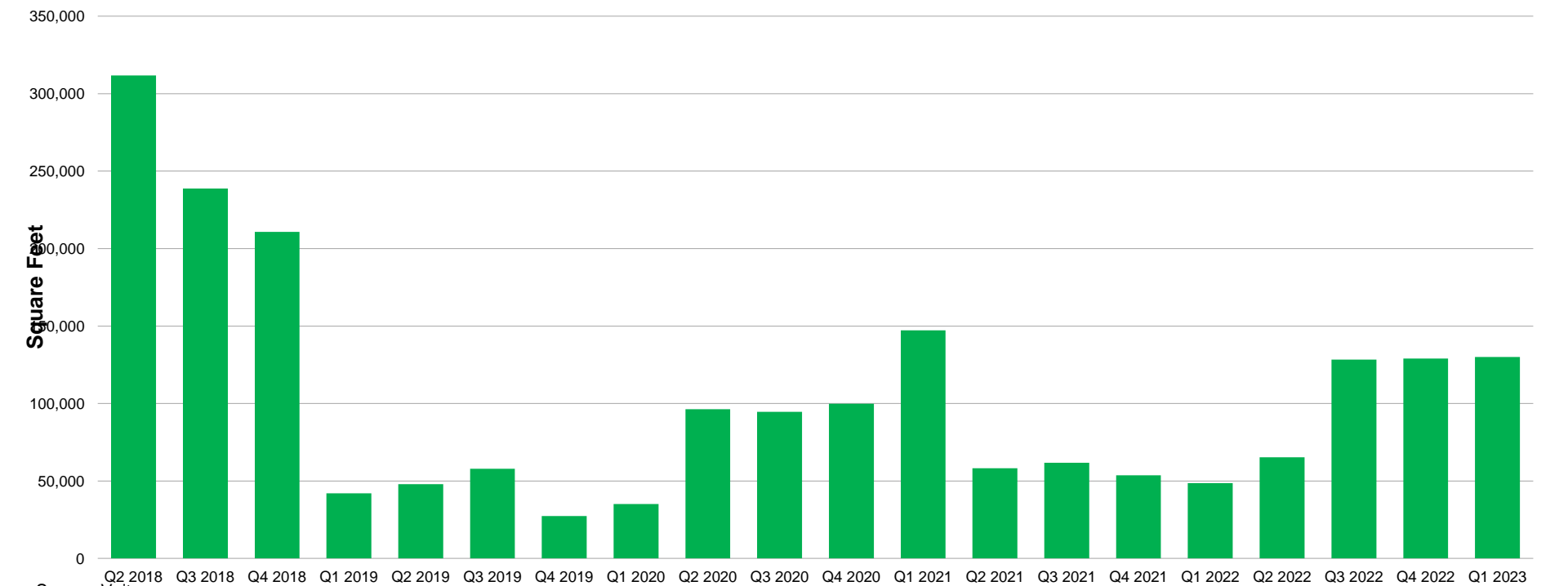
# North County Retail Space Under Construction

## Commercial Retail Market Overview

The pipeline for North County is just below 130,000 square feet, which could be a concern in other areas of the market. However, **the pipeline for San Marcos in the form of the Panera Bread site on San Marcos Blvd is already 100%, and potential absorption of new space into this particular Submarket is therefore less concerning.**

Under Construction	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Under Construction (SF)	311,836	238,793	210,790	42,000	48,000	57,921	27,412	35,062	96,272	94,681	99,786	147,226	58,282	61,820	53,650	48,550	65,239	128,302	129,086	130,109
Under Const. Change	76,219	-73,043	-28,003	-168,790	6,000	9,921	-30,509	7,650	61,210	-1,591	5,105	47,440	-88,944	3,538	-8,170	-5,100	16,689	63,063	784	1,023
% Change	32.3%	-23.4%	-11.7%	-80.1%	14.3%	20.7%	-52.7%	27.9%	174.6%	-1.7%	5.4%	47.5%	-60.4%	6.1%	-13.2%	-9.5%	34.4%	96.7%	0.6%	0.8%

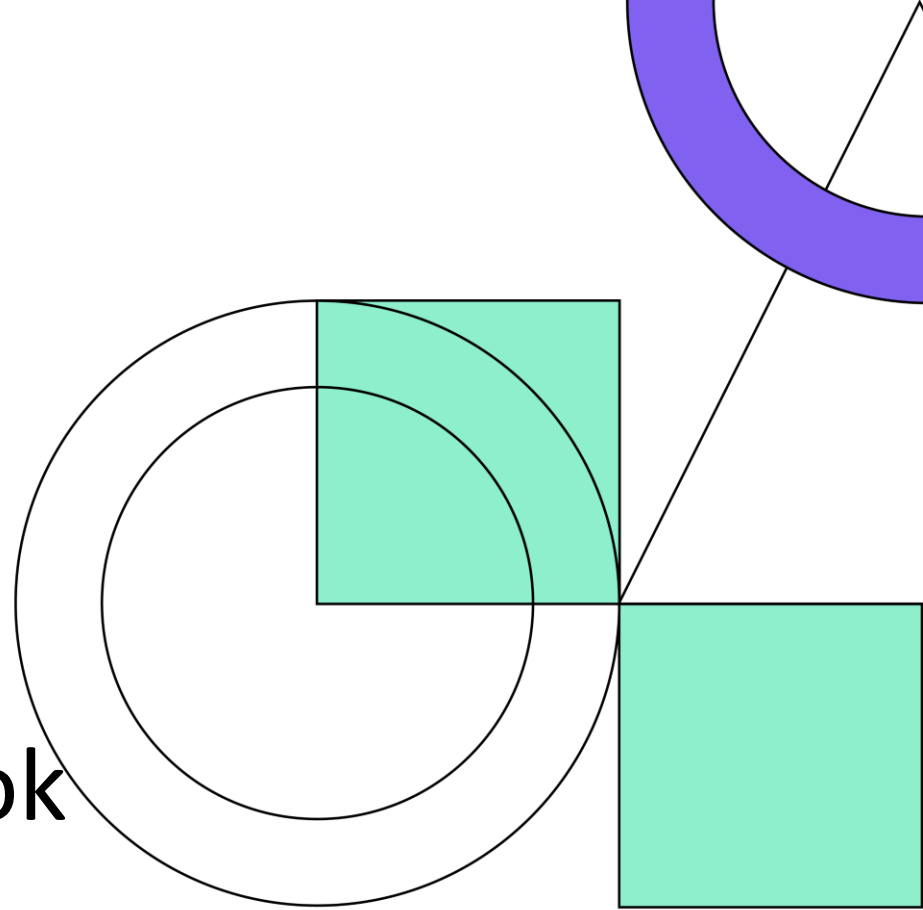
Under Construction (Square Feet)



Source: Voith



# Retail Demand Outlook

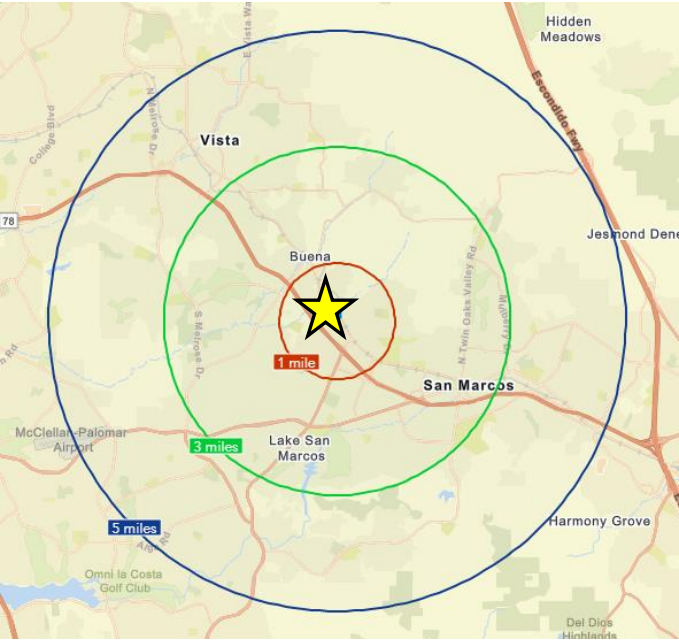


# Area Statistics Within 1, 3 and 5-Mile Radius

## Retail Demand Outlook

	1 mile	3 miles	5 miles
<b>Population Summary</b>			
2020 Total Population	16,135	91,449	230,954
2020 Group Quarters	67	1,753	4,962
2022 Total Population	16,085	92,342	235,822
2022 Group Quarters	67	1,753	4,958
2027 Total Population	15,943	93,057	238,231
2022-2027 Annual Rate	-0.18%	0.15%	0.20%
2022 Total Daytime Population	13,321	97,824	230,617
Workers	4,991	50,018	106,265
Residents	8,330	47,806	124,352
<b>Household Summary</b>			
2022 Households	4,639	30,816	78,942
2022 Average Household Size	3.45	2.94	2.92
2027 Households	4,600	31,111	79,683
2027 Average Household Size	3.45	2.93	2.93
2022-2027 Annual Rate	-0.17%	0.19%	0.19%
2022 Families	3,627	21,692	55,992
2022 Average Family Size	3.75	3.41	3.39
2027 Families	3,597	21,905	56,580
2027 Average Family Size	3.74	3.41	3.39
2022-2027 Annual Rate	-0.17%	0.20%	0.21%
Vacant Housing Units	2.9%	4.3%	3.8%
<b>Median Household Income</b>			
2022	\$77,033	\$90,607	\$95,594
2027	\$101,280	\$108,449	\$112,779
<b>Median Home Value</b>			
2022	\$588,669	\$625,647	\$660,939
2027	\$639,085	\$675,837	\$724,734
<b>Per Capita Income</b>			
2022	\$31,445	\$40,927	\$43,522
2027	\$36,992	\$48,822	\$52,074
<b>Median Age</b>			
2022	31.8	36.4	36.4
2027	33.3	37.8	37.5
<b>2022 Households by Income</b>			
Household Income Base	4,639	30,816	78,942
<\$15,000	7.1%	5.9%	5.1%
\$15,000 - \$24,999	5.0%	4.9%	4.4%
\$25,000 - \$34,999	7.4%	5.6%	5.3%
\$35,000 - \$49,999	10.0%	8.5%	8.4%
\$50,000 - \$74,999	19.4%	16.3%	15.5%
\$75,000 - \$99,999	10.6%	12.9%	13.1%
\$100,000 - \$149,999	21.1%	21.3%	20.4%
\$150,000 - \$199,999	7.9%	11.1%	12.0%
\$200,000+	11.5%	13.5%	15.8%
Average Household Income	\$108,819	\$121,357	\$129,811

The daytime population in the 5-mile radius around the Subject is roughly 14x the local (1-mile) resident population. This indicates that demand for apartments will come not only from local residents but people within five-miles looking for rentals. These numbers indicate high demand and support for the proposed project.

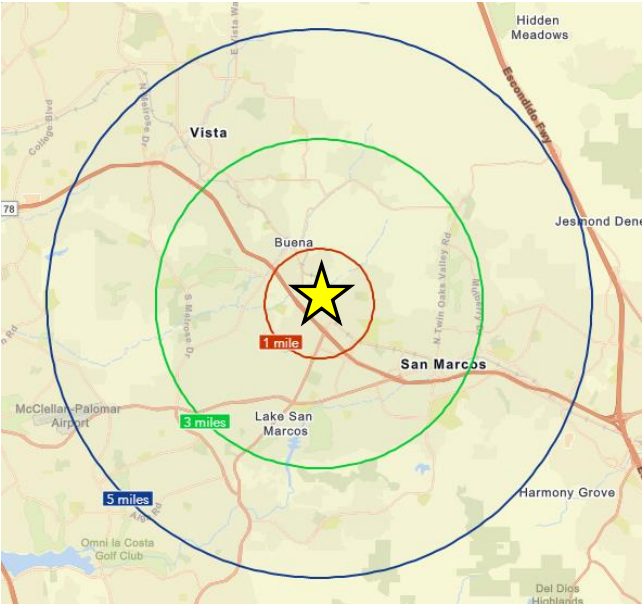


# Area Statistics Within 1, 3 and 5-Mile Radius

## Retail Demand Outlook

The population by age indicates a about a third of people are aged 25-44, the primary renter ages. There is a diverse range of Tapestry Segments within a 1, 3 and 5-mile radius, and given the Proposed Use of the site, apartments would be attractive to recent graduates, college students, blue-collar professionals, and some white-collar professionals. Market Segmentation is discussed in more detail in the following section of this report.

	1 mile	3 miles	5 miles
<b>2022 Population by Age</b>			
Total	16,087	92,343	235,822
0 - 4	8.2%	6.6%	6.7%
5 - 9	8.1%	6.7%	6.9%
10 - 14	7.7%	6.6%	6.7%
15 - 24	13.7%	12.4%	12.4%
25 - 34	18.0%	15.6%	15.3%
35 - 44	13.9%	13.5%	13.6%
45 - 54	11.8%	11.6%	11.5%
55 - 64	9.7%	11.1%	11.0%
65 - 74	5.7%	8.6%	8.6%
75 - 84	2.5%	4.7%	4.8%
85 +	0.8%	2.5%	2.5%
18 +	71.8%	76.5%	76.1%
<b>2022 Population by Sex</b>			
Males	8,197	45,438	115,919
Females	7,888	46,904	119,904
<b>Top 3 Tapestry Segments</b>			
1.	NeWest Residents	Pleasantville (2B)	Boomburbs (1C)
2.	Urban Villages (7B)	NeWest Residents (13C)	Bright Young Professionals (8C)
3.	Workday Drive (4A)	Boomburbs (1C)	Pleasantville (2B)

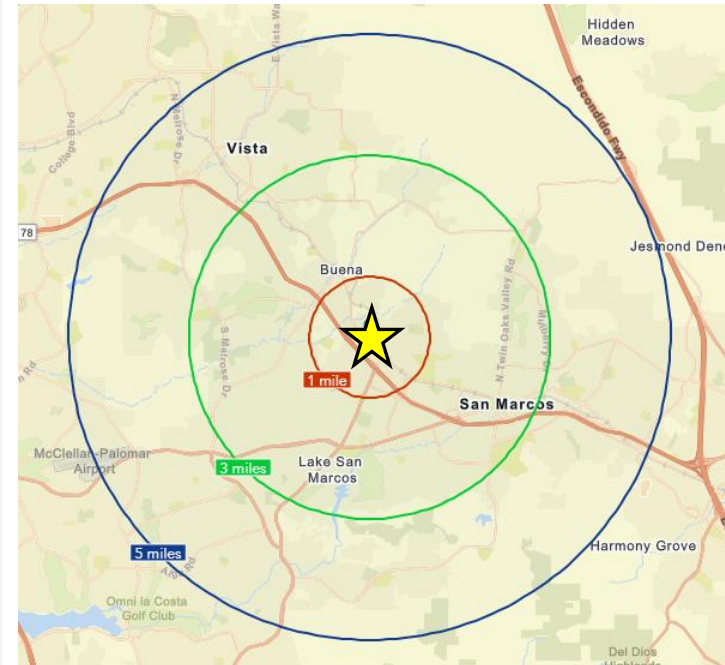


## Area Consumer Spending Patterns

### Retail Demand Outlook

The area within a 5-mile radius of the site has higher average Spending Potential Index (SPI) across all retail sectors than the 1-mile and 3-mile radii.

	1 mile	3 miles	5 miles
<b>2022 Consumer Spending</b>			
Apparel & Services: Total \$	\$11,935,355	\$86,749,438	\$235,766,758
Average Spent	\$2,572.83	\$2,815.08	\$2,986.58
Spending Potential Index	107	117	124
Education: Total \$	\$9,379,835	\$71,157,977	\$195,937,132
Average Spent	\$2,021.95	\$2,309.12	\$2,482.04
Spending Potential Index	103	118	127
Entertainment/Recreation: Total \$	\$16,858,075	\$126,978,906	\$347,704,701
Average Spent	\$3,633.99	\$4,120.55	\$4,404.56
Spending Potential Index	99	112	120
Food at Home: Total \$	\$30,046,012	\$220,562,805	\$597,640,212
Average Spent	\$6,476.83	\$7,157.41	\$7,570.62
Spending Potential Index	105	116	122
Food Away from Home: Total \$	\$21,969,220	\$156,682,001	\$426,148,330
Average Spent	\$4,735.77	\$5,084.44	\$5,398.25
Spending Potential Index	110	118	125
Health Care: Total \$	\$30,667,616	\$240,669,141	\$656,134,216
Average Spent	\$6,610.82	\$7,809.88	\$8,311.60
Spending Potential Index	93	110	117
HH Furnishings & Equipment: Total \$	\$12,029,846	\$90,364,756	\$247,558,863
Average Spent	\$2,593.20	\$2,932.40	\$3,135.96
Spending Potential Index	101	114	122
Personal Care Products & Services: Total \$	\$4,833,198	\$36,603,046	\$99,745,711
Average Spent	\$1,041.86	\$1,187.79	\$1,263.53
Spending Potential Index	102	116	124
Shelter: Total \$	\$117,622,058	\$846,883,449	\$2,308,665,573
Average Spent	\$25,355.05	\$27,481.94	\$29,245.09
Spending Potential Index	111	120	128
Support Payments/Cash Contributions/Gifts in	\$12,095,692	\$94,016,056	\$260,231,332
Average Spent	\$2,607.39	\$3,050.88	\$3,296.49
Spending Potential Index	96	112	121
Travel: Total \$	\$13,702,007	\$102,924,160	\$284,088,958
Average Spent	\$2,953.66	\$3,339.96	\$3,598.70
Spending Potential Index	103	116	125
Vehicle Maintenance & Repairs: Total \$	\$5,859,777	\$43,603,854	\$118,770,063
Average Spent	\$1,263.16	\$1,414.97	\$1,504.52
Spending Potential Index	100	112	119



Source: Meyers Research, ESRI

## Retail Leakage and Surplus in the CMA

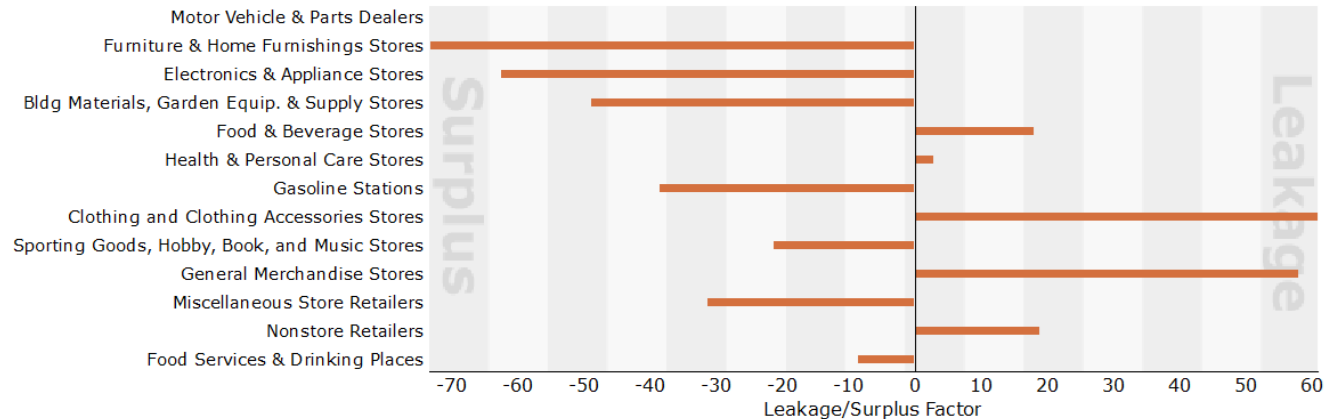
### Retail Demand Outlook

**Within a 1-mile radius of the Subject, there is a leakage of stores that cannot be supported in the Subject's Commercial zone site.** The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. In other words, the higher (positive not negative) 'Retail Gap', the better for the trade area. Aside from General Merchandise, the Subject cannot support other type of stores, and the liquor store next to the Subject meets the general store demand.

