
ECONOMIC AND FISCAL IMPACT ANALYSIS

Related Bristol, Santa Ana, CA

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Prepared for:

RELATED CALIFORNIA

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1. Introduction

This report evaluates the direct fiscal impacts and the broader economic benefits that would result from development and operation of the Project Bristol mixed use project in the City of Santa Ana. The proposed project will involve demolition of the existing (partially vacant) retail shopping center on the site and construction of a vertical mixed-use development. A detailed project description is provided below.

Organization of the Report

This introduction summarizes the project description and describes the scope of the study. Chapter 2 provides a brief summary of the fiscal and economic benefits that the proposed project would generate. Chapter 3 evaluates the project's recurring fiscal impacts on the entities that would be most directly affected. Chapter 4 examines the regional economic benefits that would result from the project's construction phase. Appendix A fully documents the technical details of the fiscal analysis. Appendix B provides further technical documentation of the regional economic benefits analysis.

Scope of the study

The City of Santa Ana is the primary jurisdiction that would experience significant fiscal impacts as a result of the project. This report quantifies direct revenue and cost impacts to the City of Santa Ana based on standard fiscal impact analysis methodologies.

The regional economic benefits analysis considers the temporary impacts associated with project construction. For the construction-phase impacts, the analysis considers direct (i.e., on-site) impacts as well as indirect or "multiplier" benefits in the larger regional (Orange County) economy.

Project Description

Table 1-1, on the following page, summarizes the specific land uses assumed for development on the project site. As shown in the table, the project would include 3,750 multi-family apartment units; 350,000 square feet of retail commercial space; a 250-room hotel; and a 200-unit senior living community. As also shown on Table 1-1, existing development on the site totals approximately 465,000 square feet of retail and commercial services space.

Table 1-1: Project Description
Project Bristol
City of Santa Ana

	Existing Conditions	Proposed Project	Net Change
Residential			
Multi-family Residential (units)	-	3,750	3,750
Total Residential Units	-	3,750	3,750
Retail			
Grocery	47,208	50,000	2,792
Fitness	37,682	45,000	7,318
Food and Beverage	56,080	70,000	13,920
Other Retail	200,312	75,000	(125,312)
Services (banking, medical, etc.)	123,781	110,000	(13,781)
Commercial Total Square Feet	465,063	350,000	(115,063)
Hotel			
Hotel Rooms	-	250	250
Total Hotel	-	250	250
Senior Living			
Senior Living (units)	-	200	200
Total Senior Living	-	200	200

Source: Project Applicant.

Categories of Fiscal Impacts Considered in the Study

The fiscal impact analysis focuses on permanent, annually-recurring impacts resulting from ongoing operation of the development project.

The following categories of fiscal revenues are considered in the analysis:

- Property Tax
- Property Tax in lieu of VLF
- Sales Tax
- Transient Occupancy Tax
- Business Tax
- Other/miscellaneous General Fund revenues

The following categories of municipal costs are included in the analysis:

- Police
- Fire
- Library/Museum
- Public Works
- Community Development
- Planning and Building
- General Government (administration)

Categories of Regional Economic Benefits Considered in the Study

During the construction period, the proposed project would generate the following types of economic benefits in the regional economy:

Direct Benefits. Direct benefits relate to the short-term business activity of general contractors involved in the project construction.

Indirect Benefits. Indirect benefits would result when local firms directly impacted by the project in turn purchase materials, supplies or services from other firms. An example would include increased sales of building materials as a result of construction activity.

Induced Benefits. Induced benefits relate to the consumption spending of employees of firms that are directly or indirectly affected by the project. These would include all of the goods and services normally associated with household consumption (e.g., retail purchases, local services, etc.)¹.

The analysis quantifies the above benefits in terms of the following measures:

Total industry output – the increase in gross industry receipts, representing the total economic activity generated by the project;

Value added – the portion of total output that most accurately reflects local economic activity (i.e., local payrolls and profits, as distinct from gross output which may include the value of raw materials purchased outside the region);

Jobs – expressed in this analysis in terms of both full-time and part-time jobs; and

Payroll and benefits – the total labor income (employee compensation and proprietor income) associated with the created jobs.

¹ To be conservative, this analysis assumes that most construction employees will “in-commute” to the project site (i.e., live outside of the City). This ensures that the analysis does not overstate induced economic impacts. See Section 4, page 7, for further detail.

2. Executive Summary

Annually-recurring Impacts to the City's General Fund

Table 2-1, below, summarizes the project's recurring fiscal impacts to the City of Santa Ana. As shown on the table, at full buildout the project would generate a net surplus of approximately \$10.7 million per year to the City's General Fund. In comparison, the existing (partially vacant) commercial center on the site is estimated to generate a net fiscal benefit of about \$2.8 million per year². Thus, the proposed project would result in a net improvement of the City's fiscal position of about \$7.9 million per year.

Table 2-1: General Fund Net Fiscal Summary
Project Bristol
City of Santa Ana

General Fund Category	Existing Conditions	Proposed Project	Net Change
Revenues	\$3,290,327	\$13,302,933	\$10,012,605
Expenditures	\$471,270	\$2,592,846	\$2,121,576
<i>Net General Fund Impact</i>	<i>\$2,819,057</i>	<i>\$10,710,086</i>	<i>\$7,891,029</i>

Source: The Natelson Dale Group, Inc. (TNDG).

Short-term (Construction) Impacts to Regional Economy

This section provides a summary of the project's construction-phase impacts to the Orange County economy. The summary includes the sum of all direct, indirect, and induced impacts, as shown on Table 2-2 below. The total construction-related impacts would include the following:

Output: At buildout the project's one-time construction activities would generate close to \$2.9 billion in total economic activity in Orange County, through direct, indirect, and induced impacts.

Value Added: At buildout the project's one-time construction activities would generate approximately \$2.2 billion in total value added in Orange County, through direct, indirect, and induced impacts.

Employment: At buildout the project's one-time construction activities would support approximately 5,900 jobs per year in Orange County, through direct, indirect, and induced impacts³.

² It should be noted that the existing shopping center has experienced increasing vacancies over time. As this trend is expected to continue based on foreseeable market conditions, the existing or baseline fiscal benefit associated with the project site is likely to decrease from current levels.

³ The jobs estimate is calculated by dividing the total number of jobs supported over the number of years for construction of the project. For example, if a worker is on the job site over the course of the entire project or over several years of the project, that job will be counted in IMPLAN more than once. (i.e. if a worker is on site for all 11 years of a construction project IMPLAN counts that as 11 jobs). However, this is in fact just one job sustained over 11 years of the project.

Labor Income: At buildout the project’s one-time construction activities would generate approximately \$1.8 billion in total employee compensation in Orange County, through direct, indirect, and induced impacts.

Table 2-2: Summary of Construction-Phase Economic Impacts
Orange County
Project Bristol

Category	Phase 1	Phase 2	Phase 3	Buildout
Output (000s)	\$1,353,647	\$567,150	\$942,359	\$2,863,156
Value Added (000s)	\$1,026,296	\$445,271	\$754,078	\$2,225,646
Employment (avg. annual)	2,427	1,468	1,970	5,865
Labor Income (000s)	\$833,520	\$358,367	\$603,966	\$1,795,853

Source: IMPLAN; TNDG

3. Fiscal Impacts

Annually Recurring Net Fiscal Impacts to General Fund (by Budget Category)

Table 3-1, below, shows the breakdown of the annual General Fund revenues and costs that would be generated by the proposed project. As shown on the table, at full buildout the project would generate a net surplus of approximately \$10.7 million per year to the City's General Fund. In comparison, the existing (partially vacant) commercial center on the site is estimated to generate a net fiscal benefit of about \$2.8 million per year. Thus, the proposed project would result in a net improvement of the City's fiscal position of about \$7.9 million per year.

Table 3-1: General Fund Net Fiscal Impacts by Budget Category
Project Bristol – City of Santa Ana

General Fund	Existing Conditions	Proposed Project	Net Change
<u>Revenues</u>			
Property Tax	\$183,131	\$3,901,013	\$3,717,881
Property Tax in lieu of VLF	90,991	1,938,257	1,847,267
Property Transfer Tax	3,601	76,706	73,105
Sales Tax (on-site) (1)	2,831,528	3,500,000	668,473
Sales Tax (off-site) (1)	0	805,729	805,729
Transient Occupancy Tax (TOT)	0	1,899,095	1,899,095
Charges for Services	22,877	284,429	261,552
Fines	8,824	109,703	100,879
Franchise Fees	18,588	231,100	212,513
Intergovernmental	14,511	160,109	145,598
Licenses and Permits	9,329	115,987	106,658
Business Tax	95,064	133,043	37,979
Miscellaneous	11,885	147,762	135,878
<i>Total Revenues</i>	<i>\$3,290,327</i>	<i>\$13,302,933</i>	<i>\$10,012,605</i>
<u>Expenditures</u>			
Library + Museum Fund	13,438	\$138,906	\$125,468
Parks, Recreation and Community Services	42,648	440,846	398,199
Police Department	204,856	176,498	(28,358)
Fire Department	74,952	879,670	804,718
Planning and Building Agency	15,038	176,498	161,460
Public Works	15,209	178,495	163,287
Community Development	3,773	44,287	40,514
General Government	101,356	557,645	456,289
<i>Total Expenditures</i>	<i>\$471,270</i>	<i>\$2,592,846</i>	<i>\$2,121,576</i>
<i>Net General Fund Fiscal Impact</i>	<i>\$2,819,057</i>	<i>\$10,710,086</i>	<i>\$7,891,029</i>

(1) Sales tax projections are based on total City sales tax rate of 2.5%, including standard local sales tax rate of 1.0% and Measure X rate of 1.5%.

Source: The Natelson Dale Group, Inc. (TNDG).

4. Economic Impacts

Study Methodology

This analysis used the IMPLAN (Impact Analysis for Planning) economic impact modeling software to evaluate the project's one-time construction impacts⁴. This software is classified as an "Input-Output" (IO) model that computes all of the economic impacts of industries in a user-defined region (in this case, Orange County), including the estimated local expenditures of employees of both project-direct and supplier firms. The current version of the IMPLAN model divides the economy into 546 sectors that correspond to 4-digit and 5-digit NAICS codes. For construction activity, the IMPLAN modeling system relies on data from the compiled U.S. Census Bureau instead of the NAICS system.

The report appendix documents all of the assumptions used in this analysis to translate project specific data into IMPLAN model inputs. As shown in Appendix B, construction-related impacts are based on anticipated construction values provided by the applicant. These construction values were matched to the appropriate IMPLAN construction sector for the impact analysis.

The economic benefits, discussed in the following sections, are expressed in terms of increased economic activity ("output"), value added, job creation, and employee compensation. See page 3 in the Introduction for definitions of these economic benefits measures. The following section summarizes total project construction-related impacts.

Construction Impacts to Local Economy

Table 4-1, on page 9, provides a detailed summary of the construction-phase impacts at buildout to the Orange County economy.

Industry Output and Value Added

During the construction phase, the project is projected to directly generate approximately \$2.1 billion in total economic activity in Orange County, resulting in about \$1.7 billion in value added. In addition to its direct impacts, the indirect/induced impacts during project construction would include approximately \$771.2 million in total economic activity and \$489.8 million in value added (see page 3 for definitions of "direct", "indirect" and "induced"). Thus, accounting for the full range of economic benefits in the County, during its construction phase the project will generate a grand total of about \$2.9 billion in total industry output and approximately \$2.2 billion in value added.

Jobs Created and Employee Compensation

During the construction phase the project is projected to generate approximately 4,756 directly related average annual jobs onsite and approximately 1,108 average annual jobs through indirect and induced economic activity. These are quantified as full-time, part-time and temporary jobs. Thus, accounting for the full range of economic benefits in Orange County – through direct, indirect, and induced activity – the project will generate close to 5,900 average annual jobs during the construction phase. The labor

⁴ This model was developed by researchers at the University of Minnesota and is widely used in economic impact analysis throughout the Country.

income associated with these jobs would total approximately \$1.8 billion. The employee compensation component of labor income would total approximately \$1.39 billion⁵.

To be conservative, this analysis assumes that a significant amount of construction employment will be brought in from outside Orange County. In the IMPLAN system, employment is site based, so even if a worker is brought in from outside the region they still count as “local” employment during the period of their work. However, we acknowledge that is unreasonable to assume that these outside workers will spend their income in the same way as residents. Thus, we have modified the Labor Income values for the construction Industry to account for payroll that is going to workers outside the region⁶. This ensures that the analysis does not overestimate induced impacts by accounting for employee spending that will, for the most part, not occur in the County. The adjustments to this analysis are documented in Appendix B, Table B-2.

⁵ Employee compensation is a “fully-loaded” payroll estimate: it includes wages and salaries, all benefits (e.g., health, retirement), and payroll taxes (both sides of social security, unemployment insurance taxes, etc.).

⁶ The IMPLAN system has built-in factors to estimate the “in-commuting rate” (rate at which local workers commute out of the region to go home), to reduce total income before it’s distributed to local households. However, for this analysis in-commuting rates for construction workers have been customized based on data specific to Orange County (from the U.S. Census Bureau’s Longitudinal Employer-Household Dynamics [LEHD] Origin-Destination Employment Statistics [LODES] data series). County-level jobs inflow and outflow data are available in a web-based mapping and reporting application (OnTheMap). See Appendix B for details of the “in-commuting rate” adjustment.

Table 4-1: Detail of Construction-Phase Economic Impacts
Orange County
Project Bristol

Category	Phase 1	Phase 2	Phase 3	Buildout
<u><i>Output (000s)</i></u>				
Direct	\$983,093	\$415,392	\$693,459	\$2,091,943
Indirect	119,243	43,689	66,750	229,682
Induced	251,312	108,069	182,150	541,532
Total	\$1,353,647	\$567,150	\$942,359	\$2,863,156
<u><i>Value Added (000s)</i></u>				
Direct	\$791,713	\$348,759	\$595,368	\$1,735,840
Indirect	74,059	27,484	42,363	143,905
Induced	160,525	69,029	116,347	345,901
Total	\$1,026,296	\$445,271	\$754,078	\$2,225,646
<u><i>Employment (avg. annual)</i></u>				
Direct	1,958	1,192	1,606	4,756
Indirect	140	76	96	312
Induced	329	199	268	797
Total	2,427	1,468	1,970	5,865
<u><i>Labor Income (000s)</i></u>				
Direct	\$703,196	\$305,012	\$516,476	\$1,524,684
Indirect	44,694	16,532	25,425	86,650
Induced	85,630	36,823	62,065	184,519
Total	\$833,520	\$358,367	\$603,966	\$1,795,853

Source: IMPLAN; TNDG

APPENDIX A:
Detailed Calculations for Fiscal Impact Analysis

Table A-1
Summary of Annual Impacts to General Fund
Project Bristol
City of Santa Ana

General Fund	Existing Conditions	Proposed Project	Net Change
<u>Revenues</u>			
Property Tax	\$183,131	\$3,901,013	\$3,717,881
Property Tax in lieu of VLF	90,991	1,938,257	1,847,267
Property Transfer Tax	3,601	76,706	73,105
Sales Tax (on-site) (1)	2,831,528	3,500,000	668,473
Sales Tax (off-site) (1)	0	805,729	805,729
Transient Occupancy Tax (TOT)	0	1,899,095	1,899,095
Charges for Services	22,877	284,429	261,552
Fines	8,824	109,703	100,879
Franchise Fees	18,588	231,100	212,513
Intergovernmental	14,511	160,109	145,598
Licenses and Permits	9,329	115,987	106,658
Business Tax	95,064	133,043	37,979
Miscellaneous	11,885	147,762	135,878
<i>Total Revenues</i>	<u>\$3,290,327</u>	<u>\$13,302,933</u>	<u>\$10,012,605</u>
<u>Expenditures</u>			
Library + Museum Fund	13,438	\$138,906	\$125,468
Parks, Recreation and Community Services	42,648	440,846	398,199
Police Department	204,856	176,498	(28,358)
Fire Department	74,952	879,670	804,718
Planning and Building Agency	15,038	176,498	161,460
Public Works	15,209	178,495	163,287
Community Development	3,773	44,287	40,514
General Government	101,356	557,645	456,289
<i>Total Expenditures</i>	<u>\$471,270</u>	<u>\$2,592,846</u>	<u>\$2,121,576</u>
<i>Net General Fund Fiscal Impact</i>	<i>\$2,819,057</i>	<i>\$10,710,086</i>	<i>\$7,891,029</i>

(1) Sales tax revenue is based on total City sales tax rate of 2.5% of taxable sales, including standard local sales tax rate of 1.0% and Measure X rate of 1.5%.

Source: The Natelson Dale Group, Inc. (TNDG).

Table A-2
Land Use Assumptions for Fiscal Impact Analysis
Project Bristol
City of Santa Ana

	Existing Conditions	Proposed Project	Net Change
Residential			
Multi-family Residential (units)	-	3,750	3,750
Total Residential Units	-	3,750	3,750
Retail			
Grocery	47,208	50,000	2,792
Fitness	37,682	45,000	7,318
Food and Beverage	56,080	70,000	13,920
Other Retail	200,312	75,000	(125,312)
Services (banking, medical, etc.)	123,781	110,000	(13,781)
Commercial Total Square Feet	465,063	350,000	(115,063)
Hotel			
Hotel Rooms	-	250	250
Total Hotel	-	250	250
Senior Living			
Senior Living (units)	-	200	200
Total Senior Living	-	200	200

Source: Project applicant.

Table A-3a**Fiscal Analysis Factors: Assessed Valuation, Taxable Sales and Hotel Revenue per Available Room (RevPAR)****Project Bristol****City of Santa Ana**

Development Category	Total Units or SF	Assessed Value/Unit or SF	Taxable Sales per SF / RevPAR	Assessed Value
Residential				
Apartments	3,750	\$450,000	N/A	\$1,687,500,000
Retail/Restaurant				
Existing	465,063	\$204	\$244	\$94,886,718
New	350,000	\$350	\$400	\$122,500,000
Hotel				
Hotel Rooms	250	\$325,000	\$220	\$81,250,000
Senior Living				
Senior Living Units	200	\$650,000	N/A	\$130,000,000

Source: Orange County Assessor's Office (for existing assessed value); TNDG.

Table A-3b**Fiscal Analysis Factors: Assessed Valuation, Taxable Sales and Hotel Revenue per Available Room (RevPAR)****Project Bristol****City of Santa Ana**

Development Category	Total Units or SF	Onsite Jobs per Unit or SF¹	Residents per Unit² or Hotel Room	Estimated Onsite Employees	Estimated Residents (or Hotel Equivalent)
Residential					
Apartments	3,750	1/30	1.73	125	6,488
Retail/Restaurant					
Existing	465,063	371	N/A	1,255	N/A
New	350,000	324	N/A	1,082	N/A
Hotel					
Hotel Rooms	250	1.00	0.55	250	137
Senior Living					
Senior Living Units	200	0.64	1.50	127	300
<i>TOTAL RESIDENT EQUIVALENTS</i>					6,925

Source: TNDG.

Notes:

1 Retail employment densities are weighted averages based on the following factors: restaurants - 1 employee/150 square feet; grocery/big box - 1 employee/500 square feet; other retail/services - 1 employee/400 square feet.

2. Hotel guests are expressed as a "resident equivalent" based on anticipated occupancy levels.

Table A-4a
Assessed Value Estimates by Project Component
Project Bristol - EXISTING CONDITIONS
City of Santa Ana

Project Component	Units / SF	Assessed Value
Residential	-	\$0
Retail	465,063	\$94,886,718
Hotel	-	\$0
Senior Living	-	\$0
Total Assessed Value		\$94,886,718

Source: Orange County Assessor's Office; TNDG.

Table A-4b
Assessed Value Estimates by Project Component
Project Bristol - PROPOSED DEVELOPMENT
City of Santa Ana

Project Component	Units / SF	Assessed Value
Residential	3,750	\$1,687,500,000
Retail	350,000	\$122,500,000
Hotel	250	\$81,250,000
Senior Living	200	\$130,000,000
Total Assessed Value		\$2,021,250,000

Source: TNDG.

Table A-5
Total Property Tax Increment by Agency
Project Bristol
City of Santa Ana

	<u>Existing Conditions</u>	<u>Proposed Project</u>	<u>Net Change</u>
Total Assessed Value	\$94,886,718	\$2,021,250,000	\$2,116,136,718
Total Property Tax @ 1.0% of Assessed Value	\$948,867	\$20,212,500	\$21,161,367
City of Santa Ana General Fund Share	19.3%	19.3%	
Annual General Fund Revenue	\$183,131	\$3,901,013	\$3,717,881

Source: TNDG.

Table A-6
Projected Property Tax In Lieu of Vehicle License Fees (VLF)
Project Bristol
City of Santa Ana

Citywide Assessed Value (in \$000's) ¹	\$38,930,804
Base Value for Property Tax in Lieu of VLF ²	\$37,332,300

Variable	Existing Conditions	Proposed Project	Net Change
Total Assessed Value (Project)	\$94,886,718	\$2,021,250,000	\$2,116,136,718
Percentage of Citywide Assessed Value	0.2%	5.2%	4.9%
<i>Annual Property Tax In Lieu of VLF</i>	<i>\$90,991</i>	<i>\$1,938,257</i>	<i>\$1,847,267</i>

Sources: City of Santa Ana Budget (FY 2022-2023 and 2021 Comprehensive Annual Financial Report (CAFR); TNDG.

Notes: 1. See Tables A-4a and A-4b.

Table A-7
Estimate of Real Property Documentary Transfer Tax
Project Bristol
City of Santa Ana

	<u>Existing Conditions</u>	<u>Proposed Project</u>	<u>Net Change</u>
Total Assessed Value	\$94,886,718	\$2,021,250,000	\$2,116,136,718
Annual Ownership Turnover Rate	6.9%	6.9%	
Annual Value of Properties Sold	\$6,547,184	\$139,466,250	\$132,919,066
City Documentary Transfer Tax Rate	0.055%	0.055%	
<i>Annual City Revenue</i>	<i>\$3,601</i>	<i>\$76,706</i>	<i>\$73,105</i>

Source: TNDG

Table A-8
Estimate of On-Site Taxable Sales and City Sales Tax Revenue
Project Bristol
City of Santa Ana

<i>Project Component</i>	Existing Conditions	Proposed Project	Net Change
<i>Taxable Sales:</i>	\$113,261,100	\$140,000,000	\$26,738,900
On-Site Sales Tax @ 2.5% of Taxable Sales	<u>\$2,831,528</u>	<u>\$3,500,000</u>	<u>\$668,473</u>

Source: TNDG

Table A-9
Estimate of New City Off-Site Sales Tax
Project Bristol
City of Santa Ana

	Proposed Project
Apartment Residents	
Total Taxable Spending of Residents ¹	\$123,648,000
% Captured Offsite (within Santa Ana)	25%
New Taxable Sales in City	\$30,912,000
City Sales Tax Revenue @ 2.5%	\$772,800
Hotel Guests	
Rooms	250
Occupancy Rate	86%
Visitors @ 1.1/occupied room	237
Spending per Visitor (annualized)	\$6,844
Total Taxable Retail Sales	\$1,618,606
% Captured Offsite (within Santa Ana)	25%
New Taxable Sales in City	\$404,652
City Sales Tax Revenue @ 2.5%	\$10,116
Senior Living	
Total Dwelling Units	200
Average Daily Retail Expenditures per Unit	\$50.00
Total Taxable Retail Sales	\$3,650,000
% Captured in City (within Santa Ana)	25%
New Taxable Sales in City	\$912,500
City Sales Tax Revenue @ 2.5%	\$22,813
Total Projected Off-Site Taxable Sales:	\$32,229,152
Total Projected Off-Site Sales Tax Revenue:	\$805,729

(1) Estimated based on number of households and average household income level.

Source: TNDG.

Table A-10
Estimate of Transient Occupancy Tax (TOT) Revenue
Project Bristol
City of Santa Ana

	Annual Total/ Average
Hotel rooms	250
Average annual occupancy rate	86%
Occupied room nights	78,475
Average room rate	\$220.00
Total annual room revenue	\$17,264,500
City TOT Revenue @ 11%	\$1,899,095

Source: TNDG

Table A-11
Estimate of New Employees
Project Bristol
City of Santa Ana

	Existing Conditions	Proposed Project	Net Change
Residential	-	125	125
Retail	1,255	1,082	(174)
Hotel	-	250	250
Senior Living	-	300	300
Total	1,255	1,757	501

Source: TNDG.

Table A-12
Derivation of Revenue Projection Factors
Project Bristol
City of Santa Ana

City of Santa Ana Population	308,459
City of Santa Ana, Employee Population	161,086

Employee Weighting Factor	0.50
Effective Employee Population	80,543

Budget Category	Citywide GF Budget FY 2021/22	Allocation Basis¹	Relevant Population	Per Capita Revenue
Charges for Services	\$14,179,600	R+E	389,002	\$36.45
Fines	5,469,000	R+E	389,002	14.06
Franchise Fees	11,521,000	R+E	389,002	29.62
Intergovernmental	7,132,040	R	308,459	23.12
Licenses and Permits	5,782,270	R+E	389,002	14.86
Business Tax	12,200,000	E	161,086	75.74
Miscellaneous	7,366,370	R+E	389,002	18.94

Sources: State of California, Department of Finance, E-5 Table (01/01/2022); Census On the Map (2019);
City of Santa Ana, FY 2022-23 Proposed Budget; TNDG.

Notes: 1. Allocation basis: R - residents; R+E - residents plus effective employee population;
E - employees.
GF = General Fund.

Table A-13a
Projected General Fund Revenues
Project Bristol - EXISTING CONDITIONS
City of Santa Ana

Variable	Charges for Services	Fines	Franchise Fees	Inter- Governmental	Licenses and Permits	Business Tax	Miscellaneous
Allocation Basis	R+E	R+E	R+E	R	R+E	E	R+E
Residents	-	-	-	-	-	-	-
Onsite Employees	1,255	1,255	1,255	1,255	1,255	1,255	1,255
Weighting Factor	0.50	0.50	0.50	0.50	0.50	1.00	0.50
Population Equivalent	628	628	628	628	628	1,255	628
Per Capita Revenue	\$36.45	\$14.06	\$29.62	\$23.12	\$14.86	\$75.74	\$18.94
<i>Total Annual Revenue</i>	<i>\$22,877</i>	<i>\$8,824</i>	<i>\$18,588</i>	<i>\$14,511</i>	<i>\$9,329</i>	<i>\$95,064</i>	<i>\$11,885</i>

Source: TNDG.

Table A-13b
Projected General Fund Revenues
Project Bristol - PROPOSED PROJECT
City of Santa Ana

Variable	Charges for Services	Fines	Franchise Fees	Inter- Governmental	Licenses and Permits	Business Tax	Miscellaneous
Allocation Basis	R+E	R+E	R+E	R	R+E	E	R+E
Residents	6,925	6,925	6,925	6,925	6,925	6,925	6,925
Onsite Employees	1,757	1,757	1,757	1,757	1,757	1,757	1,757
Weighting Factor	0.50	0.50	0.50	0.50	0.50	1.00	0.50
Population Equivalent	7,803	7,803	7,803	6,925	7,803	1,757	7,803
Per Capita Revenue	\$36.45	\$14.06	\$29.62	\$23.12	\$14.86	\$75.74	\$18.94
<i>Total Annual Revenue</i>	<i>\$284,429</i>	<i>\$109,703</i>	<i>\$231,100</i>	<i>\$160,109</i>	<i>\$115,987</i>	<i>\$133,043</i>	<i>\$147,762</i>

Source: TNDG.

Table A-14
Derivation of Cost Projection Factors
Project Bristol
City of Santa Ana

City of Santa Ana Population	308,459
City of Santa Ana, Employee Population	161,086
Employee Weighting Factor	0.50
Effective Employee Population	80,543

Budget Category	Citywide GF Budget FY 2021/22	Adjustment For New Service Population	Adjusted General Fund Cost Basis	Allocation Basis¹	Relevant Population	Per Capita Costs
Library + Museum Fund	\$7,338,370	90%	\$6,604,533	R	308,459	\$21.41
Parks, Recreation, and Community Services	23,289,740	90%	20,960,766	R	308,459	67.95
Police Department	141,082,500	90%	126,974,250	R+E	389,002	326.41
Fire Department	51,618,690	90%	46,456,821	R+E	389,002	119.43
Planning and Building Agency	15,535,280	60%	9,321,168	R+E	389,002	23.96
Public Works	15,711,070	60%	9,426,642	R+E	389,002	24.23
Community Development	3,898,130	60%	2,338,878	R+E	389,002	6.01

Sources: State of California, Department of Finance, E-5 Table (01/01/2022); Census On the Map (2019);
City of Santa Ana, FY 2022-23 Proposed Budget; TNDG.

Notes: 1. Allocation basis: R - residents; R+E - residents plus effective employee population;
E - employees.
GF = General Fund.

Table A-15a
Projected General Fund Costs
Project Bristol - EXISTING CONDITIONS
City of Santa Ana

Variable	Library + Museum Fund	Parks, Recreation, and Community Services	Police Department	Fire Department	Planning and Building Agency	Public Works	Community Development
Allocation Basis	R	R	R	R+E	R+E	R+E	R+E
Residents	-	-	-	-	-	-	-
Onsite Employees	1,255	1,255	1,255	1,255	1,255	1,255	1,255
Weighting Factor	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Population Equivalent	628	628	628	628	628	628	628
Per Capita Cost	\$21.41	\$67.95	\$326.41	\$119.43	\$23.96	\$24.23	\$6.01
<i>Total Annual Cost</i>	<i>\$13,438</i>	<i>\$42,648</i>	<i>\$204,856</i>	<i>\$74,952</i>	<i>\$15,038</i>	<i>\$15,209</i>	<i>\$3,773</i>

Source: TNDG.

Table A-15b
Projected General Fund Costs
Project Bristol - PROPOSED PROJECT
City of Santa Ana

Variable	Library + Museum Fund	Parks, Recreation, and Community Services	Police Department	Fire Department	Planning and Building Agency	Public Works	Community Development
Allocation Basis	R	R	R	R+E	R+E	R+E	R+E
Residents	6,488	6,488	6,488	6,488	6,488	6,488	6,488
Onsite Employees	1,757	1,757	1,757	1,757	1,757	1,757	1,757
Weighting Factor	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Population Equivalent	6,488	6,488	6,488	7,366	7,366	7,366	7,366
Per Capita Cost	\$21.41	\$67.95	\$326.41	\$119.43	\$23.96	\$24.23	\$6.01
<i>Total Annual Cost</i>	<i>\$138,906</i>	<i>\$440,846</i>	<i>\$2,117,587</i>	<i>\$879,670</i>	<i>\$176,498</i>	<i>\$178,495</i>	<i>\$44,287</i>

Source: TNDG.

Table A-16
Projected General Government Costs
Project Bristol
City of Santa Ana

General Government Categories	2021-22 Annual Budget
City Manager	\$2,774,200
City Council	569,280
General Non-Departmental	49,206,780
Clerk of the Council	1,470,790
City Attorney	2,995,140
Human Resources	3,455,190
Finance Department	10,416,490
Total	<u>\$70,887,870</u>
General Fund Total	\$329,321,650
General Fund (non-Gen Gov't)	\$258,433,780
General Government Functions @	27.4% of other General Fund costs

Source: City of Santa Ana, FY 2022-23 Proposed Budget; TNDG.

APPENDIX B:
Economic Impact Analysis Inputs/Assumptions

Table B-1
IMPLAN Inputs for Construction Phase Impacts
Project Bristol

IMPLAN Industry Sector	<i>Construction Industry Output Value by Phase</i>		
	Phase 1	Phase 2	Phase 3
55 - Construction of new commercial structures	\$230,382,500	\$35,327,500	\$19,022,500
58 - Construction of new multifamily residential structures	752,710,000	380,064,000	674,436,000
Total	\$983,092,500	\$415,391,500	\$693,458,500

Note : Construction values include all hard and soft (architectural, engineering, legal, etc.) costs. They do not include other common construction costs, such as land or furniture, fixtures, and equipment (FF&E). The estimated allocation between industry sectors is based on the relative distribution of project residential and commercial construction costs.

Source: IMPLAN; Applicant; TNDG.

Table B-1
IMPLAN Inputs for Construction Phase Impacts
Project Bristol

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Note : Construction values include all hard and soft (architectural, engineering, legal, etc.) costs. They do not include other common construction costs, such as land or furniture, fixtures, and equipment (FF&E). The estimated allocation between industry sectors is based on the relative distribution of project residential and commercial construction costs.

Source: IMPLAN; Applicant; TNDG.

SUMMARY MEMORANDUM

September 27, 2023

To: Jeremy Krout, EPD Solutions
From: David Taussig and Jerry Wen, DTA
Subject: Economic Impacts Resulting from the Proposed Related Bristol Specific Plan

The intent of this memorandum is to provide a peer review of an economic impact analysis ("EIA") prepared on behalf of Related California ("Related") for its proposed Related Bristol Specific Plan (the "Specific Plan," or the "Project") to be located in the City of Santa Ana (the "City"), within the County of Orange, California (the "County"). Related submitted a fiscal impact analysis and an EIA to the City dated February 7, 2023, that was prepared by The Natelson Dale Group, Inc. The EIA component of the Related submittal (the "Related EIA") only evaluated the projected impact of the Project on the City's overall economy in terms of jobs and economic output on a one-time basis (e.g., construction impacts), but not on a recurring basis (e.g., permanent impacts). DTA's approach to this engagement was to prepare its own separate EIA (the "DTA EIA"), with DTA then comparing its conclusions with those reached in the Related EIA in terms of the one-time economic impacts from the construction of the Project on the City. However, DTA also took the liberty of analyzing the annual recurring permanent economic impacts of the Project on the City, which our firm generally includes in the results of our economic impact studies to provide a more comprehensive view of a project's effect on the local economy.

A Description of the Project Site and Project Use

As depicted in Figure 1, the 41.1-acre Project site located at 3600 South Bristol Street is developed with 465,063 building square feet ("BSF") of predominately retail and restaurant uses, with some medical office, financial, and fitness uses.

Figure 1: Project Site



Related proposed the Specific Plan to replace the existing General Commercial ("C2") and Regional Commercial ("CR") zoning on the Project site, demolish the existing shopping center and related infrastructure, and redevelop the Project site into a mixed-use development of for-rent residential units, retail and service uses, and a hotel. A summary of the proposed land uses and their respective associated residential unit or non-residential square footage parameters within the Project are listed below in Table 1.

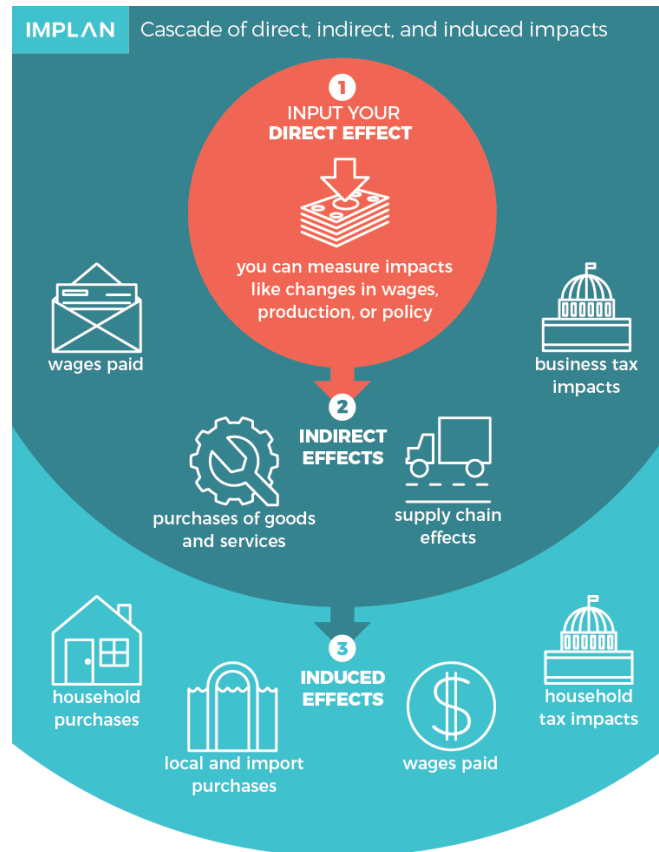
Table 1: Proposed Land Uses for the Project

Land Uses	Dwelling Units ("DUs"), Hotel Rooms ("RMs"), and BSF
Residential Land Uses	3,750 DUs
Apartment	3,750 DUs
Non-Residential Land Uses	350,000 BSF/250 RMs
Grocery	50,000 BSF
Fitness	45,000 BSF
Restaurant	70,000 BSF
Neighborhood Retail	75,000 BSF
Neighborhood Services	110,000 BSF
Hotel	250 RMs

B Overview of Economic Impact Analysis

The DTA EIA identifies the general economic impacts of the Project on the County and City. As illustrated in Figure 2, economic impact studies operate under the basic assumption that any increase in spending resulting from a development project has direct, indirect, and induced economic effects. First, there is a **direct impact** caused by the additional output of goods or services on-site. Second, there are a ripple of **indirect impacts** on all the industries whose outputs are used by firms located within the Project and various firms' supply chains. Third, there are **induced impacts** that arise when employment increases in the region and stimulates greater household spending. In evaluating these economic impacts, the DTA EIA incorporates two stages of the development process: construction and recurring operations. First, there is a one-time impact from the construction of the various types of land uses within the Project. Then, after the construction and tenant improvement phases are complete, the DTA EIA determines the magnitude of the permanent annual recurring impact on the economy through the ongoing operations of the development that has occurred on the Project site. For purposes of the DTA EIA, all economic impacts are stated in constant 2023 (uninflated) dollars based on the assumption that the relative impacts of inflation in future years would be difficult to gauge, and inflation-impacted numbers would not provide as clear a description of the economic impacts of the Project.

