

**APPENDIX C:
PRELIMINARY
MARKET
ANALYSIS +
MOTEL DEMAND
STUDY**

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City of Anaheim
PLANNING DEPARTMENT

February 20, 2015

Subject: Beach Boulevard Market Overview and Feasibility Analysis

The Planning Department is pleased to present the results of the preliminary market overview and feasibility analysis related to the Beach Boulevard Specific Plan Project. In June 2014, the City was awarded nearly \$500,000 from the California Strategic Growth Council to prepare the Beach Boulevard Specific Plan. To gain a better understanding of the land economics in the immediate area of Beach Boulevard, the City commissioned a well-respected real estate market advisor with local experience (Keyser Marston Associates) to investigate the area's existing economic conditions, potential market demand and financial feasibility of new development.

It is important to note that this analysis is a preliminary investigation and the conclusions of the analysis are not intended to forecast the type of development that will necessarily occur along the Beach Boulevard corridor and the surrounding area, but rather to serve as supplemental information in preparation of the Beach Boulevard Specific Plan. The highest and best use of properties will be determined through the specific plan process, in accordance with the community's vision for the area.

If you have questions or need additional information, please contact Susan Kim at skim@anaheim.net or (714) 765-4958 or Gustavo Gonzalez at ggonzalez@anaheim.net or (714) 765-4671.

Sincerely,

Jonathan E. Borrego, AICP
Planning Services Manager



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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To: Jonathan Borrego, Planning Services Manager
City of Anaheim

From: Kevin Engstrom
James Rabe

Date: February 12, 2015

Subject: Beach Boulevard Market Overview and Feasibility Analysis

INTRODUCTION

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) prepared a market and financial feasibility analysis for the Beach Boulevard Corridor (Corridor) in the City of Anaheim (City). The analysis occurred in two phases.¹ The first phase evaluated the market conditions for the Corridor, estimating demand for retail, office, residential and hotel development. After identifying the land uses that have the greatest market support, KMA then evaluated the financial feasibility of new development occurring along the Corridor. The analysis is summarized in two sections, Market Area Overview and Project Feasibility Analysis.

MARKET OVERVIEW

The Market Overview includes the following:

1. Socio-Economic Characteristics² - KMA evaluated the socio-economic characteristics of the market area, City and Orange County (County). Reviewing the socio-economic characteristics of the market area residents is necessary for the evaluation of potential market opportunities.

¹ Data for the analysis was collected and evaluated between May and September 2014.

² Socio-Economic characteristics include demographic and economic traits (e.g. population, race, age, education levels, income levels etc.) of market area residents.

2. Employment and Business - Provides a summary of existing employment and businesses.
3. Retail Overview - Includes data from regional brokerage houses, current asking rents, estimates of current retail productivity levels, and estimates of the likely supportable retail.
4. Office Overview - This analysis includes data from regional brokerage houses, current asking rents and market demand projections to assess potential opportunities.
5. Residential Overview – Summarizes the housing inventory, new and existing home sales, and rental activity in the region.
6. Lodging Overview - This analysis includes an evaluation of average daily rates, occupancy and demand in the region.

PROJECT FEASIBILITY ANALYSIS

The Project Feasibility Analysis includes the following:

1. Commercial Project Feasibility – Evaluates the feasibility of new commercial development along the Corridor.
2. Residential Project Feasibility – Evaluates the financial feasibility of new residential projects occurring at mid-block locations along the Corridor.

EXECUTIVE SUMMARY

The Market Overview and the Project Feasibility Analysis are summarized below.

Market Overview

The key findings of the Market Overview include:

1. Socio Economic Characteristics - The three-mile market area, which is shown in Figure 1, has healthy population densities. Of note, the household income levels and education levels are lower than the County averages.³ In addition, there is a concentration of Asian and Hispanic residents in the market area.
2. Retail - The surplus/leakage analysis indicates market area demand for the following tenant types: building materials stores, food & beverage stores, apparel stores, and sporting/hobby/book/music stores. Retail rents in the two-mile market area, which is shown in Figure 2, average \$1.60 per square foot.⁴ Brokers indicate demand exists from retailers for quality space with potential rents along the Corridor exceeding \$2.00 per square foot.
3. Office - The office market in North/Central Orange County is relatively soft. Vacancy rates in Anaheim exceed 17% and the region is not suited for significant off-freeway office development. The significant vacancy rate in the market area can absorb potential demand from the West Anaheim Medical Center.
4. Residential - A healthy amount of residential demand is projected over the next 15 years. Existing residential prices in the two-mile market area average \$320 per square foot for single family homes (median price of \$430,000 per unit) and \$250 per square foot for condominiums (median price of \$279,000 per unit). New attached projects in Anaheim are selling from \$250,000 to \$552,000 (\$284 to \$342 per square foot). Given the demand and price points, developers believe there is residential potential along the Corridor. Properties with sufficient depth could see small lot detached projects. However, most of the Corridor is better suited for attached residential due to the relatively shallow lot depths and market area price points.

³ The market area is measured from the intersection of Beach Boulevard and Orange Avenue. Many retail types evaluate the three-mile market area when considering the socio-economic characteristics of potential opportunity sites.

⁴ The real estate market conditions assume a two-mile market area, as this provides a sufficient sample size while limiting the focus to the Corridor.

- 5. Hotel - Modest demand exists for hotels in the North Orange County market area; however, the average daily rate (ADR)⁵ is relatively low (\$95). The low ADR will impact hotel feasibility, as costs will exceed the supported level of investment.

The market analysis indicates support for additional retail, particularly given the current leakage estimates. According to brokers and developers active in the area, the retail should be concentrated at key intersections in well-designed centers that have strong anchors. In addition, there is a healthy amount of residential demand in the market area with attached homes likely well suited for the Corridor, particularly given the potential price points, shallow lot depths and traffic volumes. As such, residential is suited for mid-block locations, particularly townhome and flat projects, which can be situated on shallower parcels. Further, residential development at mid-block locations could result in the redevelopment of obsolete, under-performing or less desirable land uses. The lack of freeway visibility, opportunity sites more proximate to Knott's Berry Farm and relatively low ADR in the market area will make it difficult to develop hotels along the Corridor in the near- to mid-term.

Project Feasibility Analysis

The Market Overview indicates demand for retail and residential along the Corridor. Given this market support, the Project Feasibility Analysis considers whether new retail and/or residential development is financially feasible. The new development could replace older, obsolete, poorly tenanted or less desirable projects along the Corridor. To evaluate feasibility, the land value supported by new projects is compared to the values of existing development along the Corridor. If the land values for new development exceed the existing land values, then the opportunity may exist for new development to occur along the Corridor.

KMA reviewed land and building sales comps for the market area over the past two years. The average value of these comps is shown in the table below:

Existing Land and Building Values		
	Per Square Foot of Building/Unit	Per Square Foot of Land
Retail	\$195	\$42
Office	\$156	\$40
Apartment	\$147,000	\$87
Hotel	\$75,700	\$114

⁵ The average daily rate reflects the annual, average rental rate paid per occupied room.

The land value for existing projects along the Corridor likely ranges from \$40 to \$114 per square foot, depending on the use in place. Therefore, new development will need to support land residual values of at least \$40 per square foot to be financially feasible. To that end, KMA estimated the land residual value for seven development scenarios, which included two commercial scenarios and five residential scenarios at varying density levels:

Development Scenario Residual Land Value			
	Land Use	Density	Land Value Per Square Foot
Scenario 1	Commercial	.30 FAR	\$31
Scenario 2	Commercial	.50 FAR	\$40
Scenario 3	For-Sale Residential	12 Units/Acre	\$38
Scenario 4	For-Sale Residential	18 Units/Acre	\$38
Scenario 5	For-Sale Residential	24 Units/Acre	\$44
Scenario 6	For-Sale Residential	36 Units/Acre	\$32
Scenario 7	For-Rent Residential	36 Units/Acre	\$22

Commercial Scenarios

The commercial scenarios evaluation offers the following insights:

1. It will be very difficult for new commercial projects to occur along the Corridor at typical density levels (.25 to .30 FAR), as the residual land value (\$31 per square foot) is much lower than the land value for existing projects (\$40 to \$114 per square foot). For this type of redevelopment to occur, a tenant will need to have a strong desire to locate on the Corridor and/or the developer will need to accept returns that are significantly lower than normal.
2. The higher density commercial project may support land values that are sufficient enough to see the redevelopment of existing commercial projects along the Corridor.
3. To be viable, the higher density commercial will require relaxed parking standards. Currently, the City requires 5.5 spaces per 1,000 square feet for retail, and between 5.5 and 16 spaces per 1,000 square feet for restaurants. The City will need to have professional site plans prepared to identify appropriate parking ratios; however, KMA assumed ratios of 4.0 spaces per 1,000 square feet of retail and 8.0 spaces per 1,000 square feet of restaurant space when preparing this analysis.