A summary of the leakage and surplus by industry Subsector is shown at right for the 1-mile radius. Undersupplied sectors include:

- Food & Beverage
- Health & Personal Care
- Clothing and Accessories
- General Merchandise
- Nonstore Retailers

**Leakage/Surplus Factor by Industry Subsector**



# 1-Mile Radius CMA Retail Leakage & Supply

## Retail Demand Outlook

The 1-Mile Radius from the Subject is a feasible demand area in which to measure supply and demand. As seen on the previous page, these industry Subsectors are given a positive or negative measure of supply versus demand. The top three industry groups with the highest demand are highlighted.

Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplu Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-	\$1,175,544,117	\$1,737,279,857	-\$561,735,740	-19.3	858
Total Retail Trade	44-45	\$1,059,382,107	\$1,581,317,531	-\$521,935,424	-19.8	630
Total Food & Drink	722	\$116,162,010	\$155,962,326	-\$39,800,316	-14.6	228
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplu Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$218,981,867	\$122,549,018	\$96,432,849	28.2	61
Automobile Dealers	4411	\$173,357,386	\$14,156,275	\$159,201,111	84.9	13
Other Motor Vehicle Dealers	4412	\$26,539,993	\$82,267,876	-\$55,727,883	-51.2	16
Auto Parts, Accessories & Tire Stores	4413	\$19,084,487	\$26,124,867	-\$7,040,380	-15.6	32
Furniture & Home Furnishings Stores	442	\$39,503,169	\$114,434,978	-\$74,931,809	-48.7	59
Furniture Stores	4421	\$20,597,138	\$66,572,529	-\$45,975,391	-52.7	34
Home Furnishings Stores	4422	\$18,906,030	\$47,862,450	-\$28,956,420	-43.4	26
Electronics & Appliance Stores	443	\$39,101,812	\$156,133,364	-\$117,031,552	-59.9	43
Bldg Materials, Garden Equip. & Supply Stores	444	\$63,844,722	\$233,066,187	-\$169,221,465	-57.0	103
Bldg Material & Supplies Dealers	4441	\$59,486,454	\$204,666,162	-\$145,179,708	-55.0	76
Lawn & Garden Equip & Supply Stores	4442	\$4,358,268	\$28,400,026	-\$24,041,758	-73.4	27
Food & Beverage Stores	445	\$172,250,035	\$213,439,332	-\$41,189,297	-10.7	68
Grocery Stores	4451	\$147,254,961	\$194,682,246	-\$47,427,285	-13.9	37
Specialty Food Stores	4452	\$12,210,343	\$10,469,125	\$1,741,218	7.7	19
Beer, Wine & Liquor Stores	4453	\$12,784,731	\$8,287,961	\$4,496,770	21.3	12
Health & Personal Care Stores	446,4461	\$73,179,987	\$82,852,443	-\$9,672,456	-6.2	43
Gasoline Stations	447,4471	\$93,655,077	\$97,668,555	-\$4,013,478	-2.1	25
Clothing & Clothing Accessories Stores	448	\$76,737,778	\$72,261,349	\$4,476,429	3.0	42
Clothing Stores	4481	\$54,711,310	\$35,130,652	\$19,580,658	21.8	30
Shoe Stores	4482	\$9,539,963	\$34,745,310	-\$25,205,347	-56.9	5
Jewelry, Luggage & Leather Goods Stores	4483	\$12,486,505	\$2,385,387	\$10,101,118	67.9	7
Sporting Goods, Hobby, Book & Music Stores	451	\$33,842,302	\$57,158,436	-\$23,316,134	-25.6	54
Sporting Goods/Hobby/Musical Instr Stores	4511	\$29,233,195	\$47,192,913	-\$17,959,718	-23.5	45
Book, Periodical & Music Stores	4512	\$4,609,107	\$9,965,523	-\$5,356,416	-36.8	10
General Merchandise Stores	452	\$177,771,450	\$329,148,283	-\$151,376,833	-29.9	23
Department Stores Excluding Leased Depts.	4521	\$106,435,228	\$169,921,422	-\$63,486,194	-23.0	10
Other General Merchandise Stores	4529	\$71,336,223	\$159,226,861	-\$87,890,638	-38.1	13
Miscellaneous Store Retailers	453	\$39,246,483	\$82,152,721	-\$42,906,238	-35.3	92
Florists	4531	\$1,914,867	\$4,671,848	-\$2,756,981	-41.9	13
Office Supplies, Stationery & Gift Stores	4532	\$9,113,178	\$19,674,139	-\$10,560,961	-36.7	18
Used Merchandise Stores	4533	\$4,188,751	\$1,288,496	\$2,900,255	53.0	5
Other Miscellaneous Store Retailers	4539	\$24,029,686	\$56,518,238	-\$32,488,552	-40.3	56
Nonstore Retailers	454	\$31,267,427	\$20,452,865	\$10,814,562	20.9	16
Electronic Shopping & Mail-Order Houses	4541	\$27,014,392	\$11,930,031	\$15,084,361	38.7	9
Vending Machine Operators	4542	\$478,727	\$189,541	\$289,186	43.3	1
Direct Selling Establishments	4543	\$3,774,308	\$8,333,292	-\$4,558,984	-37.7	6
Food Services & Drinking Places	722	\$116,162,010	\$155,962,326	-\$39,800,316	-14.6	228
Special Food Services	7223	\$2,361,951	\$2,696,291	-\$334,340	-6.6	12
Drinking Places - Alcoholic Beverages	7224	\$2,492,084	\$1,042,558	\$1,449,526	41.0	3
Restaurants/Other Eating Places	7225	\$111,307,975	\$152,223,477	-\$40,915,502	-15.5	213



## 3-Mile Radius CMA Retail Leakage & Supply

### Retail Demand Outlook

Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surpl Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-	\$1,162,287,306	\$1,659,837,379	-\$497,550,073	-17.6	798
Total Retail Trade	44-45	\$1,047,010,962	\$1,510,451,216	-\$463,440,254	-18.1	589
Total Food & Drink	722	\$115,276,344	\$149,386,164	-\$34,109,820	-12.9	209
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surpl Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$217,173,312	\$119,336,339	\$97,836,973	29.1	56
Automobile Dealers	4411	\$172,037,046	\$12,546,990	\$159,490,056	86.4	11
Other Motor Vehicle Dealers	4412	\$26,366,660	\$84,472,932	-\$58,106,272	-52.4	17
Auto Parts, Accessories & Tire Stores	4413	\$18,769,606	\$22,316,417	-\$3,546,811	-8.6	28
Furniture & Home Furnishings Stores	442	\$39,220,642	\$113,857,654	-\$74,637,012	-48.8	57
Furniture Stores	4421	\$20,497,137	\$66,001,493	-\$45,504,356	-52.6	33
Home Furnishings Stores	4422	\$18,723,505	\$47,856,162	-\$29,132,657	-43.8	24
Electronics & Appliance Stores	443	\$38,697,034	\$156,603,331	-\$117,906,297	-60.4	41
Bldg Materials, Garden Equip. & Supply	444	\$62,687,057	\$232,376,908	-\$169,689,851	-57.5	100
Bldg Material & Supplies Dealers	4441	\$58,490,340	\$206,248,310	-\$147,757,970	-55.8	76
Lawn & Garden Equip & Supply Stores	4442	\$4,196,717	\$26,128,597	-\$21,931,880	-72.3	24
Food & Beverage Stores	445	\$169,955,985	\$184,772,203	-\$14,816,218	-4.2	61
Grocery Stores	4451	\$145,339,999	\$166,619,995	-\$21,279,996	-6.8	32
Specialty Food Stores	4452	\$12,059,728	\$10,227,971	\$1,831,757	8.2	17
Beer, Wine & Liquor Stores	4453	\$12,556,258	\$7,924,236	\$4,632,022	22.6	11
Health & Personal Care Stores	446,446	\$71,840,098	\$61,120,656	\$10,719,442	8.1	37
Gasoline Stations	447,447	\$92,754,833	\$95,318,355	-\$2,563,522	-1.4	24
Clothing & Clothing Accessories Stores	448	\$75,816,832	\$66,810,469	\$9,006,363	6.3	37
Clothing Stores	4481	\$54,106,488	\$31,027,642	\$23,078,846	27.1	26
Shoe Stores	4482	\$9,510,934	\$33,957,277	-\$24,446,343	-56.2	5
Jewelry, Luggage & Leather Goods Stores	4483	\$12,199,410	\$1,825,550	\$10,373,860	74.0	6
Sporting Goods, Hobby, Book & Music	451	\$33,587,725	\$55,405,123	-\$21,817,398	-24.5	49
Sporting Goods/Hobby/Musical Instr	4511	\$29,027,071	\$45,537,700	-\$16,510,629	-22.1	40
Book, Periodical & Music Stores	4512	\$4,560,654	\$9,867,423	-\$5,306,769	-36.8	9
General Merchandise Stores	452	\$175,938,284	\$318,739,101	-\$142,800,817	-28.9	22
Department Stores Excluding Leased	4521	\$105,407,618	\$161,126,790	-\$55,719,172	-20.9	10
Other General Merchandise Stores	4529	\$70,530,666	\$157,612,311	-\$87,081,645	-38.2	13
Miscellaneous Store Retailers	453	\$38,776,383	\$83,403,370	-\$44,626,987	-36.5	90
Florists	4531	\$1,815,803	\$5,480,989	-\$3,665,186	-50.2	13
Office Supplies, Stationery & Gift Stores	4532	\$9,020,702	\$16,623,976	-\$7,603,274	-29.6	15
Used Merchandise Stores	4533	\$4,155,821	\$1,315,955	\$2,839,866	51.9	5
Other Miscellaneous Store Retailers	4539	\$23,784,058	\$59,982,450	-\$36,198,392	-43.2	57
Nonstore Retailers	454	\$30,562,775	\$22,707,709	\$7,855,066	14.7	15
Electronic Shopping & Mail-Order Houses	4541	\$26,712,023	\$11,013,304	\$15,698,719	41.6	7
Vending Machine Operators	4542	\$472,995	\$145,018	\$327,977	53.1	1
Direct Selling Establishments	4543	\$3,377,758	\$11,549,387	-\$8,171,629	-54.7	7
Food Services & Drinking Places	722	\$115,276,344	\$149,386,164	-\$34,109,820	-12.9	209
Special Food Services	7223	\$2,340,581	\$2,655,846	-\$315,265	-6.3	12
Drinking Places - Alcoholic Beverages	7224	\$2,457,099	\$1,319,723	\$1,137,376	30.1	4
Restaurants/Other Eating Places	7225	\$110,478,664	\$145,410,594	-\$34,931,930	-13.7	193

## 5-Mile Radius CMA Retail Leakage & Supply

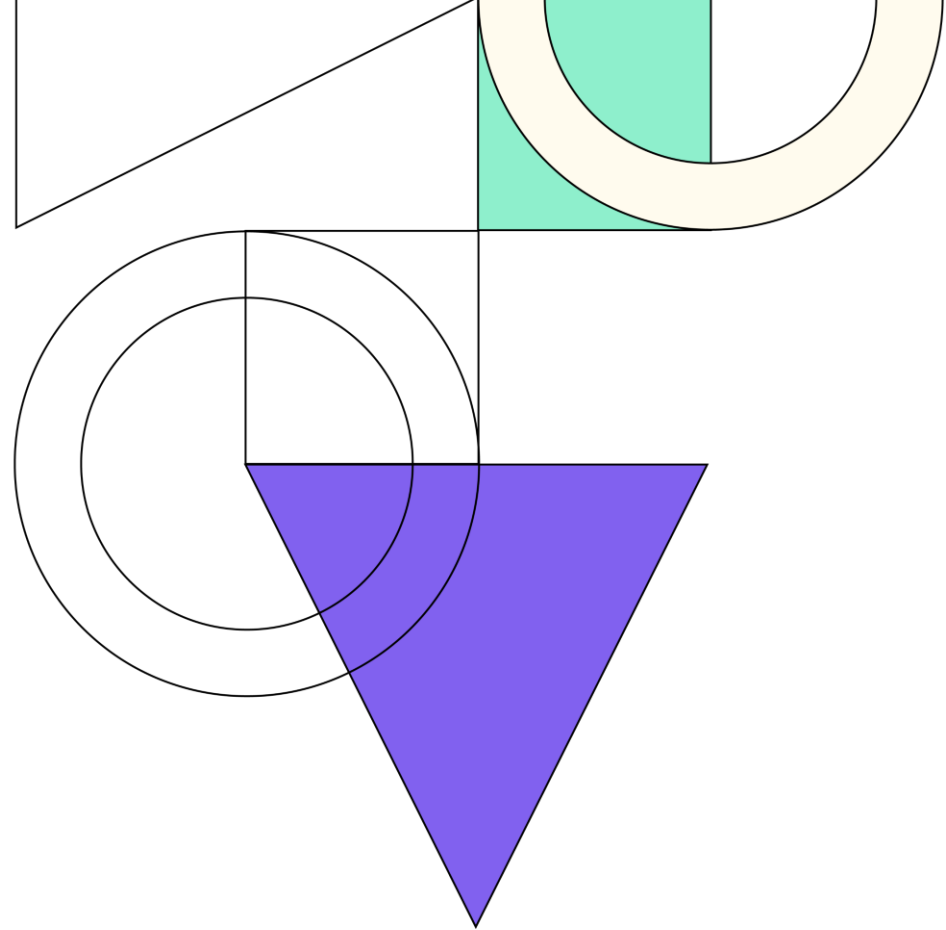
### Retail Demand Outlook

Given the Proposed Uses, the 5-Mile Radius from the Subject is considered too broad of an area in which to measure supply and demand.

Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplu Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-	\$1,175,544,117	\$1,737,279,857	-\$561,735,740	-19.3	858
Total Retail Trade	44-45	\$1,059,382,107	\$1,581,317,531	-\$521,935,424	-19.8	630
Total Food & Drink	722	\$116,162,010	\$155,962,326	-\$39,800,316	-14.6	228
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplu Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$218,981,867	\$122,549,018	\$96,432,849	28.2	61
Automobile Dealers	4411	\$173,357,386	\$14,156,275	\$159,201,111	84.9	13
Other Motor Vehicle Dealers	4412	\$26,539,993	\$82,267,876	-\$55,727,883	-51.2	16
Auto Parts, Accessories & Tire Stores	4413	\$19,084,487	\$26,124,867	-\$7,040,380	-15.6	32
Furniture & Home Furnishings Stores	442	\$39,503,169	\$114,434,978	-\$74,931,809	-48.7	59
Furniture Stores	4421	\$20,597,138	\$66,572,529	-\$45,975,391	-52.7	34
Home Furnishings Stores	4422	\$18,906,030	\$47,862,450	-\$28,956,420	-43.4	26
Electronics & Appliance Stores	443	\$39,101,812	\$156,133,364	-\$117,031,552	-59.9	43
Bldg Materials, Garden Equip. & Supply Stores	444	\$63,844,722	\$233,066,187	-\$169,221,465	-57.0	103
Bldg Material & Supplies Dealers	4441	\$59,486,454	\$204,666,162	-\$145,179,708	-55.0	76
Lawn & Garden Equip & Supply Stores	4442	\$4,358,268	\$28,400,026	-\$24,041,758	-73.4	27
Food & Beverage Stores	445	\$172,250,035	\$213,439,332	-\$41,189,297	-10.7	68
Grocery Stores	4451	\$147,254,961	\$194,682,246	-\$47,427,285	-13.9	37
Specialty Food Stores	4452	\$12,210,343	\$10,469,125	\$1,741,218	7.7	19
Beer, Wine & Liquor Stores	4453	\$12,784,731	\$8,287,961	\$4,496,770	21.3	12
Health & Personal Care Stores	446,4461	\$73,179,987	\$82,852,443	-\$9,672,456	-6.2	43
Gasoline Stations	447,4471	\$93,655,077	\$97,668,555	-\$4,013,478	-2.1	25
Clothing & Clothing Accessories Stores	448	\$76,737,778	\$72,261,349	\$4,476,429	3.0	42
Clothing Stores	4481	\$54,711,310	\$35,130,652	\$19,580,658	21.8	30
Shoe Stores	4482	\$9,539,963	\$34,745,310	-\$25,205,347	-56.9	5
Jewelry, Luggage & Leather Goods Stores	4483	\$12,486,505	\$2,385,387	\$10,101,118	67.9	7
Sporting Goods, Hobby, Book & Music Stores	451	\$33,842,302	\$57,158,436	-\$23,316,134	-25.6	54
Sporting Goods/Hobby/Musical Instr Stores	4511	\$29,233,195	\$47,192,913	-\$17,959,718	-23.5	45
Book, Periodical & Music Stores	4512	\$4,609,107	\$9,965,523	-\$5,356,416	-36.8	10
General Merchandise Stores	452	\$177,771,450	\$329,148,283	-\$151,376,833	-29.9	23
Department Stores Excluding Leased Depts.	4521	\$106,435,228	\$169,921,422	-\$63,486,194	-23.0	10
Other General Merchandise Stores	4529	\$71,336,223	\$159,226,861	-\$87,890,638	-38.1	13
Miscellaneous Store Retailers	453	\$39,246,483	\$82,152,721	-\$42,906,238	-35.3	92
Florists	4531	\$1,914,867	\$4,671,848	-\$2,756,981	-41.9	13
Office Supplies, Stationery & Gift Stores	4532	\$9,113,178	\$19,674,139	-\$10,560,961	-36.7	18
Used Merchandise Stores	4533	\$4,188,751	\$1,288,496	\$2,900,255	53.0	5
Other Miscellaneous Store Retailers	4539	\$24,029,686	\$56,518,238	-\$32,488,552	-40.3	56
Nonstore Retailers	454	\$31,267,427	\$20,452,865	\$10,814,562	20.9	16
Electronic Shopping & Mail-Order Houses	4541	\$27,014,392	\$11,930,031	\$15,084,361	38.7	9
Vending Machine Operators	4542	\$478,727	\$189,541	\$289,186	43.3	1
Direct Selling Establishments	4543	\$3,774,308	\$8,333,292	-\$4,558,984	-37.7	6
Food Services & Drinking Places	722	\$116,162,010	\$155,962,326	-\$39,800,316	-14.6	228
Special Food Services	7223	\$2,361,951	\$2,696,291	-\$334,340	-6.6	12
Drinking Places - Alcoholic Beverages	7224	\$2,492,084	\$1,042,558	\$1,449,526	41.0	3
Restaurants/Other Eating Places	7225	\$111,307,975	\$152,223,477	-\$40,915,502	-15.5	213