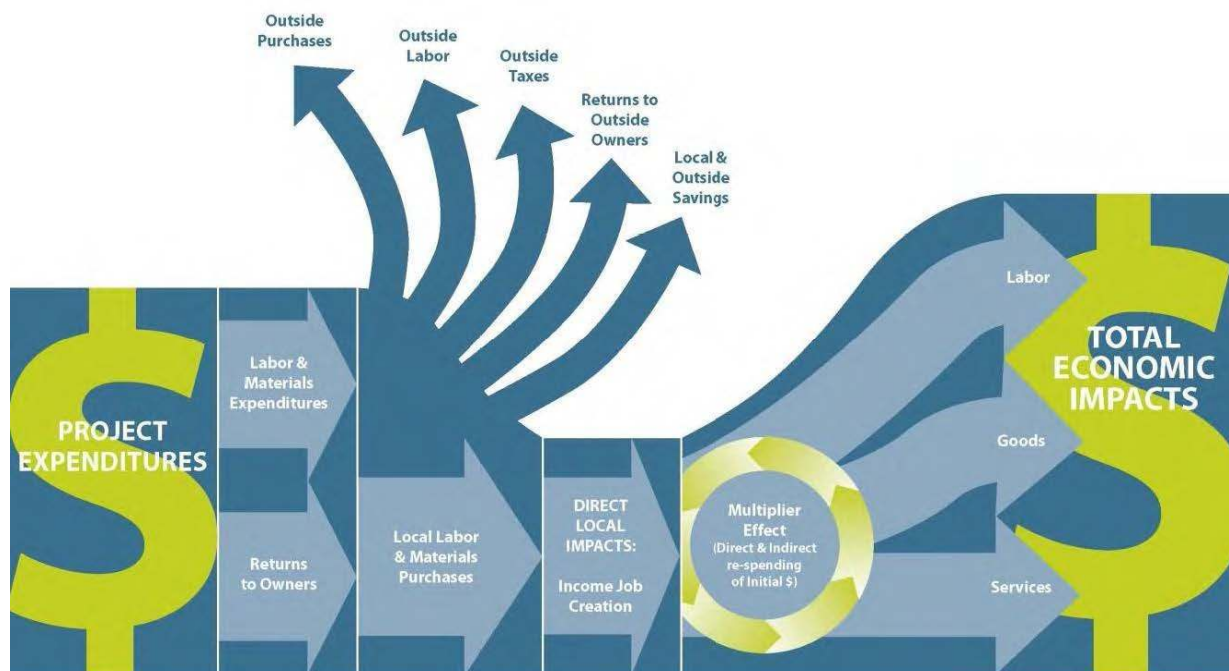
Figure 2: Direct, Indirect, and Induced Impacts



Although most economists agree that indirect and induced effects, or “multiplier” effects, exist, most economists also concur that such effects are difficult to measure. Patterns of spending and employment among suppliers and employee households often vary over time and from one region to another. DTA used the web application of the Impact Analysis for Planning (“IMPLAN”) economic modeling system for its analysis. IMPLAN is a nationally recognized input-output model that can be used to estimate the impacts of new development on the economy through the use of an economic multiplier analysis that is applied to individual counties (e.g., Orange County).

The IMPLAN model can be envisioned simply as a large spreadsheet with hundreds of industries (plus the household sector) arrayed across the top as producers and the same industries and households listed down the side as consumers. Each million dollars (output) in spending by any one consumer (i.e., the Project) is allocated across the producing industries from which it buys goods and services. These producing industries, in turn, spend money buying goods and services from their own distinct sets of suppliers. Thus, the IMPLAN multiplier model allows one to gauge the effect of each dollar expended by an industry as it diffuses through a regional economy. Furthermore, it allows one to translate the overall regional impact of spending into jobs and employee compensation. Please refer to Figure 3 for a graphical representation of the multiplier effect. The multiplier factors available to determine indirect/induced impacts are intended to reflect impacts for entire areas within the County.

Figure 3: Multiplier Effect of Project Expenditures



Source: Northern Economics, Inc. 2011.

C Economic Impact Definition

"Employment" follows the same definition as the U.S. Bureau of Economic Analysis' regional economic accounts and U.S. Bureau of Labor Statistics' Census of Employment and Wages data, which is the full-time/part-time annual average. Thus, one (1) job lasting 12 months is equivalent to two (2) jobs lasting 6 months each or four (4) jobs lasting 3 months each. In terms of a typical IMPLAN analysis, a job that lasts 6 months would be considered $\frac{1}{2}$ (0.50) of a job, while one that lasts 3 months would be considered $\frac{1}{4}$ (0.25) of a job. Notably, IMPLAN's analysis normally includes both full-time equivalent ("FTE") jobs and part-time jobs, which can overstate the number of FTE jobs generated by a development project. In order to compensate for that factor, DTA applies a discounting factor provided by IMPLAN that varies by industry and can be used to reduce the number of direct jobs generated by IMPLAN in our Study so that it represents the equivalent of the number of FTE direct jobs.

The indirect and induced full-time/part-time job estimates for the Project were derived by DTA utilizing the IMPLAN Study Model. While the specific location of the additional indirect jobs created within the County and City cannot be definitively determined, experience and modeling indicate that a large percentage of these jobs will be support service jobs. These jobs are also likely to be located close to the Project and, therefore, within the County itself, with an estimated 50% of those jobs to be located within the City. Similarly, the Project's jobs will lead to more consumer spending by employees patronizing existing retail establishments within the County and City, as well as new retail development that will be attracted to the County and City as a result of this spending. Job creation also results in increased tax revenues to the County and City through increased property taxes and sales taxes related to this new development.

However, because of potential differences in the timing of the build-out of the Project, the number of employees summarized above will likely not be realized at the same time. Notably, it is possible that the build-out of the Project will occur over more than one year and the demand for some elements of the Project may fluctuate over time.

"Total Economic Output" represents the total value of all goods and/or services produced throughout a designated economy during a specified period of time, including Labor Income, Other Value Added, and the cost of Intermediate Inputs. Each of these components are defined below.

- **"Labor Income"** includes employee compensation (wages and benefits) and payments received by self-employed individuals and unincorporated business owners;
- **"Other Value Added"** encompasses other property income, such as the consumption of capital investment, profits, royalties, dividends, interest impacts, and taxes on production and imports; and
- **"Intermediate Inputs"** include purchases of non-durable goods and services used for the production of other goods and services within a project, rather than for final consumption. Intermediate Inputs equal the Total Economic Output minus the sum of Labor Income and Other Value Added.

Similar to the indirect and induced job estimates, the specific location of the additional indirect and induced Labor Income, Other Value Added, and Intermediate Inputs created within the County and City cannot be definitively determined. Since 50% of the additional indirect and induced jobs are assumed to be located close to the Project and within the City as previously discussed, DTA estimated that 50% of those additional indirect and induced economic outputs will be located within the City.

D One-time Economic Impacts of the Project

As reflected in Table 2, the one-time economic impacts from the construction of the Project on the City will be significant. First, the Project is anticipated to create 13,869 FTE construction jobs on-site during its overall construction period. In addition, the Project is expected to generate 2,965 indirect and induced full-time/part-time jobs off-site within the City, for a total of 16,834 one-time jobs within the City. The total Labor Income associated with these added employees will equal \$1,269.1 billion directly on-site, plus \$210.6 million off-site but within the City, for a total increase in Labor Income of \$1.5 billion Citywide on a one-time basis. Finally, adding in \$526.6 million in Other Value-Added revenues and \$667.3 million in Intermediate Inputs yields a total one-time Citywide economic output for the Project of \$2.67 billion, which represents a significant boost for construction within the City. Notably, the one-time construction output represents the aggregate outputs generated during the overall Project construction period, which could span over more than one year. Please see **Attachment 1-A** of this memorandum for the projected one-time economic impacts generated by each phase of the Project construction.

Table 2: Project's One-Time/Construction Impacts on the City (DTA EIA)

One-Time/Construction Impacts	Direct	Indirect/Induced	Total
Employment	13,869	2,965	16,834
Overall Economic Output	\$2,091,942,500	\$581,697,147	\$2,673,639,647
Labor Income	\$1,269,139,520	\$210,631,484	\$1,479,771,004
Other Value Added	\$370,036,466	\$156,577,043	\$526,613,510
Intermediate Inputs	\$452,766,514	\$214,488,620	\$667,255,134

Note: All numbers are subject to rounding.

The Related EIA estimated aggregate one-time economic impacts of \$2,863,156,000 on the City, approximately 7% greater than DTA's projection. The difference in the impact projection may be attributable to small variations in the IMPLAN economic data set and location assumptions for indirect/induced impacts utilized in Related EIA, as compared with the DTA EIA. But overall, the results of the Related EIA regarding economic impacts of the Project were very close to those determined in the DTA EIA.,

E Recurring Economic Impacts of the Project

As shown in Table 3, the annual recurring economic impacts of the Project on the City will be substantial. First, the Project is anticipated to create 1,302 permanent FTE jobs on-site. In addition, the Project is expected to generate 284 permanent recurring indirect and induced full-time/part-time jobs off-site within the City, for a total of 1,586 jobs. As the City's total current workforce consists of 141,543 employees, FTE and part-time employees holding these additional jobs will constitute a 1.12% increase in the size of the City's current workforce. The total Labor Income associated with these new jobs will equal \$71.2 million generated annually directly on-site, plus \$21.5 million off-site Citywide, for a total increase in Labor Income of \$92.7 million annually within the City. Finally, adding in \$159.8 million in Other Value-Added revenues and \$84.8 million in Intermediate Inputs yields a total recurring Citywide economic output of \$337.2 million per year from the Project, which represents a considerable boost to the City's economy. Please see **Attachment 1-B** of this memorandum for the projected annual recurring economic impacts generated by each land use of the Project.

Table 3: Project's Total Recurring Annual Impacts on the City (DTA EIA)

Recurring Annual Impacts	Direct	Indirect/Induced	Total
Employment	1,302	284	1,586
Overall Economic Output	\$279,254,889	\$57,963,903	\$337,218,792
Labor Income	\$71,197,956	\$21,471,254	\$92,669,210
Other Value Added	\$145,851,647	\$13,917,290	\$159,768,937
Intermediate Inputs	\$62,205,285	\$22,575,360	\$84,780,645

Note: All numbers are subject to rounding.

F Job-Housing Balance

The jobs-housing balance is an indicator of the relative equilibrium between employment and housing opportunities in a given area. A positive balance between jobs and housing has a beneficial impact on a municipality by decreasing costs associated with commuting

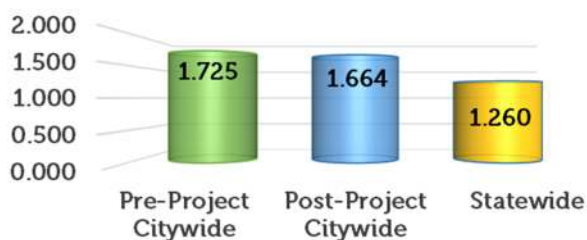
and traffic congestion. It also reduces commute times, improves local social, cultural and family involvement, provides a more attractive work/life balance to residents, and generates savings to local public agencies in terms of the need to construct and maintain new road improvements and other facilities.

As reflected in Table 4 and Figure 4, the City's current ratio of jobs within the City as compared with the number of housing units Citywide is 1.725, as compared with a Statewide average of 1.260. The addition of 1,586 new jobs through the construction of the Project would decrease the jobs/housing ratio modestly to 1.664, as the 3,750 new housing units incorporated in the Project are greater than the 1,586 permanent recurring jobs to be generated by the Project. As noted previously, the Related EIA did not evaluate the permanent recurring economic impacts of the Project, so no comparison with the DTA EIA was necessary.

Table 4: Pre-Project and Post-Project Jobs-Housing Balance (DTA EIA)

Description	Citywide Average		Statewide Average
	Pre-Project	Post-Project	
Number of Jobs	141,543¹	143,129	18,536,600
Number of Housing Units	82,058	86,008	14,711,648
Existing ²	82,058	82,058	14,707,698
New	N/A	3,750	3,750
Jobs-Housing Balance	1.725	1.664	1.260

Figure 4: Pre-Project and Post-Project Jobs-Housing Balance



If you have any further questions regarding any of the issues raised in this memorandum, please feel free to contact David Taussig or Jerry Wen at (800) 969-4DTA.

Enclosures:

1. Attachment 1 – DTA EIA

¹ Spotlight by Environics Analytics, Employment Profiles by NAICS Code 2022.

² Labor Market Information Division, State of California Employment Development Department.

ATTACHMENT 1

City of Santa Ana
Related Bristol Specific Plan



DTA ECONOMIC IMPACT ANALYSIS ("DTA EIA")

Attachment 1-A
Proposed Related Bristol Specific Plan
City of Santa Ana
One-time Economic Impact (2023\$)

Impact	Employment	Labor Income		Other Value Added	Intermediate Expenditures	Total Output
		Per Employee	Aggregate			
Phase One Construction						
County	9,288.37	\$85,336	\$792,630,738	\$307,850,304	\$437,283,809	\$1,537,764,851
Direct	6,484.00	\$91,293	\$591,945,261	\$159,179,588	\$231,967,651	\$983,092,500
Indirect	702.98	\$82,561	\$58,039,101	\$37,315,961	\$57,991,211	\$153,346,273
Induced	2,101.39	\$67,882	\$142,646,376	\$111,354,755	\$147,324,947	\$401,326,078
City	7,886.19	\$87,785	\$692,288,000	\$233,514,946	\$334,625,730	\$1,260,428,675
Direct	6,484.00	\$91,293	\$591,945,261	\$159,179,588	\$231,967,651	\$983,092,500
Indirect ¹	351.49	\$82,561	\$29,019,550	\$18,657,980	\$28,995,606	\$76,673,136
Induced ¹	1,050.70	\$67,882	\$71,323,188	\$55,677,378	\$73,662,473	\$200,663,039
Phase Two Construction						
County	3,934.69	\$85,406	\$336,045,553	\$138,560,692	\$170,052,609	\$644,658,854
Direct	2,761.00	\$91,631	\$252,993,035	\$76,709,353	\$85,689,112	\$415,391,500
Indirect	282.77	\$79,837	\$22,574,996	\$14,640,658	\$21,902,382	\$59,118,037
Induced	890.93	\$67,882	\$60,477,522	\$47,210,680	\$62,461,114	\$170,149,317
City	3,347.85	\$87,973	\$294,519,294	\$107,635,022	\$127,870,860	\$530,025,177
Direct	2,761.00	\$91,631	\$252,993,035	\$76,709,353	\$85,689,112	\$415,391,500
Indirect ¹	141.38	\$79,837	\$11,287,498	\$7,320,329	\$10,951,191	\$29,559,019
Induced ¹	445.46	\$67,882	\$30,238,761	\$23,605,340	\$31,230,557	\$85,074,658
Phase Three Construction						
County	6,576.12	\$85,419	\$561,726,197	\$236,779,557	\$274,407,336	\$1,072,913,090
Direct	4,624.00	\$91,739	\$424,201,223	\$134,147,526	\$135,109,751	\$693,458,500
Indirect	462.86	\$78,710	\$36,431,570	\$23,715,422	\$34,888,419	\$95,035,410
Induced	1,489.26	\$67,882	\$101,093,404	\$78,916,609	\$104,409,167	\$284,419,180
City	5,600.06	\$88,028	\$492,963,710	\$185,463,541	\$204,758,544	\$883,185,795
Direct	4,624.00	\$91,739	\$424,201,223	\$134,147,526	\$135,109,751	\$693,458,500
Indirect ¹	231.43	\$78,710	\$18,215,785	\$11,857,711	\$17,444,209	\$47,517,705
Induced ¹	744.63	\$67,882	\$50,546,702	\$39,458,305	\$52,204,583	\$142,209,590
Grand Total - County	19,799.18	\$85,377	\$1,690,402,488	\$683,190,553	\$881,743,754	\$3,255,336,795
Grand Total - City	16,834.09	\$87,903	\$1,479,771,004	\$526,613,510	\$667,255,134	\$2,673,639,647

¹ Assumes 50% of County's indirect/induced impacts will be created within the City.

Attachment 1-B
Proposed Related Bristol Specific Plan
City of Santa Ana
Recurring Economic Impact (2023\$)

Land Use/ Impact	Employment	Labor Income		Other Value Added	Intermediate Expenditures	Total Output
		Per Employee	Aggregate			
Senior Living						
County	167.37	\$66,601	\$11,146,788	\$3,571,752	\$7,130,751	\$21,849,292
Direct	116.00	\$65,956	\$7,650,917	\$1,313,398	\$3,515,686	\$12,480,000
Indirect	22.65	\$68,204	\$1,544,500	\$732,559	\$1,600,041	\$3,877,101
Induced	28.72	\$67,941	\$1,951,371	\$1,525,796	\$2,015,024	\$5,492,191
City	141.68	\$66,337	\$9,398,852	\$2,442,575	\$5,323,219	\$17,164,646
Direct	116.00	\$65,956	\$7,650,917	\$1,313,398	\$3,515,686	\$12,480,000
Indirect ¹	11.32	\$68,204	\$772,250	\$366,280	\$800,021	\$1,938,550
Induced ¹	14.36	\$67,941	\$975,685	\$762,898	\$1,007,512	\$2,746,096
Apartment						
County	215.76	\$70,613	\$15,235,848	\$121,812,613	\$12,632,928	\$149,681,389
Direct	148.00	\$66,100	\$9,782,733	\$118,195,758	\$7,021,509	\$135,000,000
Indirect	25.61	\$101,386	\$2,596,123	\$1,393,560	\$2,659,746	\$6,649,429
Induced	42.16	\$67,768	\$2,856,992	\$2,223,295	\$2,951,673	\$8,031,960
City	181.88	\$68,777	\$12,509,290	\$120,004,186	\$9,827,218	\$142,340,695
Direct	148.00	\$66,100	\$9,782,733	\$118,195,758	\$7,021,509	\$135,000,000
Indirect ¹	12.80	\$101,386	\$1,298,062	\$696,780	\$1,329,873	\$3,324,715
Induced ¹	21.08	\$67,768	\$1,428,496	\$1,111,648	\$1,475,836	\$4,015,980
Grocery						
County	183.96	\$60,600	\$11,148,053	\$5,520,489	\$9,188,286	\$25,856,828
Direct	131.00	\$55,683	\$7,294,535	\$2,964,762	\$5,066,613	\$15,325,910
Indirect	23.19	\$79,013	\$1,832,458	\$977,515	\$2,034,397	\$4,844,370
Induced	29.77	\$67,893	\$2,021,059	\$1,578,212	\$2,087,276	\$5,686,548
City	157.48	\$58,555	\$9,221,294	\$4,242,625	\$7,127,449	\$20,591,369
Direct	131.00	\$55,683	\$7,294,535	\$2,964,762	\$5,066,613	\$15,325,910
Indirect ¹	11.60	\$79,013	\$916,229	\$488,758	\$1,017,198	\$2,422,185
Induced ¹	14.88	\$67,893	\$1,010,530	\$789,106	\$1,043,638	\$2,843,274
Fitness						
County	17.45	\$47,897	\$835,925	\$335,010	\$819,194	\$1,990,129
Direct	13.00	\$39,423	\$512,503	\$106,773	\$444,400	\$1,063,676
Indirect	2.28	\$77,113	\$176,002	\$112,999	\$222,560	\$511,561
Induced	2.17	\$67,931	\$147,420	\$115,238	\$152,234	\$414,892
City	15.23	\$44,280	\$674,214	\$220,892	\$631,797	\$1,526,903
Direct	13.00	\$39,423	\$512,503	\$106,773	\$444,400	\$1,063,676
Indirect ¹	1.14	\$77,113	\$88,001	\$56,499	\$111,280	\$255,780
Induced ¹	1.09	\$67,931	\$73,710	\$57,619	\$76,117	\$207,446

Attachment 1-B
Proposed Related Bristol Specific Plan
City of Santa Ana
Recurring Economic Impact (2023\$)

Land Use/ Impact	Employment	Labor Income		Other Value Added	Intermediate Expenditures	Total Output
		Per Employee	Aggregate			
Full-Service Restaurant						
County	282.66	\$55,215	\$15,607,045	\$7,936,087	\$15,408,912	\$38,952,044
Direct	205.00	\$46,578	\$9,548,505	\$4,077,201	\$9,124,294	\$22,750,000
Indirect	36.75	\$89,265	\$3,280,317	\$1,688,322	\$3,415,525	\$8,384,164
Induced	40.91	\$67,912	\$2,778,223	\$2,170,564	\$2,869,094	\$7,817,880
City	243.83	\$51,584	\$12,577,775	\$6,006,644	\$12,266,603	\$30,851,022
Direct	205.00	\$46,578	\$9,548,505	\$4,077,201	\$9,124,294	\$22,750,000
Indirect ¹	18.37	\$89,265	\$1,640,158	\$844,161	\$1,707,762	\$4,192,082
Induced ¹	20.45	\$67,912	\$1,389,111	\$1,085,282	\$1,434,547	\$3,908,940
Quick-Service Restaurant						
County	507.07	\$53,405	\$27,079,721	\$17,168,095	\$38,086,559	\$82,334,374
Direct	341.00	\$41,940	\$14,301,586	\$8,853,328	\$24,095,086	\$47,250,000
Indirect	94.75	\$83,756	\$7,935,672	\$4,532,746	\$8,990,442	\$21,458,860
Induced	71.32	\$67,899	\$4,842,462	\$3,782,021	\$5,001,031	\$13,625,514
City	424.03	\$48,795	\$20,690,654	\$13,010,711	\$31,090,822	\$64,792,187
Direct	341.00	\$41,940	\$14,301,586	\$8,853,328	\$24,095,086	\$47,250,000
Indirect ¹	47.37	\$83,756	\$3,967,836	\$2,266,373	\$4,495,221	\$10,729,430
Induced ¹	35.66	\$67,899	\$2,421,231	\$1,891,010	\$2,500,516	\$6,812,757
Neighborhood Retail						
County	114.98	\$58,598	\$6,737,583	\$3,811,706	\$5,786,156	\$16,335,445
Direct	83.00	\$50,496	\$4,191,198	\$2,288,355	\$3,266,795	\$9,746,348
Indirect	14.58	\$93,550	\$1,364,252	\$598,774	\$1,298,703	\$3,261,729
Induced	17.40	\$67,951	\$1,182,133	\$924,576	\$1,220,658	\$3,327,368
City	98.99	\$55,201	\$5,464,390	\$3,050,031	\$4,526,476	\$13,040,896
Direct	83.00	\$50,496	\$4,191,198	\$2,288,355	\$3,266,795	\$9,746,348
Indirect ¹	7.29	\$93,550	\$682,126	\$299,387	\$649,351	\$1,630,865
Induced ¹	8.70	\$67,951	\$591,066	\$462,288	\$610,329	\$1,663,684
Neighborhood Services						
County	254.56	\$73,787	\$18,783,249	\$7,010,022	\$10,749,019	\$36,542,290
Direct	182.00	\$73,642	\$13,402,932	\$3,358,441	\$5,238,627	\$22,000,000
Indirect	23.69	\$86,996	\$2,061,183	\$1,057,700	\$2,082,796	\$5,201,679
Induced	48.87	\$67,922	\$3,319,133	\$2,593,881	\$3,427,596	\$9,340,610
City	218.28	\$73,727	\$16,093,090	\$5,184,231	\$7,993,823	\$29,271,145
Direct	182.00	\$73,642	\$13,402,932	\$3,358,441	\$5,238,627	\$22,000,000
Indirect ¹	11.85	\$86,996	\$1,030,592	\$528,850	\$1,041,398	\$2,600,840
Induced ¹	24.43	\$67,922	\$1,659,567	\$1,296,940	\$1,713,798	\$4,670,305

Attachment 1-B
Proposed Related Bristol Specific Plan
City of Santa Ana
Recurring Economic Impact (2023\$)

Land Use/ Impact	Employment	Labor Income		Other Value Added	Intermediate Expenditures	Total Output
		Per Employee	Aggregate			
Hotel						
County	125.61	\$60,235	\$7,566,253	\$6,520,453	\$7,554,198	\$21,640,905
Direct	83.00	\$54,374	\$4,513,047	\$4,693,632	\$4,432,276	\$13,638,955
Indirect	22.92	\$74,838	\$1,715,471	\$780,941	\$1,740,536	\$4,236,948
Induced	19.69	\$67,938	\$1,337,735	\$1,045,880	\$1,381,386	\$3,765,002
City	104.31	\$57,903	\$6,039,650	\$5,607,042	\$5,993,237	\$17,639,930
Direct	83.00	\$54,374	\$4,513,047	\$4,693,632	\$4,432,276	\$13,638,955
Indirect	11.46	\$74,838	\$857,736	\$390,471	\$870,268	\$2,118,474
Induced	9.85	\$67,938	\$668,867	\$522,940	\$690,693	\$1,882,501
Grand Total - County	1,869.42	\$61,057	\$114,140,464	\$173,686,227	\$107,356,004	\$395,182,695
Grand Total - City	740.10	\$59,967	\$44,381,426	\$159,768,937	\$84,780,645	\$337,218,792

¹ Assumes 50% of County's indirect/induced impacts will be created within the City.

SUMMARY MEMORANDUM

September 27, 2023

To: Jeremy Krout, EPD Solutions
From: David Taussig and Jerry Wen, DTA
Subject: Fiscal Impacts Resulting from the Proposed Related Bristol Specific Plan

The intent of this memorandum is to provide a peer review of a fiscal impact analysis ("FIA") prepared on behalf of Related California ("Related") for its proposed Related Bristol Specific Plan (the "Specific Plan," or the "Project") being proposed in the City of Santa Ana (the "City"), located in the County of Orange, California (the "County"). Related submitted an FIA (the "Related FIA") to the City dated February 7, 2023, that was prepared by The Natelson Dale Group, Inc., to evaluate the projected fiscal impact to the City's General Fund that would result from the development of the Project.

EPD Solutions has engaged DTA on behalf of the City to peer review the Related FIA. As part of its review process, DTA prepared its own FIA (the "DTA FIA") to evaluate the conclusions presented in the Related FIA. The specific purpose of the DTA FIA is (i) to determine whether the Project will generate sufficient revenues to cover the costs of all of the public services typically financed by the City's General Fund and (ii) to summarize the major differences between the assumptions utilized and the conclusions reached by the two FIAs. For purposes of this memorandum, DTA focused on the fiscal impacts of the proposed Project, rather than the fiscal impacts of the existing development on the Project site.

A Description of the Project Site and Project Use

As depicted in Figure 1, the 41.1-acre Project site located at 3600 South Bristol Street is currently the site of 465,063 existing building square feet ("BSF") of predominately retail and restaurant uses, with some medical office, financial, and fitness uses.

Figure 1: Project Site



Related proposed the Specific Plan to replace the existing General Commercial ("C2") and Regional Commercial ("CR") zoning on the Project site, demolish the existing shopping center and related infrastructure, and redevelop the Project site into a mixed-use development of for-rent residential units, retail and service uses, and a hotel. A summary of the proposed land uses and their respective associated residential dwelling unit and non-residential square footage parameters within the Project are listed below in Table 1.

Table 1: Proposed Land Uses for the Project

Land Uses	Dwelling Units ("DUs"), Hotel Rooms ("RMs"), and BSF
Residential Land Uses	3,950 DUs
Senior Living	200 DUs
Apartments	3,750 DUs
Non-Residential Land Uses	350,000 BSF/250 RMs
Grocery	50,000 BSF
Fitness	45,000 BSF
Restaurant	70,000 BSF
Neighborhood Retail	75,000 BSF
Neighborhood Services	110,000 BSF
Hotel	250 RMs

B Analytic Methodology and Assumptions

Notably, only recurring revenues and costs are analyzed in both of the FIAs. Costs that are considered non-recurring, such as capital expenditures, are excluded from both analyses. This is because new development is generally required to construct its own new capital improvements, such as roads or parks, or pay Development Impact Fees ("DIFs") that enable the City or some other developer to construct these improvements. As capital construction costs and DIFs are considered to be "one-time" costs that will not recur, there is no expectation that new development will need to pay for these capital expenditures or DIFs a second time. In sum, the FIAs reflect the projected recurring annual fiscal deficit or fiscal surplus to the City's General Fund that will result from the development of the Project.

Unless otherwise noted in the text below, DTA utilized many of the same analytical assumptions that were employed in the Related FIA. DTA has not, to date, been provided with an alternative set of Project land uses, residential rents, product absorption schedules or other assumptions that contradict some of the Related FIA's assumptions. As such, DTA included most of these Related FIA assumptions in the DTA FIA. If City staff questions any of these assumptions, DTA could revise its fiscal analysis to reflect other assumptions that the City feels are more realistic. However, the DTA FIA did identify some assumptions in the Related FIA that might be questionable, and these assumptions were modified for purposes of the DTA FIA, thereby resulting in a significantly smaller Project annual fiscal surplus as compared with the Related FIA. Listed below are the revisions incorporated in the DTA FIA that varied from those employed in the Related FIA.

- **General Fund Budget:** In analyzing the City's General Fund budget, the Related FIA calculated the average revenues/costs per Person Served based on the Fiscal Year ("FY") 2021-22 General Fund budget. As the City's General Fund budget for FY 2022-23 is now available, DTA analyzed the costs and revenues in the latter budget, which represents an update of the budget utilized in the Related FIA
- **Discounted Revenues:** The Related FIA made assumptions regarding fixed costs versus variable costs in the City's General Fund budget, based on the premise that certain portions of the City's expenditures are fixed costs that will not vary based on the development of the Project, while other portions of the City's expenditures are variable and will increase as a result of the Project. On the other hand, the Related FIA chose not to discount any General Fund revenues, and therefore did not incorporate potential discounts in revenues that are unlikely to grow on a 1 to 1 basis with the Project's development. DTA took a more realistic approach by applying 15% to 90% discount rates to various General Fund revenues to estimate the ratio of fixed revenues, such as franchise fees and businesses licenses. In addition, a 100% discount was applied to money and property use revenues, miscellaneous revenues, and the commercial cannabis tax, as these revenues are not anticipated to increase significantly as a result of the construction of the Project. The revenue discounts applied in the DTA FIA are listed in **Attachment 1-A of this memorandum**. As noted previously, these discounted revenue assumptions differ from the revenue assumptions made within the Related FIA, as no City General Fund revenue streams were discounted in the Related FIA.
- **Intergovernmental Revenues:** DTA applied a 100% discount to the intergovernmental revenues received by the City. Based on DTA's experience, the allotment of intergovernmental revenues generally involves complex socioeconomic and demographic factors that are difficult to forecast and often have no relationship to the amount of new development that is being constructed.
- **General Government Overhead Costs:** As listed in **Attachment 1-K** the marginal increase in the general government overhead costs associated with the additional non-general government expenditures incurred by new development is assumed to be 75%, which means a 25% discount was applied to these overhead costs.
- **Discounting Expenditures:** Certain service costs are not expected to increase one-to-one with new development. Thus, a 15% discount rate was applied to various General Fund expenditures to reflect the estimated ratio of fixed expenditures (not impacted by future development) to variable expenditures, as reflected in **Attachment 1-B**. Notably, DTA has conservatively assumed that **no discount factors** would be applied to public safety and public works expenditures as a result of the Project. In contrast, the Related FIA applied 10% to 40% discount rates to these expenditures, as well as others. The validity of these DTA's discounts versus Related's discounts could be analyzed by City staff to ensure that they are properly assigned to the City's costs.

- Residential Population: For apartment and senior housing development, the Related FIA assumed an average household size of 1.73 and 1.50 persons respectively, without citing the source of those metrics. As detailed in **Attachment 1-C**, DTA utilized the following metrics in estimating the residential population for the Project at its build-out.
 - Apartments: Household size for residential use generally correlates with its dwelling size. The Capital Facilities Capacity Charges ("CFCC") for the Orange County Sanitation District established a base charge of \$5,719 for a three-bedroom single-family home, with the rates for other residential uses adjusted by their respective dwelling size as compared to a typical three-bedroom single-family home. Assuming that the apartments will be comprised of 50% two-bedroom units, 25% three-bedroom units and 25% studio units, the blended CFCC rate is estimated at \$3,174, which is 55.5% of the base rate. According to the California Department of Finance, the average household size in the City is estimated at 3.72 as of January 1, 2023. Applying the 55.5% factor to the current Citywide average household yields an estimated average household size of 2.06 persons for the Project's apartments.
 - Senior Housing: According to the Administration for Community Living, a division within the U.S. Department of Health and Human Services, 69% of seniors live with their spouse, with the remaining 31% living alone. Based on those ratios, the average household size for a senior housing unit is estimated at 1.69 persons.
- Hotel Guests: DTA conservatively included daily hotel guests as part of the Persons Served population when estimating the City's public safety costs related to the Project. A hotel guest is typically assumed to be equivalent to 50% of a resident, given that they would spend only 8 active hours in the City per day versus a resident who is active for 16 hours per day.
- Tax Sharing (Secured Property Taxes): Property tax revenue estimates were derived using apportionment factors provided by the County Auditor-Controller as applied to the general 1% *ad valorem* property tax levy. As presented in **Attachment 1-D**, total secured property tax revenues received by the City from the proposed Project will equal approximately 19.08% of the basic 1% *ad valorem* tax rate [Proposition ("Prop") 13], net of the projected Education Revenue Augmentation Fund ("ERAF") property tax shifts. The Related FIA utilized an allocation factor of 19.3%.
- Property Tax In Lieu of Vehicle License Fees ("VLFs"): Per California Revenue and Taxation Code §97.70, the property tax in lieu of VLF amount now increases in proportion to the growth rate of the Citywide gross assessed valuation of taxable property from the prior fiscal year. As listed in **Attachment 1-D**, property taxes in lieu of VLF revenues constitute an addition to other property tax apportionments and were calculated for the purposes

of DTA FIA at \$1.23 per \$1,000 increase in assessed valuation on a Citywide basis, whereas the Related FIA assumed \$0.96 per \$1,000 increase.

- **Taxable Sales per BSF:** The Related FIA estimated average taxable sales of \$400 per BSF for retail commercial uses. Given that fitness and neighborhood service uses will generate a *de minimis* amount of taxable sale receipts, and that only approximately 35% of grocery store sales are taxable, DTA utilized the following metrics in calculating taxable sale receipts as listed in **Attachment 1-E**.
 - **Grocery:** A taxable sales of \$315 per BSF is utilized based on the gross sales of \$900 per BSF and 35% of such sales being taxable.
 - **Restaurant:** A taxable sales factor of \$1,000 per BSF is utilized assuming that restaurant use will be comprised of an equal percentage of fast-service and full-service restaurants, with fast-service and full-service restaurants generating \$1,350 and \$650 taxable sales per BSF, respectively.
 - **Neighborhood Retail:** Based on the market research performed by DTA, a taxable sale of \$400 per BSF is utilized.
- **Indirect Sales Tax:** As detailed in **Attachment 1-E**, DTA utilized the 2021 Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics to estimate the annual household taxable retail spending, and the Office Worker Retail Spending in a Digital Age published by ICSC to estimate the annual spending on lunch by on-site employees. The Related FIA did not provide details on the source of the taxable sales receipts generated by on-site residents and employees that were utilized in their FIA.
- **Measure X Sales Tax:** In November 2018, the City's voters approved Measure X, a local 1.5% sales tax rate that became effective April 1, 2019, to provide funding for neighborhood safety, homeless prevention, and essential City services enhancement. Measure X rate will decrease to 1% in 2029 and sunset in 2039. Given that build-out of the Project is expected to occur after 2029, DTA assumed that the revenues to be provided by the Measure X sales tax at the Project's build-out will only be 1%. In contrast, the Related FIA utilized the current 1.5% rate for its Measure X sales tax projections at buildout.

C FIA Conclusion Comparison

As listed in Table 1, the overall net fiscal impact associated with the Project's build-out is projected to generate an annual recurring fiscal surplus to the City's General Fund under both the Related FIA and DTA FIA. However, DTA methodology projects a significantly lower annual recurring fiscal surplus of \$3,394,298 per year, versus the Related FIA's recurring fiscal surplus of \$8,768,999 per year. The Related FIA actually projects a surplus of over \$10,710,000 annually in its Executive Summary (Table 2-1) and its Net Fiscal Impact Table (Table 3-1), but DTA took the liberty of increasing police department costs in the Related FIA from \$176,498 to \$2,117,587, as the latter figure was listed as the total Project police costs in Table A-15b of the Related FIA, but then was replaced by a much lower figure (\$176,498) in the tables in which net fiscal impacts were calculated. DTA assumed that the

use of the much lower cost estimate for police services in the Related FIA was probably based on an analysis error.

Table 1: Comparison of Project's Net Fiscal Impacts in Related FIA Versus DTA FIA

Fiscal Impact Category	Related FIA	DTA FIA	Difference
Recurring General Fund Revenues			
Secured Property Tax	\$3,901,013	\$3,856,860	(\$44,153)
Property Transfer Tax	\$76,706	\$76,707	\$1
Property Tax In Lieu of Vehicle License Fee	\$1,938,257	\$2,359,024	\$420,767
Direct Sales Tax	\$3,500,000	\$1,521,111	(\$1,978,889)
Indirect Sales Tax	\$805,729	\$504,963	(\$300,766)
Transient Occupancy Tax	\$1,899,095	\$1,899,095	\$0
Utility User's Tax	Not Included	\$697,867	\$697,867
Business Licenses	\$133,043	\$142,507	\$9,464
Franchise Fees	\$231,100	\$223,081	(\$8,019)
Charges for Services	\$284,429	\$204,276	(\$80,153)
Licenses and Permits	\$115,987	\$36,899	(\$79,088)
Fines and Forfeitures	\$109,703	\$111,141	\$1,438
Adult-Use Retail Business Cannabis Tax	Not Included	\$45,503	\$45,503
Medical Marijuana Taxes	Not Included	\$2,040	\$2,040
Intergovernmental	160,109	\$0	(\$160,109)
Miscellaneous	\$147,762	\$0	(\$147,762)
Investment Income	Not Included	\$10,041	\$10,041
Total Recurring Revenues	\$13,302,933	\$11,691,114	(\$1,611,818)
Recurring General Fund Expenditures			
Police Department	\$2,117,587 ¹	\$3,522,628	\$1,405,041
Fire Department	\$879,670	\$1,331,278	\$451,608
Public Works	\$178,495	\$1,162,236	\$983,741
Park, Recreation & Community Services	\$440,846	\$276,301	(\$164,545)
Community Development	\$44,287	\$161,700	\$117,413
Library & Museum	\$138,906	\$187,689	\$48,783
General Government	\$734,143	\$1,655,034	\$920,891
Total Recurring Expenditures	\$4,533,934¹	\$8,296,866	\$3,762,932
Net Fiscal Impact to General Fund			
Total Annual Recurring Surplus/(Deficit)	\$8,768,999¹	\$3,394,248	(\$5,374,751)
Total Annual Revenue/Expenditure Ratio	2.93	1.41	N/A

Note:

1 The total recurring General Fund expenditures and net fiscal impact listed in the Related FIA appeared to be incorrect due to an apparent mistaken entry in the projected police expenditures row of the Net Fiscal Impact Table (\$2,117,587 in Table A-15b vs. \$176,498, with the latter number actually representing the projected expenditures the City's Planning and Building Agency, as listed in many of the Related FIA's tables).

D Fiscal Impact of Sunset of Measure X Sales Tax

As discussed in Section B, above, the Measure X sales tax will expire in 2039 unless it is put to another vote by the City in that year. However, based on the DTA FIA's calculations, the Project is still anticipated to generate an annual recurring fiscal surplus of \$2,518,778 even if Measure X is no longer in effect.

If you have any further questions regarding the issues raised in this memorandum, please feel free to contact David Taussig or Jerry Wen at (800) 969-4DTA.

