



Request for Proposal No. 13-35:

# Newport Beach City Hall Site Re-Use

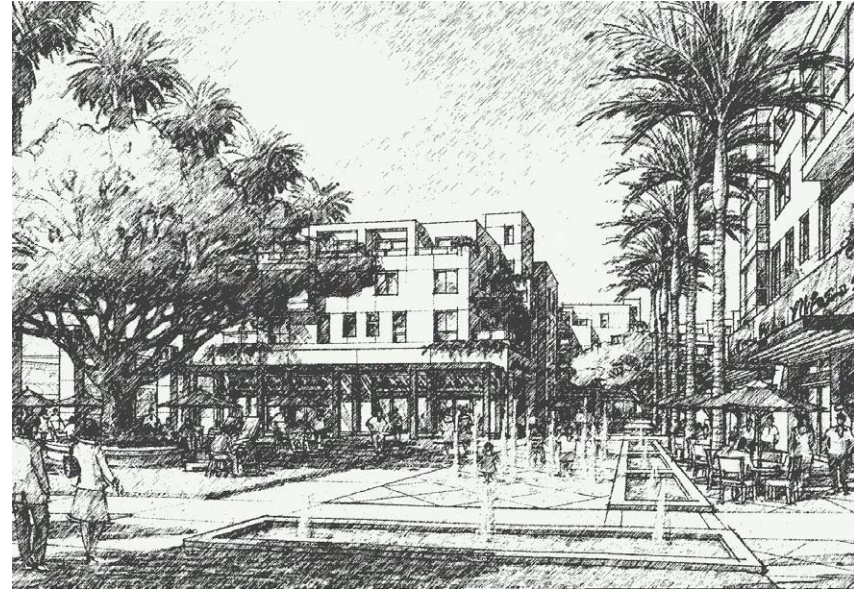
## **CONFIDENTIAL**

Newport Beach, California  
April 18, 2013



THE WOLFF COMPANY  
Since 1949





## **CONFIDENTIAL ADDENDUM**

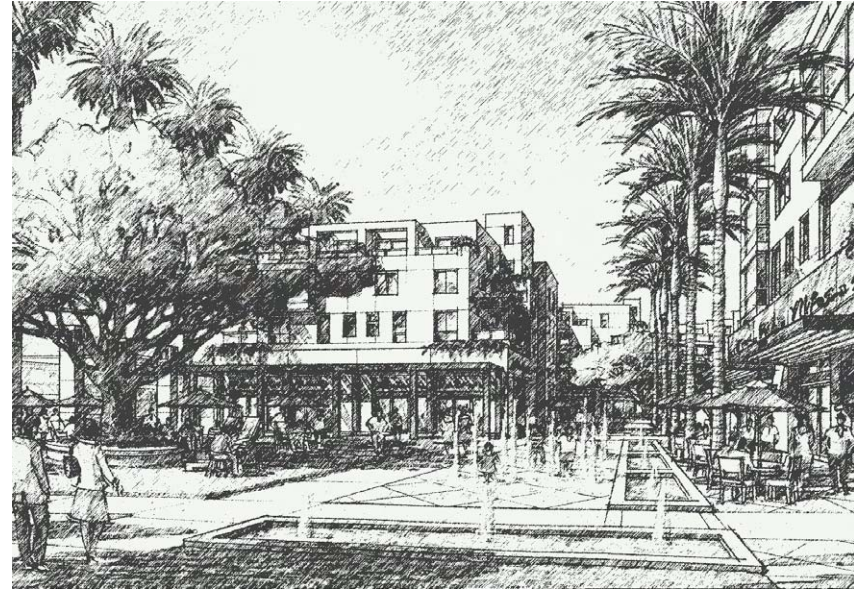
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Section 2 - Economic Assumptions and Benefits

Appendix B - 10-Year Business Plan

Appendix C - Market Study

Appendix D - Fiscal and Economic Impact Study



## Section 2

### Economic Assumptions and Benefits



## 2. economic assumptions and benefits

### 2a. 10-year business plan and proforma (appendix B)

Our Business Plan is to participate in this unique public-private partnership to construct, own, and operate a mixed use project consisting of 99 multifamily rental units averaging approximately 1,500 square feet and a retail component of up to 15,000 square feet. We have prepared a detailed business plan and proforma, which is included in the confidential attachment in Appendix B.

The multifamily component will consist of 1 to 3 bedroom units which will be highly amenitized both within the units and with regards to the facilities and services offered to our residents. At this time, the unit mix has not been determined. This will be done by conducting more detail market studies including focus groups.

Our ownership will engage with Riverstone Management, a professional management company for the operation of project which will include dedicated on-site management, leasing and maintenance staffing.

### 2b. market study (appendix C)

The market we intend to serve will be the luxury renter by choice residents. This will include a combination of full-time and part-time residents. The resident profile will be heavily weighted toward empty nesters and young singles and couples, with families expected to make up only a small portion of our resident profile. We anticipate 3300 Newport Boulevard will service local residents who desire to stay in the area with many of them moving down from a large home. Please see the summary below and attached market study prepared by The Concord Group which is presented in Addendum C.

The Concord Group ("TCG") completed a strategic market analysis for the property, including: (1) an assessment of current and future supply/demand conditions— with specific focus on the opportunity for rental units; (2) a determination of the likely target renter/buyer profiles and user types for the community; and (3) market driven product program options tailored to maximize the potential of the site while minimizing risks associated with its development. The following bullets highlight TCG's key findings and conclusions:



## 2b. market study (appendix C) (cont.)

### Regional Location and Market Characteristics

- The Site is located on the Newport Beach Peninsula in the City of Newport Beach, California. The City is home to some of the region's most affluent households, boasting a median income above \$100k per year.
- Coastal Newport Beach– including the Newport Beach Peninsula, Lido Isle, Balboa Island, Corona del Mar and PCH- Adjacent Newport Beach neighborhoods– is an exclusive and desirable community home to less than 17,000 households, 8,400 of which currently rent (49%+).
- Although the Coastal Newport Beach market currently houses a significant number of young professionals working in jobs in Newport Beach and Irvine, the area attracts a wide variety of affluent renter and buyer types attracted to the beach/boating/vacation rental lifestyle and its supporting local amenities and nightlife.
- There are very few options for high end rental units in Coastal Newport Beach
  - Aging institutional inventory (Promontory Point & The Colony) is currently renting for between \$2,500 and \$4,000 per month.
  - Non-water front gray/shadow market comparables on Lido, Balboa and the Newport Peninsula are currently renting for upto \$5,000 per month for aging, near-obsolete housing product
- Various Southern California analogs offering unique lifestyle positioning demonstrate ability of targeted high-end rental buildings with large unit sizes to appeal to local affluents and drive price positioning 20% to 30% above the standard competitive set.
  - 8500 Burton (2012 vintage) at \$4.26 psf in Westside Los Angeles
  - 7 Fountains (2002 vintage) at \$3.16 psf in Hollywood
  - Wilshire Margot (2008 vintage) at \$3.58 psf on Wilshire in Los Angeles
  - Sea Castle (2001 vintage) at \$4.55 psf in Santa Monica

### Site-Specific Analysis and Recommendations

- The Site is particularly well positioned in the region as it offers an extremely rare location on the Newport Peninsula, strong water/beach proximity, supportive neighborhood amenities and as strong demand base from high-earning affluent households with limited competitive supply.
- TCG tested a variety of product programs to find the optimal mix of unit size, unit type and mix in the current context of regional supply and demand conditions.

- Using the total 150,000 net rentable square feet as a target envelope, TCG recommends the development of a community offering approximately 99 units and a mix of large one bed room flats, two bedroom flats and a limited number of three bedroom town homes.
- Targets will be affluent local households and frequent NB visitors with roots. These renters will be predominantly interested in new empty nest freedoms, yachting culture and water orientation. They are the cream of the area crop with affinity for strong finishes and amenities and upscale aesthetics and are typically coming out of local SFD product now kids are gone. One bedroom plans also targeted to divorced dad with yacht. Outdoor living spaces and flexible floor plans are key.
- With this program, TCG projects average perunit revenue to be \$5,059 per month for the average 1,519 square foot unit, or \$3.33 per square foot. This positioning is above the aging local institutional waterfront product currently available in Newport Beach, at a significant discount to other luxury Southern California rental options discussed above and at a slight premium to the rents for old, near-obsolete shadow market rentals on Lido, Balboa and the Peninsula.

### Retail Uses

Newport Beach is an affluent community with substantial opportunities for employment, recreation, and shopping. The Primary Market Area is home to a relatively affluent and generally highly-educated population with a high concentration of households that earn more than \$100,000 annually. Although it



## 2b. market study (appendix C) (cont.)

has experienced the same economic challenges that have affected Orange County as a whole, Newport Beach continues to have a stable local economy, and remains a desirable city in which to live. Additionally, the neighborhood in which the Subject Property is located benefits from its setting on the Balboa Peninsula.

Based on the location of the Subject Property, the potential square footage available for retail within the contemplated development, and the current economic environment, the following types of retailers are considered to be the most appropriate for the Subject Property:

- Carefully selected full-service restaurant concept.
- Various types of boutique food stores including wine, cheese, donuts, cookies, and/or bread.
- Carefully selected coffee shop or bagel shop. (Note that Starbucks is located within one-quarter mile of the Subject Property.)
- Other boutique stores such as technology, books, and/or cigars.
- Boutique clothing and accessories stores.

### Retail Site Planning and Parking Recommendations:

Parking needs vary depending on the size of the retail development, and on the number of retail tenants at the Subject Property. Shoppers may not visit the location if they cannot park within convenient walking distance to their destination and circulate easily between retail shops. The following considerations should be given to site planning and parking if a retail component for the 3300 Newport:

- Enable retail entrance at the signalized intersection of Finley Avenue.
- Provide on-street parking for retail users along 32nd Street.
- Place standalone “anchor” tenant at the Newport Boulevard and Finley Avenue entrance.
- Visibility of signage from Newport Boulevard.
- Visibility of “anchor” tenant space from Newport Boulevard.
- Short-term and long-term parking options and pedestrian and bicycle access to retail storefronts.
- Approximately five parking spaces per 1,000 feet of gross leasable area.



## 2c. proposed lease terms

The Shopoff-Wolff Venture (“Tenant”) proposes to enter into a Ground Lease Agreement with the City of Newport Beach, a California charter municipal corporation (“Landlord”) based on the following assumptions:

### Premises

Lessee to redevelop site to include 99 residential units, in addition to retail development of up to 15,000 square feet. Redevelopment shall include construction of structured parking and public park areas.

To be constructed by Tenant to replace existing City Hall site (buildings, landscaping, and parking) situated on a 4.26 acre/185,718.14 square foot parcel (APN 423-111-02) located at 3300 Newport Boulevard. Existing city of Newport Beach Fire Station #2 to remain in place.

### Lease Commencement

Upon execution of a Ground Lease Agreement.



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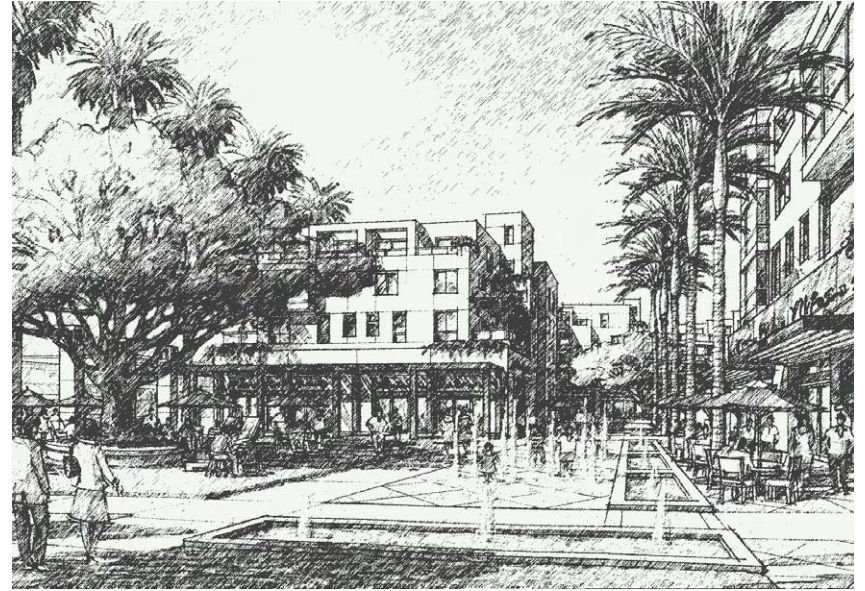
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## Appendix B

### 10-Year Business Plan



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## Preliminary Proforma

Newport Beach - City Hall Site - Perpetual - 04-17-13 | Generated Apr 17, 2013 at 16:55

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-Year Business Plan and Proforma

City of Newport Beach | City Hall Complex Re-Use Project | Shopoff-Wolff Venture

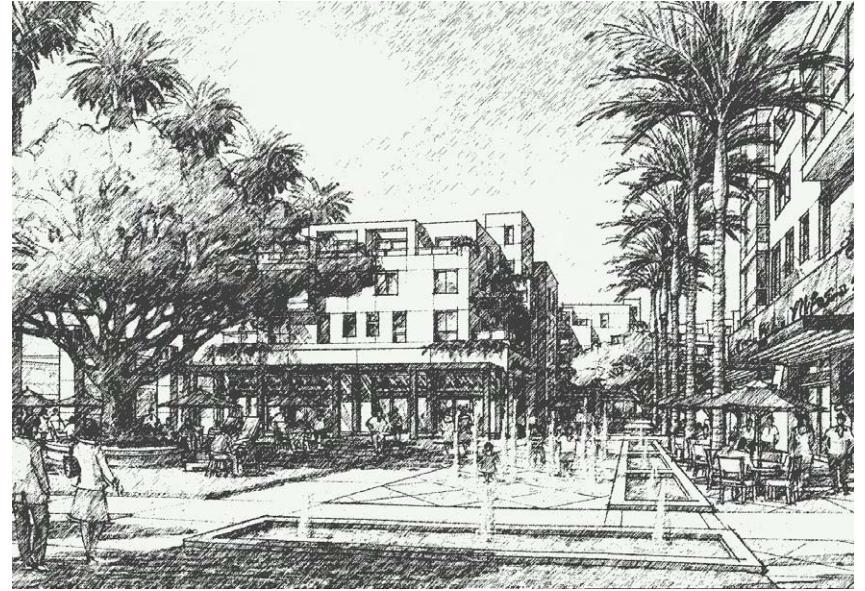
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## Appendix C

### Market Study



## THE CONCORD GROUP

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Draft for  
discussion

HIGH-LEVEL STRATEGIC MARKET OPPORTUNITY  
ANALYSIS AND PRODUCT PROGRAMMING  
OPTIONS FOR A SITE IN NEWPORT BEACH,  
CALIFORNIA

WORKING SESSION DRAFT  
MARCH 25, 2013

PREPARED FOR:  
WOLFF COMPANY



## LIST OF EXHIBITS

### I. MARKET OVERVIEW

1. Regional Location And Submarket Delineation
2. Demographic Profile
3. Commuting Patterns
  - a. Waterfront
  - b. Newport Peninsula
4. Historical Profile Newport Beach Tourism Industry
5. Selected Competitive Institutional Apartment Project Inventory
6. Waterfront OC Rental Supply
7. Housing Options Map
8. Newport Peninsula Housing Stock Breakdown
9. Walk Score Maps
  - a. Waterfront OC
  - b. Newport Peninsula
10. Walk Score Pricing
11. Beach Distance Pricing
12. Apartment Demand Summary

- a. Primary Residence Rental Options
  - b. Vacation Rental Options
- 13. Demand Capture Scenarios
- 14. Projected Demand by Bedroom Mix and Prizm Cluster
- 15. Rent Elasticity
- 16. Analogous Rental Community Performance
- 17. Vacation Rental Pricing and Availability
  - a. Summary
  - b. Map
- 18. Hotel Pricing and Availability

## **II. SITE-SPECIFIC ANALYSIS**

- 1. Local Setting
- 2. Product Program Menu
- 3. Product Program Positioning
- 4. Product Program Positioning – Hotel Comparison

## **I. MARKET OVERVIEW**



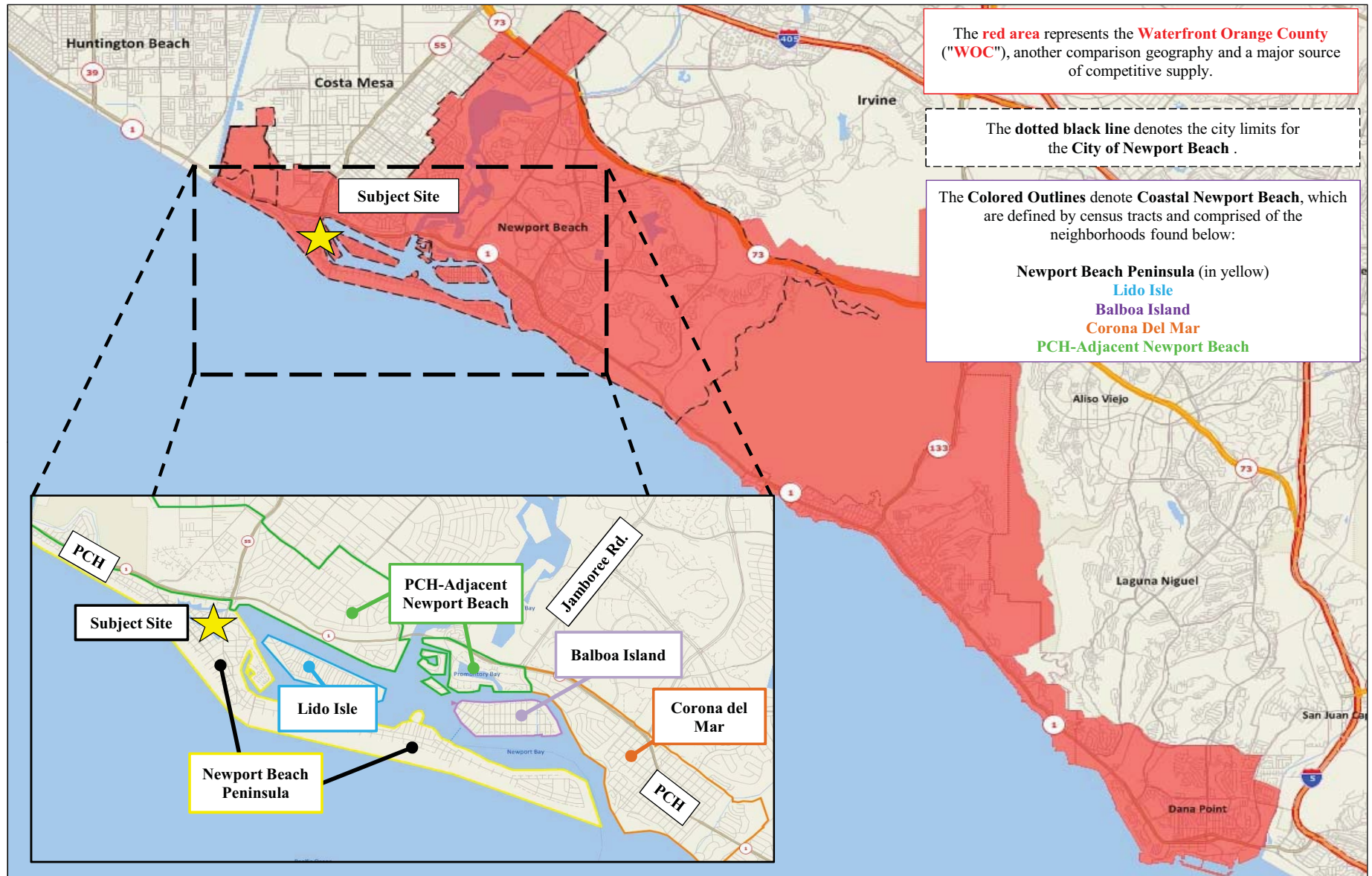
# EXHIBIT I-1

## REGIONAL LOCATION AND SUBMARKET DELINEATION ORANGE COUNTY AND NEWPORT BEACH, CA MARCH 2013



# EXHIBIT I-1

## REGIONAL LOCATION AND SUBMARKET DELINEATION ORANGE COUNTY AND NEWPORT BEACH, CA MARCH 2013



**EXHIBIT I-2**  
**DEMOGRAPHIC SUMMARY**  
**WATERFRONT ORANGE COUNTY vs. COASTAL NEWPORT BEACH**  
**MARCH 2013**

	Coastal Newport Beach Components										Coastal Newport Beach Totals		Waterfront Orange County	
Geography->	Newport Beach Peninsula		Lido Isle		Balboa Island		Corona Del Mar		PCH-Adjacent Newport Beach					
Household Type->	All	Renters	All	Renters	All	Renters	All	Renters	All	Renters	All	Renters	All	Renters
General Information														
Households ('13)	4,928	2,874	839	57	1,440	696	3,877	2,069	5,628	2,661	16,712	8,357	60,927	26,073
% Families	38%	24%	72%	35%	49%	33%	53%	42%	44%	31%	46.3%	31.8%	55%	37%
% Non-Family	62%	76%	28%	65%	51%	67%	47%	58%	56%	69%	53.7%	68.2%	45%	63%
% HHs w/ Children <18	12%	7%	17%	12%	12%	15%	18%	16%	18%	13%	15.7%	12.0%	22%	18%
Jobs ('10)	3,859	--	76	--	545	--	1,805	--	11,279	--	17,564	--	11,279	--
HH/Job	1.28	--	11.04	--	2.64	--	2.15	--	0.50	--	0.95	--	5.40	--
Age Breakdown - HHs ('13)														
Under 24	9%	15%	0%	0%	1%	2%	3%	5%	4%	8%	4.7%	9.2%	4%	8%
25-34	22%	36%	4%	26%	13%	25%	17%	30%	15%	24%	16.9%	29.5%	13%	25%
35-44	12%	16%	14%	37%	9%	15%	15%	23%	20%	24%	15.3%	20.5%	17%	23%
45-54	23%	20%	10%	12%	16%	28%	25%	24%	21%	16%	21.3%	20.3%	22%	21%
55-59	7%	7%	5%	0%	5%	2%	8%	5%	10%	6%	7.7%	5.8%	10%	7%
60-64	8%	5%	10%	25%	12%	15%	7%	5%	7%	4%	7.9%	5.4%	9%	5%
65-74	9%	1%	33%	0%	20%	6%	11%	5%	11%	7%	12.5%	4.0%	13%	5%
75+	11%	0%	23%	0%	23%	7%	14%	4%	12%	11%	13.6%	5.2%	13%	6%
Income Breakdown ('13)														
Median Income	\$101,089	\$97,167	\$204,375	\$41,083	\$83,929	\$44,643	\$100,293	\$96,264	\$101,498	\$78,907	\$104,749	\$86,372	\$102,999	\$74,574
vs. Coastal Newport Beach	-3.5%	12.5%	95.1%	-52.4%	-19.9%	-48.3%	-4.3%	11.5%	-3.1%	-8.6%	--	--	-1.7%	-13.7%
Under \$50K	22%	25%	16%	65%	34%	54%	24%	24%	27%	35%	25.0%	30.6%	25%	35%
\$50-\$75K	14%	18%	5%	0%	10%	10%	13%	17%	14%	16%	12.9%	16.4%	13%	17%
\$75-\$100K	11%	9%	3%	0%	12%	13%	9%	11%	14%	16%	11.5%	11.8%	11%	13%
\$100-\$150K	23%	23%	14%	0%	15%	11%	16%	17%	16%	14%	17.7%	17.6%	17%	17%
\$150K+	30%	24%	62%	35%	29%	11%	37%	30%	29%	20%	33.0%	23.5%	33%	19%
% w/Retirement Income	10%	--	22%	--	24%	--	11%	--	12%	--	12.7%	--	14%	--
Housing Breakdown ('11) (2)														
Total Housing Units	6,620		935		2,111		4,342		6,528		20,536		70,171	
% Vacation/Rec	19%		14%		19%		6%		3%		10%		7%	
% Owner	42%	--	93%	--	52%	--	47%	--	53%	--	50.0%	--	57%	--
% Homes w/Mortgage	63%	--	65%	--	59%	--	70%	--	75%	--	68.5%	--	74%	--
% Renter	--	58%	--	7%	--	48%	--	53%	--	47%	--	52.4%	--	43%
Renter HHs ('13)	--	2,874	--	57	--	696	--	2,069	--	2,661	--	8,756	--	26,073
% of Coastal Newport Beach	--	32.8%	--	0.7%	--	7.9%	--	23.6%	--	30.4%	--	--	--	297.8%
Annual New Renter HHs ('13-'18)	2,054	1,676	782	4	744	336	1,808	1,104	2,967	1,258	8,355	4,379	34,854	11,158
% HHs own/rent SFD	68%	19%	91%	60%	74%	31%	67%	27%	60%	11%	66.8%	19.8%	74%	20%
% HHs own/rent 1-4 Unit Att.	26%	67%	7%	14%	26%	68%	30%	65%	18%	24%	23.5%	52.6%	20%	36%
% HHs own/rent 4-50 Unit Att.	2%	1%	0%	26%	0%	0%	1%	2%	5%	20%	2.4%	7.4%	1%	8%
% HHs own/rent 50+ Unit Att.	1%	1%	0%	0%	0%	0%	0%	4%	6%	28%	2.3%	10.2%	1%	17%

