

APPENDIX C

MARKET ANALYSIS

APPENDIX

Fallbrook

SUB-AREA PLAN



MARKET ANALYSIS

FALLBROOK VILLAGE SUB-AREA PLAN

Prepared for:

**County of San Diego
Planning and Development Services**

Prepared by:

Keyser Marston Associates, Inc.

September 2022

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SECTION I: INTRODUCTION

I-1. Objective

In accordance with our Subconsultant Agreement with Moore Iacofano Goltsman, Inc. (MIG) dated June 14, 2021, Keyser Marston Associates, Inc. (KMA) has prepared this Market Analysis (Report) in support of the Fallbrook Village Sub-Area Plan (SAP) project goals. The SAP project goals are summarized as follows:

- Create a safe, comfortable experience for all residents and visitors of Fallbrook
- Expand and attract visitor-serving and entertainment uses within the Village Core
- Improve connectivity to amenities and mobility for pedestrians, bicyclists, transit users, and drivers
- Attract residential and supporting uses along the Pico Promenade Corridor
- Identify public realm amenity opportunities, including gathering spaces and areas for landscape improvement
- Provide opportunities to expand the hospitality sector
- Create opportunities for housing development in partial satisfaction of the County's Regional Housing Needs Allocation (RHNA) obligation

The Report will assist MIG and the County of San Diego (County) in evaluating the likely land uses that can be supported and developed in the Sub-Area Plan Area, key strategies for revitalizing the Sub-Area and facilitating development of these land uses, and potential financing mechanism that can be used to implement public infrastructure that serves the private market.

In completing this Report, KMA undertook the following key tasks:

1. Prepared an existing conditions/market profile assessment that evaluates demographic and employment trends and market conditions for residential, retail/restaurant, and hotel uses in the Sub-Area Plan Area to better understand the development potential for each land use type.
2. Prepared a financial feasibility analysis of alternative development concepts that could be developed within the Sub-Area Plan Area. It should be noted that the development concepts presented are based on existing zoning and do not reflect any potential zoning or design guidelines that may be implemented as part of the SAP.
3. Evaluated development potential by land use type and recommended potential opportunities for development of residential, retail/restaurant, mixed-use, and/or visitor-serving uses.
4. Identified potential financing mechanisms that could be used to fund public facilities and infrastructure in support of new development and community reinvestment in the Sub-Area Plan Area.

The Sub-Area Plan Area is a focused area located within the community of Fallbrook in the unincorporated area of the County, generally centered around Downtown Fallbrook Village. Main Avenue acts as a primary active corridor surrounded by East Dougherty Street to the north, Morro Road to the east, East Fallbrook Street to the south, and Summit Avenue to the west. The Fallbrook community encompasses approximately 36,000 acres abutting the southern border of Riverside County and the eastern border of Camp Pendleton, the largest Marine Corps base in the U.S. The Fallbrook community is characterized as rolling hills filled with agricultural farms and is known as the “Avocado Capital of the World”.

I-2. Report Organization

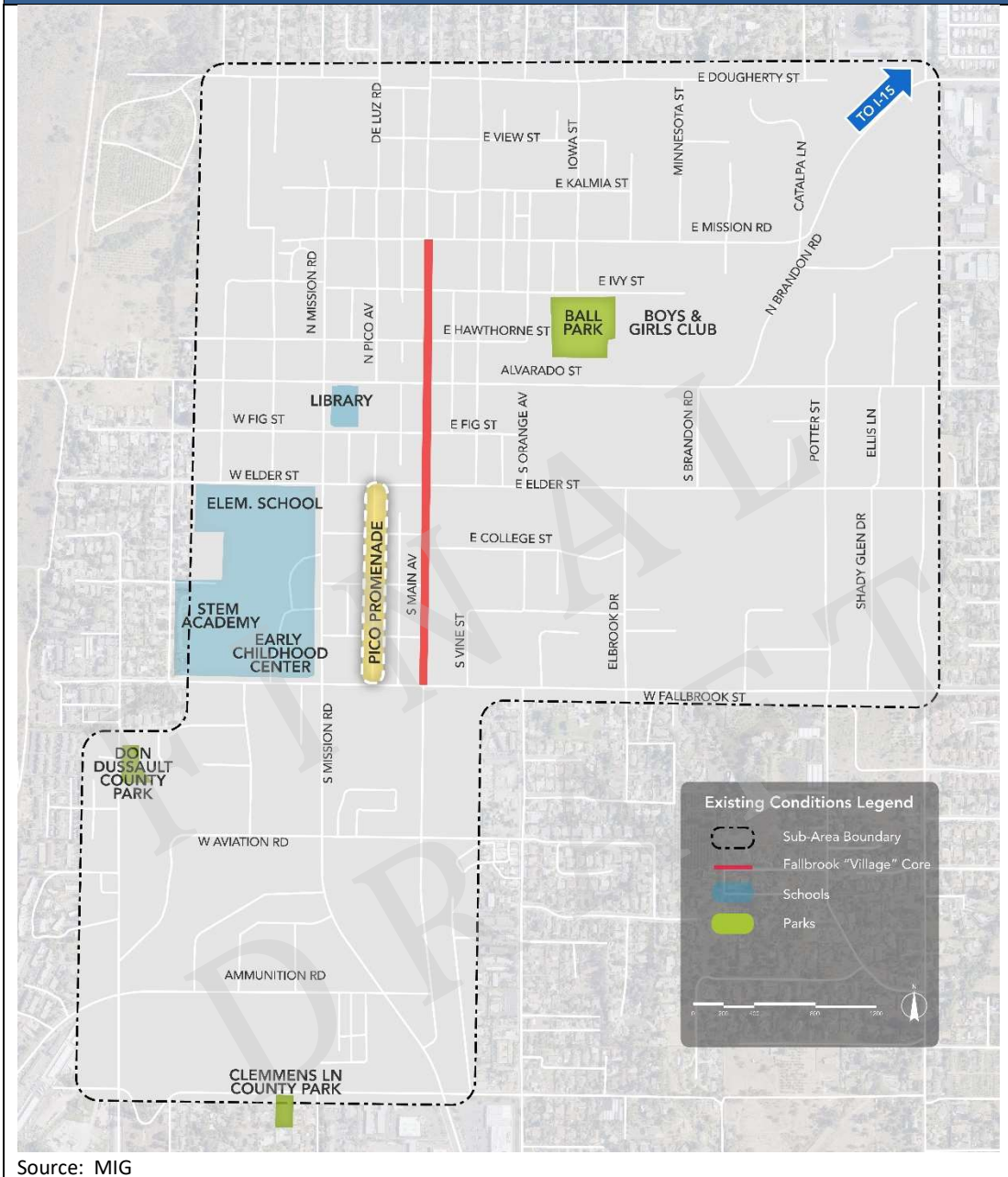
This report is organized as follows:

- Section II presents an executive summary of key findings identified throughout this Report.
- Section III provides an overview of current demographic and employment trends; profile of residential, retail/restaurant, and hotel trends for the San Diego Region, North County Inland, and Local/Sub-Area Plan Area; case studies for comparable districts; and a summary of feedback from stakeholder interviews.
- Section IV presents financial feasibility analysis of alternative development concepts that could be developed within the Sub-Area Plan Area.
- Section V identifies development potential and key opportunities within specific areas of the Sub-Area Plan Area.
- Section VI provides a summary of potential financing mechanisms that could be used to fund public facilities and infrastructure in support of new development and community reinvestment in the Sub-Area Plan Area.
- Section VII details limiting conditions pertaining to this Report.

I-3. Overview of Sub-Area Plan Area

Downtown Fallbrook is generally centered within the Sub-Area Plan Area along Main Avenue, which is a primary active corridor. Mission Road and Alvarado Road are also primary corridors in the Sub-Area Plan Area. Main Avenue and Mission Road run in a north-south direction, while Alvarado Road and East Mission Road run east-west. The Downtown Fallbrook business district (Village Core) runs along Main Avenue and offers unique shopping, dining, and art galleries. Residential development, consisting mostly of single-family homes and garden-style rental apartments, surrounds the commercial corridors. Exhibit I-1 on the following page presents a map of the Sub-Area Plan Area.

Exhibit I-1: Map of Sub-Area Plan Area



Source: MIG

SECTION II: EXECUTIVE SUMMARY

The purpose of the KMA analyses contained within this Report was to support the SAP from an economic and financial feasibility perspective by (1) evaluating market demand by land use (retail/restaurant, residential, and visitor-serving uses); (2) identifying which product types are feasible under current market conditions; (3) recommending potential development opportunities; and (4) identifying potential financing mechanisms for development of public infrastructure that serves the private market.

Revitalization of the unincorporated areas of the County can be particularly challenging because there are limited resources compared to larger incorporated cities. Many of the larger cities in the County have access to multi-modal and public transit, critical mass of employment, and/or are near large-scale visitor destinations (beaches, resort hotels, amusement parks, etc.). On the other hand, the Fallbrook community, and Sub-Area Plan Area specifically, contain positive attributes to attract visitors and future growth, including cultural and agricultural assets, small-town charm, relatively low cost of living, and support from the local community for revitalization.

One of the keys to a successful district from an economic perspective is to ensure that the right balance of land uses exists within the Sub-Area Plan Area. Incorporating different types of housing -- both market-rate and affordable, as well as for-sale and rental -- ensures that there are equitable options to support the population. Commercial businesses and hotels generate tax revenues which enhance the County's ability to provide facilities and services to the Sub-Area Plan Area. Development in a mixed-use configuration throughout the Village Core provides commercial establishments with both daytime and nighttime population. Public and private gathering spaces such as community parks or plazas can be integrated throughout the Sub-Area Plan Area to facilitate passive or active use.

Market Demand

The following presents a summary of KMA's existing conditions/market profile findings with respect to market potential and key drivers that support each land use. Housing continues to be in high demand at all affordability levels. Based on current market trends, population growth, and the need for housing in the County, the Sub-Area Plan Area presents a great opportunity to provide a range of housing options that are equitable to its population. The Sub-Area Plan Area's assets including agriculture, arts and culture, history, and natural amenities have the potential to draw visitors from San Diego and Riverside Counties. Further, the lack of quality visitor accommodations drives demand for lodging facilities.

	Residential	Retail/Restaurant	Visitor-Serving/Hotel
Market Potential			
Near-Term (0 to 5 years)	Strong	Moderate	Moderate
Mid-Term (5 to 10 years)	Strong	Moderate	Moderate
Long-Term (10+ years)	Strong	Strong	Strong
Key Market Drivers	<ul style="list-style-type: none"> Well-served by public facilities and services within the boundaries of the Sub-Area Plan Area Availability and access to grocery and pharmacy stores High demand for housing and strong sales prices Proximity to Camp Pendleton 	<ul style="list-style-type: none"> Existing single-family residential community to support businesses with regular business hours during non-peak times Abundance of local artisans and farmers that can provide unique novelties and fresh produce Limited supply of dining/entertainment options 	<ul style="list-style-type: none"> Presence of historic, cultural, and arts features and organizations Natural assets such as parks, preserves, and hiking and equestrian trails Variety of annual and monthly events and activities in Sub-Area Plan Area Demand for quality lodging options

Financial Feasibility

To address the housing expansion and economic viability of potential changes related to the Sub-Area Plan Area’s existing land use and zoning regulations, KMA prepared financial pro formas to evaluate the financial feasibility of five (5) development concepts that included multi-family residential and mixed-use development concepts. Financial pro forma models are a standard tool utilized by developers and investors to analyze the feasibility of new development. Development concepts that are financially feasible generate positive land values which indicates that a developer or investor could acquire the site, construct the development, sell or lease the development, and receive an adequate target return on their investment. The development concepts analyzed for this Report are: (1) Townhomes, (2) Garden Apartments, (3) Stacked Flats, (4) Mixed-Use Studios/Lofts Over Retail, and (5) Boutique Hotel with Retail/Restaurant. These are described in more detail below.

Development Concept	Illustrative Examples	General Development Concept Description
<p>A</p> <p>Townhomes</p>		<ul style="list-style-type: none"> • 2-acre site • 15 units/acre • For-sale product type • Attached garages • 2 to 3 stories
<p>B</p> <p>Garden Apartments</p>		<ul style="list-style-type: none"> • 2-acre site • 24 units/acre • Rental product type • Surface/carport parking • 2 to 3 stories
<p>C</p> <p>Stacked Flats</p>		<ul style="list-style-type: none"> • 1-acre site • 30 units/acre • Rental product type • Surface and tuck-under parking • 3 stories
<p>D</p> <p>Mixed-Use Studios/Lofts over Retail</p>		<ul style="list-style-type: none"> • 1-acre site • 30 units/acre • Rental product type • 3,000 SF retail space • Tuck-under parking • 3 stories
<p>E</p> <p>Boutique Hotel with Retail/Restaurant</p>		<ul style="list-style-type: none"> • 1.5-acre site • 0.44 Floor Area Ratio (FAR) • 40 hotel rooms • Surface parking • 3,500 SF retail space • 3 stories

In the near-term (0 to 5 years), low density development concepts (15 to 24 units per acre) are more likely to be developed in the Sub-Area Plan Area. KMA found that only Development Concepts A (for-sale townhomes) and B (rental apartments) are financially feasible under current market conditions. Development Concepts A and B rely on surface parking and/or private garage parking, as opposed to a structured parking. Development Concepts C, D, and E are estimated to yield below market land values and therefore only marginally feasible. The values projected to be generated by these developments are not sufficient to offset the associated high construction costs. This finding indicates that higher-density (30 units per acre) and/or mixed-use development on in-fill parcels in the Village Core are not likely to be

feasible in the near- to mid-term (0 to 10 years). However, as market rents rise over time and the Sub-Area Plan Area is revitalized, it is reasonable to anticipate that higher-density development with structured parking will become more feasible over the long term.

Development Potential and Key Opportunities

KMA identified five (5) geographic segments within the Sub-Area Plan Area that the community, stakeholders, developers, and local public agencies can concentrate on and promote revitalization and new development. Based on the natural, built, and cultural assets in the Sub-Area Plan Area, the following segments have the greatest potential to attract new investment and development within the near- to mid-term (0 to 10 years):

Village Core	Pico Promenade Corridor	North-South Mission Road	East-West Mission Road	Outer Perimeter
Main Avenue from East Mission Road (northern boundary) to West Fallbrook Street (southern boundary)	Area bounded by West Alvarado Street, South Main Avenue, West Fallbrook Street, and South Mission Road	West Mission Road (northern boundary) to West Aviation Road (southern boundary)	East Mission Road from North Mission Road (western boundary) to Santa Margarita Drive (eastern boundary)	Areas/streets outside of the primary segments

For each of the geographic segments described above, KMA identified general development concepts, recommended product types, potential tenants/end users, timing/phasing, and prerequisites for development (detailed in Section V of this Report).

Implementation

KMA identified four (4) key development strategies and a series of recommended action steps to implement the SAP objectives. The strategies and recommended action steps, as detailed in Section VI, may involve collaboration among the County, property owners/developers, non-profit organizations, and other key stakeholders. These are summarized as follows:

- Expand and attract visitor-serving and entertainment uses within Village Core
- Attract residential and supporting retail uses along the Pico Promenade Corridor
- Provide opportunities to expand the hospitality sector
- Create opportunities for housing development in partial satisfaction of the County’s RHNA obligation

Investment in infrastructure and amenities is required to attract new development and generate interest from new businesses that serve residents and visitors. There are a number of financing mechanisms that could be used to encourage public and private development and investment in the Sub-Area Plan Area.

These funding mechanisms are available to the County, property owners/developers, other interested stakeholders, or a combination of entities. These funding mechanisms are summarized as follows:

Funding Source	Responsible Parties					
	Property Owners	Developers	Businesses	County	Other Local Public Agencies	Non-Profit Entities
Assessment Districts	●	●			●	
Business or Property Based Improvement District (BID/PBID)	●	●	●		●	
Community Facilities District (CFD)	●	●		●	●	
Tax Increment Financing (TIF) District				●		
Development Impact Fees (DIF)				●		
Capital Improvement Program (CIP)				●		
External Grants and Loans			●	●		●

The use of funding mechanisms and timing will be dependent on the list of infrastructure and amenities that are proposed to be implemented as part of the SAP. These fundings mechanisms are described in more detail in Section VI.

SECTION III: MARKET ANALYSIS

III-1. Methodology

To better understand potential revitalization and new development opportunities in the Sub-Area Plan Area for each land use type, KMA reviewed historical and anticipated future market factors. KMA evaluated market indicators in Fallbrook and North County Inland. According to the 2022 San Diego Region Real Estate Trends Report prepared by Urban Land Institute (ULI), the North County Inland Submarket includes the area north of Route 56 to Camp Pendleton/east of I-15. This area consists of suburban communities along the SR 78 and I-15 freeway corridors and semi-rural communities north of Escondido like Valley Center, Fallbrook, and Bonsall. Specific KMA Market Analysis tasks included:

- Review of regional and local land use and development trends.
- Analysis of the demographic and employment characteristics of the Sub-Area Plan Area.
- Evaluation of community amenities, visitor attractions, and availability of lodging in the Sub-Area Plan Area. The market analysis excludes short-term rentals.
- Collection and review of third-party market data related to inventory, vacancy, rental rates, and property values.
- Identification of principal opportunities for community revitalization and economic development, including potential development opportunities.
- Profiles of selected jurisdictions where comparable districts have been successfully revitalized and/or expanded.

III-2. Market Analysis Key Findings

The following section presents the KMA conclusions and recommendations related to opportunities for revitalization and new development in the Sub-Area Plan Area, including: assets and constraints affecting development potential; market support by land use type; and potential themes for consideration to catalyze development in the Sub-Area Plan Area.

A. Assets and Constraints Affecting Development Potential

Table III-1 summarizes key assets and constraints affecting development potential in the Sub-Area Plan Area.

Table III-1: Assets and Constraints affecting Development Potential in the Sub-Area Plan Area

Assets	Constraints
<ul style="list-style-type: none"> • Well-served by public facilities and services within the boundaries of the Sub-Area Plan Area, such as parks, police and fire, religious facilities, and centers to support families and children • Availability and access to grocery and pharmacy stores • Abundance of local artisans and farmers that can provide unique novelties and fresh produce • Existing single-family residential community with large households to support existing businesses within the Sub-Area Plan Area • Presence of historic, cultural, and arts features and organizations draw visitors to the Sub-Area Plan Area • Natural assets such as parks, preserves, and hiking and equestrian trails are unique amenities • Small town charm consisting of a quaint, historic district can be attractive to new residents, visitors, and prospective developers • Fallbrook Village Association plans and promotes events and activities in Downtown • Demand for overnight accommodations is generated by the numerous events hosted throughout the year, charming Downtown, and natural amenities present in the Fallbrook area 	<ul style="list-style-type: none"> • Distance from regional freeways and arterials • Downtown requires reinvestment to attract new businesses and residential development • Lower median household incomes than the County • Development of new single-family housing has been concentrated along I-15 and SR 76, providing easy transportation access to employment centers outside of the Fallbrook community • Current apartment market rents in the Fallbrook community do not support cost of developing new multi-family residential with structured parking • Limited demand generators for office space as large employers typically locate to areas with higher-density populations and close to transit • Lack of quality lodging options to accommodate overnight visitors

B. Market Support by Land Use Type

Based on review of demographic and market conditions of the Sub-Area Plan Area and Fallbrook Community, KMA assessed development potential and possible locations for each major land use type in the near-, mid-, and long-term. These rankings are summarized for residential, retail, and visitor-serving land uses in Table III-2.