Enclosures:

1. Attachment 1 – DTA FIA

ATTACHMENT 1

City of Santa Ana
Related Bristol Specific Plan



DTA FISCAL IMPACT ANALYSIS ("DTA FIA")

ATTACHMENT 1-A

**SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
CITY FUND REVENUES (BY TYPE)**

I Demographics and Other Data

2023 Estimated City Population [1]	299,630
2023 Estimated City Employees [2]	141,545
2023 Persons Served Population [3]	370,403

Notes:

- [1] California Department of Finance, Housing and Population Information, January 1, 2023.
 [2] Environics Analytics, EmploymentProfiles by NAICS Codes 2023 for the City of Santa Ana.
 [3] Assumes City population plus 50% of employees.

II City Revenue Sources (by Type)

Revenue Type	Total Revenues	Revenue Type	Fiscal Impact Basis	Discount	Fiscal Impact Revenue Factor
Tax Revenue	\$243,978,100		Persons Served		\$0.00
Property Tax - Exclude In-Lieu of VLF	\$44,493,000	Recurring	Case Study	0%	NA
Transient Occupancy Taxes	\$8,500,000	Recurring	Case Study	0%	NA
Utility Users Tax	\$24,400,000	Recurring	Case Study	0%	NA
Sales Tax	\$64,550,000	Recurring	Case Study	0%	NA
Prop 172 Sales Tax	\$2,718,100	Recurring	Case Study	0%	NA
Measure X Sales Tax	\$88,102,000	Recurring	Case Study	0%	NA
Documentary Stamp Tax	\$1,085,000	Recurring	Case Study	0%	NA
Santa Ana Residual	\$10,130,000	Recurring	Case Study	0%	NA
Business Licenses	\$15,000,000	Recurring	Per Employee	15%	\$90.08
Franchise Fees	\$10,960,100	Recurring	Persons Served	15%	\$25.15
Interest Income	\$475,000	Recurring	Case Study	0%	NA
Charges for Services	\$10,036,300	Recurring	Persons Served	15%	\$23.03
Building/Planning/Engineering Fees	\$8,048,600	Recurring	NA	100%	NA
Licenses and Permits	\$1,814,680	Recurring	Persons Served	15%	\$4.16
VLF/Property Tax Compensation	\$39,800,000	Recurring	Case Study	0%	NA
Fines and Forfeitures	\$5,461,370	Recurring	Persons Served	15%	\$12.53
Intergovernmental	\$7,183,190	Recurring	NA	100%	NA
Use of Money and Property	\$16,799,710	Recurring	Persons Served	100%	\$0.00
Other / Miscellaneous	\$8,375,890	Recurring	Persons Served	100%	\$0.00
Adult-Use Retail Business Cannabis Tax	\$19,000,000	Recurring	Persons Served	90%	\$5.13
Commercial Cannabis Tax	\$2,350,000	Recurring	Persons Served	100%	\$0.00
Medical Marijuana Taxes	\$850,000	Recurring	Persons Served	90%	\$0.23
Total Revenues	\$390,132,940	NA	NA	NA	NA
Total Recurring Revenues	\$390,132,940	NA	NA	NA	NA

ATTACHMENT 1-B**SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
CITY FUND EXPENDITURES (BY TYPE)****I Demographics and Other Data**

2023 Estimated City Population [1]	299,630
2023 Estimated City Employees [2]	141,545
2023 Persons Served Population [3]	370,403

Notes:

[1] California Department of Finance, Housing and Population Information, January 1, 2023.

[2] Environics Analytics, EmploymentProfiles by NAICS Codes 2023 for the City of Santa Ana.

[3] Assumes City population plus 50% of employees.

II City Expenditures (by Type)

Expenditure Type	Total Expenditures	Expenditure Type	Fiscal Impact Basis	Discount	Fiscal Impact Expenditure Factor
General Government					
City Council	\$1,029,860	Recurring	Case Study	NA	NA
City Clerk's Office	\$1,935,720	Recurring	Case Study	NA	NA
City Manager's Office	\$2,904,040	Recurring	Case Study	NA	NA
City Attorney's Office	\$3,584,860	Recurring	Case Study	NA	NA
Planning and Building	\$19,545,470	Recurring	Case Study	NA	NA
Financial & Management Services	\$11,713,490	Recurring	Case Study	NA	NA
Human Resources	\$3,884,170	Recurring	Case Study	NA	NA
Non-Departmental	\$47,103,560	Recurring	Case Study	NA	NA
Non-General Government					
Police Department	\$142,772,990	Recurring	Persons Served	0%	\$385.45
Fire Department	\$53,956,950	Recurring	Persons Served	0%	\$145.67
Public Works	\$48,533,650	Recurring	Persons Served	0%	\$131.03
Park, Recreation & Community Services	\$13,574,280	Recurring	Persons Served	15%	\$31.15
Community Development	\$7,944,600	Recurring	Persons Served	15%	\$18.23
Library	\$6,680,310	Recurring	Persons Served	15%	\$15.33
Museum	\$2,542,320	Recurring	Persons Served	15%	\$5.83
Total Expenditures	\$367,706,270	NA	NA	NA	NA
Total Recurring Expenditures	\$367,706,270	NA	NA	NA	NA

ATTACHMENT 1-C
SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
LAND USE AND DEMOGRAPHICS SUMMARY

Future Land Use Data

I Developable Land Use Description

		Number of Dwelling Units ("DUs") [1]
A	<u>Projected Residential Land Uses</u>	
	Senior Living	200
	Apartment	3,750
		Building Sq. Ft. ("BSF")/ Hotel Rooms ("RM") [1]
B	<u>Projected Non-Residential Land Uses</u>	
	Grocery	50,000
	Fitness	45,000
	Restaurant	70,000
	Neighborhood Retail	75,000
	Neighborhood Services	110,000
	Hotel	250

Demographic Data

I Residential Land Use Population

A	<u>Projected Residential Land Uses</u>	<u>Persons per Household</u>
	Senior Living [2]	1.69
	Apartment [3]	2.06

II Non-Residential Land Use Employee Generation

A	<u>Projected Non-Residential Land Uses</u>	<u>BSF/RM/DU per Employee [4]</u>
	Grocery	324 BSF
	Fitness	324 BSF
	Restaurant	324 BSF
	Neighborhood Retail	324 BSF
	Neighborhood Services	324 BSF
	Hotel	1.0 RM
	Senior Living	1.6 DU
	Apartment	30.0 DU

Population and Employees (Calculations)

I Projected Residential Population

A	<u>Projected Residential Land Uses</u>	<u>Number of DUs</u>	<u>Residential Population</u>
	Senior Living	200	339
	Apartment	3,750	7,740

ATTACHMENT 1-C

SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN LAND USE AND DEMOGRAPHICS SUMMARY

II Projected Direct Employees

A Projected Non-Residential Land Uses	Number of BSF/RM/DU	Total Direct Employees
Grocery	50,000 BSF	154
Fitness	45,000 BSF	139
Restaurant	70,000 BSF	216
Neighborhood Retail	75,000 BSF	231
Neighborhood Services	110,000 BSF	340
Hotel	250 RM	250
Senior Living	200 DU	127
Apartment	3,750 DU	125

III Projected Daily Guests

A Hotel

Average Number of Guests per Room [6]	2.5
Number of Hotel Rooms [7]	250
Occupancy Rate [7]	86%
Average Daily Guests	538

Population and Employees (Totals)

I Total Projected Residential Population	8,079
II Total Projected Direct Employees	1,582
III Total Persons Served Population [8]	8,870
IV Total Projected Daily Guests	538
V Additional Persons Served Population [9]	9,139

NOTES:

- [1] Source: Project Proponent.
- [2] Based on the estimate that 69% of seniors live with their spouse/partner and 31% live alone.
Source: The Administration for Community Living, a Department of Health and Human Services division.
- [3] Based on the average household size in the City of Santa Ana, adjusted by the average bedroom counts.
Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, January 1, 2023, and Orange County Sanitation District.
- [4] Source: Project Proponent.
- [5] Based on typical DTA baseline assumptions.
- [6] Source: Project Proponent.
- [7] An employee is typically assumed to be equivalent to 50% of a resident given they would spend only eight active hours in the City per day versus a resident who is active for 16 hours per day.
- [8] only eight active hours in the City per day versus a resident who is active for 16 hours per day.
- [9] A hotel guest is typically assumed to be equivalent to 50% of a resident given they would spend only eight active hours in the City per day versus a resident who is active for 16 hours per day.

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

ATTACHMENT 1-D

SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
PROPERTY TAX REVENUE ANALYSIS

General Property Tax Assumptions

I Property Tax Allocation (as a Portion of the 1% General Property Tax Levy) [1]

A Category / Code	Allocated to City [2]
General Fund	19.081556%
Total	19.081556%

Assessed Valuation Assumptions

I Residential Land Uses**B Senior Living**

Number of Units [3]	200
Estimated Value per Unit [4]	\$650,000
Total Estimated Net Taxable Value	\$130,000,000

A Apartment

Number of Units [3]	3,750
Estimated Value per Unit [4]	\$450,000
Total Estimated Net Taxable Value	\$1,687,500,000

II Non-Residential Land Uses**A Grocery**

Estimated Number of Sq. Ft. [3]	50,000
Estimated Valuation per Sq. Ft. [4]	\$350
Total Estimated Net Taxable Value	\$17,500,000

B Fitness

Estimated Number of Sq. Ft. [3]	45,000
Estimated Valuation per Sq. Ft. [4]	\$350
Total Estimated Net Taxable Value	\$15,750,000

C Restaurant

Estimated Number of Sq. Ft. [3]	70,000
Estimated Valuation per Sq. Ft. [4]	\$350
Total Estimated Net Taxable Value	\$24,500,000

D Neighborhood Retail

Estimated Number of Sq. Ft. [3]	75,000
Estimated Valuation per Sq. Ft. [4]	\$350
Total Estimated Net Taxable Value	\$26,250,000

E Neighborhood Services

Estimated Number of Sq. Ft. [3]	110,000
Estimated Valuation per Sq. Ft. [4]	\$350
Total Estimated Net Taxable Value	\$38,500,000

F Hotel

Estimated Number of Hotel Rooms [3]	250
Estimated Valuation per Hotel Room [4]	\$325,000
Total Estimated Net Taxable Value	\$81,250,000

III Total Land Use Net Taxable Value	\$2,021,250,000
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ATTACHMENT 1-D

SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
PROPERTY TAX REVENUE ANALYSIS

Other Property Tax Revenue Assumptions

I Property Tax Transfer - Assumptions [5]

A Turnover Rate

Residential Property	6.90%
Non-Residential Property	6.90%

B Other Assumptions

Transfer Tax as a % of Assessed Value [6]	0.11%
Property Transfer Tax Passed Through to City of Santa Ana [7]	50.00%

II Motor Vehicle Licensing Fees - Assumptions

Vehicle Licensing Fees per Capita	NA
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III Property Tax In-Lieu of Vehicle License Fee - Assumptions

Total City of Santa Ana Gross Assessed Value [8]	\$32,471,833,021
City of Santa Ana Property Tax In-Lieu of Vehicle License Fee [9]	\$39,800,000
Property Tax In-Lieu of Vehicle License Fee Increase per \$1,000 Assessed Value	\$1.23

Fiscal Impact Calculation

I Fiscal Impact Category

Annual Fiscal Impact Amount

A Secured Property Tax

A.1 Projected Residential Land Uses

Senior Living	\$248,060
Apartment	\$3,220,013

A.2 Projected Non-Residential Land Uses

Grocery	\$33,393
Fitness	\$30,053
Restaurant	\$46,750
Neighborhood Retail	\$50,089
Neighborhood Services	\$73,464
Hotel	\$155,038

B Property Transfer Tax

B.1 Projected Residential Land Uses

Senior Living	\$4,934
Apartment	\$64,041

B.2 Projected Non-Residential Land Uses

Grocery	\$664
Fitness	\$598
Restaurant	\$930
Neighborhood Retail	\$996
Neighborhood Services	\$1,461
Hotel	\$3,083

C Property Tax In-Lieu of Vehicle License Fee [12]

Projected Residential and Non-Residential Land Uses	\$2,359,024
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II Total Property Tax Revenues

\$6,292,591

ATTACHMENT 1-D

SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN PROPERTY TAX REVENUE ANALYSIS

NOTES:

- [1] Based on "General Fund" levy for Tax Rate Area (TRA). Data provided by the County of Orange Auditor-Controller's Office. TRA allocations adjusted for ERAF. Note, figure does not include non-General Funds.
- [2] Post ERAF rates based on the weighted average of the fiscal year 2022-23 rates applicable to the TRAs in the Project. Source: County of Orange Auditor-Controller Office.
- [3] Estimate, subject to change.
- [3] Please see Attachment 1-C. Subject to change.
- [4] Source: Project Proponent.
- [5] Source: Project Proponent.
- [6] City of Santa Ana Municipal Code §35-100
- [7] Source: California Revenue & Taxation Code §11901, et seq.
- [8] Source: County of Orange Auditor-Controller's Office.
- [9] Source: City of Santa Ana Adopted Budget, Fiscal Year 2022-2023.
- [10] Property Tax in-lieu of Vehicle Licensing Fees applies to incremental property value.
Current estimated land value of Project site of \$96,580,830 excluded from calculation.

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

ATTACHMENT 1-E
SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
SALES TAX REVENUE ANALYSIS

Indirect Sales Tax Assumptions

I	Indirect Sales Tax Assumptions - Residential	
A	Mortgage/Rent Assumptions	
A.1	Apartment	
	Annual Rent Payment per Unit [1]	\$36,000
B	Disposable Income Assumptions	
B.1	Senior Living	
	Retail Taxable Expenditures [2]	\$16,954
B.2	Apartment	
	Average Household Income (3:1 Income to Household Payment Ratio)	\$108,000
	Retail Taxable Expenditures (as a % of Disposable Income) [2]	23.22%
II	Indirect Sales Tax Assumptions - Employees	
	Annual Spending per Employee [3]	\$924
III	Retail Taxable Sales Capture	
	City of Santa Ana Retail Taxable Purchase Capture [4]	25%

Direct Sales Tax Assumptions

I	Non-Residential Direct Sales Tax Assumptions	
A	Non-Residential Land Uses	Taxable Sales per Sq. Ft / Room [5]
	Grocery	\$315.00
	Fitness	\$0.00
	Restaurant	\$1,000.00
	Neighborhood Retail	\$400.00
	Neighborhood Services	\$0.00
	Hotel	\$7,528.40
II	Displaced Taxable Sales	
	Displaced Existing Taxable Sales within the City of Santa Ana [6]	15%

Other Sales Tax Assumptions

I	Percent to the City of Santa Ana	
	City of Santa Ana Municipal Code §35-51	1.00%
	Prop 172 Sales Tax [7]	0.04%
	Measure X Sales Tax [8]	1.00%
	Total	2.04%

Fiscal Impact Calculation

I	Fiscal Impact Category	Annual Fiscal Impact Amount
A	Indirect Sales Tax	
A.1	Projected Residential Land Uses	
	Senior Living	\$17,311
	Apartment	\$480,193

ATTACHMENT 1-E
SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
SALES TAX REVENUE ANALYSIS

A.2 Employee Taxable Sales

Direct Employees	\$7,459
------------------	---------

B Direct Sales Tax

B.1 Projected Non-Residential Land Uses

Grocery	\$273,387
Fitness	\$0
Restaurant	\$1,215,055
Neighborhood Retail	\$0
Neighborhood Services	\$0
Hotel	\$32,669

II Total Sales Tax Revenues	\$2,026,074
------------------------------------	--------------------

NOTES:

- [1] Source: DTA Market Research.
- [2] Source: Bureau of Labor Statistics, 2021 Consumer Expenditure Survey
- [3] Based on the average spending on Fast Food/Deli/Lunch Eateries for workers with annual income between \$50K and \$75K. Source: "Office-Worker Retail Spending in a Digital Age," ICSC (2012).
Adjusted for inflation assuming 3% annual inflation rate.
- [4] Source: Project Proponent.
- [5] Source: DTA Market Research.
- [6] Based on typical DTA baseline assumptions.
- [7] The City projects to receive approximately 8.4% of the Prop 172 sales tax receipts generated within the City, which is equivalent to 0.04% sales tax rate. Source: City of Santa Ana Adopted Budget, Fiscal Year 2022-2023.
- [8] Current rate is 1.5%, decreases to 1.0% in 2029, and then sunsets in 2039.

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

ATTACHMENT 1-F
SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
TRANSIENT OCCUPANCY TAX REVENUE ANALYSIS

Transient Occupancy Tax Assumptions

I	Hotel Assumptions [1]	
A	<u>Hotel</u>	
	Number of Hotel Rooms	250
	Room Rate (per Night)	\$220
	Occupancy Rate	86.00%
II	<u>Transient Occupancy Tax Rate Assumptions</u>	
	City of Santa Ana Municipal Code §35-127	11.00%
III	<u>Annual Hotel Revenue</u>	
	Hotel	\$17,264,500

Fiscal Impact Calculation

I	Fiscal Impact Category	Annual Fiscal Impact Amount
A	<u>Transient Occupancy Tax</u>	
	Hotel	\$1,899,095
II	Total Transient Occupancy Tax Revenues	\$1,899,095

NOTES:

[1] Source: Project Proponent.

* *All figures subject to rounding*

ATTACHMENT 1-G
SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
UTILITY USER'S TAX REVENUE ANALYSIS

Utility Cost Assumptions [1]

I Telephone/Wireless		
A Projected Residential Land Uses	Per Dwelling Unit	Aggregate
Senior Living	\$100	\$20,000
Apartment	\$170	\$637,500
B Projected Non-Residential Land Uses	Per Building Sq. Ft./Room	Aggregate
Grocery	\$0.04	\$1,980
Fitness	\$0.04	\$1,980
Restaurant	\$0.34	\$23,760
Neighborhood Retail	\$0.26	\$19,800
Neighborhood Services	\$0.18	\$19,800
Hotel	\$620.00	\$155,000
I Electricity, Gas & Water		
A Projected Residential Land Uses	Per Dwelling Unit	Aggregate
Senior Living	\$2,197	\$439,400
Apartment	\$2,197	\$8,238,750
B Projected Non-Residential Land Uses	Per Building Sq. Ft./Room	Aggregate
Grocery	\$7.45	\$372,450
Fitness	\$2.10	\$94,500
Restaurant	\$10.02	\$701,260
Neighborhood Retail	\$2.10	\$157,500
Neighborhood Services	\$2.10	\$231,000
Hotel	\$2,359.00	\$589,750

Utility User Tax Assumptions

I Utility User Tax Rate Assumptions	
Telephone/Wireless - City of Santa Ana Municipal Code §35-155	5.50%
Electricity, Gas & Water - City of Santa Ana Municipal Code §35-156, 35-157 & 35-159	6.00%

Fiscal Impact Calculation

I Fiscal Impact Category	Annual Fiscal Impact Amount
A Utility User's Tax - Telephone/Wireless	
A.1 Projected Residential Land Uses	
Senior Living	\$1,100
Apartment	\$35,063
A.2 Projected Non-Residential Land Uses	
Grocery	\$109
Fitness	\$109
Restaurant	\$1,307
Neighborhood Retail	\$1,089
Neighborhood Services	\$1,089
Hotel	\$8,525
B Utility User's Tax - Electricity, Gas & Water	
B.1 Projected Residential Land Uses	
Senior Living	\$26,364
Apartment	\$494,325
B.2 Projected Non-Residential Land Uses	
Grocery	\$22,347
Fitness	\$5,670
Restaurant	\$42,076
Neighborhood Retail	\$9,450
Neighborhood Services	\$13,860
Hotel	\$35,385
II Total Utility User's Tax Revenues	\$697,867

NOTES:

[1] Source: DTA Market Research.

* All figures subject to rounding

ATTACHMENT 1-H

SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
MULTIPLIER REVENUE SOURCES ANALYSIS

Multiplier Revenue Assumptions

I	<u>Revenue Category</u>	<u>Multiplier Factor [1]</u>	<u>Revenue Projection Basis</u>
	Business Licenses	\$90.08	Per Employee
	Franchise Fees	\$25.15	Persons Served
	Charges for Services	\$23.03	Persons Served
	Licenses and Permits	\$4.16	Persons Served
	Fines and Forfeitures	\$12.53	Persons Served
	Adult-Use Retail Business Cannabis Tax	\$5.13	Persons Served
	Medical Marijuana Taxes	\$0.23	Persons Served

Fiscal Impact Calculation

I	<u>Fiscal Impact Category</u>	<u>Annual Fiscal Impact Amount</u>
	Business Licenses	\$142,507
	Franchise Fees	\$223,081
	Charges for Services	\$204,276
	Licenses and Permits	\$36,899
	Fines and Forfeitures	\$111,141
	Adult-Use Retail Business Cannabis Tax	\$45,503
	Medical Marijuana Taxes	\$2,040
II	Total Multiplier Revenues	\$765,447

NOTES:

[1] Based on the City of Santa Ana Adopted Budget, Fiscal Year 2022-2023.

* *All figures subject to rounding*

ATTACHMENT 1-I**SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN****INVESTMENT INCOME REVENUES ANALYSIS****Assumptions****I Investment Income Assumptions**

Investment Period for Recurring Non-Interest General Fund Revenues	1 Month
Local Agency Investment Fund (LAIF) Rate of Return [1]	2.06%
Local Agency Investment Fund (LAIF) Percentage of Earnings Cost [1]	50.00%

Fiscal Impact Calculation

I <u>Fiscal Impact Category</u>	<u>Annual Fiscal Impact Amount</u>
Total Property Tax Revenues (Attachment 1-D)	\$6,292,591
Total Sales Tax Revenues (Attachment 1-E)	\$2,026,074
Total Transient Occupancy Tax Revenues (Attachment 1-F)	\$1,899,095
Total Utility User's Tax Revenues (Attachment 1-G)	\$697,867
Total Multiplier Revenues (Attachment 1-H)	\$765,447
II Projected Recurring General Fund Revenues Available for Investment	\$11,681,073
III Plus: Investment Income (Less Earnings Cost)	\$10,041
IV Total Recurring General Fund Revenues	\$11,691,114

NOTES:

[1] Estimate. Subject to change.

* *All figures subject to rounding*

ATTACHMENT 1-J

SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
MULTIPLIER EXPENDITURES ANALYSIS

Multiplier Expenditure Assumptions

I	<u>Expenditure Category</u>	<u>Multiplier Factor [1]</u>	<u>Expenditure Projection Basis [2]</u>
	Police Department	\$385.45	Persons Served
	Fire Department	\$145.67	Persons Served
	Public Works	\$131.03	Persons Served
	Park, Recreation & Community Services	\$31.15	Persons Served
	Community Development	\$18.23	Persons Served
	Library	\$15.33	Persons Served
	Museum	\$5.83	Persons Served

Fiscal Impact Calculation

I	<u>Fiscal Impact Category</u>	<u>Annual Fiscal Impact Amount</u>
	Police Department	\$3,522,628
	Fire Department	\$1,331,278
	Public Works	\$1,162,236
	Park, Recreation & Community Services	\$276,301
	Community Development	\$161,700
	Library	\$135,977
	Museum	\$51,712
II	Total Multiplier Expenditures	\$6,641,832

NOTES:

[1] Based on the City of Santa Ana Adopted Budget, Fiscal Year 2022-2023.

[2] Persons Served population for the police and fire protection costs includes daily hotel guests.

* *All figures subject to rounding*

ATTACHMENT 1-K
SANTA ANA, CALIFORNIA: RELATED BRISTOL SPECIFIC PLAN
GENERAL GOVERNMENT EXPENDITURES ANALYSIS

Assumptions

I	General Government Overhead Expenditures	
	Total Recurring Fund Expenditures (excluding General Government Overhead) [1]	\$276,005,100
	Recurring General Government Overhead Expenditures (as a % of Total Recurring Fund Expenditures) [2]	33.2%
	Marginal Increase in General Government Costs	75%

Fiscal Impact Calculation

I	Fiscal Impact Category	Annual Fiscal Impact Amount
	Total Multiplier Expenditures (Attachment 1-J)	\$6,641,832
II	Projected Recurring General Fund Expenditures	\$6,641,832
III	Plus: General Government Costs	\$1,655,034
IV	Total Recurring Expenditures	\$8,296,866

NOTES:
[1] Based on the City of Santa Ana Adopted Budget, Fiscal Year 2022-2023.
[2] General Government Overhead Expenditures defined as costs for Legislative, Administration, Finance, Development Services, and other General Government.
* *All figures subject to rounding*



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COMMUNITY BENEFITS ANALYSIS REPORT

EPD SOLUTIONS, INC.

RELATED BRISTOL AT 3600 SOUTH BRISTOL STREET

CITY OF SANTA ANA, CA

September 27, 2023





www.FinanceDTA.com

18201 Von Karman Avenue, Suite 220
Irvine, CA 92612

EPD SOLUTIONS, INC.



**COMMUNITY BENEFITS ANALYSIS REPORT
RELATED BRISTOL AT 3600 SOUTH BRISTOL STREET
CITY OF SANTA ANA, CA**

Prepared for:

EPD Solutions, Inc.

3333 Michelson Drive, Suite 500

Irvine, CA 92612

Attention: Jeremy Krout

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I DESCRIPTION OF RELATED BRISTOL SPECIFIC PLAN

DTA has been engaged to conduct a Community Benefits Analysis ("CBA") for the Related Bristol Specific Plan project (the "Project") located in the City of Santa Ana (the "City"), California, on behalf of EPD Solutions, Inc. (the "Client"). The intent of the CBA Report is to summarize the community benefits that accrue to the City from the completion of the Project. Community benefits traditionally fall into eight categories:

1. Benefits that improve the quality of life in the community;
2. Benefits that expand economic opportunities;
3. Improvements that provide jobs for local residents;
4. Improvements that provide amenities for the public at large;
5. Benefits that make public spaces more attractive;
6. Benefits that implement City policies;
7. Benefits that can be accessed by local neighbors; and
8. Provisions to advance the public good.

The Related Bristol Specific Plan ("Specific Plan") is an urban village concept bringing together residential and retail development in one location on a sizeable scale. The City and RCR Bristol, LLC (the "Developer") anticipate that the Specific Plan will transform the City's economy with the development of up to 3,750 dwelling units and 350,000 square feet ("SF") of retail development, a 250-room hotel, and a 200-bed congregate care facility. These improvements are anticipated to encourage additional investment in the local marketplace, enhance the civic life of the Bristol Street Corridor with public space coordinated with the Arts District to the East, improve the economic health of new and existing residents, provide opportunities for both local retail shops and upscale regional retail uses similar to South Coast Plaza, and create new jobs and generate Transient Occupancy Tax ("TOT") revenues through the construction of a 250-unit upscale hotel that will target tourists from outside the immediate area.

Figure 1: Location Map



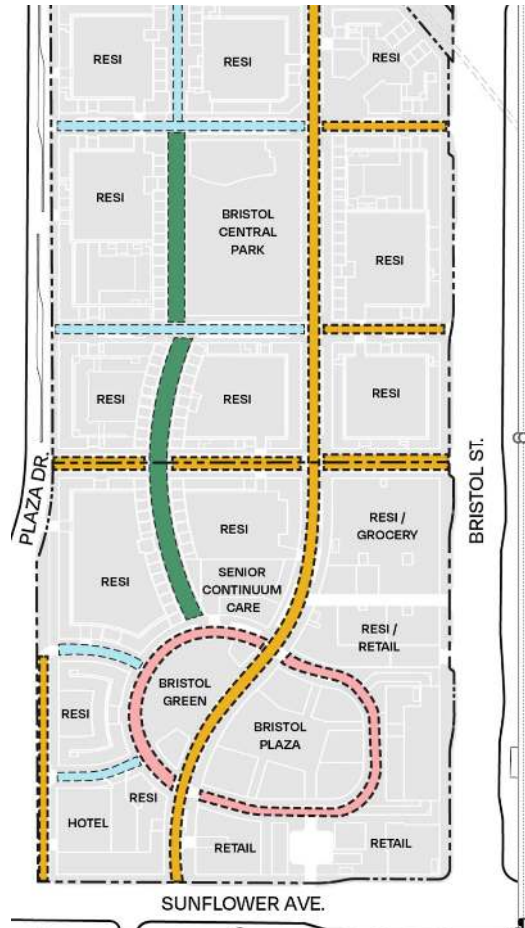
The Project site is identified in the City's General Plan Land Use Element as being located in District Center 5 (DC-5) within the South Bristol Street Focus Area. The Specific Plan area is located north of Interstate 405 (the San Diego Freeway), west of State Route 55 (the Orange Freeway), north of Sunflower Avenue, and west of South Bristol Street adjacent to the boundary between the Cities of Santa Ana and Costa Mesa, which runs through the centerline of Sunflower Avenue.

SECTION I DESCRIPTION OF RELATED BRISTOL SPECIFIC PLAN

The Specific Plan area is located within the larger South Coast Metro area of Orange County (the "County"), one of the most highly developed urban mixed-use areas within the County. The South Coast Metro area includes retail, Class A office, high- and mid-rise residential, hotels, restaurants, and a state-of-the-art performing arts center. The local area is centered around South Coast Plaza. This South Coast Metro Area is located at the intersection of the regional freeway systems and major arterials providing access to Orange County, Los Angeles, San Diego, and the Inland Empire. John Wayne Airport (SNA), a commercial airport serving the Orange County area, is located less than 1.5 miles from the Specific Plan area. There is a regional transportation center about 5 miles to the north that connects to the Metrolink and Amtrak systems.

The Project site is within walking distance of the Segerstrom Center for the Arts, South Coast Repertory Theatre, and Orange County Museum of Art. The Segerstrom Center for the Arts has a capacity of 3,000 visitors and numerous outdoor art displays and community spaces. The Noguchi Sculpture Garden is a prominent public space within Pacific Arts Plaza directly south of the Center for the Arts. Finally, the Orange County Museum of Art is a modern and contemporary art museum showcasing internationally recognized artists based in California and the Pacific.

Figure 2: Proposed Project Land Uses



II PURPOSE OF A CBA

A CBA is required for projects that seek General Plan amendments (Santa Ana General Plan Land Use Element Policy LU-1.8). Community benefits are measures that are voluntarily incorporated into a development project and often exceed requirements that municipalities can impose to mitigate project impacts or comply with regulations. These can vary widely when it comes to implementation as community benefits are specific to each community's objectives and local market conditions.

DTA reviewed the Project's proposed community benefits, hereinafter referred to as the "Community Benefits," and financial capacity to provide such benefits. Our analysis evaluates two types of Community Benefits. The first type consists of financial benefits the City will receive through the construction of the Project and once the Project has been built-out, including additional annual recurring fiscal benefits such as property taxes, TOT, and sales taxes. There is also the financial benefit of Development Impact Fees ("DIFs") that can be collected by the City on a one-time basis to fund City infrastructure. The second set of benefits are oriented towards enhancing residents' quality of life and include improvements to parks and recreation facilities, the development of measures directed towards the protection of the environment, the construction of low-income housing, and the implementation of goals and policies aimed at achieving the City's projected Jobs/Housing Balance. Municipalities target a Jobs/Housing Balance to encourage sufficient economic growth to provide employment opportunities for local residents and support local retail development and entertainment opportunities. The Jobs/Housing Balance ratio is a ratio of the number of jobs in a community divided by the number of housing units. A community with a sufficient Jobs/Housing Balance promotes shorter commutes and reduces Vehicle Miles Traveled ("VMT"), therefore creating air quality benefits.

In assessing financial Community Benefits, the proposed Project has been compared to the existing Project site that is currently underutilized. Since DTA has not been provided with an executed Development Agreement or Community Benefits Agreement for the Specific Plan, our narrative reflects information on Project characteristics, conditions of approval, and benefits listed in the Specific Plan, as well as DTA's research regarding the City and the community in which the Project is being constructed.

CBAs for mixed-use communities in California can vary depending on the specific project and its impact on the surrounding community. Furthermore, there is not a common industry definition of a CBA, so each jurisdiction may have its own set of parameters. CBA requirements in one jurisdiction may not be applicable to another jurisdiction. That said, the general consensus is that community benefits include the following:

Table 1: Potential Community Benefits

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Targeted low-income units; ▪ Density bonuses; ▪ DIFs; ▪ Affordable housing units/housing fees; ▪ Jobs/Housing Balance; ▪ Energy conservation; ▪ Vehicle traffic reduction; ▪ Parking reduction strategies; ▪ Improvements to air quality; ▪ Mitigation of noise and vibration impacts; ▪ Neighborhood amenities; ▪ Streetscape improvements; | <ul style="list-style-type: none"> ▪ Landscaping, parks, and open space; ▪ Support for local community-oriented programs; ▪ Childcare facilities; ▪ Community centers accessible by the general public; ▪ Art in public places; ▪ Pedestrian and bicycle improvements; ▪ Connection to the regional transit systems; ▪ Police/fire facilities stations; ▪ Local hiring; ▪ Community outreach; and ▪ Operations and maintenance costs solely supported by the owner. |
|---|--|

Some examples of factors that are commonly considered in a CBA are included below.

- **Affordable Housing:** Assessing the need for affordable housing within the community and evaluating the proposed development's contribution towards meeting that need. This may include determining the number of affordable units, their affordability levels, and the duration of affordability restrictions. As the property is on leased land, most residential owners are reluctant to own property encumbered by an underlying ground lease.
- **Transportation and Infrastructure:** Evaluating the impact of the development on transportation infrastructure, such as roads, public transportation, and bike lanes, and analyzing whether the project includes measures to mitigate traffic congestion and improve transportation options, like supporting public transit or providing infrastructure for alternative modes of transportation.
- **Parks and Open Spaces:** Examining the availability and accessibility of parks, recreational areas, and open spaces within and around the development. A CBA can also assess whether a project includes provisions for new parks or contributes to enhancing existing ones, thereby promoting outdoor activities and community interaction.
- **Community Services:** Assessing the availability and accessibility of essential community services, such as schools, healthcare facilities, libraries, and community centers. This may include evaluating whether a project includes provisions to support or enhance these services or if there is a need for additional infrastructure.
- **Environmental Impact:** Evaluating the environmental impact of the development, including its potential effect on air quality, water resources, and natural habitats. This may include assessing whether a project incorporates sustainable design features, renewable energy, water conservation measures, and other environmentally friendly practices.

- **Economic Development:** Analyzing the potential economic benefits of the development, such as job creation, increased tax revenues, and local business opportunities. This may include assessing whether a project contributes to the local economy and if there are provisions for workforce development or job training programs.
- **Cultural and Community Character:** Considering the impact of the development on the existing sociocultural and community character. This may include assessing whether a project incorporates design elements, public art, or other features that reflect and preserve the unique cultural identity of the community.

These are just some examples of the factors that can be included in a CBA for mixed-use communities in California. The specific analysis will depend on the characteristics of the project, local context, and requirements set forth by local government agencies or planning departments.

III CITY INTENT FOR THE SPECIFIC PLAN

The City's intent for this Specific Plan area is integral to the intended character of the Project, which builds off the South Bristol Street objectives as outlined on page LU 61 of the General Plan Land Use Element. The major objective of the Project is to replace a vacant and obsolete retail development with a contemporary residential and retail-based self-contained urban village.

The Specific Plan is consistent with, and implements, the City's vision for the District Center-High and South Bristol Focus Area (see also **Appendix B**, SCAQMD Policies: City General Plan):

- The District Center-High is a mixed-use designation identified in the General Plan as including "high-density urban villages consisting of visually striking and dynamic buildings and spaces with a wide range and mix of residential, live-work, commercial, hotel, and employment-generating uses."¹
- Table LU-2 of the General Plan (Build-Out) identifies an assumed housing growth of 5,272 units in the District. The proposed 3,750 units fall within the assumed growth target.
- Table LU-8 of the General Plan identifies the DC-5 area as allowing a maximum Floor Area Ratio ("FAR") of 5.0, or 125 dwelling units per acre, and a maximum height of 25 stories. The General Plan allows the FAR to be calculated on a gross basis for an individual development project.
- The General Plan's District Center designation would allow up to 8,733,780 SF of mixed uses, inclusive of residential uses, based on the maximum FAR of 5.0 over the 41.13-acre (gross) site. As proposed, the Specific Plan will result in an FAR of 2.7, well within the maximums allowed in the General Plan. A General Plan Amendment is neither required nor proposed.
- The General Plan envisions "urban villages," "an intense multistory presence," and "mixed-use opportunities." The Specific Plan implements this vision with a range of building heights and configurations in two mixed-use Districts/Villages, with heights and intensities within the limits identified in the General Plan.
- The General Plan requires fiscal neutrality (LU 2.4). The Project results in positive fiscal impacts.
- The General Plan calls for community involvement (LU 3.2). Significant outreach has occurred as outlined in Specific Plan Section 2.5, Community Engagement.
- The General Plan encourages areas for community gathering and outdoor entertainment (LU 2.3). The Specific Plan includes approximately 13 acres of open

¹ Source: Related Bristol Specific Plan.

space, which includes public plaza areas and a central park accessible to the public and available for outdoor entertainment.

- The Specific Plan area is not within a U.S. Environmental Protection Agency Environmental Justice Area.

The Specific Plan envisions a neighborhood layout that connects the community (internally and externally) to walkable, pedestrian, and bike-friendly streets through a variety of sidewalks, greenways, walkable streets, and squares/plazas. The street network emulates the best practices of a vibrant pedestrian village core while providing the density and overlapping programming that is commonly found in successful town center projects. An artist's 3 D rendering is shown below.

Figure 3: 3-D Rendering of the Proposed Project Site²



It should be noted that all buildings will be no taller than 8 stories³ or 85 feet in height, except for the hotel and congregate care facility. This is in contrast with the existing office buildings located east of Bristol Street that are up to 285 feet tall.

² Source: Related Bristol Specific Plan.

³ Source: Related Bristol Specific Plan, pages 4-8, coordinated with the figure from page 2-1.

IV OVERVIEW OF COMMUNITY BENEFITS TO THE CITY

The Specific Plan will invigorate the South Coast Plaza area by providing 3,750 housing units. According to the US. Census Bureau, the population of the City is comprised of approximately 309,000 people living in 77,000 households, with an average of four people per housing unit. However, the housing units located within the Project's boundaries are smaller than the average unit in the City. Assuming that 1.73 people will live within each unit, the Specific Plan will generate an estimated 6,500 new residents who will generate

Figure 4: Proposed Street Design



benefits for the City, including significant new sales and property tax revenue. In addition to providing a new grocery store, the Specific Plan will demolish existing obsolete buildings and replace them with modern mid-rise and high-rise mixed-use structures. This will serve to enhance the health and quality of life of the neighborhood. The Project site currently contains 465,000 SF of retail uses and the associated surface parking, which is proposed to be replaced by

350,000 SF of new retail and commercial space with up to 780 surface spaces, 205 open air parking spaces, and 2,910 underground parking spaces. The proposed redevelopment of the Project site will allow merchants opportunities to establish new businesses in the local area.