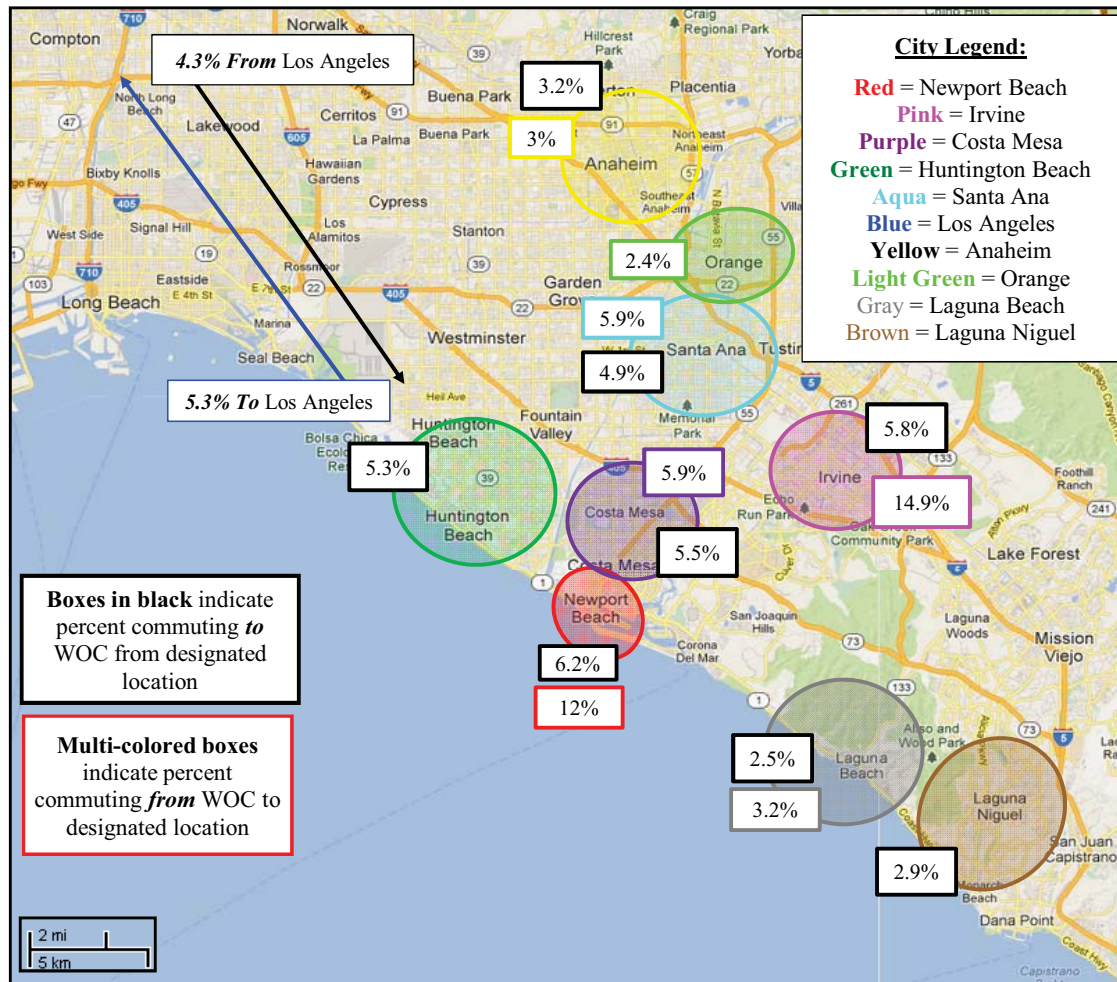
(1) Refer to Exhibit I-1 for market area definitions.

(2) 2011 American Community Survey 5-year estimates used



# EXHIBIT I-3A

## COMMUTING PATTERNS WATERFRONT ORANGE COUNTY, CALIFORNIA 2010

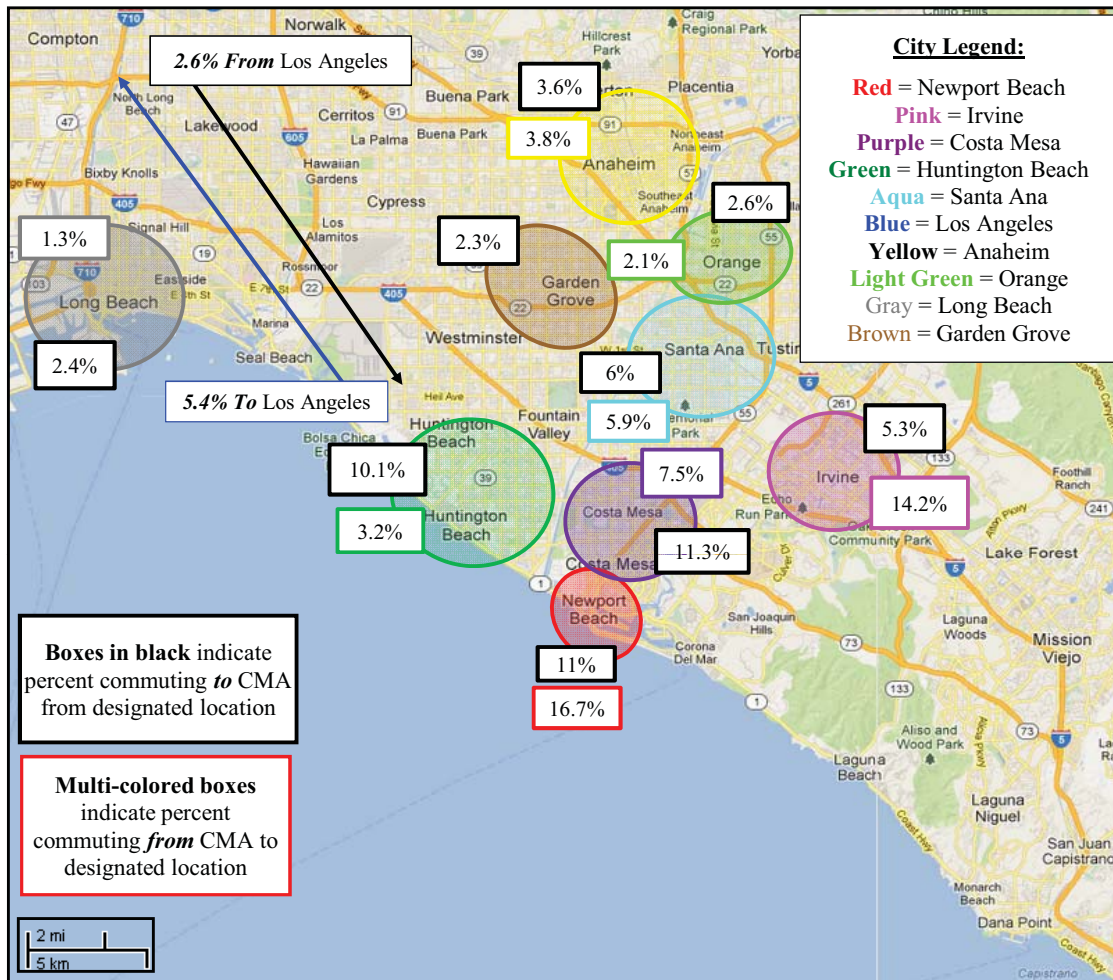


2010 Waterfront Orange County Total Commute Patterns					
Employment Base:			Employed Population:		
Commute from:	Share	Number	Commute to:	Share	Number
<b>Top 15 Cities</b>					
Newport Beach	6.2%	5,114	Irvine	14.9%	7,643
Irvine	5.8%	4,805	Newport Beach	12.0%	6,173
Costa Mesa	5.5%	4,515	Costa Mesa	5.9%	3,026
Huntington Beach	5.3%	4,422	Santa Ana	5.9%	3,020
Santa Ana	4.9%	4,050	Los Angeles	5.3%	2,717
Los Angeles	4.3%	3,558	Laguna Beach	3.2%	1,630
Anaheim	3.2%	2,640	Anaheim	3.0%	1,546
Laguna Niguel	2.9%	2,378	Orange	2.4%	1,243
Laguna Beach	2.5%	2,050	San Diego	2.4%	1,232
Mission Viejo	2.5%	2,033	Huntington Beach	2.3%	1,193
San Diego	2.2%	1,855	Mission Viejo	2.1%	1,061
Lake Forest	2.1%	1,750	Tustin	1.7%	867
Aliso Viejo	2.0%	1,686	Dana Point	1.7%	860
Garden Grove	2.0%	1,666	San Clemente	1.6%	799
San Juan Capistrano	2.0%	1,637	Lake Forest	1.5%	763
Other Cities	46.7%	38,676	Other Cities	34.3%	17,634
<b>Total:</b>	<b>100%</b>	<b>82,835</b>	<b>Total:</b>	<b>100%</b>	<b>51,407</b>
<b>By Geography</b>					
South OC	38.0%	31,481	South OC	48.8%	25,075
North OC	26.4%	21,905	North OC	20.0%	10,269
LA County	6.4%	5,321	LA County	7.8%	4,031
Inland Empire	4.8%	3,999	Los Angeles	5.3%	2,717
Los Angeles	4.3%	3,558	Inland Empire	3.2%	1,629
San Diego	2.2%	1,855	San Diego	2.4%	1,232
San Diego County	2.2%	1,828	San Diego County	1.3%	677
Other	15.6%	12,888	Other	11.2%	5,777
<b>Total:</b>	<b>100%</b>	<b>82,835</b>	<b>Total:</b>	<b>100%</b>	<b>51,407</b>

Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau, 2010

# EXHIBIT I-3B

## COMMUTING PATTERNS COASTAL NEWPORT BEACH, CALIFORNIA 2010



2010 Coastal Newport Beach Total Commute Patterns					
Employment Base:			Employed Population:		
Commute from:	Share	Number	Commute to:	Share	Number
<b>Top 15 Cities</b>					
Costa Mesa	11.3%	1,982	Newport Beach	16.7%	2,121
Newport Beach	11.0%	1,931	Irvine	14.2%	1,803
Huntington Beach	10.1%	1,778	Costa Mesa	7.5%	956
Santa Ana	6.0%	1,056	Santa Ana	5.9%	752
Irvine	5.3%	930	Los Angeles	5.4%	684
Anaheim	3.6%	638	Anaheim	3.8%	487
Los Angeles	2.6%	452	Huntington Beach	3.2%	410
Long Beach	2.4%	426	Orange	2.6%	329
Garden Grove	2.3%	403	San Diego	2.3%	294
Orange	2.1%	372	Tustin	1.8%	233
Lake Forest	2.0%	356	Mission Viejo	1.3%	169
Fountain Valley	2.0%	355	Long Beach	1.3%	164
Mission Viejo	1.9%	338	Fountain Valley	1.2%	155
Tustin	1.7%	303	Lake Forest	1.1%	143
Westminster	1.5%	271	Aliso Viejo	0.9%	117
Other Cities	33.9%	5,952	Other Cities	30.5%	3,877
<b>Total:</b>	<b>100%</b>	<b>17,543</b>	<b>Total:</b>	<b>100%</b>	<b>12,694</b>
<b>By Geography</b>					
South OC	40.7%	7,132	South OC	45.6%	5,787
North OC	35.5%	6,235	North OC	22.3%	2,833
LA County	6.3%	1,107	LA County	8.6%	1,088
Inland Empire	3.7%	654	Los Angeles	5.4%	684
Los Angeles	2.6%	452	Inland Empire	3.7%	467
San Diego County	1.0%	175	San Diego	2.3%	294
San Diego	0.9%	161	San Diego County	1.3%	167
Other	9.3%	1,627	Other	10.8%	1,374
<b>Total:</b>	<b>100%</b>	<b>17,543</b>	<b>Total:</b>	<b>100%</b>	<b>12,694</b>

Source: Longitudinal Employer-Household Dynamics, U.S. Census Bureau, 2010

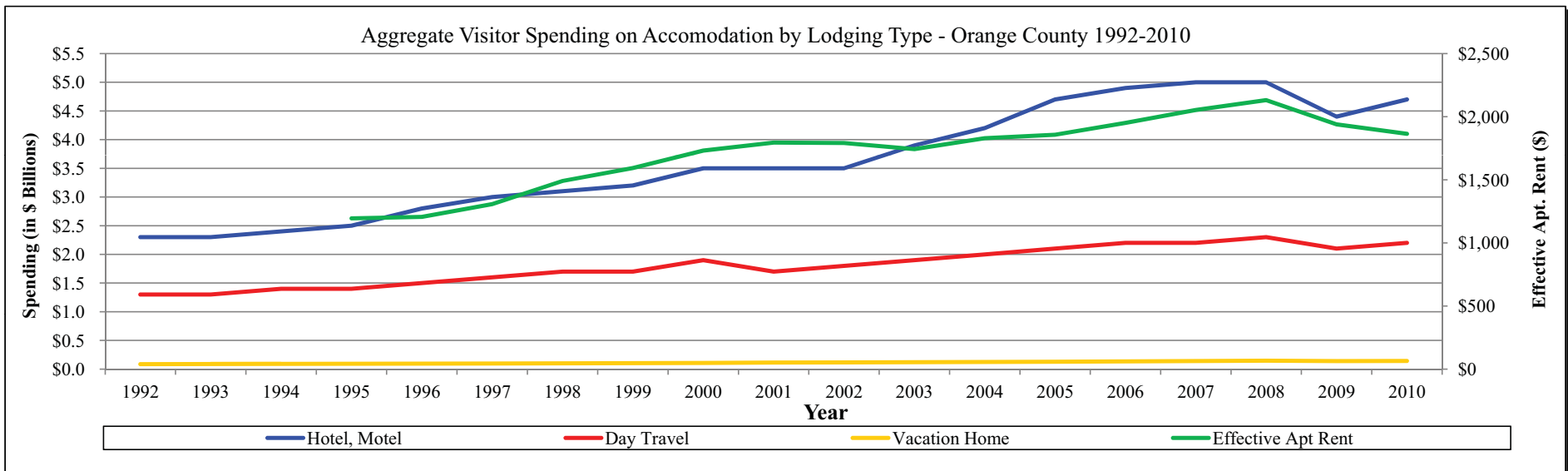
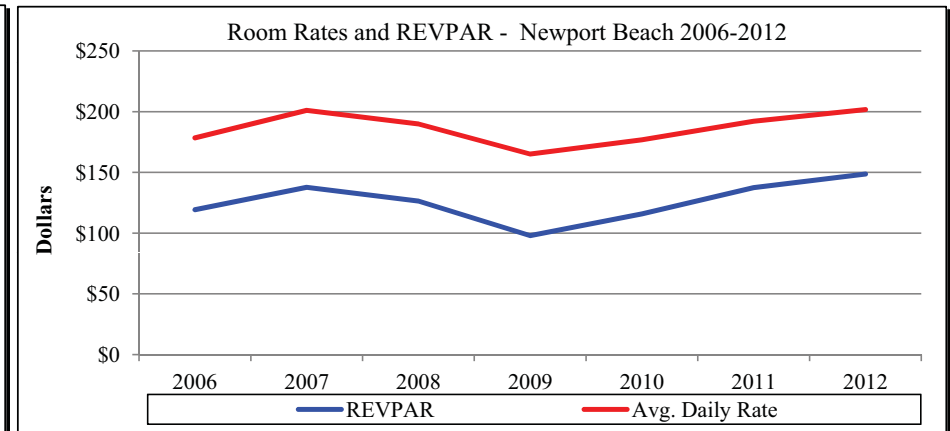
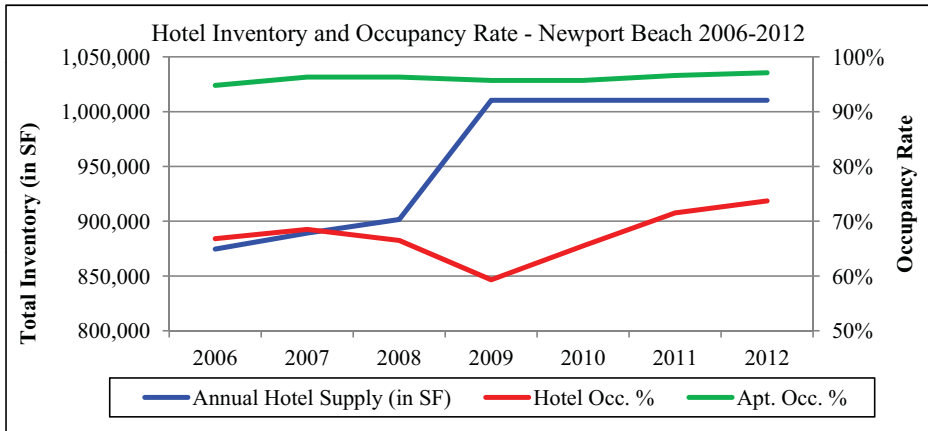


## EXHIBIT I-4

### HISTORICAL PROFILE - NEWPORT BEACH TOURISM INDUSTRY ORANGE COUNTY AND NEWPORT BEACH, CA 1992-2012

- 6.6 million people visited Newport Beach in 2011. 57% were California residents, while 33% were from out of state and 10% were from overseas.
- 75% of all 2011 visitors named chose "Vacation" as their primary reason for visiting Newport Beach.
- Over 88% of 2011 visitors were day visitors, while 7.32% stayed in a hotel or motel. 4.36% stayed in a private home or in other accommodations.

2011 Visitor Demographics	
Avg. Age:	38.8
Avg. Ann. HH Income:	\$123,400



Source: Dean Runyan Associates; State of California Tourism Board

**EXHIBIT I-5**

**SELECTED COMPETITIVE APARTMENT PROJECT INVENTORY  
NEWPORT BEACH, CA  
MARCH 2013**

						March 2013							
Project	Property Manager	City	Building Type (# of floors)	Year Built/ Remodeled	Units	Occ. Rate	Average					Walk Score	Concession Value
							Unit Size	Base Rent		Current Rent <sup>(1)</sup>			
								\$	PSF	\$	PSF		
Newport Beach - Waterfront													
Promontory Point	Irvine Company	Newport Beach	3s	1973	520	95%	1,032	\$2,867	\$2.78	\$2,867	\$2.78	55	\$0
The Waterfront Apartments	Coastline Real Estate Advisors	Newport Beach	2s	1964/2012	64	100%	1,297	3,149	2.43	3,149	2.43	68	\$0
<b>2 Properties</b>			<b>Total/Wtd Avg:</b>	<b>1972</b>	<b>584</b>	<b>96%</b>	<b>1,061</b>	<b>\$2,898</b>	<b>\$2.73</b>	<b>\$2,898</b>	<b>\$2.73</b>	<b>56</b>	
Newport Beach - Inland													
Newport Bluffs	Irvine Company	Newport Beach	3s	1999/2013	1,052	96%	1,060	\$2,891	\$2.73	\$2,891	\$2.73	45	\$0
The Colony	Irvine Company	Newport Beach	4s	1997/2013	245	95%	1,256	3,287	2.62	3,287	2.62	66	\$0
Bordeaux	Irvine Company	Newport Beach	3s	2001	190	98%	1,394	3,378	2.42	3,378	2.42	66	\$0
The Beach House Apartments	Nath Property Solutions	Newport Beach	3s	1976	226	97%	564	1,263	2.24	1,263	2.24	85	\$0
Coronado at Newport North and South	UDR	Newport Beach	3s	1968	1,447	94%	685	1,493	2.18	1,493	2.18	66	\$0
Baypointe	Irvine Company	Newport Beach	3s	1998	300	95%	1,049	2,285	2.18	2,285	2.18	66	\$0
Park Newport	Gerson Baker & Associates	Newport Beach	4s	1970	1,306	95%	992	2,039	2.06	2,020	2.04	45	-\$19
<b>7 Properties</b>			<b>Total/Wtd Avg:</b>	<b>1980</b>	<b>4,766</b>	<b>95%</b>	<b>927</b>	<b>\$2,158</b>	<b>\$2.33</b>	<b>\$2,153</b>	<b>\$2.32</b>	<b>57</b>	
<b>9 Properties</b>			<b>Newport Beach Total/Wtd Avg:</b>	<b>1980</b>	<b>5,350</b>	<b>95%</b>	<b>941</b>	<b>\$2,239</b>	<b>\$2.38</b>	<b>\$2,234</b>	<b>\$2.37</b>	<b>57</b>	
Other Waterfront Orange County													
Club Laguna	LBK Management Services	Laguna Beach	3s	1988	421	95%	863	\$1,663	\$1.93	\$1,663	\$1.93	66	\$0
<b>1 Properties</b>			<b>Total/Wtd Avg:</b>	<b>1988</b>	<b>421</b>	<b>95%</b>	<b>863</b>	<b>\$1,663</b>	<b>\$1.93</b>	<b>\$1,663</b>	<b>\$1.93</b>	<b>66</b>	
<b>10 Properties</b>			<b>Grand Total/Wtd Avg:</b>	<b>1980</b>	<b>5,771</b>	<b>95%</b>	<b>935</b>	<b>\$2,196</b>	<b>\$2.35</b>	<b>\$2,192</b>	<b>\$2.34</b>	<b>57</b>	

Walk Score of Subject Site:	<b>86</b>
-----------------------------	-----------

Note: All averages weighted by number of units; current rent defined as net of any concession

(1) Current rent defined as net of any concessions

**EXHIBIT I-6**

**SHADOW MARKET RENTAL SUPPLY  
WATERFRONT ORANGE COUNTY  
MARCH 2013**

TCG Shadow Survey March 2013						
Shadow Market Offerings	# Listings	Average Size (SF)	Offered Rent			Avg. PSF/Mo.
			Minimum	Average	Maximum	
Coastal Newport Beach						
1-Bedroom Condo/Apartment	2	598	\$1,595	\$1,695	\$1,795	\$2.83
2-Bedroom Condo/Apartment	13	1,269	1,650	2,442	5,795	1.92
3-Bedroom Condo/Apartment	19	2,220	2,500	5,518	16,500	2.49
Total/Weighted Average:	34	1,761	\$2,122	\$4,117	\$11,542	\$2.34
Other Newport Beach						
1-Bedroom Condo/Apartment	1	550	\$950	\$950	\$950	\$1.73
2-Bedroom Condo/Apartment	5	1,126	1,950	2,280	2,600	2.02
3-Bedroom Condo/Apartment	5	3,353	2,450	7,610	15,000	2.27
Total/Weighted Average:	11	2,086	\$2,086	\$4,582	\$8,086	\$2.20
Huntington Beach						
1-Bedroom Condo/Apartment	3	778	\$1,600	\$1,748	\$1,995	\$2.25
2-Bedroom Condo/Apartment	9	1,125	1,425	1,812	2,400	1.61
3-Bedroom Condo/Apartment	6	1,785	2,195	2,780	3,950	1.56
Total/Weighted Average:	18	1,287	\$1,711	\$2,124	\$2,849	\$1.65
Other OC Waterfront						
1-Bedroom Condo/Apartment	15	709	\$1,125	\$1,934	\$3,150	\$2.73
2-Bedroom Condo/Apartment	9	1,027	2,250	3,633	4,950	3.54
3-Bedroom Condo/Apartment	10	1,940	3,590	5,627	12,000	2.90
Total/Weighted Average:	34	1,155	\$2,148	\$3,470	\$6,229	\$3.00
Dana Point						
1-Bedroom Condo/Apartment	7	777	\$1,050	\$1,555	\$2,995	\$2.00
2-Bedroom Condo/Apartment	15	1,342	1,750	2,584	4,500	1.93
3-Bedroom Condo/Apartment	15	2,559	2,150	5,749	17,000	2.25
Total/Weighted Average:	37	1,729	\$1,780	\$3,673	\$9,283	\$2.12
Grand Total/Weighted Average:	134	1,561	1,976	3,601	8,119	\$2.31

(1) Shadow market defined as condominiums, single family homes, and townhouses placed on the rental market in addition to older apartment units.