Table III-2: Market Potential by Land Use Type

	Residential	Retail/Restaurant	Visitor-Serving/Hotel
Near-Term (0 to 5 years)	Strong	Moderate	Moderate
Mid-Term (5 to 10 years)	Strong	Moderate	Moderate
Long-Term (10+ years)	Strong	Strong	Strong
Prerequisites for Development in the Sub-Area Plan Area	<ul style="list-style-type: none"> Increase in retail shopping, food and beverage outlets, and entertainment Safe, walkable, pedestrian environment 	<ul style="list-style-type: none"> Critical mass of new housing units Enhancement of pedestrian environment including sidewalks, walking paths, and safety measures Wayfinding and circulation improvements 	<ul style="list-style-type: none"> Re-branding as a themed district Co-marketing efforts with other key stakeholders in the agriculture and food-related industries Amenities such as food and beverage, shopping, and services Wayfinding and circulation improvements
Recommended Product Type(s)	<ul style="list-style-type: none"> Affordable (tax credit) apartments Artists live/work lofts, including studio space For-sale townhomes and rowhomes Garden-style rental apartments Small-lot and Zero Lot Line (ZLL) single-family homes 	<ul style="list-style-type: none"> Standalone commercial Mixed-use (ground-floor) 	<ul style="list-style-type: none"> Small boutique lodging Limited-service hotel

C. Potential Themes to Catalyze Development in the Sub-Area Plan Area

The public perception of the Sub-Area Plan Area and specifically, the Village Core, should be positive and should include destination points and activities that attract visitors and residents. KMA recommends that the County work with private stakeholders to introduce a district theme(s) to help catalyze revitalization and development in the Sub-Area Plan Area. A thematic image for the Sub-Area Plan Area will enhance its identity and/or unique character as a local/regional destination and provide a focal point(s) for revitalization efforts. Based on the presence of amenities, activities, and services in the Sub-Area Plan Area, KMA has identified three (3) potential themes for consideration. Although each theme is presented individually, these themes are not exclusive of each other and can potentially overlap.

Table III-3: Potential Themes to Catalyze Development in the Sub-Area Plan Area

Agricultural Heritage	Arts, Culture, and Entertainment	Health & Fitness
		
<p>A district that is focused on agritourism/visitor uses with an emphasis on the farm-to-table approach of providing fresh, seasonal food from local farms.</p> <p>Potential development opportunities may include fresh food markets, farm-to-table restaurants, and interactive farms that allow visitors access to local groves and crops.</p>	<p>A district centered on the promotion of arts, culture, and entertainment featuring a mix of restaurants, art galleries, and performance venues. The district could feature unique one-of-a-kind artisan shops and art galleries showcasing traditional fine arts and crafts such as painting, pottery, sculpture, jewelry, photography, woodworking, etc.</p>	<p>A health- and fitness-oriented district emphasizing healthy lifestyles, exercise and athletics, outdoor recreation, and public realm opportunities for running, walking, and cycling. Potential development opportunities include health-oriented retailers, i.e., specialty sporting goods stores, and fitness and yoga studios.</p>

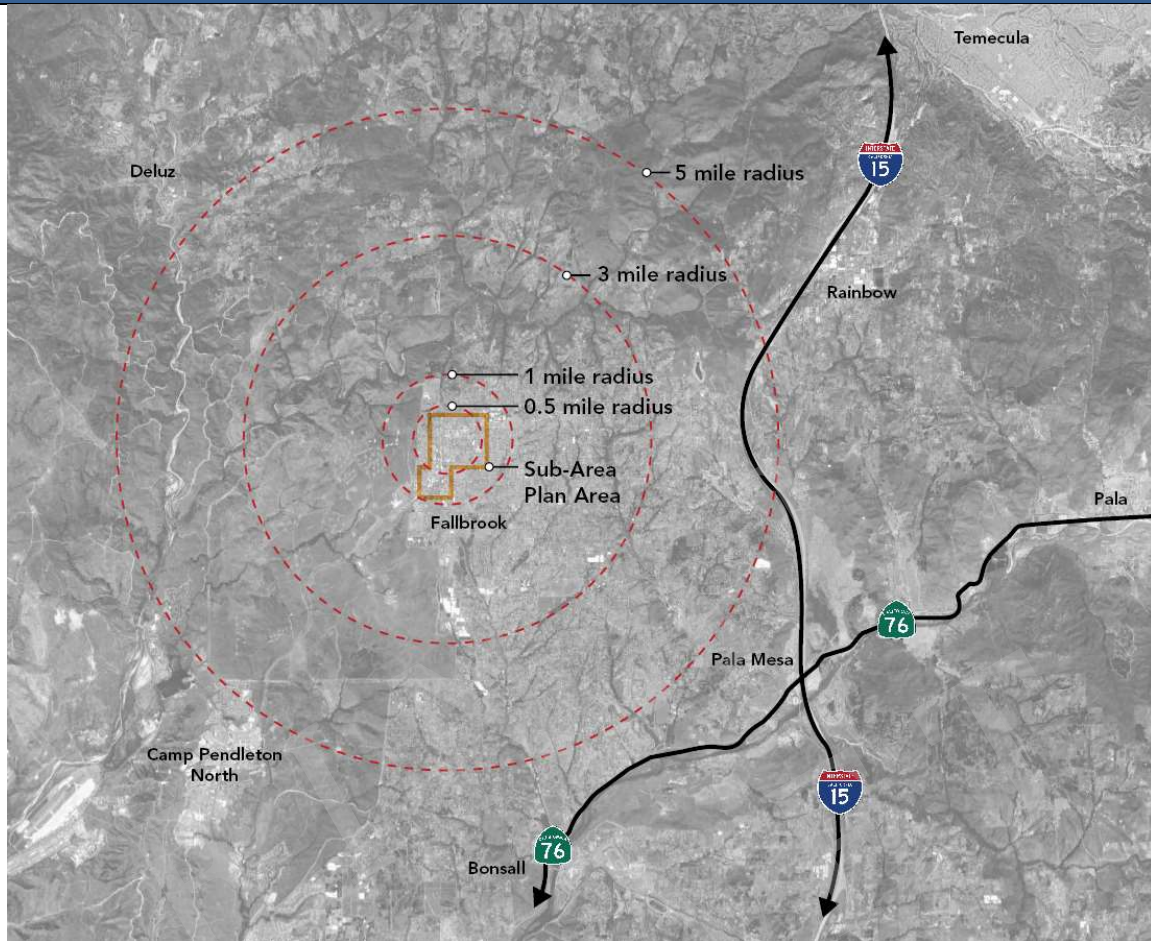
III-3. Demographic and Economic Indicators

The following sections present overviews of the Sub-Area Plan Area’s demographic and employment trends, community facilities, and visitor attractions.

A. Demographic Trends

KMA summarized the demographic characteristics of the trade rings, as defined below, surrounding the intersection of South Orange Avenue and East Elder Street utilizing 2021 demographic estimates from Claritas, LLC (Claritas), a data-driven marketing company that tracks demographic and behavioral indicators. A trade ring is a geographic area from which a community generates the majority of its customers. The boundaries allow for the measurement of the number of potential customers, their demographics, and their spending potential. The demographics described in this section are for half-, 1-, 3-, and 5-mile trade rings as compared to the County. The half-mile trade ring encompasses essentially the entire Sub-Area Plan Area. Exhibit III-1 illustrates the boundaries of the trade rings.

Exhibit III-1: Trade Rings for Demographic Trends Assessment



Source: MIG

According to Claritas, there are approximately 4,800 residents within 1,500 households in the half-mile trade ring. Between 2000 and 2010, population in the half-mile trade ring decreased by approximately 290 people. However, since 2010, it is estimated that population increased by 0.2% annually, a trend that is expected to continue over the next five years. Population within the 1-mile trade ring has experienced nominal growth since 2000, or an average annual increase of 0.4%. Both of these trade rings are expected to experience nominal average annual increases of 0.3% and 0.4% through 2026, respectively. The 3-mile and 5-mile trade rings are expected to increase at slightly higher growth rates (0.6% annually through 2026) than the half-mile and 1-mile trade rings.

Households within the Sub-Area Plan Area and 1-mile radius are larger (average size of 3.2 persons) than the 3-mile trade ring (3.0 persons) and County (2.8 persons). The median age in the half-mile and 1-mile trade ring is 32, which is lower than the 3-mile trade ring (35 years of age) and County (37 years of age).

Table III-1: Demographic Overview, 2021

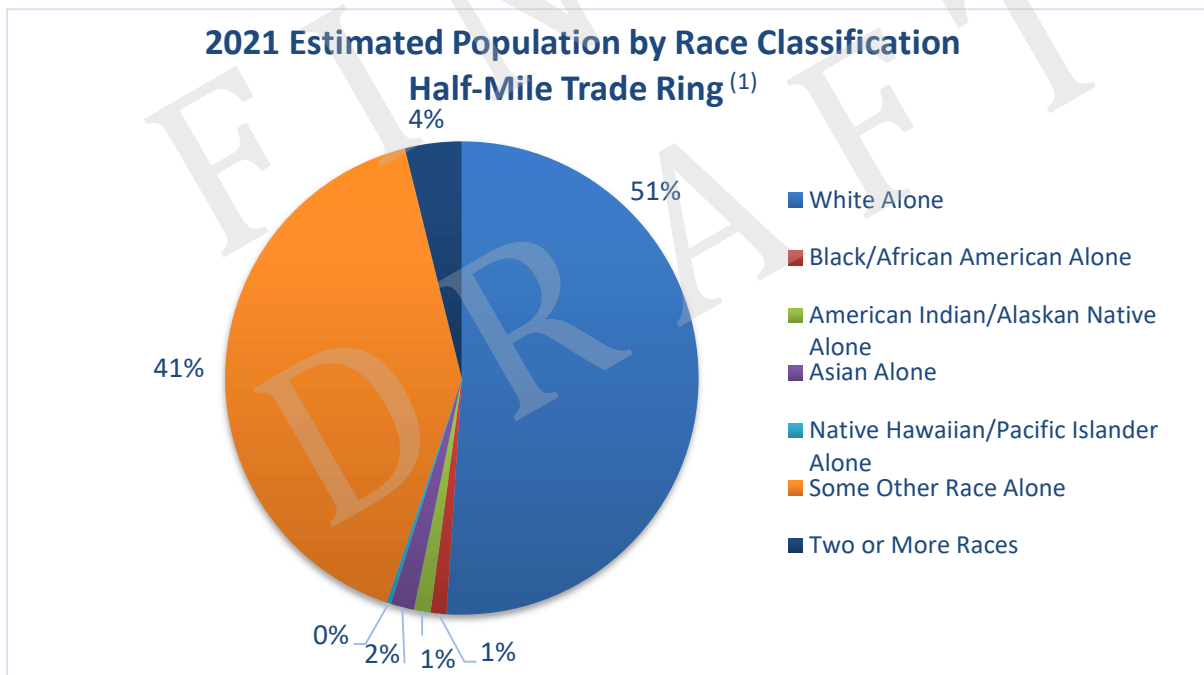
	Half-Mile Trade Ring ⁽¹⁾	1-Mile Trade Ring ⁽¹⁾	3-Mile Trade Ring ⁽¹⁾	5-Mile Trade Ring ⁽¹⁾	San Diego County ⁽²⁾
Population	4,815	18,086	31,071	42,879	3,355,456
Households	1,505	5,613	10,195	14,552	1,172,245
Average Household Size	3.2	3.2	3.0	2.9	2.8
Median Age	32	32	35	37	37

(1) Reflects a trade ring around the intersection of South Orange Avenue and East Elder Street.

(2) Reflects boundary of San Diego County in its entirety.

Source: Claritas, LLC

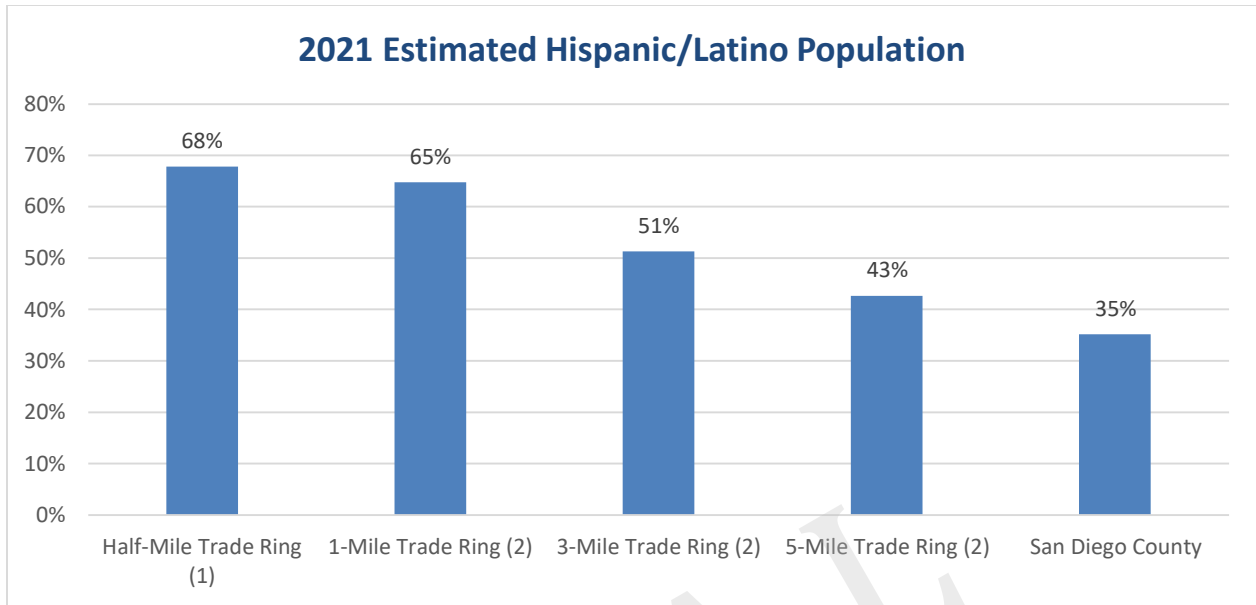
KMA analyzed the race and ethnicity of residents within the trade rings. U.S. Census surveys allow residents to classify their race as White, Black or African American, Asian, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, or some other race. Census survey respondents may also report multiple races. As shown in the chart below, 51% of the population is classified as White Alone. The second largest race classification is Some Other Race Alone, accounting for 41% of the population.



(1) Reflects a half-mile radius from the intersection of South Orange Avenue and East Elder Street.

Source: Claritas, LLC

Approximately 68% of residents in the Sub-Area Plan Area identify as Hispanic/Latino. As the trade rings expand, the percentage of Hispanic/Latino population decreases.



(1) Reflects a half-mile radius from the intersection of South Orange Avenue and East Elder Street.

(2) Reflects a trade ring around the intersection of South Orange Avenue and East Elder Street.

Source: Claritas, LLC

According to Claritas, median household income in the Sub-Area Plan Area is estimated at \$53,600, lower than both the 1-mile and 3-mile trade rings. It is estimated that the County’s 2021 median household income is \$85,700. The half-mile’s median household income equates to approximately 63% of the County’s median household income. The half-mile-, 1-mile, and 3-mile trade rings also have a higher percentage of households earning less than \$100,000 than the 5-mile trade ring and County.

Table III-2: Median Household Income, 2021					
	Sub-Area Plan Area ⁽¹⁾	1-Mile Trade Ring ⁽²⁾	3-Mile Trade Ring ⁽²⁾	5-Mile Trade Ring ⁽²⁾	San Diego County ⁽³⁾
Median Household Income	\$53,600	\$56,400	\$69,200	\$76,300	\$85,700
Percentage of Households Earning Less Than \$100,000	66%	77%	66%	61%	57%
(1) Reflects a half-mile radius from the intersection of South Orange Avenue and East Elder Street. (2) Reflects a trade ring around the intersection of South Orange Avenue and East Elder Street. (3) Reflects boundary of San Diego County in its entirety. Source: Claritas, LLC					

B. Employment Indicators

Regional Labor Force

As of September 2021, the County's unemployment rate was 5.6%. While this unemployment rate is the lowest since the COVID-19 pandemic began, it remains approximately 2% higher than pre-pandemic levels. Areas of the County with the highest unemployment rates were generally concentrated within urban areas of the City of San Diego. Between September 2020 and September 2021, non-farm employment in the County increased by 51,300 jobs. Leisure and Hospitality experienced the highest year-over-year increase (24,400 jobs). The jobs in the Accommodation and Food Services category increased by 19,700; Food Services accounted for 71% of the job increase in this employment category. While all employment categories suffered during the pandemic, Financial Activities (down 1,000 jobs) and Manufacturing (down 500 jobs) are the only employment categories that experienced job losses over the past year.

According to the San Diego North County Economic Development Council's 2021 North County Indicators, approximately 10% of all employment in North County is classified under manufacturing, compared to only 5% Countywide. The North County Indicators found that the rate of job growth in North County over the past five years has been greater than the County and State.

Daytime Employment in Trade Area

Table III-3 details jobs within the Trade Area from 2010 to 2018. For purposes of evaluating daytime employment trends, the Trade Area encompasses the Sub-Area Plan Area in its entirety and is defined as the following U.S. Census Tracts: 189.03, 189.04, and 189.05. The largest daytime employment category in the Trade Area is Health Care and Social Assistance, with nearly 22% of total jobs in the Trade Area. This employment category has actually decreased by approximately 90 jobs since 2010. The next largest employment categories are Educational Services (13.8%), Retail Trade (13.3%), and Accommodation and Food Services (11.8%). These employment categories all increased by approximately 5% since 2010. The highest average annual increases from 2010 to 2018 was in the Administration & Support, Waste Management and Remediation employment category.

The largest employment losses occurred in Manufacturing (183 jobs), Wholesale Trade (145 jobs), and Professional, Scientific, and Technical Services (99 jobs). In recent years, occupations in these employment categories have located to other areas of North County that have freeway accessibility and are concentrated near similar businesses.