One goal of the Project will be to create inclusive economic development and job opportunities for residents in the surrounding community, which should create a large urban center in the County in conjunction with South Coast Plaza and the Segerstrom Center.

Community Benefits related to the overall Specific Plan include the following:

1. The Project will include the development of up to 3,750 residential units that will have a meaningful contribution to the housing needs in the region. As identified by CoStar, a leading market data provider, the apartment vacancy rate in the immediate area is quite low and the creation of up to 3,750 units should help relieve the local housing shortage. Furthermore, the addition of these new rental units will create a need for local serving retail that will reinvigorate the existing "obsolete" neighborhood commercial.

From the CoStar site, DTA obtained information about the market for both County and multifamily products within a 2-mile radius of the Project site. In this Report, we will refer to the area within 2 miles of the site as the "2-Mile Zone."

2. The Project will offer 350,000 SF of commercial development, a downsizing from the existing 465,000 SF of Income-Producing Property ("IPP"). CoStar identified in May 2023 that annual office rents within the 2-Mile Zone are \$30.70 per SF with a vacancy of almost 21%. During our site inspection, we noticed that there are existing tenants that include typical office uses, such as tax preparation. On the other hand, CoStar's retail data indicates that annual retail rental rates are \$37.53 per SF with a vacancy of 1.9%. The reduction of retail space and its replacement by residential square footage should maintain similar gross revenues (CoStar estimates annual residential rents of about \$40.00 per SF per year will increase the overall value of the property). It should also be noted that office uses generally do not generate sales tax.
3. The proposed retail will replace the existing "obsolete" retail (see discussion above).
4. Based upon the proposed design standards, the structures and Specific Plan are designed to attract professionals of all ages. These tenants should be attracted to the combined residential and retail programs encouraging an active lifestyle.
5. The community design standards are intended to create a self-contained village that integrates with the adjacent South Coast Plaza and Arts District.
6. The Developer is planning to pay Affordable In-Lieu Housing Fees that are currently \$15.00 per SF. If the average residential units is 900 SF, the estimated Housing In-Lieu Fee will exceed \$50,600,000.

V RECURRING AND ONE-TIME FISCAL BENEFITS TO THE CITY GENERAL FUND

A Recurring Annual Fiscal Surplus to City General Fund

As listed in Table 2, at build-out, the Project is anticipated to generate recurring fiscal net revenues to the City's General Fund of **\$3,394,248 per year (in 2023\$)**. This is based on **annual recurring revenues of \$11,691,114 and annual recurring expenditures of \$8,296,866 per year**. The calculations supporting this projected annual fiscal surplus are contained in DTA's memorandum ("memo") dated June 2, 2023, entitled "Fiscal Impacts Resulting from the Proposed Related Bristol Specific Plan," which is included herein by reference.

Table 2: Net Annual Recurring Fiscal Impacts of the Project

Fiscal Impact Category	DTA FIA
Secured Property Tax	\$3,856,860
Property Transfer Tax	\$76,707
Property Tax In Lieu of Vehicle License Fee	\$2,359,024
Direct Sales Tax	\$1,521,111
Indirect Sales Tax	\$504,963
Transient Occupancy Tax	\$1,899,095
Utility User's Tax	\$697,867
Business Licenses	\$142,507
Franchise Fees	\$223,081
Charges for Services	\$204,276
Licenses and Permits	\$36,899
Fines and Forfeitures	\$111,141
Adult-Use Retail Business Cannabis Tax	\$45,503
Medical Marijuana Taxes	\$2,040
Intergovernmental	\$0
Miscellaneous	\$0
Investment Income	\$10,041
Total Recurring Revenues	\$11,691,114
Police Department	\$3,522,628
Fire Department	\$1,331,278
Public Works	\$1,162,236
Park, Recreation & Community Services	\$276,301
Community Development	\$161,700
Library & Museum	\$187,689
General Government	\$1,655,034
Total Recurring Expenditures	\$8,296,866
Total Annual Recurring Surplus/(Deficit)	\$3,394,248
Total Annual Revenue/Expenditure Ratio	1.41

B Development Impact Fees

The development of the Project will generate significant Development Impact Fees ("DIFs"), which are fees imposed on new development, generally prior to the issuance of building permits, to fund the cost of regional infrastructure that will be utilized by new development. Many of these DIFs will be collected directly by the City, while others will benefit other government agencies, such as the Foothill Transportation Corridor and San Joaquin Hills Corridor.

The projection of the DIFs in the CFD is a direct function of many factors, including the actual amount of residential and non-residential square footage constructed, the final dwelling unit count, and other metrics. Table 3 is based on an assumed product mix that is subject to change as the Project is developed.

Table 3: DIF Summary by Fee Type

DIFs	Total Quantity	Unit	Unit Price	Total Cost
Santa Ana Transportation System Improvement Area Multifamily Fee - Area	3,375,000	SF	\$1.10	\$3,712,500
Santa Ana Transportation System Improvement Area Non-Residential Fee - Area	350,000	SF	\$3.31	\$1,158,500
Santa Ana Transit Zoning Code Traffic Impact Mitigation Fee - Multifamily	3,750	DU	\$1,270.04	\$4,762,650
Santa Ana Transit Zoning Code Traffic Impact Mitigation Fee - Retail	350,000	SF	\$9.11	\$3,188,500
Santa Ana Harbor Specific Plan Mitigation Fee	3,750	DU	\$850.00	\$3,187,500
Foothill Transportation Corridor Fee - Multifamily	3,750	DU	\$2,568.00	\$9,630,000
Foothill Transportation Corridor Fee - Non-Residential	350,000	SF	\$4.99	\$1,746,500
San Joaquin Hill Corridor Fee - Multifamily	3,750	DU	\$2,735.00	\$10,256,250
San Joaquin Hill Corridor Fee - Non-Residential	350,000	SF	\$5.99	\$2,096,500
Drainage Assessment Fee - Zone	41	AC	\$7,748.21	\$318,219
Orange County Sanitation Sewer Connection Fee	75,000	Fix	\$49.00	\$3,675,000
Orange County Sanitation District - Multifamily Capacity Fee	3,750	DU	\$3,743.00	\$14,036,250
Orange County Sanitation District - Non-Residential Capacity Fee - Avg 2 Bdrms	350,000	SF	\$1.49	\$519,750
Santa Ana School District Impact Fee - Residential	3,375,000	SF	\$4.79	\$16,166,250
Santa Ana School District Impact Fee - Commercial	350,000	SF	\$0.78	\$273,000
Santa Ana Affordable Housing In Lieu Fee	3,375,000	SF	\$15.00	\$50,625,000
Total DIFs				\$125,352,369

VI ADDITIONAL COMMUNITY BENEFITS TO THE CITY

A Residential

The Project is envisioned as a mixed-use urban community with multiple blocks of residential uses throughout the Specific Plan area. This Specific Plan does not intend to limit or restrict the residential building types or architectural style. Residential uses may be single-use buildings within a block or in a mixed-use building with ground-floor retail uses.

The building architecture will be designed to attract a demographic interested in carefree living. It is believed that the proposed tenants will be interested in attending concerts and other community events in the Arts District to the east. Building types may include but are not limited to the following:

1. Tower on podium, which is a multi-level tower around or above a central core or series of cores.
2. Podium structure, which is a multi-level structure situated on top of a podium base.
3. Wrap structure, which is a multi-level building surrounding an internal parking structure.
4. A live-work space is an integrated residence and workspace occupied by a single household. This is a relatively low-density building type that is permitted but not anticipated within the Specific Plan area.
5. Townhomes, which are individual attached units arranged side-by-side.
6. Stacked dwellings, which are units within a single structure that are stacked one above the other.
7. A variety of mixed-use frontages may be used, including forecourt, storefront, gallery, and arcade types of architectural treatments. The architectural treatment for the pedestrian/street level in all cases shall be designed to create a pedestrian-scaled experience.

Figure 5: Proposed Project Street Scene



Senior and age-qualified projects (including continuum of care communities that include a full range of independent living through skilled nursing facilities) are specifically allowed within the Specific Plan. Such projects will include an amenity package in accordance with the Project's demographics.

Revenue-wise, the residential development will be responsible for a large portion of the \$6.2 million in property taxes and in-lieu Vehicle License Fees ("VLFs") generated by the Project annually on behalf of the City. Furthermore, the residents within the Project are

expected to generate an additional \$500,000 per year in City sales taxes through the purchase of taxable goods and services located outside of the Project itself.

B Retail

Retail development is currently experiencing significant changes due to the competitive nature of online shopping. In a recent national poll of shopping trends⁴, 59% of consumers reported buying clothes, 45% reported purchasing shoes, and 38% reported purchasing electronics online. As retail trends continue to shift away from traditional brick and mortar retail uses towards experiential retail, it is important that traditional “strip” shopping centers, such as Metro Town Square, adapt to meet the changing needs of the marketplace.

In terms of revenues generated by retail development on behalf of the City, it is estimated that the new retail development within the Project will generate \$1.5 million per year in direct sales taxes.

Community Benefits related to the new retail opportunities within the Project are as follows:

1. Redevelopment of existing retail stores to address the future marketplace;
2. Leverage the success of the adjacent South Coast Plaza;
3. Development of a safe and comfortable environment for people to shop, dine, entertain, live, work, and play;
4. Future local-serving and destination retail uses geared to reducing vehicular traffic and related air quality impacts will result from the Project since there will be more than 6,500 new residents within walking distance of the new grocery store and other retail outlets;
5. Construction of underground parking should allow tenants to park their cars and walk to the new retail shops, while at the same time allowing non-residents to park their cars directly under the retail shops and not have to walk across large surface parking lots; and
6. Creation of an environment to attract new business investment that will provide a catalyst for the redevelopment of the community.

Retail spaces in many locations are undergoing changes resulting from adjustments to consumer behavior. For example, many restaurants are adding outdoor dining for their customers.

The majority of the retail buildings in the 2-Mile Zone were built between 1970 and 1986, with some buildings undergoing restoration between 1999 and 2002. Retail space is evolving due to many factors. Shoppers expect improved merchandising, data-driven advice, and the ability to customize product offerings. Where previous retailers were only able to offer merchandise in the store, in the current environment, customers expect that

⁴ Source: <https://www.bigcommerce.com/blog/online-shopping-statistics/>.

that if the merchandiser does not have the proper size or color on hand, it can be ordered from a remote location and delivered to them by Amazon (or equivalent) within 24 hours. In each retail store, sales personnel also have access to customer data, such as rewards programs and previous customer purchasers, intended to improve the buying experience.

The combination of an urban village that integrates residential units with nearby retail will increase the walkability of the Specific Plan area by permitting shoppers to have easy access to shops, with the result that shopper traffic should increase for the new retail shops. The proximity of retail and residential uses will encourage residents to rely more on direct delivery for groceries, takeout meals, and the purchase of consumer products that can be delivered directly to the doorstep within 24 hours. This may also require that retail locations allocate space to these delivery services.

According to our site visit, many of the buildings in the Metro Town Square have relatively low ceilings that are not conducive in the current market. Most current retailers prefer higher ceilings to provide a comfortable environment for customers and a place to hang signs and mount security cameras. Higher ceilings also provide more room for stacking inventory, both on the display floor and in the warehouse.

C Congregate Care

The Developer is planning to construct a congregate care facility with up to 200 rooms and 225,000 SF focused on accommodating an aging population. Potential congregate care may include:

- **Independent Living Units:** A project designed for the senior resident who needs specialized services and amenities to accommodate their special needs and prolong their ability to live independently, including meal preparation, common dining facilities, emergency call monitoring, housekeeping services, shuttle services, and the delivery of groceries and pharmaceuticals. Other benefits to the community will encompass the availability of services to support the care of an ailing spouse, such as adult daycare services and limited nursing services.
- **Congregate Housing Community (Including Assisted Living and/or Skilled Nursing):** The Project may also benefit the City by satisfying needs for senior residents consisting of nursing care, medical services, and memory care facilities. Specific services may include security, activity centers, housekeeping, emergency monitoring, and transportation.

Community Benefits related to the congregate care facility are as follows:

1. Access to a facility where active adults and senior citizens can safely shop, dine, entertain, live, work, and play.
2. Retail opportunities are located within walking distance of the congregate care facility, so elderly customers will become less reliant on the use of their vehicles.
3. As the number of Americans ages 65 and older is projected to nearly double from

52 million in 2018 to 95 million by 2060⁵, the need for congregate care facilities will increase significantly. A 200-bed facility should help address the increased need for these facilities.

4. Congregate care facilities generate less traffic than conventional residential units.

D Hotel

The Specific Plan provides for an upscale high-rise hotel with 250 rooms, including restaurants, on-site alcohol service, conference facilities, event spaces, and rooftop amenities.

Community Benefits related to the hotel property are as follows:

1. The hotel will provide an anticipated \$1,899,095 in TOT revenue to the City's General Fund;
2. The hotel will generate sales tax as a result of its restaurants and retail operations;
3. The hotel will provide additional dining areas to enhance local offerings;
4. The hotel will provide conference space in the local marketplace for organizations to use for conferences;
5. The hotel will accommodate short-term and long-term guests who are visiting tenants in the residential units;
6. The new hotel will increase the number of higher-end hotel rooms in the area; and
7. Along with the nearby Westin South Coast Plaza that provides 393 hotel rooms, the addition of a new hotel should provide event space for larger conferences and community gatherings.

E Community Features

The intersection of South Bristol Street and Sunflower Avenue will create a new gateway to the City and will be designed using gateway elements, such as an archway crossing South Bristol Street or significant ground-level monuments, landscape elements, and public art. An entry monument to a city often delineates the boundary between two cities.

Other benefits to the City are designed to ensure that the appearance of on-site structures do not become dated and the area remains an example of high-quality architecture within Santa Ana including the following:

1. Buildings will emphasize a clear architectural style that is properly articulated and detailed for what research shows to be the most appropriate style;
2. Architectural elements will activate on-site open space components to create a cohesive space;

⁵ Source: <https://www.prb.org/resources/fact-sheet-aging-in-the-united-states/>.

3. All buildings will feature four-sided architecture in which equal focus is applied to each side of a building with regard to massing, proportion, and material composition; and
4. The Specific Plan will promote a farmers market selling fresh and healthy food options.

The Project design standards require green building elements, including:

1. Use of materials and technologies that minimize environmental impacts, reduce energy, minimize dry and wet utility consumption, and promote long-lasting development; and
2. Window technologies, such as physical sun shading, low-emissivity coatings, and insulated daylighting panels, will be utilized where appropriate to decrease the energy costs associated with cooling buildings during most of the year.

F Jobs/Housing Balance and Increased Construction Employment

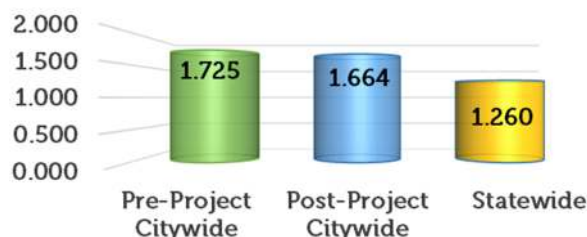
The Jobs/Housing Balance is an indicator of the relative equilibrium between employment and housing opportunities in a given area. A positive balance between jobs and housing has a beneficial impact on a municipality by decreasing costs associated with commuting and traffic congestion. It also reduces commute times, improves local social, cultural, and family involvement, provides a more attractive work/life balance to residents, and generates savings to local public agencies in terms of the need to construct and maintain new road improvements and other facilities.

As reflected in Table 4 and Figure 6, the City's current ratio of jobs within the City as compared with the number of housing units Citywide is 1.725, as compared with a Statewide average of 1.260. The addition of 1,586 permanent new jobs through the construction of the Project would decrease the jobs/housing ratio modestly to 1.664, as the 3,750 new housing units incorporated in the Project are greater than the 1,586 permanent recurring jobs to be generated by the Project.

Table 4: Pre-Project and Post-Project Permanent Jobs/Housing Balance in Santa Ana

Description	Citywide Average		Statewide Average
	Pre-Project	Post-Project	
Number of Permanent Jobs	141,543⁶	143,129	18,536,600
Number of Housing Units	82,058	86,008	14,711,648
Existing ⁷	82,058	82,058	14,707,698
New	N/A	3,750	3,750
Jobs/Housing Balance	1.725	1.664	1.260

Figure 6: Pre-Project and Post-Project Jobs/Housing Balance



In addition to these recurring permanent jobs, during the construction period (up to 10 years), estimated construction activity will generate approximately \$2.6 billion of additional spending, much of which will occur in the City. In a typical construction project, much of the material is purchased from local vendors and labor is provided by locally based contractors. Of course, when a developer pays for planning fees, deposits, permits and DIFs this is paid directly to the City. As a result of these expenditures, a total of 16,834 construction-related jobs will be created during the construction period.

G Affordable Housing

As part of the Specific Plan, the Developer will be providing affordable housing, including dwelling units targeted to low-income households. The Developer will work with community representatives to identify affordable housing needs and develop programs that will encourage local residents to benefit from low-cost housing offerings in accordance with State laws, ordinances, and regulations.

The State of California has placed an urgent emphasis on housing of all types. The City's Regional Housing Needs Allocation ("RHNA") for the next General Plan Housing Element cycle, which extends from 2021-2029, includes 3,137 new housing units.

⁶ Spotlight by Environics Analytics, Employment Profiles by NAICS Code 2022.

⁷ Labor Market Information Division, State of California Employment Development Department.

Community Benefits of low-income housing include:

1. All projects seeking entitlements from the City must comply with the City's Affordable Housing Opportunity and Creation Ordinance ("AHOCO"). If sufficient affordable housing is not constructed within the Project site itself, the Developer would be required to pay the City's current In-Lieu Affordable Housing Fee ("In-Lieu Fee") requirement of up to \$15 per square foot (lower levels are allowed if 90% of the labor utilized for the Project is union labor). Based on the construction of 3,750 dwelling units as currently anticipated for the Project, and assuming an average sized unit of 900 SF, the Developer could fund as much as \$33,750,000 in In-Lieu Fees by Project build-out to subsidize off-site affordable housing within the City. Notwithstanding the above, a Development Agreement is to be negotiated between the City and Developer that may modify the amount of In-Lieu Fees to be paid by the Developer.
2. The City's compliance with the California Department of Housing and Community Development objectives established as part of the RHNA program.
3. The opportunity for low-income workers to live close to the workplace, afforded by providing housing close to well-paying jobs, translates to lower congestion and commute times by eliminating the necessity for long-distance drives from home to work.
4. Quality-of-life benefits include reduced stress in commuting and more leisure time.

H Community Outreach

The Specific Plan has been created with community input and is supported by market, fiscal/economic, and technical studies prepared by experienced consultants, including civil engineers, traffic engineers, urban designers, architects, planners, and landscape architects. Consultation with City staff and the review of the City's updated General Plan has guided the content and character of the Specific Plan.

During the up to 10-year development time frame, the Developer will develop a community outreach program to ensure that all interested parties will be provided with current information about the Project's development. This will include the establishment of a community website, distribution of electronic newsletters, and use of other digital platforms to share information on the Project. The Developer will share information and updates about the Project throughout the construction of the buildings and implementation of the Specific Plan.

It is intended that the Developer will address and be responsible to residents and community leaders for employment opportunities, youth engagement programs, and the construction of various parks and open space.

In August 2022, a Welcome Center was opened on the Project site that is available to the public and is a location where meetings with community residents and stakeholders have been arranged. Over 25 meetings have been held with over 200 stakeholders since the Welcome Center opened, which have provided an opportunity for the Developer and City to receive input related to reimagining the Project site.

Community Benefits of a community outreach program include the following:

1. The public has been and will continue to have input on the Project's development during the life of the Project; and
2. The public has been and will continue to be able to monitor the development of the Project as information has been provided by the Developer.

I Energy Efficiency

The Specific Plan encourages the Developer to design the buildings in an energy-efficient manner. As a result, all of the buildings within the Project will be designed to reduce energy consumption using the most updated technology to produce heating, cooling, ventilation, and lighting. The Project will emphasize passive cooling systems that minimize the energy demands necessary for climate control in buildings.

The Project will provide places for solar receptors on building roofs to generate electrical energy. The energy generated on retail buildings' roofs during the day could be stored for use in residential structures in the evening. In addition, energy generated by solar systems on residential units during the day could be available for the retail units during commercial hours. Other alternatives include the use of energy-efficient cladding and building fenestration that can reflect sunlight during the day, thereby lessening the need for air conditioning and solar glass, that can be fed into the building's electric grid.

Furthermore, landscaping elements will act as heat sinks that absorb, store, reflect, redirect, or dissipate heat. A typical heat sink created by landscaping elements will absorb heat during the day and usually release it as the temperature drops in the evenings.

Community Benefits related to energy conservation include:

1. Reduction of energy costs to building users;
2. Potential sale of solar energy to tenants and the entire City electrical grid;
3. Landscaping and water features that can absorb energy with the intention of reducing outdoor temperature by between 6° and 12° Fahrenheit in the summer;
4. Creative building design that can reflect energy away from a building, thereby reducing the need for air conditioning;
5. The use of energy-efficient cladding that will reduce energy used to heat or cool a building;
6. Use of solar glass to feed energy into the respective buildings' grid; and

7. The green building elements within the Project are being designed to reduce energy use and minimize the heat sink effects.

J Open Space

The Mixed-Use/Residential North District includes a significant open space (Bristol Central Park) in the north and a pedestrian-only greenway linkage connecting the residential areas to the mixed-use village core. The Bristol Central Park is tentatively programmed to include pickleball, volleyball, and basketball courts, the adventure playground, a dog park, a picnic area, and outdoor seating.

Figure 7: Bristol Plaza⁸



Phase 1 of the Project includes The Bristol Green and The Bristol Plaza that create park-like settings in the center of the development adjacent to the proposed hotel. Pedestrian linkages are emphasized in the Specific Plan's districts, with a system of local neighborhood streets, commercial shared streets, and residential shared streets providing pedestrian and vehicular access.

These linkages include the Greenlink trail, which is envisioned to potentially include an Arroyo Walk through native vegetation, a garden area, and outdoor seating. The Greenlink trail will have a dedicated pedestrian path and shade with flowering trees, places for sitting and socializing, and walking paths to residences with adjoining front terraces and garden areas.

The implementation of the Specific Plan will result in a significant increase in sustainability through the inclusion of open space and trees within the Project site. An overall drought-tolerant plant palette is anticipated to conserve water, reduce the heat sink effect, use efficient irrigation, and potentially utilize biofiltration mechanisms to treat rainwater.

The proposed Bristol Central Park in Phase 3 includes approximately 2.5-acres of publicly accessible open space and will encompass open play areas, walkways, seating, and a private

⁸ Source: Related Bristol Specific Plan.

recreation facility for the surrounding residential users. Bristol Central Park may also include an adventure playground, a dog park, a storm water garden for sustainable detention, outdoor fitness and sports courts, passive recreational areas, an extensive lawn area, a private clubhouse with a pool and spa, and outdoor dining and seating opportunities.

Landscaping and amenity spaces may be placed on top of a parking structure or integrated into the structure using creative methods, provided they are physically separated from parking areas for safety. Safety standards include clear lines of sight, separation of conflicting and dissimilar uses, appropriate lighting, and walkways separated from automobile traffic.

Community Benefits resulting from the Project's proposed landscaping design are as follows:

1. The landscaping is designed to provide a central theme to the community and enhance the retail experience.
2. The lighting plan is designed to increase safety for both local residents and shoppers.
3. The proposed Project will include 13.5 acres of landscaped areas (about 33% of Project area) and landscaped surfaces that will reduce the heat sink phenomena and lower surface temperatures.
4. Bristol Central Park (2.5 acres), Bristol Green (0.66 acres), The Bristol Plaza (0.9 acres), and Greenlink trails (0.6 acres) will be available to both residents and the public. These areas are planned to be automobile free.
5. The Specific Plan encourages art in public places.
6. The Specific Plan mandates the construction of a biofiltration system to treat low-flow storm water and reduce the flow of off-site pollutants.

Figure 8: Bristol Central Park



K Air Quality

Kimley-Horn and Associates, Inc. ("Kimley-Horn"), prepared the "Air Quality Assessment for the Related Bristol Specific Plan Project," dated May 2023, for the City. Kimley-Horn concluded that upon completion, all General Plan air quality policies will be achieved. Please refer to **Appendix B** for a list of the policies.

The Community Benefits attained by implementing the City's air quality program include:

1. Consistency with the City's Climate Action Plan, development standards, new infill residential development goals, and transportation demand management goals.
2. Promotion of alternative transportation uses in the City, including pedestrian, bicycling, public transportation, car sharing programs, and other emerging technologies.
3. Support of transportation management goals requiring investment in improvements to the City's Transportation Management System, including projects or programs that facilitate the flow of traffic and reduce traffic congestion. Traffic congestion may be reduced by encouraging public investment in low- or zero-emission vehicles

Figure 9: Bristol Green ⁹



and requiring continuing investment in low-emission or zero-emission vehicles to replace the City's gasoline powered vehicle fleet. The Project will also implement sustainable infrastructure strategies, such as vehicle charging stations, drop-off areas for ridesharing services, secure bicycle parking, and transportation demand management programs.

4. Coordination with Orange County Transportation Authority ("OCTA") employees and developers to utilize strategies and education to reduce vehicle trips and parking demands.
5. Incorporation of energy conservation design and construction of conservation features for new construction and rehabilitation projects encouraging business and industry to improve performance in energy efficiency, water conservation, and waste reduction programs.
6. Compliance with Transit-Oriented Development ("TOD") goals for residential mixed-use development within the City's district centers and urban neighborhoods and adjacent to high-quality transit facilities.
7. Requirement for private investment in active transportation infrastructure located adjacent to activity centers and residential neighborhoods promoting sports, fitness, walking, biking, and healthy lifestyles to reduce VMT, improve the Jobs/Housing Balance, and promote social interaction among residents.

⁹ Source: "Air Quality Assessment for the Related Bristol Specific Plan Project" dated May 2023 and prepared by Kimley-Horn.

8. Encouragement of sustainable land use strategies to reduce energy and water consumption, waste and noise generation, soil contamination, air quality impacts, and light pollution.
9. Bus service to the Santa Ana Metrolink and ARTIC train stations and John Wayne Airport.
10. Inclusion of natural processes to capture rainwater runoff by adopting policies to achieve sustainable electric power, including passive climate control systems.
11. Confirmation with policies of Federal, State, and regional agencies to identify and regulate the disposal and storage of hazardous materials, prevent the illegal transportation and disposal of hazardous waste, and facilitate the cleanup of contaminated sites.

L Noise and Vibration

Kimley-Horn prepared the "Acoustical Assessment for the Related Bristol Specific Plan Project," dated May 2023, for the City. The report proposed numerous mitigation measures that should provide the following Community Benefits to the City:

1. Construction activity is limited to the hours between 7 AM to 8 PM, Monday through Saturday, as prescribed in the City's Municipal Code Section 18-314(e), with the exception of concrete pour activities that might occur outside of these hours. Construction is prohibited on Sundays.
2. During the entire active construction period, equipment and trucks used for Project construction shall use the best available noise control techniques. For instance, the use of noise-producing signals, such as horns, whistles, alarms, and bells, shall be for safety and warning purposes only.
3. Preparation of detailed acoustical studies based on architectural plans shall be prepared by a qualified acoustical consultant to demonstrate compliance with the General Plan Noise Element.
4. The Project's construction activities would be mitigated in order to reduce construction noise levels. Construction noise will be periodic and temporary noise impacts that will cease upon the completion of construction activities.

M Greenhouse Gas ("GHG") Emissions

Kimley-Horn prepared the "GHG Emissions Assessment for the Related Bristol Specific Plan Project" in May 2023. The purpose of a GHG emissions study is to identify if a project creates new air quality impacts that will result from the development of the site and, if so, whether there any mitigation measures available that may be implemented.

The South Coast Air Quality Management District ("SCAQMD") is the agency whose primary responsibility is to maintain a clean air policy by establishing and enforcing the control of GHG emissions. Kimley-Horn's report studied the Project by applying SCAQMD standards,

both during construction and during post-construction operations, to review the impact on air quality resulting from development of the Project. The report suggests a list of mitigation steps that should be adopted by the Developer to reduce the air quality impacts. Its conclusion is as follows¹⁰:

"It is generally the case that an individual project of this size and nature is of insufficient magnitude by itself to influence climate change or result in a substantial contribution to the global GHG inventory. GHG impacts are recognized as exclusively cumulative impacts; there are no non-cumulative GHG emission impacts from a climate change perspective. The additive effect of Project-related GHGs would not result in a reasonably foreseeable cumulatively considerable contribution to global climate change. In addition, the proposed Project, as well as other cumulative related projects, would be subject to all applicable regulatory requirements, which would further reduce GHG emissions. **The proposed Project would be consistent with the applicable GHG reduction plans**, including City's CAP, SCAG's Connect SoCal, and the CARB Scoping Plan. As a result, **the Project would not conflict with any applicable GHG reduction plans and the Project's cumulative contribution of GHG emissions would be less than cumulatively considerable.**"

N Pedestrian and Bicycle-Oriented Improvements

By combining residential and retail components within a 41-acre parcel, the Project will encourage pedestrian activity through the creation of a pedestrian-only green linkage that will connect major public open spaces and other uses throughout the entire Project.

Bicycle mobility, including the use of scooters, is currently provided via Class II bike lanes located along South Bristol Street. Proposed South Bristol Street improvements include upgrading the southbound bike lane to a Class I bike lane, which includes a planted buffer separation between vehicular and bicycle travel lanes, in conjunction with commercial, office, and residential spaces implementing like-minded projects. Proposed West MacArthur Boulevard improvements include the construction of Class II bike lane.

Community Benefits to be realized from pedestrian-oriented improvements include the following:

1. Reduction in VMT and related air quality impacts;
2. Creation of a safe environment for pedestrians, especially if the Project meets its intended goals of active day and nighttime activity; and
3. Reduction of the requirement for parking spaces to support residential and retail uses.

¹⁰ "GHG Emissions Assessment for the Related Bristol Specific Plan Project," dated May 2023, prepared by Kimley-Horn.

O Transportation

The Project is consistent with the land uses in the Regional Transportation Plan/Sustainable Communities Strategy monitored by the OCTA, which assumed the site would be constructed as an urban mixed-use development that would reduce VMT. Connect SoCal recognizes that development within Priority Growth Areas supports mode shift and shortened trip distances. The Project site is located within an identified Priority Growth Area in which urban development can contribute to reduced VMT and associated emissions. Priority Growth Areas are located close to existing or proposed public transit facilities and are specified for new homes, jobs, and community amenities. They are designed to allow residents to live car-free or car-light.

The development of the Project will provide sufficient local-serving and destination retail uses, residential opportunities, workplaces, and entertainment amenities within a centralized commercial core to enable residents and shoppers to reduce reliance on vehicular travel. Currently, there are six existing bus stops present on the Specific Plan area frontage. Roadways adjacent to community spaces, next to commercial corridors, or within heavily residential areas of the planning area will incorporate traffic-calming measures such as striping, paving materials (i.e., cobbles or bricks), bulb outs, and other traffic-calming measures to slow speeding vehicles and prioritize safe pedestrian and bicycle travel. There are bus stops on Sunflower Avenue, South Bristol Street, and MacArthur Boulevard that can connect to the 66 bus lines servicing Orange County. For example, there is a bus route that runs from the Project site to the Santa Ana Metrolink station (and Amtrak) and further to the ARTIC station (Amtrak and Metrolink). There is also a bus route that runs from MacArthur Boulevard to John Wayne Airport.

The proposed Bristol Street improvements include upgrading the southbound bike lane to a Class I bike lane, which encompasses a planted buffer separation between vehicular and bicycle travel lanes. Bicycle racks will be provided in conjunction with commercial, office, and residential projects. For improvements on MacArthur Boulevard and Sunflower Avenue along Project site frontage, Class II bike lanes are planned, consistent with the City's Bikeway Master Plan. Bicycle storage should be located at the front of each building or in common open spaces. Bike lockers are also planned to be located in parking structures.

Community Benefits related to the Project's proposed transportation system include the following:

1. The Specific Plan will reduce VMT per service population in accordance with the Regional Transportation Plan/Sustainable Communities Strategy;
2. Promotion of a walkable community;
3. Encouragement of the increased use of bicycles and scooters;
4. Promotion of current traffic standards that relate to increased public safety; and
5. Installation of a Class I bike lane on Bristol Street.

P Multimodal Network

The Developer will facilitate connections to existing transit lines on the adjacent streets to support local and regional connectivity and help reduce dependency on single-occupancy vehicle travel.

Community Benefits of the proposed multimodal network include:

1. Connectivity of existing public transportation to existing and proposed Citywide and Countywide systems.
2. The integration of a multimodal network in this area should reduce traffic trips and VMT;
3. The multimodal network will reduce noise and air pollution;
4. Potential connection to John Wayne Airport; and
5. Connectivity to the Metrolink station in downtown Santa Ana.

Appendix C includes a list of proposed infrastructure improvements.

Q Parking

A series of large subterranean parking structures is anticipated to cover the majority of the district, providing shared parking among the mixed uses of the Specific Plan. Shared parking should reduce the number of required parking spaces since residential users have a greater need for parking in the evening while retail users require parking during the day. In addition, the Project site will feature electric vehicle charging stations throughout the development.

Figure 10: Proposed Underground Parking



Community Benefits of the proposed parking facilities include:

1. Underground parking provides for higher density residential and retail programs;
2. The shared parking concept should provide adequate parking 24 hours a day while at the same time reducing the overall parking footprint;
3. The City will obtain financial benefits from parking fees paid by tenants and retail customers;
4. Underground parking will make it convenient for shoppers to easily access shops located directly above the parking spaces and reduce the time necessary to walk from an open parking lot to the developed areas;
5. Parking will lessen resident and visitor dependency on vehicles within the Specific Plan area; and
6. Construction of electric vehicle charging stations will improve air quality by encouraging the use of electric vehicles.

R Land Development Infrastructure Improvements

The Project conditions of approval are anticipated to require improvements to service the site using the following classifications:

1. Storm drainage and water quality management;
2. Water and water supply;
3. Wastewater treatment;
4. Reclaimed water;
5. Dry utilities; and
6. Solid waste.

Although we have discussed some of the benefits described below in other sections, we have included them again here since they are part of the Project conditions of approval. The Community Benefits related to infrastructure include:

1. Improvements to the existing Storm Drain Master Plan system;
2. Improvements to the City's water and sanitary sewer systems;
3. Construction of reclaimed water improvements;
4. Inclusion of Low-Impact Development Best Management Practices ("LID BMPs");
5. Construction of an on-site administrative police substation;
6. Various street widenings;
7. Construction Class I and II bike trails; and
8. Intersection improvements at existing streets.

S Maintenance of Improvements

The private maintenance association(s) shall be responsible for maintaining private driveways, parking, open space areas, recreation areas, common area signage, landscaping, irrigation, common areas, on-site sewers, on-site storm drains, water quality features (BMPs), and other responsibilities, as necessary.

A substantial portion of site improvements that are usually dedicated to a public agency will be retained by a private maintenance association. Therefore, the City will not be responsible for the maintenance of these common area improvements. The Community Benefit arising from the maintenance of public areas through private contributions is that the City will not be required to fund these costs from its General Fund.

VII CONCLUSION

The City will achieve substantial Community Benefits from the build-out of the Project, including both financial and quality-of-life improvements for new residents and other members of the Santa Ana community.

The fiscal benefits will include new property taxes that may have a tax assessed value exceeding \$2.0 billion dollars at build-out. Based upon an FIA prepared by DTA, the City's General Fund will receive an annual surplus of \$3.4 million (2023\$) at build-out. In addition to new property tax and property tax in lieu of VLFs totaling \$6.2 million (2023\$), the new TOT is initially projected to be about \$1.9 and new direct and indirect sales tax revenues are estimated to total about \$2.0 million.

During the construction period (up to 10 years), estimated construction activity will generate approximately \$2.6 billion of additional spending, most of which will be expended in the City. As a result of these expenditures, a total of 16,834 construction-related jobs will be created during the construction period. In addition, if the Specific Plan is completed as projected, it is anticipated that over \$109.0 million in DIFs will be collected from the Project to fund regional infrastructure, with the large majority of these DIFs paid directly to the City.

Finally, the Specific Plan proposes to either directly provide on-property operations and maintenance or reimburse the City for all or a portion of this burden.

As described in the Project description presented in Section I, the City will also obtain quality-of-life benefits that will improve both the lives of residents residing in the Project's boundaries and others living and working in the surrounding Santa Ana community. These benefits will include affordable housing, transportation and infrastructure improvements, parks and open space, community services, environmental protection, and improvements benefitting the cultural and community character of the City. Although the affordable housing impacts will not be finalized until a Development Agreement is negotiated between the City and Developer, it is the goal of both parties to work within the City's established guidelines. The planned addition of 3,750 residential units, 350,000 SF of retail, 200 congregate care units, and a 250-room hotel will require modernization and upgrades for existing infrastructure, in addition to providing new facilities, such as parks and recreation facilities.

The Project will also incorporate environmental design features, some required by current City standards and others offered by the Developer that are planned to reduce utility use and provide energy savings. These include solar generation and storage, landscaping, and energy-efficient building design. Other Community Benefits include the adoption of air quality measures, such as the reduction of GHGs, to improve health benefits for tenants and visitors to the area. The Project will also focus on transportation improvements to improve the walkability of the Project site and encourage multimodal coordination of roadways and the nearby air and rail connections.

In all, the Project will provide significant Community Benefits to the greater Santa Ana community.