# EXHIBIT I-7

## HOUSING OPTIONS MAP WATERFRONT ORANGE COUNTY AND COASTAL NEWPORT BEACH MARCH 2013



(1) Assumes 30-year fixed mortgage, 47% down payment, and 3.75% interest rate reflecting regional trends. HOA, taxes, and insurance excluded.

# EXHIBIT I-7

## HOUSING OPTIONS MAP WATERFRONT ORANGE COUNTY AND COASTAL NEWPORT BEACH MARCH 2013

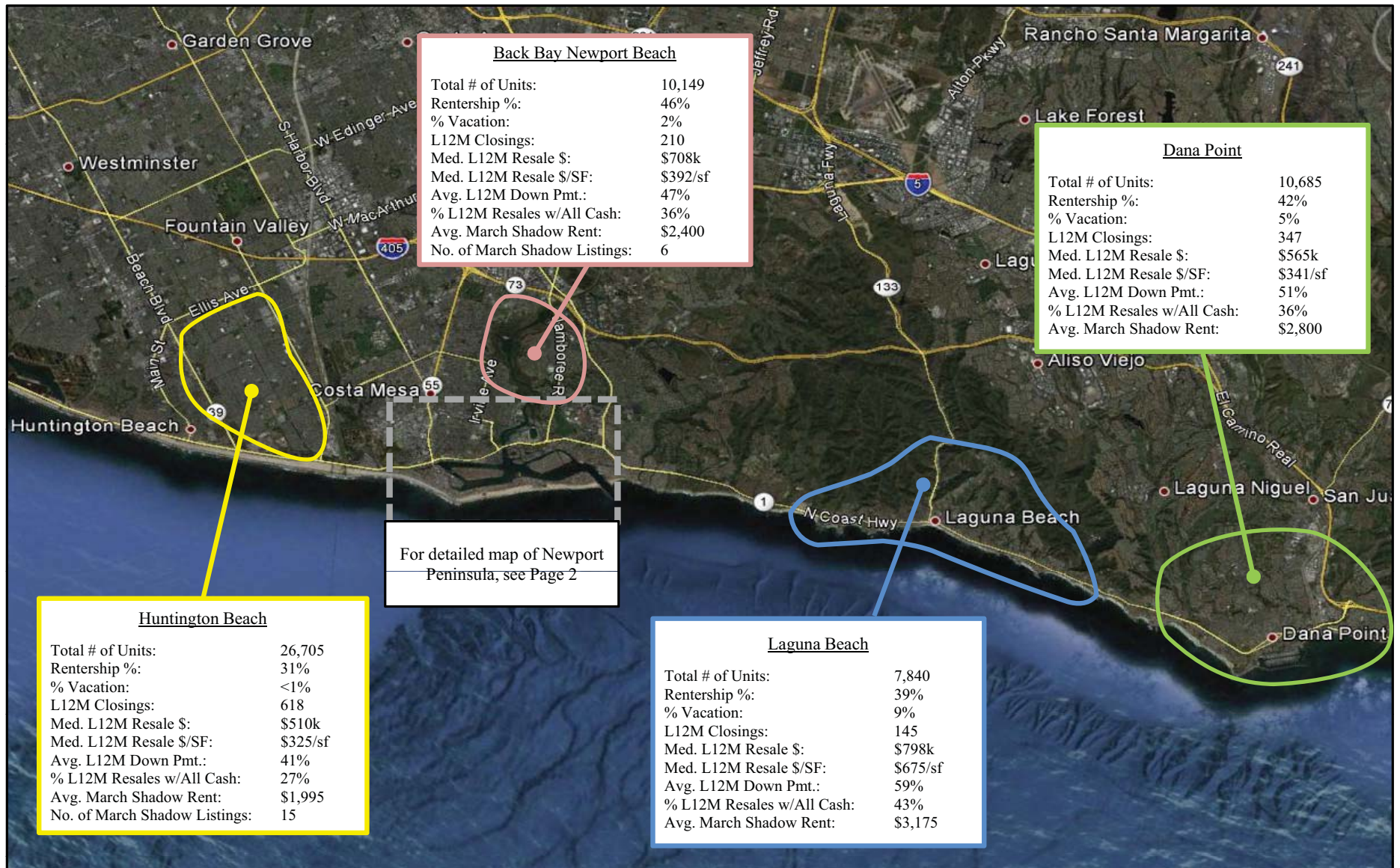


(1) Assumes 30-year fixed mortgage, 47% down payment, and 3.75% interest rate reflecting regional trends. HOA, taxes, and insurance excluded.



## EXHIBIT I-8

### HOUSING STOCK PERFORMANCE WATERFRONT ORANGE COUNTY AND COASTAL NEWPORT BEACH MARCH 2013

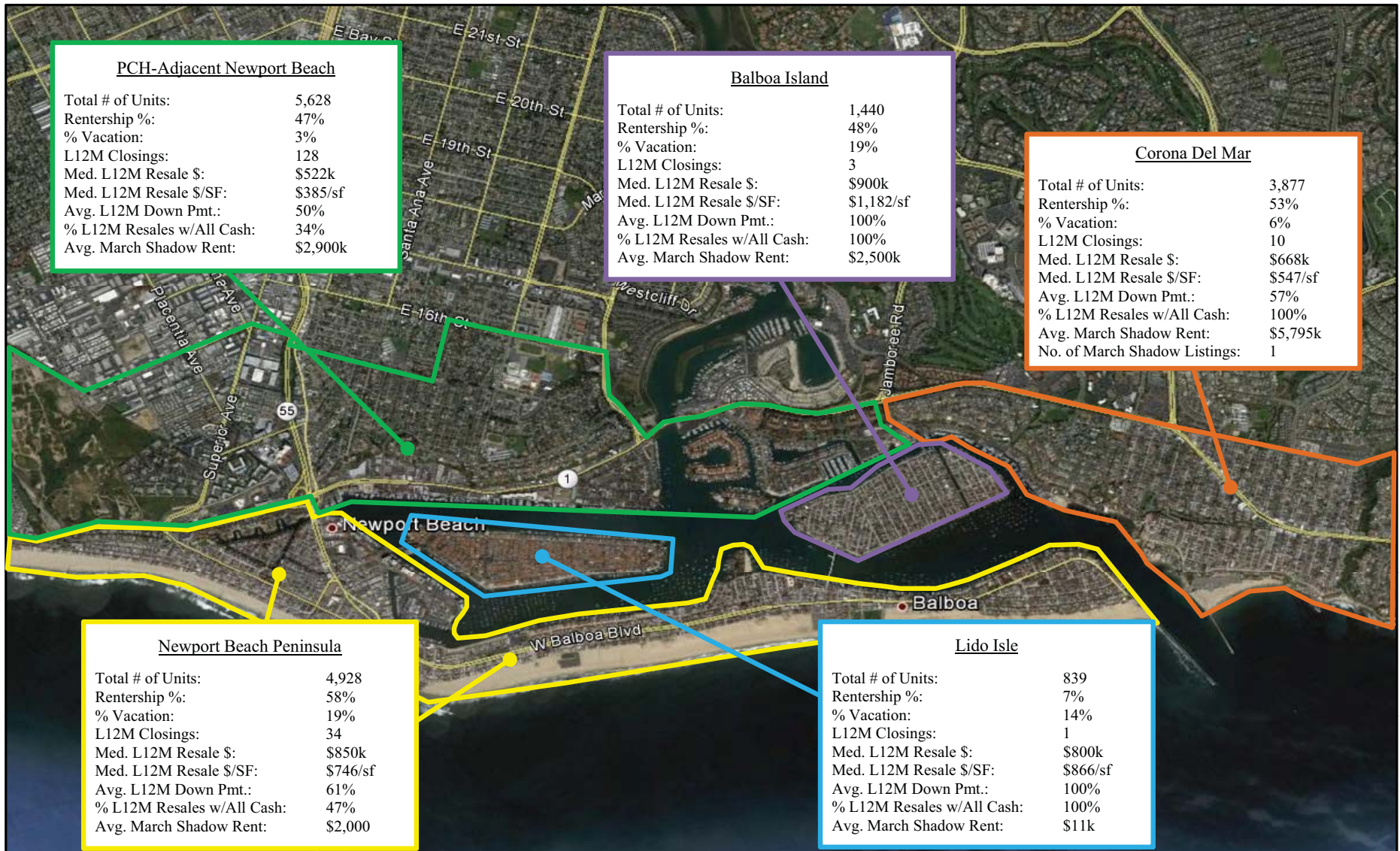


Source: US Census Bureau; Dataquick



## EXHIBIT I-8

### HOUSING STOCK PERFORMANCE WATERFRONT ORANGE COUNTY AND COASTAL NEWPORT BEACH MARCH 2013



Source: US Census Bureau; Dataquick



EXHIBIT I-9A

WALK SCORE MAP  
WATERFRONT ORANGE COUNTY  
MARCH 2013

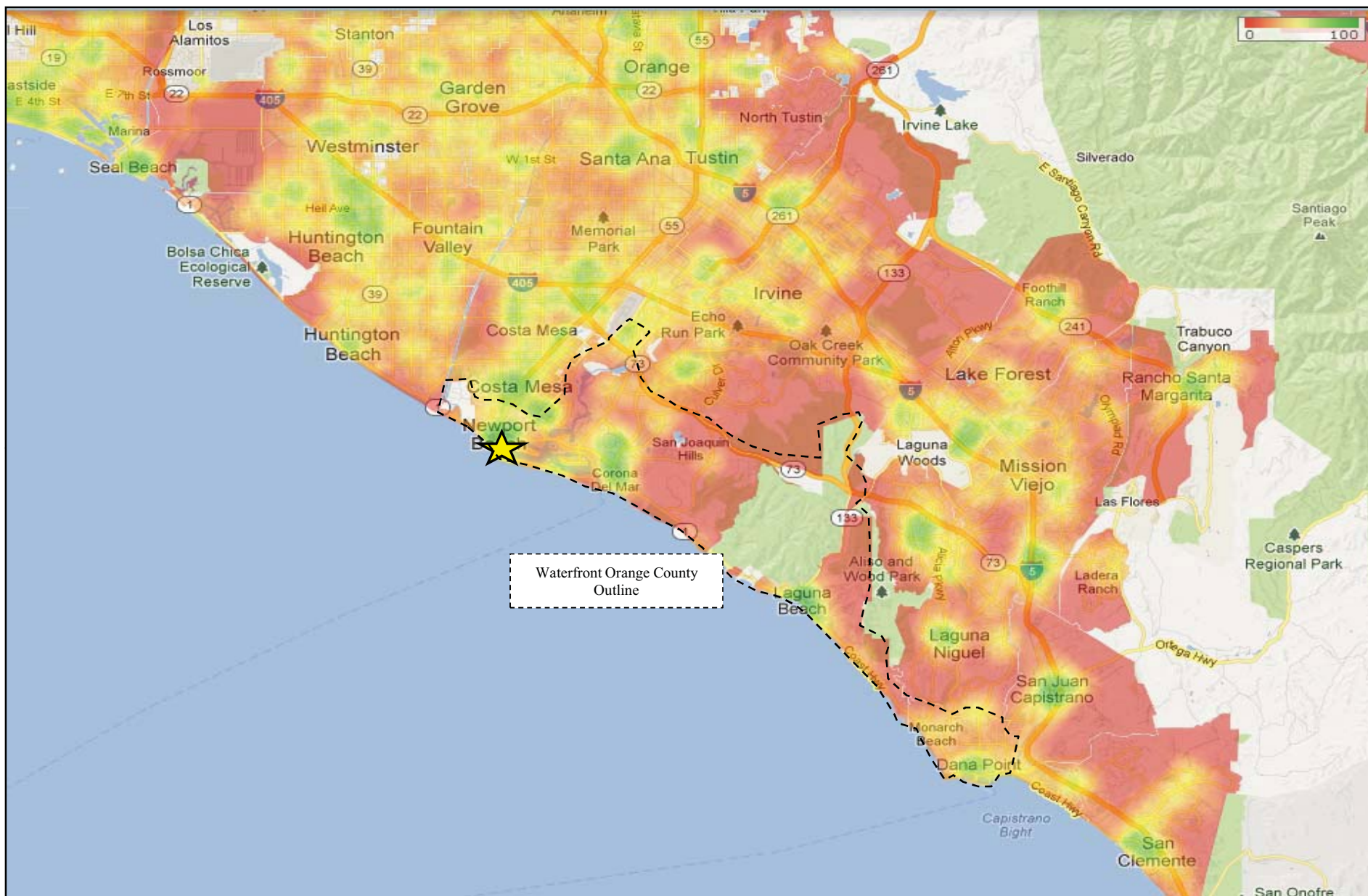
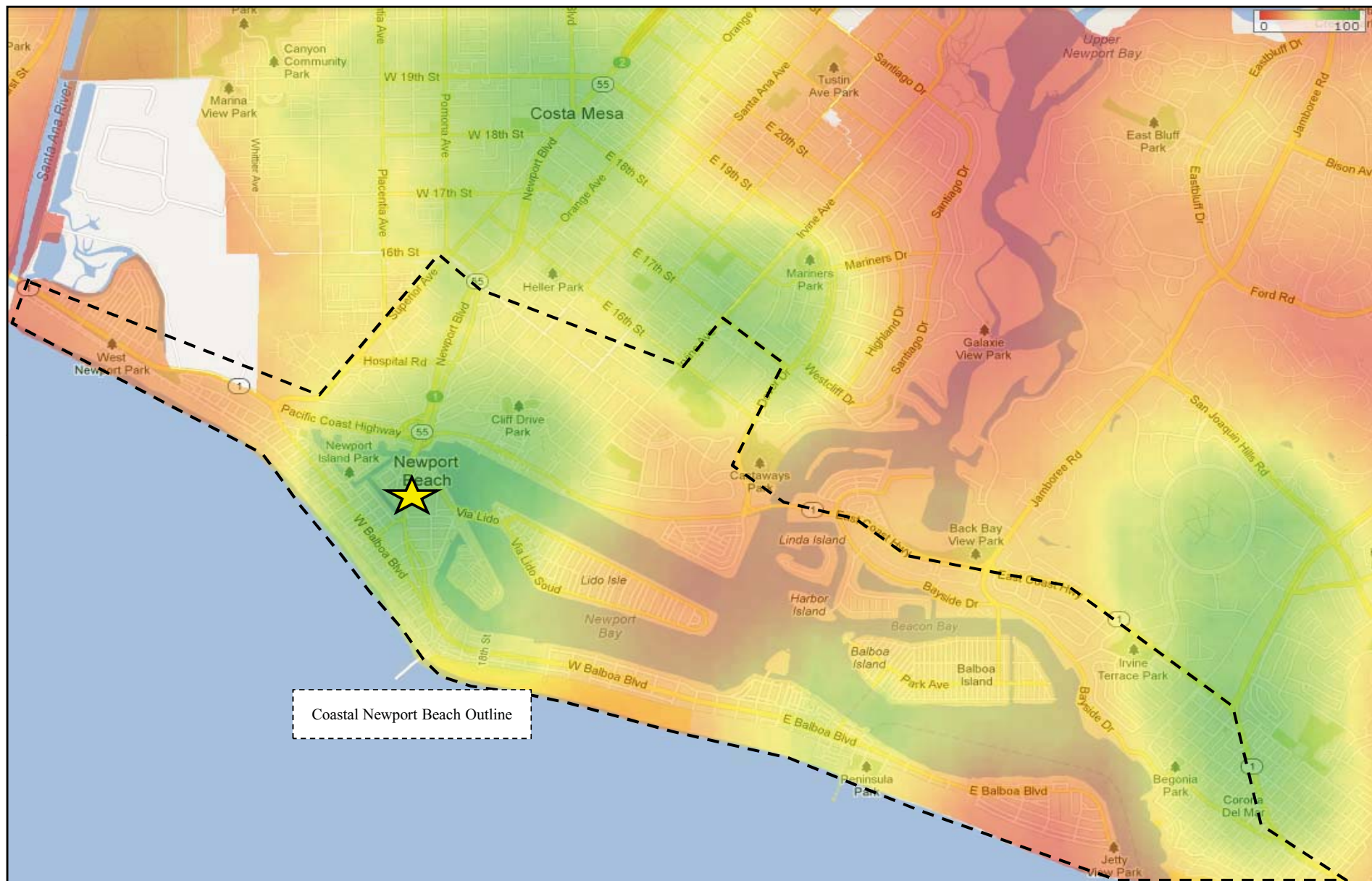
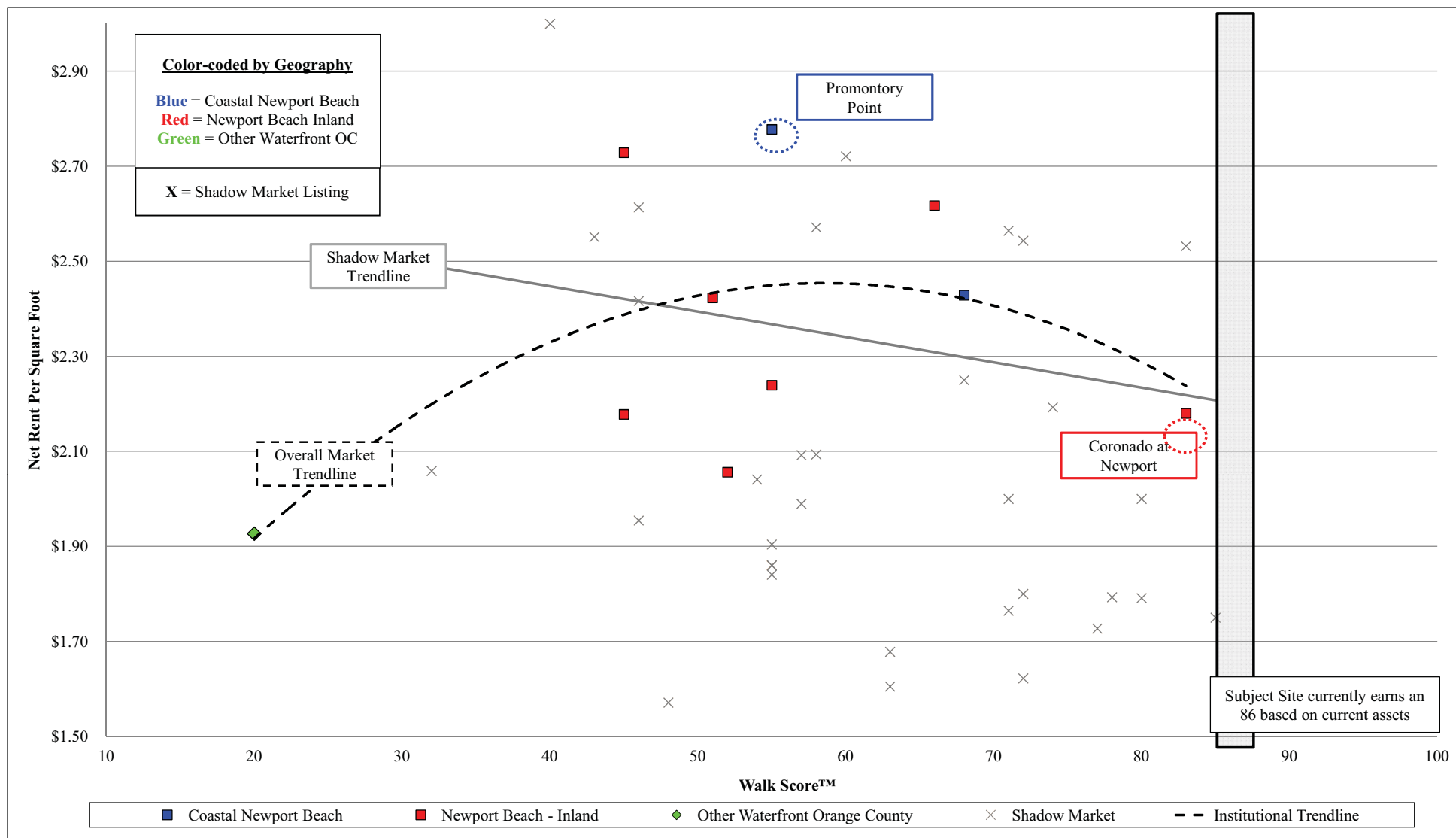