4. While potentially supporting greater values, the higher density commercial may be difficult to tenant with domestic chains. As such, these projects may see a concentration of ethnic retailers, particularly those serving the growing ethnic population in the market area.
5. Many traditional domestic developers may not pursue higher density commercial along the Corridor, as the likely two-story configuration can be difficult to tenant. Instead, this type of development would likely see greater interest from non-traditional developers with access to alternative/off-shore capital sources.
6. Non-traditional developers with access to alternative/off-shore capital will often accept lower returns than traditional domestic developers. Reasons for this include lower cost of capital and greater holding periods. The acceptance of lower rates of return can have a significant impact on feasibility, as supportable land values will be higher.

Residential Scenarios

The evaluation of the residential scenarios offers the following insights:

1. Due to the construction costs for parking, the current rents and sales prices do not support podium residential construction at a density of 36 units per acre.
2. Podium residential is unlikely to be viable without an increase in height limits above three stories.⁶ The additional density is required to offset the parking construction costs.
3. The current parking ratios assume 2.0 spaces per one-bedroom unit and 2.25 spaces per two-bedroom unit. These parking ratios may not provide sufficient latitude for developers to provide a mix of units that would be best received by the market, as the relative costs associated with parking for the one-bedroom units may make them financially impractical. This imbalance will particularly impact the feasibility of higher density apartment projects, which have smaller units and a greater share of one-bedroom units.
4. Given the price points, the higher density, non-podium residential supports the greatest price per square foot. For this analysis, Scenario 5 at 24 units per acre generates the highest land value at \$44 per square foot.

⁶ Podium residential refers to multi-story residential buildings with parking located at ground level in a structure and residential built above.

5. The detached, low density, 12 units/acre Scenario 3 generates a healthy land value of \$38 per square foot. However, the development of this type of residential will require relatively deep lots and pricing may be an issue given the traffic volumes along the Corridor.

Summary

Based on the assumptions set forth in the KMA analysis, the higher density commercial project (Scenario 2) and the highest density surface parked residential project (Scenario 5) generate the highest land residual values. At \$40 to \$44 per square foot, the land residual values for these projects are approaching the underlying land value of retail and office developments in the market area, and along the Corridor.

However, the assemblage of sites will be challenging as developers require sufficient land area to cost effectively lay out projects. Acquiring multiple properties can be a significant burden, as the underlying value of each property will be determined by the uses in place. For instance, one parcel may be poorly tenanted and/or obsolete, while the adjacent parcels may have strong tenants, low vacancies and/or more valuable uses (e.g. hotel). As such, the effective redevelopment of these parcels may need to begin with existing landowners along the Corridor who can leverage their holdings into larger developable parcels by acquiring adjacent properties. Further, the land basis for these existing landowners may be lower, thus facilitating feasibility. Assuming landowners and/or developers can obtain properties at the land residual values estimated herein (~\$40), then the redevelopment of some commercial properties may be feasible in the near- to mid-term.

The underlying land value for hotels is over \$100 per square foot. At this price point, none of the scenarios support land values that could see the redevelopment of these properties. As such, redevelopment of these properties will likely only occur if hotel values drop and market conditions significantly improve for the commercial and residential land uses.

MARKET AREA OVERVIEW

The Market Area Overview is detailed in the following sections.