APPENDIX A

EPD Solutions, Inc.
Related Bristol at 3600 South Bristol Street
Community Benefits Analysis Report



SPECIFIC PLAN PERMITTED USES

The following are uses that are permitted in the Specific Plan:

Table A-1: Specific Plan Permitted Uses

Permitted Use Type	Notes
Residential Uses	
Multifamily Apartments, Condominiums, Townhouses, Lofts, Tower(s), and Podium(s)	Includes associated leasing offices and recreational/fitness facilities, as well as clubhouses and recreation buildings. Wood-burning fireplaces are not permitted in residential uses. Fire pits may be permitted in common areas. Rooftop amenities are permitted.
Home Occupations	
Live-Work Units	
Senior Housing	
Care Uses	
Adult Daycare	
Congregate Care	
Convalescent Facility	
Continuum of Care	
Daycare/Childcare	
Commercial Uses	
Drive-Through Lanes Not Associated With Restaurants, Cafes, and Eating Establishments	
Commercial/Retail	Including indoor and outdoor sales, department stores, and stores offering commercial services, such as appliance stores, bakeries, bookstores, food/grocery stores (retail market), pet stores, etc.
Commercial Recreation	
Hospitality	Including executive suites, guest suites, and long-term/extended stay, with commercial, day spa, and food/alcohol services incidental to the hotel use. Rooftop amenities, including dining, are permitted.
Office Uses: Professional, Administrative, and Business Offices Providing Personal and Professional Services	Including office use by architects/engineers, and similar uses.
Medical Office	Including surgical centers, urgent care, dentists, and optometrists.
Service Uses	
Alcohol Sales for On-Site or Off-Site Consumption Associated With Food Service/Restaurant Off-Site or at a Bar	

Permitted Use Type	Notes
Service-Oriented Office Uses, Including Insurance, Real Estate, Travel, Finance (Including ATMs), Creative Office Co-Working (WeWork, Common Desk, etc.), and Similar Uses	
Eating and Drinking Establishments	Restaurants, cafes, and take-out permitted. Outdoor seating and dining associated with a restaurant or cafe is permitted.
Fast Food/Quick Serve	No extended hours or drive-through.
Extended Hours for Food Uses	Conditional Use Permit required.
Gymnasiums and Fitness Clubs	
Massage Establishments (Day Spa)	Massage Establishment Permit required. May be accessory to a hotel use. Adult businesses are not permitted.
Personal Services	Including dry cleaners, salons, small appliance repair, locksmiths, nail salons/beauty shops, tailors, and travel agencies.
Postal Services	
Printing/Reprographics	
Transportation and Infrastructure	
Major Wireless Communication Facilities	
Utilities	Public or private.
Water Quality Features	
Other	
Parking Structures	
Above or Below-Ground	
Pushcarts	
Outdoor Retail Kiosks/Carts	
Food Vending vehicles/Food Trucks	
Museums and Science Centers	
Performing or Cultural Arts	
Club/Live entertainment Venues (Music Venue, Comedy Club, Nightclub, etc.)	
Community Assembly uses	
Public Utilities	Including electric distribution substations, library, government offices, police substations, etc.
Municipal uses	
Schools, Public and Private	Preschool only.
Theaters and Cinemas	Including ancillary food and alcohol sales.
Temporary Outdoor Activities and Structures	

APPENDIX B

EPD Solutions, Inc.
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**SCAQMD POLICIES:
CITY GENERAL PLAN**

The City of Santa Ana General Plan is based on a vision statement and five core values established as part of an extensive community outreach effort. The following are relevant policies of the Santa Ana General Plan Update:

A Mobility Element

Policy 1.7 Proactive Mitigation. Proactively mitigate potential air quality, noise, congestion, safety, and other impacts from the transportation network on residents and business.

Policy 1.8 Environmental Sustainability. Consider air and water quality, noise reduction, neighborhood character, and street-level aesthetics when making improvements to travelways.

Policy 3.3 Safe Routes to Schools and Parks. Lead the development and implementation of safer routes to schools and parks by partnering with the school district, residents, property owners, and community stakeholders.

Policy 3.4 Regional Coordination. Coordinate development of the City's active transportation and transit network with adjacent jurisdictions, OCTA, and other appropriate agencies.

Policy 3.5 Education and Encouragement. Encourage active transportation choices through education, special events, and programs.

Policy 3.7 Complete Streets Design. Enhance streets to facilitate safe walking, bicycling, and other nonmotorized forms of transportation through community participatory design.

Policy 4.1 Intense Development Areas. Program multimodal transportation and public realm improvements that support new development in areas along transit corridors and areas planned for high-intensity development.

Policy 4.2 Project Review. Encourage active transportation, transit use, and connectivity through physical improvements and public realm amenities identified during the City's Development Review process.

Policy 4.3 Transportation Management. Coordinate with OCTA, employers, and developers to utilize TDM (transportation demand management) strategies and education to reduce vehicle trips and parking demands.

Policy 4.5 Land Use Development Design. Ensure that building placement and design features create a desirable and active streetscape.

Policy 4.6 Roadway Capacity Alternatives. Promote reductions in automobile trips and vehicle miles traveled by encouraging transit use and nonmotorized transportation as alternatives to augmenting roadway capacity.

Policy 4.7 Parking. Explore and implement a flexible menu of parking options and other strategies to efficiently coordinate the response to parking demands.

Policy 4.9 Air Pollution Mitigation. Consider land use, building, site planning, and technology solutions to mitigate exposure to transportation related air pollution.

Policy 5.4 Green Streets. Leverage opportunities along streets and public rights-of-way to improve water quality through use of landscaping, permeable pavement, and other best management practices.

Policy 5.6 Clean Fuels and Vehicles. Encourage the use of alternative fuel vehicles and mobility technologies through the installation of supporting infrastructure.

B Community Element

Policy 3.2 Healthy Neighborhoods. Continue to support the creation of healthy neighborhoods by addressing public safety, land use conflicts, hazardous soil contamination, incompatible uses, and maintaining building code standards.

Policy 3.4 Safe Mobility. Promote the overall safety of multi-modal streets by developing local and regional programs that educate and inform motorists of non-motorized roadway users.

Policy 3.7 Active Lifestyles. Support programs that promote sports, fitness, walking, biking and active lifestyles.

C Conservation Element

Policy 1.1 Regional Planning Efforts. Coordinate air quality planning efforts with local and regional agencies to meet State and Federal ambient air quality standards in order to protect all residents from the health effects of air pollution.

Policy 1.3 Education. Promote efforts to educate businesses and the general public about air quality standards, reducing the urban heat island effect, health effects from poor air quality and extreme heat, and best practices they can make to improve air quality and reduce greenhouse gas emissions.

Policy 1.4 Development Standards. Support new development that meets or exceeds standards for energy-efficient building design and site planning.

Policy 1.5 Sensitive Receptor Decisions. Consider potential impacts of stationary and non-stationary emission sources on existing and proposed sensitive uses and opportunities to minimize health and safety risks. Develop and adopt new regulations on the siting of facilities that might significantly increase pollution near sensitive receptors within environmental justice area boundaries.

Policy 1.6 New and Infill Residential Development. Promote development that is mixed-use, pedestrian-friendly, transit-oriented, and clustered around activity centers.

Policy 1.7 Housing and Employment Opportunities. Improve the City's Jobs/Housing Balance ratio by supporting development that provides housing and employment opportunities to enable people to live and work in Santa Ana.

Policy 1.8 Promote Alternative Transportation. Promote use of alternate modes of transportation in the City of Santa Ana, including pedestrian, bicycling, public transportation, car sharing programs and emerging technologies.

Policy 1.9 Public Investment Alternative Transportation Infrastructure. Continue to invest in infrastructure projects that support public transportation and alternate modes of transportation in the City of Santa Ana, including pedestrian, bicycling, public transportation, car sharing programs, and emerging technologies.

Policy 1.10 Transportation Management. Continue to support and invest in improvements to the City's Transportation Management System, including projects or programs that improve traffic flow and reduce traffic congestion.

Policy 1.11 Public Investment in Low- or Zero Emission Vehicles. Continue to invest in low-emission or zero-emission vehicles to replace the City's gasoline powered vehicle fleet and to transition to available clean fuel sources such as bio-diesel for trucks and heavy equipment.

Policy 1.12 Sustainable Infrastructure. Encourage the use of low or zero emission vehicles, bicycles, non-motorized vehicles, and car-sharing programs by supporting new and existing development that includes sustainable infrastructure and strategies such as vehicle charging stations, drop-off areas for ridesharing services, secure bicycle parking, and transportation demand management programs.

Policy 1.13 City Contract Practices. Support businesses and contractors that use reduced-emissions equipment for city construction projects and contracts for services, as well as businesses that practice sustainable operations.

Policy 1.14 Transportation Demand Management. Require and incentivize projects to incorporate Transportation Demand Management (TDM) techniques.

Policy 2.3 Resource Management. Efficiently manage soil and mineral resource operations to eliminate significant nuisances, hazards, or adverse environmental effects on neighboring land uses.

Policy 3.3 Development Patterns. Promote energy efficient-development patterns by clustering mixed-use developments and compatible uses adjacent to public transportation.

Policy 3.11 Energy-Efficient Transportation Infrastructure. Continue to support public and private infrastructure for public transportation such as bus routes, rail lines, and the OC Streetcar.

D Land Use Element

Policy 1.5 Diverse Housing Types. Incentivize quality infill residential development that provides a diversity of housing types and accommodates all income levels and age groups.

Policy 1.6 Transit-Oriented Development. Encourage residential mixed-use development, within the City's District Centers and Urban Neighborhoods, and adjacent to

high-quality transit.

Policy 1.7 Active Transportation Infrastructure. Invest in active transportation connectivity between activity centers and residential neighborhoods to encourage healthy lifestyles.

Policy 2.5 Benefits of Mixed Use. Encourage infill mixed-use development at all ranges of affordability to reduce vehicle miles travelled, improve Jobs/Housing Balance, and promote social interaction.

Policy 2.10 Smart Growth. Focus high density residential in mixed-use villages, designated planning focus areas, Downtown Santa Ana, and along major travel corridors.

Policy 3.8 Sensitive Receptors. Avoid the development of industry and sensitive receptors in close proximity to each other that could pose a hazard to human health and safety, due to the quantity, concentration, or physical or chemical characteristics of the hazardous materials utilized, or the hazardous waste an operation may generate or emit.

Policy 3.9 Noxious, Hazardous, Dangerous, and Polluting Uses. Improve the health of residents, students, and workers by limiting the impacts of construction activities and operation of noxious, hazardous, dangerous, and polluting uses that are in close proximity to sensitive receptors, with priority given to discontinuing such uses within environmental justice areas boundaries.

Policy 3.11 Air Pollution Buffers. Promote landscaping and other buffers to separate existing sensitive uses from rail lines, heavy industrial facilities, and other emissions sources. As feasible, apply more substantial buffers within environmental justice area boundaries.

Policy 3.12 Indoor Air Quality. Require new sensitive land uses proposed in areas with high levels of localized air pollution to achieve good indoor air quality through landscaping, ventilation systems, or other measures.

Policy 4.1 Complementary Uses. Promote complete neighborhoods by encouraging a mix of complementary uses, community services, and people places within a walkable area.

Policy 4.3 Sustainable Land Use Strategies. Encourage land uses and strategies that reduce energy and water consumption, waste and noise generation, soil contamination, air quality impacts, and light pollution.

Policy 4.5 VMT Reduction. Concentrate development along high-quality transit corridors to reduce vehicle miles traveled (VMT) and transportation related carbon emissions.

E Safety Element

Policy 2.1 Regional Collaboration. Consult and collaborate with federal, state, and regional agencies to identify and regulate the disposal and storage of hazardous materials, prevent the illegal transportation and disposal of hazardous waste, and facilitate the cleanup of contaminated sites.

Policy 2.2 Hazardous Waste Generators. Collaborate with appropriate agencies to identify and inventory all users and handlers of hazardous materials to proactively mitigate potential impacts.

Policy 2.3 Transportation and Storage. Coordinate with the County of Orange, the California Department of Transportation, and other relevant parties to enforce state and local laws regulating the storage and transport of hazardous materials within the City of Santa Ana, and limit truck routes through the City to arterials streets away from natural habitats and sensitive land uses.

Policy 2.4 Planning and Remediation. Determine the presence of hazardous materials and/or waste contamination prior to approval of new uses and require that appropriate measures be taken to protect the health and safety of site users and the community.

Policy 2.6 Existing Sensitive Uses. Partner and collaborate with property owners, businesses, and community groups to develop strategies to protect and minimize risks from existing hazardous material sites to existing nearby sensitive uses with priority given to discontinuing such uses within environmental justice area boundaries. Urban Design Element

Policy 1.6 Active Transportation Infrastructure. Support the creation of citywide public streets and site amenities that accommodate and promote an active transportation-friendly environment.

Policy 3.10 Coordinated Street Improvement Plans. Coordinate citywide landscape medians and street trees with land use plans and development projects.

Policy 5.4 Intersections for all Travel Modes. Strengthen active transportation connections and amenities at focal intersections to promote a pleasant and safe experience for non-motorized forms of travel.

F Open Space Element

Policy 2.5 Air Quality and Heat. Coordinate park renovation and development to address air quality and climate impacts by reducing heat island effect by providing green infrastructure and shade, and reducing air pollution by providing vegetation that removes pollutants and air particles.

Policy 3.5 Landscaping. Encourage the planting of native and diverse tree species in public and private spaces to reduce heat island effect, reduce energy consumption, and contribute to carbon mitigation.

Policy 3.6 Sustainable Parks and Facilities. Integrate drought tolerant or native plantings, water-wise irrigation, design and maintenance efficiencies, and sustainable development practices to reduce water use and energy consumption.

Policy 3.7 Urban Forest. Maintain, preserve, and enhance the City's urban forest as an environmental, economic, and aesthetic resource to improve residents' quality of life.

APPENDIX C

EPD Solutions, Inc.
Related Bristol at 3600 South Bristol Street
Community Benefits Analysis Report



PROPOSED INFRASTRUCTURE IMPROVEMENTS

Community Benefits of land development infrastructure improvements include the following:

1. The Storm Drain Master Plan recommends upgrades to the City's storm drain system at Sunflower Avenue (54-inch and 60-inch to a 72-inch) and S. Plaza Drive (36-inch and 42-inch to 42-, 54-, and 60-inch).
2. LID BMPs will be implemented through site design measures and source controls to reduce pollutants in storm water discharges. LID BMPs are engineered facilities that are designed to retain or biotreat runoff on the Project site.
3. Modular wetlands are included as a method of biotreatment. Modular wetlands are proprietary biotreatment systems that utilize multi-stage treatment processes including screening media filtration, settling, and biofiltration.
4. The existing 12-inch waterline in Callen's Common will be replaced and new connections will be provided for the proposed on-site water facilities. The existing connections of the waterline in Callen's Common at South Plaza Drive and South Bristol Street will be replaced with new connections to the existing mains.
5. As part of Project implementation, an administrative police substation (no transfers or bookings) will be located within the Specific Plan area.
6. Projects to be developed within the Specific Plan area will pay statutory school fees at the time of building permits unless otherwise provided for as part of an agreement with the Santa Ana School District. Based upon preliminary unit sizes and assuming school fees do not escalate, the residential school impact fee is estimated to be about \$15,000,000 and the commercial school fee is estimated to be \$273,000.

Anticipated improvements for the South Bristol Street public right of way include the following:

1. Widened parkway, tree-lined streets, and planted setback areas;
2. New curb cuts for ingress/egress to/from Bristol Street;
3. Potential right-of-way dedication for deceleration lanes;
4. Potential median modifications;
5. Potential signalization of the driveway between Callen's Common and Sunflower Avenue; and
6. Construction of bikeway improvements per the City's design.

Planned improvements for West MacArthur Boulevard include the following:

1. Addition of an intersection for a new north/south local neighborhood street (Bristol Paseo);
2. Curb cut at the intersection of the residential shared street;

3. Potential right-of-way dedication for deceleration lanes;
4. Installation of Class II bike lanes per the City's Mobility Element; and
5. Planted setback areas and tree-lined streets.

Planned improvements for South Plaza Drive on the Specific Plan frontage include the following:

1. New curb cuts for ingress/egress; and
2. Planted setback areas and tree-lined streets.

Planned improvements for Sunflower Avenue include the following:

1. Potential median modification and/or signalization of the proposed Bristol Paseo driveway, subject to improvements/realignment of South Coast Plaza driveway;
2. Potential right-of-way dedication for deceleration lanes;
3. Construction of westbound right-turn lane at the proposed Bristol Paseo and proposed valet drop-off driveway, as well as at the proposed neighborhood street;
4. Installation of Class II bike lanes per the City's Mobility Element.

Planned improvements for Callen's Common include the following:

1. Expanded parkway improvements with tree-lined streets and improved sidewalk conditions;
2. Greenlink pedestrian crossing;
3. Reduction of travel lanes to a two-lane street between South Plaza Drive and Bristol Paseo to allow for on-street parking;
4. Drop-off and loading areas;
5. Addition of a 6' to 8' foot wide sidewalk on both sides of the roadway; and
6. Potential signalization of Callen's Common and South Plaza Drive.

The table below indicates payments related to Bristol Street improvements that will be reimbursed to the City for following intersections listed below.

Table C-1: Related Bristol Fair Share Payments

Intersection	Fair Share %
Fairview Street at Segerstrom Ave.	4.18%
Bristol street at Segerstrom Ave.	11.81%
Main Street at MacArthur Blvd.	19.96%
Bear Street at SR73 Northbound Ramps	3.79%



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LAND RESIDUAL VALUE STUDY REPORT

EPD SOLUTIONS, INC.

RELATED BRISTOL AT 3600 SOUTH BRISTOL STREET

CITY OF SANTA ANA, CA

September 27, 2023





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18201 Von Karman Avenue, Suite 220
Irvine, CA 92612

EPD SOLUTIONS, INC.

E | P | D

**LAND RESIDUAL VALUE STUDY REPORT
RELATED BRISTOL AT 3600 SOUTH BRISTOL STREET
CITY OF SANTA ANA, CA**

Prepared for:

EPD Solutions, Inc.

3333 Michelson Drive, Suite 500

Irvine, CA 92612

Attention: Jeremy Krout

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I PROJECT INFORMATION

DTA was engaged to conduct a Land Residual Value ("LRV") Study (the "Study") for the Related Bristol Specific Plan project (the "Project") located in the City of Santa Ana (the "City"), California, on behalf of EPD Solutions, Inc. (the "Client"). The purpose of this LRV analysis is to determine whether the Project to be developed by RCR Bristol, LLC (the "Developer") is financially feasible. This Land Residual Study Report ("Report") was prepared to provide the City with a summary of applicable financial assumptions that were utilized by DTA to support the Related Bristol Specific Plan's ("Specific Plan's") LRV.

DTA was not provided with cost information to prepare this LRV. Instead, we have integrated information contained in DTA's Draft Market Study Report dated July 3, 2023. The basis of our costs for the LRV were the Specific Plan and the incorporation of costs developed from a database of information for similar projects provided by the firm Land Optimization Strategies and its President, Barry Gross. Based upon the assumptions presented in this Report, DTA concluded that the Net Asset Value ("NAV") of the Project exceeds its costs by \$597,895,000.

Table 1: NAV Summary

Description	Value
Total NAV	\$2,377,266,000
Total Costs	(\$1,779,371,000)
Excess of NAV Over Costs	\$597,895,000

DTA's land residual model includes a substantial number of assumptions to support our findings. The focus of this Report is to discuss the general assumptions that support the LRV for the complete build-out of the Project.

The Project site includes Income-Producing Properties ("IPP") expected to comprise 3,750 dwelling units, 350,000 square feet ("SF") of retail space, a 250-room hotel, and a 200-bed congregate care facility, as well as roadways, parks, and open space. The Project at build-out is anticipated to provide 3,896 parking spaces, the majority of which will be underground.

The Specific Plan area is located north of Interstate 405 (the San Diego Freeway) and west of State Route 55 (the Orange Freeway). The adjacent streets are Sunflower Avenue to the south, South Bristol Street to the east, South Plaza Drive to the west, and West Sunflower to the south, which is the boundary between the Cities of Santa Ana and Costa Mesa.

The intersection of South Bristol Street and West Sunflower Avenue will include the construction of a monument establishing an entrance to Santa Ana, including architecture and landscape elements that will establish a notable entry into the City.

The current use of the 41.0-acre site includes 465,000 SF of retail space, some of which is vacant, underutilized, or obsolete. The City had a vision for the redevelopment of this property and updated its General Plan to accommodate a different type of development

targeting the look and feel of an urban village. One of the primary goals of an urban village setting is that residents can walk within the community to both local-serving retail and recreational amenities. The Developer responded to the City's desires by targeting a Project design that would both achieve the desired urban feeling while offering an economically successful project.

The plan is to develop a dense urban village with ground-floor retail in all the residential buildings. The Specific Plan is designed to harmonize with the high-rise office buildings in the Arts District to the east. Another benefit of the program is that at build-out, there could be as many as 6,750 residents living in the village who would shop at the proposed 350,000 SF of retail.

Figure 1: Artist's 3-D Rendering of Project



We based our product mix on the approved Specific Plan. Based upon an artist's rendering of the site (as shown in Figure 1), we estimated the height of the buildings. It was assumed that all multifamily buildings would include ground-floor retail. A 250-room upscale hotel, with approximately 20 stories, is anticipated to be developed in the southwest corner of the Project site. The Specific Plan also proposes a 20-story, 200-unit congregate care facility to be built-out in Phase 1.

As stated in the Specific Plan, DTA based our model on the understanding that the Project shall be completed in three phases, as shown in Table 2.

Table 2: Project Schedule

Activity	Start/End	Phase 1	Phase 2	Phase 3
Approved TTMs	Start	June 2022	June 2022	June 2022
	End	December 2025	December 2025	December 2025
Horizontal Construction	Start	December 2025	June 2029	March 2032
	End	June 2029	December 2031	June 2034
Vertical Construction	Start	June 2026	December 2029	September 2032
	End	March 2030	December 2032	May 2035
Sales	Start	March 2027	September 2030	June 2033
	End	March 2030	December 2032	May 2035

The timing and cash flow related to the Specific Plan's financial analysis starts as of June 2023. DTA assumed that the processing of Tentative Tract Maps or parcel maps (collectively referred to as "TTMs" in this Report) would commence after the completion of a Development Agreement ("DA") between the City and Developer.

It is expected that a DA will be negotiated between the City and Developer. However, at the time of the NAV preparation, the DA was not completed. As a result, we did not anticipate specific terms and instead predicted general assumptions contained in similar DAs. An important assumption we made was that the DA would not address any credits for Development Impact Fees ("DIFs").

In our analysis, we assumed that the Developer would not be providing low-income housing units but would instead incur the Santa Ana Housing In-Lieu Fee of \$15.00 per SF, totaling approximately \$50,625,000 upon the build-out of the Project.

The LRV assumes the Developer will pay all costs to be incurred from today through lease-up, allowing DTA to determine each block's NAV. This includes the Developer completing the TTMs, preparation of approved engineering plans, payment of all DIFs, construction of all site development improvements, and construction of all the buildings. At the time the buildings achieve full occupancy, we assume they will be valued at their respective NAV(s).

Often, in a project of this size, a developer may sell separate parcels to third-party developers and builders. Although this will reduce the overall profit to the developer, often an early sale to a third party will return invested capital and increase other financial metrics, such as an increased Internal Rate of Return ("IRR") and Net Present Value ("NPV") of the development program. It also allows a developer to spread financial risk.

We have been informed that the property will be encumbered by a 99-year ground lease. Since most home buyers are not interested in purchasing a home on leased land, the residential development will be targeted to rental tenants.

From the CoStar site, DTA obtained information about the market for both County and multifamily products within a 2-mile radius of the Project site. In this Report, we will refer to the area within 2 miles of the site as the "2-Mile Zone."

The model assumes multifamily rental units will be delivered to the market beginning in March 2027 and ending in May 2035. There have been few apartment projects opened in the 2-Mile Zone in recent years, and rental vacancies in an area within the 2-Mile Zone are below 2.0%. We concluded that the rental units will be absorbed as they are delivered to the marketplace.

It is also important to note that the 2-Mile Zone's market area cap rate for completed multifamily project sales is about 4.0%, as provided by CoStar, a data information company that provided the market information DTA evaluated for the NAV study. Please note that forecasted multifamily cap rates are not projected to increase above 4.0% in the foreseeable future. That said, while cap rates for multifamily projects in California and across the United States have been increasing as a result of generally higher 10-year Federal government or agency bond ("Government Bond") interest rates, the impact has not been experienced in the City's 2-Mile Zone.

The model assumptions do not include price appreciation or cost inflation to comply with existing underwriting standards.

Figure 2: Multifamily Market Cap Rate



Table 3: Summary of LRV by Phase

Option	Quantity	Phase 1	Phase 1 - %	Phase 2	Phase 2 - %	Phase 3	Phase 3 - %	Total	Total %
Revenues									
Unit	3,750 DU	\$1,183,134,000	77.23%	\$396,868,000	86.87%	\$287,318,000	73.97%	\$1,867,320,000	78.07%
Leasehold	350,000 SF	\$99,921,000	6.52%	\$46,680,000	10.22%	\$72,236,000	18.60%	\$218,837,000	9.22%
Rooms	250 Rooms	\$94,619,000	6.18%	\$0	0.00%	\$0	0.00%	\$94,619,000	3.99%
Rooms	200 Rooms	\$106,470,000	6.95%	\$0	0.00%	\$0	0.00%	\$106,470,000	4.48%
Structures	3,896 Spaces	\$47,860,000	3.12%	\$13,280,000	2.91%	\$28,880,000	7.43%	\$90,020,000	3.77%
Total Revenues		\$1,532,004,000	100.00%	\$456,828,000	100.00%	\$388,434,000	100.00%	\$2,377,266,000	100.00%
Costs									
Unit		\$897,332,000	75.84%	\$307,937,000	77.59%	\$231,494,000	80.57%	\$1,436,763,000	76.07%
Leasehold		\$38,378,000	38.41%	\$19,885,000	42.60%	\$32,433,000	44.90%	\$90,696,000	41.10%
Rooms		\$71,326,000	75.38%	\$0	0.00%	\$0	0.00%	\$71,326,000	75.38%
Rooms		\$69,462,000	65.24%	\$0	0.00%	\$0	0.00%	\$69,462,000	65.24%
Structures		\$52,404,000	109.49%	\$18,084,000	136.17%	\$40,636,000	140.71%	\$111,124,000	123.61%
Total Costs		\$1,128,902,000	73.69%	\$345,906,000	75.72%	\$304,563,000	78.41%	\$1,779,371,001	74.86%
NAV									
Unit		\$285,802,000	24.16%	\$88,931,000	22.41%	\$55,824,000	19.43%	\$430,557,000	23.15%
Leasehold		\$61,543,000	61.59%	\$26,795,000	57.40%	\$39,803,000	55.10%	\$128,141,001	58.10%
Rooms		\$23,293,000	24.62%	\$0	0.00%	\$0	0.00%	\$23,293,000	24.62%
Rooms		\$37,008,000	34.76%	\$0	0.00%	\$0	0.00%	\$37,008,000	34.76%
Structures		(\$4,544,000)	(9.49%)	(\$4,804,000)	(36.17%)	(\$11,756,000)	(40.71%)	(\$21,104,000)	(23.61%)
Success of NAV Over Costs		\$403,102,000	26.31%	\$110,922,000	24.28%	\$83,871,000	21.59%	\$597,895,002	25.15%

Table 4: Summary of LRV by Product Type

Description	Apartment	Apartment - % of Revenues	Commercial	Commercial - % of Revenues	Hotel	Hotel - % of Revenues	Congregate Care	Congregate Care - % of Revenues	Community Center	Backbone	Total
	\$1,942,820,000	100.00%	\$218,837,077	100.00%	\$109,138,529	100.00%	\$106,470,000	100.00%	\$0	\$0	\$2,377,265,6
ent Soft Costs	(\$19,995,221)	(1.03%)	(\$1,957,771)	(0.89%)	(\$938,066)	(0.86%)	(\$124,933)	(0.12%)	(\$2,986,887)	(\$541,208)	(\$26,544,08
	(\$116,245,415)	(5.98%)	(\$8,997,782)	(4.11%)	(\$10,150)	(0.01%)	(\$5,346)	(0.01%)	(\$93,676)	\$0	(\$125,352,36
ent Hard Costs	(\$161,556,570)	(8.32%)	(\$960,804)	(0.44%)	(\$5,544,304)	(5.08%)	(\$728,755)	(0.68%)	(\$19,271,438)	(\$7,719,318)	(\$195,781,18
ation by Sale %	(\$18,689,409)	(0.96%)	(\$2,637,996)	(1.21%)	(\$981,940)	(0.90%)	(\$957,931)	(0.90%)	\$15,006,749	\$8,260,526	\$0
Improvement Cost	(\$316,486,614)	(16.29%)	(\$14,554,352)	(6.65%)	(\$7,474,460)	(6.85%)	(\$1,816,965)	(1.71%)	(\$7,345,252)	\$0	(\$347,677,64
uction Costs	(\$1,073,756,400)	(55.27%)	(\$59,237,437)	(27.07%)	(\$56,560,000)	(51.82%)	(\$59,388,000)	(55.78%)	\$0	\$0	(\$1,248,941,8
	(\$96,091,348)	(4.95%)	(\$11,473,692)	(5.24%)	(\$4,943,883)	(4.53%)	(\$5,614,827)	(5.27%)	\$0	\$0	(\$118,123,74
ales	(\$9,736,069)	(0.50%)	(\$218,837)	(0.10%)	(\$94,619)	(0.09%)	(\$106,470)	(0.10%)	\$0	\$0	(\$10,155,99
	(\$44,470,531)	(2.29%)	(\$5,211,641)	(2.38%)	(\$2,253,356)	(2.06%)	(\$2,535,600)	(2.38%)	\$0	\$0	(\$54,471,12
Total Costs	(\$1,540,540,962)	(79.29%)	(\$90,695,959)	(41.44%)	(\$71,326,317)	(65.35%)	(\$69,461,862)	(65.24%)	(\$7,345,252)	\$0	(\$1,779,370,3
Residual Value	\$402,279,038	20.71%	\$128,141,118	58.56%	\$37,812,212	34.65%	\$37,008,138	34.76%	(\$7,345,252)	\$0	\$597,895,25

Table 5: Project's Annual Cash Flow

	Total	% Total	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Dec-34
ation	\$2,287,246	100.00%	\$0	\$0	\$0	\$0	\$12,132	\$396,885	\$623,097	\$298,004	\$154,026	\$118,665	\$324,883	\$2,020
s	\$90,020	3.94%	\$0	\$0	\$0	\$0	\$0	\$22,260	\$13,600	\$7,820	\$4,180	\$3,420	\$9,860	\$0
venues	\$2,377,266	103.94%	\$0	\$0	\$0	\$0	\$12,132	\$419,145	\$636,697	\$305,824	\$158,206	\$122,085	\$334,743	\$2,020
Costs	(\$151,896)	(6.64%)	(\$692)	(\$2,843)	(\$2,917)	(\$2,917)	(\$22,227)	(\$12,265)	(\$32,284)	(\$22,626)	(\$932)	(\$20,825)	(\$8,408)	(\$4,524)
Costs	(\$195,781)	(8.56%)	\$0	\$0	\$0	\$0	(\$42,243)	(\$33,476)	(\$15,122)	(\$13,467)	(\$10,354)	(\$8,866)	(\$21,605)	(\$29,443)
Costs	(\$1,248,942)	(54.60%)	\$0	\$0	\$0	\$0	(\$148,515)	(\$179,814)	(\$281,871)	(\$180,328)	(\$29,478)	(\$136,930)	(\$105,218)	(\$34,969)
	(\$118,124)	(5.16%)	(\$2,019)	(\$4,001)	(\$4,085)	(\$4,176)	(\$8,545)	(\$15,334)	(\$16,165)	(\$13,400)	(\$10,473)	(\$10,384)	(\$11,259)	(\$7,665)
	(\$10,156)	(0.44%)	\$0	\$0	\$0	\$0	(\$673)	(\$1,577)	(\$2,690)	(\$1,722)	(\$511)	(\$959)	(\$1,286)	(\$263)
	(\$54,471)	(2.38%)	(\$10,593)	(\$1,052)	(\$1,566)	(\$2,120)	(\$4,849)	(\$10,228)	(\$5,915)	(\$2,173)	(\$698)	(\$3,884)	(\$3,435)	(\$1,488)
Costs	(\$1,779,370)	(77.80%)	(\$13,304)	(\$7,896)	(\$8,568)	(\$9,213)	(\$227,052)	(\$252,693)	(\$354,046)	(\$233,716)	(\$52,447)	(\$181,849)	(\$151,211)	(\$78,352)
Flow	\$597,896	21.01%	(\$13,304)	(\$7,896)	(\$8,568)	(\$9,213)	(\$214,920)	\$166,451	\$282,651	\$72,109	\$105,760	(\$59,764)	\$183,531	(\$76,333)
Flow	Peak Capital	(\$257,544)	(\$13,304)	(\$21,200)	(\$29,768)	(\$38,982)	(\$253,901)	(\$87,450)	\$195,200	\$267,309	\$373,069	\$313,305	\$496,836	\$420,503

II LRV OF THE PROJECT

DTA prepared a market study, dated July 3, 2023, for the residential, retail, hotel, and congregate care products included in the Project. The Project's NAV is summarized below.

Table 6: NAV of the Project

Description	Quantity	Phase 1	Phase 2	Phase 3	Total
Apartment	3,750 DU	\$1,183,134,000	\$396,868,000	\$287,318,000	\$1,867,320,000
Commercial	350,000 SF	\$99,921,000	\$46,680,000	\$72,236,000	\$218,837,000
Hotel	250 Rooms	\$94,619,000	\$0	\$0	\$94,619,000
Congregate	200 Rooms	\$106,470,000	\$0	\$0	\$106,470,000
Parking Structures		\$47,860,000	\$13,280,000	\$28,880,000	\$90,020,000
Total Revenues		\$1,532,004,000	\$456,828,000	\$388,434,000	\$2,377,266,000

Below is a summary of the NAV for residential uses.

Table 7: NAV for Residential Uses

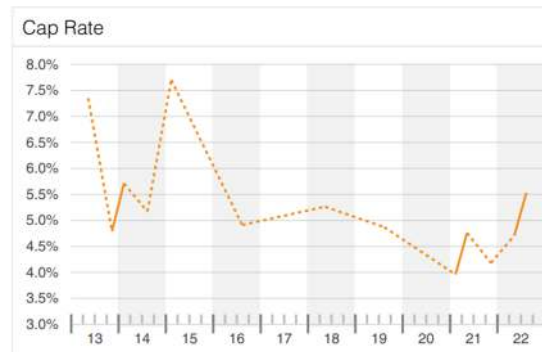
Unit	Units	Market Rent per SF	Rent Premiums	Unit SF	Market Rent per Unit	Vacancy per Unit	Net Operating Expenses per Unit	Capital Reserve per Unit	Net Operating Income per Unit	Market Cap Rate	Market Price per Unit
			4.00%			5.00%	35.00%	3.00%			
Residential	108 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	105 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	202 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	170 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	373 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	88 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	106 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	222 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	552 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	289 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	680 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	222 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	335 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Residential	298 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000
Totals	3,750 DU	\$3.50	\$0.14	3,375,000 SF	\$12,285,000	(\$614,250)	(\$4,299,750)	(\$368,550)	\$7,002,450	4.50%	\$498,000

Table 8: NAV for Retail Products

Block	SF	Monthly Rent	Scheduled Rent	Vacancy	Net Operating Expenses	Capital Reserve	Vacancy Oper. Exp. and Cap Reserve	Net Operating Income	Market Cap Rate	
- Ground-Floor Retail	31,004 SF	\$3.00 SF/Mth	\$1,116,144	5.00%	10.00%	3.00%	(\$200,906)	\$915,238	4.75%	\$
- Ground-Floor Retail	16,216 SF	\$3.00 SF/Mth	\$583,776	5.00%	10.00%	3.00%	(\$105,080)	\$478,696	4.75%	\$
etail - Grocery Anchored	38,269 SF	\$3.00 SF/Mth	\$1,377,684	5.00%	10.00%	3.00%	(\$247,983)	\$1,129,701	4.50%	\$
- Ground-Floor Retail	12,454 SF	\$3.00 SF/Mth	\$448,344	5.00%	10.00%	3.00%	(\$80,702)	\$367,642	4.75%	\$
- Ground-Floor Retail	18,810 SF	\$3.00 SF/Mth	\$677,160	5.00%	10.00%	3.00%	(\$121,889)	\$555,271	4.75%	\$
- Ground-Floor Retail	16,735 SF	\$3.00 SF/Mth	\$602,460	5.00%	10.00%	3.00%	(\$108,443)	\$494,017	4.75%	\$
- Neighborhood Retail	25,167 SF	\$3.00 SF/Mth	\$906,012	5.00%	10.00%	3.00%	(\$163,082)	\$742,930	4.75%	\$
- Ground-Floor Retail	19,070 SF	\$3.00 SF/Mth	\$686,520	5.00%	10.00%	3.00%	(\$123,574)	\$562,946	4.75%	\$
- Ground-Floor Retail	35,156 SF	\$3.00 SF/Mth	\$1,265,616	5.00%	10.00%	3.00%	(\$227,811)	\$1,037,805	4.75%	\$
- Ground-Floor Retail	20,886 SF	\$3.00 SF/Mth	\$751,896	5.00%	10.00%	3.00%	(\$135,341)	\$616,555	4.75%	\$
- Ground-Floor Retail	21,794 SF	\$3.00 SF/Mth	\$784,584	5.00%	10.00%	3.00%	(\$141,225)	\$643,359	4.75%	\$
- Ground-Floor Retail	21,015 SF	\$3.00 SF/Mth	\$756,540	5.00%	10.00%	3.00%	(\$136,177)	\$620,363	4.75%	\$
- Ground-Floor Retail	34,247 SF	\$3.00 SF/Mth	\$1,232,892	5.00%	10.00%	3.00%	(\$221,921)	\$1,010,971	4.75%	\$
- Ground-Floor Retail	17,772 SF	\$3.00 SF/Mth	\$639,792	5.00%	10.00%	3.00%	(\$115,163)	\$524,629	4.75%	\$
- Ground-Floor Retail	21,405 SF	\$3.00 SF/Mth	\$770,580	5.00%	10.00%	3.00%	(\$138,704)	\$631,876	4.75%	\$
Total	350,000 SF		\$12,600,000				(\$2,268,000)	\$10,332,000	4.72%	\$2

Based upon DTA's review of CoStar data, we assumed a market cap rate for retail property of 4.75%. Although cap rates for retail products have risen recently, we concluded that the Project will benefit from the projected 6,750 new tenants in the urban village setting. Therefore, we adjusted the cap rate to approximately 5.5% due to the number of captive consumers anticipated to live in the residential units in the urban village.

Figure 3: Retail Property Cap Rate



Below is a summary of anticipated revenues and expenses of the 250-room upscale hotel product.