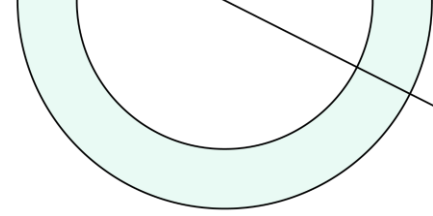


# Location Analysis



## Current Site Photos

### Location Analysis

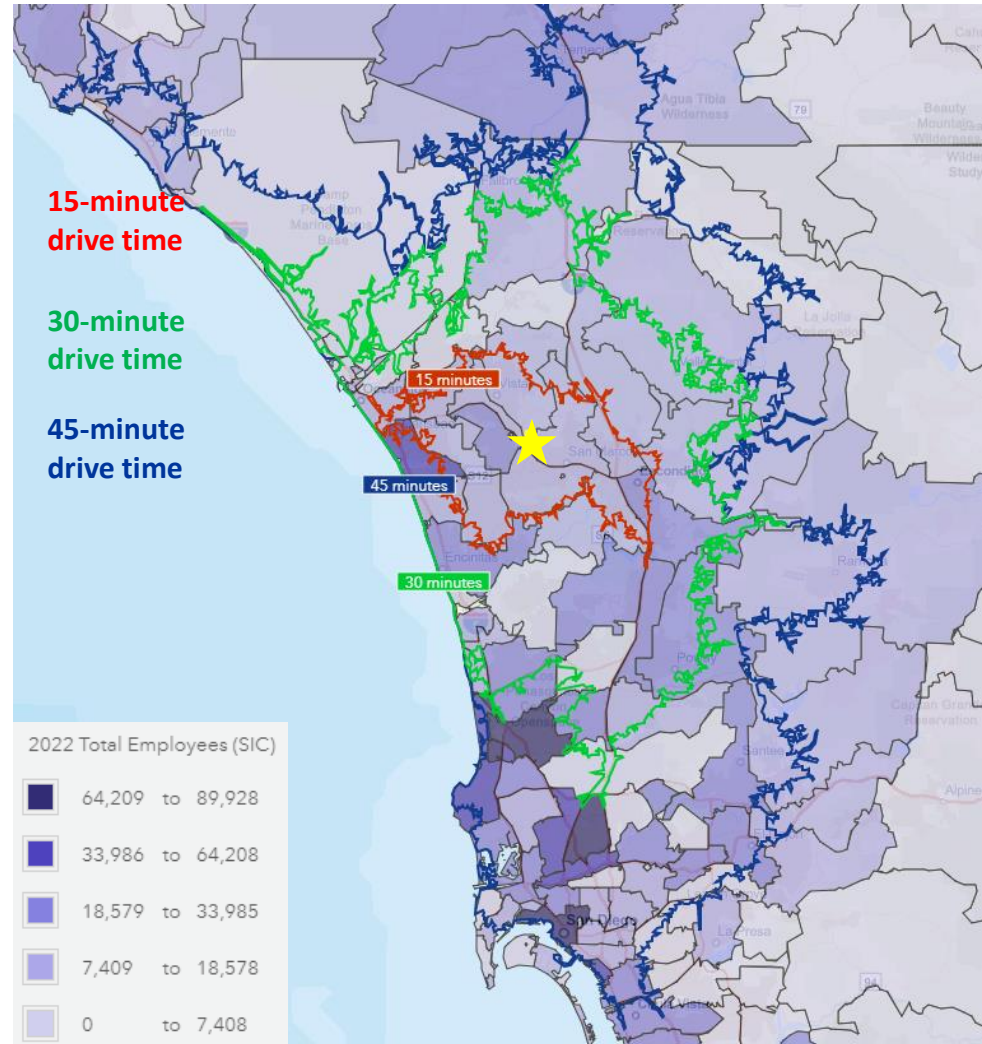
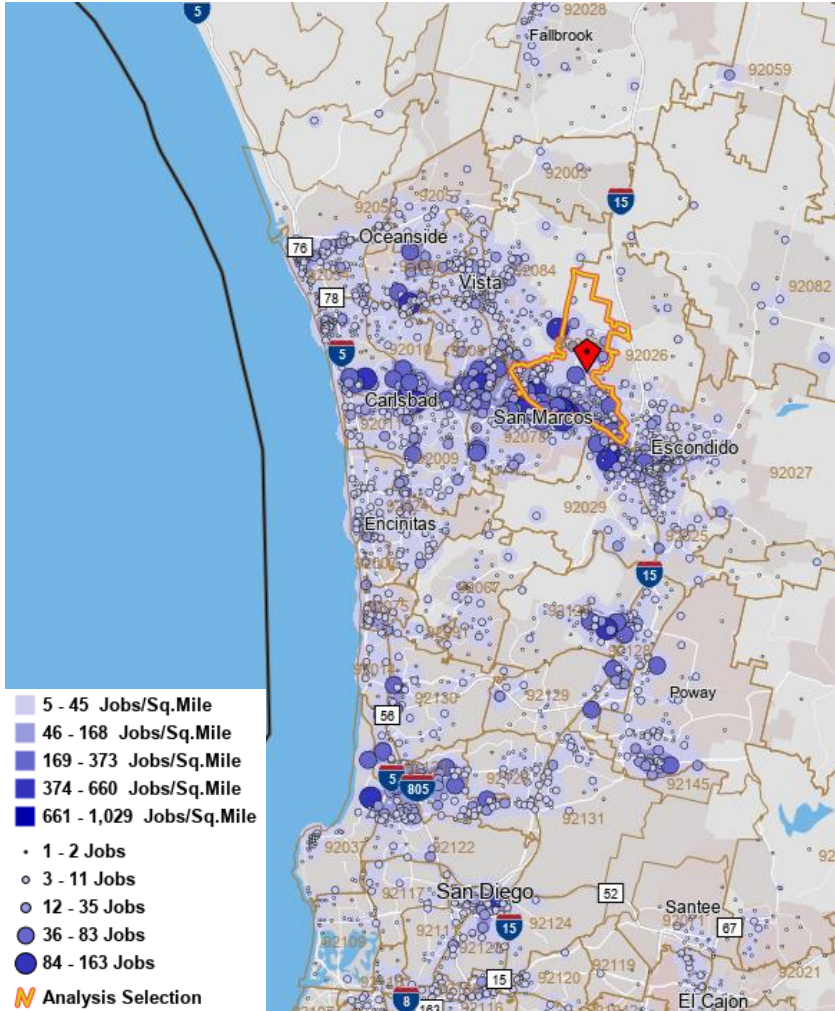




## Employees by Zip Code Drive Time Map

### Location Analysis

Collectively there are 35,794 employees in the two San Marcos zip codes, with 17,928 in the Subject zip code 92069. The greatest concentration of local residents commute to destinations along the Highway 78 Corridor, although some do travel as far as Temecula and Downtown San Diego for work.



## Local Resident Commute Patterns

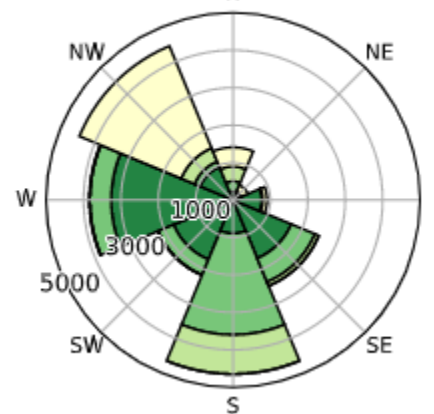
### Location Analysis

**The City of San Marcos accounts for almost 13% of employment for local residents, underscoring the viability of an apartment complex and parking as some renters will want to be near their employment.** The greatest concentration (18.8%) of local residents commute to San Diego for work, while a further 10.7% commute to Carlsbad. Vista and Escondido are also employment centers which account for +/- 8% of resident commuter destinations. A large share (48%) of local residents travel less than 10 miles to work, with an additional 24% travelling 10 to 24 miles each way per day. It should be noted that the City of San Diego also includes Rancho Bernardo south along the I-15, which is less than 10 miles away.

#### Jobs Counts by Places (Cities, CDPs, etc.) Where Workers are Employed - Private Primary Jobs

	Count	Share
<u>All Places (Cities, CDPs, etc.)</u>	17,745	100.0%
<u>San Diego city, CA</u>	3,332	18.8%
<u>San Marcos city, CA</u>	2,245	12.7%
<u>Carlsbad city, CA</u>	1,901	10.7%
<u>Vista city, CA</u>	1,411	8.0%
<u>Escondido city, CA</u>	1,389	7.8%
<u>Oceanside city, CA</u>	730	4.1%
<u>Encinitas city, CA</u>	437	2.5%
<u>Los Angeles city, CA</u>	407	2.3%
<u>Poway city, CA</u>	378	2.1%
<u>Irvine city, CA</u>	217	1.2%
<b>All Other Locations</b>	5,298	29.9%

Job Counts by Distance/Direction  
All Workers



#### Jobs by Distance - Home Census Block to Work Census Block

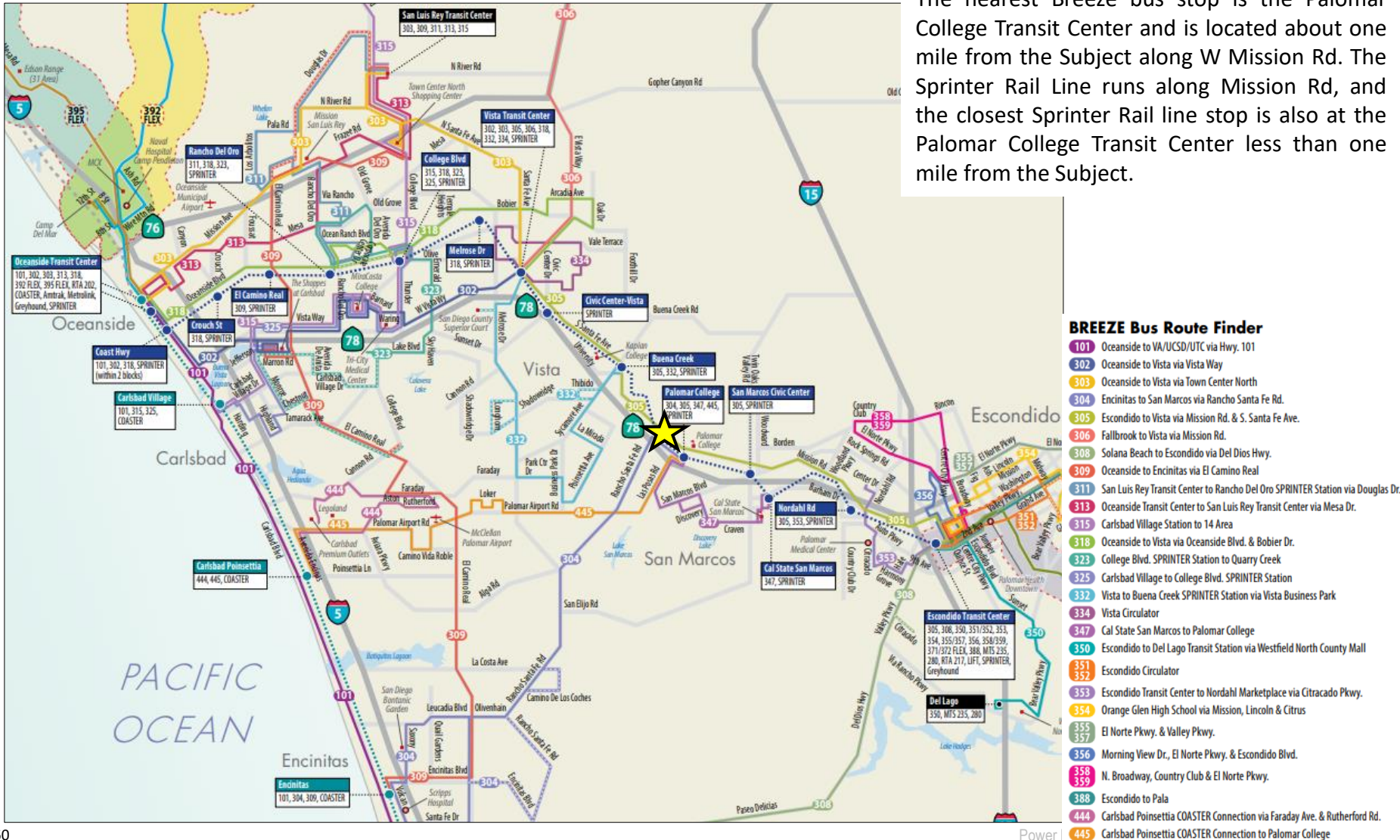
	Count	Share
<b>Total Primary Jobs</b>	20,337	100.0%
<u>Less than 10 miles</u>	9,671	47.6%
<u>10 to 24 miles</u>	4,934	24.3%
<u>25 to 50 miles</u>	1,951	9.6%
<u>Greater than 50 miles</u>	3,781	18.6%



## Area Public Transit Location Analysis

The Subject has excellent access to public transportation options including the Breeze Bus line, the Inland Rail Trail and Rail Sprinter lines.

The nearest Breeze bus stop is the Palomar College Transit Center and is located about one mile from the Subject along W Mission Rd. The Sprinter Rail Line runs along Mission Rd, and the closest Sprinter Rail line stop is also at the Palomar College Transit Center less than one mile from the Subject.



## Sprinter Transit Map

### Location Analysis

The **Sprinter light rail** is a 22-mile rail system that connects **Oceanside, Vista, San Marcos, and Escondido**, serving **15 stations along the Highway 78 corridor**. The nearest Sprinter stop is the Palomar College Station stop, located about one mile south along Mission Road.