Socio-Economic Characteristics

The socio-economic characteristics of the market area, City and County are shown in Appendix 1 – Tables 1 and 2. The key variables for the market area are summarized below:

1. The market area is characterized by moderate population densities.⁷
2. The market area population is comprised of slightly larger households.
3. The average household income level in the market area is relatively low at \$72,500 compared to \$75,900 in the City and \$98,000 in the County. The median household in the market area is \$57,300 compared to \$59,300 in the City and \$77,000 in the County.
4. Within the market area, approximately 24% of the households earn incomes over \$100,000, which is generally consistent with the City, but much lower than the County where 35% of the households exceed this income level.
5. The age distribution in the market area and the City skew slightly younger than the County, as more than 25% of the residents are under 18, compared to 23% countywide.
6. Market area and City residents are less educated than the County with less than 25% having graduated from college, compared to 36% countywide.
7. There is a concentration of Asian residents in the market area (25%) when compared to the County (19%). Comparatively, only 15% of the citywide population is Asian. Further, as the market area increases in size to 5 miles, the share of Asian residents increases to over 28% of the population.
8. There is also a concentration of Hispanic residents in the market area (46%), when compared to the County (35%). The share of Hispanic residents is even higher within the City (55%).

⁷ The market area is defined by the three-mile ring around the intersection of Beach and Orange, as many retail types utilize this spatial measure to assess opportunities.

- 9. Growth projections for the market area are moderate and should be consistent with the County through 2019.

Household Growth Projections				
	<u>2014</u>	<u>2019</u>	Change	
			<u>Total</u>	<u>Percent</u>
1-Mile Ring	45,506	48,102	2,596	5.7%
3-Mile Ring	279,440	292,374	12,934	4.6%
5-Mile Ring	707,400	738,632	31,232	4.4%
Anaheim	354,144	372,252	18,108	5.1%
Orange County	3,140,085	3,302,477	162,392	5.2%

The socio-economic makeup of the market area will have an impact on retail opportunities. In particular, retailers focus on population density, income levels and education levels. The market area has a moderately dense population; however, both the income levels and education levels are lower than the County average. The lower income and education levels may impact retail opportunities for some retail types along the Corridor in the near- to mid-term.

Employment and Businesses

Appendix 1 – Tables 3 and 4 show the employment and business mix for the market area and County. The data indicates there is a manufacturing industry concentration in the market area. The concentration of these businesses in the market area likely results from the relative scarcity of industrial development in Orange County and the presence of some of these businesses along the 91 Freeway Corridor. These businesses are not located along Beach Boulevard. Comparatively, there are relatively few professional/scientific/technical services, healthcare and social assistance, and finance and insurance businesses (typical office tenants).

Retail Overview

The information compiled for the retail overview can be summarized as follows:

- 1. As shown in Appendix 1 – Tables 5 and 6, the per capita retail sales are lower in the City (\$9,200) than the County (\$12,600) and the State (\$10,100). In particular, citywide sales are weak for home furnishing stores, food & beverage stores, apparel stores and general merchandise stores. One potential factor for the City’s lower sales is there are fewer establishments compared to the County and State. Finally, the City’s retail sales per establishment are generally consistent with the County and State.

- 2. As shown in Appendix 1 – Tables 7 and 8, there is a healthy amount of retail leakage from the market area with demand for approximately 1.4 million square feet. Particularly strong demand exists for building materials stores, food stores and apparel stores. These findings would support the mix of tenancies that were under consideration for the Westgate Project located on the northeast corner of the Beach Boulevard and Lincoln Avenue intersection.

Market Area Retail Square Footage Demand⁸				
	Anaheim	1 - Mile	3 - Miles	5 - Miles
Furniture and Home Furnishings Stores	0	21,945	0	0
Electronics and Appliance Stores	0	17,856	62,818	45,092
Building Material, Garden Equip Stores	0	96,506	252,600	755,737
Food and Beverage Stores	619,293	128,531	501,483	1,343,453
Health and Personal Care Stores	176,668	17,243	15,443	132,383
Clothing and Clothing Accessories Stores	421,294	58,391	389,384	863,093
Sporting Goods, Hobby, Book, Music Stores	79,203	10,513	82,550	222,874
General Merchandise Stores	78,640	109,779	0	0
Miscellaneous Store Retailers	153,558	27,381	104,260	118,379
Foodservice and Drinking Places	0	28,755	0	0
Total (Square Feet)	1,528,656	516,898	1,408,539	3,481,011