Table III-3: Jobs within Trade Area, 2010-2018 ⁽¹⁾

Employment Category	2010		2018		Change, 2010-2018	
	Total	Percent	Total	Percent	Absolute	Average Annual
Health Care and Social Assistance	1,146	24.8%	1,057	21.8%	(89)	-1.0%
Educational Services	468	10.1%	669	13.8%	201	4.6%
Retail Trade	447	9.7%	644	13.3%	197	4.7%
Accommodation and Food Services	377	8.2%	573	11.8%	196	5.4%
Agriculture, Forestry, Fishing and Hunting	242	5.2%	300	6.2%	58	2.7%
Administration & Support, Waste Management and Remediation	82	1.8%	257	5.3%	175	15.3%
Manufacturing	430	9.3%	247	5.1%	(183)	-6.7%
Construction	214	4.6%	214	4.4%	0	0.0%
Other Services (excluding Public Administration)	229	5.0%	212	4.4%	(17)	-1.0%
Professional, Scientific, and Technical Services	278	6.0%	179	3.7%	(99)	-5.4%
Public Administration	128	2.8%	124	2.6%	(4)	-0.4%
Finance and Insurance	105	2.3%	114	2.4%	9	1.0%
Utilities	75	1.6%	70	1.4%	(5)	-0.9%
Wholesale Trade	214	4.6%	69	1.4%	(145)	-13.2%
Real Estate and Rental and Leasing	60	1.3%	54	1.1%	(6)	-1.3%
Information	46	1.0%	22	0.5%	(24)	-8.8%
Arts, Entertainment, and Recreation	43	0.9%	22	0.5%	(21)	-8.0%
Transportation and Warehousing	27	0.6%	14	0.3%	(13)	-7.9%
Management of Companies and Enterprises	10	0.2%	7	0.1%	(3)	-4.4%
Mining, Quarrying, and Oil and Gas Extraction	0	0.0%	0	0.0%	0	0.0%
Total Jobs	4,621	100.0%	4,848	100.0%	227	0.6%

(1) The Trade Area encompasses the Sub-Area Plan Area in its entirety and is defined as the following U.S. Census Tracts: 189.03, 189.04, and 189.05. Source: U.S. Census Bureau, OnTheMap.

C. Community Facilities and Services

Community facilities and services are resources available to the general public that respond to basic human needs such as education, health, recreation, safety, and worship. Many of the Sub-Area Plan Area’s existing households are made up of families with children, and therefore, the need for community facilities and services becomes particularly important. The access to, or absence of, these types of facilities also affect the ability to attract new residents to the Sub-Area Plan Area. In turn, attraction of new residents is also key to the potential to draw retail establishments to the Sub-Area Plan Area. The Sub-Area Plan Area is well-served with community facilities and services including three educational facilities, a library, and four parks. Table III-4 presents a list of community facilities present in the Sub-Area Plan Area.

Fallbrook does not have a hospital; therefore, residents within the Sub-Area Plan Area as well as residents within the entire community need to travel to neighboring cities. The closest hospital to the Fallbrook community is located in the City of Temecula in Riverside County, approximately 14 miles from the center of the SAP.

While outside of the Sub-Area Plan Area, middle and high school facilities are present within the Fallbrook community are in close proximity. James E. Potter Junior High and Fallbrook Union High School are both within 3 miles from the center of the SAP.

Colleges and universities are also accessible to Fallbrook residents. California State University San Marcos is southerly located in the City of San Marcos along State Route 78 (SR 78). Palomar College, a two-year community college, has a main campus in the City of San Marcos and an Education Center in Fallbrook. The campuses in San Marcos are approximately 20 miles from the center of the SAP. The Fallbrook Education Center was recently constructed and sits on 80 acres at I-15 and SR 76. The Education Center is located approximately eight (8) driving miles from the Sub-Area Plan Area.

Table III-4: Survey of Community Facilities in Sub-Area Plan Area	
Type/Category	Present in Sub-Area Plan Area
Parks	✓
Sporting Fields	✓
Elementary School	✓
Middle/Junior High School	✗
High School	✗
Fire Station	✓
Library	✓
Sheriff's Station	✓
Hospital	✗
Urgent Care	✓
Post Office	✓
Community Resource Center	✓
Child Care Facilities	✓
Boys & Girls Club	✓
Religious Facilities	✓
Veterinary Services	✓

D. Visitor Attractions

Community Events

Community events and festivals have direct and indirect impacts on communities. Events and festivals support local businesses, attract visitors, and provide a sense of community to residents. The historic Downtown hosts numerous annual events including: the Avocado Festival, Christmas Parade, Galaxy of Glass Show, Harvest Faire, and Wine & A Bite Art Walk. With its vast orchards and groves, Fallbrook is known as the “Avocado Capital of the World”. The Avocado Festival is the largest and most notable event in Fallbrook, with an estimated 70,000 attendees each spring. The event is free and showcases fruit, vegetables, art, and specialty crafts and products from local farmers, exhibitors, and artisans. A weekly farmer’s market is also held in Downtown every Saturday on Main Street between Hawthorne and Fig

Streets. To accommodate vendors, Main Street is closed temporarily for the duration of the farmer's market. The farmer's market provides local farmers and artisans to congregate and offer agricultural products and novelties directly to consumers.

Arts and Culture

Art is a focal point throughout the Sub-Area Plan Area. There are several art centers and galleries located in Downtown. These venues offer a wide range of artistic pieces such as paintings and ceramics, along with providing educational classes. Fallbrook Arts, Inc., a non-profit organization, formed the Art in Public Places (APP) program to bring public art into the community for the purpose of raising enjoyment and awareness through education and public display of artists' work. These art pieces are located throughout Downtown but are concentrated along Main Avenue and Alvarado Street. Artists' colorful murals can also be found throughout the Sub-Area Plan Area. Community murals can be a source of civic pride, public artistry, and outdoor engagement.

The CAST Academy, also located in Downtown, provides residents with dance, music, and drama classes. Students of the CAST Academy typically participate in the events hosted throughout the community. Another notable historic feature in Downtown, is the Mission Theater. The Mission Theater was built in 1948 and has a seating capacity of 300. Since the 2000s, the movie theatre industry has declined in terms of ticket sales and movie theaters have been forced to shut down. Like many small towns, the Mission Theater no longer offers viewing of films but is available for private events and theatrical functions.

Open Space/Park Amenities

The Fallbrook community is surrounded by numerous parks, preserves, and hiking and equestrian trails. According to the Fallbrook Chamber of Commerce, the community is served by three County parks with several community parks and preserves throughout and surrounding the community. Most notably, the Railroad Heritage Park, located at the intersection of Main Avenue and Elder Street in Downtown, celebrates the community's rich railroad history. In 1916, the railroad line served as an alternative transit line running from southern San Diego County up to the City of Temecula and beyond. In later years, the Fallbrook rail line allowed for the transportation of munitions from the Naval Weapons Station across Camp Pendleton to the coast during World War II. The Railroad Heritage Park is now open to the public as an attraction for residents and visitors to learn about this important railroad history.

III-4. Residential Market Trends

The following section presents residential market trends related to market-rate and affordable housing in the San Diego Region, North County Inland area, and the Local/Sub-Area Plan Area. For purposes of this report, the North County Inland area is generally defined as the Cities of Escondido, San Marcos, Vista, and unincorporated areas of the County north of SR 78, which includes Fallbrook.

A. Market Trends – Market-Rate Housing

Table III-5: Residential Market Trends	
REGIONAL	<ul style="list-style-type: none"> • At the beginning of 2021, the San Diego housing market was predicted to be the strongest market in the State. • San Diego home prices are nearly three times the national average. Historically low interest rates and the limited supply of for-sale homes have increased buyer demand through Summer 2021. • According to the San Diego Association of Realtors (SDAR), the median sales price for detached homes in the County in September 2021 was \$860,000, an increase of 15.9% from the prior year. Closes sales for detached homes were 11% higher than this time last year. • The median sales price of attached homes experienced a year-over-year increase of 18.3% to \$679,000 in September 2021. Year-to-date closed sales for attached homes is 26% higher than this time last year. • There are signs that the for-sale residential market may be slowing, as the inventory of available homes is much lower than it was at this time in 2020 (down 43% for single-family and 60% for attached). • There are currently more multi-family housing units under construction in the County than single-family. Building permits for new condominiums/apartments in San Diego County were up by 39% from 2020. • According to CoStar Group, Inc. (CoStar), a commercial real estate data and research firm, multi-family market rents in the County were up 12.5% from the prior year’s figure (\$1,870), with an overall average rent of \$2,103 by the end of fourth quarter 2021.
NORTH COUNTY INLAND ⁽¹⁾	<ul style="list-style-type: none"> • The North County Inland area consists of suburban communities along portion of SR 78 and I-15 freeway corridors and semi-rural communities such as Bonsall, Fallbrook, and Valley Center. • The North County Inland area is one of the most active areas of the County for development of new single-family homes and remains as one of the more affordable areas of San Diego for new home purchases. • Development of higher-density residential and mixed-use projects in the North County Inland area tend to be located near transit stations and downtown areas, such as in Escondido, San Marcos, and Vista. • According to CoStar, multi-family market rents in North County Inland experienced nominal increase over the past year (0.3%), with current overall average rent of \$1,176.
LOCAL/SUB-AREA PLAN AREA ⁽²⁾	<ul style="list-style-type: none"> • According to Claritas, LLC, it is estimated that in 2021, housing in the Sub-Area Plan Area is predominately renter-occupied (61% renter-occupied vs. 39% owner-occupied). • Single-family homes equate to approximately 52% of the units in the Sub-Area Plan Area, with the balance consisting mainly of garden-style rental apartments. • The majority of the housing stock in the Plan Area was built before 2000, with a median year built of 1977. • Citro is the newest development in Fallbrook, adjacent to I-15, under construction by TRI Pointe Homes. The 390-acre community consists of 844 single- and multi-family homes,

Table III-5: Residential Market Trends

LOCAL/SUB- AREA PLAN AREA (Cont'd.) (2)	<p>a 12.7-acre school site, a 10-acre public park, 14 acres of trails, community gardens, and a recreation center. The homes will range between 1,083 SF and 2,534 SF in size, with sales prices ranging from \$400,000 to \$700,000. The development is approximately 8 miles from the Sub-Area Plan Area.</p> <ul style="list-style-type: none"> • According to the SDAR, the median sales price for detached homes in Fallbrook in September 2021 was \$722,500, an increase of 12.9% from the prior year. However, the number of new listings and closed sales in September 2021 is much lower than in September 2020. • Relative to other parts of North County, the Fallbrook community has a low inventory of townhomes and condominiums. As of September 2021, the median home price of attached homes in Fallbrook was \$544,750. • Fallbrook offers several retirement and senior housing facilities and service centers. The most recent senior housing development, Estancia Senior Living, was constructed in mid-2020 just south of the Sub-Area Plan Area at Mission Road and Rocky Crest Road. The development consists of a two-story, 89,000-SF complex with 78 assisted living and 29 memory care residences. • There has not been any recent market-rate housing constructed within the Sub-Area Plan Area.
<p>(1) As defined by ULI, reflects the area north of Route 56 to Camp Pendleton/east of I-15. Consists of suburban communities along SR 78 and I-15 freeway corridors and semi-rural communities north of Escondido like Valley Center, Fallbrook, and Bonsall.</p> <p>(2) Per KMA, reflects the Sub-Area Plan Area and overall Fallbrook community.</p>	

B. Market Trends – Affordable Housing

According to the California Department of Housing and Community Development’s Final Statewide Housing Assessment, the State will need to add approximately 1.8 million additional housing units from 2018 to 2025. According to the SANDAG approved 6th Regional Housing Needs Assessment Plan (RHNA), the County as a whole is required to add 171,685 units by 2029. Of this amount, 6,700 units are allocated to the unincorporated areas of the County. Table III-6 presents the allocation of units by income level. As shown, 42% of units required are at or below Low Income affordability levels, meaning less than 80% of Area Median Income (AMI).

Income Level	Definition	Unit Count	Percent of Total
Very Low	Less than 50% of AMI	1,834	27%
Low	50% to 80% of AMI	992	15%
Moderate	80% to 120% of AMI	1,165	17%
Above Moderate	Over 120% of AMI	2,709	41%
Total		6,700	100%

Source: SANDAG 6th Cycle Regional Housing Needs Assessment Plan, July 10, 2020

In July 2021, the County adopted the 6th Cycle Housing Element Update (HEU). The HEU covers the time period from April 15, 2021, through April 15, 2029, and outlines the goals, policies, and relevant implementation programs. The HEU seeks to balance housing requirements with infrastructure deficiencies, safety issues, and the rural character of many of the County's unincorporated communities. The HEU also attempts to reconcile housing needs with competing land uses such as agricultural and environmental resources.

In many communities, development of affordable housing has demonstrated the potential to spur development of market-rate housing. Comparable experiences in Old Town Temecula, Vista Village in the City of Vista, and Downtown Lemon Grove demonstrate that affordable housing developments did not impair commercial and market-rate residential development. Rather, initial investments in affordable housing in these districts have led to subsequent commercial revitalization and market-rate housing development. In each case, the affordable housing complexes set a design standard for new in-fill multi-family or mixed-use development to be emulated by market-rate developers. Affordable housing developers strive to match neighborhoods in terms of size, design, and amenities. In other words, well-designed affordable housing, similar in scale and density to existing or planned market-rate developments, can complement or catalyze future development.

In terms of construction of new affordable housing in Fallbrook, the most recent development is Fallbrook View. The development was built in 2015 is located directly outside of the Sub-Area Plan Area across from the Don Dussault County Park. The Don Dussault County Park is located on Alturas Road, south of West Fallbrook Street. Fallbrook View is an affordable housing development consisting of 80 rental units of which 60 apartments are reserved for year-round farmworker families. The project includes children's playgrounds and picnic areas and is the first affordable apartment community in the County to be endorsed by the San Diego Farm Bureau.

Cities throughout the State have recognized that maintaining a balance of affordable vs. market-rate housing in the long term is important. Even if initial developments in a neighborhood are affordable, cities tend to groom these areas for eventual investment by private developers of market-rate housing.

C. Market Potential

Housing throughout the State and Region continues to be in high demand at all affordability levels. Based on current market trends, population growth, and the need for housing in the County, KMA has assessed the market potential for new housing development in the Sub-Area Plan Area as strong in the near-, mid-, and long-term.

Table III-7: Residential Market Potential		
Near-Term (0 to 5 years)	Mid-Term (5 to 10 years)	Long-Term (10+ years)
Strong	Strong	Strong

The most likely residential product types are shown in Table III-8 below. These examples are for illustrative purposes only to present potential design concepts and are not indicative of the types of development proposed under the Plan.




Table III-8: Recommended Product Types	
Affordable (Tax Credit) Rental Apartments	 <p><i>Eastgate, City of San Marcos</i></p>
Artists Live/Work Lofts, including Studio Space (Rental or For-Sale)	 <p><i>East Village Lofts at Artist Village, Santa Ana</i></p>
Townhomes and Rowhomes (For-Sale)	 <p><i>Marquee, Mission Valley San Diego</i></p>

Table III-8: Recommended Product Types

<p>Garden Apartments (Rental)</p>	 <p><i>Orange Garden Apartments, Poway</i></p>
<p>Small-Lot and Zero Lot Line (ZLL) Single Family Homes (For-Sale)</p>	 <p><i>Reflection at Canopy Grove, Escondido</i></p>

III-5. Retail/Restaurant Market Trends

The following section presents residential market trends related to retail and restaurant uses the San Diego Region, North County Inland area, and the Local/Sub-Area Plan Area.

A. Market Trends

Table III-9: Retail/Restaurant Market Trends

<p>REGIONAL</p>	<ul style="list-style-type: none"> • The COVID-19 pandemic had immediate and pronounced impact on the retail sector. While on-line shopping was already increasing in recent years, stay-at-home orders due to COVID-19 accelerated the growth of e-commerce. • The growth in e-commerce/on-line shopping has reduced the demand for brick-and-mortar retail stores and overall demand for physical space for retail. • The retail industry continues to react to, and prepare for, changing economic conditions. As a result, anchor space in shopping centers and malls is being repositioned and repurposed, allowing new tenants to occupy smaller spaces and generate higher rents on a per-SF basis. • Retail landlords are increasingly focusing on experience and entertainment tenants such as virtual reality centers, escape rooms, bowling lanes, axe-throwing venues, niche gyms, and other experienced-focused retail and businesses.
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Table III-9: Retail/Restaurant Market Trends	
	<ul style="list-style-type: none"> As of third quarter 2021, retail vacancy in the County was 5.2%, which has remained stable in recent years. Countywide, there is currently 258,000 SF of general retail and shopping center space under construction.
NOTH COUNTY INLAND ⁽¹⁾	<ul style="list-style-type: none"> In recent years, the North County Inland area has thrived in the retail entertainment industry. Craft breweries, wineries, resort casinos, and other entertainment businesses have been established throughout this area. As of third quarter 2021, retail vacancy in North County Inland was 6.0%. There is currently 62,000 SF of general retail and shopping center space under construction. There are several large-scale regional and power centers in North County Inland including: Westfield North County in Escondido, Creekside Marketplace in San Marcos, and North County Square in Vista. These centers are anchored by big box and medium box national retailers.
LOCAL/SUB-AREA PLAN AREA ⁽²⁾	<ul style="list-style-type: none"> According to the 2021 Esri Business Analysis⁽³⁾ report, the 5-mile trade ring⁽⁴⁾ is experiencing the highest retail sales leakage in Motor Vehicle & Parts Dealers, General Merchandise Stores, and Automobile Dealers. Retail leakage indicates which retail establishments require consumers to travel outside of the community to neighboring areas. This leakage may represent an opportunity to recapture some of this retail spending and support these types of retailers in the 5-mile trade ring⁽²⁾. There is a limited supply of Furniture Stores, Electronic Shopping, Department Stores, and Shoe Stores within the 5-mile trade ring⁽²⁾. The Esri Business Analyst report also indicates that there are 66 Food & Drinking Places and 61 Restaurants/Other Eating Places within the 5-mile trade ring⁽²⁾. However, these retail categories are experiencing leakage, indicating the potential to recapture sales in these categories from outside the trade ring. Comparatively, the 5-mile trade ring is overrepresented with Lawn & Garden Equipment & Supply Stores, Book, Periodical, & Music Stores, Used Merchandise Stores, and Florists. With respect to the Sub-Area Plan Area, residents are well-served with grocery stores, pharmacies, personal services, and fast food/casual restaurants. Existing retail businesses in the Sub-Area Plan Area consist of one-story buildings built before 1980 with surface lots and/or street parking. There are few dining/entertainment options in Downtown, thereby, limiting the amount of time that visitors will stay and expend dollars into Downtown businesses. There has been no recent significant development of retail/restaurant space in the Sub-Area Plan Area.
<p>(1) As defined by ULI, reflects the area north of Route 56 to Camp Pendleton/east of I-15. Consists of suburban communities along SR 78 and I-15 freeway corridors and semi-rural communities north of Escondido like Valley Center, Fallbrook, and Bonsall.</p> <p>(2) Per KMA, reflects the Sub-Area Plan Area and overall Fallbrook community.</p> <p>(3) Esri is an international supplier of web Geographic Information System (GIS) software and geodatabase management applications. Esri collects retail sales and expenditure data from a variety of sources, including the U.S. Department of Labor Bureau of Labor Statistics (BLS), the U.S. Census Bureau's Non-employer Statistics (NES) division, the Census Bureau's Monthly Retail Trade (MRT) survey, and the BLS's Consumer Expenditure Surveys (CEX).</p> <p>(4) Reflects a trade ring around the intersection of South Orange Avenue and East Elder Street.</p>	

B. Market Potential

Based on the KMA evaluation of market conditions in the Sub-Area Plan Area and its potential for revitalization, KMA assessed the market potential as moderate in the near- and mid-term, and strong in the long-term. These findings are presented in Table III-10 on the following page.