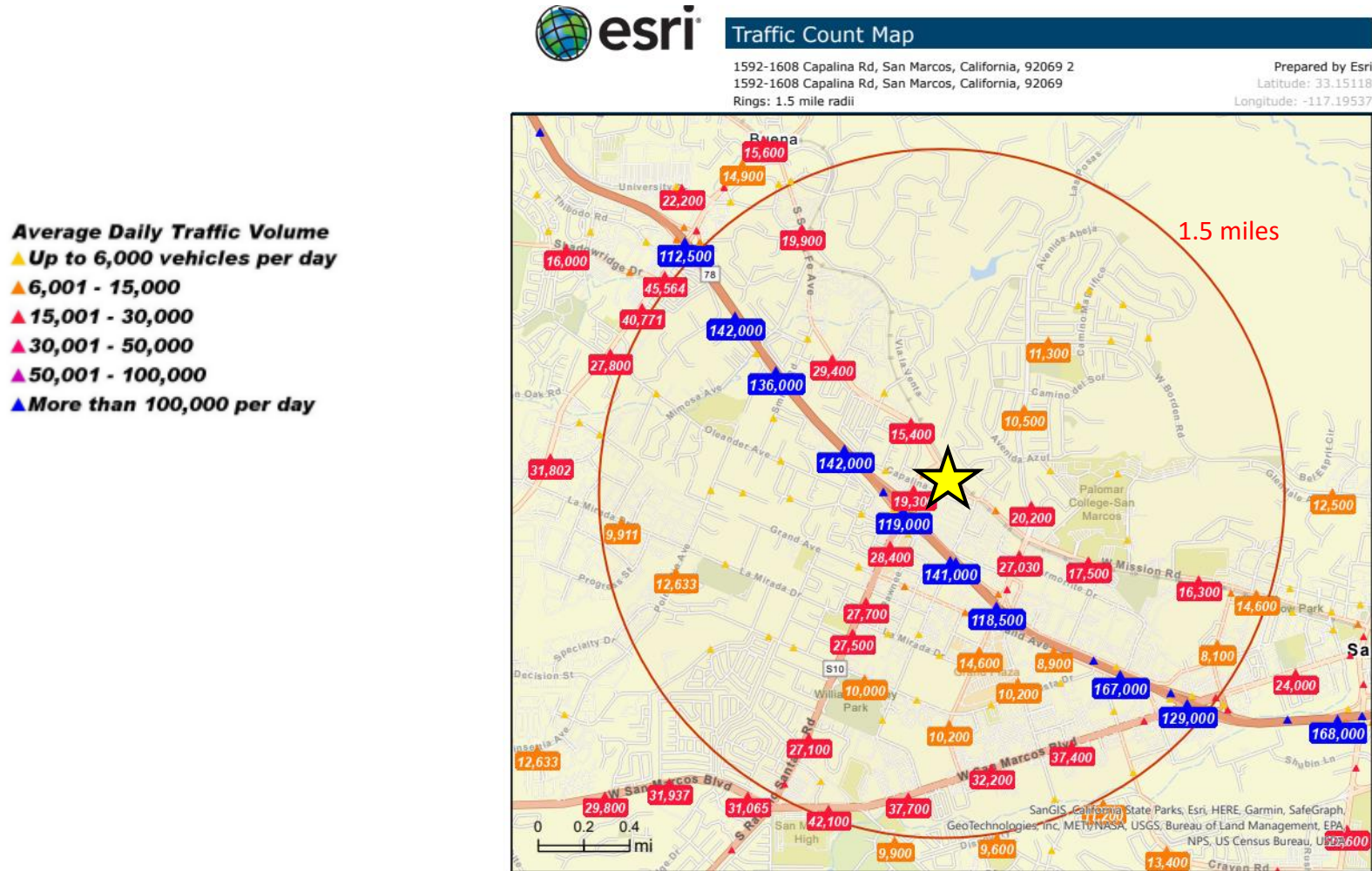


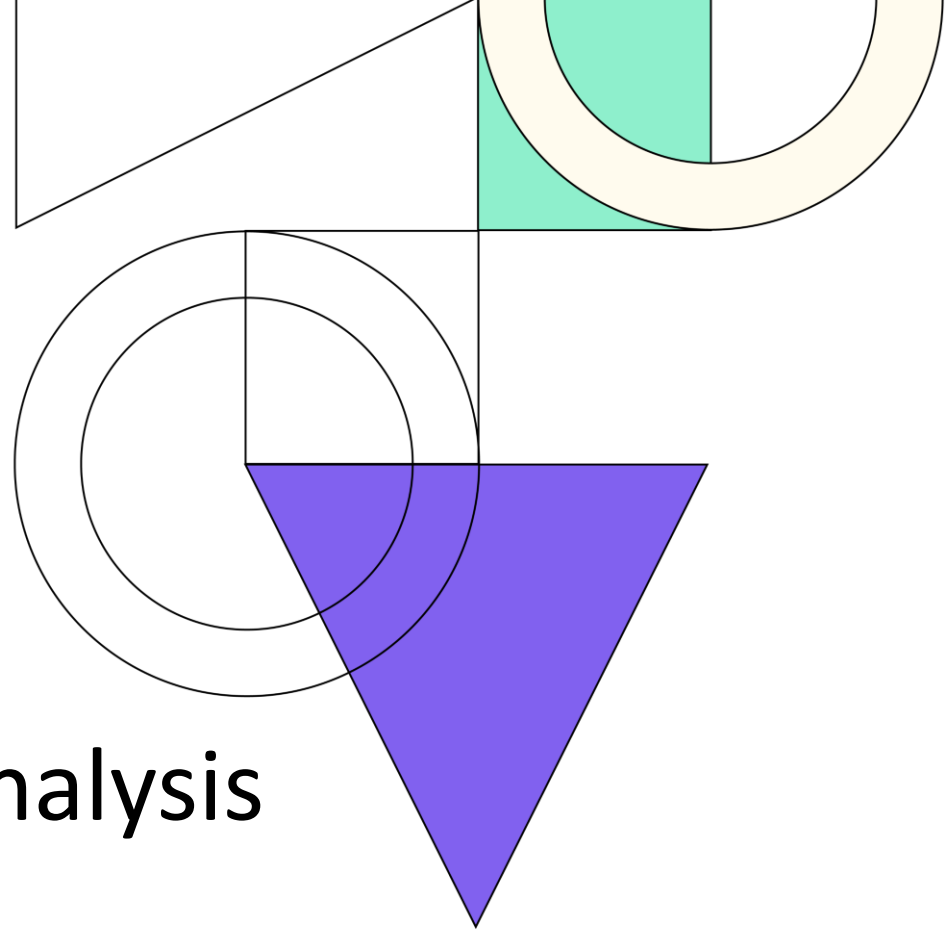


## Average Daily Traffic Count

Location Analysis

The Subject is next to W. Mission Blvd, which has strong average daily traffic (ADT) counts, creating a viable marketing window for the Subject from a leasing standpoint. Furthermore, the planned four-story structure will likely be visible from the 78 Freeway once it is topped out. The average daily traffic counts along the 78 Freeway are very high, at 119,000 ADT, while ADT in and around Capalina Rd is between 15,400 and 20,200 cars per day.





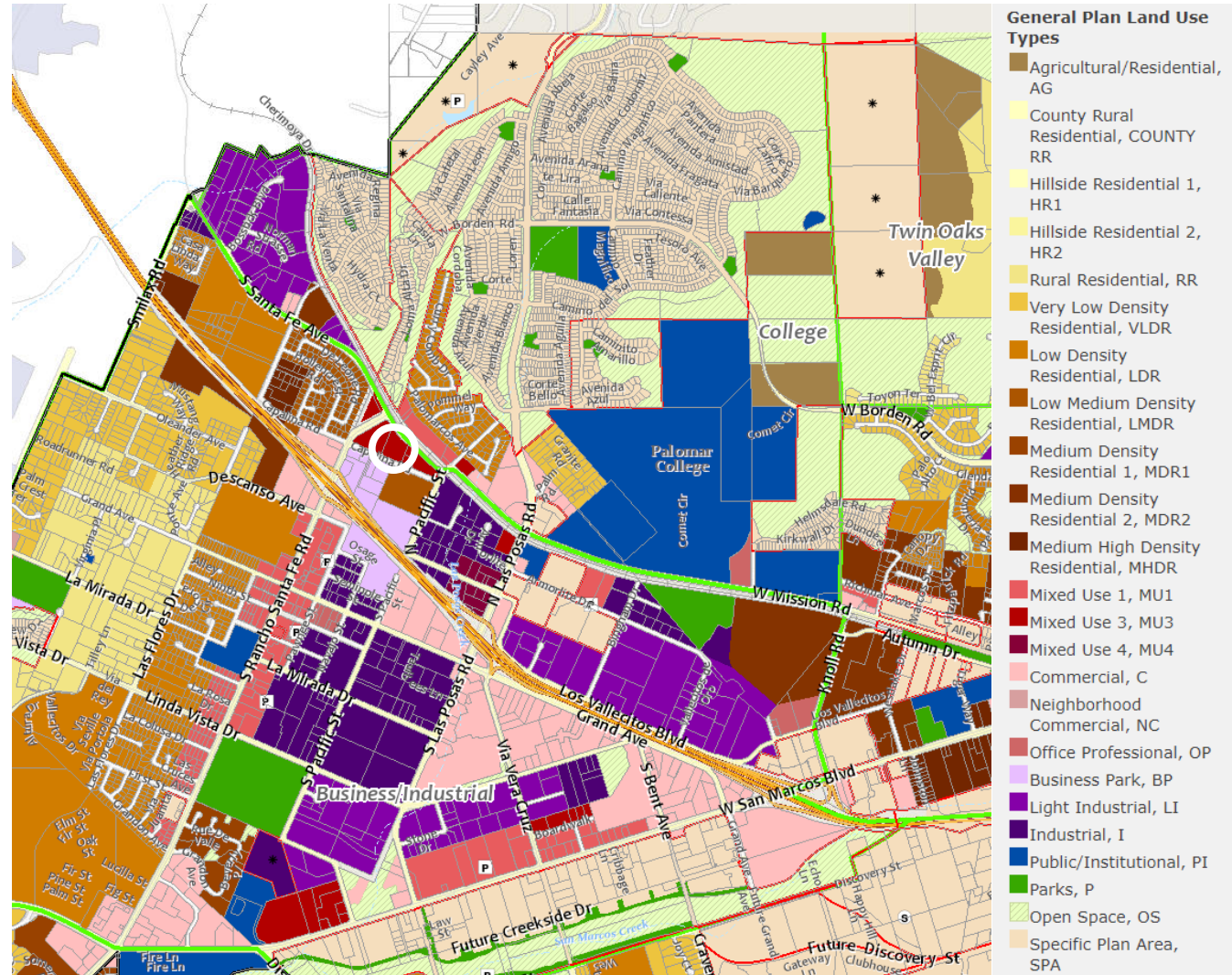
# Land Use & Zoning Analysis



## Land Use Map

### Land Use & Zoning Analysis

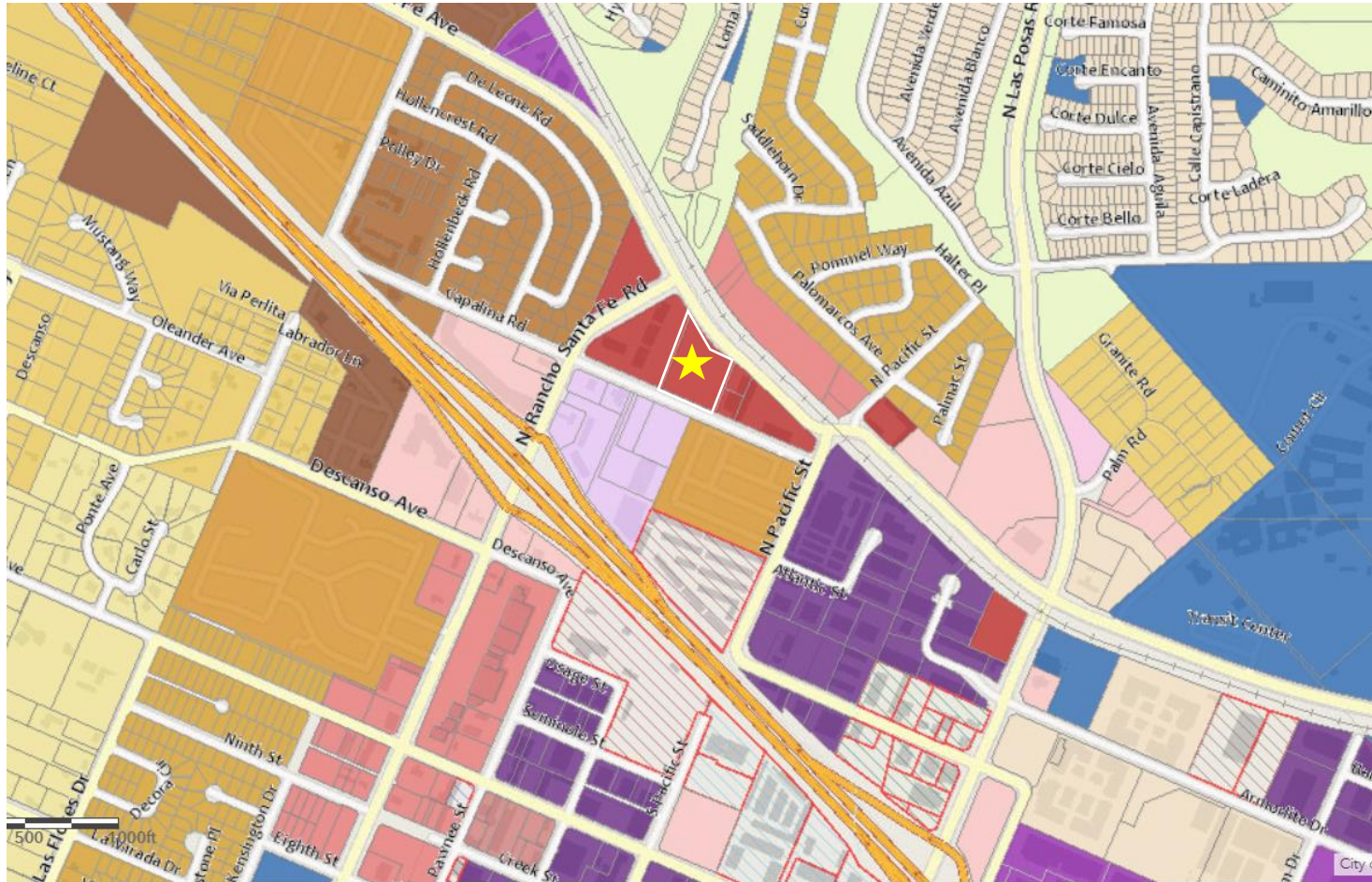
The Subject is located in the City of San Marcos. The San Marcos General Plan is shown below with the Subject displayed as a white circle. **The zoning for the site is Mixed-Use Commercial (MU-3). The proposed rezone for the Subject is to Mixed-Use (MU-2) to allow for Multi-Family Residential.**



## Zoning Map Detail

Location, Land Use & Zoning Analysis

According to the zoning maps from the City of San Marcos, the Subject is zoned for Mixed-Use-3 under the current zoning. Under the proposed zoning, the parcel would be rezoned to Mixed-Use-1 to permit the development of multifamily residential.



### Zoning

#### Zone Districts

- Agricultural-1, A-1
- Agricultural-2, A-2
- Estate, R-1-20
- Estate (Planned Residential Development), R-1-20 (PRD)
- Residential Low, R-1-10
- Residential Low (Planned Residential Development), R-1-10 (PRD)
- Residential-1, R-1-7.5
- Residential Low (Planned Residential Development), R-1-7.5 (PRD)
- Residential-2, R-2
- Residential-3-6, R-3-6
- Residential-3-10, R-3-10
- Residential-3-10, R-3-10 (PRD)
- Mobile Home Park, R-MHP
- Commercial, C
- Neighborhood Commercial, NC
- Office Professional, OP
- Senior Residential, SR
- Mixed-Use-1, MU-1
- Mixed-Use-3, MU-3
- Business Park, B-P
- Light Manufacturing, L-I
- Light Industrial, L-I
- Industrial, I
- Industrial-2, I-2
- Public-Institutional, P-I
- Open Space, O-S
- Specific Plan Area, SPA
- I / B-P, I / B-P
- I / L-I, I / L-I
- I / C, I / C
- I / I (SP), I / I (SP)
- I / MU-1, I / MU-1
- I / MU-4, I / MU-4
- L-I / L-I & NC, L-I / L-I & NC
- L-I / I, L-I / I
- L-I / MU-1, L-I / MU-1
- L-I (DZ) / MU-1, L-I (DZ) / MU-1
- L-I / NC, L-I / NC
- L-I / OP, L-I / OP
- C & I / MU-3, C & I / MU-3



## Original (Approved) Development Plan – MU-3

### Land Use & Zoning Analysis

**The original plan for this site is zoned as Mixed Use (MU-3). Development consistent with this zoning could support an estimated 90,000 square feet of general office space and 10,000 square feet of retail.** Zonda does not have specific plans provided for the current zoning of the Subject site. Based on the Mixed Use Zone Floor Area Ratio (FAR) guidelines shown below, we conclude that up to 1.5x the lot size is permitted to be constructed at the Subject. This translates to +/-164,000 square feet, assuming lot size is 2.51 acres (109,336 square feet).

The Client has provided a development guideline as shown below.

#### Approved Plan (development consistent with the existing MU-3 Zoning):

- 90,000 s.f. office
- 10,000 s.f. retail

The total lot size can be reduced by the required setbacks which amount to approximately 9,640 square feet, resulting in a net developable footprint of 99,696 square feet. This is smaller than the proposed total developable square footage of 100,000 square feet, and Zonda therefore assumes that this would likely be a two- or possibly a three-story building.

Mixed-Use Zones				
Mixed-Use-1	MU-1	20.0–30.0 du/ac FAR 1.75	Mixed Use 1 (MU1)	20.225
Mixed-Use-2	MU-2	30.1–45.0 du/ac FAR 2.25	Mixed Use 2 (MU2) High Density Residential (HDR)	20.225
Mixed-Use-3	<b>MU-3 (SP)</b>	1.5 FAR	Mixed Use 3 (MU3) (Non-Residential)	20.225, 20.250
Mixed-Use-4	MU-4 (SP)	1.5 FAR	Mixed Use 4 (MU4) (Non-Residential)	20.225, 20.250

The Mixed Use 3 (MU-3 (SP)) Zone is intended to support a job-based mixed use area combining a variety of commercial and office uses integrated as a cohesive development. This business-oriented area shall be complementary to the MU-1 and MU-2 Zones, Permitted land uses for MU-3 (SP) and MU-4 (SP) developments are established at the time of Specific Plan adoption, but are limited to commercial and industrial uses. Residential uses are not permitted in the MU-3 (SP) Zone, and Zonda therefore provides analysis of MU-2 requirements on the following page.

**MU-3 (SP) Development Standards**

Development Standard	MU-3 (SP)
<b>Density</b>	
FAR, Minimum	1.0
FAR, Maximum	1.5
<b>New Subdivision Lot Size</b>	
Minimum	2,500
<b>Building Height</b>	
Minimum	2 stories / 25 feet
Maximum	4 stories / 54 feet
Max. Adjacent to R PL	1 story greater than adjacent development
Ground Floor Height	15 feet
<b>Building Placement</b>	
Mission Road / Mission Road Station	10 feet required for 80% of the frontage; 15 feet max. for 20% of frontage
Interior PL	0 feet
Alley PL	3 feet
<b>Allowable Building Frontage Types</b>	
Primary Street Pedestrian-Oriented	Storefront / Awning Forecourt
Mission Road / Mission Road Station	Storefront / Awning Forecourt
Along Rail Edge & Transit Station	Storefront / Awning Forecourt
Facades Facing Greenway or Park	Stoop Porch
Other Locations	Forecourt Stoop Porch

## Proposed Site Plan Permitted Uses – MU-2

### Land Use & Zoning Analysis

#### Permitted Residential Mixed Use Land Uses.

Any single parcel or building within the Mixed Use Zones may be permitted to include a single or multiple land uses subject to the permit requirements of the applicable Zone. Mixed Use property uses are not specified for the MU-3 (SP) and MU-4 (SP) Zones, hence the rezone to MU-2 and GPA triggered to facilitate the proposed development of Mixed-Use apartments.