EXHIBIT I-9B

WALK SCORE MAP  
NEWPORT PENINSULA  
MARCH 2013

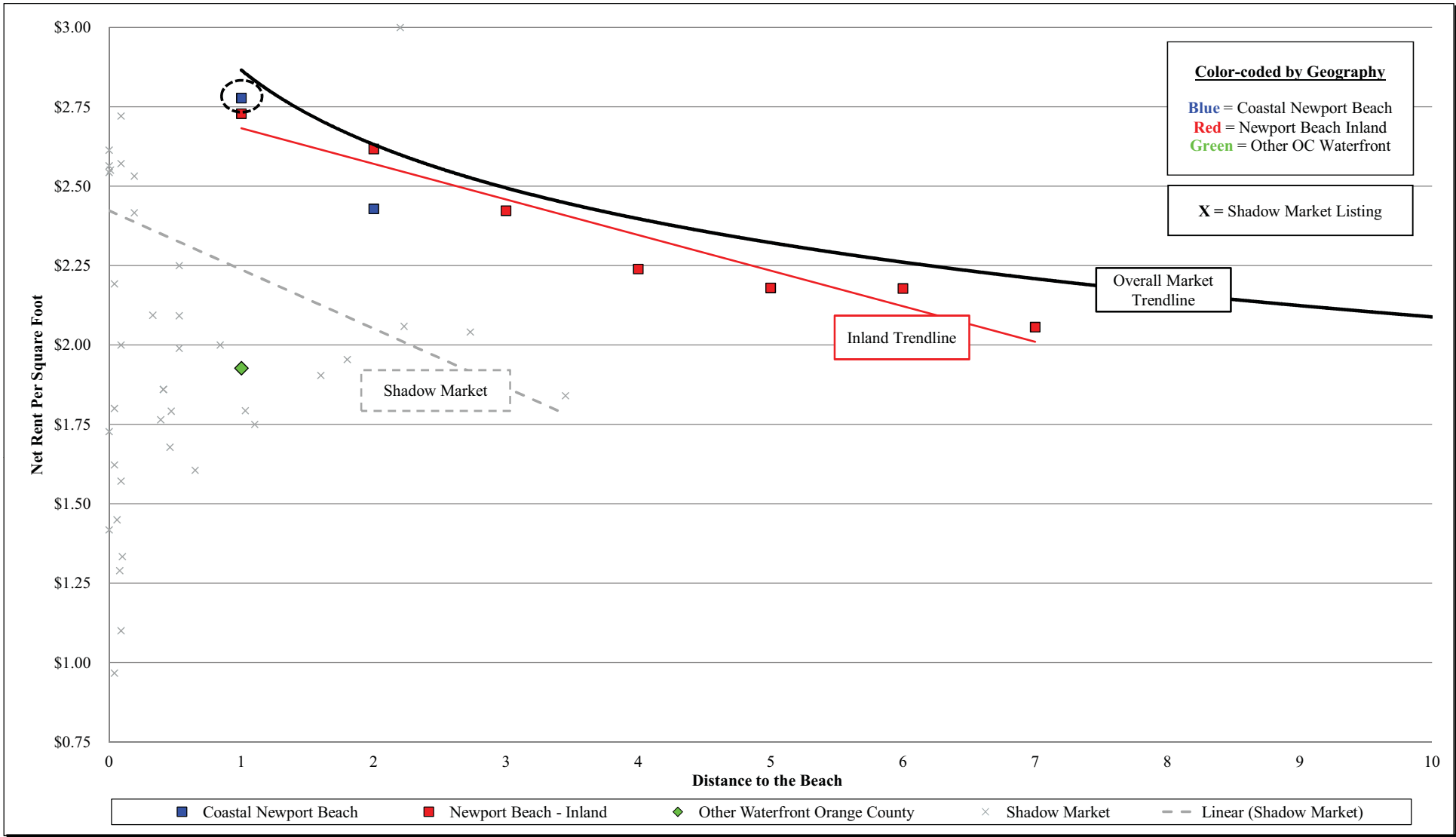


**EXHIBIT I-10**  
**WALK SCORE ANALYSIS**  
**WATERFRONT ORANGE COUNTY**  
**MARCH 2013**





**EXHIBIT I-11**  
**DISTANCE TO BEACH PRICING**  
**WATERFRONT ORANGE COUNTY**  
**MARCH 2013**

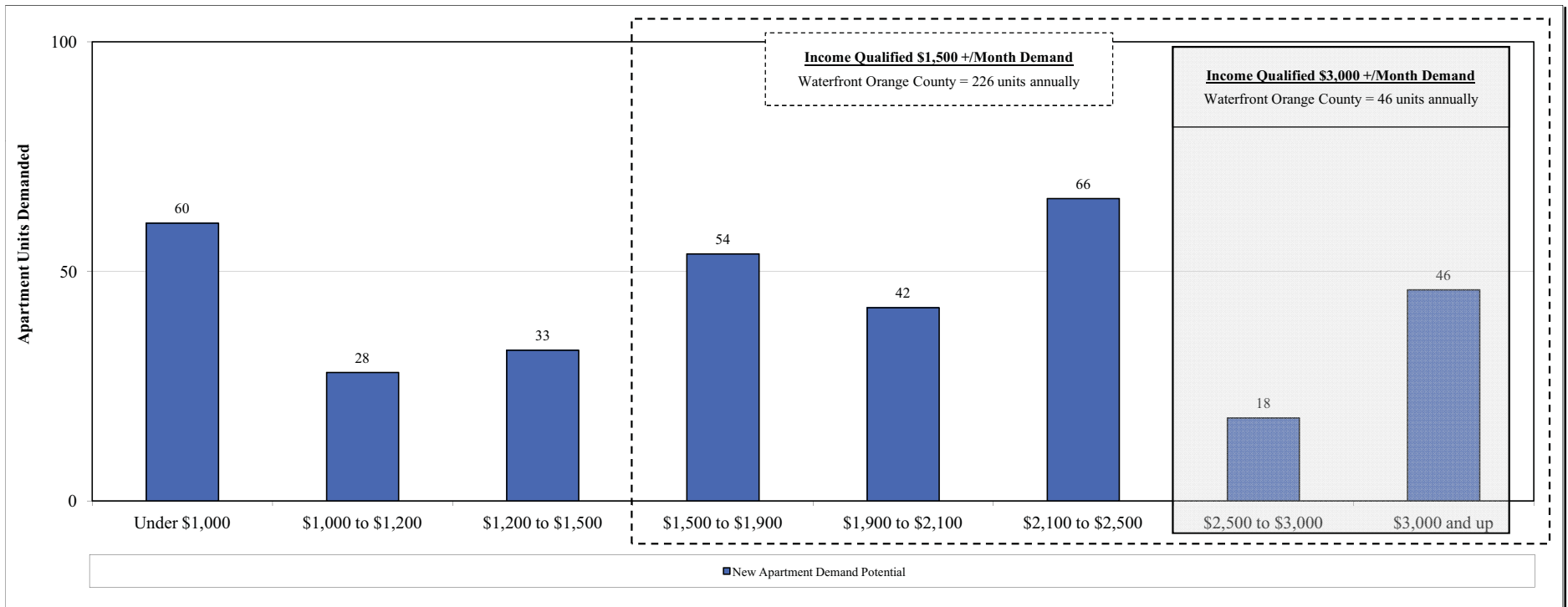


Note: Distance to beach determined using straight-line method.

EXHIBIT I-12A

PRIMARY RESIDENCE - RENTAL DEMAND  
WATERFRONT ORANGE COUNTY  
MARCH 2013

Household Income Range	Income to Housing	Average Monthly Rent	Total Households (1)		Percent Rent	Renter Households	Annual Turnover of Existing Renter HHs	Annual Pool from Turnover	Annual Effective New HHs	Annual PMA Demand		Total 5-Yr Rental Demand
			2013	2018						All Rentals (2)	New Rentals (2)	
\$0 - \$25,000	53%	\$0 - \$1,000	8,440	8,631	65%	5,486	65%	3,566	38	3,591	60	302
25,000 - 35,000	44%	1,000 - 1,200	3,897	4,013	59%	2,299	62%	1,426	23	1,439	28	140
35,000 - 50,000	38%	1,200 - 1,500	5,321	5,476	53%	2,820	58%	1,636	31	1,652	33	164
50,000 - 75,000	33%	1,500 - 1,900	8,527	8,786	55%	4,690	54%	2,533	52	2,561	54	269
75,000 - 100,000	28%	1,900 - 2,100	7,118	7,375	50%	3,559	46%	1,637	51	1,663	42	210
100,000 - 150,000	23%	2,100 - 2,500	10,621	11,258	40%	4,248	35%	1,487	127	1,538	66	329
150,000 - 200,000	19%	2,500 - 3,000	6,039	6,412	20%	1,208	26%	314	75	329	18	90
200,000 +	17%	3,000 -	12,624	14,049	15%	1,894	17%	322	285	365	46	230
<b>Subtotal/Wtd. Avg.:</b>			<b>62,587</b>	<b>66,000</b>	<b>42%</b>	<b>26,137</b>	<b>49%</b>	<b>12,886</b>	<b>683</b>	<b>13,137</b>	<b>347</b>	<b>1,735</b>
<b>Income Qualified (\$1,500 + monthly rent):</b>			<b>44,929</b>	<b>47,880</b>	<b>35%</b>	<b>15,599</b>	<b>40%</b>	<b>6,293</b>	<b>590</b>	<b>6,455</b>	<b>226</b>	<b>1,129</b>
<b>High-End Income Qualified (\$3,000 + monthly rent):</b>			<b>12,624</b>	<b>14,049</b>	<b>15%</b>	<b>1,894</b>	<b>17%</b>	<b>322</b>	<b>285</b>	<b>365</b>	<b>46</b>	<b>230</b>



(1) Effective existing HHs - current household base less projected loss

(2) All rentals include all renter HHs looking for an apartment in any given year; New Rentals reflects demand for additional apartment units in market, including demand from new HHs and obsolescence rate of 1.0% per year.  
13039.01 Apt Demand: Dem-Summ



EXHIBIT I-12B

VACATION HOME RENTAL DEMAND  
NEWPORT BEACH, CALIFORNIA  
MARCH 2013

Newport Beach Data (Per City of NB Visitor Profile)

Annual Newport Beach Visitors	Percent with Overnight Stay	Number Staying Overnight	Overnight Average Length of Stay	Accommodation Nights	Percent of Overnighters Non-Hotel	Non-Hotel Accommodation Nights	Units Required at Occupancy Target		
							70%	80%	85%
6,600,000	11.9%	783,288	4.1	3,211,481	36.7%	1,179,816	4,618	4,040	3,803



Total Newport Beach Seasonal, Recreational Units: 2,832  
Excess Demand for Seasonal, Recreational Units: 1,208

NAR Survey Data

Type of Property	Share	NB Imputed
Detached	67%	810
Townhouse	5%	60
Condo/Duplex 2-4 Units	12%	145
Condo/Apartment	13%	157
Other	30%	363

EXHIBIT I-13

DEMAND CAPTURE SCENARIOS  
WATERFRONT ORANGE COUNTY  
2013 THROUGH 2018

Inputs and Assumptions:

- Total I. Q. Rental Demand Potential Over Next 5 Years =
- Total **High End** I. Q. Rental Demand Over Next 5 Years =

Capture Metrics	Waterfront OC	Coastal Newport Beach Neighborhoods					Other Waterfront OC
		NB Peninsula	PCH Adjacent NB	Lido Isle	Balboa Island	Corona Del Mar	
Current Households (2013)	62,587	4,723	5,840	768	1,546	3,865	45,845
Share of PMA	100%	8%	9%	1%	2%	6%	73%
Share of \$200k + Income HHs	1,425	70	87	17	16	73	1,162
Share of PMA	100%	5%	6%	1%	1%	5%	82%
Projected HH Growth (2013-2018)	3,413	144	389	9	36	101	2,734
Share of PMA	100%	4%	11%	0%	1%	3%	80%
1 and 2 Person Households (2013)	44,486	3,488	4,307	597	1,308	3,016	31,770
Share of PMA	100%	8%	10%	1%	3%	7%	71%
Current Renter Households	26,783	2,754	2,761	52	747	2,063	18,406
Share of PMA	100%	10%	10%	0%	3%	8%	69%
2000-2013 Housing Unit Growth	3,301	-499	118	-48	-190	-65	3,985
Share of PMA	100%	-15%	4%	-1%	-6%	-2%	121%
2010 Employment	82,835	5,049	10,037	73	545	1,796	67,676
Share of PMA	100%	6%	12%	0%	1%	2%	82%
Affluent Young Households	10,595	1,265	1,018	65	164	775	7,308
Share of PMA	100%	12%	10%	1%	2%	7%	69%
Key Renter PRIZM Types (Currently Live)	29,665	4,062	3,674	766	1,159	1,749	18,255
Share of PMA	100%	14%	12%	3%	4%	6%	62%
Key Renter PRIZM Types (Currently Work)	47,468	2,841	7,220	36	451	1,526	35,394
Share of PMA	100%	6%	15%	0%	1%	3%	75%
<b>Imputed Capture (Rental)</b>							
Minimum Implied		-15%	4%	-1%	-6%	-2%	62%
Maximum Implied		14%	15%	3%	4%	8%	121%
Average		8%	10%	2%	3%	5%	58%

ALL RENTERS	Neighborhood Capture:	10%	15%	5%	5%	5%	60%
	Units Demanded:	113	169	56	56	56	677
	TCG Concluded CMA Capture:	40%	451				

HIGH-END RENTERS	Neighborhood Capture:	10%	15%	5%	5%	5%	60%
	Units Demanded:	23	34	11	11	11	138
	TCG Concluded CMA Capture:	40%	92				

(1) See Exhibit I-1 for map of market area definitions

# EXHIBIT I-13

## DEMAND CAPTURE SCENARIOS WATERFRONT ORANGE COUNTY 2013 THROUGH 2018

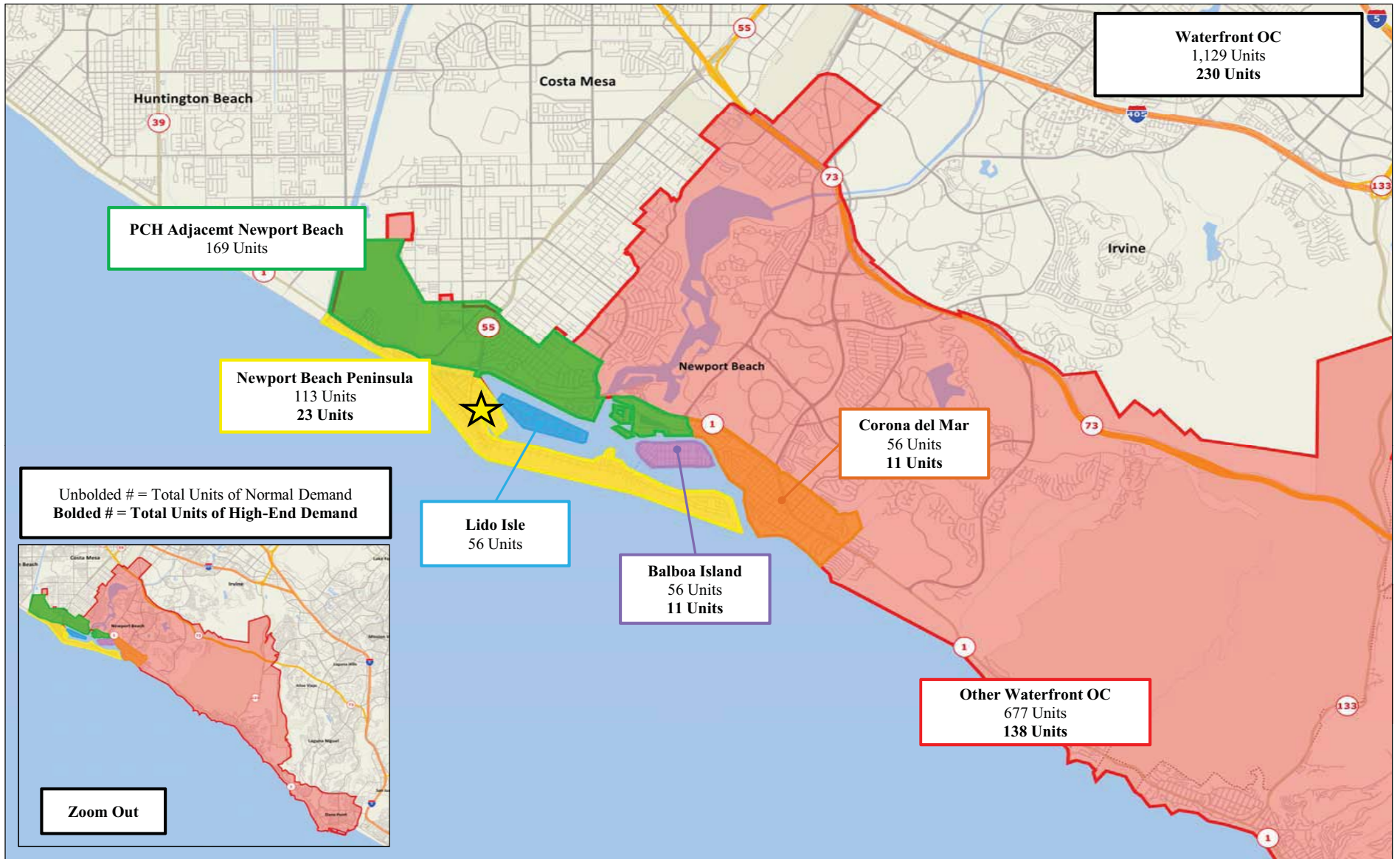
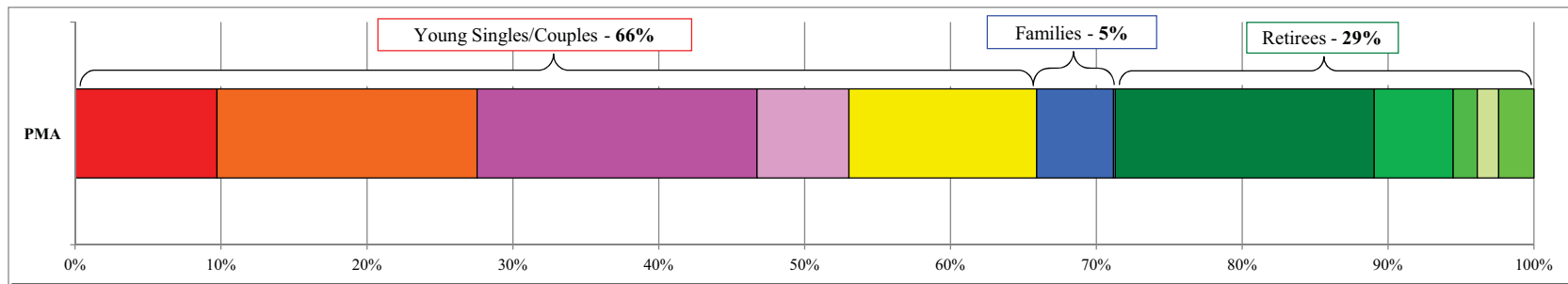


EXHIBIT I-14

PROJECTED DEMAND BY BEDROOM MIX AND PRIZM CLUSTER  
WATERFRONT ORANGE COUNTY  
2013

Renters		PMA HHs		%	Renter HHs		Projected	Bedroom Preference					Projected Demand by Type				
		Total	Share	Renter	Total	Share	Demand (1)	Studio	1B	2B	3B	4B+	Studio	1B	2B	3B	4B+
Young Singles & Couples																	
<div></div> Movers and Shakers	7,256	12%	16%	1,191	10%	110	5%	50%	40%	5%	0%	5	55	44	5	0	
<div></div> Young Digerati	4,138	7%	53%	2,187	18%	201	15%	40%	45%	0%	0%	30	81	91	0	0	
<div></div> Bohemian Mix	3,359	5%	70%	2,352	19%	217	20%	60%	20%	0%	0%	43	130	43	0	0	
<div></div> Young Influentials	1,209	2%	64%	772	6%	71	10%	55%	35%	0%	0%	7	39	25	0	0	
<div></div> Brite Lites, Li'l City	5,209	8%	30%	1,579	13%	145	5%	40%	50%	5%	0%	7	58	73	7	0	
Subtotal:	21,171			8,080		744						93	363	275	13	0	
				34% of PMA households		66% of total demand							13%	49%	37%	2%	0%
Families																	
<div></div> American Dreams	2,002	3%	32%	645	5%	59	0%	5%	50%	40%	5%	0	3	30	24	3	
<div></div> Upward Bound	111	0%	14%	16	0%	1	0%	5%	40%	45%	10%	0	0	1	1	0	
Subtotal:	2,113			660		61						0	3	30	24	3	
				3% of PMA households		5% of total demand							0%	5%	50%	40%	5%
Empty Nesters & Retirees																	
<div></div> Money and Brains	10,976	18%	20%	2,176	18%	200	0%	20%	50%	30%	0%	0	40	100	60	0	
<div></div> Second City Elite	5,293	8%	13%	663	5%	61	0%	50%	45%	5%	0%	0	31	27	3	0	
<div></div> Pools and Patios	1,526	2%	13%	202	2%	19	0%	45%	45%	5%	0%	0	8	8	1	0	
<div></div> New Empty Nests	1,430	2%	13%	181	1%	17	0%	40%	50%	10%	0%	0	7	8	2	0	
<div></div> The Cosmopolitans	1,319	2%	22%	296	2%	27	0%	15%	45%	40%	0%	0	4	12	11	0	
Subtotal:	20,544			3,518		324						0	90	157	77	0	
				33% of PMA households		29% of total demand							0%	28%	48%	24%	0%
Total Target PRIZMs:		43,828	70%	28%	12,258	100%	1,129					93	455	462	114	3	
												8%	40%	41%	10%	0%	



Source: PRIZM, Claritas Data Systems

EXHIBIT I-14

PROJECTED DEMAND BY BEDROOM MIX AND PRIZM CLUSTER - GEOGRAPHY COMPARISON  
COASTAL NEWPORT BEACH COMPONENTS & WATERFRONT ORANGE COUNTY  
2013