Table III-10: Retail/Restaurant Market Potential		
Near-Term (0 to 5 years)	Mid-Term (5 to 10 years)	Long-Term (10+ years)
Moderate	Moderate	Strong

The most likely uses for retail space in the Village Core are shown in Table III-11. More detailed types of retail space by sub-area is found in Section V.

Table III-11: Recommended Uses for Retail Space	
<p>Sit-Down Restaurants offering Farm-to-Table Experience</p>	 <p><i>Farmer's Table, City of La Mesa</i></p>
<p>Establishments offering Craft Beer, Wine, and Hard Cider Tastings</p>	 <p><i>Pure Project, City of Vista</i></p>

Table III-11: Recommended Uses for Retail Space

**Educational Facilities
offering Classes Related to
Farming, Cooking, and Art**



San Diego Art Academy, Liberty Station San Diego

III-6. Hotel Market Trends

The following section summarizes current market conditions related to demand for hotels the San Diego Region, North County Inland area, and the local/Sub-Area Plan Area.

A. Market Trends

The COVID-19 pandemic significantly impacted the hotel market throughout the State and Southern California. According to industry experts, the Southern California hotel market has begun to rebound and occupancy is returning to pre-pandemic levels. Southern California remains as one of the most desirable visitor destinations in the U.S. due to its favorable climate, natural environment, and ample entertainment, dining, and shopping opportunities.

The North County Inland area offers an array of visitor attractions – golf courses, wineries, breweries, resort casinos, renowned hiking trails – and is home to the San Diego Zoo Safari Park near Escondido. Community amenities, such as these, boost the economy by attracting visitors which maintain or increase the job base, generate sales tax from retail/restaurant sales, and increase transient occupancy tax (TOT) from overnight visitors.

The vast majority of hotels in North County Inland are located in the cities of Escondido, San Marcos, and Vista. These tend to be limited-service hotels and are concentrated near employment centers, downtowns, and along SR 78 and I-15. According to U.S. Hotel Appraisals, limited-service hotels typically have the lowest operating costs among the various hotel segments because they do not have a food and beverage component such as an on-site restaurant. Therefore, limited-service hotels offer lower room rates than select-service and full-service hotels. Limited-service hotels typically have amenities such as a business center, fitness room, indoor or outdoor pool, market pantry, and conference room(s).

The Fallbrook community hosts large-scale unique events that attract visitors from outside of the immediate vicinity. A key component to increasing economic impacts is by keeping visitors in the community for longer periods of time. Therefore, the need for overnight accommodations becomes extremely important.

KMA surveyed the availability of lodging facilities in the Fallbrook community as well as within a 10-mile radius from the center of the Sub-Area Plan Area. There are no existing hotels/motels in the Sub-Area Plan Area. As shown in Table III-12 on the following page, there are only three (3) lodging facilities within one mile of the Sub-Area Plan Area. These hotels are considered limited service, collectively contain a total 114 rooms. The nearest full-service hotel, Pala Mesa Golf Resort, is located approximately 5 miles away. The Pala Mesa Golf Resort includes 133 guest rooms, a full-service restaurant and bar, and an 18-hole golf course. U.S. Hotel Appraisal defines full-service hotels as meeting the special events needs in the market area by providing selective amenities such as banquet rooms, valet parking, extended room service, concierge services, and on-site high-end restaurants and boutique shops. Full-service hotels carry higher operating costs and, along with the upscale amenities, can command higher room rates.

Table III-12: Survey of Hotels within 10 Miles of Sub-Area Plan Area ⁽¹⁾⁽²⁾				
Hotel	Address	Location	Room Count	Proximity to Sub-Area Plan Area
Fallbrook County Inn	1425 S. Mission Road	Fallbrook	28	Within 1 Mile
Rodeway Inn Fallbrook	1635 S. Mission Road	Fallbrook	50	Within 1 Mile
Econo Lodge Inn & Suites Fallbrook	1608 S. Mission Road	Fallbrook	36	Within 1 Mile
Pala Mesa Golf Resort	2001 Old Highway 395	Fallbrook	133	Within 5 Miles
Quality Inn Fallbrook I-15	3135 Old Highway 395	Fallbrook	41	Within 10 Miles
Temecula Creek Inn	44501 Rainbow Canyon Road	Temecula	127	Within 10 Miles
Pechanga Resort and Casino	45000 Pechanga Parkway	Temecula	1,090	Within 10 Miles
Signature Temecula	28980 Old Town Front Street	Temecula	70	Within 10 Miles
Motel 6 Temecula – Historic Old Town	41900 Moreno Road	Temecula	135	Within 10 Miles
Best Western Plus Temecula Wine Country Hotel & Suites	41841 Moreno Road	Temecula	60	Within 10 Miles
Rancho California Inn	41873 Moreno Road	Temecula	24	Within 10 Miles
Total Number of Rooms within 10 Miles			1,794 Rooms	
(1) From the intersection of South Orange Avenue and East Elder Street.				
(2) Does not account for private vacation rentals.				
Source: KMA Internet research and specific hotel websites				

In Old Town Temecula, there are four (4) limited-service hotels containing a total of 289 rooms. There are also two (2) resort hotels within 10 miles of the Sub-Area Plan Area in Temecula:

- *Temecula Creek Inn* – 127-room hotel, 3 golf courses with a total of 27 holes, and an outdoor pool with whirlpool spa
- *Pechanga Resort and Casino* – 1,090-room hotel with 188,000-SF casino, full-service spa and fitness center, 18-hole golf course, entertainment venues, sit-down restaurants and casual dining options, and 4.5-acres containing four pools, three whirlpools, waterslides, and a swim up bar

The Fallbrook community's position within Inland North County allows access to full-service hotels and resort casinos that are between 10 and 20 miles away from the Sub-Area Plan Area, including, but not limited to:

- *Welk Resorts San Diego* – 714-room hotel with full-service spa, two 18-hole golf courses, restaurant and bar, 7 outdoor pools, and 8 whirlpool spas
- *Pala Casino Spa and Resort* – 507-room hotel with casino, sit-down restaurants and casual dining options, and pool with two whirlpools
- *Harrah's Resort Southern California* – 1,087-room hotel with casino, sit down restaurants and casual dining options, two outdoor pools and 7 whirlpool spas, and conference center
- *Southcoast Winery and Spa* – 132-room hotel with winery, restaurant and bar, and full-service spa with an outdoor pool

These all-inclusive resorts provide a range of amenities and often offer nightlife entertainment which can be more attractive to Inland North County visitors, thereby limiting the interest of staying overnight in Fallbrook.

The Grand Tradition Estate & Gardens (Grand Tradition) has been located in Fallbrook just south of the Sub-Area Plan Area for over 37 years. The Grand Tradition is one of San Diego's premier wedding venues, with approximately 30 acres that can accommodate up to 300 guests. The venue hosts, on average, 150 weddings a year and draws from all over the West Coast. However, there are no quality lodging facilities within the Fallbrook community; therefore, guests are forced to find overnight accommodations in Temecula or the northern San Diego County cities.



B. Market Potential

The Fallbrook community offers a series of community events and public and private amenities available to visitors. As the Sub-Area Plan Area expands in dining and entertainment, arts and culture, and other community amenities, the Sub-Area Plan Area will become a desirable location to attract hotel development. Based on the unique characteristics of the Sub-Area Plan Area and potential for revitalization, KMA assessed the market potential for hotel development as moderate in the near-term,

moderate in the mid-term, and strong in the long-term. It is important to note that this assessment recognizes that redevelopment and revitalization of a district can take years to complete, as evidenced by nearby Old Town Temecula.

Table III-13: Hotel Market Potential		
Near-Term (0 to 5 years)	Mid-Term (5 to 10 years)	Long-Term (10+ years)
Moderate	Moderate	Strong

The most likely product types would be smaller, boutique hotels and limited-service hotels, as illustrated in Table III-14. According to industry experts, boutique hotels are largely characterized by their small size, personalized service, and theme, which can vary based on its location and surrounding amenities. These examples are for illustrative purposes only to present potential design concepts and are not indicative of the types of development proposed under the Plan.

Table III-14: Recommended Product Types	
Small Boutique Hotel	 <p><i>The Pearl Hotel, Point Loma San Diego</i></p>
Limited-Service Hotel	 <p><i>The Holbrooke Hotel, Downtown Grass Valley (Nevada County)</i></p>

III-7. Case Studies

Small towns and rural communities throughout the State have identified ways to strengthen their economies by building on local assets. Successful communities identify the assets that offer the best opportunities for growth and develop strategies to support them. Assets may include historically significant buildings, arts and culture, outdoor recreation, and/or agriculture.

KMA has profiled four (4) potentially comparable districts in California that have been successful in terms of building on their assets and revitalizing their downtowns/historic main streets. Although each district is unique, these were selected because they share commonalities with the Fallbrook community. Conversely, some of these districts have access to assets and amenities that may not be achievable in the Fallbrook community. However, these examples may offer innovative concepts that could be utilized when developing a strategy for revitalizing the Sub-Area Plan Area.

For each district, KMA prepared a case study that provides an overview of the district, description of governing documents, identification of active organizations, a relevant project example, and list of available activities and amenities. In addition, KMA compared key demographic characteristics for a 10-mile radius surrounding each district in comparison to the Sub-Area Plan Area's 10-mile radius. When compared to the other districts, the Sub-Area Plan Area's trade area is positioned very well in terms of total population and potential spending power (aggregate income). The following highlights the four (4) districts that KMA profiled:

- **Julian, San Diego County** – Julian is a well-known visitor destination that is located in the Cuyamaca Mountains. Julian is an active, thriving, historic community that is famous for its apple orchards, u-pick farms, and apple pies. Of the case studies profiled, the Julian trade area contains the smallest population (4,700) and number of housing units (2,700). Julian also has an older population and lower average household size, which likely indicates more retired households.
- **Downtown Gilroy, Santa Clara County** – Downtown Gilroy is a walkable, pedestrian-friendly area that built upon its largest asset – garlic crops. Visitors can also embark on a self-guided walking tour that highlights historical locations. The Sub-Area Plan Area's 10-mile trade area is comparable to the Gilroy trade area in terms of population, households, and housing units. Of the districts profiled, the Gilroy trade area contains the highest median household income (\$112,000).
- **Los Olivos, Santa Barbara County** – Los Olivos is one of five communities in the Santa Ynez Valley. While seeking to maintain its rural character and preserve agricultural uses, the Town has focused its revitalization efforts along one main commercial corridor, Grand Avenue. Wine grapes are the Town's most popular asset as evidenced by the nearly 30 wineries/tasting rooms that exist in the commercial corridor. It is estimated that there are only 22,000 residents and 9,700 housing units within a 10-mile radius from the center of the district.

- **Downtown SLO, San Luis Obispo County** – Downtown San Luis Obispo (SLO) is the oldest part of the City of San Luis Obispo. Several historic buildings in Downtown SLO serve as points of interest, including the Mission San Luis Obispo de Tolosa, founded in 1772. California Polytechnic (Cal Poly) State University is also located within a five-minute drive to Downtown SLO. The Downtown SLO trade area contains a population of approximately 82,000 with 35,000 housing units. The median household income is among the lower range of the profiled districts (\$68,000).

For comparison purposes, KMA evaluated the demographic characteristics surrounding each of these districts compared to those of the Sub-Area Plan Area. KMA assumed a visitor destination trade area of 10 miles from the mid-point of each district. As shown in Table III-15, the Sub-Area Plan Area has the largest visitor destination trade area compared to the profiled districts. Profiles of the four (4) districts follow after the demographic overview.

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Table III-15: Overview of Key Demographic Characteristics, Comparable District Trade Areas, 2021 ⁽¹⁾⁽²⁾

					
Population	119,371	4,692	117,932	22,419	82,458
Households	36,926	2,007	36,069	8,676	30,523
Average Household Size	3.08	2.29	3.23	2.53	2.31
Median Age	35.1	56.0	36.2	47.2	33.4
Median Household Income	\$84,416	\$59,869	\$111,957	\$87,798	\$68,221
Per Capita Income	\$35,607	\$34,723	\$45,951	\$48,106	\$37,636
Aggregate Income	\$1,314.8 M	\$69.7 M	\$1,657.4 M	\$417.4 M	\$1,148.8 M
Housing Units	39,398	2,713	37,466	9,731	34,868

(1) Source: Esri Business Analyst Online, March 2022.

(2) Reflects a 10-mile radius from the mid-point of each district.

Julian, San Diego County

<p>Description</p>	<p>Julian is located in eastern unincorporated San Diego County in the Cuyamaca Mountains. The community is a historic gold mining town now best known for its apple orchards and apple pies. Julian hosts multiple large- and small-scale events annually including the Grape Stomp Festa, two-day Gold Rush Days, 4th of July Parade, Sip of Julian, and Julian’s Country Christmas. The community also offers several historic-themed bed & breakfasts, lodges, and inns.</p>
<p>Local Governing Documents</p>	<p>The Julian Community Plan was originally adopted in 1976. The Plan was amended in 2011 and sought to maintain the rural lifestyle outside of the historic district, while providing a plan to allow for expanded tourism and a flourishing economic base in the district.</p>
<p>Active Organizations</p>	<ul style="list-style-type: none"> • <i>Julian Community Heritage Foundation (JCFH)</i> – non-profit organization dedicated to preserving the history of the community and promoting the quality of life of those living, working, and visiting the community. • <i>Julian Chamber of Commerce</i> – organization of local businesses that promotes economic development and business activity in Julian.
<p>Current Project Example</p>	<p>The JCFH is currently raising money to develop a vacant lot on the corner of Main and Washington Streets. The 2-acre lot will be developed into a town square that serving as a community park and outdoor entertainment space, including amphitheater-type seating. The site was previously occupied by a gas station which was found to be leaking into the community’s water supply in the 1980s. In 2018, the County classified the site as a “brownfield” and cleared it for future development. It is intended that the town square will be the center of art, theatre, and community gatherings.</p>

Visitor Attractions/Amenities

- Historic main street
- Hiking trails, parks, and campgrounds
- U-pick orchards and farms
- Beer & hard cider
- Wineries and tasting rooms
- Grocery and specialty food
- Limited-service hotels and bed & breakfasts



Downtown Gilroy, Santa Clara County

<p>Description</p>	<p>Gilroy is located in Santa Clara County and is the southernmost city in San Francisco Bay Area. The City is known for its garlic crops and annual Gilroy Garlic Festival. The historic Downtown contains a mix of antique stores, boutique shops, and restaurants. In 2014, the City purchased and demolished a building and strengthened the remaining walls at a cost of approximately \$1.3 M to create a passageway between Fifth and Sixth Streets. A citizens committee raised funds to complete the Gilroy Historic Paseo Project, which included a landscaped, mural-decorated walk through the City’s history that links Downtown pedestrians with free parking lots.</p>
<p>Local Governing Documents</p>	<p>The Downtown Gilroy Specific Plan was adopted in 2005 with the goal of establishing a direct connection between the City of Gilroy’s General Plan and revitalization and enhancement opportunities within Downtown. In 2006, the City approved the Downtown Strategic Plan to facilitate the goals of the Specific Plan through economic development strategies to attract viable and desirable businesses.</p>
<p>Active Organization</p>	<p><i>Gilroy Downtown Business Association</i> – non-profit entity that encourages and promotes economic growth and sustainability through advocacy and marketing while respecting the Downtown history.</p>
<p>Current Project Example</p>	<p>The Santa Clara Valley Transportation Authority (VTA) and the Santa Clara County Office of Supportive Housing are partnering to develop a transit-oriented development on an 8-acre property owned by VTA. The site is conceptualized as 5-story, mixed-use development containing 140 to 160 units, commercial/employment space, and commuter parking. Twenty percent (20%) of the units will be affordable to extremely low and very low income households. The project is undergoing public review.</p>

Visitor Attractions/Amenities

- Historic Downtown walking tour (with visitor map highlighting landmarks)
- Gilroy Gardens Family Theme Park
- Taco Trail
- Wineries and craft breweries
- Art studios, galleries, and theaters
- Limited-service hotels and campgrounds



Los Olivos, Santa Barbara County

<p>Description</p>	<p>Los Olivos is known as a small country town that dates back to the 1860s when the stagecoach route pass through. The historical Mattei’s Tavern was built to house and feed those passengers and still stands today. The Town has lavender farms, olive groves, orchards, vineyards, ranches, horse trails, art galleries, and upscale shops and restaurants. Los Olivos hosts an annual Jazz & Olive Festival that attracts performers and chefs with olive-centric cuisine. The Town is served by one (1) upscale hotel, Fess Parker Wine Country Inn.</p>
<p>Local Governing Documents</p>	<p>The County of Santa Barbara adopted the Santa Ynez Valley Community Plan in 2009. The Plan governs three (3) unincorporated townships: Ballard, Los Olivos, and Santa Ynez. The Plan identifies zoning and land use goals, policies, actions, and development standards.</p>
<p>Active Organizations</p>	<ul style="list-style-type: none"> • <i>Los Olivos Community Services District</i> – formed by local voters to provide a funding mechanism for the building and operation of facilities needed to collect, treat, and dispose of sewage, wastewater, recycled water, and storm water in Los Olivos. • <i>Los Olivos Chamber of Commerce</i> –local artists, business owners, wine makers, and members of the hospitality community that work to improve, promote, and enhance tourism, and sponsor local activities and events.
<p>Current Project Example</p>	<p>The Inn at Mattei’s Tavern, an Auberge Resorts Collection hotel, is currently under construction and will include 67 luxury guestrooms and cottage-style accommodations. Amenities will include an outdoor pool with poolside bar, cabanas and firepits, a signature spa, and indoor-outdoor event spaces. The Inn is expected to open in late 2022.</p>

Visitor Attractions/Amenities

- Wineries and tasting rooms
- Casual and fine dining restaurants
- Specialty shops
- Art galleries
- Upscale hotel



Downtown SLO, San Luis Obispo County

<p>Description</p>	<p>San Luis Obispo (SLO) is known for its historic architecture, vineyards, and entertainment. Downtown SLO hosts a Thursday night Farmers’ Market, Concerts in the Plaza, and community art projects. Downtown features several theatres, museums, historic buildings, and an open-air public market. The public market, Creamery Marketplace, was originally built in 1910 and housed the Golden State Creamery which contributed to the growth and development of the dairy industry in SLO.</p>
<p>Local Governing Documents</p>	<p>In 2017, the City adopted the Downtown Concept Plan establishing the blueprint for future public projects and guidance for private development in Downtown over the next 25 years. The Downtown Concept Plan is consistent with the General Plan and is guided by the policies and programs found in the Land Use and Circulation Elements, both of which were updated in 2014.</p>
<p>Active Organizations</p>	<ul style="list-style-type: none"> • <i>Downtown SLO</i> – non-profit organization with a mission to foster an economically vibrant Downtown. Businesses pay fees within a predefined Business Improvement Area. • <i>Friends of Downtown SLO</i> – non-profit that focuses on clean and safe efforts, including the Ambassador program, beautification and public art, urban forest protection, and homeless outreach. • <i>Downtown Ambassadors</i> – people who welcome tourists, remove graffiti, clean sidewalks, trash cans, and public benches.
<p>Current Project Example</p>	<p>The City recently approved a 4-story, mixed-use project that will include retail/restaurants, 36 housing units, and an open-air public walkway. Under the current proposal, there would be no on-site parking. Instead, the project will participate in the existing Downtown off-site residential parking program. The developer can pay an in-lieu fee that supports the creation of new parking structures in other parts of Downtown.</p>

Visitor Attractions/Amenities

- Specialty shops and services
- Breweries, gastropubs, and tasting rooms
- Casual and fine dining restaurants, including farm-to-table establishments
- Upscale and boutique hotels
- Art galleries and museums
- Entertainment venues



III-8. Stakeholder Interviews

KMA conducted a series of interviews with a variety of stakeholders to gather input regarding the Sub-Area Plan Area’s strengths and weaknesses relative to commercial revitalization and development opportunities. Surveyed stakeholders included leaders of local organizations, business owners, market-rate and affordable housing developers, and a local real estate broker. Table III-16 below presents a summary of key observations from the stakeholder interviews.