Land Use	Ground Floor Uses	MU-1/ MU-2	Additional Use Regulations	Additional Use Regulations
Residential Uses				
Adult Day Care	DP	DP	<a href="#">20.400.110</a>	<a href="#">20.400.110</a>
Live/Work	P	P		
Multifamily Residential	P	P		
Residential Building Entries/Lobbies	P	P		
Residential Care Facility, Small	P	P	<a href="#">20.400.110</a>	<a href="#">20.400.110</a>
Residential Care Facility, Large	CUP	DP	<a href="#">20.400.110</a>	<a href="#">20.400.110</a>
Adult Residential Facility, Small	P	P	<a href="#">20.400.110</a>	<a href="#">20.400.110</a>
Adult Residential Facility, Large	CUP	DP	<a href="#">20.400.110</a>	<a href="#">20.400.110</a>
Low Barrier Navigation Center	P	P	<a href="#">20.400.260</a>	<a href="#">20.400.260</a>
Supportive Housing	P	P		
Transitional Housing	P	P		

#### Permitted Recreational, Educational Mixed Use Land Uses.

Recreation, Education & Public Assembly Uses			
Child Day Care Facility, Day Care Center	DP	DP	<a href="#">20.400.050</a>
Club	- - -	DP	Not permitted in buildings with residential units
College, Nontraditional Campus Setting	- - -	DP*	Note 2; Note 3
Museum, Library or Gallery	P	P	
Places of Assembly	DP	DP	Note 2; Note 3; <a href="#">20.400.160</a>
Small Places of Assembly	ZA	ZA	
Park/Plaza	P	P	

## Original (Approved) Site Plan Permitted Uses (ctd.)

### Land Use & Zoning Analysis

#### Permitted Office, Service Mixed Use Land Uses.

Office, Professional and Business Support Services			
Business Support Service	---	P	
Financial Institution	P	P	
Financial Institution, with Drive-Thru	---	---	<a href="#">20.400.070</a>
Medical, Urgent Care	P	P	
Office; Administrative, Business, Corporate	---	P	
Office; Government	---	P	
Office; Medical, Dental and Holistic	P	P	
Service Uses(2)			
Animal Sales and Services	P	---	
Dry Cleaning or Laundry, Agency	P	P	
Massage, Accessory Use	P	---	Note 4; <a href="#">20.400.250</a> (Ord No. 2017-1443, 6-13-2017)
Massage Establishment	P	---	Note 4; <a href="#">20.400.250</a> (Ord No. 2017-1443, 6-13-2017)
Personal Services, General & Instructional	P	---	
Personal Services, Fitness/Health Facility	DP	DP	

#### Permitted Industrial Mixed Use Land Uses.

Industrial, Manufacturing & Processing Uses(2)			
Industrial Design and Services	---	P	
Recycling Facilities			
Small Collection Facility	P	P	<a href="#">20.445</a> (Refuse and Recycling)
Reverse Vending	DP	DP	<a href="#">20.445</a> (Refuse and Recycling)
Transportation, Communication & Utility Uses(2)			
Antenna or Communication Facility	P	P	<a href="#">20.465</a> (Telecommunication Facilities)
Non-Public Antenna or Communication Facility	P	P+	<a href="#">20.465</a> (Telecommunication Facilities)

## Original (Approved) Site Plan Permitted Uses (ctd.)

### Land Use & Zoning Analysis

#### Permitted Retail Land Uses.

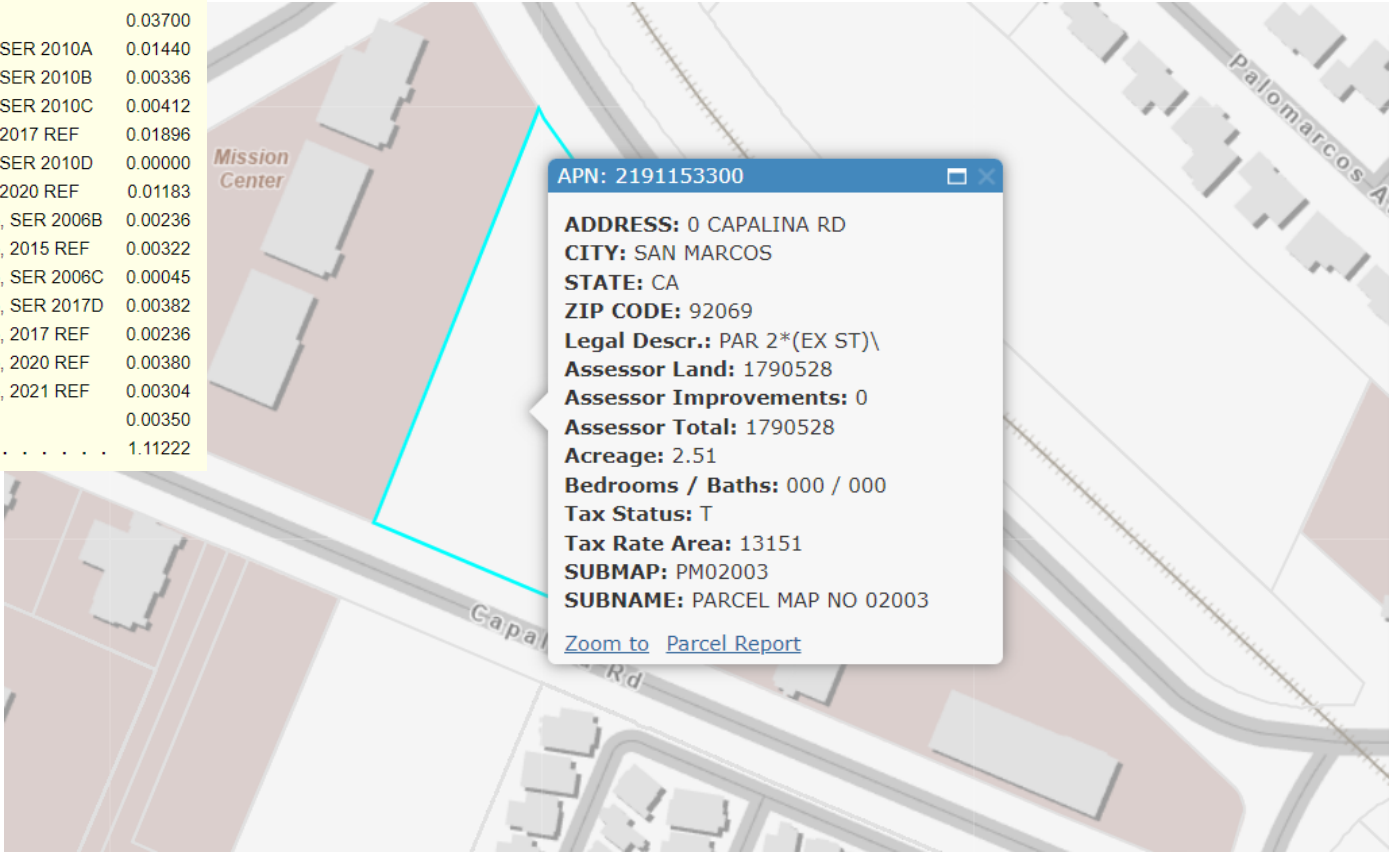
General Retail Uses(2)			
ATM, interior to building/vestibule	P	P	
ATM, freestanding exterior/exterior wall	P	P	
Automotive, Fueling Station	CUP	CUP	
Bar	CUP	CUP	
Catering	- - -	DP	
Commercial Entertainment	P	P	
Commercial Recreation, Indoor	P	P	
Drive-Thru Facility	CUP	CUP	
Hookah Lounge	- - -	- - -	Prohibited in all Zones
Kiosk (stand-alone)	DP	- - -	
Lodging, Hotel <100 Rooms	CUP	CUP	
Market, grocery or supermarket	P	- - -	
Market; specialty food and beverage	P	- - -	
Market; Liquor	CUP	- - -	
Market; convenience	P	- - -	
Merchandise Sales, New Retail	P	- - -	
Outdoor Dining	P	P	
Parking Facility, Enclosed Freestanding	P	CUP	
Restaurant, Sit-Down	P	P	
Restaurant, Take-Out	P	DP	
Winery/Tasting Room	DP	CUP	

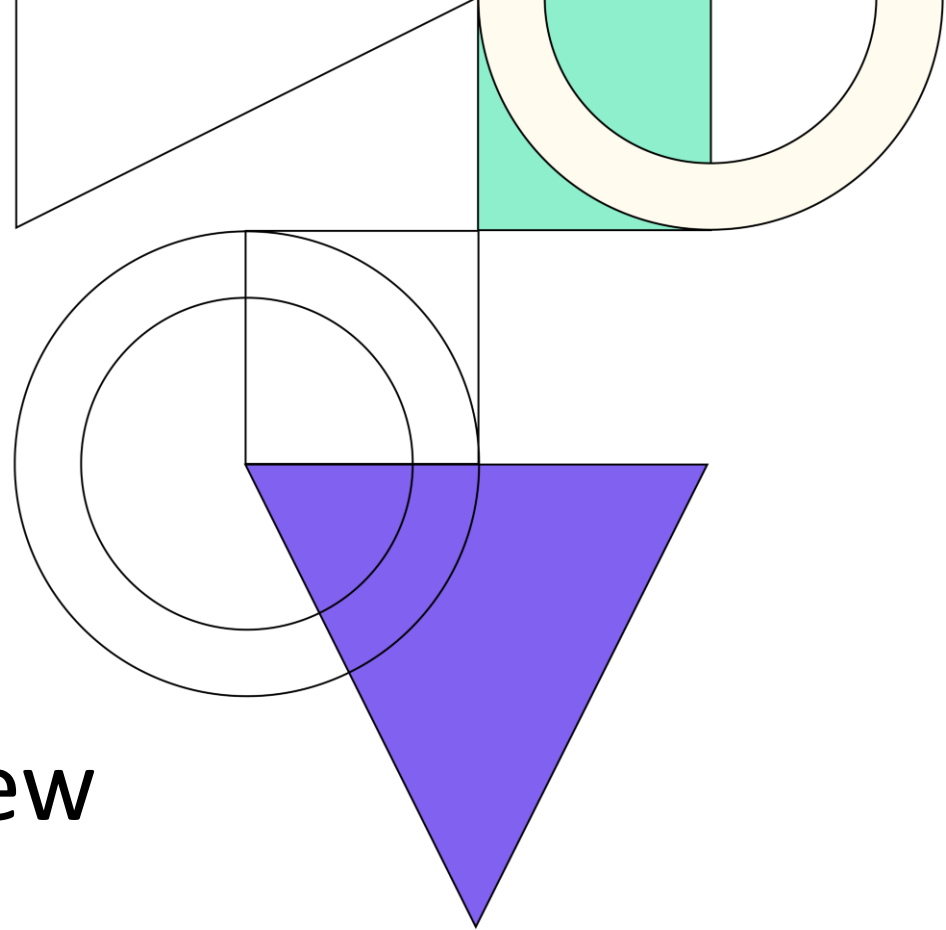
# Tax Rate Area Map

Land Use & Zoning Analysis

The Subject parcel is assigned to the tax rate area (TRA) 013151. An analysis of the base tax rate and additional tax obligations brings the total tax rate to 1.11222%. The breakdown of the additional tax breakdowns are listed below. The Subject APN 219-115-33-00 is outlined below in aqua.

Tax Rate Area: 013151		
Fiscal Year: 2022/2023		
Fund	Fund Description	Rate
501800	COUNTY-PROPOSITION 13	1.00000
307251	PALOMAR HEALTH 2005A - DEBT SERVICE	0.03700
482960	UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010A	0.01440
482961	UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010B	0.00336
482962	UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010C	0.00412
482964	UNIF BOND SAN MARCOS-PROP K 11/02/2010, 2017 REF	0.01896
482965	UNIF BOND SAN MARCOS-PROP K 11/02/2010, SER 2010D	0.00000
482966	UNIF BOND SAN MARCOS-PROP K 11/02/2010, 2020 REF	0.01183
494051	PALOMAR COMMUNITY COLL PROP M 11/07/06, SER 2006B	0.00236
494052	PALOMAR COMMUNITY COLL PROP M 11/07/06, 2015 REF	0.00322
494053	PALOMAR COMMUNITY COLL PROP M 11/07/06, SER 2006C	0.00045
494054	PALOMAR COMMUNITY COLL PROP M 11/07/06, SER 2017D	0.00382
494055	PALOMAR COMMUNITY COLL PROP M 11/07/06, 2017 REF	0.00236
494056	PALOMAR COMMUNITY COLL PROP M 11/07/06, 2020 REF	0.00380
494057	PALOMAR COMMUNITY COLL PROP M 11/07/06, 2021 REF	0.00304
672506	MWD D/S REMAINDER OF SDCWA 15019999	0.00350
TOTAL RATE.		1.11222





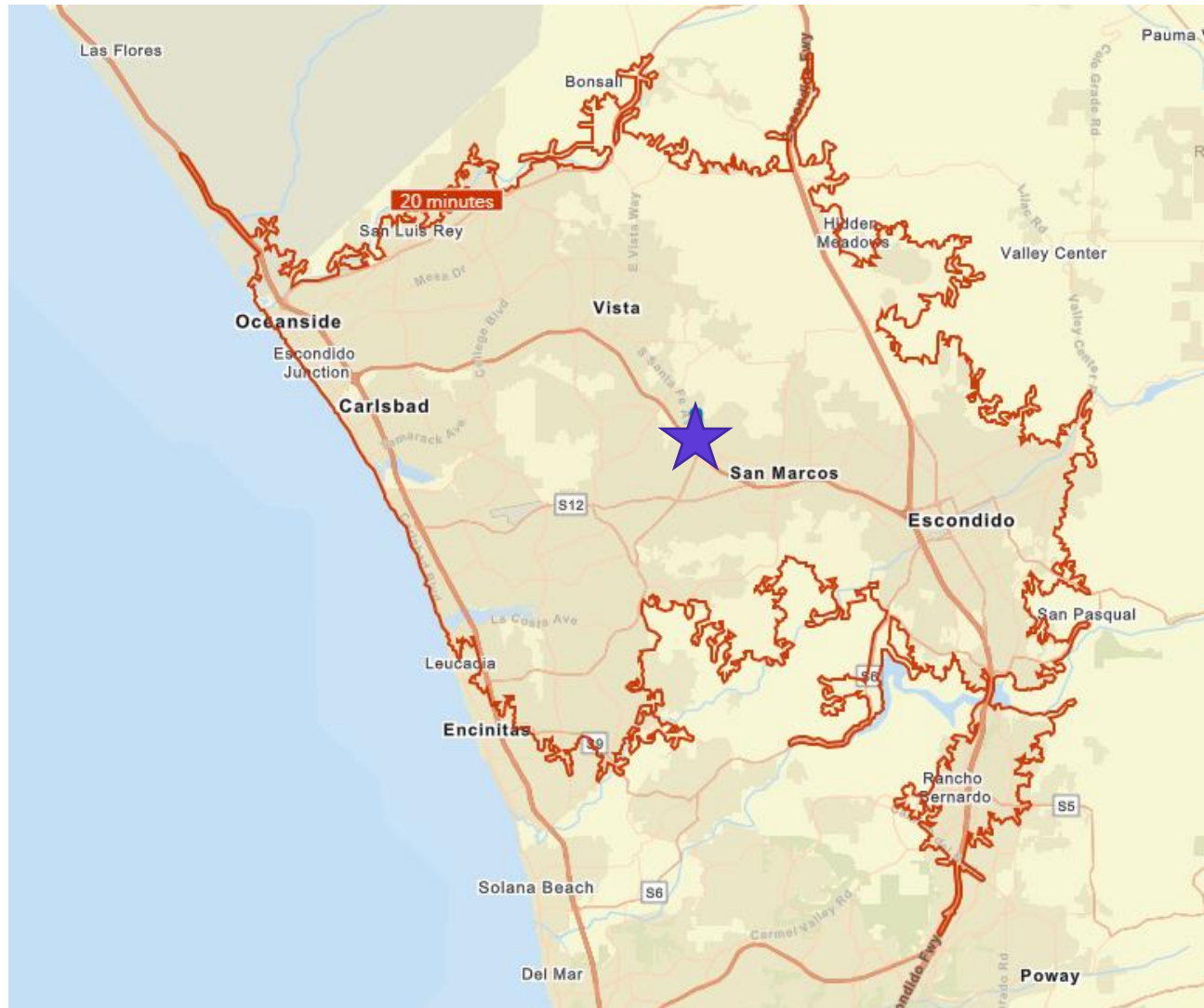
# Demographic Overview



## 20-Minute Drive Time CMA

### Demographic Profile

The following section focuses on demographics in the competitive market area (CMA) which is defined as a 20-Minute Drive time from the Subject, and includes the areas of San Marcos, Vista, Escondido, Oceanside, Carlsbad, Rancho Bernardo and Encinitas.

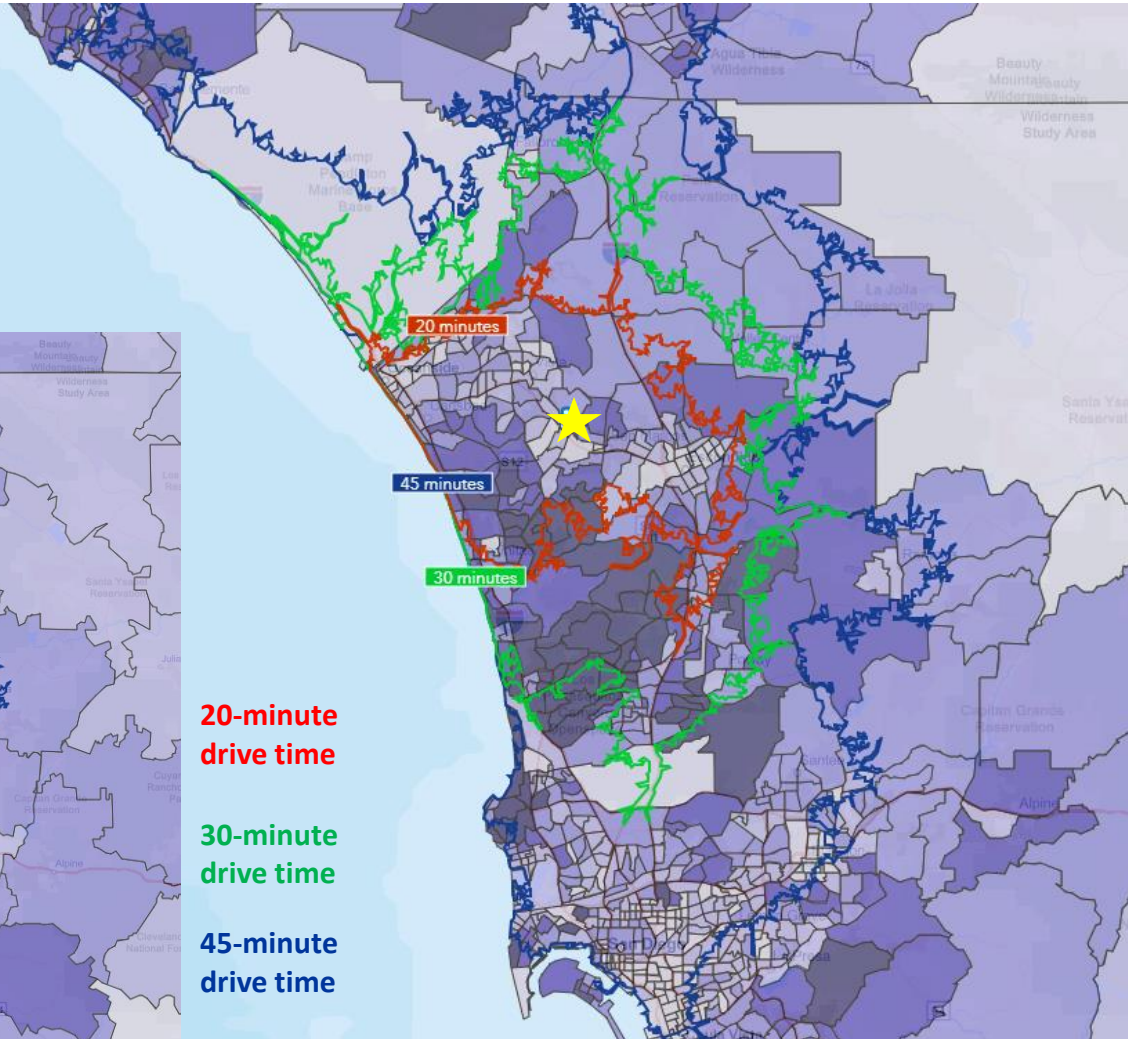
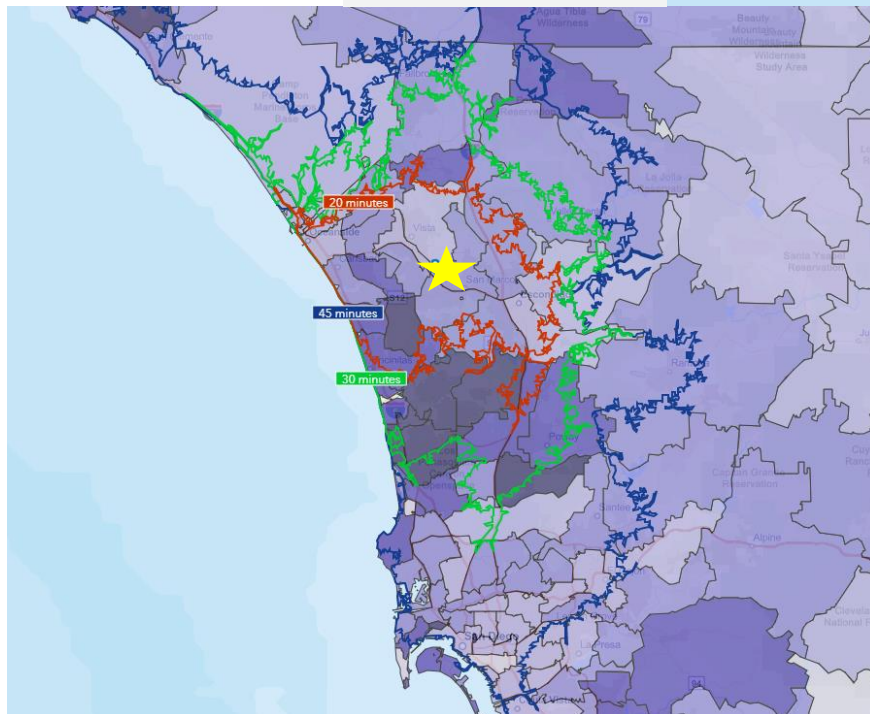
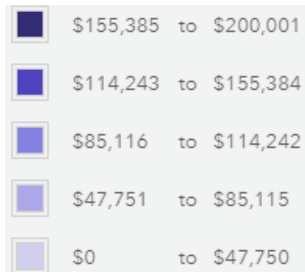


## Median Household Income in the CMA

### Demographic Profile

The Subject Zip code 92069 has a median income of \$92,900, with concentrations of higher incomes in the neighboring zip codes and census tracts. Incomes by zip code are shown on the inset map below, and at a census tract level on the larger map.