- 3. As shown in Appendix 1 – Table 9, retail vacancies in North Orange County are 6.6%, compared to 5.1% countywide. Rents in North Orange County average \$1.61 per square foot, which is lower than the County average of \$1.87.
- 4. As shown in Appendix 1 – Table 10, the current asking rents in the market area range from \$.80 to \$3.00 per square foot, with an average of \$1.63 per square foot. These rents are consistent with the North Orange County market area average, but are still lower than the County.⁹

The retail overview indicates the market area is leaking significant sales. The proposed Westgate Project would have addressed some of this leakage, as the major anchors included a home improvement store and food store. This analysis indicates that these tenant types still have market viability should suitable parcels become available. Finally, retail rents in the two-mile market area average \$1.60 per square foot. Rents at this level are relatively low; however, brokers indicate demand exists from retailers for quality space, with potential rents along the Corridor exceeding \$2.00 and approaching \$3.00 per square foot at prime intersections where retail is best suited.

⁸ Source: Claritas, KMA

⁹ The real estate market conditions assume a two-mile market area, as this provides a sufficient sample size while limiting the focus to the Corridor.

Office Overview

The information compiled for the office overview can be summarized as follows:

1. As shown in Appendix 1 – Table 11, office vacancy rates are approximately 13% in Orange County. Over the past year, there has been limited new construction and only modest absorption. Within Anaheim, the vacancy rate is 17.2% and rents are \$1.82 per square foot compared to the County average of \$1.96 per square foot.
2. As shown in Appendix 1 – Table 12, rents in the market area range from \$1.00 to \$2.00 per square foot. The weighted average is \$1.50 per square foot. These rents are much lower than the City average.
3. Appendix 1 – Table 13 shows office demand projections for a three-mile market area. Based on employment growth projections for the three-mile market area, there is projected support for 590,000 square feet of office through 2029 (15 years). This support would include filling existing, proposed and future office developments.

Estimated Office Demand – 3-Mile Market Area¹⁰			
	2014-2019	2014-2024	2014-2029
Cumulative Office Demand	208,900	393,500	589,800

Overall, the office market is still recovering from the recession, as vacancy rates and rents are moving off their 2010-2012 levels and absorption is still relatively slow. Based on these factors, limited office development has occurred in Orange County over the past year. Given these factors, the much lower rents in the market area and the lack of freeway visibility, market opportunities are anticipated to be limited in the near- to mid-term along the Corridor.

Residential Overview

The Residential Overview considers the existing housing stock in the City, the potential demand for new units and the current market conditions for both for-sale and apartment units.

¹⁰ Source: KMA; Claritas; California Employment Development Department

Existing Residential Stock

As shown in Appendix 1 – Tables 14 and 15, the total number of housing units in Anaheim increased 14% between 1990 and 2013, which is lower than both the County (21%) and State (23%). Currently, the vacancy rate in Anaheim is 5.7%, which is lower than the State average of 8.0%, but higher than the County average of 5.4%. Finally, the mix of housing units in Anaheim indicates 45% of the housing units are multi-family, which is higher than both the County (34%) and State (31%).

Market Area Residential Demand

As shown in Appendix 1 – Table 15, population growth projections indicate three-mile market support for over 12,000 residential units through 2029.

Estimated Residential Demand – 3-Mile Market Area¹¹				
	2014	2019	2024	2029
Estimated Population	279,440	292,374	305,907	320,066
Households	80,377	84,106	87,999	92,072
Household Growth		3,729	3,893	4,073
Cumulative Households		3,729	7,622	11,695
Housing Units @ 103% of Growth		3,841	7,851	12,046

For-Sale Market

The for-sale market conditions are summarized below:

- Appendix 1 – Table 17 shows the median existing home price in the City for all of its zip codes from 2009 through 2013. Within Anaheim, the Beach Boulevard Corridor is covered by the 92801 and 92804 zip codes. The 92804 zip code roughly covers the area between Katella, Lincoln, Euclid and the western boundary of the City. The 92801 zip code covers the area between the 91 Freeway, Lincoln, Euclid and the western boundary of the City. Consistent with the County, prices in these zip codes have risen significantly since 2009. In 2013, the median single family home price was \$380,000 (92801) and \$413,000 (92804), compared to the County median of \$599,000. The average price per square foot is higher in the 92801 zip code (\$289) than the 92804 zip code (\$283); however, both are lower than the County (\$331). The price per square foot for homes in the 92801 zip code is higher than all of the other zip codes in the City except the 92808 zip code for Anaheim Hills. These prices indicate the relatively small size of the homes in the 92801 zip code.