Table III-16: Summary of Stakeholder Feedback	
TOPIC	RESPONSES
WHAT ARE THE SUB-AREA PLAN AREA’S STRENGTHS?	<ul style="list-style-type: none"> • Access to amenities such as arts and cultural spaces, public facilities, and retail shops and services • Small-town charm consisting of a quaint, historic district with an existing Main Street, which doesn’t organically exist everywhere • Presence of existing agricultural uses – working farms, groves, and nurseries • Proximity to Camp Pendleton’s employment base • Ample parking to accommodate visitors • Access to good schools, recreational spaces, and places of worship • Existing infrastructure in place to accommodate future development
WHAT ARE THE SUB-AREA PLAN AREA’S WEAKNESSES?	<ul style="list-style-type: none"> • Lack of visitor-serving restaurants and nightlife • Far from employment centers • Existing retail businesses along Main Street do not provide consistent business hours • Downtown needs to be more walkable / pedestrian-friendly • Lack of quality lodging facilities to retain visitors overnight • Aging infrastructure • Not enough quality housing • Far from major arterial freeways • Lack of funding for ongoing maintenance of public improvements • Building height limits and maximum densities are too restrictive for new residential construction

Table III-16: Summary of Stakeholder Feedback

TOPIC	RESPONSES
<p>WHAT EFFORTS CAN THE COUNTY DO TO ATTRACT VISITORS AND IMPROVE THE QUALITY OF LIFE OF ITS RESIDENTS?</p>	<ul style="list-style-type: none"> • Create a positive brand/identity for the Sub-Area Plan Area • Incorporate traffic calming measures to assist in creating a pedestrian-friendly, walkable environment along Main Street • Consider closing a portion of Main Street to automobile traffic • Enhance design elements such as string lighting, extension of sidewalks, and/or diagonal parking • Create an authentic agritourism experience to include boutique hotels, cafes, wineries, farm-to-table experiences, farm camping, and spas and retreat venues • Incentivize developers who develop housing for a range of needs and family types, including both affordable housing and more upscale product types
<p>HOW CAN THE COUNTY IMPROVE ITS EXISTING POLICIES / PLANNING PROCESSES?</p>	<ul style="list-style-type: none"> • Relax the minimum parking requirements for commercial businesses • Process permits/projects in a timelier fashion • Implement zoning that allows by-right development, i.e., eliminating the need for zoning changes or potential CEQA litigation • Allow for densities higher than 24 units per acre, such as 30 units per acre • Consider increasing maximum building heights to allow for at least 36 feet and encourage step backs to reduce bulk and mass of taller buildings • Identify opportunities for public-private partnerships

SECTION IV: FINANCIAL FEASIBILITY ANALYSIS

IV-1. Methodology

To address the economic viability of potential changes related to the Sub-Area Plan Area's existing land use and zoning regulations, KMA evaluated the feasibility of a range of multi-family residential and mixed-use development concepts. KMA's financial feasibility analysis involved the following key steps.

1. Formulated project descriptions for five (5) potential multi-family and mixed-use development concepts.
2. Collected and evaluated financial pro forma inputs and assumptions based on review of multi-family apartment rents, retail/restaurant rents, hotel rates, and other market factors in the North County Inland area, as well as KMA experience with projects of comparable development type.
3. Prepared financial pro forma models (residual land value analyses) to measure the economic feasibility of each development concept.
4. Evaluated land sales in the surrounding trade area to compare against the residual land value outcomes.

The development concepts presented reflect existing zoning conditions and do not consider any potential zoning or design guidelines that may be implemented as part of the SAP.

IV-2. Financial Feasibility Key Findings

A. Development Concepts

KMA formulated five (5) development concepts to assess the financial feasibility of multi-family residential and mixed-use development concepts within the Sub-Area Plan Area. It should be noted that a portion of the Sub-Area Plan Area (primarily the Village Core and surrounding area) is governed by the Fallbrook Village (FB-V) Zoning Regulations. The FB-V Zoning Regulations were designed to allow for a mix of higher-density housing and higher-intensity commercial uses while preserving and promoting the village character. Residential development in select areas is limited to 30 units per acre, with a maximum building height limit of 35 feet for all land uses.

The purpose of the development concepts is to serve as representative examples of the types of development that could occur in the Sub-Area Plan Area. Each development concept takes into consideration both current and anticipated future development patterns, as well as residential and commercial market demand factors, in the Sub-Area Plan Area and surrounding area.

Table IV-1 presents the project descriptions for the five (5) development concepts identified in this feasibility analysis. The development concepts are profiled in terms of approximate site size, gross building area (GBA), number of units, retail/restaurant square feet (SF), hotel rooms, density, and parking type. The development concepts are modeled as Type V (low-rise, wood-frame) construction within the existing 35-foot height limit. Parking for the various development concepts ranges from surface parking/attached garages to tuck-under parking.

Table IV-1: Development Concepts					
	Concept A	Concept B	Concept C	Concept D	Concept E
Product Type	Townhomes	Garden Apartments	Stacked Flats	Mixed-Use Studios/Lofts over Retail	Boutique Hotel with Retail/Restaurant
Site Size	2.0 acres	2.0 acres	1.0 acre	1.0 acre	1.5 acres
Construction Type	Type V	Type V	Type V	Type V	Type V
Number of Stories	2-3 stories	3 stories	3 stories	3 stories	3 stories
Parking Type	Attached Garages	Surface and Carports	Surface and Tuck-Under ⁽¹⁾	Tuck-Under ⁽¹⁾	Surface
GBA	41,250 SF	43,000 SF	27,500 SF	28,000 SF	28,500 SF
Retail SF	---	---	---	3,000 SF	3,500 SF
Residential Units	30 units	48 units	30 units	30 units	---
Product Tenure	For-Sale	Rental	Rental	Rental	N/A
Density	15 units/acre	24 units/acre	30 units/acre	30 units/acre	27 rooms/acre
Hotel Rooms	---	---	---	---	40 rooms
FAR	0.47	0.49	0.63	0.71	0.44
(1) Tuck-under parking is defined as parking spaces that are covered by the upper floor of a building but are otherwise open to the ground floor.					

B. Residual Land Values

KMA prepared financial pro forma analyses for each of the development concepts to determine the supportable residual land value. Residual land value is defined as the amount that a developer can afford to pay for a specific development opportunity after taking into account the estimated development costs (other than land acquisition), anticipated value upon completion, and an industry standard return on investment. Each residual land value model incorporated estimates of development costs, market rents/values, and target developer returns reflective of recent comparable projects and available market and industry data.

To better understand which projects are considered financially feasible, KMA surveyed land sales within the surrounding trade area, defined as 15 miles from the intersection of South Orange Avenue and East Elder Street. KMA found that land sold for residential, commercial, and mixed-use purposes ranged in price between \$5 and \$45 per SF land, with a median sales price of \$18 per SF land. Most sales were concentrated in the \$15 to \$20 per SF range. This survey suggests that new development needs to support a minimum land value in this range in order to be financially feasible.

Table IV-2 presents the residual land value outcomes for each development concept. The KMA analysis found that only Development Concepts A (for-sale townhomes) and B (rental apartments) are financially feasible under current market conditions. Current market conditions demonstrate that for-sale residential product is strong and, as evidenced below, generates the highest land value on per-SF of land basis. In addition, Development Concepts A and B rely on surface parking and/or private garage parking, as opposed to a structured parking. Development Concepts C, D, and E are estimated to yield below market land values and are only marginally feasible. This finding indicates that higher-density and/or mixed-use development on in-fill parcels in the Village Core are not likely to be feasible in the near-term (0 to 5 years).

	Concept A	Concept B	Concept C	Concept D	Concept E
Product Type	Townhomes	Garden Apartments	Stacked Flats	Mixed-Use Studios/Lofts over Retail	Boutique Hotel with Retail/Restaurant
Residual Land Value	\$2,858,000 \$95,000/Unit \$33/SF Site	\$2,328,000 \$49,000/Unit \$27/SF Site	\$104,000 \$3,000/Unit \$2/SF Site	\$124,000 \$4,000/Unit \$3/SF Site	\$394,000 \$10,000/Room \$6/SF Site

Using a target land value of \$20 per SF of land area as a benchmark for determining feasibility, KMA tested the break-even market rents/hotel room rates for Development Concepts C, D, and E. KMA found that if apartment rents in Development Concepts C and D increase by \$0.15 per SF per month -- a 5% increase over current projected market rents -- the residual land values for these development concepts increase to approximately \$20 per SF of land. The land value in Development Concept E would increase to \$20 per SF of land if the hotel average daily rate (ADR) increases by 8%, from the current estimate of \$195 to \$210. In other words, with relatively minor increases in market rental rates (over and above construction cost increases), Development Concepts C, D, and E become feasible. As the Sub-Area Plan Area is revitalized and is able to attract quality businesses and market rents rise over time, it is reasonable to anticipate that developments such as those presented in Development Concepts C, D, and E will achieve financial feasibility in the mid-term, i.e., five (5) to 10 years.

C. Factors Affecting Financial Feasibility

A variety of factors can either increase or decrease financial feasibility of the development concepts including, but not limited to: construction costs, market rents, parking ratios, project amenities, and capitalization (cap) rates. There are numerous policies and programs that local jurisdictions and the State have implemented to provide developers with concessions and waivers to allow for increased densities, reduced parking ratios, and modifications to other development standards. One example is the State's Density Bonus Law, a mechanism which allows developers to obtain more favorable local development requirements in exchange for offering to build or donate land for affordable or senior housing units. The Density Bonus program is being widely used to produce housing throughout the County.

The Sub-Area Plan Area has not experienced any significant new development in many years. At present time, new development in the Fallbrook community has been concentrated along major transit corridors, specifically I-15 and SR 76. In an effort to attract new development to the Sub-Area Plan Area, the County may wish to consider offering developers incentives that result in a reduction of development costs, thereby enhancing financial feasibility. Such incentives may include:

- Expedited entitlement processing
- Deferral or waiver of Development Impact Fees (DIFs)
- Reduced parking ratios for projects that meet certain criteria
- Flexibility with regard to zoning parameters such as building height and mass, setbacks, stepbacks, and open space
- Negotiating Public-private partnerships (P3s) with developers to kickstart catalyst developments

IV-3. Financial Pro Forma Models

The KMA financial pro forma models test the financial feasibility of the five (5) development concepts. The models reflect hypothetical sites and are not specific to any property within the Sub-Area Plan Area. The sites are relatively small in size, with each ranging between 1.0 and 2.0 acres. These development concepts would be best suited within or adjacent to the Downtown/Village Core; however, Development Concepts A (for-sale townhomes) and B (rental garden apartments) could be developed throughout the Sub-Area Plan Area on sites larger than 2 acres. For each of the financial pro formas models, KMA estimated:

- Development costs, consisting of direct construction costs, indirects, and financing costs
- Projected gross sales revenue, including developer profit/cost of sale (Development Concept A)
- Projected income and operating expenses (Development Concepts B, C, and D)
- Projected hotel room revenue and expenses (Development Concept E)
- Estimates of residual land value

The pro forma models yield an estimate of the residual land value for each respective development concept. The residual land value represents the maximum land price supported by the proposed development. The full residual land value models are attached to this report as Appendices A through E.

A. Project Descriptions

Within each appendix, Table 1 presents a physical description of the respective development concept, including site area, density, residential unit mix, number of stories, retail/restaurant SF, hotel rooms, and parking type.

B. Estimated Development Costs

Tables A-2, B-2, C-2, D-2, and E-2 presents the estimated development costs for each development concept. KMA compiled these estimates based on our recent experience with comparable developments in Southern California and industry data sources. These estimates include the following components:

- Direct construction costs, such as on- and off-site improvements, parking, shell construction, amenities/furniture, fixtures, and equipment (FF&E), and contingency. The KMA estimates of direct construction costs do not assume prevailing wages. It should also be noted that the KMA pro formas do not assume costs associated with demolition, relocation, or remediation, if applicable.
- Indirect costs, such as architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer fee, marketing and lease-up/sales, and contingency.
- Financing costs, such as loan fees and interest during construction/lease-up.

C. Gross Sales Proceeds and Residual Land Value – For-Sale Townhomes

Table A-3 presents the KMA estimate of townhome gross sales proceeds and estimated residual land value.

D. Net Operating Income – Rental Apartments

Table B-3, C-3, and D-3 present the KMA calculations of net operating income (NOI) for each rental residential development concept. These tables provide an estimate of apartment market rents, which range by development concept and bedroom type/size, and an estimate of operating expenses.

E. Net Operating Income – Hotel

Table E-3 presents the KMA calculation of NOI for the hotel component in Development Concept E. As shown, KMA has estimated stabilized annual revenue, based on an assumed average daily room rate (ADR), occupancy rate, other revenue, and operating expenses.

F. Net Operating Income – Retail/Restaurant

Tables D-4 and E-4 present the KMA calculations of NOI for the retail/restaurant component of Development Concepts D and E. The retail/restaurant NOI takes into account achievable monthly rents, a vacancy factor, and an estimate of unreimbursed operating expenses.

G. Residual Land Values for Rental Development Concepts

Tables B-4, C-4, D-5, and E-5 present the detailed calculations of residual land value for the rental apartments (Development Concepts B, C, and D) and hotel development concept (Development Concept E). This analysis includes estimates of target capitalization rates, cost of sale, and target developer profit by development type.

H. Land Acquisition Costs

For comparison purposes, KMA surveyed land sales within the surrounding trade area, defined as 15 miles from the intersection of South Orange Avenue and East Elder Street. KMA gathered land sales data for the period from January 2019 to present from CoStar Group, Inc., a commercial real estate information company. KMA further refined the survey to exclude sales that occurred west of Interstate 5 and in Old Town Temecula. KMA removed land sales under \$5 per SF, which are generally located in less developed rural areas. Based on these survey criteria, land sold for residential, commercial, and mixed-use purposes ranged in price between \$5 and \$45 per SF land, with a median sales price of \$18 per SF land. The detailed land sales can be found in Appendix F (Table F-1).

There were no land sales identified within the Sub-Area Plan Area. Since 2019, CoStar only identified two (2) land sales in the Fallbrook community. Both sales were for sites located directly adjacent to SR 76 and averaged \$13 per SF of land. These sales are profiled in Table IV-3 below.

Sold Date	Location	Sales Price	Land Area	\$/SF Land
09/16/21	308 Pala Road	\$1,550,000	2.56 Acres	\$14/SF
04/03/19	2373-2385 Via Monserate	\$875,000	1.65 Acres	\$12/SF

Source: CoStar Group, Inc.

As shown in the KMA analysis, Development Concepts A (townhomes) and B (garden apartments) yield the highest residual land values. Development Concepts C (stacked flats) and D (mixed-use studios/lofts over retail) are higher-density developments that contain tuck-under parking, which result in higher construction costs. As a result, these Development Concepts yield land values below the typical land values in the trade area. Development Concept E (boutique hotel with retail/restaurant) also appears to be only marginally feasible. While the KMA financial feasibility analysis indicates that the development concepts with attached garages and/or surface/carports appear to be the most feasible in the current market, as the Sub-Area Plan Area is revitalized and market rents rise over time, it is reasonable to anticipate that higher density projects with structured parking will become more feasible in the mid-term (5 to 10 years).