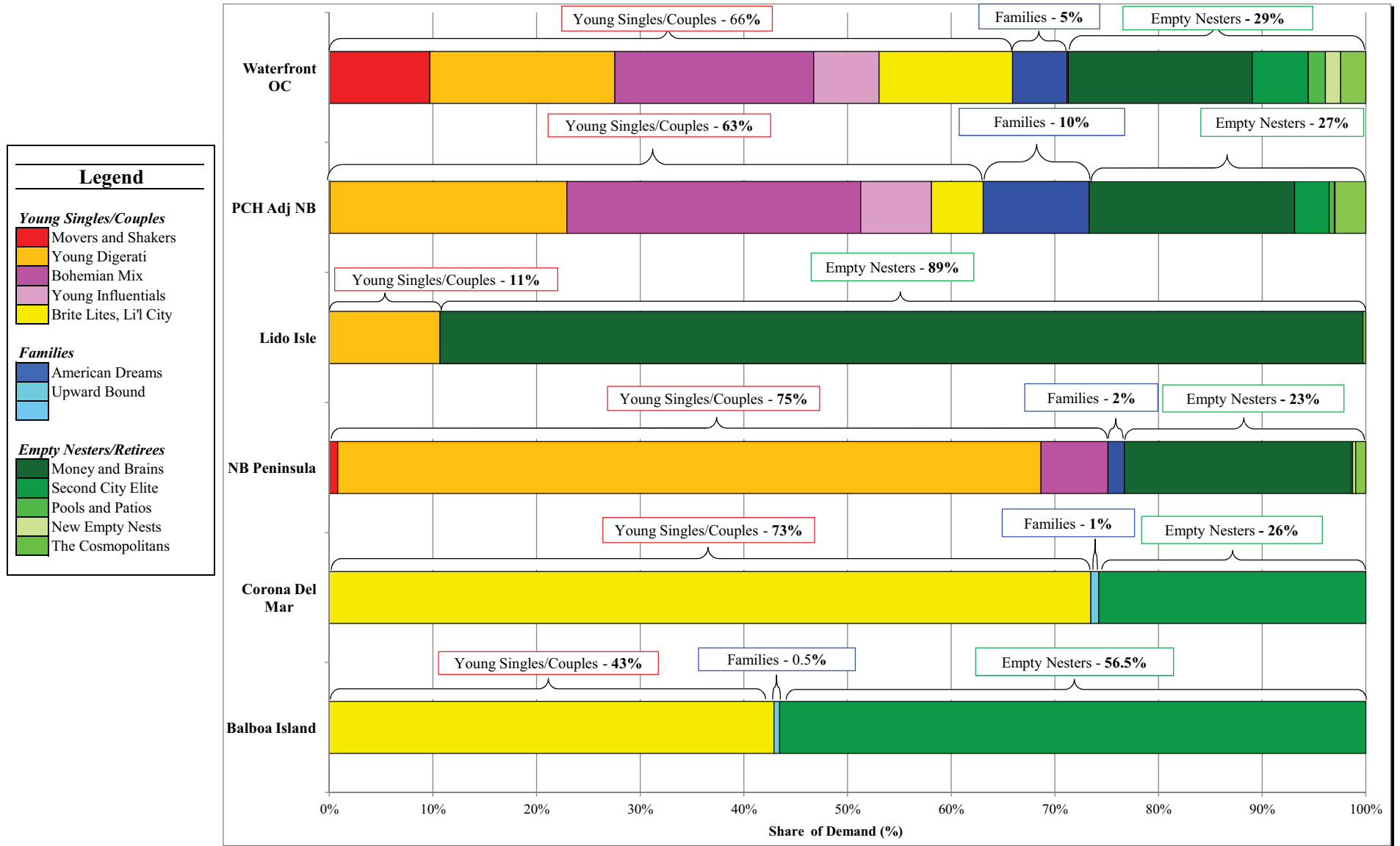
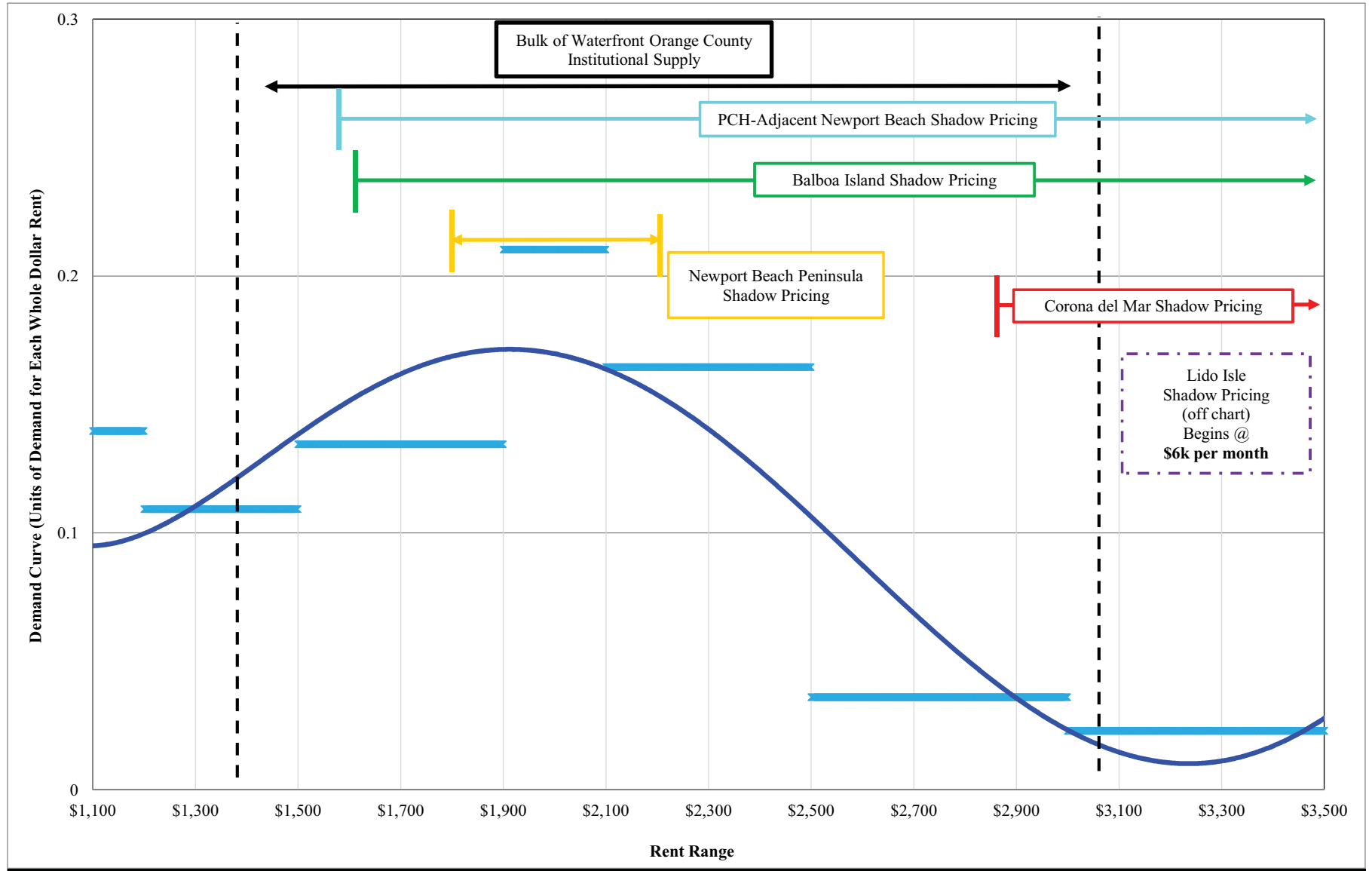


EXHIBIT I-15

ELASTICITY OF RENTAL DEMAND  
WATERFRONT ORANGE COUNTY  
MARCH 2013



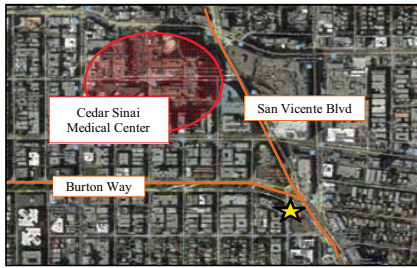


**EXHIBIT I-16**  
**ANALAGOUS RENTAL COMMUNITY PERFORMANCE**  
**SOUTHERN CALIFORNIA**  
**MARCH 2013**

**8500 Burton**



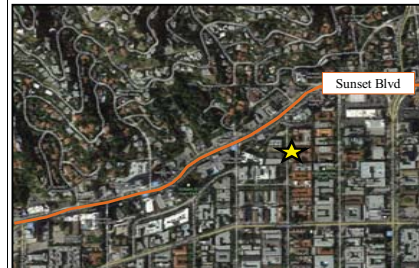
**Location:** 8500 Burton Way, Los Angeles, 90048  
**PSF:** \$4.26  
**Year Built:** 2012



**7 Fountains**



**Location:** 1414 North Harper Avenue, West Hollywood  
**PSF:** \$3.16  
**Year Built:** 2002



**Wilshire Margot**



**Location:** 10599 Wilshire Blvd, Los Angeles  
**PSF:** \$3.58  
**Year Built:** 2008



**Sea Castle**



**Location:** 1725 Ocean Front Walk, Santa Monica  
**PSF:** \$4.55  
**Year Built:** 2001

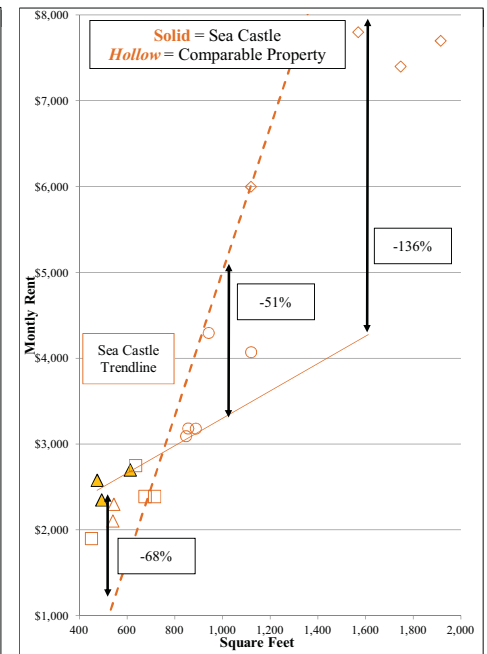
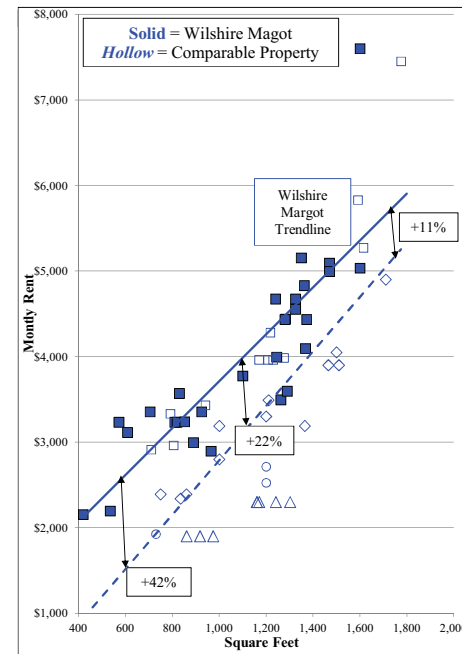
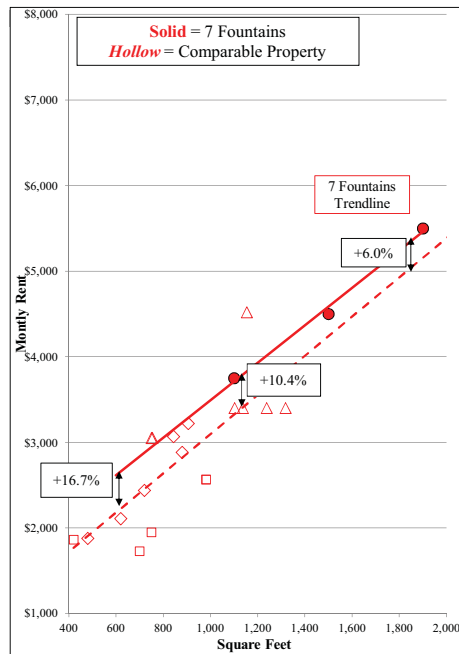
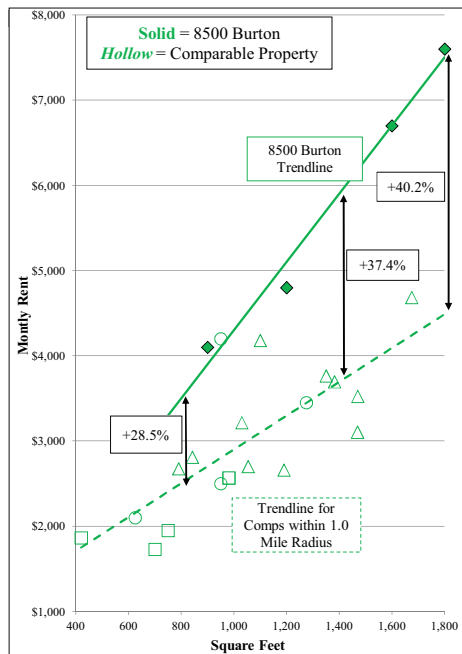




EXHIBIT I-17A

VACATION RENTAL MARKET - PRICING AND AVAILABILITY  
SELECT SOUTHERN CALIFORNIA MARKETS  
MARCH 2013

Shadow Market Offerings	TCG Survey March 2013							
	Summer Pricing (1)				Winter Pricing (1)			
	# Listings	Minimum	Rates Average	Maximum	# Listings	Minimum	Rates Average	Maximum
<b>Newport Beach Peninsula</b>								
1-Bedroom Condo/Apartment	1	\$747	\$747	\$747	1	\$747	\$747	\$747
2-Bedroom Condo/Apartment	7	600	1,936	3,500	7	600	1,261	1,905
3-Bedroom Condo/Apartment	13	1,919	3,874	8,505	5	0	2,960	4,380
<b>Total/Weighted Average:</b>	<b>21</b>	<b>\$1,424</b>	<b>\$3,079</b>	<b>\$6,467</b>	<b>13</b>	<b>\$236</b>	<b>\$2,288</b>	<b>\$3,382</b>
<b>Lido Isle</b>								
1-Bedroom Condo/Apartment	0	\$0	--	\$0	0	\$0	--	\$0
2-Bedroom Condo/Apartment	2	2,800	2,850	2,900	1	0	1,750	1,750
3-Bedroom Condo/Apartment	4	3,500	4,550	6,000	2	0	3,900	4,000
<b>Total/Weighted Average:</b>	<b>6</b>	<b>\$3,267</b>	<b>\$3,983</b>	<b>\$4,967</b>	<b>3</b>	<b>\$0</b>	<b>\$3,183</b>	<b>\$3,250</b>
<b>Balboa Island</b>								
1-Bedroom Condo/Apartment	1	\$10,500	\$10,500	\$10,500	0	\$0	--	\$0
2-Bedroom Condo/Apartment	1	4,750	4,750	4,750	1	3,200	3,200	3,200
3-Bedroom Condo/Apartment	7	1,800	4,279	9,450	4	0	3,175	5,950
<b>Total/Weighted Average:</b>	<b>9</b>	<b>\$3,094</b>	<b>\$5,022</b>	<b>\$9,044</b>	<b>5</b>	<b>\$356</b>	<b>\$2,825</b>	<b>\$4,983</b>
<b>Other Newport Beach</b>								
1-Bedroom Condo/Apartment	5	\$399	\$690	\$1,150	4	\$0	\$575	\$964
2-Bedroom Condo/Apartment	4	1,350	2,056	2,500	2	0	1,577	2,604
3-Bedroom Condo/Apartment	5	2,450	3,529	4,995	3	0	2,667	4,800
<b>Total/Weighted Average:</b>	<b>14</b>	<b>\$1,403</b>	<b>\$2,094</b>	<b>\$2,909</b>	<b>9</b>	<b>\$0</b>	<b>\$1,608</b>	<b>\$2,803</b>
<b>Grand Total/Weighted Average:</b>	<b>50</b>	<b>1,940</b>	<b>3,262</b>	<b>5,755</b>	<b>30</b>	<b>163</b>	<b>2,302</b>	<b>3,492</b>

(1) Summer = Mid-June 2013; Winter = Mid-January 2014

EXHIBIT I-17A

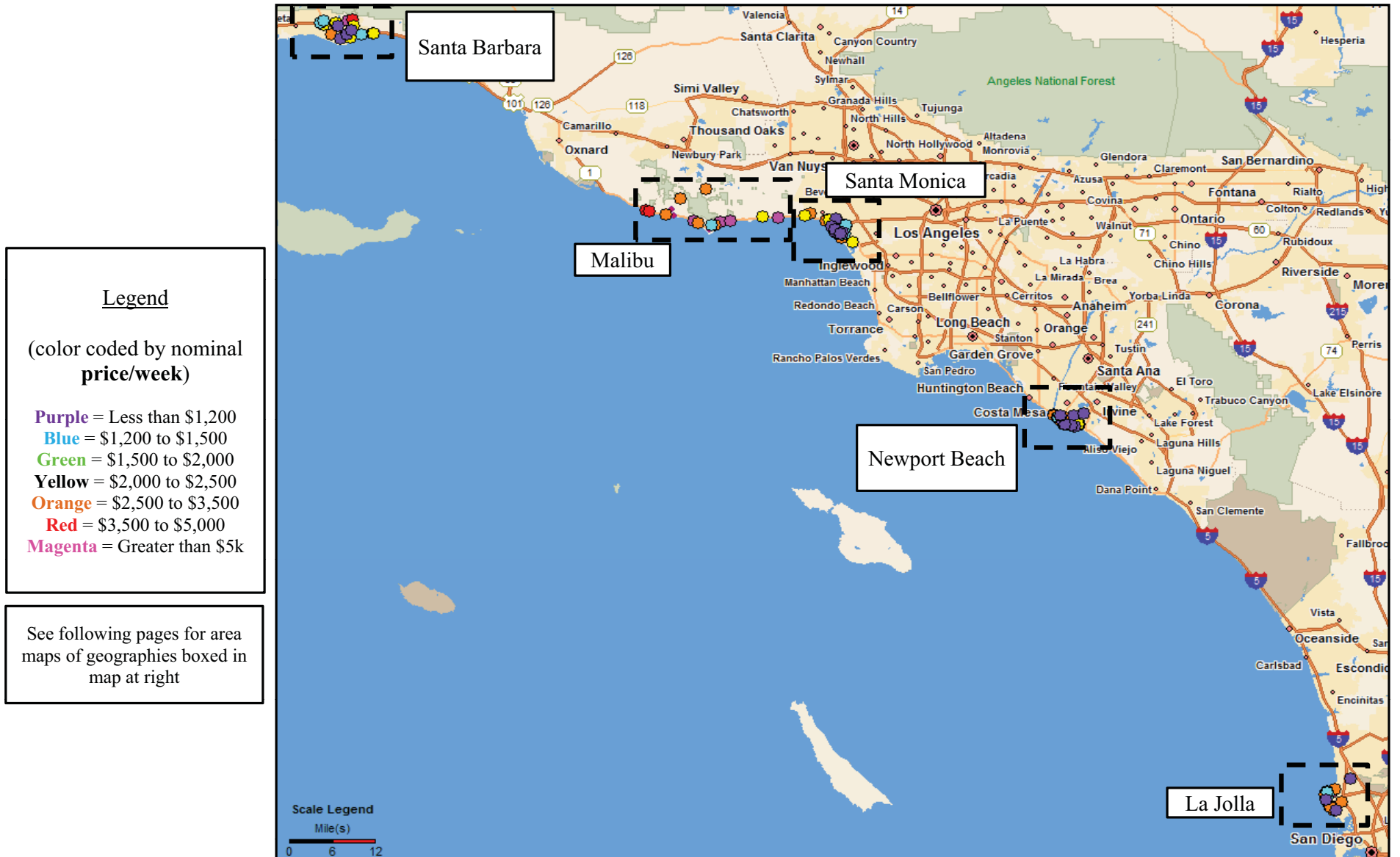
VACATION RENTAL MARKET - PRICING AND AVAILABILITY  
SELECT SOUTHERN CALIFORNIA MARKETS  
MARCH 2013

Vacation Rental Market Offerings	TCG Survey March 2013							
	Summer Pricing (1)				Winter Pricing (1)			
	# Listings	Minimum	Rates Average	Maximum	# Listings	Minimum	Rates Average	Maximum
<b><i>Santa Monica</i></b>								
1-Bedroom Condo/Apartment	3	\$910	\$921	\$938	3	\$910	\$921	\$938
2-Bedroom Condo/Apartment	13	1,033	1,625	2,607	13	1,033	1,546	2,450
3-Bedroom Condo/Apartment	18	1,369	4,838	16,324	18	1,369	4,490	16,324
<b>Total/Weighted Average:</b>	<b>34</b>	<b>\$1,200</b>	<b>\$3,264</b>	<b>\$9,722</b>	<b>34</b>	<b>\$1,200</b>	<b>\$3,049</b>	<b>\$9,662</b>
<b><i>Malibu</i></b>								
1-Bedroom Condo/Apartment	1	\$1,510	\$1,510	\$1,510	1	\$1,180	\$1,180	\$1,180
2-Bedroom Condo/Apartment	8	1,280	2,892	5,417	8	1,280	2,483	4,200
3-Bedroom Condo/Apartment	8	2,624	7,545	18,550	9	2,624	7,297	18,550
<b>Total/Weighted Average:</b>	<b>17</b>	<b>\$1,926</b>	<b>\$5,000</b>	<b>\$11,367</b>	<b>18</b>	<b>\$1,907</b>	<b>\$4,672</b>	<b>\$10,775</b>
<b><i>Santa Barbara</i></b>								
1-Bedroom Condo/Apartment	3	\$672	\$907	\$1,149	3	\$672	\$907	\$1,149
2-Bedroom Condo/Apartment	10	1,201	2,152	3,917	10	1,201	1,959	3,705
3-Bedroom Condo/Apartment	4	2,316	5,666	8,904	4	2,316	5,362	8,904
<b>Total/Weighted Average:</b>	<b>17</b>	<b>\$1,370</b>	<b>\$2,759</b>	<b>\$4,602</b>	<b>17</b>	<b>\$1,370</b>	<b>\$2,574</b>	<b>\$4,477</b>
<b><i>La Jolla</i></b>								
1-Bedroom Condo/Apartment	4	\$911	\$1,071	\$1,306	4	\$911	\$1,052	\$1,306
2-Bedroom Condo/Apartment	6	1,280	2,199	3,366	6	964	2,090	3,366
3-Bedroom Condo/Apartment	7	2,597	6,577	18,868	7	1,967	6,342	18,868
<b>Total/Weighted Average:</b>	<b>17</b>	<b>\$1,735</b>	<b>\$3,736</b>	<b>\$9,264</b>	<b>17</b>	<b>\$1,365</b>	<b>\$3,597</b>	<b>\$9,264</b>
<b>Grand Total/Weighted Average:</b>	<b>85</b>	<b>1,486</b>	<b>3,605</b>	<b>8,935</b>	<b>86</b>	<b>1,408</b>	<b>3,388</b>	<b>8,768</b>