2023 Median Household Income



20-minute  
drive time

30-minute  
drive time

45-minute  
drive time



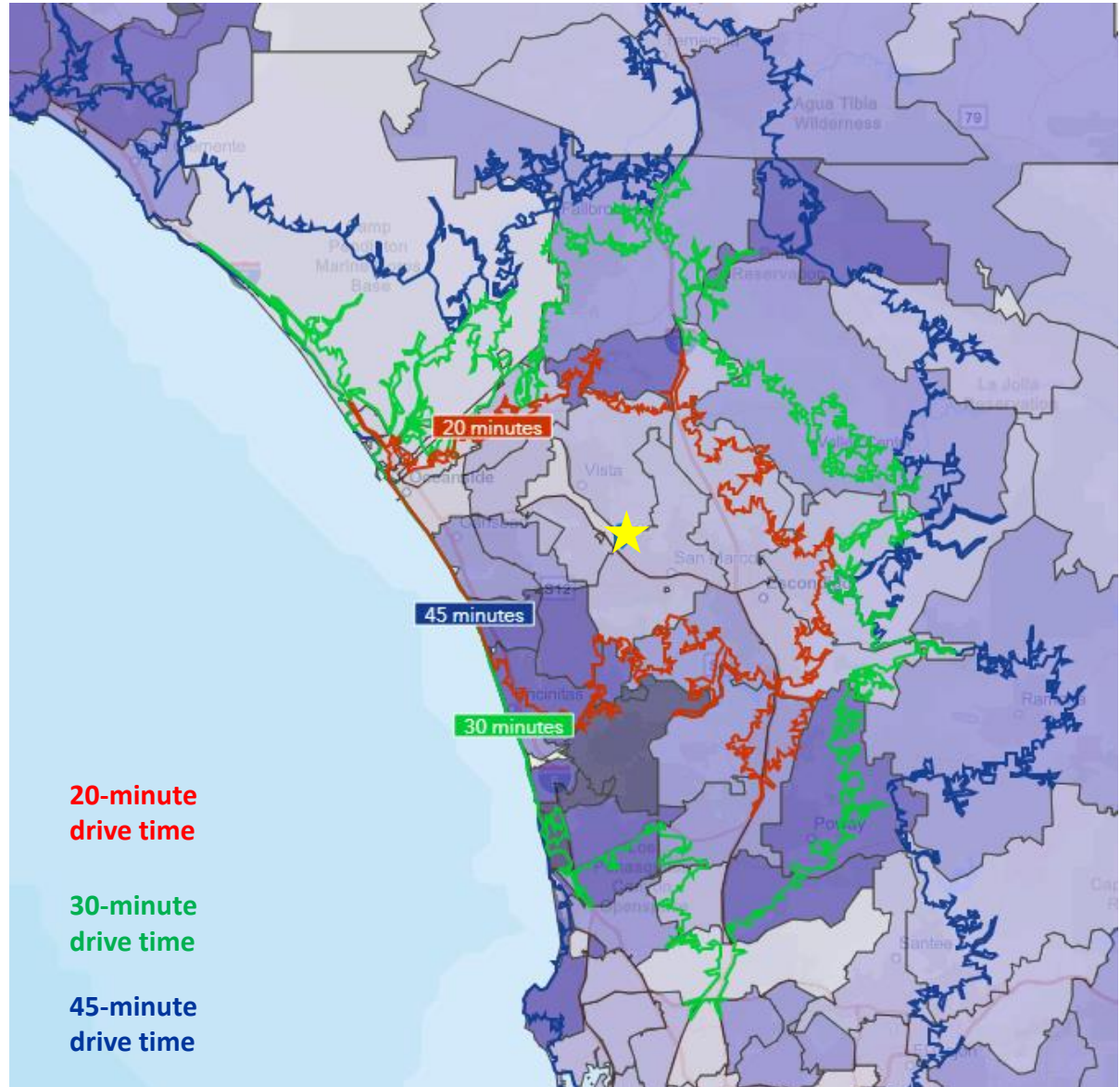
## Average Net Worth in the CMA

### Demographic Profile

Average net worth in the Subject zip code 92069 is a little over \$1,096,800 and is lower to the neighboring San Marcos zip code 92078 at \$1,519,000. Net worth is a strong indicator of area wealth as it adjusts for retirees who may no longer be working but are nevertheless affluent.

#### 2023 Average Net Worth

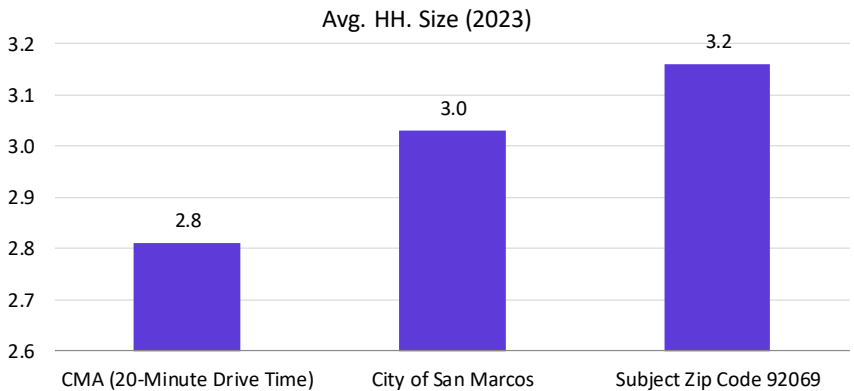
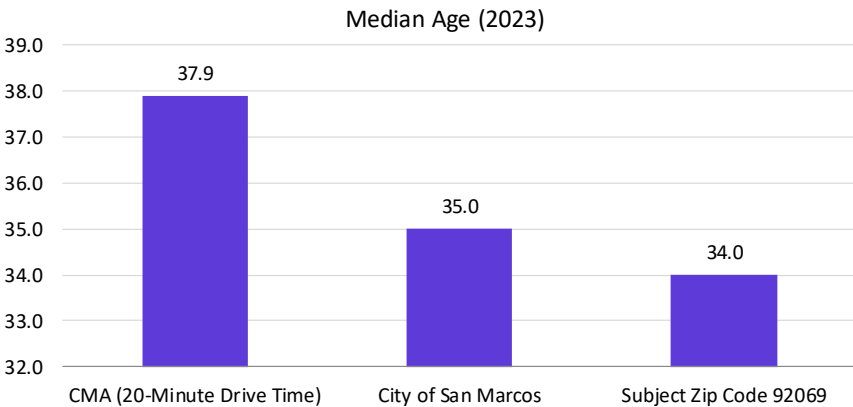
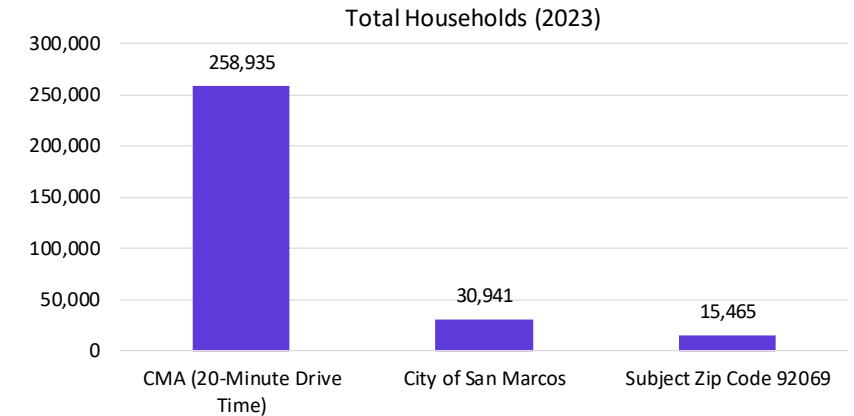
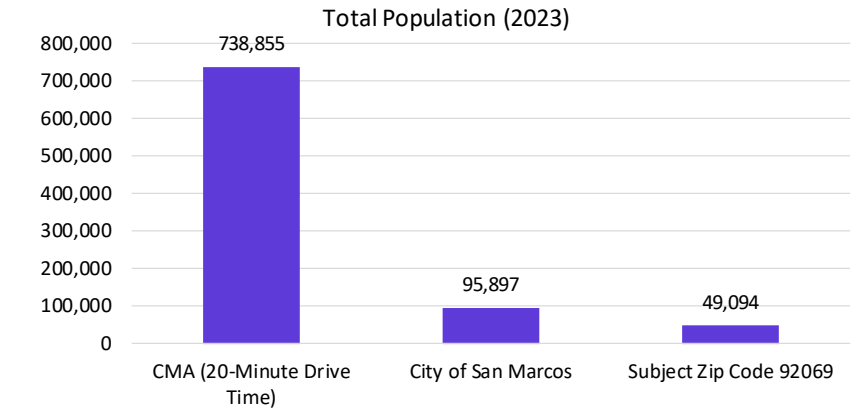
	\$3,533,095 to \$5,270,537
	\$2,323,591 to \$3,533,094
	\$1,507,539 to \$2,323,590
	\$693,446 to \$1,507,538
	\$0 to \$693,445



# Population, Household Profile and Age

## Demographic Profile

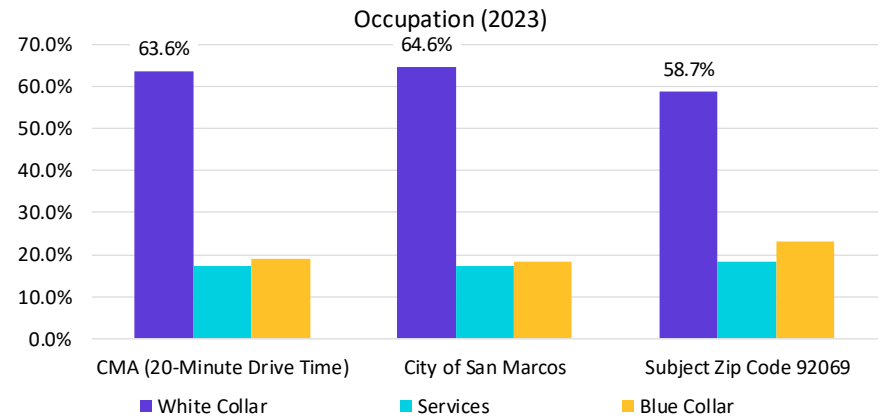
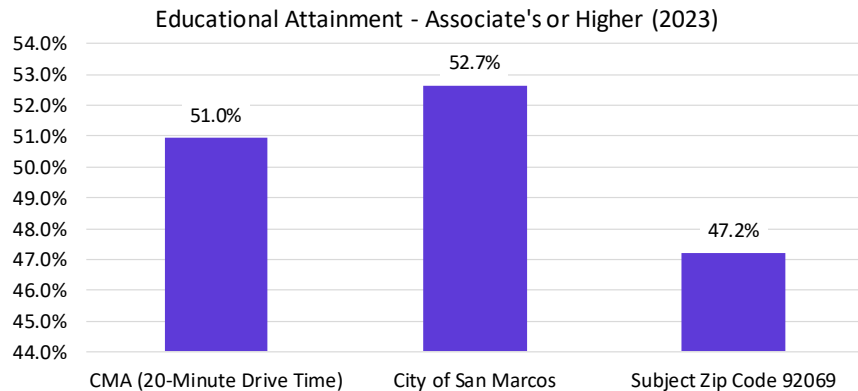
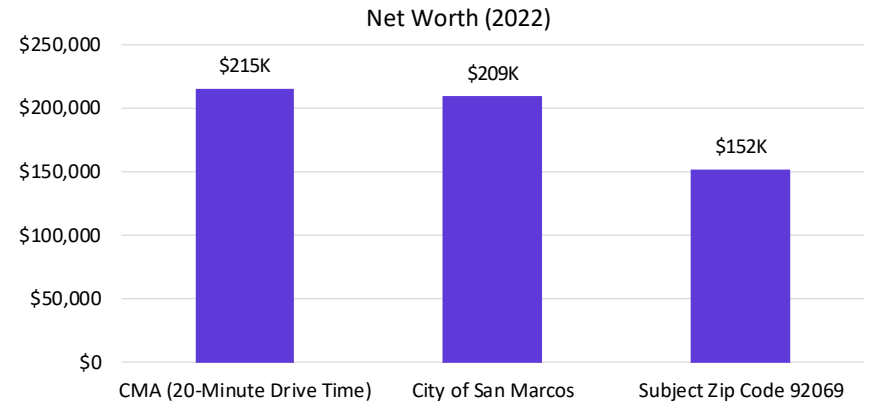
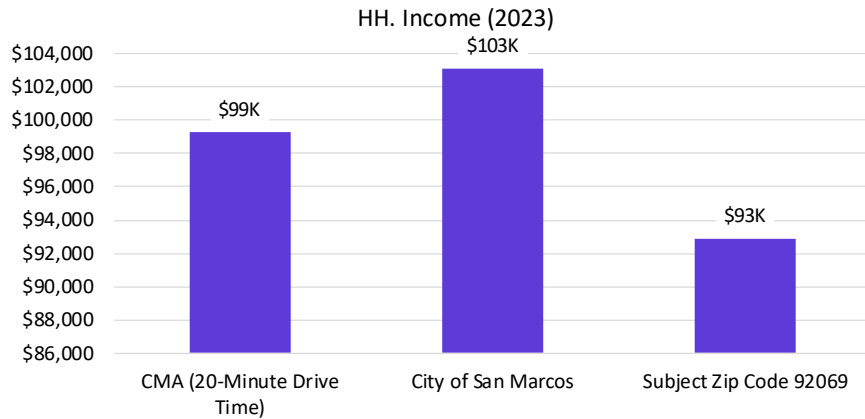
The City of San Marcos has a population of just under 100,000 living in +/-31,000 households which tend to be larger in size at 3.0 people compared with 2.8 for the CMA but smaller than 3.2 for the Subject North San Marcos zip code 92069. Median age in San Marcos overall is somewhat younger than the CMA, and slightly older than the 92069-zip code.



Source: ESRI

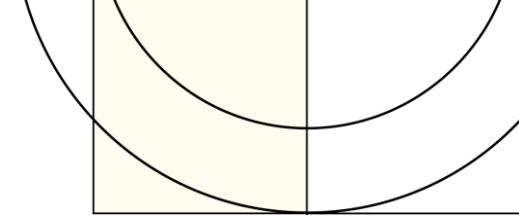
## Income, Net Worth, Occupation & Education Demographic Profile

**The City of San Marcos has a higher median income and net worth than the greater CMA and the north San Marcos zip code 92069 which includes Santa Fe Hills and Twin Oaks.** The CMA and City of San Marcos have above 50% attainment and the Zip Code 92069 has about 47% educational attainment. All geographies have less than 65% of residents working in white-collar jobs.