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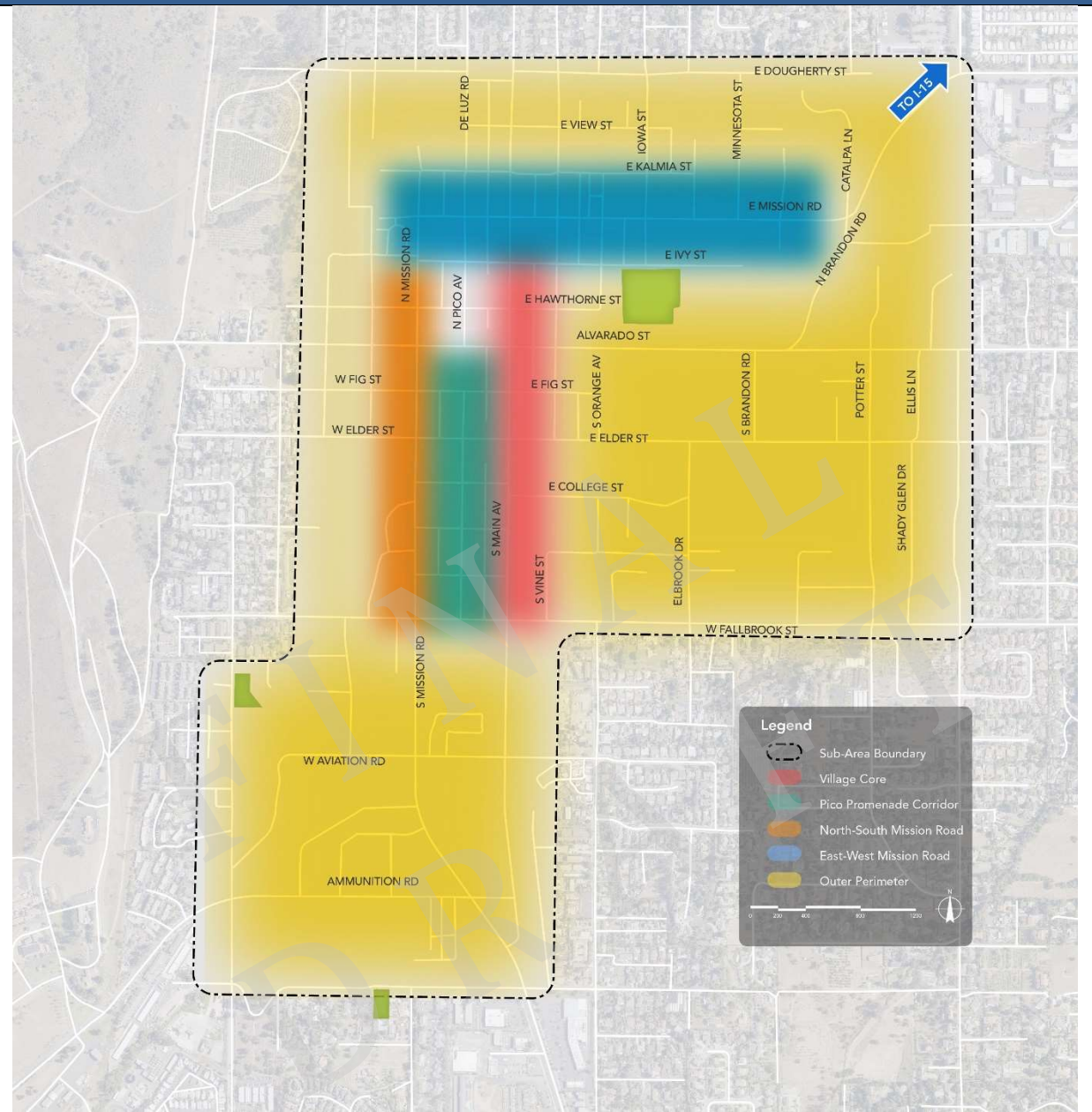
SECTION V: DEVELOPMENT POTENTIAL AND KEY OPPORTUNITIES

The key to developing/redeveloping the Sub-Area Plan Area is to build on the existing community and regional assets. The natural, built, and cultural assets in the Sub-Area Plan Area and surrounding Fallbrook community serve as the basis to attract visitors and retain its existing population and support future growth. Section III of this Report concluded that residential, retail/restaurant, and hotel/visitor-serving land uses range between moderate and strong demand in the near-, mid- and, long-term. Based on these findings, KMA identified potential opportunities for development and redevelopment within five (5) distinct segments of the Sub-Area Plan Area. These segments are listed below.

- **Village Core** – Main Avenue from East Mission Road (northern boundary) to West Fallbrook Street (southern boundary)
- **Pico Promenade Corridor** – Area bounded by West Alvarado Street, South Main Avenue, West Fallbrook Street, and South Mission Road
- **North-South Mission Road** – West Mission Road (northern boundary) to West Aviation Road (southern boundary)
- **East-West Mission Road** – East Mission Road from North Mission Road (western boundary) to Santa Margarita Drive (eastern boundary)
- **Outer Perimeter** – Areas/streets outside of the primary corridors listed above


Exhibit V-1 on the following page depicts these segments.

Exhibit V-1: Recommended Segments of the Sub-Area Plan Area




Source: MIG

For each of the segments previously described, KMA identified general development concepts, recommended product types, potential tenants/end users, timing/phasing, and prerequisites for development. These are presented on the following pages.

Village Core	
Location	Main Avenue from East Mission Road (northern boundary) to West Fallbrook Street (southern boundary)
General Development Concept	The Village Core should function as the center of the Sub-Area Plan Area. Main Avenue has been designed to include active street frontage while encouraging pedestrian activity. The Village Core should continue to serve as the hub for events and activities that attract visitors to the Sub-Area Plan Area. The Village Core should also provide a balance of housing with ancillary retail and entertainment uses, social gathering spaces, and recreational amenities.
Recommended Product Types	<ul style="list-style-type: none"> • Live/work lofts, including studio space • Stacked-flat rental apartments with ground-floor retail space • Standalone retail/restaurant and entertainment uses • Commercial businesses and residential uses in mixed-use format • Boutique hotels
Potential Tenants/ End Users	<p><u>Residential Uses:</u></p> <ul style="list-style-type: none"> • Individuals and young families • Military • Empty nesters/seniors <p><u>Commercial uses:</u></p> <ul style="list-style-type: none"> • Boutique and specialty retailers • Experiential retail • Farm-to-table restaurants • Tasting room/brewery • Arts and culture themed businesses
Timing/Phasing	5 to 10 years
Prerequisites for Development	<ul style="list-style-type: none"> • Add gateway/wayfinding signage • Provide signage and accessibility for public parking resources • Re-brand and implement marketing strategy • Upgrades to public realm including sidewalks, outdoor plazas, and other placemaking amenities • Create destination places that attract residents and visitors
	

Pico Promenade Corridor	
Location	Area bounded by West Alvarado Street, South Main Avenue, West Fallbrook Street, and South Mission Road
General Development Concept	Extend the Pico Promenade theme up to West Alvarado Street. Develop the area with uses that complement the natural and healthy environment of the Pico Promenade. The Pico Promenade area can anchor residential uses and ancillary retail that promote a pedestrian-friendly atmosphere. The area could also incorporate elements of urban agriculture.
Recommended Product Types	<u>Residential Uses:</u> <ul style="list-style-type: none"> • Garden apartments and stacked flats • For-sale townhomes and rowhomes <u>Commercial Uses:</u> <ul style="list-style-type: none"> • Standalone commercial space <u>Agricultural Uses:</u> <ul style="list-style-type: none"> • Working community garden(s)
Potential Tenants/ End Users	<ul style="list-style-type: none"> • Individuals and young families • Military • Empty nesters/senior • Fast/casual restaurant uses
Timing/Phasing	5 to 15 years
Prerequisites for Development	<ul style="list-style-type: none"> • Add gateway/wayfinding signage • Enhance creek frontage/creek walk along Pico Promenade • Upgrades to public realm including sidewalks, outdoor plazas, and other placemaking amenities • Add signage for public parking resources • Encourage pop-up food and drink vendors to activate public spaces
	

North-South Mission Road Corridor	
Location	Mission Road from West Mission Road (northern boundary) to West Aviation Road (southern boundary)
General Development Concept	The North-South Mission Road Corridor is predominately built out and serves as the main commercial corridor with medium-sized retailers, supermarkets, pharmacies, fast/casual restaurants, and institutional and community-serving uses. The North-South Mission Road Corridor should continue to serve as the primary commercial corridor that provides residents with retail goods, services, and business activity. As the Sub-Area Plan Area builds out, there may be opportunities to redevelop large surface parking lots.
Recommended Product Types	<u>Commercial Uses:</u> <ul style="list-style-type: none"> • Limited-service hotel • Standalone commercial space
Potential Tenants/ End Users	<ul style="list-style-type: none"> • Grocers and pharmacies • Convenience retail • Business and personal services (banks, insurance, real estate, etc.) • Community services (dry cleaner, postal annex, personal care, etc.)
Timing/Phasing	Ongoing
Prerequisites for Development	<ul style="list-style-type: none"> • Improvements to circulation patterns and traffic capacity • Enhancements to landscaping, lighting, and sidewalks to improve pedestrian safety
	

East-West Mission Road Corridor	
Location	East Mission Road from North Mission Road (western boundary) to Santa Margarita Drive (eastern boundary)
General Development Concept	The East-West Mission Road Corridor serves as the access/entry point from I-15 to the Sub-Area Plan Area. This section of East Mission Road includes a diverse mix of commercial businesses, including restaurants, personal and business services, auto repair, and religious facilities. The corridor could benefit from the addition of agritourism-related businesses, which may serve pass-through traffic and increase visitor spending within the Sub-Area Plan Area.
Recommended Product Types	<ul style="list-style-type: none"> Standalone commercial space Garden-style rental apartments Affordable (tax credit) apartments
Potential Tenants/ End Users	<p><u>Residential Uses:</u></p> <ul style="list-style-type: none"> Individuals and young families Military <p><u>Commercial Uses:</u></p> <ul style="list-style-type: none"> Convenience retail Agritourism businesses with educational and entertainment experiences Agricultural retailers and suppliers Fast/casual restaurant uses
Timing/Phasing	10 to 15 years
Prerequisites for Development	<ul style="list-style-type: none"> Improvements to circulation patterns and traffic capacity Enhancements to landscaping, lighting, and sidewalks to improve pedestrian safety Creation of land use buffers between incompatible land uses
	

Outer Perimeter	
Location	Streets/areas outside of the primary corridors
General Development Concept	Vacant and/or underutilized parcels in the outer perimeter of the Sub-Area Plan Area allows for development of critical mass uses that require large development sites.
Recommended Product Types	<p><u>Residential Uses:</u></p> <ul style="list-style-type: none"> • Small-lot and Zero Lot Line (ZLL) single-family homes • For-sale townhomes and rowhomes • Garden-style rental apartments <p><u>Commercial Uses:</u></p> <ul style="list-style-type: none"> • Limited-service hotels, where applicable
Timing/Phasing	Ongoing
Prerequisites for Development	<ul style="list-style-type: none"> • Enhancements to landscaping, lighting, and sidewalks to improve pedestrian safety
	

FINAL DRAFT

SECTION VI: PLAN IMPLEMENTATION

A. Key Strategies and Action Steps

A key objective of the SAP is to revitalize the Sub-Area Plan Area and attract new investment while improving mobility, enhancing safety, and attracting businesses, visitors, and residents. In addition, the SAP is intended to support the County’s need to meet its RHNA obligation by expanding opportunities for residential development within the Sub-Area Plan Area. Table VI-1 presents potential land use and economic development strategies and recommended action steps to implement the SAP objectives. The strategies and recommended action steps may involve collaboration among the County, property owners/developers, non-profit organizations, and other key stakeholders.

Table VI-1: Key Strategies and Recommended Action Steps	
Strategy	Recommended Action Steps
<i>Expand and attract visitor-serving and entertainment uses within Village Core</i>	<ul style="list-style-type: none"> • Re-brand the Village Core to create a distinct district identify • Identify undeveloped or underutilized sites for assembly to foster development of a critical mass of retail, entertainment, and experiential retail uses • Evaluate opportunities to redevelop existing older buildings in the Sub-Area Plan Area • Evaluate the potential to form a Business Improvement District or Property-Based Business Improvement District
<i>Attract residential and supporting retail uses along the Pico Promenade Corridor</i>	<ul style="list-style-type: none"> • Extend the Pico Promenade theme to West Alvarado Street and improve wayfinding • Enhance the natural landscape of the creek area to create a public amenity that allows for passive uses with themes of fitness and wellness • Incorporate complementary retail uses to support development of multi-family housing
<i>Provide opportunities to expand the hospitality sector</i>	<ul style="list-style-type: none"> • Support the planning for, and encourage, hotel uses in areas in the Village Core and in close proximity to tourist/recreational amenities • Collaborate with the Fallbrook Chamber of Commerce to ensure that plazas are activated with a variety of activities, art installations, and/or performances • Support the Fallbrook Chamber of Commerce and/or other non-profit entities to develop a marketing strategy to promote special events and attract visitors from outside of the greater Fallbrook community
<i>Create opportunities for housing development in partial satisfaction of the County’s Regional Housing Needs Allocation (RHNA) obligation</i>	<ul style="list-style-type: none"> • Continue to assess the long-term feasibility of multi-family residential and engage with potential developers to identify potential incentives • Evaluate opportunities to adaptively re-use existing older buildings in the Sub-Area Plan Area • Explore opportunities for Public-Private Partnerships (P3s) to implement new development in the Sub-Area Plan Area

B. Potential Funding Sources

Investment in infrastructure and amenities is required to attract new development and generate interest from businesses that serve residents and potential visitors. There are a number of opportunities available to the County to fund capital improvements and/or the ongoing annual maintenance of improvements in the Sub-Area Plan Area. Table VI-2 presents potential funding mechanisms available to implement the goals and objectives of the SAP.

Table VI-2: Overview of Potential Funding Mechanisms for Public Infrastructure			
Funding Source	Target Improvements	Source of Funding	Responsible Party
Assessment Districts	<ul style="list-style-type: none"> Roads Sidewalks Water/sewer facilities Street lighting and landscaping 	Assessment on real property collected via property tax	Property owners/developers with assistance from local agency ⁽¹⁾
Business/Property Based Improvement Districts	<ul style="list-style-type: none"> Marketing and economic development Security Sanitation Street lighting and landscaping Signage and decorations 	Assessment paid by businesses or property owners	Property owners/developers and businesses with assistance from local agency ⁽¹⁾
Community Facilities Districts (Mello-Roos)	Capital Projects (lifespan of over 5 years): <ul style="list-style-type: none"> Parks and open space Public infrastructure and facilities Services (funded annually): <ul style="list-style-type: none"> Police and fire protection Recreation, library, and cultural Street lighting and landscaping Flood and storm protection 	Special tax on real property collected via property tax	Property owners/developers with assistance from local agency ⁽¹⁾
Tax Increment Financing Districts	<ul style="list-style-type: none"> Public infrastructure and facilities Parking structures Parks and open space Streetlighting and landscaping 	Voluntary diversion of portion/all of the property tax increment by County and any other participating taxing agencies	County
Development Impact Fees	<ul style="list-style-type: none"> Mobility improvements Park mitigation Drainage Water Fire protection 	Fees paid in the form of a specified amount as a condition to the issuance of permit/ approval	County
Capital Improvement Program	<ul style="list-style-type: none"> Roads Parks and open space Water/sewer facilities 	<ul style="list-style-type: none"> County General Fund Local, State, and Federal Grants 	County

Table VI-2: Overview of Potential Funding Mechanisms for Public Infrastructure			
Funding Source	Target Improvements	Source of Funding	Responsible Party
External Grants and Loans	<ul style="list-style-type: none"> Roads Biking and walking paths Transit access improvements Sidewalk improvements Roundabout and stormwater treatment areas Water/sewer facilities Environmental mitigation measures 	Annual grants/loans provided by local, State, and Federal agencies	Property owners/developers, non-profit entities, and/or County
(1) Requires local agency participation for formation and levy/collection of the special assessments or taxes.			

Construction of new development and redevelopment of existing property is necessary to contribute to the magnitude of funding that can be secured by each of the financing mechanisms listed below. Special financing districts (SFDs), in particular, rely on the payment of special taxes and/or assessments that are levied and collected via the County’s secured property tax roll. These financing mechanisms may involve collaboration among the County, property owners/developers, non-profit organizations, and other key stakeholders. More detailed profiles of each funding source are provided below.

- Assessment Districts (AD)* – A special financing district formed by a local government agency (county, city, water district, etc.) that includes property that will receive direct (special) benefit from the construction of or maintenance of new public improvements. Revenues collected through an AD are strictly limited for the improvements and services for which the AD was formed. Formation of an AD requires a majority vote of the affected property owners through an assessment ballot procedure conducted at a public hearing. Once formed, a lien is placed against the property and amortized over the life of the assessment and is collected with regular property taxes. Bonds may also be issued to finance capital improvements. Eligible uses of funds may include construction and maintenance of roads, sidewalks, water and sewer facilities, drainage/flood control, landscaping and lighting.
- Business/Property-Based Improvement Districts (BIDs/PBIDs)* – A defined area within which business and/or property owners are required to pay an additional levy in order to fund projects or services within the district’s boundaries. The County can propose to create a new district by adopting a resolution of intention. After a district is created, a lien is placed on the property or business owners over the life of the district and collected annually. Eligible uses of funds may include marketing and economic development, security, and sanitation.
- Community Facilities Districts (CFDs)* – A special financing district formed by a local government agency (county, city, school district, water district, etc.) or property owner (developer) that define a geographic boundary for purposes of funding various capital improvements and ongoing (annual) services within that boundary. In order to establish a CFD, a two-thirds vote of property owners is required if there are no more than 12 registered voters living within the proposed district. However, if more than 12 registered voters reside in the district, a two-thirds vote of registered voters is

required. The CFD can fund a multitude of capital projects including parks/open spaces, schools, libraries, childcare facilities, and other public infrastructure improvements. The CFD may also be comprised of a services component that funds police and fire protection, recreational programs, library services, cultural facilities, maintenance and lighting of parks, streets, and roads, and flood and storm protection services.

- *Tax Increment Financing Districts (TIFDs)* – Establishment of an TIFD requires support from key policymakers and the community. Tax increment is defined as the growth in property tax revenue, above a frozen base assessed value, that existing taxing entities (county, city, or both) receive within a specific geographic boundary. Local taxing entities reallocate their share of tax increment to repay the debt service on bonds issued to pay for public improvements that are of communitywide significance with a useful life of 15 years or more. Dependent on the type of TIFD, eligible uses may include transportation infrastructure, water and wastewater infrastructure, solid waste facilities, affordable housing, and community amenities.
- *Development Impact Fees (DIFs)* – DIFs are imposed by a local government on new/proposed development to provide public facilities to new development. The County must identify the uses for the fee and show that there is a relationship between the public facilities needed and the development upon which the fee will be imposed. Fees are paid in the form of a specified amount as a condition of the issuance of building/occupancy permits or subdivision map approval. Eligible uses of funds may include traffic mitigation, park mitigation, water system capacity, and fire protection. The County currently assesses a Countywide Fire Mitigation Fee and Transportation Impact Fee (TIF).
- *Capital Improvement Program (CIP)* – A short-range plan, which identifies capital projects, a planning schedule, and financing options. A CIP budget must go through public outreach and receive approval by the County's Board of Supervisors. CIP funding sources include the County's General Fund; Community Development Block Grant (CDBG) Fund; and Local, State, and Federal Grants. Eligible uses of funds may include streets and highways, drainage, parks and open space, and water/sewer utilities.
- *External Grants and Loans* – A variety of grants and loans are also available to fund public improvements. These include the San Diego Association of Government's (SANDAG's) Smart Growth Incentive Program (SGIP) and Active Transportation Grant Program (ATGP); the California Investment and Economic Development Bank (I-Bank); the Federal Transportation Investment Generating Economic Recovery (TIGER) Program; Community Development Block Grant (CDBG) Program; and the Home Investment Partnership Program (HOME). These funding sources may fund affordable housing and a variety of public improvements, including major highway/street improvements, roundabout and stormwater treatment areas, improvements to transit access, biking/walking paths, plazas, and other public facilities.