Table 9: NAV for the Hotel

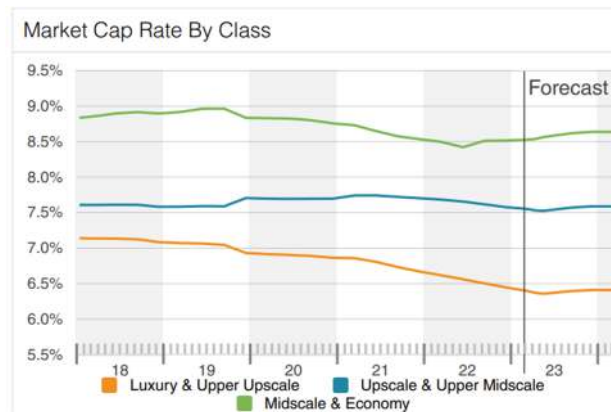
Hotel	% RevPAR	Daily Room Rent	Annual Revenue	% of Total
Rooms		250		
Base Room Rent		\$210.00	\$19,162,500	104.66%
Vacancy		(30.00%)	(\$5,748,750)	(31.40%)
RevPAR		\$147.00	\$13,413,750	73.26%
Food Sales	16.00%	\$23.52	\$2,146,200	11.72%
Beverage Sales	7.50%	\$11.03	\$1,006,031	5.49%
Technology	3.00%	\$4.41	\$402,413	2.20%
Minor Departments	10.00%	\$14.70	\$1,341,375	7.33%
Total Non-RevPAR Income		\$53.66	\$4,896,019	26.74%
Gross Hotel Revenue		\$200.66	\$18,309,769	100.00%
Hotel Expenses				
Department Expenses		(\$63.43)	(\$5,788,033)	(31.61%)
Undistributed Operating Expenses		(\$60.27)	(\$5,499,638)	(30.04%)
Fixed Charges		(\$6.62)	(\$603,618.75)	(\$0.03)
Capital Reserves for FF&E		(\$2.94)	(\$268,275.00)	(\$0.01)
Total Expenses and Reserves		(\$133.26)	(\$12,159,564.38)	(\$0.66)
Net Operating Income		\$67.40	\$6,150,204	33.59%
NAV @ 6.5% Cap Rate	6.50%		\$94,619,000	

Table 10: Hotel Operating Expenses

Expenses	% of Income	Daily Rate per Room	Daily Revenue	Annual Revenue	% of Total
Department Expenses					
Rooms	25.00%	(\$36.75)	(\$9,188)	(\$3,353,438)	(18.32%)
Food Costs	50.00%	(\$11.76)	(\$2,940)	(\$1,073,100)	(5.86%)
Beverage Costs	40.00%	(\$4.41)	(\$1,103)	(\$402,413)	(2.20%)
Food and Beverage Labor Cost	20.00%	(\$6.91)	(\$1,727)	(\$630,446)	(3.44%)
Technology Costs	15.00%	(\$0.66)	(\$165)	(\$60,362)	(0.33%)
Minor Operated Department	20.00%	(\$2.94)	(\$735)	(\$268,275)	(1.47%)
Total Department Expenses		(\$63.43)	(\$15,858)	(\$5,788,033)	(31.61%)
Undistributed Operating Expenses					
Administration and General Operating	10.00%	(\$14.70)	(\$3,675)	(\$1,341,375)	(7.33%)
Marketing	6.00%	(\$8.82)	(\$2,205)	(\$804,825)	(4.40%)
Management Fee	6.00%	(\$8.82)	(\$2,205)	(\$804,825)	(4.40%)
Franchise Fee	8.00%	(\$11.76)	(\$2,940)	(\$1,073,100)	(5.86%)
Energy	6.00%	(\$8.82)	(\$2,205)	(\$804,825)	(4.40%)
Operations and Maintenance	5.00%	(\$7.35)	(\$1,838)	(\$670,688)	(3.66%)
Total Undistributed Operating Expenses		(\$60.27)	(\$15,068)	(\$5,499,638)	(30.04%)

It is our understanding that the proposed hotel will be comparable to the Westin South Coast Plaza. According to CoStar, the cap rate for Luxury and Upper Upscale hotels in the 2-Mile Zone is 6.5%.

Figure 4: Hotel Market Cap Rate by Class



Below is a summary of the value of the congregate care facility.

Table 11: NAV for Congregate Care

Congregate Care Facility	Per Room per Month	Total Per Month	Annual
Revenues From Rooms	\$7,500	\$1,500,000	\$18,000,000
Vacancy	(\$375)	(\$75,000)	(\$900,000)
Revenues After Vacancy	\$7,125	\$1,425,000	\$17,100,000
Revenues From Services	\$3,420	\$684,000	\$8,208,000
Total Revenues	\$10,545	\$2,109,000	\$25,308,000
Department Expenses	(\$4,451)	(\$890,288)	(\$10,683,450)
Undistributed Operating Expenses	(\$2,925)	(\$585,000)	(\$7,020,000)
Insurance and Property Tax	(\$143)	(\$28,500)	(\$342,000)
Total Operating Expenses	\$3,026	\$605,213	\$7,262,550
Capital Reserves	(\$143)	(\$28,500)	(\$342,000)
Net Operating Income	\$2,884	\$576,713	\$6,920,550
NAV @ 6.5% Cap Rate			\$106,470,000

The Specific Plan specifies there will be 3,896 parking spaces. DTA assumed that all common spaces would generate \$100 per month in NOI after operating expenses. We estimated the 121 spaces allocated to the hotel property would generate \$600 per day after operating expenses. DTA further assumed the parking spaces would be valued at a cap rate of 6.0%.

Table 12: Parking Summary

Parking Spaces	Phase 1	Phase 2	Phase 3	Total
Common Spaces	1,667	664	1,444	3,775
Hotel Spaces	121	0	0	121
Total Spaces	1,788	664	1,444	3,896
Monthly Revenue from Common Spaces	\$100	\$100	\$100	\$377,500
Monthly Revenue from Hotel Spaces	\$600	0	0	\$72,600
Annual Income Common Spaces	\$2,000,400	\$796,800	\$1,732,800	\$4,530,000
Annual Income Hotel Spaces	\$871,200	\$0	\$0	\$871,200
Total Annual Parking Income	\$2,871,600	\$796,800	\$1,732,800	\$5,401,200
NAV Parking Spaces @ 6% Cap Rate	\$47,860,000	\$13,280,000	\$28,880,000	\$90,020,000

III PROJECT ASSUMPTIONS

A Cost Assumptions

In preparing the cost estimate, DTA reviewed similar projects in the local marketplace, City planning and engineering standards, planning fees, and DIFs.

It should be noted that the vertical budget for retail uses includes tenant improvement and special equipment allowances.

B Land Residual Basic Assumptions

Below is a summary of the Project by phase.

Table 13: Product Summary by Product and Phase

Product Mix	Phase 1	Phase 2	Phase 3	Total
Apartment	2,376 DU	797 DU	577 DU	3,750 DU
Commercial	158,655 SF	75,112 SF	116,233 SF	350,000 SF
Hotel	140,000 SF	0 SF	0 SF	140,000 SF
Congregate	192,000 SF	0 SF	0 SF	192,000 SF
Parking Spaces	1,788 Spaces	664 Spaces	1,444 Spaces	3,896 Spaces

We prepared budgets for each cost category by phase and product type.

1. We did not include any **land costs** in the analysis since the property is not being purchased, but we have been informed that the property is subject to a 99-year ground lease. We have also been informed that the lease payments during construction are "negligible."
2. **Land improvement indirect costs** include civil engineering, soils engineering, environmental processing, development consulting, planning fees, deposits, permits, DIFs, bonds, mitigation costs, water purchase, easement acquisition, and the lot improvement indirect contingency.

Table 14: Land Development Soft Costs

Land Development Soft Costs	Phase 1	Phase 2	Phase 3	Total
Civil Engineering	\$2,544,276	\$654,928	\$1,560,958	\$4,760,162
Soils Engineering	\$383,642	\$107,496	\$246,864	\$738,002
Environmental Processing	\$2,686,200	\$836,850	\$605,850	\$4,128,900
Development Consulting	\$3,877,975	\$1,211,549	\$1,279,569	\$6,369,092
Planning Fees, Deposits, Permits	\$1,504,574	\$363,471	\$1,354,913	\$3,222,959
Development Impact Fees	\$99,495,397	\$33,934,601	\$26,234,870	\$159,664,869
Bonds	\$274,066	\$70,088	\$149,018	\$493,172
Mitigation Costs	\$453,300	\$214,606	\$332,094	\$1,000,000
Lot Improvement Indirect Contingency	\$4,157,265	\$1,363,937	\$1,339,973	\$6,861,175
Total Land Development Soft Costs	\$115,376,695	\$38,757,526	\$33,104,109	\$187,238,330

3. **Land improvement direct costs** include site preparation, rough grading, erosion and dust control, storm drain systems, sanitary sewer systems, potable water, non-potable water, street improvements, dry utilities, fencing and walls, landscaping, common costs, Project-wide amenities, parking, repairs for bond release, reimbursements, and the lot improvement direct contingency.

Table 15: Total Land Development Hard Costs by Phase Unit

Total Land Development Hard Costs per Unit	Phase 1	Phase 2	Phase 3	Total
Site Preparation	\$1,026,075	\$335,475	\$771,900	\$2,133,450
Rough Grading	\$1,272,000	\$416,000	\$968,000	\$2,656,000
Erosion and Dust Control	\$1,776,600	\$575,100	\$1,344,600	\$3,696,300
Storm Drain System	\$4,344,480	\$827,315	\$644,818	\$5,816,613
Sanitary Sewer System	\$2,882,675	\$795,345	\$642,290	\$4,320,310
Potable Water	\$2,924,300	\$865,845	\$673,290	\$4,463,435
Non-Potable Water	\$1,130,100	\$379,095	\$274,503	\$1,783,698
Street Improvements - Concrete	\$2,162,240	\$566,960	\$410,600	\$3,139,800
Street Improvements - Asphalt	\$2,514,590	\$893,145	\$896,940	\$4,304,675
Dry Utilities	\$3,618,700	\$1,102,525	\$798,338	\$5,519,563
Fencing and Walls	\$1,483,450	\$153,600	\$356,550	\$1,993,600
Landscaping	\$2,989,120	\$208,630	\$5,662,450	\$8,860,200
Common Costs	\$1,188,000	\$398,500	\$5,688,500	\$7,275,000
Project Amenities	\$3,000,000	\$0	\$0	\$3,000,000
Parking Spaces	\$52,404,000	\$18,084,000	\$40,636,000	\$111,124,000
Repairs For Bond Release	\$844,900	\$272,694	\$596,543	\$1,714,138
Reimbursements	(\$986,010)	(\$330,758)	(\$239,501)	(\$1,556,269)
Lot Improvement Direct Contingency	\$12,686,283	\$3,831,521	\$9,018,873	\$25,536,677
Total Land Development Hard Costs	\$97,261,503	\$29,374,992	\$69,144,693	\$195,781,188

4. **Vertical costs** include all costs from the foundation to the roof of a dwelling unit, including a 5% contingency and the cost of a building permit.

5. **Indirect costs** include on-site consultants, architects, taxes/title insurance/land escrow, overall project contingency, insurance, site development field expenses, on-site construction management costs (lot improvement field management), development operations expenses (vertical construction field management), and general and administrative expenses.
6. **Marketing costs** include for-sale product, such as sales commissions, closing costs, warranty, general marketing costs, sales office design and construction, model maintenance, model upgrades, model landscaping, sales and model staff salaries, and master marketing program costs.
7. **Finance costs** include property taxes, construction loan interest, construction loan fees, and third-party fees. We assumed an interim loan rate of 7.0% and a loan fee equal to 1.0%. We were not provided with a debt-to-equity structure, so we assumed there would be no initial equity. However, the Developer would fund 10% of the costs, as incurred.
8. In preparing the cash flows to support the LRVs, we made timing assumptions that these expenditures would be made on a **"just-in-time" basis**. These assumptions may be adjusted based on discussions with the appropriate government agencies.

IV LAND IMPROVEMENT INDIRECT COSTS

A Civil Engineering

In the current environment, a Specific Plan requires a significant civil engineering effort to obtain project-related data and prepare the required maps and exhibits that are generally prepared at 100 scale (1 in = 100 ft). If a Specific Plan is prepared at a scale greater than 100, such as a 300 scale, while a TTM is subsequently prepared at 100 scale or less, the proposed lot lines may not coincide with the Specific Plan's planning area maps. In this case, the approving body may be required to approve a variance or, in significant cases, a Specific Plan Amendment requiring additional public hearings and public review. For this reason, we suggest the TTMs be prepared at 100 scale or less, although these efforts may require additional civil engineering work and additional upfront costs. We believe the cost of the extra work early in the development process will reduce costs later and is well worth the investment.

The Civil Engineer is responsible for preparing detailed supporting studies for many disciplines, including grading, erosion control, storm drain, sanitary sewer, potable and non-potable water roadways, fencing and walls landscaping, common costs, and parking. Furthermore, the City or other agencies, such as the California Department of Transportation ("Caltrans"), U.S. Fish and Wildlife Service, or California Department of Fish and Wildlife, may require additional engineering studies to support the TTMs.

Table 16: Civil Engineering Costs

Civil Engineering	Phase 1	Phase 2	Phase 3	Total
Apartment	\$1,674,115	\$642,127	\$1,098,051	\$3,414,292
Commercial	\$43,688	\$0	\$0	\$43,688
Hotel	\$363,718	\$0	\$0	\$363,718
Congregate	\$26,289	\$0	\$0	\$26,289
Amenity	\$176,640	\$12,801	\$462,907	\$652,347
Backbone	\$259,828	\$0	\$0	\$259,828
Total Civil Engineering	\$2,544,276	\$654,928	\$1,560,958	\$4,760,162

B Soil Engineering

Geotechnical studies will be required for the Project even though the Project site has previously been developed. Many geotechnical standards have changed since the Project site's geology was studied in the 1960s and 1970s. For example, the compaction standard in Orange County in the early 1980s was 85% optimum but had been revised to 90% because of grading failures during construction in Laguna Niguel and other Orange County jurisdictions. In addition to site sampling and testing, the geologist will also be required to study the effects of earthquakes, seismically induced surface ruptures, ground shaking, ground failure, subsidence and liquefaction, and potentially other issues required by the City's Public Works Agency.

In accordance with California law, a Phase 1 Report, which is an investigation for hazardous materials (qualitative testing), must be completed by a licensed professional, usually a geotechnical engineer. We have also budgeted for a Phase 2 Report (quantitative testing), with the expectation that Phase 1 will identify on-site hazardous materials issues.

There are no soil engineering costs estimated for the backbone infrastructure since we allocated backbone costs to the IPP planning areas.

Table 17: Soil Engineering Costs

Soils Engineering	Phase 1	Phase 2	Phase 3	Total
Apartment	\$173,507	\$96,776	\$149,388	\$419,670
Commercial	\$33,411	\$0	\$0	\$33,411
Hotel	\$71,941	\$0	\$0	\$71,941
Congregate	\$12,521	\$0	\$0	\$12,521
Amenity	\$92,262	\$10,720	\$97,476	\$200,458
Total Soils Engineering	\$383,642	\$107,496	\$246,864	\$738,002

C Environmental Consultants

We have assumed that a program-level Environmental Impact Report ("EIR") was required to support the General Plan Amendment ("GPA") and a Project-level GPA would be required to support the approval of the TTMs. The Project-level EIR includes the preparation of third-party reports listed below.

- Air Quality;
- Cultural Resources;
- Energy;
- Geology and Soils;
- Greenhouse Gas Emissions;
- Hazards and Hazardous Wastes;
- Hydrology and Water Quality;
- Land Use and Planning;
- Noise;
- Noise;
- Population and Housing;
- Public Services;
- Parks and Recreation
- Transportation;
- Tribal Cultural Resources;
- Utilities and Service Systems; and
- Mandatory Findings of Significance.

Table 18: Environmental Processing Costs

Environmental Processing	Phase 1	Phase 2	Phase 3	Total
Apartment	\$2,494,800	\$836,850	\$605,850	\$3,937,500
Commercial	\$28,000	\$0	\$0	\$28,000
Hotel	\$125,000	\$0	\$0	\$125,000
Congregate	\$38,400	\$0	\$0	\$38,400
Total Environmental Processing	\$2,686,200	\$836,850	\$605,850	\$4,128,900

D Development Consulting

In addition to the environmental reports listed above, a developer of a project of this size may be required to produce additional studies or retain consultants to support TTM applications. A partial listing of potential studies is included below.

- Attorneys;
- Appraisal;
- Aerial Photography;
- Financial Consultant;
- Scheduling Consultant;
- DA Consultant;
- Design Guidelines;
- Assessment District Consultants;
- Architect, Preliminary Studies;
- Architect, Commercial Site;
- Architect, School Site;
- Land Planning and Design;
- Consumer Polling;
- SWPPP Consultant;
- Landscape Architect;
- Lighting Consultant;
- Market Studies;
- Off-Site Project Consultant;
- Structural Engineering;
- Fire Hazard Consultant;
- Sewer Hydraulic Analysis;
- Traffic Studies;
- Water System Design;
- Visual Stimulation;
- Political Consultant;
- Public Outreach; and
- Dry Utility Consulting.

Table 19: Development Consulting Estimate

Development Consulting	Phase 1	Phase 2	Phase 3	Total
Apartment	\$3,264,667	\$1,128,760	\$885,811	\$5,279,239
Commercial	\$185,628	\$75,112	\$116,233	\$376,973
Hotel	\$268,222	\$0	\$0	\$268,222
Congregate	\$9,610	\$0	\$0	\$9,610
Amenity	\$149,847	\$7,677	\$277,524	\$435,048
Total Development Consulting	\$3,877,975	\$1,211,549	\$1,279,569	\$6,369,092

E Planning Fees, Deposits, and Permits

As required by City ordinances and policies, a developer is required to pay various fees to compensate the City for reviewing plans and reports. Cities often require developers to make deposits to be made to ensure developer payment for future services, such as inspection fees. The City requires developers to obtain permits for the installation of approved construction projects.

Table 20: Planning Fees Deposits and Permit Estimate

Planning Fees, Deposits, Permits	Phase 1	Phase 2	Phase 3	Total
Apartment	\$976,587	\$352,609	\$305,915	\$1,635,111
Commercial	\$36,093	\$3,756	\$5,812	\$45,660
Hotel	\$18,290	\$0	\$0	\$18,290
Congregate	\$21,819	\$0	\$0	\$21,819
Amenity	\$246,430	\$7,107	\$1,043,187	\$1,296,723
Backbone	\$205,355	\$0	\$0	\$205,355
Total Planning Fees, Deposits, Permits	\$1,504,574	\$363,471	\$1,354,913	\$3,222,959

Backbone costs are those related to non-IPP that benefit the entire Project. They include plan check and inspection fees for the police station, entry monumentation on South Bristol, off-site sanitary sewer connection, etc.

F DIFs

A DIF is a monetary exaction other than a tax or special assessment that is charged by a local governmental agency in connection with approval of a development project. A DIF is structured to mitigate all or a portion of costs for public facilities related to the development project. The City currently conditions the following DIFs: Transportation System Improvements Fee, Transit Zoning Code Traffic Impact Mitigation Fee, Harbor Specific Plan Mitigation Fee, Foothill Transportation Corridor Fee, San Joaquin Hill Corridor Fee, Drainage Assessment Fee, Orange County Sanitation Sewer Connection Fee, Orange County Sanitation District Fee, Santa Ana School District Fee, and Santa Ana Affordable Housing In-Lieu Fee.

Table 21: DIF Summary by Fee Type

DIFs	Total Quantity	Unit	Unit Price	Total Cost
Santa Ana Transportation System Improvement Area Multifamily Fee - Area	3,375,000	SF	\$1.10	\$3,712,500
Santa Ana Transportation System Improvement Area Non-Residential Fee - Area	350,000	SF	\$3.31	\$1,158,500
Santa Ana Transit Zoning Code Traffic Impact Mitigation Fee - Multifamily	3,750	DU	\$1,270.04	\$4,762,650
Santa Ana Transit Zoning Code Traffic Impact Mitigation Fee - Retail	350,000	SF	\$9.11	\$3,188,500
Santa Ana Harbor Specific Plan Mitigation Fee	3,750	DU	\$850.00	\$3,187,500
Foothill Transportation Corridor Fee - Multifamily	3,750	DU	\$2,568.00	\$9,630,000
Foothill Transportation Corridor Fee - Non-Residential	350,000	SF	\$4.99	\$1,746,500
San Joaquin Hill Corridor Fee - Multifamily	3,750	DU	\$2,735.00	\$10,256,250
San Joaquin Hill Corridor Fee - Non-Residential	350,000	SF	\$5.99	\$2,096,500
Drainage Assessment Fee - Zone	41	AC	\$7,748.21	\$318,219
Orange County Sanitation Sewer Connection Fee	75,000	Fix	\$49.00	\$3,675,000
Orange County Sanitation District - Multifamily Capacity Fee	3,750	DU	\$3,743.00	\$14,036,250
Orange County Sanitation District - Non-Residential Capacity Fee - Avg 2 Bdrms	350,000	SF	\$1.49	\$519,750
Santa Ana School District Impact Fee - Residential	3,375,000	SF	\$4.79	\$16,166,250
Santa Ana School District Impact Fee - Commercial	350,000	SF	\$0.78	\$273,000
Santa Ana Affordable Housing In Lieu Fee	3,375,000	SF	\$15.00	\$50,625,000
Total DIFs				\$125,352,369

These DIFs are summarized below by product type.

Table 22: DIF Summary by Product and Phase

DIFs	Phase 1	Phase 2	Phase 3	Total
Apartment	\$73,609,896	\$24,709,653	\$17,925,866	\$116,245,415
Commercial	\$4,086,912	\$1,927,749	\$2,983,120	\$8,997,782
Hotel	\$10,150	\$0	\$0	\$10,150
Congregate	\$5,346	\$0	\$0	\$5,346
Amenity	\$42,693	\$4,649	\$46,334	\$93,676
Total DIFs	\$77,754,997	\$26,642,051	\$20,955,320	\$125,352,369

The DIFs do not include any potential DIF credits. We believe there may be credits, but they will be negotiated as part of the DA.

G Bonds

The City will require that the Developer provide Subdivision Agreements to ensure the completion of certain improvements. The typical method to guarantee the completion of improvements is to provide a subdivision completion bond. The subdivision bond costs for each phase of the Project are presented below.

Table 23: Subdivision Bond Costs

Bonds	Phase 1	Phase 2	Phase 3	Total
Apartment	\$185,578	\$68,502	\$61,252	\$315,332
Commercial	\$6,665	\$0	\$0	\$6,665
Hotel	\$5,340	\$0	\$0	\$5,340
Congregate	\$4,790	\$0	\$0	\$4,790
Amenity	\$44,868	\$1,586	\$87,767	\$134,221
Backbone	\$26,825	\$0	\$0	\$26,825
Total Bonds	\$274,066	\$70,088	\$149,018	\$493,172

H Mitigation Allowance

In most cases, retail leases are less than 10 years (although some offer tenant extension), and this should allow the owner to coordinate tenant move-outs in accordance with construction phasing. If there are existing tenant leases that could impact construction timing, the owner may incur lease termination costs to entice existing tenants to abandon their existing locations. We have included a \$1.0 million allowance for the termination of existing lease obligations.

Table 24: Mitigation Costs

Mitigation Costs	Phase 1	Phase 2	Phase 3	Total
Commercial	\$453,300	\$214,606	\$332,094	\$1,000,000
Total Mitigation Costs	\$453,300	\$214,606	\$332,094	\$1,000,000

I Lot Improvement Indirect Contingency

We have provided a contingency for land development soft costs. All categories have a 10% contingency, except for DIFs, which have a 3% contingency.

Table 25: Lot Improvement Indirect Contingency by Product and Phase

Lot Improvement Indirect Contingency	Phase 1	Phase 2	Phase 3	Total
Apartment	\$3,085,222	\$1,053,852	\$849,003	\$4,988,077
Commercial	\$201,286	\$87,180	\$134,907	\$423,373
Hotel	\$85,556	\$0	\$0	\$85,556
Congregate	\$11,503	\$0	\$0	\$11,503
Amenity	\$72,285	\$4,129	\$197,676	\$274,090
Backbone	\$49,201	\$0	\$0	\$49,201
Total Lot Improvement Indirect Contingency	\$3,505,053	\$1,145,160	\$1,181,586	\$5,831,800

V LAND IMPROVEMENT DIRECT COSTS

Land improvement direct costs include site preparation, rough grading, erosion and dust control, storm drain systems, sanitary sewer systems, potable water, non-potable water, street improvements, dry utilities, fencing and walls, landscaping, common costs, Project-wide amenities, parking, repairs for bond release, reimbursements, and the lot improvement direct contingency.

A Site Preparation

The site preparation cost includes the demolition of existing on-site structures. This is often a difficult category to budget since the third-party contractors often offset the demo costs with revenues generated from sale of reclaimed material, such as copper wiring, asphalt, concrete, etc. Without having a third-party contractor bid, we estimated that the net costs of demo would be about \$50,000 per acre.

Table 26: Site Preparation Costs

Site Preparation	Phase 1	Phase 2	Phase 3	Total
Apartment	\$543,225	\$305,475	\$472,900	\$1,321,600
Commercial	\$101,850	\$0	\$0	\$101,850
Hotel	\$68,775	\$0	\$0	\$68,775
Congregate	\$36,725	\$0	\$0	\$36,725
Amenity	\$275,500	\$30,000	\$299,000	\$604,500
Total Site Preparation	\$1,026,075	\$335,475	\$771,900	\$2,133,450

B Rough Grading

Absent geotechnical information, we assumed that the entire Project site would need to be regraded. We estimated this would require 10 feet of removal and replacement.

Table 27: Grading Costs

Rough Grading	Phase 1	Phase 2	Phase 3	Total
Apartment	\$664,000	\$376,000	\$580,000	\$1,620,000
Commercial	\$124,000	\$0	\$0	\$124,000
Hotel	\$84,000	\$0	\$0	\$84,000
Congregate	\$44,000	\$0	\$0	\$44,000
Amenity	\$356,000	\$40,000	\$388,000	\$784,000
Total Rough Grading	\$1,272,000	\$416,000	\$968,000	\$2,656,000

C Erosion and Dust Control

We estimated that erosion and dust control would cost about \$90,000 per acre.

Table 28: Erosion and Dust Control Costs

Erosion and Dust Control	Phase 1	Phase 2	Phase 3	Total
Apartment	\$926,100	\$521,100	\$806,400	\$2,253,600
Commercial	\$174,600	\$0	\$0	\$174,600
Hotel	\$117,900	\$0	\$0	\$117,900
Congregate	\$62,100	\$0	\$0	\$62,100
Amenity	\$495,900	\$54,000	\$538,200	\$1,088,100
Total Erosion and Dust Control	\$1,776,600	\$575,100	\$1,344,600	\$3,696,300

D Storm Drain Systems

The estimate for storm drain improvements includes replacing most of the existing storm drain since the current locations are not in accordance with the proposed Project. DTA also added costs for 54-inch, 60-inch, and 78-inch Reinforced Concrete Pipe ("RCP") as described in the Specific Plan. Finally, we added a Local Impact Development ("LID") allowance in accordance with City requirements and traffic control while the improvements are installed.

Table 29: Storm Drain Estimate

Storm Drain System	Phase 1	Phase 2	Phase 3	Total
Apartment	\$2,421,980	\$819,815	\$614,818	\$3,856,613
Commercial	\$7,500	\$0	\$0	\$7,500
Hotel	\$7,500	\$0	\$0	\$7,500
Congregate	\$7,500	\$0	\$0	\$7,500
Amenity	\$30,000	\$7,500	\$30,000	\$67,500
Backbone	\$1,870,000	\$0	\$0	\$1,870,000
Total Storm Drain System	\$4,344,480	\$827,315	\$644,818	\$5,816,613

E Sanitary Sewer Systems

The estimate for sanitary system improvements is based upon removing and replacing all the in-tract sewer lines since DTA determined that the Project will be relocating all the easements where the sewer lines are currently located. The Specific Plan states that a new 78-inch vitrified clay pipe would be required to connect to existing infrastructure. We also budgeted traffic control during construction.

Table 30: Sanitary Sewer Estimate

Sanitary Sewer System	Phase 1	Phase 2	Phase 3	Total
Apartment	\$2,306,550	\$784,470	\$598,790	\$3,689,810
Commercial	\$10,875	\$0	\$0	\$10,875
Hotel	\$10,875	\$0	\$0	\$10,875
Congregate	\$10,875	\$0	\$0	\$10,875
Amenity	\$43,500	\$10,875	\$43,500	\$97,875
Backbone	\$500,000	\$0	\$0	\$500,000
Total Sanitary Sewer System	\$2,882,675	\$795,345	\$642,290	\$4,320,310

F Potable and Reclaimed Water

As with sanitary sewer systems, DTA estimated the costs of removing and replacing all the in-tract potable water lines since we determined the Project will be moving all the easements where the sewer lines are currently located. We budgeted traffic control during construction. We also estimated that the City would require the Developer to install non-potable water lines throughout the Project site in accordance with current City requirements.

Table 31: Potable Water Costs

Potable Water	Phase 1	Phase 2	Phase 3	Total
Apartment	\$2,412,300	\$837,345	\$559,290	\$3,808,935
Commercial	\$28,500	\$0	\$0	\$28,500
Hotel	\$28,500	\$0	\$0	\$28,500
Congregate	\$28,500	\$0	\$0	\$28,500
Amenity	\$114,000	\$28,500	\$114,000	\$256,500
Backbone	\$312,500	\$0	\$0	\$312,500
Total Potable Water	\$2,924,300	\$865,845	\$673,290	\$4,463,435

Table 32: Non-Potable Water Costs

Non-Potable Water	Phase 1	Phase 2	Phase 3	Total
Apartment	\$1,130,100	\$379,095	\$274,503	\$1,783,698
Total Non-Potable Water	\$1,130,100	\$379,095	\$274,503	\$1,783,698

G Street Improvements

The estimate for street improvements includes asphalt, concrete, and streetlights. Since the Specific Plan is not specific on the street profiles, DTA reviewed City standard plans and made estimates for the street widths. We estimate an average streetlight with a cost of \$6,000 per fixture, totaling about \$1.0 million upon the build-out of the Project.

Table 33: Street Improvement Budget

Street Improvements	Phase 1	Phase 2	Phase 3	Total
Apartment	\$4,095,280	\$1,452,455	\$1,276,940	\$6,824,675
Commercial	\$170,850	\$0	\$0	\$170,850
Hotel	\$166,850	\$0	\$0	\$166,850
Congregate	\$213,250	\$0	\$0	\$213,250
Amenity	\$30,600	\$7,650	\$30,600	\$68,850
Backbone	\$0	\$0	\$0	\$0
Street Improvements	\$4,676,830	\$1,460,105	\$1,307,540	\$7,444,475

H Dry Utilities

The dry utility allowance includes cost for electricity, gas, telephone, and internet. The estimate is based upon locating dry utilities in the proposed interior street to service all the buildings.

Table 34: Dry Utility Costs

Dry Utilities	Phase 1	Phase 2	Phase 3	Total
Apartment	\$3,286,700	\$1,102,525	\$798,338	\$5,187,563
Commercial	\$140,000	\$0	\$0	\$140,000
Congregate	\$192,000	\$0	\$0	\$192,000
Dry Utilities	\$3,618,700	\$1,102,525	\$798,338	\$5,519,563

I Fencing and Walls

The fencing and walls allowance includes interior walls surrounding each planning area. Included in this group is a \$1.0 million allowance for street monumentation on South Bristol Street at the boundary between Cities of Santa Ana and Costa Mesa as referred to in Sections 3-4 of the Specific Plan.

Table 35: Fencing and Wall Budget

Fencing and Walls	Phase 1	Phase 2	Phase 3	Total
Apartment	\$240,900	\$129,300	\$208,200	\$578,400
Commercial	\$43,650	\$0	\$0	\$43,650
Hotel	\$35,850	\$0	\$0	\$35,850
Congregate	\$25,950	\$0	\$0	\$25,950
Amenity	\$137,100	\$24,300	\$148,350	\$309,750
Backbone	\$1,000,000	\$0	\$0	\$1,000,000
Fencing and Walls	\$1,483,450	\$153,600	\$356,550	\$1,993,600

J Landscaping

The landscape category includes an allocation of landscaping adjacent to each building. We also include an estimate for Bristol Green, Bristol Plaza, Central Park, Greenlink South, and Greenlink North at \$1,500,000 per acre. The estimate includes landscape maintenance for 6 months.

Table 36: Landscaping Estimate

Landscaping	Phase 1	Phase 2	Phase 3	Total
Apartment	\$353,470	\$199,305	\$307,175	\$859,950
Commercial	\$31,050	\$0	\$0	\$31,050
Hotel	\$21,225	\$0	\$0	\$21,225
Congregate	\$10,875	\$0	\$0	\$10,875
Amenity	\$2,572,500	\$9,325	\$5,355,275	\$7,937,100
Landscaping	\$2,989,120	\$208,630	\$5,662,450	\$8,860,200

K Common Costs

The common cost category includes an allowance for the multifamily units at \$500 per unit and an allowance for a community center to be built adjacent to the Bristol Central Park for a total of \$5,400,000.

Table 37: Common Costs Allowance

Common Costs	Phase 1	Phase 2	Phase 3	Total
Apartment	\$1,188,000	\$398,500	\$288,500	\$1,875,000
Amenity	\$0	\$0	\$5,400,000	\$5,400,000
Common Costs	\$1,188,000	\$398,500	\$5,688,500	\$7,275,000

L Project Amenities

The Project amenities include the construction of a police station to be located on-site.

Table 38: Project Amenity Allowance

Project Amenities	Phase 1	Phase 2	Phase 3	Total
Police Station	\$3,000,000	\$0	\$0	\$3,000,000
Project Amenities	\$3,000,000	\$0	\$0	\$3,000,000

M Parking

In the parking space category, we include above-grade, surface, and below-grade spaces. DTA was not able to discern the specifications for the parking facilities, so we estimated the costs based upon typical costs but reduced the unit costs since there would be an economy of scale for the larger facilities. Typical parking spaces have column spacing at 24 feet for parking under high-rise buildings and 60 feet of spacing for low-rise and spaces without buildings located overhead. The above-grade spaces are priced at \$30,000 per space, surface spaces at \$4,000 per space, and below-grade spaces at \$35,000 per space. Below is the distribution of the individual spaces. Parking spaces will be shared among the various product types based upon the time of day the spaces are required.

Table 39: Parking Budget

Parking Spaces	Phase 1	Phase 2	Phase 3	Total
Above-Grade	107	33	65	205
Surface	311	161	309	781
Below-Grade	1,370	470	1,070	2,910
Total Parking Spaces	1,788	664	1,444	3,896

Table 40: Parking Space Budget

Parking Spaces	Phase 1	Phase 2	Phase 3	Total
Apartment	\$48,169,000	\$18,084,000	\$40,636,000	\$106,889,000
Hotel	\$4,235,000	\$0	\$0	\$4,235,000
Parking Spaces	\$52,404,000	\$18,084,000	\$40,636,000	\$111,124,000

N Repairs for Bond Releases

Repairs for bond releases are costs that a developer incurs to exonerate subdivision completion bonds. These costs are generally incurred after the completion of improvements to support the release of subdivision bonds.

Table 41: Costs of Repairs for Bond Releases

Repairs For Bond Release	Phase 1	Phase 2	Phase 3	Total
Apartment	\$735,490	\$271,464	\$481,446	\$1,488,400
Commercial	\$2,607	\$0	\$0	\$2,607
Hotel	\$44,659	\$0	\$0	\$44,659
Congregate	\$1,925	\$0	\$0	\$1,925
Amenity	\$30,270	\$1,230	\$115,098	\$146,597
Backbone	\$29,950	\$0	\$0	\$29,950
Repairs For Bond Release	\$844,900	\$272,694	\$596,543	\$1,714,138

O Reimbursements

In general, the dry utility purveyors provide reimbursement to a developer for installing utility facilities that are "sold" to the utility when the user commences service. The reimbursements usually occur during the life cycle of a project and are reimbursed when the affected utility is brought online.

Table 42: Dry Utility Reimbursements

Reimbursements	Phase 1	Phase 2	Phase 3	Total
Apartment	(\$986,010)	(\$330,758)	(\$239,501)	(\$1,556,269)
Reimbursements	(\$986,010)	(\$330,758)	(\$239,501)	(\$1,556,269)

P Lot Improvement Direct Contingency

DTA also estimated the lot improvement direct cost contingency at 15% of the total direct costs. We chose 15% since we lacked construction details when preparing the budget. This estimate is similar to other projects that do not have a completed engineering design.

Table 43: Lot Improvement Direct Cost Contingency

Lot Improvement Direct Contingency	Phase 1	Phase 2	Phase 3	Total
Apartment	\$10,123,063	\$3,799,514	\$7,104,570	\$21,027,146
Commercial	\$125,322	\$0	\$0	\$125,322
Hotel	\$723,170	\$0	\$0	\$723,170
Congregate	\$95,055	\$0	\$0	\$95,055
Amenity	\$612,806	\$32,007	\$1,914,303	\$2,559,116
Backbone	\$1,006,868	\$0	\$0	\$1,006,868
Lot Improvement Direct Contingency	\$12,686,283	\$3,831,521	\$9,018,873	\$25,536,677

VI VERTICAL COSTS

Vertical costs include all costs from the foundation to the roof of a dwelling unit, including a 5% contingency and the cost of a building permit. Table 44 lists the total of the vertical costs and Table 45 represents an analysis of the vertical costs by product type per SF. Vertical costs related to the commercial properties are in addition to the residential costs.

Table 44: Vertical Costs by Product Type and Phase

Total Vertical Construction Costs	Phase 1	Phase 2	Phase 3	Total
Apartment	\$680,331,900	\$228,209,100	\$165,215,400	\$1,073,756,400
Commercial	\$23,726,293	\$13,939,830	\$21,571,314	\$59,237,437
Hotel	\$56,560,000	\$0	\$0	\$56,560,000
Congregate	\$59,388,000	\$0	\$0	\$59,388,000
Total Vertical Construction Costs	\$820,006,193	\$242,148,930	\$186,786,714	\$1,248,941,837

Table 45: Vertical Cost Estimates per SF

Vertical Cost Data	Phase 1	Phase 2	Phase 3	Total
Residential SF	2,138,400 SF	717,300 SF	519,300 SF	3,375,000 SF
Residential Cost per SF	\$318.15	\$318.15	\$318.15	\$318.15
Commercial SF	158,655 SF	75,112 SF	116,233 SF	350,000 SF
Commercial Cost per SF	\$149.55	\$185.59	\$185.59	\$169.25
Hotel SF	140,000 SF	0 SF	0 SF	140,000 SF
Hotel Cost per SF	\$404.00	\$0.00	\$0.00	\$404.00
Congregate Care SF	192,000 SF	0 SF	0 SF	192,000 SF
Congregate Care per SF	\$309.31	\$0.00	\$0.00	\$309.31
Total Vertical Cost	\$311.90	\$305.58	\$293.91	\$307.85

VII INDIRECT COSTS

Indirect costs include on-site consultants, architects, taxes/title insurance/land escrow, overall project contingency, insurance, site development field expenses, on-site construction management costs (lot improvement field management), development operations expenses (vertical construction field management), and general and administrative expenses.