# Demographic Tapestry Profile

## Demographic Profile



CMA (20-Minute Drive Time)												
Rank	Cluster	Lifestyle Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Locally Adjusted Characteristics					
							Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	2B: Pleasantville	Upscale Avenues	Married Couples	60	83%	Single Family	41.0	3.2	\$122,076	\$431,013	\$945,361	10.2%
2	1E: Exurbanites	Affluent Estates	Married Couples	34	85%	Single Family	48.9	2.7	\$139,164	\$662,328	\$1,061,804	7.2%
3	8C: Bright Young Professionals	Middle Ground	Married Couples	66	43%	Single Family; Multi-Units	31.6	2.7	\$73,683	\$48,864	\$515,483	6.1%
4	7B: Urban Villages	Ethnic Enclaves	Married Couples	86	70%	Single Family	32.6	4.2	\$80,518	\$156,446	\$742,784	5.6%
5	1C: Boomburbs	Affluent Estates	Married Couples	62	84%	Single Family	32.7	3.6	\$152,015	\$477,139	\$938,981	5.4%
6	13C: NeWest Residents	Next Wave	Married Couples w/ Kids	87	17%	Multi-Unit Rentals	26.4	3.7	\$41,011	\$15,056	\$374,051	5.2%
7	13A: Diverse Convergence	Next Wave	Married Couples w/ Kids	89	28%	High Density Apts; Single Family	31.6	3.4	\$58,646	\$20,668	\$900,965	5.1%
8	2D: Enterprising Professional	Upscale Avenues	Married Couples	72	52%	Multi-Units; Single Family	34.0	2.7	\$111,414	\$127,429	\$910,269	5.0%
9	2A: Urban Chic	Upscale Avenues	Married Couples	47	66%	Single Family	41.6	2.6	\$141,625	\$372,979	\$1,534,484	4.5%
10	9E: Retirement Communities	Senior Styles	Singles	48	45%	Multi-Units; Single Family	51.2	2.1	\$50,444	\$59,540	\$467,630	4.2%

City of San Marcos												
Rank	Cluster	Lifestyle Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Locally Adjusted Characteristics					
							Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	1C: Boomburbs	Affluent Estates	Married Couples	62	84%	Single Family	30.2	3.9	\$157,884	\$463,904	\$886,622	24.0%
2	8C: Bright Young Professionals	Middle Ground	Married Couples	66	43%	Single Family; Multi-Units	29.2	2.9	\$76,528	\$47,508	\$486,739	9.3%
3	13C: NeWest Residents	Next Wave	Married Couples w/ Kids	87	17%	Multi-Unit Rentals	24.3	4.0	\$42,595	\$14,638	\$353,193	8.8%
4	4A: Workday Drive	Family Landscapes	Married Couples	49	85%	Single Family	32.9	3.5	\$125,796	\$362,233	\$651,160	8.4%
5	7B: Urban Villages	Ethnic Enclaves	Married Couples	86	70%	Single Family	30.1	4.5	\$83,627	\$152,106	\$701,366	6.8%
6	2B: Pleasantville	Upscale Avenues	Married Couples	60	83%	Single Family	37.9	3.4	\$126,790	\$419,057	\$892,647	6.7%
7	13A: Diverse Convergence	Next Wave	Married Couples w/ Kids	89	28%	High Density Apts; Single Family	29.2	3.6	\$60,910	\$20,095	\$850,726	6.4%
8	9D: Senior Escapes	Senior Styles	Married Couples w/No K	43	75%	SF; Mobile Homes/Seasonal	47.8	2.6	\$52,959	\$135,738	\$305,247	5.1%
9	4B: Home Improvement	Family Landscapes	Married Couples	64	80%	Single Family	33.5	3.4	\$98,819	\$247,921	\$499,541	4.8%
10	9E: Retirement Communities	Senior Styles	Singles	48	45%	Multi-Units; Single Family	47.3	2.2	\$52,391	\$57,888	\$441,554	4.7%

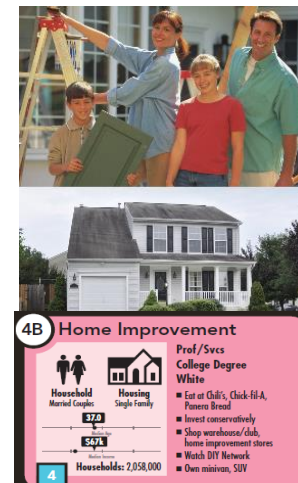
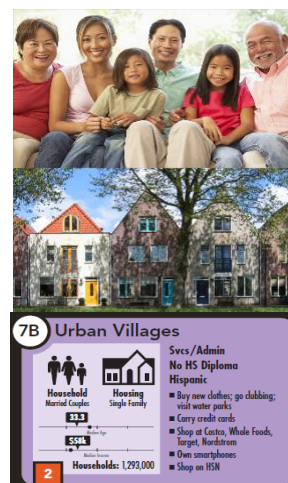
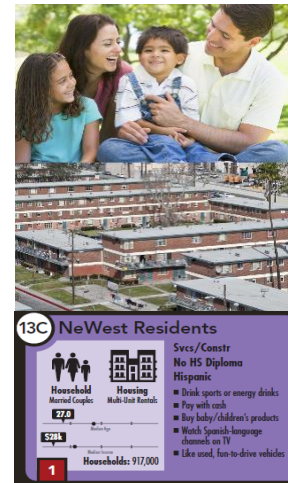
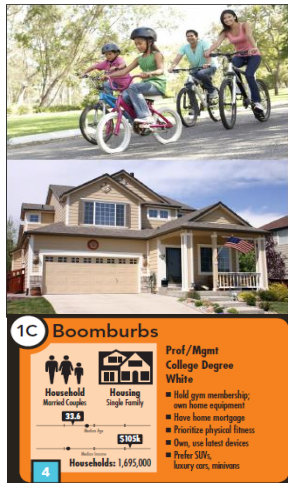
Subject Zip Code 92069												
Rank	Cluster	Lifestyle Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Locally Adjusted Characteristics					
							Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	13C: NeWest Residents	Next Wave	Married Couples w/ Kids	87	17%	Multi-Unit Rentals	23.7	4.1	\$38,391	\$10,625	\$312,203	15.2%
2	13A: Diverse Convergence	Next Wave	Married Couples w/ Kids	89	28%	High Density Apts; Single Family	28.3	3.8	\$54,899	\$14,585	\$751,994	12.8%
3	1C: Boomburbs	Affluent Estates	Married Couples	62	84%	Single Family	29.3	4.0	\$142,301	\$336,701	\$783,725	10.0%
4	4B: Home Improvement	Family Landscapes	Married Couples	64	80%	Single Family	32.5	3.6	\$89,066	\$179,941	\$441,566	9.7%
5	1D: Savvy Suburbanites	Affluent Estates	Married Couples	35	91%	Single Family	38.9	3.5	\$141,277	\$498,001	\$790,826	9.4%
6	2B: Pleasantville	Upscale Avenues	Married Couples	60	83%	Single Family	36.8	3.6	\$114,276	\$304,152	\$789,050	9.4%
7	7B: Urban Villages	Ethnic Enclaves	Married Couples	86	70%	Single Family	29.2	4.7	\$75,373	\$110,399	\$619,968	8.3%
8	4A: Workday Drive	Family Landscapes	Married Couples	49	85%	Single Family	32.0	3.7	\$113,380	\$262,909	\$575,590	6.3%
9	9D: Senior Escapes	Senior Styles	Married Couples w/No K	43	75%	SF; Mobile Homes/Seasonal	46.4	2.7	\$47,732	\$98,518	\$269,822	5.6%
10	8F: Old and Newcomers	Middle Ground	Singles	51	46%	Single Family; Multi-Units	33.8	2.6	\$51,315	\$27,720	\$378,105	4.7%



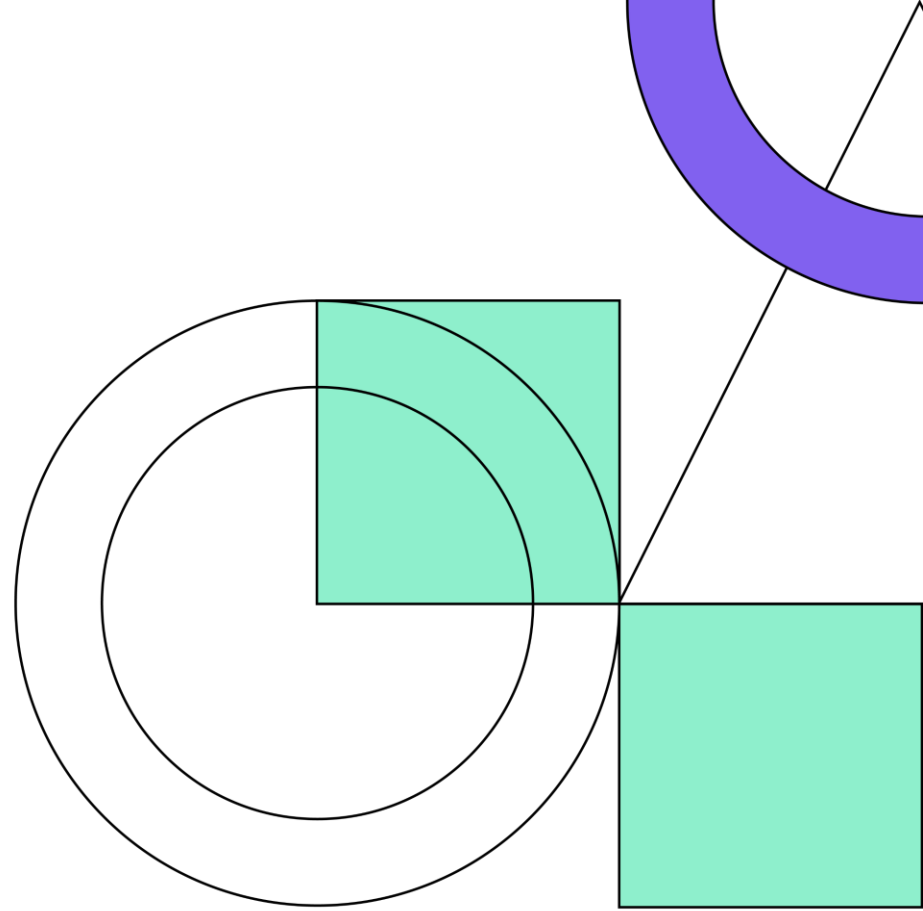
## CMA Demographic Profile

### Demographic Profile

The San Marcos area is characterized by a mix of lower and high income households, ranging from families, married couples, and professionals. Top Lifestyle Groups include affluent “Boomburbs,” Young Professional Couples, low-income New Wave Married Couples with Kids, Comfortable Families, and above average earning Ethnic Families. Lifestyle Groups are shown below.



# Economic Overview

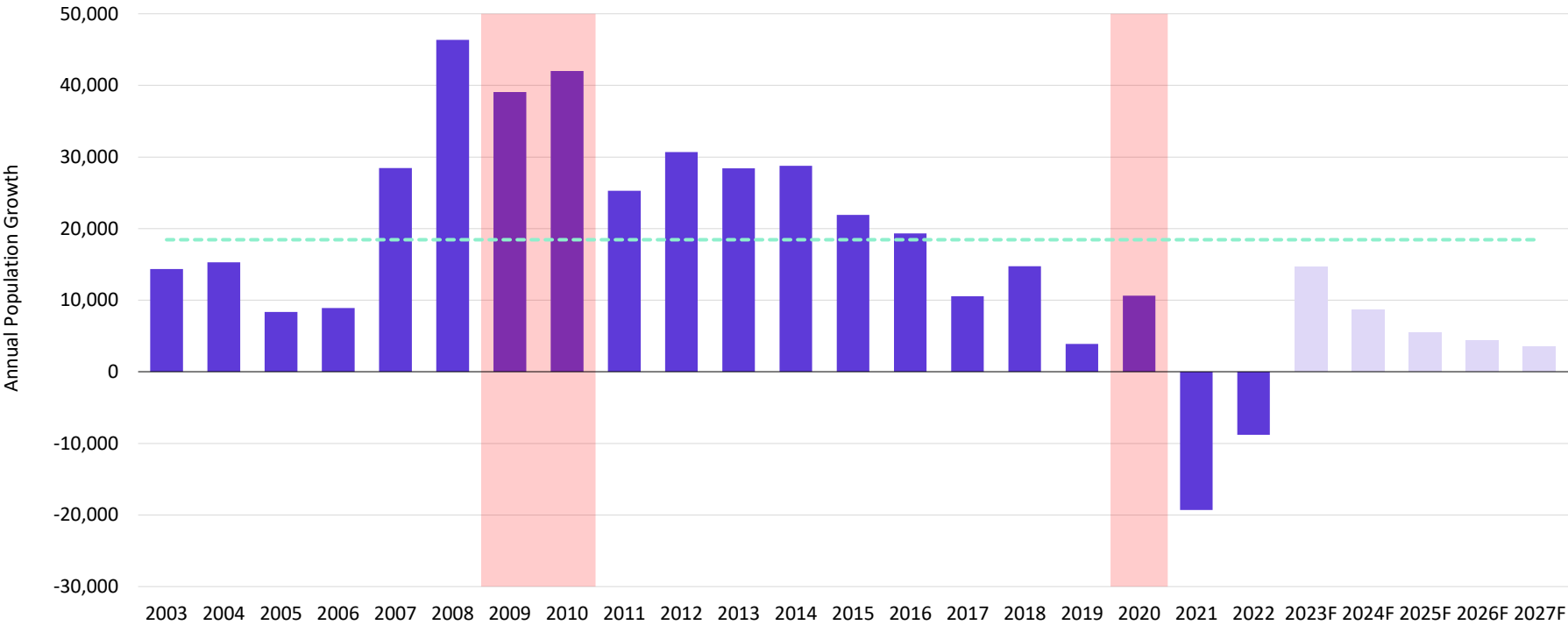




# Population Growth

## MSA Economic Trends

Population growth in the MSA is expected to attain a post-pandemic high of 14,672 this year (2023) before experiencing slower but still positive growth thereafter. Positive population growth bodes well for the development of new multifamily development, especially with rent increases and limited availability.



Source: Moody's Analytics; U.S. Census Bureau (BOC)

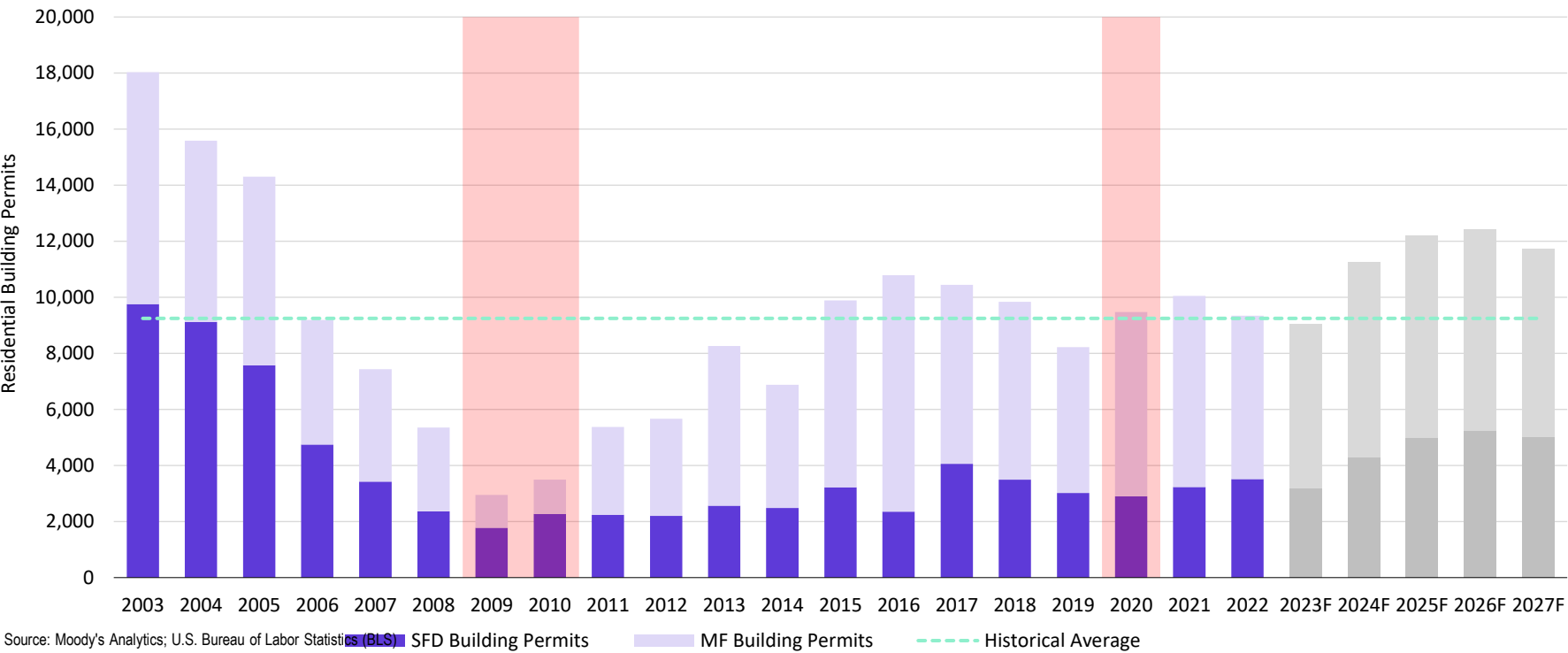
San Diego-Carlsbad, CA Metropolitan Statistical Area - Moody's Analytics Five-Year Forecast

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Total Population	3,187,595	3,216,350	3,238,250	3,257,594	3,268,139	3,282,879	3,286,781	3,297,412	3,278,126	3,269,321	3,283,993	3,292,612	3,298,110	3,302,428	3,305,881
Prior Year Change	28,402	28,756	21,899	19,344	10,545	14,740	3,902	10,631	(19,286)	(8,805)	14,672	8,619	5,498	4,317	3,454
Annual % Change	0.9%	0.9%	0.7%	0.6%	0.3%	0.5%	0.1%	0.3%	-0.6%	-0.3%	0.4%	0.3%	0.2%	0.1%	0.1%

# Residential Building Permits

## MSA Economic Trends

**Building permits in the MSA are expected to continue to increase through 2023 and stay above the historical average of +/- 9,249 units through 2027.** The area demand for new homes in turn triggers demand for commercial retail services such as the planned site.



Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

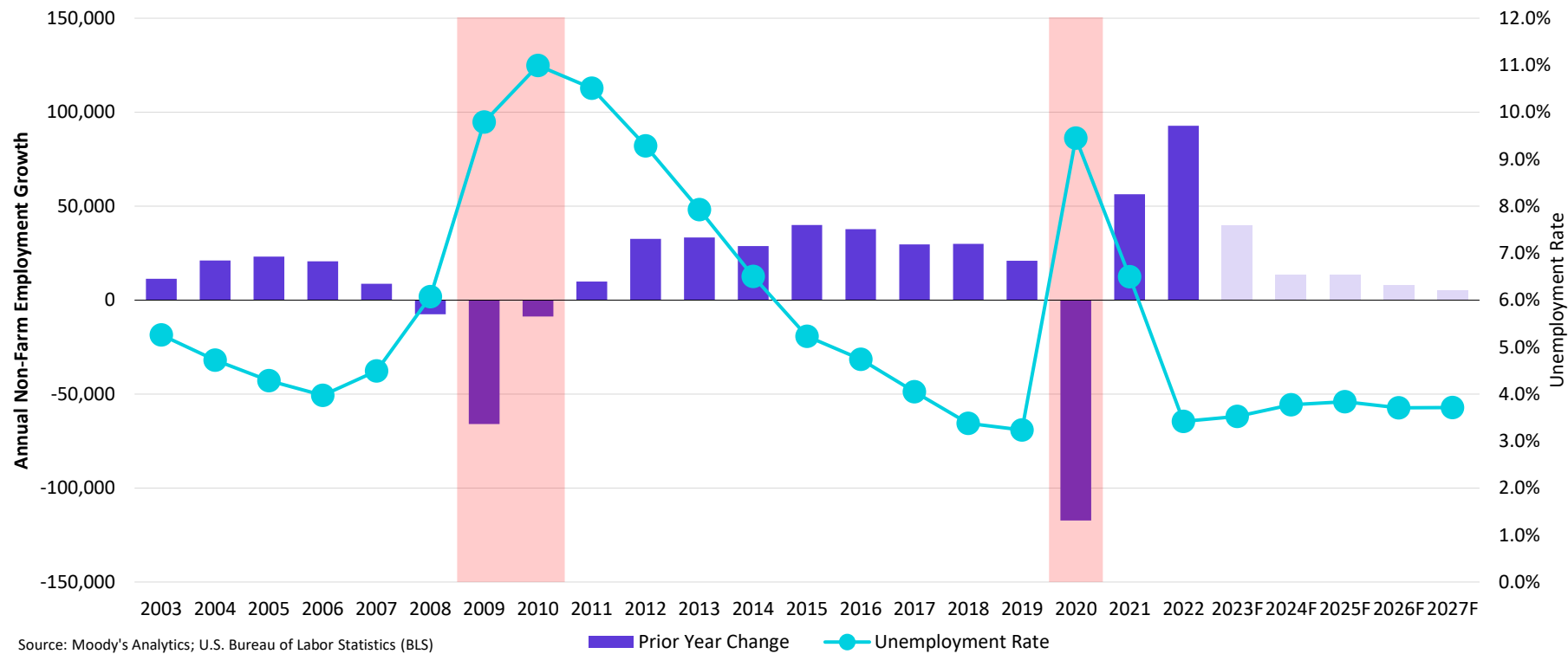
San Diego-Carlsbad, CA Metropolitan Statistical Area - Moody's Analytics Five-Year Forecast

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Total Building Permits	8,264	6,875	9,883	10,791	10,441	9,834	8,216	9,472	10,048	9,346	9,053	11,242	12,203	12,423	11,739
Annual % Change	45.9%	-16.8%	43.8%	9.2%	-3.2%	-5.8%	-16.5%	15.3%	6.1%	-7.0%	-3.1%	24.2%	8.5%	1.8%	-5.5%
SFD Building Permits	2,565	2,487	3,222	2,351	4,056	3,489	3,019	2,900	3,227	3,517	3,200	4,280	4,989	5,256	5,043
Annual % Change	16.8%	-3.0%	29.6%	-27.0%	72.5%	-14.0%	-13.5%	-3.9%	11.3%	9.0%	-9.0%	33.8%	16.6%	5.3%	-4.1%
MF Building Permits	5,699	4,388	6,661	8,440	6,385	6,345	5,197	6,572	6,821	5,829	5,853	6,961	7,213	7,168	6,696
Annual % Change	64.3%	-23.0%	51.8%	26.7%	-24.3%	-0.6%	-18.1%	26.5%	3.8%	-14.5%	0.4%	18.9%	3.6%	-0.6%	-6.6%

# Employment

## MSA Economic Trends

After 117,200 job losses in the MSA in 2020, unemployment started to recover in 2021 and is forecast to grow at a lower rate through 2027. Unemployment which spiked to 9.5% in 2020 is expected to remain flat at a healthy level of between 3.5% and 3.8% over the next five years.