¹¹ Source: Claritas, KMA

2. Appendix 1 – Table 18 shows the sales activity for attached and detached homes in the market area (two miles from Beach and Orange) for the past six months. During this period, the median sales price of condominiums is \$279,000 with an average price per square foot of \$250. The median sales price of single-family homes is \$430,000 with an average price per square foot of \$320. The price per square foot is much closer to the County average. Overall, the inventory in the market area is relatively old, as the average year built for the transferred condominiums is 1979 and for the single-family homes it is 1956.

3. As shown in Appendix 1 – Table 19, there are seven new attached home projects in the Anaheim/Yorba Linda market area and 16 detached home projects. In this area, the average price for attached homes is \$481,000 with a price per square foot of \$307.¹²

	Average Price	Average Sq. Feet	Price/SF
Anaheim/Yorba Linda	\$480,646	1,564	\$307
Huntington/Newport Beach	\$1,124,443	3,233	\$348
Irvine/Tustin	\$639,650	1,613	\$3,966
Mission Viejo/Aliso Viejo	\$474,641	1,574	\$302
San Juan Cap/San Clemente	\$0	0	\$0
Santa Ana/Orange	<u>\$513,990</u>	<u>1,858</u>	<u>\$277</u>
Orange County Total	\$568,225	1,653	\$344

In the Anaheim/Yorba Linda market area, the average price for detached homes is \$824,000 with a price per square foot of \$335.

	Average Price	Average Sq. Feet	Price/SF
Anaheim/Yorba Linda	\$823,556	2,456	\$335
Huntington/Newport Beach	\$854,192	2,100	\$407
Irvine/Tustin	\$982,848	2,487	\$395
Mission Viejo/Aliso Viejo	\$803,266	2,203	\$365
San Juan Cap/San Clemente	\$926,854	3,177	\$292
Santa Ana/Orange	<u>\$693,182</u>	<u>2,619</u>	<u>\$265</u>
Orange County Total	\$899,295	2,430	\$370

¹² The MarketPointe data only provides the weighted average pricing for residential units in the County and market area.

¹³ Source: MarketPointe, KMA

¹⁴ Source: MarketPointe, KMA

4. Appendix 1 – Tables 20 through 23 show inventory, absorption and price trends in the region. The unsold inventory of attached and detached homes has fluctuated in Orange County since 2011. Currently, the inventory is slightly larger than 2012, when there were relatively few units available. Similar to the unsold inventory, the absorption of new units has fluctuated with a current absorption rate of 4.75 attached units per month and 4.4 detached units. Sales prices for new attached and detached homes have fluctuated as well since the 1st Quarter of 2013. These fluctuations are due to the size, type, quality and location of the projects being sold in each quarter.

5. According to Market Pointe, there are two new attached projects currently selling in Anaheim. As shown in Appendix 1 – Table 24, the projects include the Cortile @ Colony Park homes and the Casita @ Colony Park homes. These projects are both developed by Brookfield homes and include a mix of condominiums and townhomes. These projects have units ranging from 730 to 1,931 square feet in size with prices ranging from \$250,000 to \$552,000 (\$284 to \$342 per square foot). In addition, The Domain Anaheim project is under construction in the City. Located at the intersection of Santa Ana Street and Anaheim Boulevard, this project includes a mix of one- to three-bedroom units ranging from 746 to 1,644 square feet per unit. Pricing for the one-bedroom units starts in the mid-\$300,000s, the two-bedroom units start from the mid-\$400,000s, and the three-bedroom units start from the high \$400,000s.

Apartment Market

The apartment market conditions are summarized below:

1. As shown in Appendix 1 – Table 25, the average asking rent is \$1,360 in the market area, with a 1.0% year to date vacancy rate compared to 2.8% in Orange County.¹⁵ Rents are projected to increase to \$1,490 (6.2%) through 2018, as shown below:

Market Area Projections¹⁶		
	Average Rent	Average Vacancy
2015	\$1,432	1.8%
2016	\$1,456	2.3%
2017	\$1,474	2.6%
2018	\$1,487	2.4%

¹⁵ This data is provided by REIS, which roughly describes the apartment market area north of the 22, west of the 5 and east of the 605.