The use of funding mechanisms and timing will be dependent on the list of infrastructure and amenities that are proposed to be implemented as part of the SAP.

SECTION VII: LIMITING CONDITIONS

1. KMA has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Although KMA believes all information in this document is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties.
2. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
3. The analysis, opinions, recommendations, and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.
4. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured. No guarantee is made as to the possible effect on development of current or future Federal, State, or local legislation including environmental or ecological matters.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity. If an unforeseen change occurs in the local or national economy, the analysis and conclusions contained herein may no longer be valid. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.
6. KMA is not advising or recommending any action be taken by the County with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues).
7. KMA is not acting as a Municipal Advisor to the County and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the County pursuant to Section 15B of the

Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product.

8. The County shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own Municipal Advisors, that it deems appropriate before acting on the information and material.

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APPENDIX A

Development Concept A Townhomes with Attached Garages



**Financial Feasibility Analysis
Fallbrook Village Subarea Plan
County of San Diego**

TABLE A-1

**PROJECT DESCRIPTION
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Townhomes with Attached Garages

I. For-Sale/Rental	For-Sale		
II. Site Area	2.00 Acres	87,120 SF	
III. Density (Units/Acre)	15.0 Units/Acre		
IV. Floor Area Ratio (FAR)	0.47		
V. Construction Type	Type V		
VI. Stories	2-3 Stories		
VII. Maximum Building Height	35 Feet		
VIII. Gross Building Area (SF)			
Net Residential	41,250	100.0%	
Community/Recreation	0	0.0%	
Circulation/Lobby/Leasing Office	<u>0</u>	<u>0.0%</u>	
Total Gross Building Area	41,250	100.0%	
IX. Residential Unit Mix	<u>Number of Units</u>	<u>Unit Size</u>	
Two Bedroom	15	50%	1,250 SF
Three Bedroom	<u>15</u>	<u>50%</u>	<u>1,500 SF</u>
Total Units/Average	30	100%	1,375 SF
X. Parking			
Parking Type	Attached Garages		
Parking Ratio ⁽¹⁾	2.00 Spaces/Unit		
Parking Spaces	60 Spaces		

(1) Source: San Diego County Parking Regulations Section 6758.

TABLE A-2

**ESTIMATED DEVELOPMENT COSTS
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

	Townhomes with Attached Garages		
	<u>Total</u>	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs ⁽¹⁾			
Off-Site Improvements ⁽²⁾	\$261,000	\$8,700	\$3 Per SF Site
On-Site Improvements/Landscaping	\$1,045,000	\$34,800	\$12 Per SF Site
Parking	\$0	\$0	Included above
Shell Construction	\$7,425,000	\$247,500	\$180 Per SF GBA
Amenities/FF&E - Residential	\$105,000	\$3,500	Allowance
Contingency	<u>\$442,000</u>	<u>\$14,700</u>	5.0% of Directs
Total Direct Costs	\$9,278,000	\$309,300	\$225 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$557,000	\$18,600	6.0% of Directs
Permits & Fees ⁽²⁾	\$641,000	\$21,400	\$16 Per SF GBA
Legal & Accounting	\$139,000	\$4,600	1.5% of Directs
Taxes & Insurance	\$139,000	\$4,600	1.5% of Directs
Developer Fee	\$371,000	\$12,400	4.0% of Directs
Marketing	\$345,000	\$11,500	2.0% of Value
Contingency	<u>\$110,000</u>	<u>\$3,700</u>	5.0% of Indirects
Total Indirect Costs	\$2,302,000	\$76,700	24.8% of Directs
III. Financing Costs	<u>\$742,000</u>	<u>\$24,700</u>	8.0% of Directs
IV. Development Costs (Excl. Acquisition)	\$12,322,000	\$410,700	\$299 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimate; not verified by KMA or County.

TABLE A-3

GROSS SALES PROCEEDS
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

Townhomes with Attached Garages					
	<u>Unit Size</u>	<u># Units</u>	<u>\$/SF</u>	<u>Price/Unit</u>	<u>Total</u>
I. Gross Sales Proceeds					
Two Bedroom	1,250 SF	15	\$440	\$550,000	\$8,250,000
Three Bedroom	<u>1,500 SF</u>	<u>15</u>	<u>\$400</u>	<u>\$600,000</u>	<u>\$9,000,000</u>
Total	1,375 SF	30	\$418	\$575,000	\$17,250,000
(Less) Cost of Sale			2.0% of Value		(\$345,000)
(Less) Developer Profit			10.0% of Value		<u>(\$1,725,000)</u>
II. Net Sales Proceeds					\$15,180,000
(Less) Development Costs					<u>(\$12,322,000)</u>
III. Residual Land Value					\$2,858,000
Per Unit					\$95,000
Per SF Site Area					\$33

APPENDIX A

Development Concept B Garden Apartments with Surface Parking



**Financial Feasibility Analysis
Fallbrook Village Subarea Plan
County of San Diego**

TABLE B-1

**PROJECT DESCRIPTION
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

**Garden Apartments with Surface
Parking**

I. For-Sale/Rental	Rental		
II. Site Area	2.00 Acres	87,120 SF	
III. Density (Units/Acre)	24.0 Units/Acre		
IV. Floor Area Ratio (FAR)	0.49		
V. Construction Type	Type V		
VI. Stories	2-3 Stories		
VII. Maximum Building Height	445955 Feet		
VIII. Gross Building Area (SF)			
Net Residential	41,520	96.5%	
Community/Recreation	0	0.0%	
Circulation/Lobby/Leasing Office	<u>1,500</u>	<u>3.5%</u>	
Total Gross Building Area	43,020	100.0%	
IX. Residential Unit Mix	<u>Number of Units</u>	<u>Unit Size</u>	
One Bedroom	19	40%	700 SF
Two Bedroom	24	50%	950 SF
Three Bedroom	<u>5</u>	<u>10%</u>	<u>1,100 SF</u>
Total Units/Average	48	100%	865 SF
X. Parking			
Parking Type	Surface/Carport		
Parking Ratio ⁽¹⁾	1.52 Spaces/Unit		
Parking Spaces	73 Spaces		

(1) Source: San Diego County Parking Regulations Section 6758. Assumes the following parking ratios: one- and two-bedroom units @ 1.5 spaces per unit and three-bedroom units @ 2.0 spaces per unit.

TABLE B-2

**ESTIMATED DEVELOPMENT COSTS
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Garden Apartments with Surface Parking			
	<u>Total</u>	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs ⁽¹⁾			
Off-Site Improvements ⁽²⁾	\$261,000	\$5,400	\$3 Per SF Site
On-Site Improvements/Landscaping	\$1,307,000	\$27,200	\$15 Per SF Site
Parking	\$0	\$0	Included above
Shell Construction	\$8,174,000	\$170,300	\$190 Per SF GBA
Amenities/FF&E - Residential	\$216,000	\$4,500	Allowance
Contingency	<u>\$498,000</u>	<u>\$10,400</u>	5.0% of Directs
Total Direct Costs	\$10,456,000	\$217,800	\$243 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$627,000	\$13,100	6.0% of Directs
Permits & Fees ⁽²⁾	\$887,000	\$18,500	\$21 Per SF GBA
Legal & Accounting	\$157,000	\$3,300	1.5% of Directs
Taxes & Insurance	\$157,000	\$3,300	1.5% of Directs
Developer Fee	\$418,000	\$8,700	4.0% of Directs
Marketing/Lease-Up	\$120,000	\$2,500	Allowance
Contingency	<u>\$118,000</u>	<u>\$2,500</u>	5.0% of Indirects
Total Indirect Costs	\$2,484,000	\$51,800	23.8% of Directs
III. Financing Costs	<u>\$836,000</u>	<u>\$17,400</u>	8.0% of Directs
IV. Development Costs (Excl. Acquisition)	\$13,776,000	\$287,000	\$320 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimate; not verified by KMA or County.

TABLE B-3

**NET OPERATING INCOME
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Garden Apartments with Surface Parking					
	<u>Unit Size</u>	<u># Units</u>	<u>\$/SF</u>	<u>Monthly Rent</u>	<u>Total Annual</u>
I. Gross Scheduled Income (GSI)					
One Bedroom @	700 SF	19	\$2.60	\$1,820	\$419,000
Two Bedroom @	950 SF	24	\$2.25	\$2,140	\$616,000
Three Bedroom @	<u>1,100</u> SF	<u>5</u>	<u>\$2.15</u>	<u>\$2,370</u>	<u>\$137,000</u>
Total/Average	865 SF	48	\$2.35	\$2,035	\$1,172,000
Add: Other Income			\$25 /Unit/Month		<u>\$14,000</u>
Total Gross Scheduled Income (GSI)					\$1,186,000
(Less) Vacancy		5.0% of GSI			<u>(\$59,000)</u>
Effective Gross Income (EGI)					\$1,127,000
II. Operating Expense					
(Less) Operating Expenses			\$4,750 /Unit/Year		(\$228,000)
(Less) Property Taxes ⁽¹⁾			\$3,229 /Unit/Year		(\$155,000)
(Less) Replacement Reserves			<u>\$250</u> /Unit/Year		<u>(\$12,000)</u>
Total Expenses			\$8,229 /Unit/Year		(\$395,000)
			35.0% of EGI		
III. Net Operating Income (NOI)					\$732,000

(1) Based on development cost approach; assumes 85.0% of total development costs plus residual land value and a 1.10% tax rate.

TABLE B-4

**RESIDUAL LAND VALUE
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

**Garden Apartments
with Surface Parking**

I. Capitalized Value of NOI

Stabilized Net Operating Income		\$732,000
Capitalization Rate @		4.0%
Capitalized Value Upon Completion		\$18,300,000
(Less) Cost of Sale	2.0% of Value	(\$366,000)
(Less) Developer Profit	10.0% of Value	<u>(\$1,830,000)</u>

II. Net Sales Proceeds		\$16,104,000
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(Less) Development Costs ⁽¹⁾		<u>(\$13,776,000)</u>
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III. Residual Land Value		\$2,328,000
Per Unit		\$49,000
Per SF Site Area		\$27

(1) Excludes acquisition costs.

APPENDIX C

Development Concept C Stacked Flats with Surface/Tuck-Under Parking



**Financial Feasibility Analysis
Fallbrook Village Subarea Plan
County of San Diego**

TABLE C-1

**PROJECT DESCRIPTION
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

**Stacked Flats
with Surface/Tuck-Under Parking**

I. For-Sale/Rental		Rental
II. Site Area	1.00 Acres	43,560 SF
III. Density (Units/Acre)		30.0 Units/Acre
IV. Floor Area Ratio (FAR)		0.63
V. Construction Type		Type V
VI. Stories		3 Stories
VII. Maximum Building Height		35 Feet
VIII. Gross Building Area (SF)		
Net Residential	23,550	85.8%
Community/Recreation	1,000	3.6%
Circulation/Lobby/Leasing Office	<u>2,900</u>	<u>10.6%</u>
Total Gross Building Area	27,450	100.0%
IX. Residential Unit Mix	<u>Number of Units</u>	<u>Unit Size</u>
Studio/Lofts	0 0%	0 SF
One Bedroom	12 40%	650 SF
Two Bedroom	18 60%	875 SF
Three Bedroom	<u>0</u> <u>0%</u>	<u>0</u> SF
Total Units/Average	30 100%	785 SF
X. Parking		
Parking Type		Surface/Tuck-Under
Parking Ratio ⁽¹⁾		1.50 Spaces/Unit
Parking Spaces		45 Spaces

(1) Source: San Diego County Parking Regulations Section 6758. Assumes the following parking ratios: studios, one-bedroom, and two-bedroom units @ 1.5 spaces/unit and three-bedroom units @ 2.0 spaces/unit.

TABLE C-2

**ESTIMATED DEVELOPMENT COSTS
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

	Stacked Flats with Surface/Tuck-Under Parking		
	<u>Total</u>	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs ⁽¹⁾			
Off-Site Improvements ⁽²⁾	\$131,000	\$4,400	\$3 Per SF Site
On-Site Improvements/Landscaping	\$653,000	\$21,800	\$15 Per SF Site
Parking	\$1,013,000	\$33,800	\$22,500 Per Space
Shell Construction	\$5,765,000	\$192,200	\$210 Per SF GBA
Amenities/FF&E - Residential	\$165,000	\$5,500	Allowance
Contingency	<u>\$386,000</u>	<u>\$12,900</u>	5.0% of Directs
Total Direct Costs	\$8,113,000	\$270,400	\$296 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$487,000	\$16,200	6.0% of Directs
Permits & Fees ⁽²⁾	\$566,000	\$18,900	\$21 Per SF GBA
Legal & Accounting	\$122,000	\$4,100	1.5% of Directs
Taxes & Insurance	\$122,000	\$4,100	1.5% of Directs
Developer Fee	\$325,000	\$10,800	4.0% of Directs
Marketing/Lease-Up	\$75,000	\$2,500	Allowance
Contingency	<u>\$85,000</u>	<u>\$2,800</u>	5.0% of Indirects
Total Indirect Costs	\$1,782,000	\$59,400	22.0% of Directs
III. Financing Costs	<u>\$649,000</u>	<u>\$21,600</u>	8.0% of Directs
IV. Development Costs (Excl. Acquisition)	\$10,544,000	\$351,500	\$384 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimate; not verified by KMA or County.

TABLE C-3

**NET OPERATING INCOME
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Stacked Flats with Surface/Tuck-Under Parking					
Monthly					
	<u>Unit Size</u>	<u># Units</u>	<u>\$/SF</u>	<u>Rent</u>	<u>Total Annual</u>
I. Gross Scheduled Income (GSI)					
One Bedroom @	650 SF	12	\$2.90	\$1,890	\$272,000
Two Bedroom @	875 SF	18	\$2.55	\$2,230	\$482,000
Three Bedroom @	<u>0</u> SF	<u>0</u>	<u>\$0.00</u>	<u>\$0</u>	<u>\$0</u>
Total/Average	785 SF	30	\$2.67	\$2,094	\$754,000
Add: Other Income			\$75 /Unit/Month		<u>\$27,000</u>
Total Gross Scheduled Income (GSI)					\$781,000
(Less) Vacancy		5.0% of GSI			<u>(\$39,000)</u>
Effective Gross Income (EGI)					\$742,000
II. Operating Expense					
(Less) Operating Expenses			\$5,000 /Unit/Year		(\$150,000)
(Less) Property Taxes ⁽¹⁾			\$3,333 /Unit/Year		(\$100,000)
(Less) Replacement Reserves			<u>\$250</u> /Unit/Year		<u>(\$8,000)</u>
Total Expenses			\$8,600 /Unit/Year 34.8% of EGI		(\$258,000)
III. Net Operating Income (NOI)					\$484,000

(1) Based on development cost approach; assumes 85.0% of total development costs plus residual land value and a 1.10% tax rate.

TABLE C-4

**RESIDUAL LAND VALUE
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

**Stacked Flats
with Surface/Tuck-Under Parking**

I. Capitalized Value of NOI

Stabilized Net Operating Income		\$484,000
Capitalization Rate @		4.0%
Capitalized Value Upon Completion		\$12,100,000
(Less) Cost of Sale	2.0% of Value	(\$242,000)
(Less) Developer Profit	10.0% of Value	(\$1,210,000)

II. Net Sales Proceeds	\$10,648,000
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(Less) Development Costs ⁽¹⁾		(\$10,544,000)
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III. Residual Land Value	\$104,000
Per Unit	\$3,000
Per SF Site Area	\$2

(1) Excludes acquisition costs.

APPENDIX D

Development Concept D Mixed-Use Studios/Lofts over Retail with Tuck-Under Parking



Financial Feasibility Analysis Fallbrook Village Subarea Plan County of San Diego

TABLE D-1

PROJECT DESCRIPTION
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

**Mixed-Use Studios/Lofts over
 Retail with Tuck-Under Parking**

I. For-Sale/Rental		Rental
II. Site Area	1.00 Acres	43,560 SF
III. Density (Units/Acre)		30.0 Units/Acre
IV. Floor Area Ratio (FAR)		0.71
V. Construction Type		Type V
VI. Stories		3 Stories
VII. Maximum Building Height		35 Feet
VIII. Gross Building Area (SF)		
<u>Residential</u>		
Net Residential	22,500	81.1%
Community/Recreation	0	0.0%
Circulation/Lobby/Leasing Office	<u>5,250</u>	<u>18.9%</u>
Total Residential Space	27,750	100.0%
Retail / Restaurant	<u>3,000</u>	
Total Gross Building Area	30,750	
IX. Residential Unit Mix	<u>Number of Units</u>	<u>Unit Size</u>
Studio/Lofts	30 100%	750 SF
One Bedroom	<u>0</u> <u>0%</u>	<u>0</u> SF
Total Units/Average	30 100%	750 SF
X. Parking		
Parking Type		Tuck-Under
<u>Residential</u>		
Parking Ratio ⁽¹⁾		1.50 Spaces/Unit
Parking Spaces		45 Spaces
<u>Commercial</u>		
Parking Ratio		4.50 Spaces/1,000 SF ⁽²⁾
Parking Spaces		14 Spaces
Total Parking Spaces		59 Spaces

(1) Source: San Diego County Parking Regulations Section 6758.

(2) Source: San Diego County Village Parking Regulations Section 8130. Assumes 25% parking reduction in Fallbrook Special Parking District.

TABLE D-2

**ESTIMATED DEVELOPMENT COSTS
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Mixed-Use Studios/Lofts over Retail with Tuck-Under Parking			
	<u>Total</u>	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs ⁽¹⁾			
Off-Site Improvements ⁽²⁾	\$131,000	\$4,400	\$3 Per SF Site
On-Site Improvements/Landscaping	\$653,000	\$21,800	\$15 Per SF Site
Parking	\$1,316,000	\$43,900	\$22,500 Per Space
Shell Construction - Residential	\$5,828,000	\$194,300	\$210 Per SF GBA - Residential
Shell Construction - Retail/Rest.	\$480,000	\$16,000	\$160 Per SF GBA - Retail/Rest.
Amenities/FF&E - Residential	\$180,000	\$6,000	Allowance
Tenant Improvements - Retail/Restaurant	\$180,000	\$6,000	\$60 Per SF Net - Retail/Rest.
Contingency	<u>\$429,000</u>	<u>\$14,300</u>	5.0% of Directs
Total Direct Costs	\$9,197,000	\$306,600	\$299 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$552,000	\$18,400	6.0% of Directs
Permits & Fees ⁽²⁾	\$583,000	\$19,400	\$19 Per SF GBA
Legal & Accounting	\$138,000	\$4,600	1.5% of Directs
Taxes & Insurance	\$138,000	\$4,600	1.5% of Directs
Developer Fee	\$368,000	\$12,300	4.0% of Directs
Marketing/Lease-Up	\$75,000	\$2,500	Allowance
Contingency	<u>\$93,000</u>	\$3,100	5.0% of Indirects
Total Indirect Costs	\$1,947,000	\$64,900	21.2% of Directs
III. Financing Costs	<u>\$736,000</u>	<u>\$24,500</u>	8.0% of Directs
IV. Development Costs (Excl. Acquisition)			
	\$11,880,000	\$396,000	\$386 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimate; not verified by KMA or County.