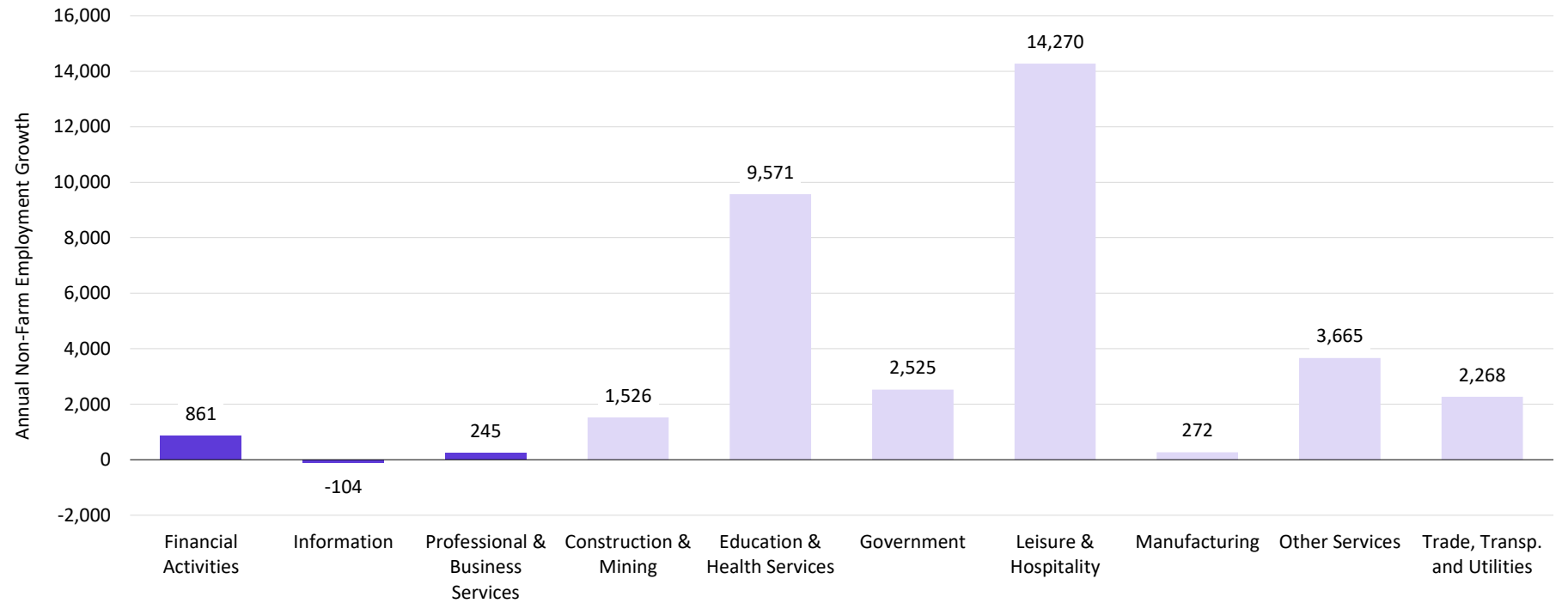
San Diego-Carlsbad, CA Metropolitan Statistical Area - Moody's Analytics Five-Year Forecast

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Non-Farm Employment	1,316,200	1,344,933	1,384,833	1,422,617	1,452,292	1,482,183	1,503,058	1,385,800	1,442,083	1,534,933	1,574,572	1,588,204	1,601,907	1,610,025	1,615,301
Prior Year Change	33,400	28,733	39,900	37,783	29,675	29,892	20,875	(117,258)	56,283	92,850	39,638	13,633	13,703	8,118	5,275
Annual % Change	2.6%	2.2%	3.0%	2.7%	2.1%	2.1%	1.4%	-7.8%	4.1%	6.4%	2.6%	0.9%	0.9%	0.5%	0.3%
Unemployment Rate	7.9%	6.5%	5.2%	4.7%	4.1%	3.4%	3.2%	9.5%	6.5%	3.4%	3.5%	3.8%	3.8%	3.7%	3.7%

## Employment by Sector

MSA Economic Trends

**The pandemic year saw a sharp decline in most job sectors, but year over year, San Diego is seeing growth in all categories except for Information, which is flat.** Leisure & Hospitality, one of the hardest hit industries from the pandemic, evidences the strongest job growth with over 14,000 added jobs since June 2022, followed by Education & Health Services at over 9,500 positions.



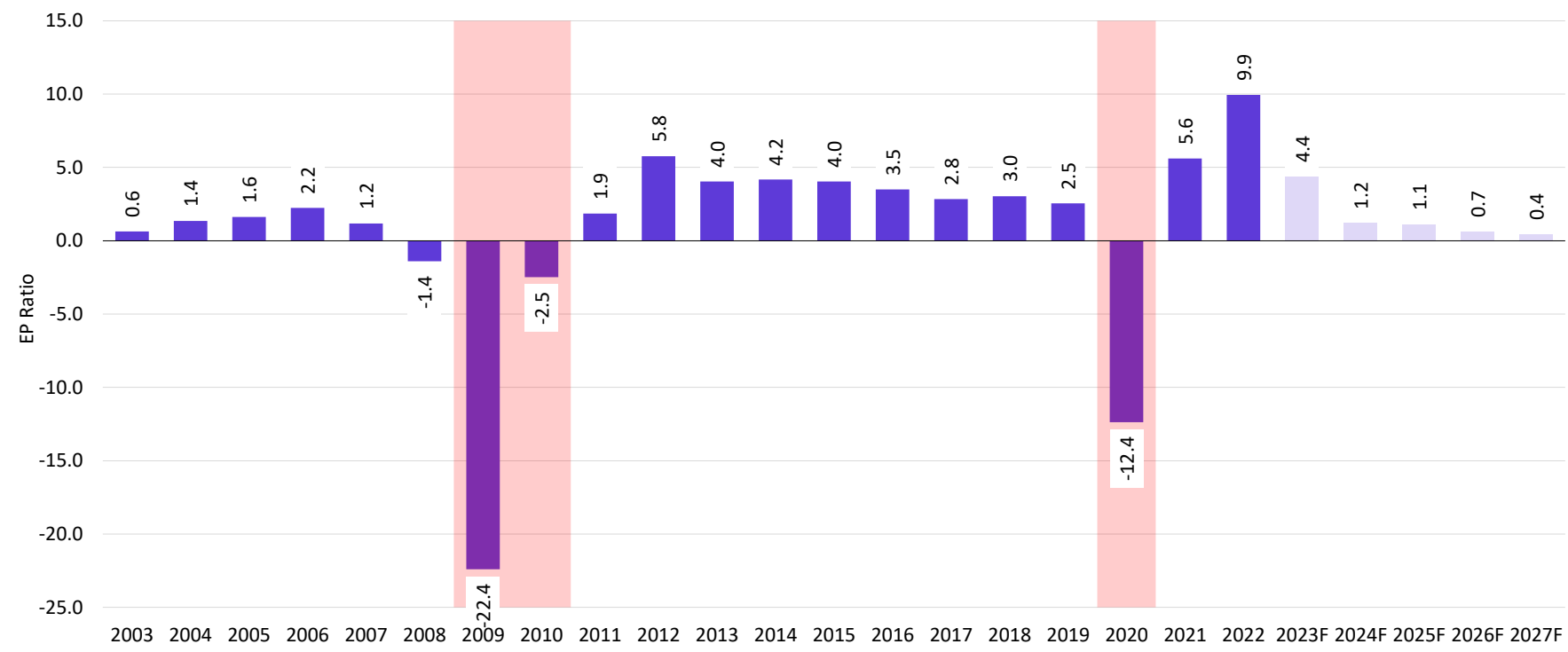
Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

Category	Financial Activities	Information	Professional & Business Services	Construction & Mining	Education & Health Services	Government	Leisure & Hospitality	Manufacturing	Other Services	Trade, Transp. and Utilities
Current Month (Jun-2023)	77,867	21,951	287,014	89,112	237,668	250,189	209,309	118,046	58,525	224,717
Current Month (Jun-2022)	77,006	22,056	286,769	87,586	228,097	247,664	195,038	117,774	54,860	222,448
12-Month Change	861	-104	245	1,526	9,571	2,525	14,270	272	3,665	2,268

## E/P Ratio

### MSA Economic Trends

E/P Ratios in excess on 1.2 indicate a supply-constrained housing market with implied price growth. **The E/P ratio jumped to 9.9 in 2022 and is expected to ameliorate somewhat in 2023 before dipping back down to what is considered equilibrium (1.2) in 2024.** The outer years are forecast to see more attainably priced housing.



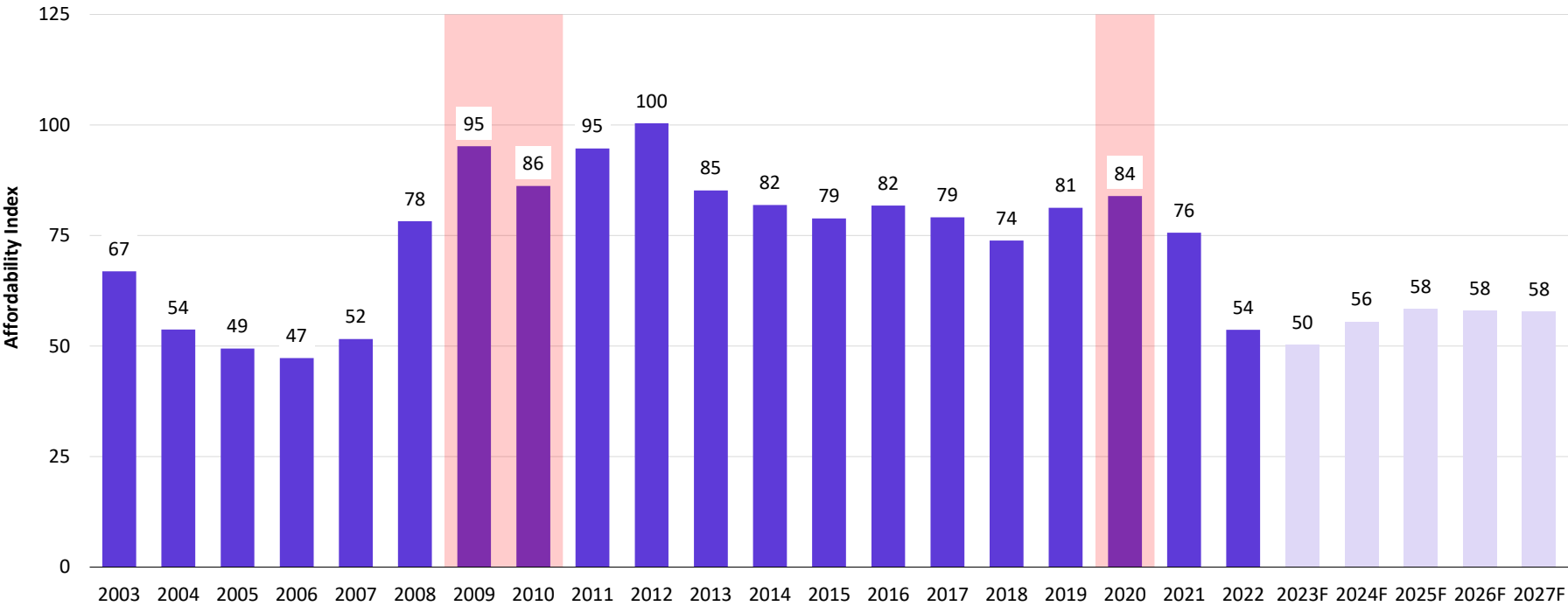
Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

San Diego-Carlsbad, CA Metropolitan Statistical Area - Moody's Analytics Five-Year Forecast

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Non-Farm Employment	1,316,200	1,344,933	1,384,833	1,422,617	1,452,292	1,482,183	1,503,058	1,385,800	1,442,083	1,534,933	1,574,572	1,588,204	1,601,907	1,610,025	1,615,301
Prior Year Change	33,400	28,733	39,900	37,783	29,675	29,892	20,875	(117,258)	56,283	92,850	39,638	13,633	13,703	8,118	5,275
Building Permits	8,264	6,875	9,883	10,791	10,441	9,834	8,216	9,472	10,048	9,346	9,053	11,242	12,203	12,423	11,739
Employment/Housing	4.0	4.2	4.0	3.5	2.8	3.0	2.5	-12.4	5.6	9.9	4.4	1.2	1.1	0.7	0.4

Affordability Index  
MSA Economic Trends

The Affordability Index is expected to drop (ie: become less affordable) over the next five years, implying higher priced homes in reaction to lower new home building activity, high interest rates, and the current trend where existing home prices inch ever closer to new home prices. As the existing home market price rises, so new home prices are pushed up, and Moody’s Economy.com predicts that the ratio will remain at +/- 58 the next few years. Affordability in the San Diego MSA has been less than (or equal to) 100 for the last twenty years meaning it has a history of being unaffordable. The Affordability Index is based on detached housing.

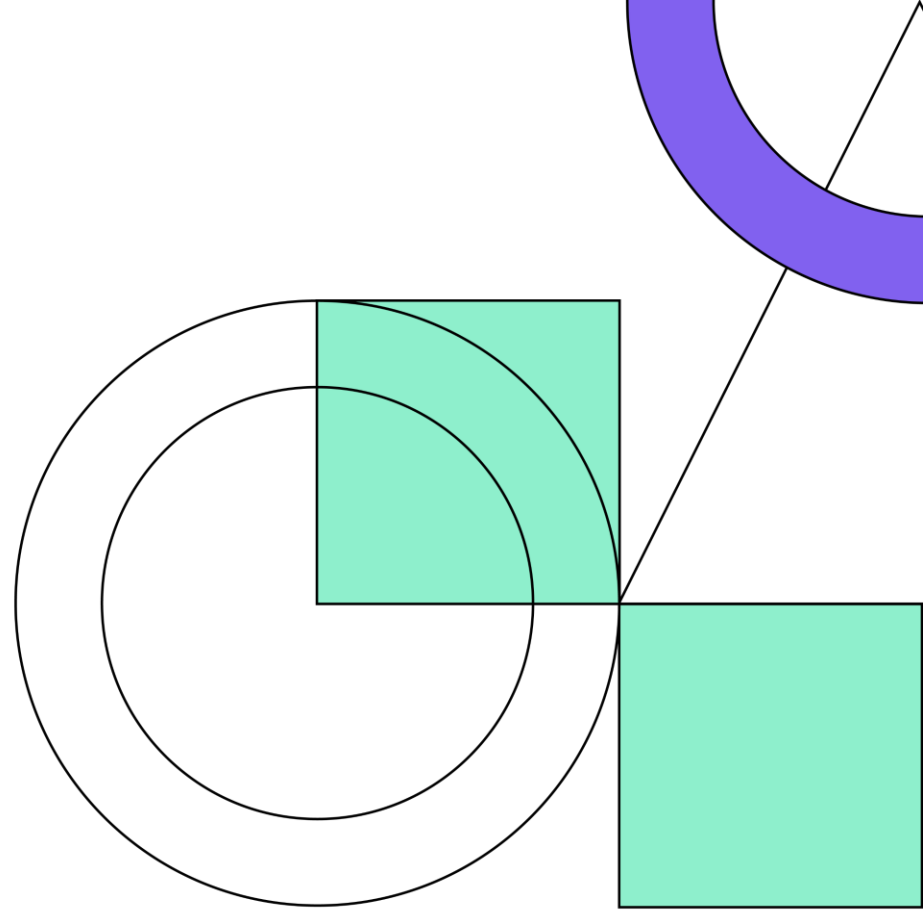


Source: Moody's Analytics; National Association of Realtors (NAR)

San Diego-Carlsbad, CA Metropolitan Statistical Area - Moody's Analytics Five-Year Forecast

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Affordability Index	85.2	81.9	78.9	81.8	79.1	73.8	81.2	83.9	75.6	53.6	50.3	55.6	58.3	58.0	57.8

# Appendix

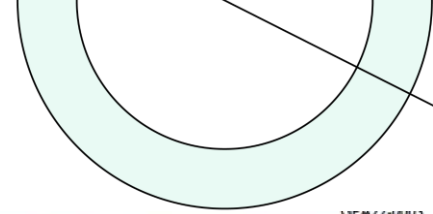






# Proposed Project Plans (Cont'd)

## Appendix



07.12.2023



CAPALINA ROAD - SOUTHWEST



WEST



CAPALINA ROAD - NORTHWEST



SOUTHWEST

NOTE: FINAL SIGNAGE LANGUAGE TO BE APPROVED BY CITY



# Thank you!

Zonda

3200 Bristol Street, Suite 640

Costa Mesa, CA 92626

(877) 966-3210

