

Market Impacts - Edinger Corridor

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Assignment – Revitalization Plan

- Linda S. Congleton & Associates studied current market conditions
- Tierra West Advisors translating market findings into economics supporting feasible investment recommendations
- Goal to assure Specific Plan stimulates new investment

Results of Market Analysis:

RETAIL:

- Retail generally fully built out - oversupplied
- Need anchors for successful centers, merchants of 50,000 sq. ft. or more (groceries, specialty retail)
- Anchors generally all accounted for, perhaps 1 or 2 more (gourmet or specialized grocery)
- Unanchored centers struggle
 - Much retail space occupied by service businesses rather than retailers – no sales tax

Hurdles for current owners to redevelop:

- Collecting enough current income that demolition & new development not a viable option
- Don't see enough upside in rent to undertake significant remodeling – maintain status quo
- Rent to anyone, retail or service (sales tax generating or non-sales tax generating) to maintain cash flow

Additional Market Findings:

OFFICE:

- Office rents too low to support new speculative development
- Possible opportunities for smaller owner-occupied buildings
- Possible opportunities for “build-to suit” pre-leased or pre-sale; no market risk

Market Findings - continued:

RESIDENTIAL:

- Demand for residential units still strong
- Workforce affordable housing is an issue – need units market can afford
- Depth of residential demand provides the economic engine for new investment
- Near term opportunity is luxury for-rent residential projects

Additional potential uses:

HOTEL:

- Developers have expressed an interest in building possibly 2 hotels along Edinger Corridor
- +/- 150 units each
- Land cost always a challenge

Proposed Economic Goals for Edinger Corridor

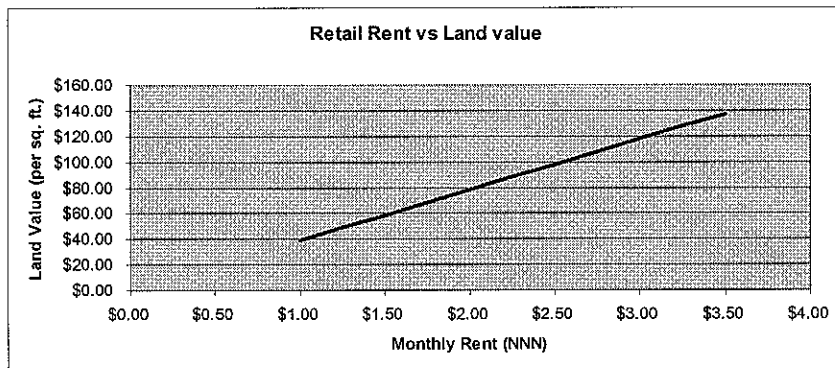
- Attract younger professional residents with discretionary spending potential, support restaurants, quick foods, electronics, fashion and accessories and services, thereby spinning off additional retail spending
- Attract urban-oriented residents who enjoy walking to shopping/entertainment adjacent to or near their residences
- New residents will increase demand for retail
- High density housing will provide a village atmosphere

Market Recommendations:

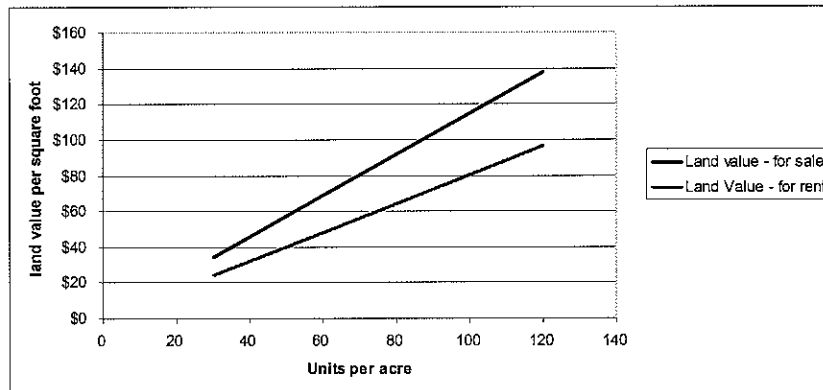
DEVELOPER PRICING PARAMETERS EDINGER & BEACH CORRIDORS PRODUCT PROGRAM

USE/PRODUCT	BUILDING UNITS	ACRES COVERED	PARKING SPACES REQUIRED	PER UNIT VALUE
Luxury For-Rent/Ground Floor Retail	150 - 200 Units (minimum)	3.0 - 4.0 (minimum)	225 - 300	\$40,000 - \$45,000
Condominiums/Ground Floor Retail	150 - 200 Units (minimum)	3.0 - 4.0 (minimum)	225 - 300	\$80,000 - \$80,000
Limited Service Hotel	200 Rooms (5-Levels)	3.5 - 3.5	200 - 200	\$15,000 - \$20,000

Existing Retail Project Land Value



Residential For Sale vs. For Rent Land Values



Costs vs. Benefits to the City

- Properties in 2 categories for owners based upon current rents vs. development (risk vs. reward):
 - Not producing income:
 - Montgomery Ward (DJM)
 - Producing marginal income
 - Michael's (Watt Genton)
 - Del Taco (Red Oak)
 - Levitz

Bella Terra II (Montgomery Ward)

- Current use, vacant, approximately 14 acres
- Example projections*:
 - +/- 156,000 sq. ft. of retail
 - Approximately 36 units per acre (rental and for sale)

**Based upon DJM Presentation*

Bella Terra II Economic Benefits

	<u>Existing</u>	<u>Mixed Use</u>	<u>Difference</u>
Public Revenue	\$40,609	\$1,784,875	\$1,744,266

annual

Levitz Site

- Current use: Levitz furniture store, EZ Lube
- Levitz store closing, future use unknown
- Existing lease & renewal option expire 2021
- +/- 10 acres

Levitz Potential Economic Benefits

- If redeveloped:

	<u>Standard shopping center (current code)</u>	<u>Mixed Use</u>	<u>Difference</u>
Public Revenue	\$233,000	\$668,874	\$435,874

Red Oak Site - Rip Curl Project

- Current Uses: Del Taco, food, liquor, spa, nails, postal, tanning, office, ½ of tenants are non-taxable
- Developer Proposal:
 - Retail +/- 12,000 sq. ft.
 - +/-120 units per acre apartments
- Example Projections:
 - Based upon an estimated model at a lower density than being proposed by the Developer

Red Oak Economic Benefits

	<u>Standard Shopping Center</u>	<u>Mixed Use</u>	<u>Difference</u>
Public Revenue	\$84,269	\$269,116	\$184,847

Watt Genton Economic Benefits

- Current uses, Petco, CVS, Howards, Michaels, food, laundry, service, ½ of smaller tenants are non-taxable uses
- Minimum mixed use +/-60 units per acre
- +/- 14 acre site:

	<u>Standard shopping Center</u>	<u>Mixed Use</u>	<u>Difference</u>
Public Revenues	\$321,817	\$2,160,432	\$1,838,615

Development in High Land Value Environments

- **Study and Analyses Conclusions**
 - Insufficient Office Market Demand to encourage new Office Developments
 - Retail Demand is limited
 - Two Anchored Centers are supportable – Up to 300,000 sqft
 - Overbuilt situation exists with smaller centers
 - Evidenced by uses other then traditional retail tenants
 - Development Sites are limited
 - Retail Rents limit new developments
 - Residential Rents and Sales values limit Development
 - Land Values are limiting new development
 - High Land Values necessitate Developer encouragement
 - Public Revenues are needed to support project fiscal costs

Development in High Land Value Environments - Recommendations

○ Tools to Encourage Development

- **Mixed use Developments help offset high land costs**
 - Provide for development of both Commercial and Residential uses on sites
 - Allow for increased FAR/Density on parcels
 - Commercial uses based upon increased density & parking
 - Residential uses minimum of 60 units per acre
- **Desired Tenant Mix for Anchored Commercial Sites**
 - National and Regional names
 - Crate and Barrel, Williams Sonoma, Apple Stores, H&M, Whole Foods, Gelsons, Il Forniao, Sushi Roku/Boa's, Houston's, etc.
 - Retailers who can afford project feasible rents
 - Create local and regional shopping draw