¹⁶ Source: REIS: Submarket Trend Futures

- 2. Appendix 1 – Table 26 shows the rents by unit type. The average rent in the market area is \$1,360 (\$1.56 per square foot). The table below summarizes and shows the average apartment sizes and rent by type of unit.

Unit Type	Average Square Feet	Average Rent	Average Rent PSF
Studio / Efficiency	447	\$1,070	\$2.39
One-Bedroom	743	\$1,192	\$1.61
Two-Bedroom	968	\$1,465	\$1.51
Three-Bedroom	<u>1,147</u>	<u>\$1,831</u>	<u>\$1.60</u>
Overall	873	\$1,363	\$1.56

- 3. Appendix 1 – Table 27 compares the market area rents to Orange County, which are summarized in the table below.

Unit Type	Average Rent	Average Rent PSF
Studio / Efficiency	\$1,195	\$2.33
One-Bedroom	\$1,434	\$1.95
Two-Bedroom	\$1,800	\$1.74
Three-Bedroom	\$2,276	\$1.78

- 4. As shown in Appendix 1 – Table 28, approximately 2,100 new apartment units are projected for Orange County over the next five years.

The residential market has improved significantly since the nadir of the recession. With the healthy residential demand projected for the area, opportunities should exist for new residential development along the Corridor. Developers active in the area substantiate this finding, as they believe demand exists for some product types. Specifically, properties with sufficient depth could see small lot detached projects; however, given the parcelization along the Corridor, these opportunities are limited. Instead, attached projects are likely better suited for most opportunity sites along the Corridor, as these unit types can offer a price point that is consistent with the market area. Overall, residential is suited for mid-block locations, particularly townhome and flat projects where lot depths are shallower. Residential development at these mid-block locations

¹⁷ Source: REIS: Submarket Trend Futures

¹⁸ Source: REIS: Submarket Trend Futures

could result in the redevelopment of obsolete, under-performing or less desirable land uses.

Lodging Overview

The lodging market conditions are summarized below:

1. As shown in Appendix 1 – Table 29, the hotel market has steadily improved since 2009 throughout Orange County. This improvement is consistent with patterns in California and across the country. Historic occupancy rates for North Orange County have been slightly lower than the County; however, they are comparable for 2014.¹⁹
2. As shown in Appendix 1 – Table 30, the Average Daily Rate (ADR) for North Orange County is significantly lower than the County average (\$95 compared to \$128 in 2014).
3. As shown in Appendix 1 – Table 31, the lower ADR results in a relatively low Revenue per Available Room (RevPAR) of \$66 in North Orange County, compared to \$92 countywide.
4. As shown in Appendix 1 – Table 32, demand increased 2.0% annually in the North Orange County between 2008 and 2014. This rate of increase is lower than the County average of 3.3%.

Given the hotel market conditions, KMA estimated hotel demand along the Corridor over the next ten years. The analysis is summarized in Appendix 1 – Table 33, which shows potential demand for 500 to 970 hotel rooms in the North Orange County market area during this period. Assuming this number of rooms, a hotel project along the Corridor would need to capture approximately 20% of the demand to have market feasibility. While the Corridor is reasonably proximate to Knott's Berry Farm, there is no freeway visibility. As such, the Corridor is at a competitive disadvantage to other sites in the area that offer the same or better proximity to Knott's Berry Farm and/or provide freeway visibility. For this reason, new hotel projects are currently being considered in Buena Park, and if they move forward these properties will absorb a healthy share of this demand. Further, the ADR in the market area is relatively low at \$95. Therefore, even if a hotel might have market feasibility, it may not have financial feasibility because this ADR is unable to support acquisition and construction costs.

¹⁹ The North Orange County market includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Alamitos, Seal Beach and Yorba Linda. This market would likely be the competitive set for properties along Beach Boulevard.