(1) Summer = Mid-June 2013; Winter = Mid-January 2014

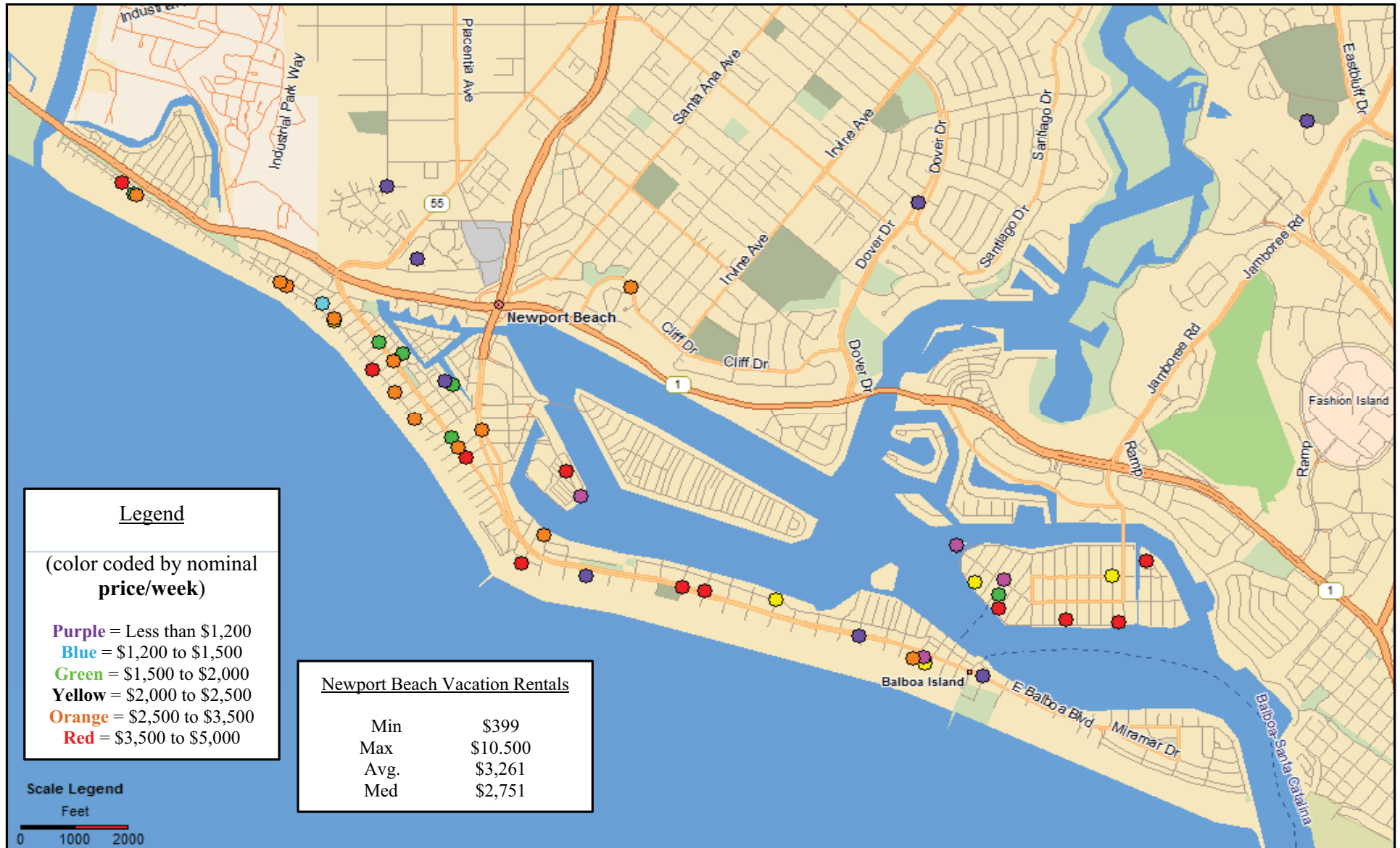
EXHIBIT I-17B

VACATION RENTAL MARKET - PRICING AND AVAILABILITY  
SELECT SOUTHERN CALIFORNIA MARKETS - LOS ANGELES AREA  
MARCH 2013



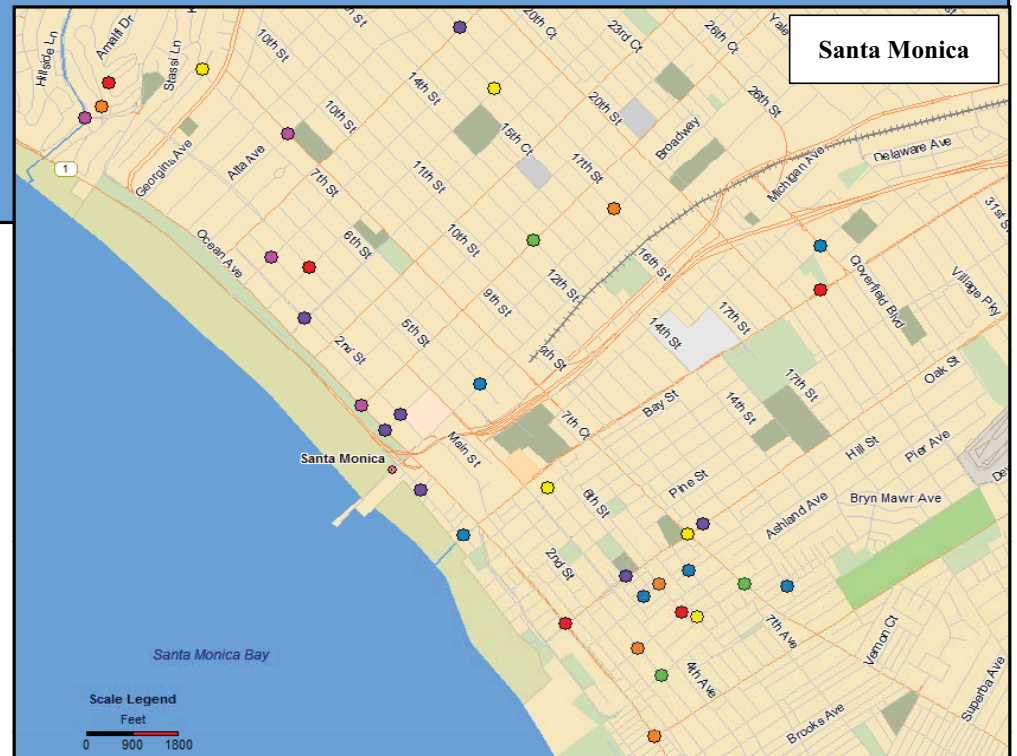
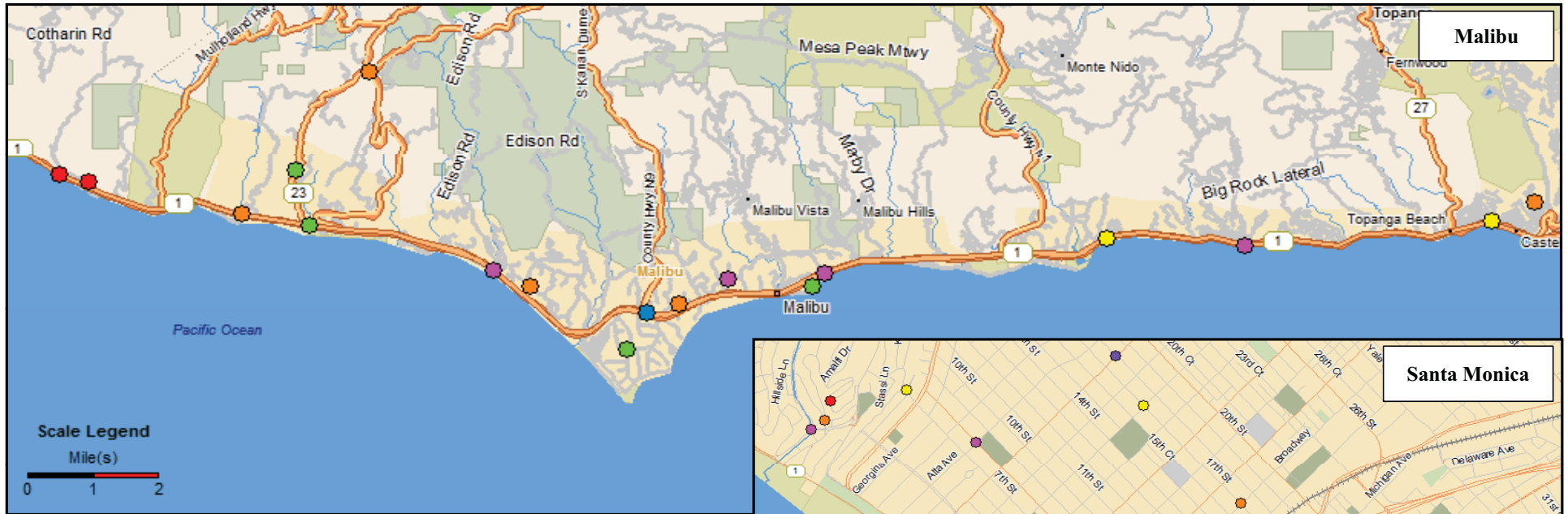
# EXHIBIT I-17B

## VACATION RENTAL MARKET - PRICING AND AVAILABILITY SELECT SOUTHERN CALIFORNIA MARKETS - LOS ANGELES AREA MARCH 2013



# EXHIBIT I-17B

## VACATION RENTAL MARKET - PRICING AND AVAILABILITY SELECT SOUTHERN CALIFORNIA MARKETS - LOS ANGELES AREA MARCH 2013



### Legend

(color coded by nominal  
price/week)

**Purple** = Less than \$1,200  
**Blue** = \$1,200 to \$1,500  
**Green** = \$1,500 to \$2,000  
**Yellow** = \$2,000 to \$2,500  
**Orange** = \$2,500 to \$3,500  
**Red** = \$3,500 to \$5,000

### Malibu Vacation Rentals

Min	\$1,280
Max	\$18,550
Avg.	\$4,672
Median	\$2,861

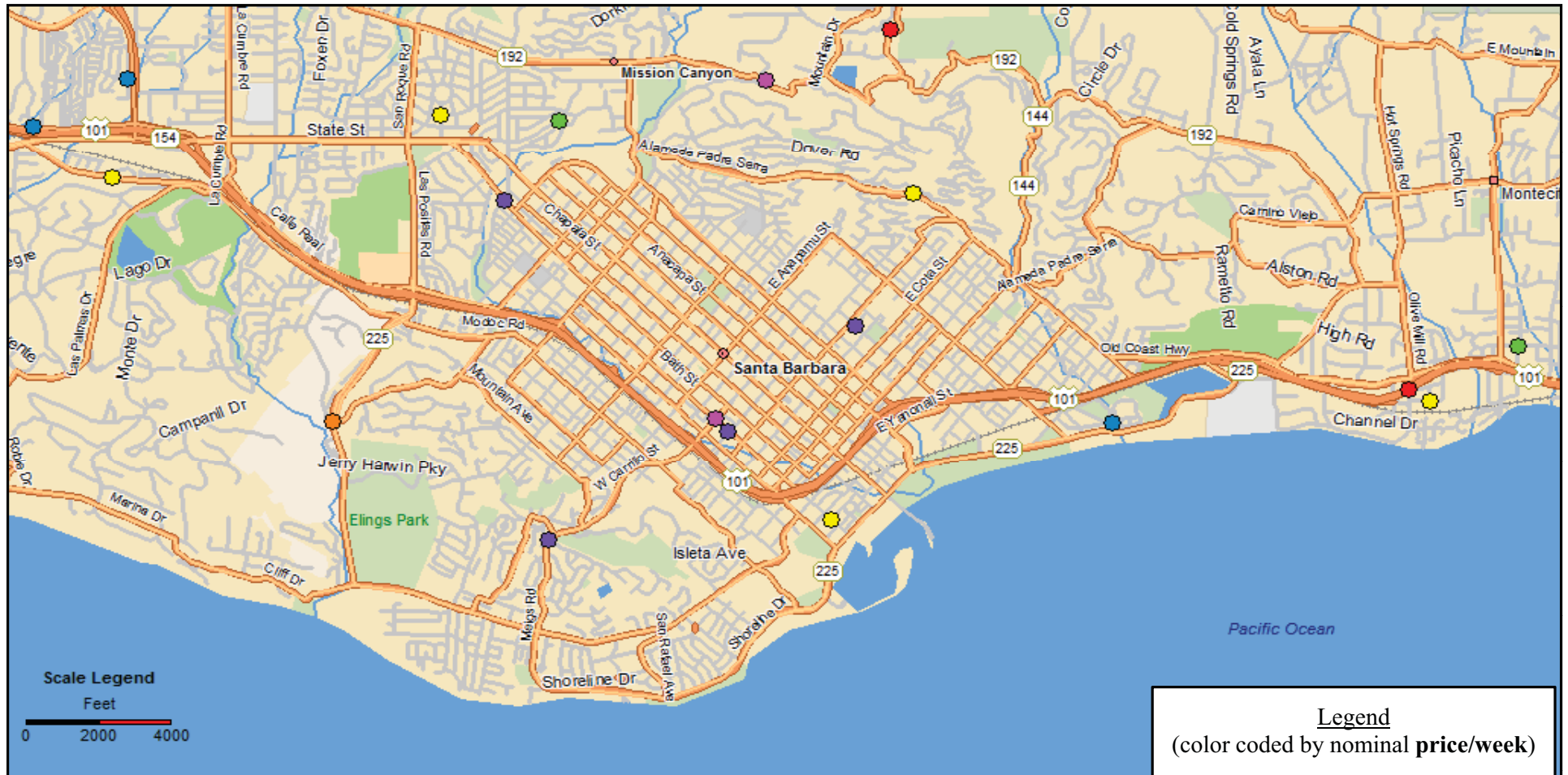
### Santa Monica Vacation Rentals

Min	\$910
Max	\$16,324
Avg.	\$3,053
Median	\$2,057



# EXHIBIT I-17B

## VACATION RENTAL MARKET - PRICING AND AVAILABILITY SELECT SOUTHERN CALIFORNIA MARKETS - LOS ANGELES AREA MARCH 2013



### Santa Barbara Vacation Rentals

Min	\$672
Max	\$8,904
Avg.	\$2,597
Median	\$2,034

### Legend (color coded by nominal price/week)

Purple	= Less than \$1,200
Blue	= \$1,200 to \$1,500
Green	= \$1,500 to \$2,000
Yellow	= \$2,000 to \$2,500
Orange	= \$2,500 to \$3,500
Red	= \$3,500 to \$5,000



# EXHIBIT I-17B

## VACATION RENTAL MARKET - PRICING AND AVAILABILITY SELECT SOUTHERN CALIFORNIA MARKETS - LOS ANGELES AREA MARCH 2013



La Jolla Vacation Rentals	
Min	\$911
Max	\$18,868
Avg.	\$3,736
Median	\$2,597

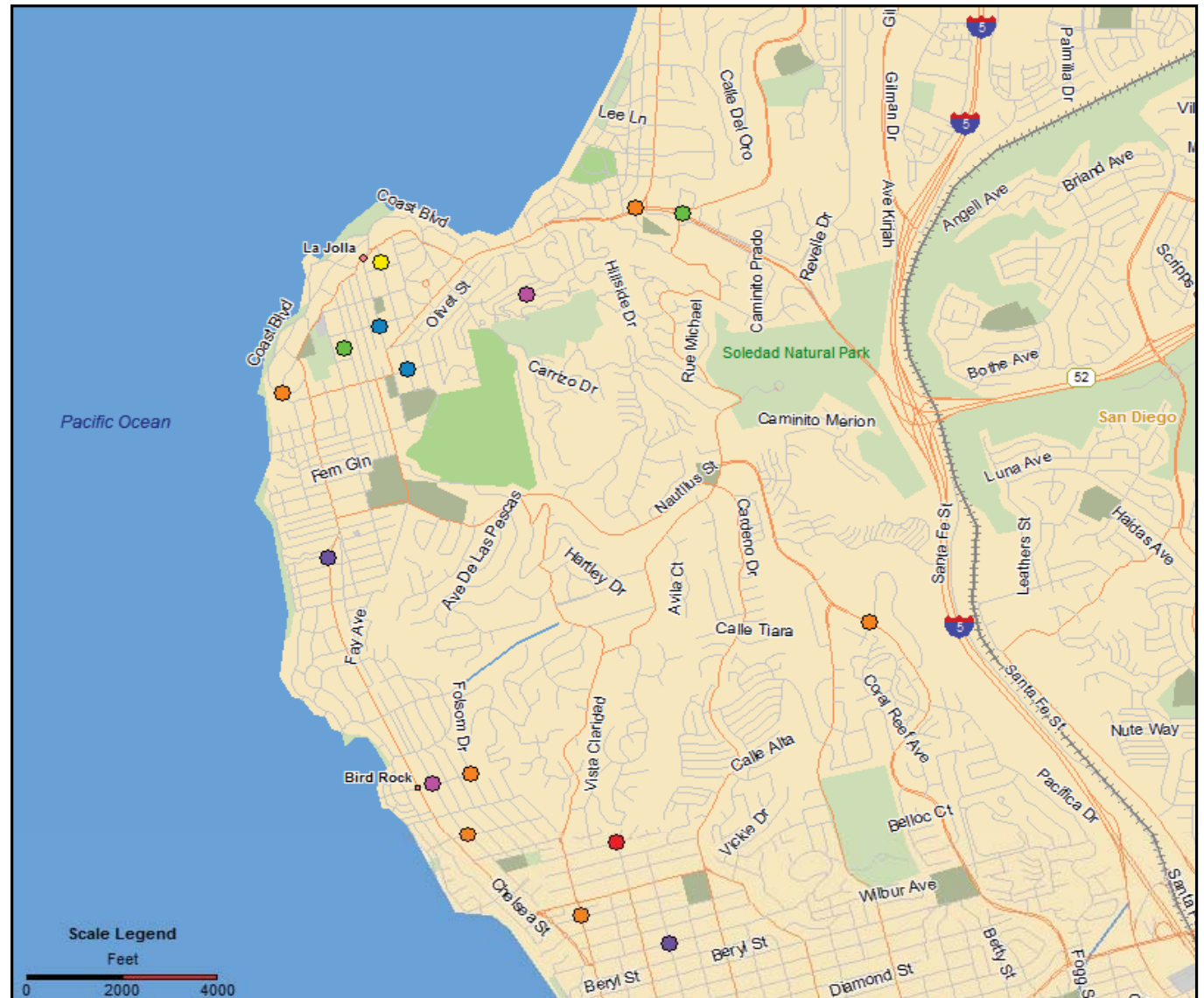


EXHIBIT I-18

SELECTED COMPETITIVE HOTELS  
NEWPORT BEACH, CA  
MARCH 2013

Property Name	City	Floors	Year Built/ Renovated	Rooms	Occupancy Rate		Occ. Avg	Hotel Rates		
					Week	FSS		Low	High	Avg.
Bay/Ocean Adjacent										
Dorymans Oceanfront Inn	Newport Beach	2s	1910/2011	11	70%	100%	83%	\$199	\$399	\$313
Newport Beach Hotel	Newport Beach	2s	1911/2007	15	70%	90%	79%	215	300	264
Balboa Bay Resort	Newport Beach	3s	2003	160	55%	64%	59%	190	300	253
Balboa Inn	Newport Beach	3s	1947/2011	9	NA	NA	NA	169	249	215
Bay Shores Peninsula Hotel	Newport Beach	3s	1963/2012	25	76%	80%	78%	149	245	204
Holiday Inn Express Newport Beach	Newport Beach	2s	/2012	83	70%	75%	72%	139	199	173
Little Inn by The Bay	Newport Beach	2s	1970s/2010s	18	75%	95%	84%	126	175	154
Weighted Average:	7 Hotels		2003	46	63%	73%	67%	\$171	\$265	\$224
Non-Waterfront										
Resort at Pelican Inn	Newport Coast	3s	2008	332	90%	100%	94%	\$495	\$695	\$609
Marriott Newport Coast Villas	Newport Coast	4s	2000	401	NA	NA	NA	425	599	524
Island Hotel Newport Beach	Newport Beach	15s	1986/2012	295	NA	NA	NA	199	440	337
Newport Beach Marriott Hotel/Spa	Newport Beach	12s	1972	532	NA	NA	NA	249	259	255
Weighted Average:	4 Hotels		1993	390	90%	100%	94%	\$337	\$473	\$415

(1) Room rates represent best available rate based on conversation with marketing/ front desk staff as well as analysis of room rates at multiple points throughout the year. Rates do not include additional guests or services and do not take into account any membership club discounts.

(2) FSS represents hotel's peak rates for the nights of Friday, Saturday and Sunday.

## **II. SITE-SPECIFIC ANALYSIS**



EXHIBIT II-1  
LOCAL SETTING  
NEWPORT BEACH, CA  
MARCH 2013



## EXHIBIT II-2

**PRODUCT PROGRAM OPTIONS**  
**SUBJECT SITE - FORMER CITY HALL SITE, NEWPORT BEACH, CA**  
**MARCH 2013**

**Target Envelope: 150,000 net rentable square feet**

**Upscale Standard Rental Project**

*Target Market: Mix of affluent renters seeking close proximity to Peninsula amenities (nightlife and beaches); Newport Beach and Irvine employees; young singles and couples from affluent families, "re-singles".*

Plan	Bed/ Bath	Mix		Unit Size	Base		Avg. Premium	Average		Top Competitive Alternatives	Total Community	
		#	%		Rent	PSF		Rent	PSF		Envelope	Monthly Rent
Flat	1 / 1	78	45%	720	\$2,600	\$3.61		\$2,639	\$3.67	• Institutional competitive set		
Flat	2 / 2	65	38%	895	2,900	3.24		2,944	3.29	• Typical waterfront shadow		
Flat	2 / 2	30	17%	1,200	3,400	2.83		3,451	2.88	• Future Pacific City & new developments inland proximate to jobs		
<b>Total/Weighted Average:</b>		<b>173</b>	<b>100%</b>	<b>869</b>	<b>\$2,851</b>	<b>\$3.28</b>	<b>1.5%</b>	<b>\$2,894</b>	<b>\$3.33</b>		<b>150,335</b>	<b>\$500,700</b>

**Upscale Empty Nester Target**

*Target Market: Predominantly move-down renters looking for beach-proximate location without premium of Lido or Balboa Island. Duffy boat owners. Potentially last kids at home or new empty nest. Frequent: Quiet Woman, Side Door, Wine Gallery, A Restaurant, Port, DivBar, Crow Bar.*

Plan	Bed/ Bath	Mix		Unit Size	Base		Avg. Premium	Average		Top Competitive Alternatives	Total Community	
		#	%		Rent	PSF		Rent	PSF		Envelope	Monthly Rent
Flat	1 / 1.5	43	36%	1,050	\$3,400	\$3.24		\$3,485	\$3.32	• Already living in existing single family homes		
Flat	2 / 2	50	42%	1,250	3,750	3.00		3,844	3.08			
Flat	2 / 2	27	23%	1,600	4,600	2.88		4,669	2.92			
<b>Total/Weighted Average:</b>		<b>120</b>	<b>100%</b>	<b>1,257</b>	<b>\$3,816</b>	<b>\$3.04</b>	<b>2.5%</b>	<b>\$3,901</b>	<b>\$3.10</b>		<b>150,850</b>	<b>\$468,106</b>

**Lockaway Vacationers Target**

*Target Market: Snowbirds from north and households from inland southwest fleeing climate extremes. Summer and potentially winter usage as alternative to vacation rental. Affluent families and couples. Summer families with breadwinner on weekends.*

Plan	Bed/ Bath	Mix		Unit Size	Base		Avg. Premium	Average		Top Competitive Alternatives	Total Community	
		#	%		Rent	PSF		Rent	PSF		Envelope	Monthly Rent
Open 1	1 / 1	30	25%	600	\$2,550	\$4.25		\$2,627	\$4.38	• Peninsula/Lido/Balboa bungalows/resale stock		
Flat	2 / 2	22	18%	1,100	3,300	3.00		3,399	3.09	• Other SoCal options		
Flat	3 / 2	70	57%	1,550	4,800	3.10		4,944	3.19	• VRBO		
<b>Total/Weighted Average:</b>		<b>122</b>	<b>100%</b>	<b>1,235</b>	<b>\$3,976</b>	<b>\$3.22</b>	<b>3.0%</b>	<b>\$4,096</b>	<b>\$3.32</b>		<b>150,700</b>	<b>\$499,653</b>

**Area Entertainers**

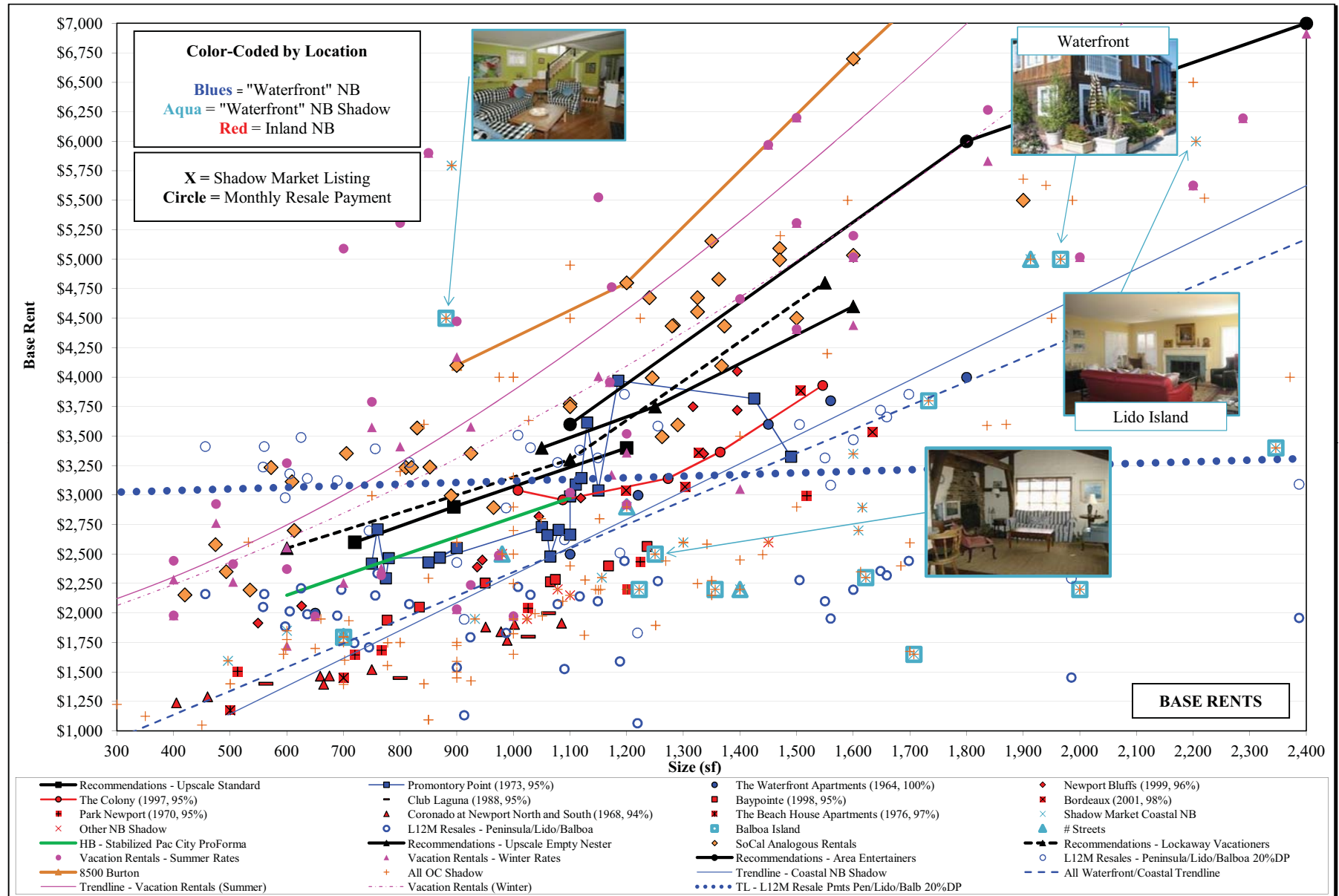
*Target Market: Local households and frequent NB visitors with roots. Predominantly interested in new empty nest freedoms, yachting culture and water orientation. Cream of area crop with affinity for strong finishes and amenities, upscale aesthetics. Coming out of local SFD product now kids are gone. One bedroom plans also targeted to divorced dad with yacht. Outdoor living spaces and flex floorplans key.*