Table 46: Indirect Cost Allowance

Indirect Costs	Phase 1	Phase 2	Phase 3	Total
On-Site Consultants, Including Architects	\$1,878,983	\$684,168	\$1,126,850	\$3,690,000
Taxes/Title Insurance/Land Escrow	\$1,484,144	\$443,548	\$359,554	\$2,287,246
Overall Project Contingency	\$14,841,437	\$4,435,479	\$3,595,541	\$22,872,456
Insurance	\$22,227,017	\$6,642,717	\$5,384,798	\$34,254,531
Site Development Field Expense	\$2,465,737	\$736,905	\$597,358	\$3,800,000
On-Site Construction Management Fee	\$2,271,073	\$678,728	\$550,199	\$3,500,000
Development Operations Expense	\$1,687,083	\$504,198	\$408,719	\$2,600,000
General and Admin Expense - 2.0%	\$29,682,874	\$8,870,958	\$7,191,081	\$45,744,912
Total Indirect Costs	\$76,538,347	\$22,996,699	\$19,214,099	\$118,749,145

VIII MARKETING COSTS

Marketing costs related to for-sale product usually include sales commissions, closing costs, warranty, general marketing costs, sales office design and construction, model maintenance, model upgrades, model landscaping, sales and model staff salaries, and master marketing program costs. However, since the entire Project is a for-rent program, we included an estimate of closing costs (since we assumed all products would be sold to determine LRV) and an allowance for marketing costs during the rent-up period.

Table 47: Marketing Cost Allowance

Marketing Costs	Phase 1	Phase 2	Phase 3	Total
Closing Costs	\$1,484,144	\$443,548	\$359,554	\$2,287,246
Marketing Costs	\$5,688,144	\$1,908,018	\$272,587	\$7,868,749
Total Marketing Costs	\$7,172,288	\$2,351,566	\$632,141	\$10,155,994

IX FINANCE COSTS

Finance costs include property taxes, construction loan interest, construction loan fees, and third-party fees. We assumed an interim loan rate of 7.0% and a loan fee equal to 1.0%. We were not provided with a debt-to-equity structure, so we assumed there would be no initial equity. However, the Developer would fund 10% of the costs, as incurred.

Table 48: Finance Cost Estimate

Finance Costs	Phase 1	Phase 2	Phase 3	Total
Property Taxes	\$161,035	\$48,127	\$39,013	\$248,174
Construction Loan Interest	\$28,438,394	\$8,499,035	\$6,889,589	\$43,827,018
Construction Loan Fee	\$6,745,695	\$2,016,003	\$1,634,237	\$10,395,935
Equity Lender Financing	\$35,345,124	\$10,563,165	\$8,562,839	\$54,471,128

X CONCLUSION

DTA reviewed the Specific Plan to understand the proposed Project. We obtained market information from CoStar for multifamily, retail, hotel, and congregate care products for both Orange County and a 2-Mile Zone surrounding the Project site. We also reviewed the City's website for development regulations and standard plans for construction projects. DTA assessed DIFs currently being imposed by the City from various government websites.

DTA referred to its database for development costs and reviewed similar projects to budget the indirect costs, marketing costs, and financing costs that are discussed above. We prepared a Project cash flow in accordance with the Project timing described in the Specific Plan.

Often, large-scale development projects are amended as more information is analyzed. Product mixes may change after the completion of detailed market studies that may identify alternative product mixes and product types that may yield better financial metrics. DTA assumed that the final land plan and individual buildings may be modified to address the evolving marketplace during the life of the Project, which the Specific Plan identities will be completed in 2035.

In preparing our Report, DTA evaluated the Specific Plan and determined that the Project would be financially successful based upon the available information, although we acknowledge Project metrics may change as more information becomes available. Based upon the information reviewed, DTA determined that the proposed Project would be profitable since the Project's NAV is \$597,895,000, as shown in Table 49 below.

Table 49: NAV Summary

Description	Value
Total NAV	\$2,377,266,000
Total Costs	(\$1,779,371,000)
Excess of NAV Over Costs	\$597,895,000



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MARKET STUDY REPORT

EPD SOLUTIONS, INC.

RELATED BRISTOL AT 3600 SOUTH BRISTOL STREET

CITY OF SANTA ANA, CA

September 2023

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EPD SOLUTIONS, INC.



DRAFT MARKET STUDY REPORT

RELATED BRISTOL AT 3600 SOUTH BRISTOL STREET

CITY OF SANTA ANA, CA

Prepared for:

EPD Solutions, Inc.

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Attention: Jeremy Krout

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I PROJECT INFORMATION

DTA has been engaged to conduct a Market Study (the “Study”) for the Related Bristol Specific Plan project (the “Project”) located in the City of Santa Ana (the “City”), California, on behalf of EPD Solutions, Inc. (the “Client”). The Project has been proposed by RCR Bristol, LLC (the “Developer”). The specific purposed of the Market Study Report (the “Report”) is to provide the City with a better understanding of current real estate market conditions, a forecast of anticipated future absorption of the Project (estimated to be 10 years for the residential component), and an analysis of the financial opportunities inherent in the Related Bristol Specific Plan (“Specific Plan”).

Figure 1: Project Site



The Project site includes Income-Producing Properties (“IPP”) expected to comprise 3,750 dwelling units, 350,000 square feet (“SF”) of retail space, a 250-room hotel, and a 200-bed congregate care facility, as well as roadways, parks, and open space. The Project is also planning to construct 3,690 parking spaces, the vast majority of which will be underground.

The Specific Plan area is located north of Interstate 405 (the San Diego Freeway) and west of State Route 55 (the Orange Freeway). The adjacent streets are Sunflower Avenue to the south, South Bristol Street to the east, South Plaza Drive to the west, and West Sunflower to the south, with the latter being the boundary between Santa Ana and Costa Mesa.

The current use of the 41.0-acre site includes 465,000 SF of obsolete retail space. The City had a vision for the redevelopment of this area, known as the South Bristol Focus Area, and updated its General Plan to accommodate a different type of development targeting the look and feel of an urban village. A primary goal of an urban village setting is that residents desire that the community be walkable to both local-serving retail and recreational amenities. The Developer responded to the City's desires by targeting a Project design that would both achieve the desired urban feeling while creating an economically successful project. The adjacency to South Coast Plaza and Segerstrom Center for the Arts provides a strong draw for people to both live and work in the surrounding community.

The Project site is strategically located within:

- 3 miles of the Irvine Business District, adjacent to John Wayne Airport (SNA);
- 5 miles to downtown Santa Ana, the seat of Santa Ana and Orange County governments;
- 6 miles to Fashion Island, a high-rise office and residential district in Newport Beach; and
- 12 miles to the Irvine Spectrum Center, a high-rise office and residential district at the intersection of the I-5 and I-405 freeways.

Although there are other business districts within Orange County (the “County”), these four areas are generally considered the center of commerce and business for the County.

Figure 2: Prominent Orange County Business Districts



II PROJECT BACKGROUND

In order to fully understand the Specific Plan, DTA's market analysis encompassed the review of historical data and future projections, including appropriate metrics such as rental housing supply, local demographics, employment, etc. The source of our information was the CoStar real estate database. While some of the metrics are based upon year-end 2022 information, most of the data has been updated through April 2023.

As of August 2023, the California Economic Development Department (the "Department") estimates that there are 1,708,900 jobs in the County and a current unemployment rate of 3.9%. The Department also indicates that there was a 3.0% increase in the Consumer Price Index ("CPI") on a year-over-year basis. This is a strong indication that economic activity and the local marketplace are still robust.

The population of the City as of July 2022 was just over 308,000 people residing in approximately 82,058 dwelling units, an average of four persons per household. The median household income is \$77,000, with a population of more than 11,300 residents per square mile.

III FINANCIAL SUMMARY

DTA evaluated the Specific Plan to determine its viability. This included determining the Project revenues for each product class by construction phase, as follows:

Table 1: Market Value of Project Properties by Phase

Revenues	Unit	Phase 1	Phase 2	Phase 3	Total
Apartment	3,750 DU	\$1,183,632,000	\$396,868,000	\$286,820,000	\$1,867,320,000
Commercial	349,998 SF	\$99,921,000	\$46,680,000	\$72,236,000	\$218,837,000
Hotel	250 Rooms	\$94,619,000	\$0	\$0	\$94,619,000
Congregate	200 Rooms	\$119,215,000	\$0	\$0	\$119,215,000
Total		\$1,497,387,000	\$443,548,000	\$359,056,000	\$2,299,991,000

IV RESIDENTIAL MARKET RESEARCH

The data included in this Report are from CoStar. According to the CoStar website¹:

Figure 3: Specific Plan Map



“CoStar is the industry leader in commercial real estate information, analytics and news. We provide our clients with the data and tools they need to make smart decisions and stay ahead of the competition. Our extensive research operation delivers the most comprehensive data available, giving our clients a clear understanding of the transactions, trends, assets and players in the market. With over 188,000 industry professionals relying on us, CoStar is truly where commercial real estate goes when it needs to know.

We don't just say we have the best commercial real estate data. We back it up. In the past 3 years, we've invested over \$2.5B in research and technology, giving our clients an unparalleled source of commercial real estate data and analytics.”

From the CoStar site, DTA obtained information about the market for both County and multifamily products within a 2-mile radius of the Project site. In this Report, we will refer to the area within 2 miles of the site as the “2-Mile Zone.”

The County data includes more than 11,000 multifamily properties, whereas the 2-Mile Zone data set includes 250 multifamily properties. According to CoStar, much of this information has been updated through April 2023.

It is important to note that the World Health Organization officially recognized that COVID-19 began in January 2020. However, based upon multifamily rental activity in the area, the most significant event was an increase in rental rates in the area, although the unemployment rate

in the City reached 8.3% in 2021. In the last 3 years, the unemployment rate has dropped to 3.4%, signifying a healthy economy in the City.

¹ Source: <https://www.costar.com/about>.

V RESIDENTIAL PROJECTS PROPOSED IN THE SPECIFIC PLAN

A Residential

The Project is envisioned as a mixed-use urban community with multiple blocks of residential uses over ground-floor retail shops throughout the Specific Plan area. This Specific Plan does not intend to limit or restrict the residential building types or architectural style. Residential uses may be single-use buildings within a block or in a mixed-use building with ground-floor retail uses. Residential building types may include but are not limited to the following:

1. Tower on podium, which is multi-level tower organized around or above a central core.
2. Podium structure, which is a multi-level structure situated on top of a concrete or steel podium base.
3. Wrap structure, which is a multi-level building surrounding an internal parking structure.
4. Live-work is an integrated residence and workspace occupied by a single household. This is a relatively low-density building type that is permitted but not anticipated within the Specific Plan area.
5. Townhomes, which are individual attached units arranged side-by-side.
6. Stacked dwellings, which are units within a single structure that are stacked one above the other.

DTA did not include any land costs in our analysis since the property is not being purchased, but we were informed that the property is subject to a 99-year ground lease. We have also been informed that the lease payments during construction are “negligible.” Since most home buyers are not interested in purchasing a home on leased land, the residential development will be targeted to rental tenants.

B Retail

The existing retail center of 465,000 SF was developed in the 1970s. Based upon changes in the retail operations and impacted by new technology companies such as Amazon, significant existing traditional retail is becoming obsolete, which is happening to this retail center.

The existing center includes a Vons grocery store, which will be replaced by a more modern grocery store. Modern grocery stores will be smaller than traditional grocery stores because they will benefit from an improved supply chain that is able to deliver replacement inventory faster, especially for slower moving products. Further, new grocery stores are transitioning to more energy-efficient freezing and refrigeration systems that in many cases require a complete revamping of interior space. Other changes include

Figure 4: Specific Plan Block Designation



cameras and shelf sensors, smart carts, and touchless checkout kiosks. The proposed neighborhood retail center will serve more than 6,750 new residents living in the 3,750 proposed residential units. The center will also target restaurants and other local-serving retail, such as specialty retail, dry cleaners, ice cream stores, liquor stores, coffee shops, gyms, and banks. The availability of convenient underground parking should provide a draw for customers who live outside the immediate Project area.

C Hotel

The current Specific Plan includes the construction of a 250-room hotel similar to the upscale Westin South Coast Plaza to the east. Hospitality uses may include guest services such as restaurants, on-site alcohol establishments, conference facilities, event spaces, and rooftop amenities.

D Senior Housing and Congregate Care

The Specific Plan permits senior and age-qualified projects (including “continuum of care” communities that encompass a full range of independent living through skilled nursing services) that are specifically allowed within the Specific Plan. Such projects may include additional or different recreation facilities from those shown in the Specific Plan in keeping with the Project’s demographics. Senior/age-qualified uses may include the following:

- **Independent Living Units:** A project designed for senior residents who need specialized services and amenities to accommodate their special needs and extend their ability to live independently. Such services may include meal preparation, common dining facilities, emergency call monitoring, housekeeping services, shuttle services, and the delivery of groceries and pharmaceuticals. The project includes specially designed units and amenities to accommodate reduced mobility, sight, and hearing abilities. Services to support the care of an ailing spouse, such as adult daycare services and limited nursing services, may also be provided. Unit types may range from single-family attached/condominiums to multifamily clustered buildings and would typically include full kitchens.
- **Congregate Housing Community (including Assisted Living and/or Skilled Nursing):** This category is designed for senior residents who need significant care and services, including nursing care and medical services, inclusive of memory care facilities. Unit types may encompass smaller apartments with small kitchenettes, common dining facilities, and community activity centers. Specific services may include security, activity centers, housekeeping, emergency monitoring, and transportation.

E Public Spaces

Publicly accessible parks and open space will be strategically located within the Specific Plan area. The Bristol Central Park, approximately 2.5 acres in size, will be constructed in the northern portion of the property. The Bristol Green (0.94 acres) and Bristol Plaza, including a small retail village (0.9 acres), will be located in the southern portion of the property, adjacent to the proposed hotel and congregate care buildings. There will be two parallel Greenlink trails (0.6 acres each) that will connect the parks in the south to the park in the north. In total, there will be 13.1 acres of publicly accessible open space within the Specific Plan area.

Figure 5: Bristol Plaza



The parks and Greenlink trails will include landscaping, lighting, seating areas, walkways, play areas, a private recreation facility, and retail or kiosk uses. An overall drought-adapted plant palette is anticipated to conserve water, reduce the heat island effect, use efficient irrigation, and potentially utilize biofiltration mechanisms to treat rainwater. The parks and Greenlink trails will include benches, bicycle racks, and directional signs to enhance the enjoyment of these public spaces.

Figure 6: Bristol Green



It is also planned that public art will be available in all open space areas. It is hoped that lighted public art

will act as a centerpiece to the parks and Greenlink trails. The public art will include interactive exhibits, such as some exhibits that children may climb on and others that adults may use such as chess tables. It also anticipated that walls would be adorned with art in accordance with local history and lifestyle.

F Cap Rates

The importance of the market cap rate should be noted. A cap rate is calculated by dividing a property's Net Operating Income ("NOI") by its Net Asset Value ("NAV"). The cap rate is an assessment of the yield of a property over 1 year. Alternatively, if you know a building's NOI, you may divide this by an assumed cap rate to approximate the building's NAV.

We have provided a simple definition above. Oftentimes, in the real world, complications arise, such as whether net operating expenses should be modified based on capital reserves or other adjustments. For simplicity in determining NAV of the multifamily units, DTA has reduced net revenue by an estimate of operating expenses and capital reserves to determine NOI. NOI is then divided by the cap rate to establish the NAV.

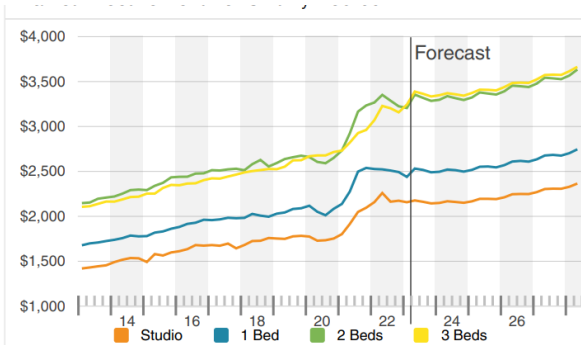
A cap rate is a derived estimate. Often, an investor will study recent sales to determine what investors have paid for similar buildings. The developer or investor will review the expenses for a building and value it according to what others have recently paid for similar buildings. By dividing NOI by the consensus cap rate derived from comparable sales, the investor is able to approximate the value of the building.

Cap rates are generally correlated to 10-year Federal government or agency bonds ("Government Bonds"). Currently, Government Bond coupon rates are at about 4%, with the investor assuming there will be absolutely no risk of loss of principal during the term of the Government Bonds. In general, investors are currently allocating investment capital to these riskless investments instead of to IPP. In order for real estate developers to attract capital from investors, they usually accept lower prices (resulting in higher cap rates). The difference between these two investment instruments is referred to as a spread. Sometimes this spread between Class A IPP and the Government Bond rate may be as much as 300 basis points since investors are competing with the government agencies to attract capital to real estate, a riskier investment. Prior to recent the Federal Reserve Bank's actions, 10-year Government Bonds yielded about 2.0%, while the cap rate for Class A multifamily properties in the City was 4%, a spread of 200 basis points. Now that the bond market has priced the 10-year Government Bonds at 4% on a pari passu basis, a developer often has to offer an additional spread to attract investment to IPP.

One of the selling points that investors stress to attract capital to the IPP market is to emphasize that although today's cap rate may be 4.0%, potential future increases in rents should yield higher returns than Government Bonds. Increasing rental income provides investors incentives because they usually lead to increased NOI and, with stable cap rates, an increase in NAV. Conversely, bonds offer a fixed annual payment and return on invested capital. Therefore, there is the opportunity for IPP to not only generate increasing annual cash flows, but for the resulting increased NAV to generate a larger return on invested capital.

If an IPP investor achieves an annual compound rent increase of 3.0% for 10 years, the compound annual rental income should increase by 35%. When this is divided by the cap rate, the building's value could increase by the same amount. If a property could obtain a 5.0% increase over 10 years, the property value could increase by more than 60% and, during the course of 30 years, could increase the property value close to 140%, almost 1½ times its current value.

Figure 7: Market Effective Rent per Unit by Bedroom



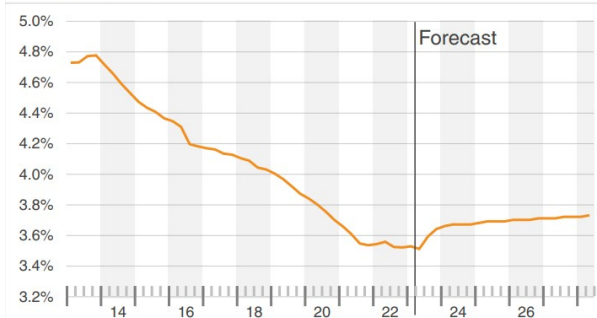
In the past 10 years, despite COVID-19, rental increases in the City have been quite significant, as shown in Figure 7. Compound rental rates have increased by about 4.5% during this period.

Higher rental demand in stable locations generally achieves lower cap rates, while transitional or outlying neighborhoods usually have higher cap rates due to higher employment volatility and fluctuating demand. These outlying areas often generate higher tenant turnover, leasing costs, and other factors that impact operating cash flows. Santa Ana is in a stable

market with low vacancies, which should allow investors to raise rents during the life of their investment.

It is also important to note that the 2-Mile Zone's market area cap rate for completed multifamily sales is about 4.0%, as shown in Figure 8. It is also significant to stress that forecasted cap rates are not projected to increase above 4.0% in the foreseeable future. That said, while cap rates for multifamily projects in California and across the United States have been increasing as a result of generally higher 10-year Government Bond interest rates, the impact has not been severely experienced in the City's 2-Mile Zone.

Figure 8: Market Cap Rate



A change in cap rate will have a significant impact on the value of a building. Table 2 shows the value of a unit in the Specific Plan. At a cap rate of 4.5%, the unit value is about \$498,000.

Table 2: Value of Unit by Cap Rate

Cap Rate Comparison	Unit Square Feet	Monthly Rent per SF	Monthly Rent	Vacancy Rate	Expense Factor	Capital Reserve	Monthly Expenses	Annual Net Operating Income	Cap Rate	Net Asset Value	% Reduction in Value
Value at 4.5% Cap Rate	900	\$3.64	\$3,276	5.00%	35.0%	3.00%	(\$1,409)	\$22,408	4.50%	\$498,000	
Value at 5.5% Cap Rate	900	\$3.64	\$3,276	5.00%	35.0%	3.00%	(\$1,409)	\$22,408	5.50%	\$407,000	
Value Reduction from 5.5% Cap Rate										\$91,000	
Value at 6.5% Cap Rate	900	\$3.64	\$3,276	5.00%	35.0%	3.00%	(\$1,409)	\$22,408	6.50%	\$345,000	
Value Reduction from 6.5% Cap Rate										\$153,000	30.72%

If the Specific Plan constructs and rents all units and the program contains 3,750 units, a 1.0% change in cap rate would reduce Project market value by about \$341,000,000 (3,750 units times \$91,000). A 2.0% reduction would result in a loss of \$573,000,000 in market value (3,750 units times \$153,000).

G Multifamily Market Research

To better understand both the County and City multifamily markets, DTA evaluated an average apartment based upon observed metrics. These include a vacancy rate of 5.0%, operating expenses of 35%, and a capital reserve of 3.0% that reduce market rent by 43% to obtain NOI. Dividing NOI by a 4.5% cap rate, we determined that an average 842 SF unit in the County would have a NAV of \$371,000 and an average 883 SF unit in the City would have a value of \$456,000. Based upon an estimate of rents for a unit in the 2-Mile Zone of \$3.64, applying the same metrics, DTA estimates an average unit would have a value of \$498,000.

The current inventory valuation metrics in the City, County, and 2-Mile Zone, according to CoStar, are presented below.

Table 3: Current Inventory Summary

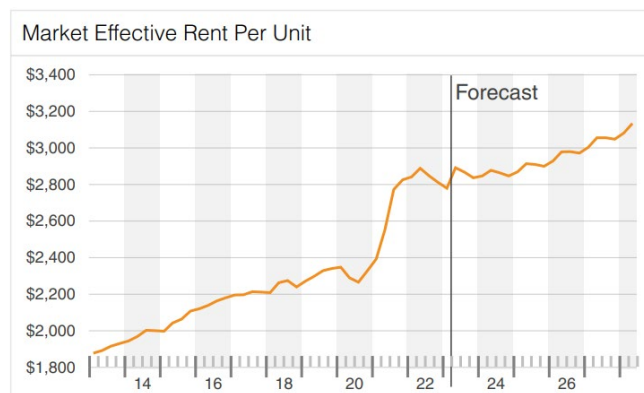
Description	Inventory Units	Average Unit Size	Monthly Rent per SF	Market Rent per Unit	Vacancy Rate	Operating Expenses	Capital Reserve	Operating Exp and Cap Reserve	Net Operating Income	Market Cap Rate	Net Asset Value Per Unit
					5.00%	35.0%	3.00%	43.00%		4.50%	
Orange County	313,320	842 SF	\$2.90	\$2,442	(\$122)	(\$855)	(\$73)	(\$1,050)	\$1,392	4.50%	\$371,000
2-Mile Zone	1	900 SF	\$3.64	\$3,276	(\$164)	(\$1,147)	(\$98)	(\$1,409)	\$1,867	4.50%	\$498,000

As can be seen in Figure 9, effective market rental rates within the 2-Mile Zone have been steadily increasing for 10 years, and there was a limited compound negative impact related to COVID-19. This compounded rate is about 4.5% and forecasted to increase by a compounded rent growth of about 2.2% for the next 5 years. It is difficult to project absorption rates in the 2-Mile Zone since there are few new similar offerings. As of early 2023, there are only 200 units currently under construction, with delivery scheduled in late 2023.

From a market perspective, the 2-Mile Zone has the following desirable characteristics.

- An urban setting close to shopping and entertainment;
- Adjacency to the South Coast Plaza Mall;
- Limited new high-end rental units planned in the immediate future;
- Multiple product types to attract a variety of tenants;
- A mixed-use environment that includes adjacent retail;
- Proximity to the Orange County Art Center;
- Proximity to Orange County Airport and Santa Ana Metrolink;
- Direct access to Interstate 405 and SR 55;
- Up to 13 acres of open space, including 5.0 acres of parks and Greenlink trails; and
- Availability of local private schools, including Mater Dei, TVT Community Day School, and The Sage School.

Figure 9: Effective Average Rent per Unit



It also has some challenges that include:

- Average public school district. The Santa Ana school system is ranked 814 out of 1,165 districts in California (<https://www.publicschoolreview.com/california/santa-ana-unified-school-district/635310-school-district>).
- Currently high long term interest rates.
- Future higher long-term interest rates resulting from Federal Reserve Bank tightening.

Figure 10: Artist's 3-D Rendering of Project



Below is a list of apartments and selected metrics for available products within the 2-Mile Zone. This list only includes properties with 200 or more units since small complexes are not proposed in the Specific Plan.

Table 4: Existing Multifamily Projects in the 2-Mile Zone

Property Address	Property Name	Year Built	Avg Unit SF	No. of Units	Avg Asking Rent/Unit	Avg Asking Rent/SF	Parking Spaces per DU	Vacancy %	Studio Rent	1-Bdrm Rent	2-Bdrm Rent	3-Bdrm Rent
400 Enclave Cir	The Enclave at South Coast	2008	874	890	\$3,086	\$3.53	1.300	2.27%	\$0	\$2,802	\$3,388	\$0
3400 Avenue of the Arts	3400 Avenue of the Arts Apts	1987	937	770	\$2,852	\$3.04	1.560	2.69%	\$2,199	\$2,597	\$3,282	\$0
1601 W MacArthur Blvd	The Aspens South Coast	1976	896	642	\$2,634	\$2.94	1.090	7.94%	\$0	\$2,344	\$3,078	\$0
655 Baker St	South Pointe	1942	720	440	\$2,674	\$3.71	1.480	6.36%	\$0	\$2,382	\$2,926	\$3,890
3700 Plaza Dr	Versailles On The Lake Apts	1973	830	364	\$2,573	\$3.10	1.790	3.41%	\$2,002	\$2,530	\$3,174	\$3,815
15 MacArthur Pl	Essex Skyline at MacArthur Place	2008	1,547	350	\$5,265	\$3.40	1.000	5.35%	\$0	\$3,825	\$5,442	\$14,759
3124 S Main St	Reserve at South Coast	1974	767	349	\$2,628	\$3.42	1.290	2.01%	\$1,996	\$2,344	\$2,851	\$0
100 E MacArthur Blvd	The Marke	2014	941	300	\$3,131	\$3.33	1.500	0.75%	\$0	\$2,655	\$3,608	\$4,149
1000 S Coast Dr	The Cape Apartments	1987	738	296	\$2,724	\$3.69	1.180	9.29%	\$0	\$2,415	\$3,007	\$3,690
3400 S Main St	3400 South Main	1969	967	288	\$2,397	\$2.48	1.150	10.07%	\$0	\$2,250	\$2,629	\$0
550 Paularino Ave	Park Mesa Villas	1976	682	276	\$2,331	\$3.42	1.270	0.72%	\$0	\$2,271	\$2,549	\$0
635 W Baker St	Newport Village	1972	658	276	\$2,243	\$3.41	1.450	4.35%	\$2,129	\$2,091	\$2,936	\$0
555 Paularino Ave	Eaves South Coast	1973	805	258	\$2,614	\$3.25	1.250	4.39%	\$0	\$2,361	\$3,120	\$0
1101 W Stevens Ave	South Coast Racquet Club	1972	806	256	\$2,453	\$3.04	1.440	4.74%	\$0	\$2,137	\$2,980	\$0
31 E MacArthur Crescent Dr	Pinnacle at MacArthur Place	2002	1,059	253	\$2,932	\$2.77	3.160	6.63%	\$0	\$2,482	\$3,266	\$0
580 Anton Blvd	580 Anton	2018	867	250	\$3,232	\$3.72		6.80%	\$2,396	\$2,887	\$3,996	\$0
1142 Buckingham Dr	Wimbledon Glen	1985	929	244	\$2,883	\$3.10	1.640	7.36%	\$2,330	\$2,780	\$3,298	\$0
805 W Stevens Ave	Park Plaza Apartments	1972	955	243	\$2,636	\$2.76	0.620	6.32%	\$0	\$0	\$2,307	\$3,028
125 Baker St E	Baker Block	2018	919	240	\$3,349	\$3.64	1.940	2.92%	\$2,699	\$3,085	\$3,765	\$4,580
651 Sunflower Ave	Bloom	2023	811	226	\$3,116	\$3.84		4.35%	\$2,590	\$2,847	\$3,793	\$0
3600 Aspen Village Way	Aspen Village	1984	1,004	200	\$3,271	\$3.26	1.500	5.00%	\$0	\$2,775	\$3,576	\$0
Average/Total			892	7,411	\$2,910	\$3.28	1.33	4.70%	\$2,187	\$2,536	\$3,399	\$3,505

*Note: Blank spaces indicate that data was not available.

This listing includes 21 multifamily projects in the 2-Mile Zone, totaling 7,411 rental units, an average of 350 units per property. Since DTA does not have a specific breakdown of the proposed unit sizes nor bedroom counts in the Specific Plan, we have chosen to use composite data in forming our conclusions.

We identified the largest multifamily project as The Enclave at South Coast, which contains 890 units. The largest unit sizes are in The Essex Skyline at MacArthur Place in the Hutton Center. The average vacancy for the projects is 4.7%. The highest vacancy is in the 2-story 3400 South Main building that was completed in 1969, more than 50 years ago. Other high-vacancy buildings include two 2-story complexes, specifically The Cape Apartments that were opened in 1987 and The Aspens South Coast that was completed in 1976. The predominant bedroom counts are the one-bedroom (47.3%) and two-bedroom (42.9%) plans with an average size of 893 SF. Below is a schedule summarizing the product mix of multifamily projects in the 2-Mile Zone, including the unit's average size and bedroom count.

Table 5: Existing Bedroom Counts

Property Address	Property Name	Unit Count					Unit Size				
		Studios Units	1-Bdrm Units	2-Bdrm Units	3-Bdrm Units	Total	Studio Units SF	1-Bdrm Units SF	2-Bdrm Units SF	3-Bdrm Units SF	Average Size
400 Enclave Cir	The Enclave at South Coast	0	459	431	0	890	0	726	1,031	0	874
3400 Avenue of the Arts	3400 Avenue of the Arts Apts	85.008	349	336	0	770.008	539	756	1,228	0	938
1601 W MacArthur Blvd	The Aspens South Coast	0	388	254	0	642	0	756	1,112	0	897
655 Baker St	South Pointe	0	232	192	16	440	0	577	862	1,120	721
3700 Plaza Dr	Versailles On The Lake Apts	179.998	60	76	48	363.998	568	789	1,185	1,300	830
15 MacArthur Pl	Essex Skyline at MacArthur Place	0	44	305	1	350	0	1,161	1,598	2,834	1,547
3124 S Main St	Reserve at South Coast	1.0121	152	196	0	349.0121	420	672	844	0	768
100 E MacArthur Blvd	The Marke	0	158	128	14	300	0	749	1,132	1,374	942
1000 S Coast Dr	The Cape Apartments	0	160	120	16	296	0	593	890	1,056	738
3400 S Main St	3400 South Main	0	176	112	0	288	0	850	1,150	0	967
550 Paularino Ave	Park Mesa Villas	0	216	60	0	276	0	625	890	0	683
635 W Baker St	Newport Village	124.0068	108	44	0	276.0068	520	710	920	0	658
555 Paularino Ave	Eaves South Coast	0	172	86	0	258	0	682	1,050	0	805
1101 W Stevens Ave	South Coast Racquet Club	0	160	96	0	256	0	702	981	0	807
31 E MacArthur Crescent Dr	Pinnacle at MacArthur Place	0	108	145	0	253	0	729	1,305	0	1,059
580 Anton Blvd	580 Anton	5	165	80	0	250	506	745	1,144	0	868
1142 Buckingham Dr	Wimbledon Glen	49.9956	102	92	0	243.9956	505	942	1,146	0	929
805 W Stevens Ave	Park Plaza Apartments	0	0	132	111	243	0	0	884	1,041	956
125 Baker St E	Baker Block	31.008	108	93	8	240.008	623	789	1,124	1,452	919
651 Sunflower Ave	Bloom	39.0076	112	75	0	226.0076	607	685	1,106	0	811
3600 Aspen Village Way	Aspen Village	0	76	124	0	200	0	807	1,126	0	1,005
Average/Total		515	3,505	3,177	214	7,411	551	728	1,113	1,152	893

We conclude that despite current market dynamics resulting from existing Federal Reserve Bank policies, IPP cap rates in the City have moved less than those nationwide.

Another significant conclusion that may be made from the information above is that the current multifamily vacancy rate in the City is low. The result of this low vacancy rate puts upward pressure on rental rates since landlords have the flexibility to increase rates with less concern about tenant's turnover.

Current rental rates in the Santa Ana area exceed those of the County. Table 6 reflects rental rates as of April 2023, per CoStar, and our proposed rental information for the Project site.

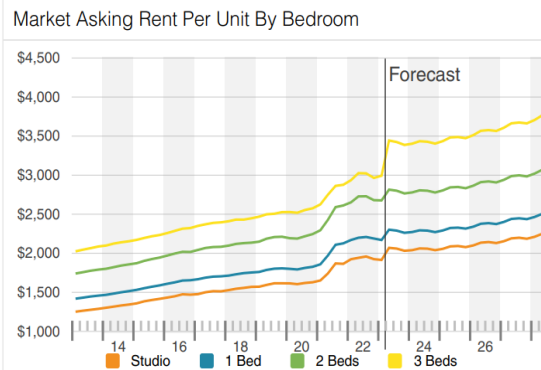
Table 6: Rents in April 2023

Description	Studio SF	Studio Rent	One-Bedroom SF	1-Bedroom Rent	Two-Bedroom SF	2-Bedroom Rent	Three-Bedroom SF	3-Bedroom Rent
Orange County	565 SF	\$1,929	730 SF	\$2,184	1,113 SF	\$2,698	1,152 SF	\$3,026
2-Mile Zone	551 SF	\$2,167	750 SF	\$2,513	1,050 SF	\$3,305	1,152 SF	\$3,505

In addition, as shown in Figure 11, CoStar forecasts rent growth in the 2-Mile Zone of about 2.0% annually for both the City and County.

G.1 Multifamily Rental Discussion

Figure 11: Rent per Bedroom Count



We were not provided with detailed information from the Developer on the product offerings for the 3,750 multifamily units to be built-out on the Project site. However, based upon the information provided, our research identified that the Project should contain an average multifamily unit approximately 900 SF in size that would accommodate a mix of studio, one-bedroom, and two-bedroom apartments.

We also reviewed a computer rendering of the site (Figure 10) included in the Specific Plan that led us to believe most multifamily buildings would be up to 8 stories, as permitted by the City Zoning Code. This assumption is further supported by the need for a high-density product to accommodate 3,750 residential units on about 25 acres, which yields an overall density of about 150 units per acre. Below is a schedule of acres and units provided by the Developer that summarizes their proposed density.

Table

7: Project Density

Phase	Total Phase Acres	Residential Acres	Units in Phase	Implied Density Per Acre
Phase 1	19.47	10.29	2,375 DU	231 DU/Ac
Phase 2	14.10	5.79	822 DU	142 DU/AC
Phase 3	9.50	8.96	553 DU	62 DU/AC
Total	43.07	25.04	3,750 DU	150 DU/AC

Although the Specific Plan does not contain proposed building configurations, DTA developed a model to determine if the proposed product mix would be feasible and accommodate the proposed density. With the proposed target densities, DTA's first task was to confirm that the property could accommodate the targeted densities, especially the 231 multifamily units per acre proposed in Phase 1. As can be seen from the table below, the highest density of 230 units per acre could be achieved in an 8-story building that covered 80% of a parcel, with the first floor set aside for retail. This further assumes the average unit size is 900 SF and that 15% of each floor is set aside for non-residential space.

Table 8: Confirmation that Product Mix is Achievable

Description	50% Lot Coverage	60% Lot Coverage	70% Lot Coverage	80% Lot Coverage
Lot Coverage %	50.00%	60.00%	70.00%	80.00%
Size	1.00 AC	1.00 AC	1.00 AC	1.00 AC
Building SF (Coverage)	21,780 SF	26,136 SF	30,492 SF	34,848 SF
Building Floors	8	8	8	8
Building SF per Acre	174,240 SF	209,088 SF	243,936 SF	278,784 SF
First Floor Retail	(21,780)	(26,136)	(30,492)	(34,848)
Residential SF	152,460 SF	182,952 SF	213,444 SF	243,936 SF
Non-Rentable SF	15.00%	15.00%	15.00%	15.00%
Rentable SF	129,591 SF	155,509 SF	181,427 SF	207,346 SF
Average Unit Size	900 SF	900 SF	900 SF	900 SF
Total Units	143 DU	172 DU	201 DU	230 DU
Total Units per Acre	143/AC	172/AC	201/AC	230/AC

Table 5 suggests that the average for multifamily products within the 2-Mile Zone is 893 SF. It also indicates that the product mix of studio, one-bedroom, two-bedroom, and three-bedroom units varies from product to product. DTA rounded the size of each unit to 900 SF, allowing the Developer to determine a future preferred product mix.

Since 2014, there have been less than 1,100 multifamily units built-out in the 2-Mile Zone marketplace, with the most recent being The Bloom, a 226-unit project on Sunflower Avenue. The Project was absorbed as soon as the units were available to the public. The Specific Plan will be delivering 3,750 units beginning in 2026 and ending in 2035, a period of 10 years requiring the absorption of about 370 units per year. Based upon the low vacancy in the 2-Mile Zone, DTA believes the market should be able to absorb these units as they are delivered.

DTA evaluated many multifamily sites over the past 40 years and has applied our experience to determine the value of a single unit and each proposed unit. The first step in evaluating a multifamily building is to make estimates related to revenues and expenses. DTA assumed an average unit size of 900 SF and a rental rate of \$3.50 per SF, which we increased by 4.0% to account for rent premiums related to the urban village character of the Project, community amenities, and height attributes. DTA assumed a vacancy rate of 5.0% and

SECTION V RESIDENTIAL PROJECTS PROPOSED IN THE SPECIFIC PLAN

combined adjustments to NOI (both expenses and reserves) equal to 38.0%. DTA concluded that a cap rate of 4.5% would be appropriate for this property. Below is a table summarizing the value of the 3,750 multifamily units.