TABLE D-3

**NET OPERATING INCOME
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Mixed-Use Studios/Lofts over Retail with Tuck-Under Parking					
Monthly					
	<u>Unit Size</u>	<u># Units</u>	<u>\$/SF</u>	<u>Rent</u>	<u>Total Annual</u>
I. Gross Scheduled Income (GSI)					
Studios/Lofts @	750 SF	30	\$3.05	\$2,290	\$824,000
One Bedroom @	0 SF	0	\$0.00	\$0	\$0
Total/Average	750 SF	30	\$3.05	\$2,289	\$824,000
Add: Other Income		\$25 /Unit/Month			\$9,000
Total Gross Scheduled Income (GSI)					\$833,000
(Less) Vacancy		5.0% of GSI			(\$42,000)
Effective Gross Income (EGI)					\$791,000
II. Operating Expense					
(Less) Operating Expenses		\$5,000 /Unit/Year			(\$150,000)
(Less) Property Taxes ⁽¹⁾		\$3,800 /Unit/Year			(\$114,000)
(Less) Replacement Reserves		\$250 /Unit/Year			(\$8,000)
Total Expenses		\$9,067 /Unit/Year			(\$272,000)
		34.4% of EGI			
III. Net Operating Income (NOI)					\$519,000

(1) Based on development cost approach; assumes 85.0% of total development costs plus residual land value and a 1.10% tax rate.

TABLE D-4

**NET OPERATING INCOME - RETAIL / RESTAURANT
 FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
 COUNTY OF SAN DIEGO**

Mixed-Use Studios/Lofts over Retail with Tuck-Under Parking			
I. Gross Scheduled Income (GSI)	<u>Net Rentable</u>	<u>Monthly Rent</u>	<u>Annual</u>
Total Retail / Restaurant GSI	3,000 SF	\$2.00 /SF/Month/NNN	\$72,000
II. Effective Gross Income (EGI)			
(Less) Vacancy	5.0% of GSI		(\$4,000)
Total EGI			\$68,000
III. (Less) Unreimbursed Operating Expenses @	10.0% of GSI		(\$7,000)
IV. Net Operating Income (NOI) - Retail / Restaurant			\$61,000

TABLE D-5

RESIDUAL LAND VALUE
 FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
 COUNTY OF SAN DIEGO

Mixed-Use Studios/Lofts over Retail with Tuck-Under Parking			
	Residential	Retail / Restaurant	TOTAL
I. Net Operating Income (NOI)	\$519,000	\$61,000	\$580,000
Capitalization Rate	4.00%	5.50%	4.12%
II. Capitalized Value of NOI / Gross Sales Proceeds	\$12,975,000	\$1,109,000	\$14,084,000
(Less) Cost of Sale @ 2.0% of Value	(\$260,000)	(\$22,000)	(\$282,000)
(Less) Target Developer Profit @ 12.0% of Value	<u>(\$1,557,000)</u>	<u>(\$133,000)</u>	<u>(\$1,690,000)</u>
III. Net Sales Proceeds	\$11,158,000	\$954,000	\$12,112,000
(Less) Total Development Costs ⁽¹⁾			<u>(\$11,880,000)</u>
IV. Residual Land Value			\$232,000
Per Unit			\$8,000
Per SF Site			\$5

(1) Excludes acquisition costs.

APPENDIX D

Development Concept D Boutique Hotel with Retail/Restaurant and Surface Parking



Financial Feasibility Analysis Fallbrook Village Subarea Plan County of San Diego

TABLE E-1

**PROJECT DESCRIPTIONS FOR DEVELOPMENT PROTOTYPES
 FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
 COUNTY OF SAN DIEGO**

**Boutique Hotel with
 Retail/Restaurant and
 Surface Parking**

I. Site Area	1.50 Acres	65,340 SF
II. Density (Units/Acre)		26.7 Rooms/Acre
III. Floor Area Ratio (FAR)		0.44
IV. Construction Type		Type V
V. Stories		3 Stories
VI. Maximum Building Height		35 Feet
VI. Gross Building Area (SF)		
Hotel		25,000
Retail / Restaurant		<u>3,500</u>
Total Gross Building Area		28,500
VII. Hotel Rooms		40 Rooms
Average Room Size		625 Gross SF/Room
VIII. Parking ⁽¹⁾		
Parking Type		Surface
Parking Ratio		1.00 Spaces/Room
Parking Spaces		40 Spaces

(1) Assumes retail/restaurant space will share parking with hotel component.

TABLE E-2

**ESTIMATED DEVELOPMENT COSTS
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Boutique Hotel with Retail/Restaurant and Surface Parking			
	<u>Total</u>	<u>Per Room</u>	<u>Comments</u>
I. Direct Costs ⁽¹⁾			
Off-Site Improvements ⁽²⁾	\$196,000	\$4,900	\$3 Per SF Site
On-Site Improvements/Landscaping	\$980,000	\$24,500	\$15 Per SF Site
Parking	\$0	\$0	Included above
Shell Construction - Hotel	\$6,875,000	\$171,900	\$275 Per SF GBA - Hotel
Shell Construction - Retail/Restaurant	\$525,000	\$13,100	\$150 Per SF GBA - Retail/Rest.
FF&E - Hotel	\$1,200,000	\$30,000	Allowance
Tenant Improvements - Retail/Restaurant	\$180,000	\$6,000	\$60 Per SF Net - Retail/Rest.
Contingency	<u>\$489,000</u>	<u>\$12,200</u>	5.0% of Directs
Total Direct Costs	\$10,445,000	\$261,100	\$366 Per SF GBA
II. Indirect Costs			
Architecture & Engineering	\$627,000	\$15,700	6.0% of Directs
Permits & Fees ⁽²⁾	\$457,000	\$11,400	\$16 Per SF GBA
Legal & Accounting	\$157,000	\$3,900	1.5% of Directs
Taxes & Insurance	\$157,000	\$3,900	1.5% of Directs
Developer Fee	\$418,000	\$10,500	4.0% of Directs
Pre-Opening Supplies - Hotel	\$140,000	\$3,500	Allowance
Marketing/Lease-Up - Retail/Restaurant	\$18,000	\$500	\$5 Per SF GBA - Retail/Rest.
Contingency	<u>\$99,000</u>	<u>\$2,500</u>	5.0% of Indirects
Total Indirect Costs	\$2,073,000	\$51,800	19.8% of Directs
III. Financing Costs	<u>\$836,000</u>	<u>\$17,400</u>	8.0% of Directs
IV. Development Costs (Excl. Acquisition)	\$13,354,000	\$333,900	\$469 Per SF GBA

(1) Does not include the payment of prevailing wages.

(2) Estimate; not verified by KMA or County.

TABLE E-3

**NET OPERATING INCOME - HOTEL
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

**Boutique Hotel with Retail/Restaurant and
Surface Parking**

I. Effective Gross Income (EGI)

	<u>Rooms</u>	Stabilized <u>ADR</u>	Stabilized <u>Occupancy</u>	<u>Total</u>
Total Hotel Rooms	40	\$195	78%	\$2,221,000
Food & Beverage/Other Revenue		15% of Room Revenue		\$333,000
Parking		\$15 /Occupied Night		<u>\$171,000</u>
Total EGI		\$68,100 /Room/Year		\$2,725,000

II. Operating Expenses

(Less) Total Operating Expenses		65% of EGI		<u>(\$1,771,000)</u>
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III. Net Operating Income (NOI) - Hotel		\$23,900 /Room/Year		\$954,000
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TABLE E-4

**NET OPERATING INCOME - RETAIL / RESTAURANT
 FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
 COUNTY OF SAN DIEGO**

Boutique Hotel with Retail/Restaurant and Surface Parking			
I. Gross Scheduled Income (GSI)	<u>Net Rentable</u>	<u>Monthly Rent</u>	<u>Annual</u>
Total Retail / Restaurant GSI	3,500 SF	\$2.00 /SF/Month/NNN	\$84,000
II. Effective Gross Income (EGI)			
(Less) Vacancy	5.0% of GSI		(\$4,000)
Total EGI			\$80,000
III. (Less) Unreimbursed Operating Expenses @	10.0% of GSI		(\$8,000)
IV. Net Operating Income (NOI) - Retail / Restaurant			\$72,000

TABLE E-5

**RESIDUAL LAND VALUE
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO**

Boutique Hotel with Retail/Restaurant and Surface Parking			
	Hotel	Retail / Restaurant	TOTAL
I. Net Operating Income (NOI)	\$954,000	\$72,000	\$1,026,000
Capitalization Rate	6.50%	5.50%	6.42%
II. Capitalized Value of NOI / Gross Sales Proceeds	\$14,677,000	\$1,309,000	\$15,986,000
(Less) Cost of Sale @ 2.0% of Value	(\$294,000)	(\$26,000)	(\$320,000)
(Less) Target Developer Profit @ 12.0% of Value	<u>(\$1,761,000)</u>	<u>(\$157,000)</u>	<u>(\$1,918,000)</u>
III. Net Sales Proceeds	\$12,622,000	\$1,126,000	\$13,748,000
(Less) Total Development Costs ⁽¹⁾			<u>(\$13,354,000)</u>
IV. Residual Land Value			\$394,000
Per Hotel Room			\$10,000
Per SF Site			\$6

(1) Excludes acquisition costs.

APPENDIX F

Survey of Residential and Commercial Land Sales

Financial Feasibility Analysis Fallbrook Village Subarea Plan County of San Diego

FINAL
DRAFT

TABLE F-1

SURVEY OF RESIDENTIAL AND COMMERCIAL LAND SALES, JANUARY 2019 TO PRESENT⁽¹⁾
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

<u>Sale Date</u>	<u>Property Address</u>	<u>Property City</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Proposed Use</u>
12/27/21	730 S Santa Fe Ave	Vista	\$575,000	0.29	\$45.11	Commercial mixed-use
09/02/21	Greenbrier Dr	Oceanside	\$1,150,000	0.71	\$37.18	Commercial mixed-use
02/24/21	400 Sycamore Ave	Vista	\$2,112,500	1.35	\$35.92	Commercial land; unknown use
10/27/21	NEQ Madison Ave & Guava Ave	Murrieta	\$1,235,000	0.81	\$35.00	Commercial mixed-use
03/20/20	4182 Oceanside Blvd	Oceanside	\$1,800,000	1.26	\$32.74	Retail
02/08/22	39566 Los Alamos Rd	Murrieta	\$825,000	0.59	\$32.10	Commercial mixed-use
12/20/21	25420 Hancock Ave	Murrieta	\$3,476,000	2.66	\$30.00	Commercial land; unknown use
07/29/21	39480 Murrieta Hot Springs Rd	Murrieta	\$1,300,000	1.00	\$29.84	Retail
08/16/19	3340 Mission Ave	Oceanside	\$4,500,000	3.80	\$27.19	Retail
09/25/20	24661 Madison Ave	Murrieta	\$825,000	0.71	\$26.84	Retail
11/29/21	3505 Cannon Rd	Oceanside	\$1,250,000	1.08	\$26.57	Commercial land; unknown use
07/26/19	238 N Indiana Ave	Vista	\$200,000	0.18	\$25.51	Multi-family residential
11/12/20	471-477 N El Camino Real	Oceanside	\$2,850,000	2.57	\$25.46	Commercial-multi commercial
01/26/22	41445 Los Alamos Rd	Murrieta	\$995,000	0.90	\$25.38	Car wash
01/22/20	Cedar Rd	Vista	\$2,085,000	1.95	\$24.55	Multi-family residential
07/16/20	25130 Hancock Ave	Murrieta	\$512,500	0.50	\$23.53	Medical office
06/30/21	Date St	Murrieta	\$585,500	0.61	\$22.03	Medical office
12/08/20	Douglas Dr & Hwy 76	Oceanside	\$4,500,000	4.73	\$21.84	Multi-family residential
05/07/19	625 N Santa Fe Ave	Vista	\$545,000	0.58	\$21.46	Commercial mixed-use
05/20/20	41480 Sanborn Ave	Temecula	\$1,050,000	1.20	\$20.09	Commercial mixed-use
07/26/21	1559 N Santa Fe Ave	Vista	\$1,100,000	1.26	\$20.04	40 to 50 unit residential development
10/29/21	Date St	Temecula	\$13,000,000	15.10	\$19.76	Multi-family residential

Source: CoStar Group, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD County_Fallbrook Village_Financial Feasibility Analysis_v2\6/24/2022; ema

TABLE F-1

SURVEY OF RESIDENTIAL AND COMMERCIAL LAND SALES, JANUARY 2019 TO PRESENT⁽¹⁾
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

<u>Sale Date</u>	<u>Property Address</u>	<u>Property City</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Proposed Use</u>
08/20/21	Vista Pacific Dr	Oceanside	\$2,143,000	2.57	\$19.14	Multi-family residential
03/17/21	2100 S El Camino Real	Oceanside	\$400,000	0.48	\$19.13	Commercial mixed-use
07/08/21	Date St & Ynez Rd	Temecula	\$11,800,000	14.22	\$19.05	Senior apartments
04/04/22	1902-1910 Grandview St	Oceanside	\$5,750,000	7.02	\$18.80	Multi-family residential
12/11/19	41920 C St	Murrieta	\$261,500	0.32	\$18.76	Commercial mixed-use
06/22/21	S Loop Rd	Temecula	\$9,749,500	12.28	\$18.23	Residential land; unknown use
02/17/22	25440 Jefferson Ave	Murrieta	\$14,250,000	18.03	\$18.14	Commercial land; unknown use
09/20/21	Madison Ave	Temecula	\$1,690,000	2.17	\$17.88	Commercial land; unknown use
07/03/19	4170-4182 Oceanside Blvd	Oceanside	\$5,000,000	6.51	\$17.63	Commercial land; unknown use
07/26/19	Hancock Ave	Murrieta	\$1,100,000	1.47	\$17.18	Medical office
03/02/22	347 W Los Angeles Dr	Vista	\$680,000	0.91	\$17.15	Residential multi-family
08/25/21	Los Alamos Rd	Murrieta	\$17,886,000	24.81	\$16.55	542-unit apartment development
02/09/21	Date St	Murrieta	\$8,000,000	11.10	\$16.55	Residential multi-family
09/08/20	Murrieta Hot Springs Rd	Murrieta	\$3,250,000	4.51	\$16.54	Commercial mixed-use
01/17/20	N Melrose Dr	Vista	\$348,480	0.50	\$16.00	Commercial land; unknown use
01/17/19	Felix Valdez Ave	Temecula	\$850,000	1.22	\$15.99	Commercial land; unknown use
05/17/21	220-248 N Melrose Dr	Vista	\$1,375,000	2.08	\$15.18	Residential land; unknown use
03/06/20	3335 Marron Rd	Oceanside	\$1,350,000	2.12	\$14.62	Day care center
12/08/21	2.53 Acres Los Alamos Rd Corner Lot	Murrieta	\$1,600,000	2.53	\$14.52	Medical office
09/16/21	3080 Pala Rd	Fallbrook	\$1,550,000	2.56	\$13.90	Commercial land; unknown use
08/05/19	41505 Hilbe Dr	Murrieta	\$1,092,000	1.87	\$13.41	Commercial land; unknown use
06/20/19	Washington Ave	Murrieta	\$2,700,000	4.64	\$13.36	Multi-family residential

Source: CoStar Group, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD County_Fallbrook Village_Financial Feasibility Analysis_v2\6/24/2022; ema

TABLE F-1

SURVEY OF RESIDENTIAL AND COMMERCIAL LAND SALES, JANUARY 2019 TO PRESENT⁽¹⁾
FALLBROOK VILLAGE SUBAREA PLAN - FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

<u>Sale Date</u>	<u>Property Address</u>	<u>Property City</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Proposed Use</u>
01/27/22	420 Lado De Loma	Vista	\$1,800,000	3.30	\$12.52	24 single-family homes
04/03/19	2373-2385 Via Monserate	Fallbrook	\$875,000	1.65	\$12.17	Commercial mixed-use
12/24/20	Throughbred Ln	Bonsall	\$2,299,000	4.50	\$11.74	Commercial mixed-use
03/18/19	326 Plumosa Ave	Vista	\$635,000	1.51	\$9.65	Residential land; unknown use
11/16/21	Inland Valley Dr S of Clinton Keith Rd	Wildomar	\$5,000,000	12.89	\$8.90	Multi-family residential, mixed-use
07/28/21	2137 Willowbrook Dr	Oceanside	\$830,000	2.16	\$8.82	Residential land; unknown use
08/24/20	1102 Hacienda Dr	Vista	\$760,000	2.10	\$8.31	Commercial land; unknown use
11/13/20	Solana Way	Temecula	\$1,400,000	3.98	\$8.08	Multi-family residential
05/19/21	25261 Jefferson Ave	Murrieta	\$807,500	2.31	\$8.03	Commercial land; unknown use
02/24/21	41851 Kalmia St	Murrieta	\$860,000	2.52	\$7.83	Commercial land; unknown use
03/22/21	1505 Olive Ave	Vista	\$890,000	3.19	\$6.40	Residential land; unknown use
11/15/21	45551 Anza Rd	Temecula	\$2,800,000	11.94	\$5.38	Residential land; unknown use
04/22/21	Mission Ave	Oceanside	\$3,750,000	16.41	\$5.25	Residential land; unknown use
		Minimum	\$200,000	0.18	\$5.25	
		Maximum	\$17,886,000	24.81	\$45.11	
		Median	\$1,350,000	2.12	\$18.14	
		Average	\$2,842,166	4.14	\$19.10	

(1) Reflects land sales under 25 acres within a 15-mile trade ring from the intersection of South Orange Avenue and East Elder Street. Excludes sales west of Interstate 5 and in Old Town Temecula. Survey does not include land sales under \$5 per SF which are generally in rural areas.

Source: CoStar Group, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD County_Fallbrook Village_Financial Feasibility Analysis_v2\6/24/2022; ema