Plan	Bed/ Bath	Mix		Unit Size	Base		Avg. Premium	Average		Competitive Alternative	Total Community	
		#	%		Rent	PSF		Rent	PSF		Envelope	Monthly Rent
Flat	1 / 2.5	44	44%	1,100	\$3,600	\$3.27		\$3,654	\$3.32	• Already living in existing single family homes		
Flat	2 / 2.5	50	51%	1,800	6,000	3.33		6,090	3.38	• Best of best residential around Newport Beach		
TH	3 / 2.5	5	5%	2,400	7,000	2.92		7,105	2.96			
<b>Total/Weighted Average:</b>		<b>99</b>	<b>100%</b>	<b>1,519</b>	<b>\$4,984</b>	<b>\$3.28</b>	<b>5.0%</b>	<b>\$5,059</b>	<b>\$3.33</b>		<b>150,400</b>	<b>\$500,801</b>



# EXHIBIT II-3

## PRODUCT PROGRAM POSITIONING (BASE RENT) NEWPORT BEACH, CALIFORNIA MARCH 2013

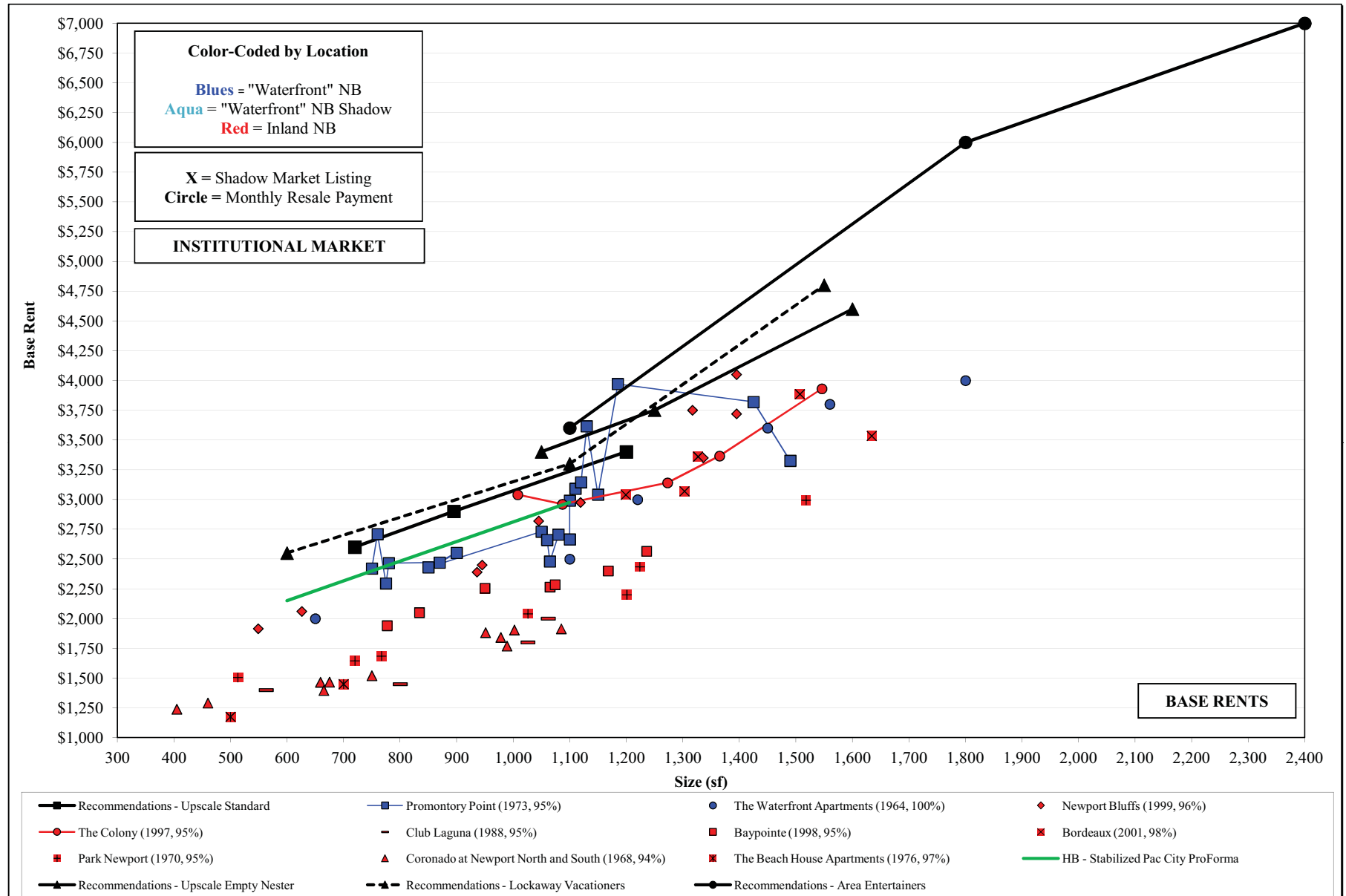


Note: Project name followed by year built/renovated and occupancy



# EXHIBIT II-3

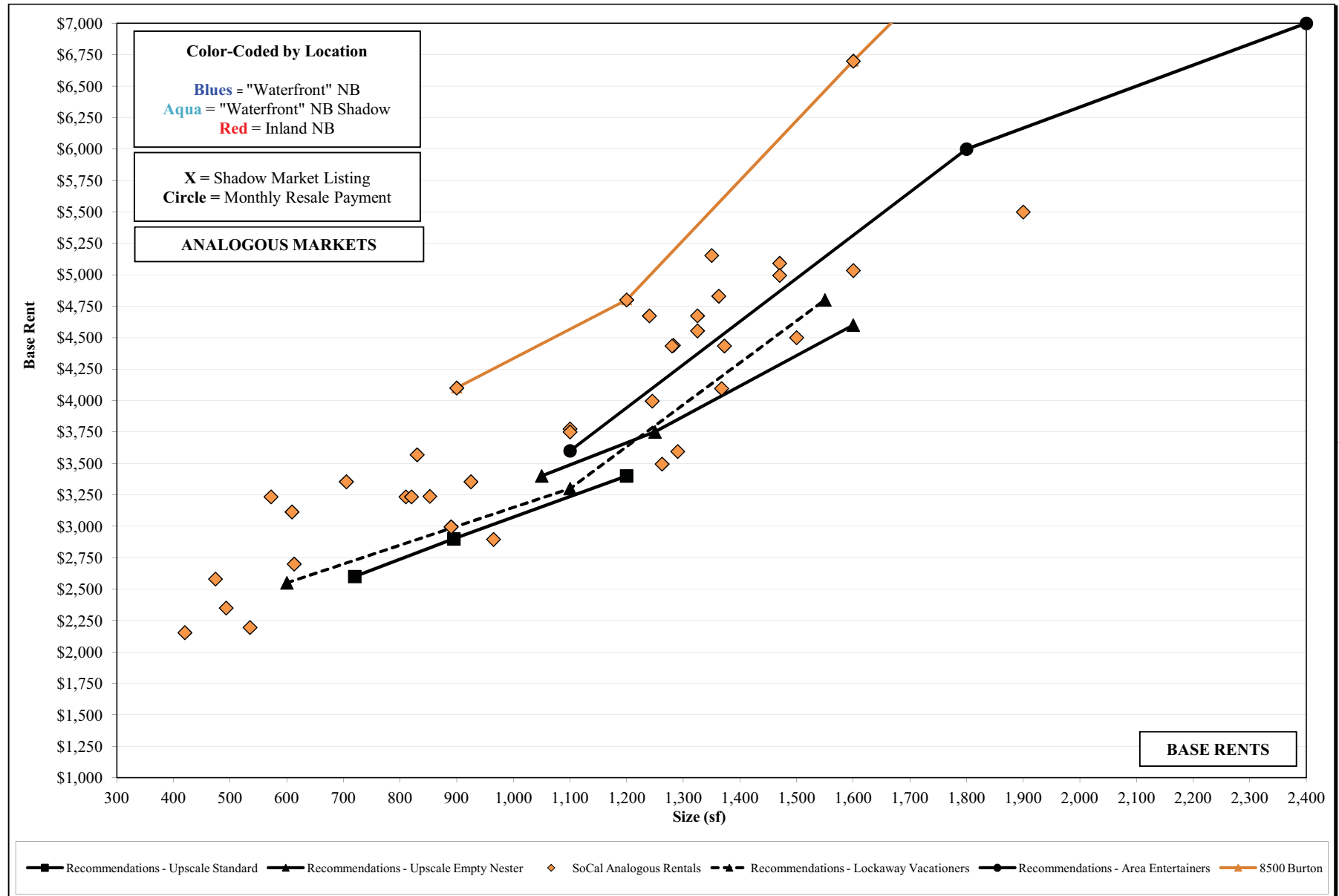
## PRODUCT PROGRAM POSITIONING (BASE RENT) VS. INSTITUTIONAL MARKET NEWPORT BEACH, CALIFORNIA MARCH 2013



Note: Project name followed by year built/renovated and occupancy

# EXHIBIT II-3

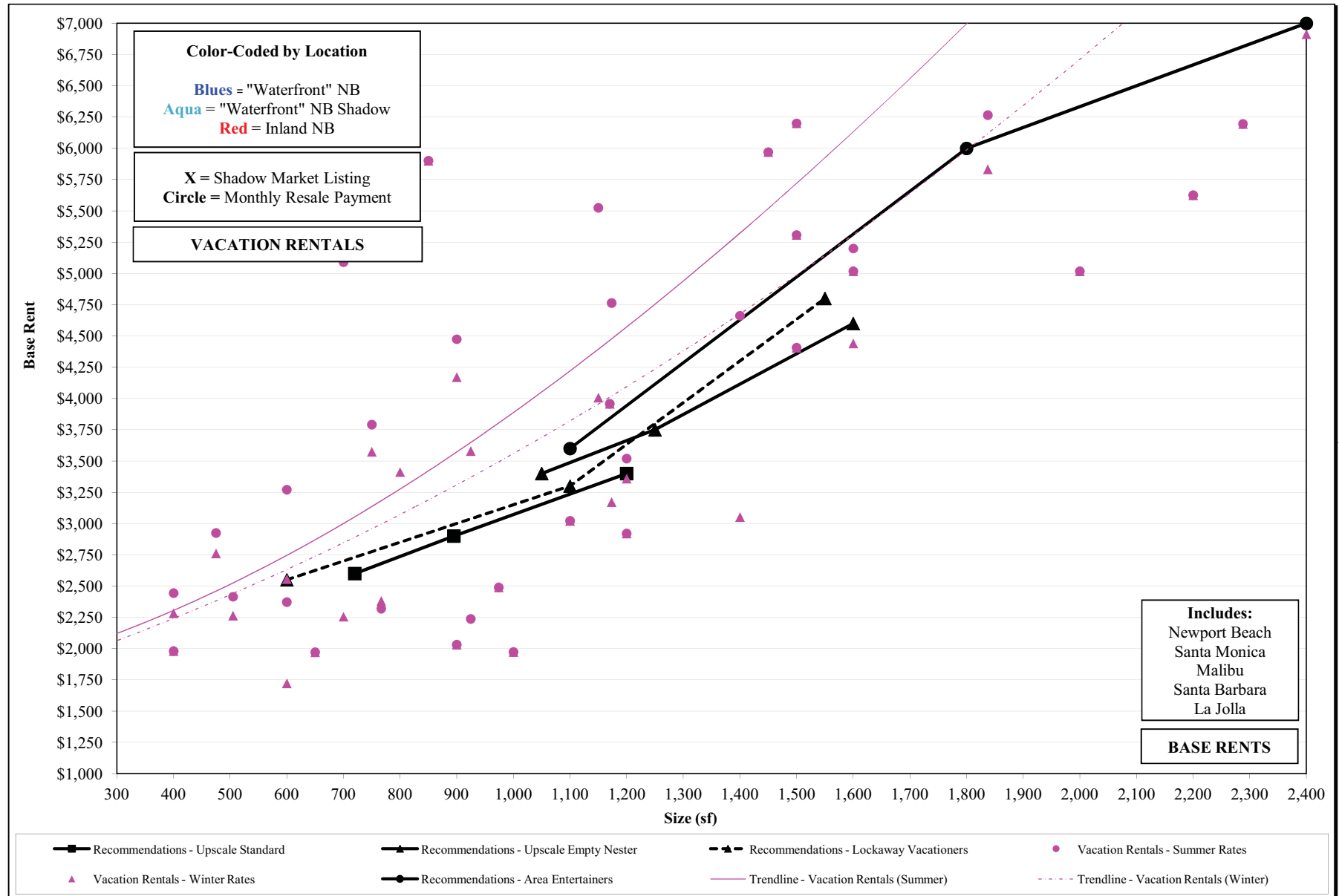
## PRODUCT PROGRAM POSITIONING (BASE RENT) VS. ANALOGOUS MARKETS NEWPORT BEACH, CALIFORNIA MARCH 2013



Note: Project name followed by year built/renovated and occupancy

# EXHIBIT II-3

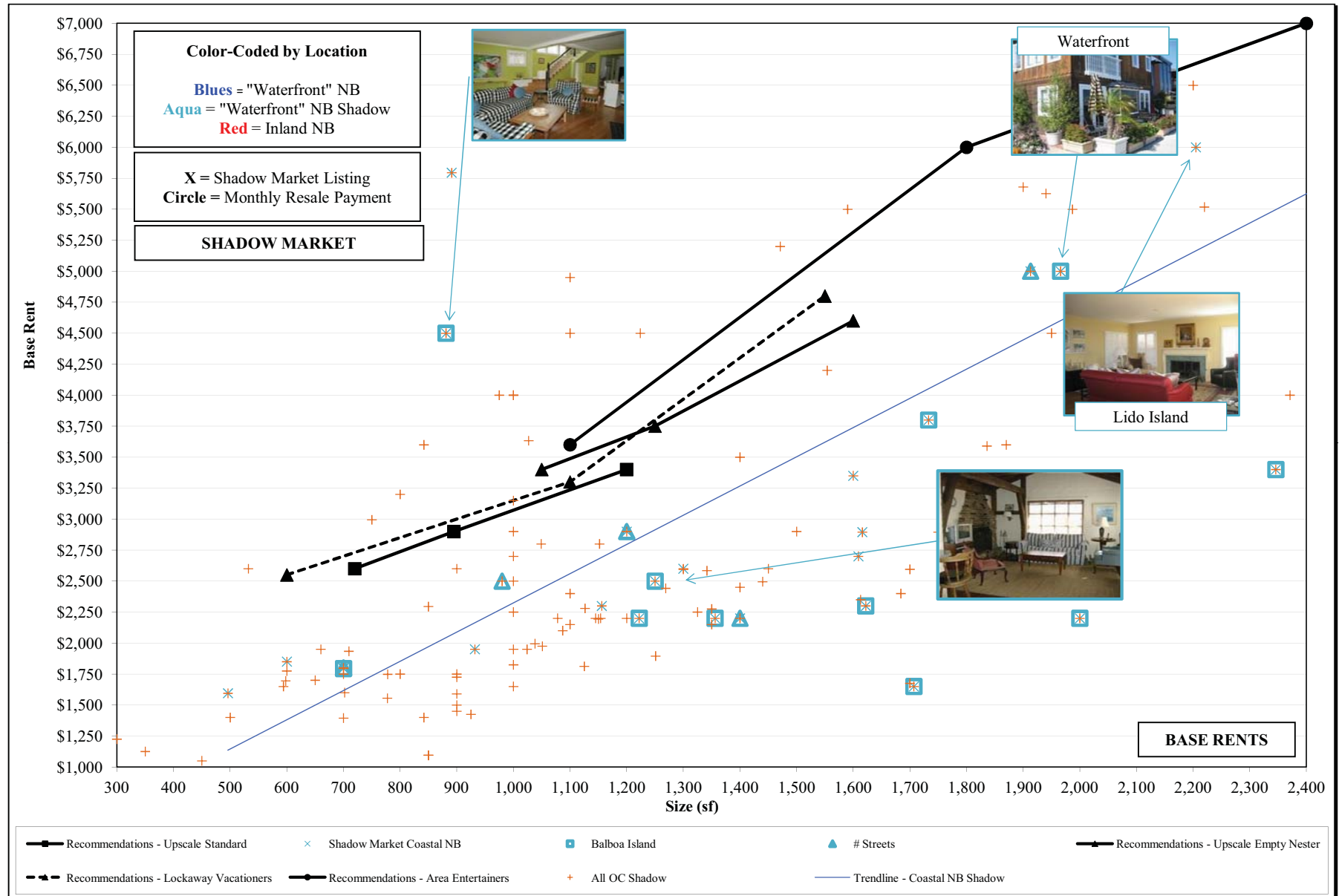
## PRODUCT PROGRAM POSITIONING (BASE RENT) VS. VACATION RENTALS NEWPORT BEACH AND OTHER SELECT CALIFORNIA COASTAL VACATION DESTINATIONS MARCH 2013



Note: Project name followed by year built/renovated and occupancy

# EXHIBIT II-3

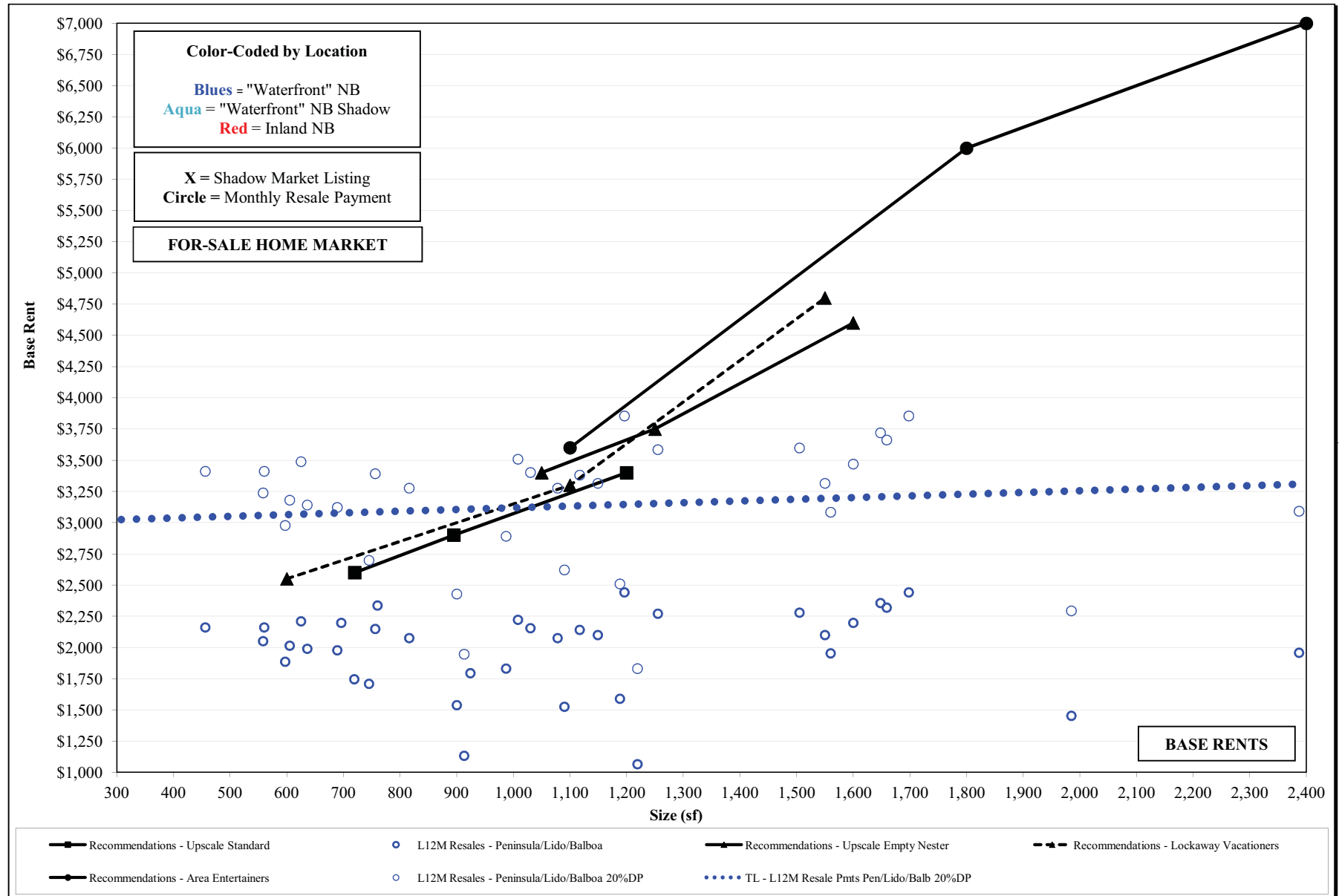
## PRODUCT PROGRAM POSITIONING (BASE RENT) VS. SHADOW MARKET NEWPORT BEACH, CALIFORNIA MARCH 2013