Table 9: Value of Residential Units

Description	Units	Market Rent per SF	Rent Premiums	Square Feet	Market Rent per Unit	Vacancy	Net Operating Expenses	Capital Reserve	Net Operating Income	Market Cap Rate	Market Sales Price per Unit	Net Asset Value
			4.00%			5.00%	35.00%	3.00%				
Single Unit	1 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$498,000
Block 1 Residential	108 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$53,784,000
Block 2 Residential	105 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$52,290,000
Block 3 Residential	202 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$100,596,000
Block 6 Residential	170 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$84,660,000
Block 7 Residential	373 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$185,754,000
Block 8 Residential	88 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$43,824,000
Block 9 Residential	106 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$52,788,000
Block 10 Residential	222 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$110,556,000
Block 11 Residential	552 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$274,896,000
Block 12 Residential	289 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$143,922,000
Block 14 Residential	680 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$338,640,000
Block 15 Residential	222 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$110,556,000
Block 18 Residential	335 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$166,830,000
Block 19 Residential	298 DU	\$3.50	\$0.14	900 SF	\$3,276	(\$164)	(\$1,147)	(\$98)	\$1,867	4.50%	\$498,000	\$148,404,000
Totals	3,750 DU	\$3.50	\$0.14	3,375,000 SF	\$12,285,000	(\$614,250)	(\$4,299,750)	(\$368,550)	#7,002,450	4.50%	\$498,000	\$1,867,500,000

G.2 Multifamily Market Research Conclusion

In order to review the multifamily revenue, information was obtained from CoStar for projects both within the County and a 2-Mile Zone of the Project site. Since we were not provided with the product mix, DTA reviewed the data provided by CoStar to generate an average square footage for a unit in the Project's boundaries and determined that an average of 900 SF was appropriate, allowing for a mix of studio, one-bedroom, and two-bedroom units.

Since the Specific Plan does not contain apartment floor plans or an amenity package, DTA concluded that these features would be similar to those in nearby programs. Our data led us to determine that the monthly rent would be approximately \$3.50 per square foot, with the potential premium of 4% due to building heights, amenity packages, and inclusion in the proposed urban village. The average vacancy for similar units in the 2-Mile Zone is 5.0%. DTA also estimated that net operating expenses would be 35% of revenues, with a capital reserve equal to 3.0%. This generated an NOI of \$1,867 per month at a 4.5% cap rate. Our conclusion was that a single 900 SF unit would have a market value of \$498,000. Due to the limited market supply of housing units in the city and surrounding area, which results in higher rent prices and low vacancies, the proposed units could be absorbed into the market area.

It is important to note that DTA did not include rental appreciation even though historical data indicates prior annual appreciation of 4.5% and future appreciation of 2.2% per year. We also assumed that vacancies, net operating expenses, and capital reserves would not increase.

VI RETAIL MARKET RESEARCH

The Specific Plan includes 350,000 SF of retail space, generally located on the first floor of the residential buildings, although the Specific Plan indicates some standalone retail buildings, such as the proposed grocery store that will replace the current Vons grocery store. This planned retail space will replace the approximately 465,000 SF of existing retail space. The Specific Plan indicates construction commencing for the first phase in 2026, the second phase in 2030, and the third phase in 2033. In most cases, retail leases are less than 10 years (although some offer tenant extension), and this should allow the owner to coordinate tenant moveouts in accordance with construction phasing. If there are existing tenant leases that could impact construction timing, the owner may incur lease termination costs to entice existing tenants to abandon their existing locations.

As shown in Table 10, the majority of the retail buildings in the 2-Mile Zone were built between 1970 and 1986, with some buildings undergoing restoration between 1999 and 2002. Retail space is evolving due to many factors, as listed below.

1. Shoppers expect improved merchandising, data-driven advice, and the ability to customize product offerings. Where previous retailers were only able to offer merchandise in the store, in the current environment, customers expect that if the merchandiser does not have the proper size or color on hand, it can be ordered from a remote location and delivered to them by Amazon (or equivalent) within 24 hours. In each retail store, sales personnel also have access to customer data, such as rewards programs and previous customer purchasers, intended to improve the buying experience.
2. Customers expect features that enhance their shopping experience. Sales personnel will focus on brand building and improved use of data, such as mobile phone apps that inform shoppers of promotions, QR codes, and smart displays that deliver personalized messages to anticipate customer needs, thereby facilitating the sales process. In some cases, the physical store is just a showroom, with the actual product shipped from a remote location.
3. The new retail store must be connected to “Big Data.” A phone app should enable the customer to identify the location of a product within a store. This becomes more important for larger stores and minimizes the time necessary to find a specific product. Also, many retailers use data collection to “follow” a customer throughout the facility and add this data to their customer database to offer promotions for future visits.

4. Younger customers, such as Gen Y (born between 1981 to 1996) and Gen Z (born between 1997 to 2010), have grown up in the digital world and expect a seamless retail experience. Unlike earlier generations, these customers are unafraid of technology and sharing data if they believe it will benefit them. As Gen Alpha (born after 2010) become more experienced shoppers, their expectations will further enhance the need for retailers to provide even better shopping experiences based upon Big Data.
5. In order to improve the shopper's experience, the new retailer has to adapt to the changing world, which may require them to share data with suppliers, last-mile fulfillment firms, and possibly even competitors to improve the shopping experience with the goal to increase revenues and decrease costs.
6. The combination of an urban village that integrates residential units with nearby retail will increase the walkability of the Specific Plan area by permitting shoppers to have easy access to shops, with the result that shopper traffic should increase for the new retail shops.
7. The proximity of retail and residential uses will encourage residents to rely more on direct delivery for groceries, takeout meals, and the purchase of consumer products that can be delivered directly to the doorstep within 24 hours. This may also require that retail locations allocate space to these delivery services.
8. According to our site visit, many of the buildings in the Metro Town Square have relatively low ceilings that are not conducive in the current market. Most current retailers prefer higher ceilings to provide a comfortable environment for customers and a place to hang signs and mount security cameras. Higher ceilings also provide more room for stacking inventory, both on the display floor and in the warehouse.

These factors will drive retail users to demand different uses of retail space. For example, much less space may be allocated to storerooms since the retailer will not be required to maintain inventory on-site. The new retail location must be linked directly to Big Data, either through in-store data collection devices or the use of a smart phone, as demonstrated by the Apple Store. The new retail facilities will be required to upsize their electrical systems to accommodate their new data collection systems and dissemination of information needs.

As ridesharing becomes more acceptable, the need for substantial parking fields will become less important and those that offer electronic charging stations will attract customers that can shop while their care is charging. These changes will permit less land to be allocated to parking and more space to retail shops.

If the Developer responds to these factors, the conversion of the Specific Plan property from its current "obsolete" retail space to retail space tailored to the new market dynamics meeting the wants and needs of the shopper should achieve commercial success.

As shown in Figure 12, the current retail market in the 2-Mile Zone is robust, with an overall occupancy rate of 98.3%. The selected data includes more than 2 million SF of retail space with only 32,000 SF available, which is indicative of a strong market. While all of the retail within the Specific Plan area will be demolished, the phasing of the residential construction will permit some current tenants to relocate as space becomes available. This should allow the Project to have move-in ready tenants that will relocate as soon as space becomes available. Therefore, DTA has concluded that the Project will not endure typical absorption issues with the proposed square footage of retail space. Additional square footage of retail space would have diminishing returns as a result of a longer absorption period and higher vacancy. Further, additional retail space could offset other building area dedicated to residential or parking, which reduces the potential customer base for the businesses occupying the retail space and the viability of the residential portion of the project. With the current conceptual site plan, additional retail space may require multilevel (i.e., second floor space) due to ground-level space being already committed to the current uses.

Figure 12: Rent per Bedroom Count

Availability	
Vacant SF	113K ↓
Sublet SF	3.9K ↑
Availability Rate	2.0% ↓
Available SF	118K ↓
Available Asking Rent/SF	\$33.46 ↑
Occupancy Rate	98.1% ↑
Percent Leased Rate	98.6% ↑

Table 10: Summary of Existing Retail Properties*

Property Address	Building Park	Property Type	Building Status	Owner Name	Submarket Name	Year Built	Year Renovated	No. of Parking Spaces	Parking Ratio	Rentable Area	Space Leased	Direct Vacant Space	Percent Leased	Operating Costs Per SF
2110-2148 S Bristol St	Bristol & Warner Marketplace	Retail (Neighborhood Center)	Existing	Au Zone Santa Ana LLC	Santa Ana	1979	0	594	4.80	111,405	111,405	1,481	100%	\$2.58
3640-3752 S Bristol St	Metro Town Square	Retail (Community Center)	Existing	Susan Elizabeth Gisler	Santa Ana	1973	2002			129,461	124,839	4,628	96%	\$3.65
3300 S Bristol St	Target	Retail	Existing	Dayton-Hudson Corp	Santa Ana	1986	0	300	2.86	119,343	119,343	0	100%	\$2.05
2110-2148 S Bristol St	Bristol & Warner Marketplace	Retail (Neighborhood Center)	Existing	Au Zone Santa Ana LLC	Santa Ana	1979	0	594	4.80	111,405	111,405	1,481	100%	\$2.58
3816-3923 S Bristol St	Bristol Center	Retail (Community Center)	Existing	Susan Elizabeth Gisler	Santa Ana	1973	0	375	4.24	102,055	97,258	7,200	95%	\$3.67
3719-3785 S Plaza Dr	Metro Town Square	Retail (Community Center)	Existing	Susan Elizabeth Gisler	Santa Ana	1973	2002		6.00	70,520	70,520	0	100%	\$6.70
3309 S Bristol St	Bristol Plaza	Retail (Community Center)	Existing	3309 South Bristol St LLC	Santa Ana	1972	0	178	3.78	47,141	47,141	0	100%	\$2.99
3814-3816 Bristol St	Bristol Sunflower Plaza	Retail (Power Center)	Existing	Susan Elizabeth Gisler	Santa Ana	1972	0	114	4.43	17,529	10,786	6,744	62%	\$3.02
3019-3047 Bristol St	Bristol Center	Retail (Neighborhood Center)	Existing	Red Mountain Retail Group, Inc.	Santa Ana	1977	0	178	7.35	16,944	16,944	0	100%	\$6.12
3370-3400 S Bristol St	Bristol Place	Retail (Strip Center)	Existing	Johanna Kim	Santa Ana	1986	0	100	8.01	12,477	5,529	6,948	44%	
3941 S Bristol	Sunflower Plaza	Retail (Strip Center)	Existing	SunflowerMetro LLC	Santa Ana	1978	0	43	3.58	12,000	12,000	0	100%	
3310-3338 S Bristol St	Bristol Place	Retail (Strip Center)	Existing	Johanna Kim	Santa Ana	1986	0	54	4.82	11,212	11,212	0	100%	
3605-3614 S Bristol St	Bristol Center	Retail (Community Center)	Existing	Susan Elizabeth Gisler	Santa Ana	1974	0	110	7.39	10,920	7,983	2,938	73%	\$7.06
3820 S Bristol St	Bristol Sunflower Plaza	Retail (Power Center)	Existing	Susan Elizabeth Gisler	Santa Ana	1974	0	60	6.36	9,440	9,440	0	100%	\$3.54
3929 S Bristol St	Sunflower Plaza	Retail (Strip Center)	Existing	SunflowerMetro LLC	Santa Ana	1979	0			9,000	9,000	0	100%	
3608 S Bristol St	Metro Town Square	Retail (Community Center)	Existing	Susan Elizabeth Gisler	Santa Ana	1974	0			8,426	8,426	0	100%	\$3.19
3357 S Bristol St	Bristol Plaza	Retail (Community Center)	Existing	Brixmor	Santa Ana	1972	0	20	2.38	8,400	8,400	0	100%	\$2.59
3365 S Bristol St	Bristol Plaza	Retail (Community Center)	Existing	Brixmor Property Group Inc.	Santa Ana	1972	0	32	3.83	8,360	8,360	0	100%	\$3.17
2911 S Bristol St	Hustler Hollywood	Retail	Existing	Amir Shirian	Santa Ana	1973	2021			8,000	8,000	0	100%	\$1.28
3333 Bristol St	South Coast Plaza	Retail (Super Regional Mall)	Existing	CJ Segerstrom & Sons	Costa Mesa	1967	1999	13,975	7.00	717,644	717,644	0	100%	
3333 Bristol St	South Coast Plaza	Retail (Super Regional Mall)	Existing	CJ Segerstrom & Sons	Costa Mesa	1967	0			254,634	254,634	0	100%	\$1.57
3333 Bristol St	Bloomingdale's	Retail (Super Regional Mall)	Existing	Macy's, Inc.	Costa Mesa	1967	0			176,000	174,205	1,790	99%	\$2.75
3333 Bristol St	South Coast Plaza	Retail (Super Regional Mall)	Existing	CJ Segerstrom & Sons	Costa Mesa	1967	0	80	4.94	16,196	16,196	0	100%	
3333 Bristol St	Maggiano's	Retail (Super Regional Mall)	Existing	CJ Segerstrom & Sons	Costa Mesa	1983	0	106	7.00	12,161	12,161	0	100%	
3333 Bristol St	Sears Auto Center	Retail (Super Regional Mall)	Existing	CJ Segerstrom & Sons	Costa Mesa	1967	0	68	7.00	10,532	10,532	0	100%	
Total								16,981	5.29	2,011,205	1,983,362	33,210	98.3%	\$2.91

*Note: Blank spaces indicate that data was not available.

According to CoStar, there is 5,965,139 SF of retail space within the 2-Mile Zone with only 131,000 vacant SF, a vacancy rate of 2.0%. DTA also observed that the asking rent in the 2-Mile Zone is currently \$33.46 per SF pr year. Based upon this information, we are estimating that the rent for the ground-floor retail space will start at \$36.00 per SF per year.

CoStar is estimating net operating costs in the selected sample at about 8.1% (\$2.91/\$36.00), as shown in Table 10. For our analysis, DTA rounded this to 10.0% since many older buildings have deferred maintenance. In accordance with current operators, we have estimated that an owner will allocate 3.0% to capital reserves that are used to improve space as it ages and also to provide funds to upgrade space to remain competitive in the marketplace.

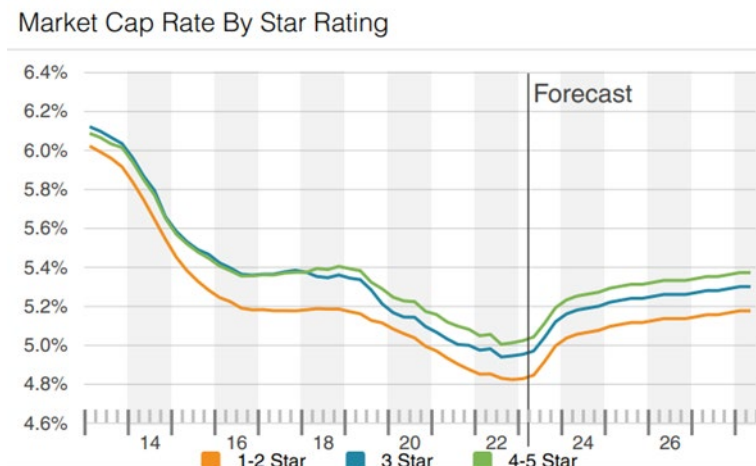
Finally, DTA reviewed current cap rates, as shown in Figure 13. This schedule summarizes cap rates by a product star system in which five stars is best and one star is the poorest.

The below items in *italics* are quotes from a CoStar document titled CoStar Building Rating System.

“The CoStar Building Rating SystemSM is a national rating for commercial buildings on a universally recognized 5 Star scale. Historically the industry has lacked a centralized system for evaluating buildings using specific standards developed for each property type. The extensive, standardized property information collected by CoStar Research makes such a national building rating system possible.

The rating system considers the building separately from its immediate vicinity, with the exception of retail properties. This distinction enables the rating system to address the intrinsic quality of a specific building, with the understanding that a range of building quality may exist in any given location. A building considered to be Class A quality in one market may not qualify as Class A in another. However, because ratings are based on specific standards developed for each property type and consistently applied across different markets, a 4 Star building, for example, is expected to be comparable with all other 4 Star buildings across all markets.

Figure 13: Market Cap Rate by Star Rating



Buildings are rated through an examination of the design and construction of a building. For example, the type of exterior materials, the quantity and quality of windows and the lobby finishes present in office buildings; the ceiling height and number of loading docks in warehouses and distribution centers; the entrances and parking areas for retail properties; and the types of finishes offered in the units of multi-family buildings. These examples, as well as many other factors all have an effect on a building's rating. The multitude and diversity of decisions that are made when designing, constructing, renovating and managing a building creates a built environment in which no building is identical to another, even when of the same property type. However, CoStar tracks the entire range of buildings, from skyscrapers in large cities to single story buildings in smaller markets."

At the time of this Report, the draft Specific Plan did not contain a product mix for the various retail sites, except that the Specific Plan discusses a space large enough for a full-size grocery store. We assumed the 350,000 SF of retail space will target the needs of those living in the proposed urban village, such as specialty retail, dry cleaners, ice cream stores, liquor stores, coffee shops, gyms, and banks. A specialty retailer focuses on selling a specific product category or product line rather than offering general consumer goods. We also believe that shoppers will be attracted to the new retail space due to the ease of access to and from the proposed underground parking complex.

We have assumed the retail venues will be designed to achieve a five-star rating. As shown in Figure 13, a five-star rating earns a lower cap rate than a lower rating. Based upon this, DTA has assumed a cap rate of 4.75% for general retail and 4.50% for grocery store(s).

Grocery stores in traditional neighborhood commercial centers generally enjoy lower rental rates than other tenants, primarily since a grocery store will generate significant traffic that benefits other shops. However, since there will be more than 6,750 residents living within the community, it is not necessary for a grocery store to generate significant additional traffic since there will be foot traffic from the individuals residing within the Specific Plan area. DTA interviewed Al Marasca, the retired president of Ralphs, one of the largest grocery chains in Southern California, and he confirmed that based upon company policies, Ralphs would be interested in entering this market. In general, their philosophy was that if there were an additional 8,000 residents within a defined shopping area, his former company would invest in the community. He also acknowledged that the addition of 6,750 residents within this urban village could capture new residents that would provide a strong incentive for his former company to open a new facility within the Specific Plan area.

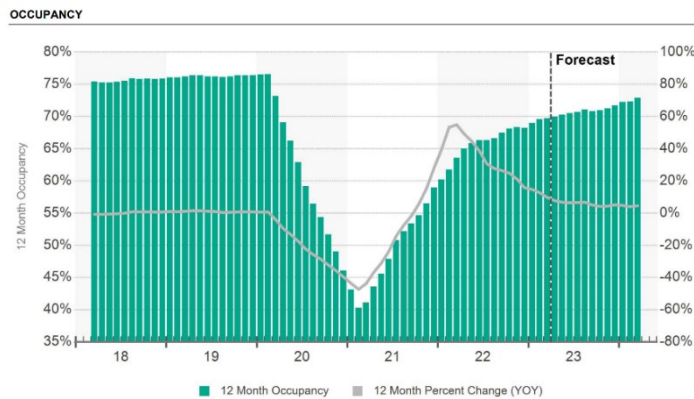
Below is a summary of our findings regarding the proposed NAV generated by the retail properties.

Table 11: NAV

Planning Area	Description	Block	Square Feet	Monthly Rent	Scheduled Rent	Vacancy	Net Operating Expenses	Capital Reserve	Vacancy Oper. Exp and Cap Reserve	Net Operating Income	Market Cap Rate	Net Asset Value
Planning Area 2	Ground Floor Retail	Block 11	31,004 SF	\$3.00 SF/Mth	\$1,116,144	5.00%	10.00%	3.00%	(\$200,906)	\$915,238	4.75%	\$19,268,000
Planning Area 4	Ground Floor Retail	Block 12	16,216 SF	\$3.00 SF/Mth	\$583,776	5.00%	10.00%	3.00%	(\$105,080)	\$478,696	4.75%	\$10,078,000
Planning Area 8	Retail - Grocery Anchored	Block 14	38,269 SF	\$3.00 SF/Mth	\$1,377,684	5.00%	10.00%	3.00%	(\$247,983)	\$1,129,701	4.50%	\$25,104,000
Planning Area 10	Ground Floor Retail	Block 15	12,454 SF	\$3.00 SF/Mth	\$448,344	5.00%	10.00%	3.00%	(\$80,702)	\$367,642	4.75%	\$7,740,000
Planning Area 17	Ground Floor Retail	Block 18	18,810 SF	\$3.00 SF/Mth	\$677,160	5.00%	10.00%	3.00%	(\$121,889)	\$555,271	4.75%	\$11,690,000
Planning Area 19	Ground Floor Retail	Block 19	16,735 SF	\$3.00 SF/Mth	\$602,460	5.00%	10.00%	3.00%	(\$108,443)	\$494,017	4.75%	\$10,400,000
Planning Area 20	Neighborhood Retail	Block 20	25,167 SF	\$3.00 SF/Mth	\$906,012	5.00%	10.00%	3.00%	(\$163,082)	\$742,930	4.75%	\$15,641,000
Planning Area 31	Ground Floor Retail	Block 3	19,070 SF	\$3.00 SF/Mth	\$686,520	5.00%	10.00%	3.00%	(\$123,574)	\$562,946	4.75%	\$11,852,000
Planning Area 33	Ground Floor Retail	Block 7	35,156 SF	\$3.00 SF/Mth	\$1,265,616	5.00%	10.00%	3.00%	(\$227,811)	\$1,037,805	4.75%	\$21,849,000
Planning Area 35	Ground Floor Retail	Block 10	20,886 SF	\$3.00 SF/Mth	\$751,896	5.00%	10.00%	3.00%	(\$135,341)	\$616,555	4.75%	\$12,980,000
Planning Area 41	Ground Floor Retail	Block 1	21,794 SF	\$3.00 SF/Mth	\$784,584	5.00%	10.00%	3.00%	(\$141,225)	\$643,359	4.75%	\$13,544,000
Planning Area 43	Ground Floor Retail	Block 2	21,015 SF	\$3.00 SF/Mth	\$756,540	5.00%	10.00%	3.00%	(\$136,177)	\$620,363	4.75%	\$13,060,000
Planning Area 49	Ground Floor Retail	Block 6	34,247 SF	\$3.00 SF/Mth	\$1,232,892	5.00%	10.00%	3.00%	(\$221,921)	\$1,010,971	4.75%	\$21,284,000
Planning Area 51	Ground Floor Retail	Block 8	17,772 SF	\$3.00 SF/Mth	\$639,792	5.00%	10.00%	3.00%	(\$115,163)	\$524,629	4.75%	\$11,045,000
Planning Area 53	Ground Floor Retail	Block 9	21,405 SF	\$3.00 SF/Mth	\$770,580	5.00%	10.00%	3.00%	(\$138,704)	\$631,876	4.75%	\$13,303,000
Total/Average			350,000 SF	\$1,050,000	\$12,600,000	(\$630,000)	(\$1,260,000)	(\$378,000)	(\$2,268,000)	\$10,332,000	4.72%	\$218,838,000

VII HOSPITALITY

Figure 14: Hotel Occupancy in the 2-Mile Zone



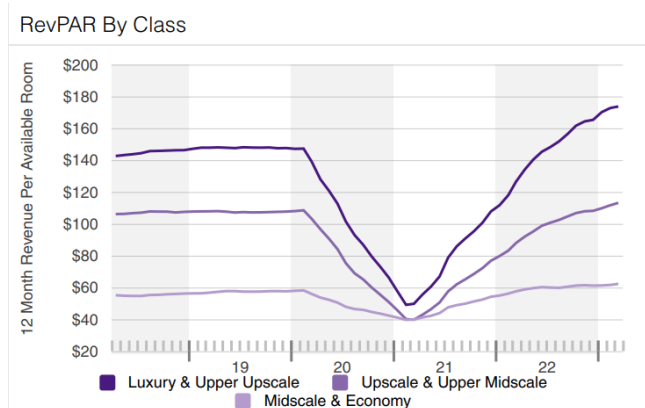
The hospitality market in the 2-Mile Zone includes more than 14,000 units comprising 4,643 classified as Luxury and Upper Upscale, 5,746 as Upper Midscale, and 3,915 considered as Midscale or Economy. Since we believe the proposed 250-unit hotel will be in the Upper Upscale category, our analysis will focus on these products.

As a result of COVID-19, hotel occupancy in the 2-Mile Zone fell from 77% to 40% in August 2021. However, it has rebounded and is now back to 73% occupancy.

RevPAR is a significant metric for hotel operators. RevPAR shows revenue generated per room regardless of whether rooms are occupied or vacant. It is calculated by dividing actual room revenue by potential room revenue, as if all rooms were occupied. The total revenue includes all hotel revenues related to rooms, food service, and beverages and revenue generated by other income-producing departments. An increase in RevPAR is often interpreted as either an increase in average room rate or an increase in room occupancy. Since there are two metrics involved, an increase in RevPAR does not necessarily mean that a building is performing better. Like most financial metrics, RevPAR is limited because it does not identify whether the room rate or occupancy is either increasing or decreasing. However, it is a useful tool to compare one project to another.

According to CoStar, the 12-month occupancy rate in the 2-Mile Zone was 73.9%, with an average room rate of \$194.55 yielding a RevPAR of about \$143.41. In general, this indicates a strong hospitality market. It should also be noted that the Luxury and Upper Upscale properties generated RevPAR close to \$180 per room.

Figure 15: RevPAR by Class



We obtained information for competitive full-service hotels within the the 2-Mile Zone that we thought should be evaluated as possible competitors to the hotel proposed in the Specific Plan. This information is summarized below. For properties that did not have a metric, such as parking at the Westin South Coast Plaza, we left the information blank.

Based upon the information provided by the Developer, DTA concluded the Westin South Coast Plaza would be a property that it would target as its competitor since it is a full-service 4 Star property with

more than 15 floors and over 30,000 SF of meeting space.

Table 12: Selected Hotels in the 2-Mile Zone

Property Name	No. of Stories	Rooms	Land Area (SF)	Total Mtg Space	No. of Parking Spaces	Adv. Room Rent	Hotel Class	Star Rating	Brand	Year Built	Year Renovated
Hilton Orange County Costa Mesa	7	486	252,648	32,379	535	\$194	Upper Upscale	4	Hilton	1970	2014
Westin South Coast Plaza Costa Mesa	15	393	129,373	33,952		\$244	Upper Upscale	4	Westin	1975	2008
Avenue Of The Arts Costa Mesa	5	238	130,680	5,000	250	\$234	Upper Upscale	4	Tribute Portfolio	1986	0
Marriott Costa Mesa	11	253	131,155	3,072		\$237	Upper Upscale	4	Marriott	1989	2004
Marriott Irvine	17	496	465,656	26,645	600	\$339	Upper Upscale	4	Marriott	1983	0
Hilton Irvine Orange County Airport	10	306	288,803	18,036	414	\$203	Upper Upscale	4	Hilton	1985	2016
Embassy Suites by Hilton Irvine Orange County Airport	10	293	86,684	2,199	534	\$155	Upper Upscale	4	Embassy Suites by Hilton	1986	2008
Embassy Suites by Hilton Santa Ana Orange County Airport	7	301	164,156	7,251	350	\$125	Upper Upscale	4	Embassy Suites by Hilton	1984	0
Marriott Newport Beach Bayview	9	254	214,568	3,798	297	\$279	Upper Upscale	4	Marriott	1988	2018
Renaissance Newport Beach Hotel	10	444	322,344	16,815	450	\$184	Upper Upscale	4	Renaissance	1983	0
Hyatt Regency John Wayne Airport Newport Beach	7	343	267,894	21,000	219	\$198	Upper Upscale	4	Hyatt Regency	1974	0
Best Western Plus Newport Mesa Inn	3	97	56,628	3,000		\$219	Upper Midscale	3	Best Western Plus	1984	0
Hampton by Hilton Inn & Suites Irvine Orange County Airport	4	164	43,560	2,511		\$177	Upper Midscale	3	Hampton by Hilton	2018	0
Atrium Hotel Orange County	3	210	278,784	6,300		\$169	Upper Midscale	3		1969	0
Total Upscale Rooms is 2-Mile Zone		4,278									
Overall Average		570			3,649	\$211					
Upper Upscale		346				\$218					
Upper Midscale		157				\$173					

As a result, we based our daily room rates on the data presented in Table 12. Although the advertised room rate for the Westin South Coast Plaza is \$244 per night, we chose to use an average room rate of \$210 for the proposed hotel. We believe that the Westin South Coast Plaza's affiliation with the Hilton Flag drives significant guests to it and, since there are no comments in the Specific Plan that the hotel would be flagged, we adjusted the room rate downward. Further, since most Upper Upscale business hotels have established long-term relationships with corporate clients, we felt these long-term relationships would continue to direct corporate business to them. Until we obtain additional information, we have concluded that a daily room rate of \$210 was representative of the future. We further believe that once the proposed hotel gains a reputation, its revenue could approach that of the Westin South Coast Plaza.

The next step in determining total hotel revenue is to estimate the RevPAR revenues. These include food sales, beverage sales, technology revenues, and minor departments. The first two categories are self-explanatory. Technology revenues relate to internet, phone service, TV-streaming services, and others guest services. Minor department revenues include garage facilities, in-house laundry, health clubs and swimming pools, and retail shops. These departmental revenues make up more than 26% of total hotel revenues. We reduced department revenues by corresponding department expenses.

In addition to department income and expenses, hotels incur "Undistributed Operating Expenses." These expenses include administration and general operating, marketing, management fees, franchise fees, energy, operations and maintenance, insurance, and property taxes.

Table 13: Hotel NAV

Hotel	Percentage	Daily Room Rent	Daily Revenue	Annual Revenue	% of Total
Base Room Rent		\$210.00	\$52,500	\$19,162,500	104.66%

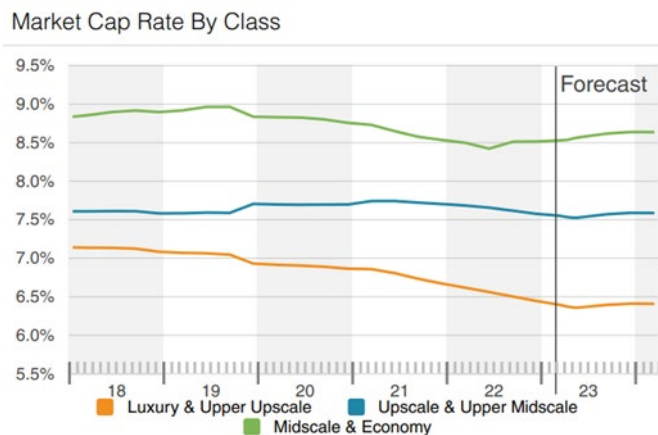
Vacancy		(30.00%)	(\$15,750)	(\$5,748,750)	(31.40%)
Rev Par		\$147.00	\$36,750	\$13,413,750	73.26%
Food Sales	16.00%	\$23.52	\$5,880	\$2,146,200	11.72%
Beverage Sales	7.50%	\$11.03	\$2,756	\$1,006,031	5.49%
Technology	3.00%	\$4.41	\$1,103	\$402,413	2.20%
Minor Departments	10.00%	\$14.70	\$3,675	\$1,341,375	7.33%
Total Non-RevPAR Income		\$53.66	\$13,414	\$4,896,019	26.74%
Gross Hotel Revenue		\$200.66	\$50,164	\$18,309,769	100.00%
Hotel Expenses					
Department Expenses		(\$63.43)	(\$15,858)	(\$5,788,033)	(31.61%)
Undistributed Operating Expenses		(\$60.27)	(\$15,068)	(\$5,499,638)	(30.04%)
Fixed Charges		(\$6.62)	(\$1,653.75)	(\$603,618.75)	(\$0.03)
Capital Reserves for FF& E		(\$2.94)	(\$735.00)	(\$268,275.00)	(\$0.01)
Total Expenses and Reserves		(\$133.26)	(\$33,314)	(\$12,159,564)	(66.41%)
Net Operating Income		\$67.40	\$16,850	\$6,150,204	33.59%
Net Asset Value @ 6.5%	6.50%			\$94,619,000	

We reduced the hotel income by hotel expenses to determine NOI.

As described above, one of the significant variables to evaluate an IPP is the assumed cap rate. Figure 16 depicts a summary of existing cap rates by hotel class. We believe the proposed hotel will be similar to the Westin South Coast Plaza, which qualifies as an Upper Upscale property. This led us to determine that

a cap rate of 6.5% is appropriate. Therefore, we concluded that with a NOI of \$6,150,000, the value of the proposed hotel would be about \$95,000,000.

Figure 16: Market Cap Rate by Class



building permit in this category.

Indirect costs include engineering and consulting costs, as well as Development Impact Fees ("DIFs"). Direct development costs include all physical site costs, plus a percentage share of backbone costs and parking to accommodate 121 spaces. Indirect costs include field and office operations, as well as corporate general and administrative expenses. Marketing and sales costs are a portion of a project-wide brand development program for the site. Financing costs include interest, loan fees, and property taxes.

Table 14: Hotel Construction Costs

Project Costs	Percentage	Per Room	Per SF	Total
Rooms/Total SF		250 Rooms	140,000 SF	
Room SF			100,000 SF	
Land		\$0	\$0.00/SF	\$0
Vertical Costs		\$197,960/DU	\$353.50/SF	\$49,490,000
Land Development Soft Costs		\$3,699/DU	\$6.60/SF	\$924,634
Lot Development Direct Costs		\$18,897/DU	\$33.75/SF	\$4,724,369
Share of Backbone Costs		\$7,106/DU	\$12.69/SF	\$1,776,413
Indirect Costs	4.00%	\$19,872/DU	\$35.49/SF	\$4,968,016
Marketing and Sales	2.00%	\$378/DU	\$0.68/SF	\$94,619
Finance Costs	5.00%	\$9,501/DU	\$16.97/SF	\$2,375,290
Total Costs		\$257,413/DU	\$459.67/SF	\$64,353,341

A Hospitality Summary

We believe the 2-Mile Zone could accommodate another Upper Upscale since the hotel occupancy in the 2-Mile Zone is close to 75% and has strong RevPAR characteristics. Below is a summary indicating that the “Excess of Value over Costs” for the proposed hotel is 32%, a margin that in a normal market would attract a developer and investors to finance the construction of a hotel property.

Table 15: Excess of Value Over Costs

Description	Estimate	Percent
Hotel Value	\$94,619,000	100.00%
Hotel Costs	(\$64,353,000)	(68.01%)
Excess of Value over Costs	\$30,266,000	31.99%

B Congregate Care

A congregate care facility focuses on providing a stable environment for people who have difficulty in living independently related to physical, emotional, or social abilities. Since each tenant in a congregate care facility has different needs, these facilities offer various services to assist them. Congregate care residences generally receive care tailored to their specific needs, thereby providing a maintenance-free lifestyle. The types of care available include well-balanced meals, physical and mental stimulation, establishment of a purpose for life, social interaction, and the provision of stimulation for the the mind and body to achieve a more comfortable life for a person requiring their services.

The primary difference between assisted living facilities and nursing homes is the medical services provided. Residents in an assisted living facility often live independently in their own units whereas tenants in a nursing home usually require around-the-clock medical support or monitoring.

The services that congregate care facilities offer vary by facility but may include the amenities listed below.

- Personalized service up to 24 hours a day;
- Individual care planning;
- Up to three meals a day;
- Housekeeping services;
- Utilities and basic cable;
- In-home maintenance;

- Communal dining;
- Full-time nursing;
- Assistance with medication;
- Emergency response system;
- Assistance with dressing;
- Assistance with bath and showers;
- On-site physical therapy;
- Laundry services;
- Calendar of social activities;
- Education programs;
- Fitness and wellness center;
- Salon and spa;
- Transportation;
- Concierge services;
- Resident group activities; and
- Access to community amenities.

Since the Specific Plan does not specify the type of congregate care facility that will be constructed, we chose a facility providing similar serves to others in the neighborhood, including facilities near Hoag Hospital in Newport Beach. We chose the Hoag Hospital area since we believe those living in the Hoag Hospital area would find the Urban Village a representative alternative. As with other products included in the Specific Plan, the Specific Plan discusses the concept of congregate care but does go into detail describing a specific program. Therefore, we envisioned a product line with several floor plans ranging from studio apartments up to two-bedroom units. The program would also include many of the amenities listed above.

We reviewed data provided by CoStar, but due to the absence of a detailed congregate care facility description in the Specific Plan, we made some broad assumptions of future intents for the facility. According to Senior Housing Net website, the costs of living in California in a congregate care community throughout the state are:

Assisted Living:	\$5,250
Independent Living:	\$3,413
Memory Care:	\$6,563
Nursing Home Care:	\$9,794

Based upon reviewing CoStar and the estimates from Senior Housing Net, we estimated an average monthly rent of \$7,500. For our calculations, we chose a vacancy rate of 5%. We also estimated that the average room size would be 800 SF, allowing for a combination of studio, one-bedroom, and two-bedroom units.

In addition to basic rent, a typical congregate care offers services and amenities to its tenants for an additional fee. These include food and beverage services, salon and spa services, transportation, etc.

Based upon our estimates, we determined NOI and then an NAV for this asset class shown below

Table 16: Congregate Care NAV

Description	Per Room per Month	Total Per Month	Annual
Revenues from Rooms	\$7,500	\$1,500,000	\$18,000,000
Vacancy	(\$375)	(\$75,000)	(\$900,000)
Revenues After Vacancy	\$7,125	\$1,425,000	\$17,100,000
Revenues From Services	\$3,420	\$684,000	\$8,208,000

Total Revenues	\$10,545	\$2,109,000	\$25,308,000
Department Expenses	(\$4,451)	(\$890,288)	(\$10,683,450)
Undistributed Operating Expenses	(\$2,925)	(\$585,000)	(\$7,020,000)
Insurance and Property Tax	(\$143)	(\$28,500)	(\$342,000)
Total Operating Expenses	\$3,026	\$605,213	\$7,262,550
Capital Reserves	(\$143)	(\$28,500)	(\$342,000)
Net Operating Income	\$2,884	\$576,713	\$6,920,550
Net Asset Value @ 6.5% Cap Rate	\$532,350	\$106,470,000	\$106,470,000

To determine if a congregate care facility would provide a profitable return, we estimated the costs to construct the facility. They are as follows:

Table 17: Congregate Care Development Costs

Project Costs	Percentage	Per Room	Per SF	Total
		200 Rooms	192,000	
Land		\$0	\$0.00/SF	\$0
Vertical Costs		\$296,940	\$309.31/SF	\$59,388,000
Lot Indirect Costs		\$24,417	\$43.60/SF	\$106,036
Lot Development Direct Costs		\$10,449	\$18.66/SF	\$2,752,656
Share of Backbone Costs		\$7,951	\$14.20/SF	\$1,998,918
Indirect Costs	4.00%	\$21,294	\$42.00/SF	\$5,641,983
Marketing and Sales	2.00%	\$10,647	\$0.76/SF	\$106,470
Finance Costs	5.00%	\$9,747	\$17.40/SF	\$2,672,807
Total Costs		\$381,445	\$445.94/SF	\$72,666,871

C Congregate Care Summary

We reviewed the viability of a congregate care facility in the Project and determined that the value of the congregate care facility would exceed the NAV by \$30,266,000. Therefore, we concluded that the proposed facility is acceptable in the Project.

Table 18: Congregate Care Excess of Value Over Costs

Description	Estimate	Percent
Congregate Care Value	\$106,470,000	112.52%
Congregate Care Costs	(\$72,667,000)	(76.80%)
Excess of Value over Costs	\$33,803,000	35.73%



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