Note: Project name followed by year built/renovated and occupancy

# EXHIBIT II-3

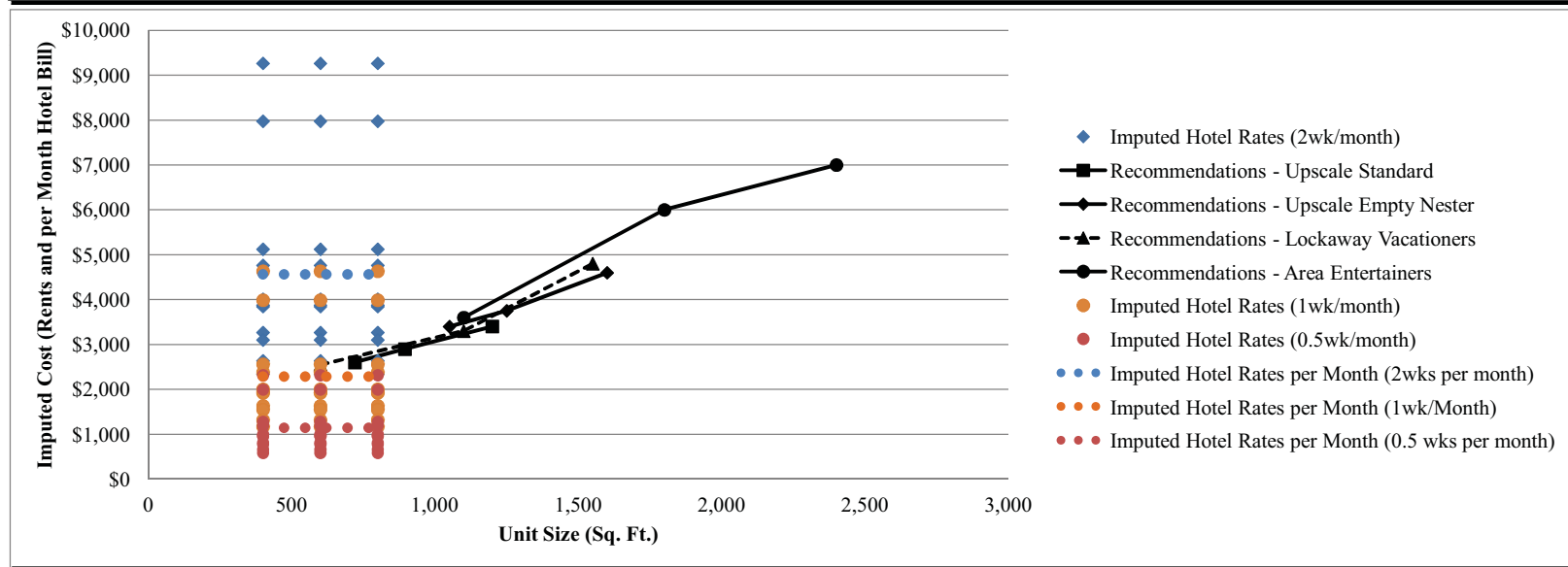
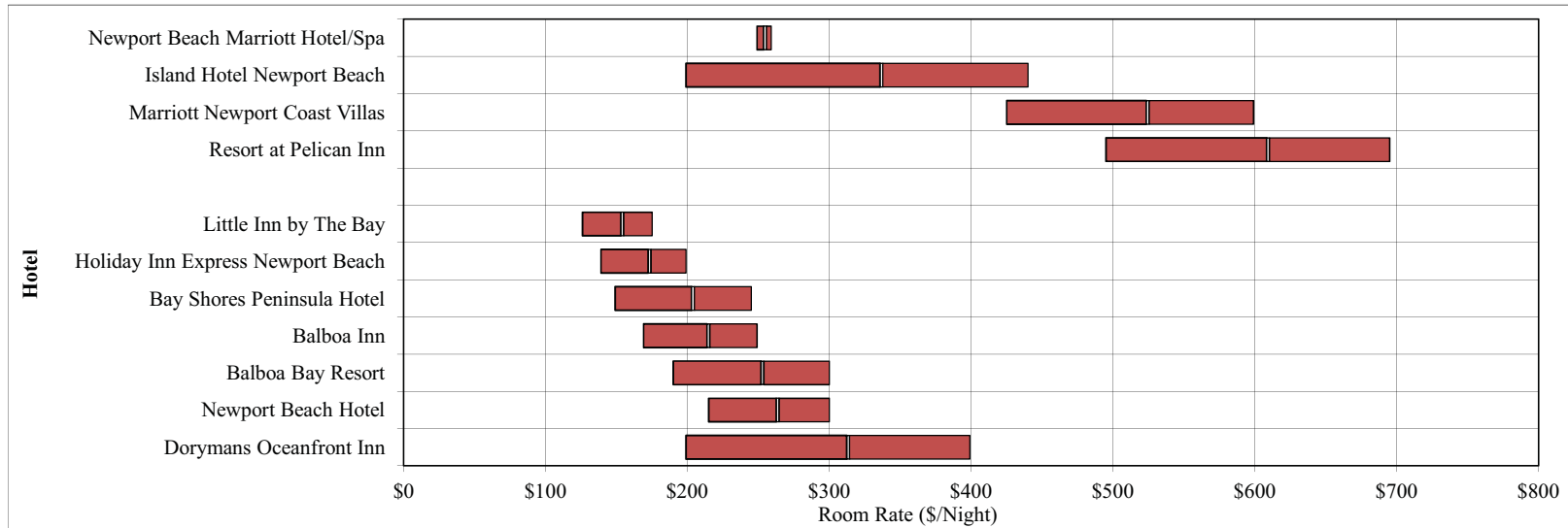
## PRODUCT PROGRAM POSITIONING (BASE RENT) VS. FOR-SALE HOME MARKET NEWPORT BEACH, CALIFORNIA MARCH 2013

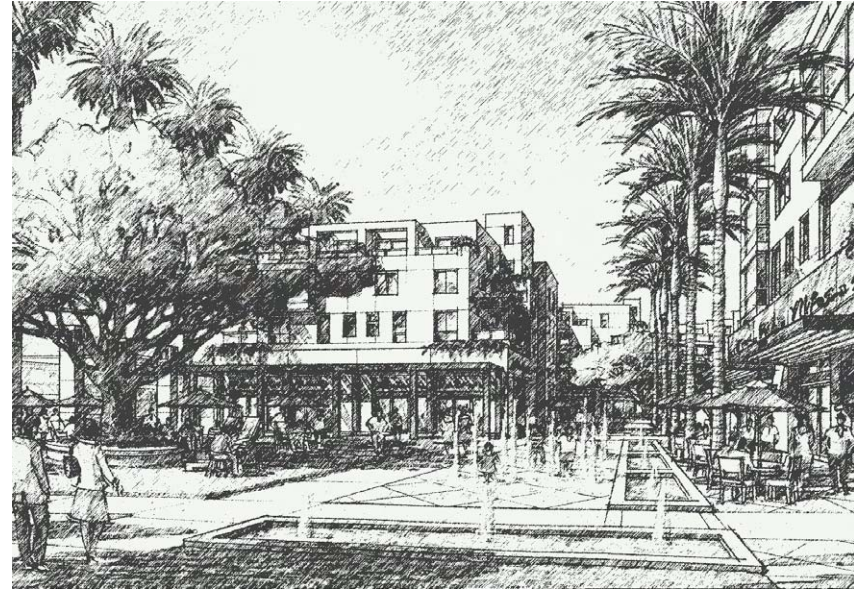


Note: Project name followed by year built/renovated and occupancy



**EXHIBIT II-4**  
**PRODUCT PROGRAM POSITIONING (HOTEL COMPARISON)**  
**NEWPORT BEACH, CALIFORNIA**  
**MARCH 2013**





## Appendix D

### Fiscal and Economic Impact Study

# SHOPOFF ADVISORS, L.P.

---

## PRELIMINARY GROSS FISCAL IMPACT & ECONOMIC BENEFIT ANALYSIS

### *CITY HALL SITE REUSE PROJECT* *NEWPORT BEACH, CA*

Prepared For:

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APRIL 2013

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# 1.0 Executive Summary

## Background and Purpose

On October 10, 2012, the City of Newport Beach (“City”) issued a Request for Qualifications (“RFQ”) seeking interest from the development community for the Newport Beach City Hall Site Reuse Project (“Project”). Fifteen Statements of Qualifications were received for the development of either a boutique hotel or residential and commercial mixed-use project on the City Hall Site within the framework of a ground lease from the City. On January 8, 2013, the City Council invited six of these firms, including Shopoff Advisors, L.P. (“Developer”), to participate in the next step of the process, which was to prepare a development proposal.

As part of its development proposal, Developer retained Kosmont Companies (“Kosmont”) to prepare a Preliminary Gross Fiscal Impact and Economic Benefit Analysis (“Analysis”) for the Project. The purpose of the Analysis is to estimate on a preliminary basis the Project’s primary annual gross fiscal revenues for the City, as well as direct, indirect, and induced economic benefits to the City and local economy from the Project’s construction and ongoing Project resident spending.

## Project Description

Developer is proposing a residential and commercial mixed-use development for the Project, including approximately 99 residential dwelling units and approximately 15,000 square feet (“SF”) of retail improvements on approximately 4.3 acres at 3300 Newport Boulevard and 475 32nd Street in the City (“Site”). Project value at build-out and stabilization is preliminarily estimated at approximately \$96 million.

## Annual Fiscal Revenue Impacts

The Project is expected to generate approximately \$243,000 to the City in annual general fund revenue from three primary sources:

- Possessory interest tax: \$164,000 per year
- Sales tax generated on-site (from retail store sales) and off-site (by retail purchases of Project residents and employees): \$77,700 per year
- Business license tax: \$1,300 per year.

When projected over a 20-year period, the net present value of the total fiscal benefits discounted at 6.0% is approximately \$3.35 million.



# Redacted

The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.



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## 2.0 Introduction

### 2.1 Background & Purpose

On October 10, 2012, the City of Newport Beach (“City”) issued a Request for Qualifications (“RFQ”) seeking interest from the development community for the Newport Beach City Hall Site Reuse Project (“Project”). Fifteen Statements of Qualifications were received for the development of either a boutique hotel or residential and commercial mixed-use project on the City Hall Site within the framework of a ground lease from the City. On January 8, 2013, the City Council invited six of these firms, including Shopoff Advisors, L.P. (“Developer”), to participate in the next step of the process, which was to prepare a development proposal.

As part of its development proposal, Developer retained Kosmont Companies (“Kosmont”) to prepare a Preliminary Gross Fiscal Impact and Economic Benefit Analysis (“Analysis”) for the Project. The purpose of the Analysis is to estimate on a preliminary basis the Project’s primary annual gross fiscal revenues for the City, as well as direct, indirect, and induced economic benefits to the City and local economy from the Project’s construction and ongoing Project resident spending.

### 2.2 Project Description

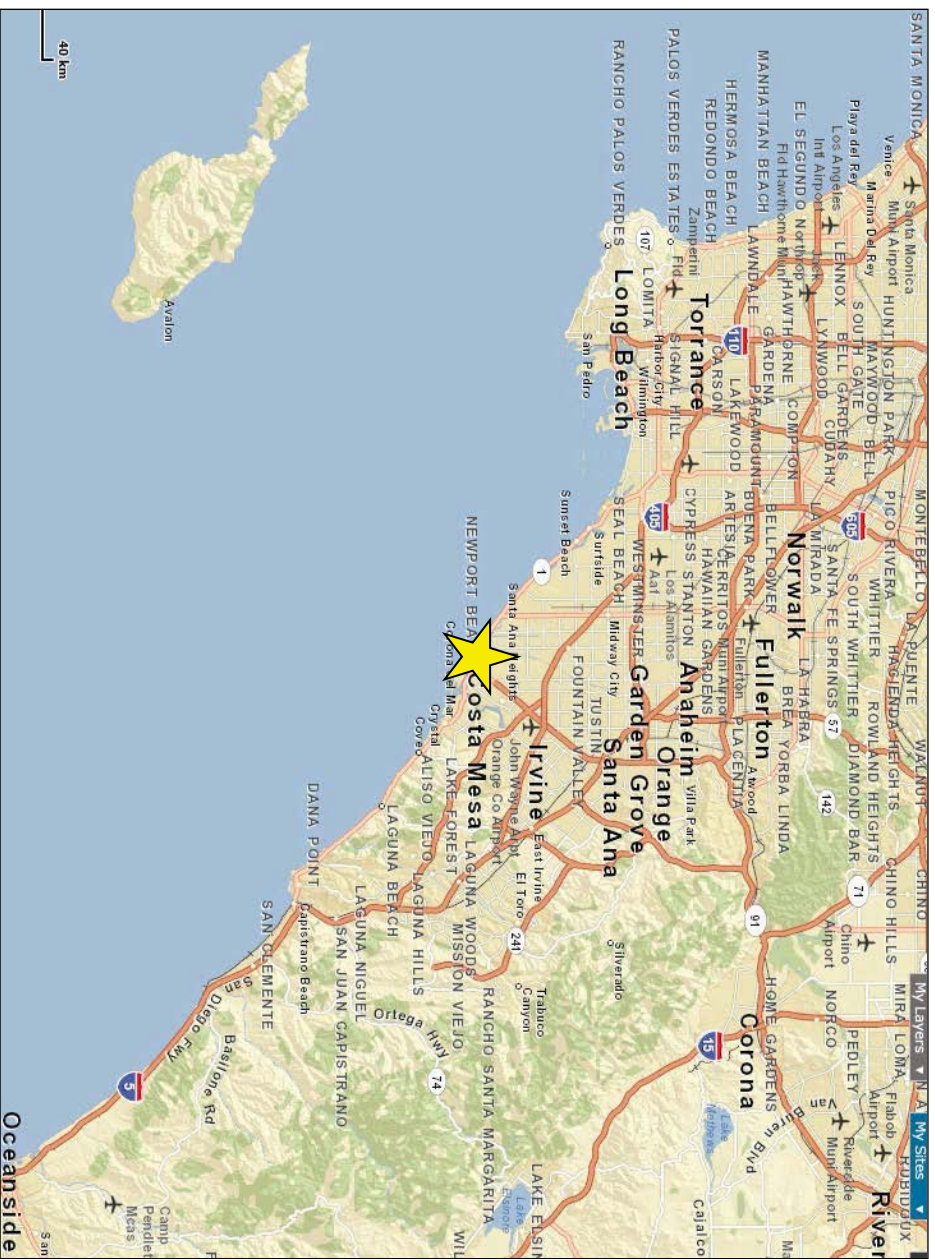
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The analyses, projections, assumptions, rates of return, and any examples presented herein are for illustrative purposes and are not a guarantee of actual and/or future results. Project pro forma and tax analyses are projections only. Actual results may differ materially from those expressed in this analysis.

865 South Figueroa Street, 35th Floor Los Angeles California 90017 ph 213.417.3300 fax 213.417.3311

Exhibit 2.1: Proposed Project Location (★)

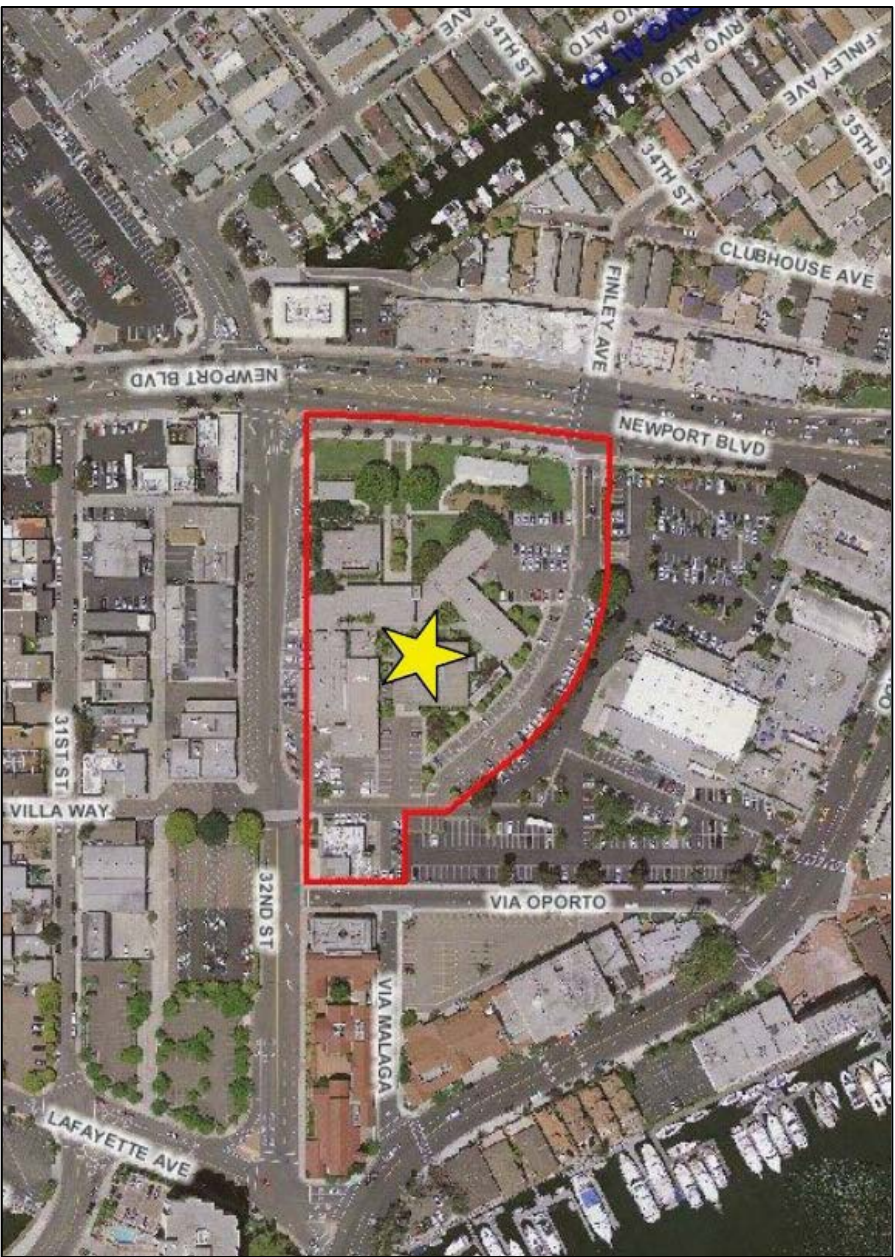


Source: ESRI (2013)

(Not to Scale)



Exhibit 2.2: Proposed Site Location Map



Source: City of Newport Beach (2013)

## 3.0 Methodology

This Analysis is based on information provided by the Developer, the City, Minnesota IMPLAN Group, Orange County Property Tax Assessor's Office, CA State Board of Equalization, U.S. Census Bureau, and U.S. Bureau of Labor Statistics.

### 3.1 General Assumptions

General assumptions are as follows with more specific assumptions denoted in Appendix A:

- The Analysis measures gross fiscal and economic impacts (unless otherwise noted).
- Fiscal revenues are estimated at full Project build-out and stabilized occupancy.
- Dollar amounts are expressed in 2013 dollars.
- Construction employment figures are short-term, full-time equivalent ("FTE") jobs.
- On-site employment figures are permanent FTE jobs.

### 3.2 Fiscal Revenue Analysis

#### 3.2.1 Possessory Interest Tax

Within the framework of a ground lease, the County Assessor will make the determination of the value of the leasehold interest and will assess a possessory interest tax to be levied against the holder of the leasehold interest (i.e. the Developer). Possessory interest tax revenues are estimated based on the anticipated assessed value of the Project upon full build-out and the applicable property tax rates for the City. The Site is located in County tax rate area ("TRA") 07-001. The City general fund receives an approximate 17.2% share of the annual 1.0% general levy placed by the County on the assessed value of the property (\$0.1715 of each \$1.00 of property tax revenue) in this TRA.

#### 3.2.2 Sales Tax

Sales tax revenue projections are estimated based on the taxable sales generated on-site within the Project's retail components and by Project resident and employee spending off-site within the City. Resident and employee spending is based on U.S. Bureau of Labor Statistics ("BLS") Consumer Expenditure Survey data, which estimates spending habits of consumers based on average household income. Capture rates for spending by residents and employees within the City are approximated by Kosmont based on preliminary evaluation of existing retail amenities within the Project trade area and preliminary analysis of the City's taxable retail sales performance.



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### **3.5 Projection of Permanent On-Site Jobs**

Permanent jobs are approximated based on Project square footage as estimated by Shopoff and standard employee-per-square-foot assumptions as estimated by Kosmont based on prevailing market data.

## 4.0 Fiscal and Economic Impacts

### 4.1 Annual Fiscal Revenue Impacts

The Project is expected to generate approximately \$243,000 to the City in total annual general fund revenue from three primary sources as detailed below. To calculate the total fiscal benefits to the City, the various general fund revenues were all projected for a 20-year period. Property tax was escalated using a 2% growth factor (statutory maximum). Sales tax was escalated using a 3% growth factor. Business license tax was escalated using a 2.5% growth factor. The net present value of the total fiscal benefits discounted at 6.0% is approximately \$3.35 million.

Table 4.1. 1: Summary of Fiscal Impacts from Project

Estimated City General Fund Revenues	Annual	Annual	20-Year
	Total	Growth	Nominal Total
Possessory Interest Tax	\$164,000	2.00%	\$3,984,800
Sales Tax (On-Site and Off-Site)	\$77,700	3.00%	\$2,087,800
Business License Tax	\$1,300	2.50%	\$33,200
<b>Total</b>	<b>\$244,700</b>		<b>\$6,105,800</b>
<b>Present Value of GF Revenues (20 years, 6.0% discount rate)</b>			<b>\$3,350,000</b>

#### 4.1.1 Possessory Interest Tax

The City general fund receives a 17.2% share of the annual 1.0% general levy placed on the assessed value of property (\$0.1715 of each \$1.00 of property tax revenue) in County TRA 07-001. The assessed value of the Project upon build-out and stabilization as estimated by Shopoff is approximately \$95.6 million. The City is expected to receive approximately \$164,000 in annual possessory interest tax revenues (see Appendix C for details).

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## Appendix B: Project Description

Building Improvements By Asset Type		
	<u>Square Footage</u>	<u>Dwelling Units</u>
Housing	150,381 SF	99 DU
Retail	10,000 SF	
Restaurant	5,000 SF	
<b>Total</b>	<b>165,381 SF</b>	<b>99 DU</b>

Source: Shopoff Advisors, L.P. (2013)

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## Appendix E: Resident and Employee Spending as Percent of Household Income

	<u>Resident Households</u>		<u>Employees</u>	
	Est. Average HH Income (pre-tax):	\$155,588	\$40,000	
<u>Annual Expenditures</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Food at home (not taxable)	2.7%	\$4,259	7.1%	\$2,849
Food Away from Home	2.5%	\$3,955	4.4%	\$1,762
Alcoholic Beverages	0.5%	\$825	0.7%	\$277
Fuel oil and other fuels	0.1%	\$208	0.3%	\$127
Other household expenses	0.9%	\$1,410	1.3%	\$535
Housekeeping Supplies	0.5%	\$716	1.2%	\$474
Household Furn & Equip	1.5%	\$2,389	2.5%	\$984
Apparel & Services	1.7%	\$2,688	2.6%	\$1,052
Vehicle Purchases	2.7%	\$4,178	4.4%	\$1,751
Gasoline & Oil	1.7%	\$2,685	6.0%	\$2,397
Maintenance & Repairs	0.7%	\$1,033	1.5%	\$618
Drugs	0.3%	\$538	1.1%	\$441
Medical supplies	0.1%	\$177	0.3%	\$114
Entertainment	2.7%	\$4,130	4.2%	\$1,679
Personal care products and services	0.6%	\$986	1.2%	\$464
Reading	0.1%	\$182	0.2%	\$80
Tobacco related	0.1%	\$109	0.9%	\$372
<b>Total Taxable</b>	<b>16.8%</b>	<b>\$26,210</b>	<b>32.8%</b>	<b>\$13,128</b>
<b>Total Taxable and Non-Taxable</b>	<b>19.6%</b>	<b>\$30,469</b>	<b>39.9%</b>	<b>\$15,977</b>

**Source:** U.S. Bureau of Labor Statistics Consumer Expenditure Survey; Shopoff Advisors L.P.; Kosmont Companies (2013)



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**Appendix G: Annual Business License Tax (B.L.T.)**

<b>Project Component</b>	<b>Base Tax</b>	<b># Businesses</b>	<b>Tax Per Employee</b>	<b># FTE Jobs</b>	<b>Total B.L.T.</b>
Residential Rental	\$158.00	1	\$16.00	5	\$238
Retail	\$158.00	5	\$8.00	29	\$1,019
Restaurant	\$158.00	1	\$8.00	17	\$291
<b>Total Annual B.L.T. to City</b>					<b>\$1,300</b>

**Notes:**

- Kosmont estimates number of on-site businesses utilizing standard industry footprint assumptions
- See Appendix N for derivation of estimated number of full-time equivalent (FTE) jobs
- All amounts in 2013 dollars

**Source:** Shopoff Advisors L.P.; City of Newport Beach; Kosmont Companies (2013)

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## Appendix N: Estimation of Permanent On-Site Jobs

<u>Project Component</u>	<u>Gross SF</u>	<u>SF / Empl.</u>	<u># FTE Employees</u>
Residential Rental	150,381	30,000	5
Retail	10,000	350	29
Restaurant	5,000	300	17
<b>Total</b>			<b>50</b>

**Note:** Permanent jobs are approximated based on Project square footage as estimated by Shopoff and standard employee-per-square-foot assumptions as estimated by Kosmont based on prevailing market data

**Source:** Shopoff Advisors L.P.; Kosmont Companies (2013)