PROJECT FEASIBILITY ANALYSIS

The Market Overview indicates demand for retail and residential along the Corridor. Given this market support, the Project Feasibility Analysis considers whether new retail and/or residential development is financially feasible. The new development could replace older, obsolete, poorly tenanted or less desirable projects along the Corridor. To this end, KMA worked with the City to identify seven alternative development programs for the Corridor. The seven scenarios evaluate the viability of redeveloping parcels along the Corridor based on alternative land uses and development densities. These programs include the following:

Development Programs		
	Land Use	Density
Scenario 1	Commercial	.30 FAR
Scenario 2	Commercial	.50 FAR
Scenario 3	For-Sale Residential	12 Units/Acre
Scenario 4	For-Sale Residential	18 Units/Acre
Scenario 5	For-Sale Residential	24 Units/Acre
Scenario 6	For-Sale Residential	36 Units/Acre
Scenario 7	For-Rent Residential	36 Units/Acre

For each Scenario, KMA prepared a pro forma analysis which identifies its land residual value.²⁰ The land residual value is the difference between project costs and its estimated value (less developer profit). The land residual value can then be compared to existing land values along the Corridor to gain an understanding of whether redevelopment is feasible. The pro forma analysis for each Scenario is separated into three sections:

- Table 1 – Estimated Construction Costs
- Table 2 – Estimated Project Income/Revenues
- Table 3 – Land Residual Value

The pro forma analysis is summarized in the attached Table 1, with the detailed pro formas included in Appendices 2 - 7.

²⁰ A pro forma analysis is a financial analysis of a real estate development, which includes an evaluation of project costs, revenues and returns.

DEVELOPMENT SCENARIOS

The program for each development scenario is summarized below.

Development Scenario Summary							
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Residential Units	NA	NA	26	38	51	77	77
Gross Building Area (SF)	34,369	57,281	41,800	54,250	63,300	97,020	84,105
Average Unit Size (SF)			1,608	1,428	1,239	1,200	1,040
Parking Spaces	220	275	72	106	142	177	168
Land Area (SF)	114,563	114,563	92,764	92,764	92,764	92,764	92,764
Project FAR	0.30	0.50	0.45	0.58	0.68	1.05	.91

COMMERCIAL SCENARIOS

Based on the findings of the market study and discussions with the City, KMA evaluated two commercial scenarios. For each scenario a pro forma analysis was prepared, estimating its land residual value. The scenarios include:

1. Scenario 1 (Appendix 2) – This scenario reflects traditional commercial development in Southern California with surface parking and one level of retail.
2. Scenario 2 (Appendix 3) – This scenario evaluates the potential for higher density commercial that would likely require a two-story development configuration. By increasing the number of commercial levels, the project could potentially be surface parked. This type of commercial development is prevalent in many parts of the San Gabriel Valley and other more urban locations in Southern California.

Key Assumptions

The key assumptions for the commercial scenarios include the following:

1. Construction costs are estimated at \$85 per square foot for Scenario 1 and \$90 per square foot for Scenario 2.
2. A tenant improvement allowance of \$20 per square foot is assumed in both scenarios.
3. Contractor, general conditions and contingency costs are estimated at 20% of site and building costs.

4. The parking requirements in the area would need to be relaxed to park Scenario 2 without a parking structure. As such, a professionally prepared site plan will be required to accurately address the feasibility of constructing this project without a parking structure. For the purposes of this analysis, KMA assumed 277 parking spaces; which roughly equates to parking ratios of 4.0 spaces per 1,000 square feet for retail and 8.0 spaces per 1,000 square feet for restaurants. However, the parking ratios may need to be lower to effectuate this design.
5. The indirect and financing costs are based on industry standards for commercial development in Southern California.
6. Based on these assumptions, the construction costs are \$206 per square foot for Scenario 1 and \$200 per square foot for Scenario 2.
7. Based on the market analysis, KMA estimated healthy rents for the projects. In Scenario 1, rents are estimated to range from \$2.50 to \$2.75 per square foot. Given the likely multi-level configuration of Scenario 2, rents are projected to be approximately 10% less, ranging from \$2.25 to \$2.50 per square foot.
8. Typical retail return on costs in Southern California range from 9% to 11%. For the purposes of this analysis, KMA assumed a 9.0% return based on our experience in Anaheim and Orange County.
9. Given these assumptions, KMA estimated the following land residual values for the commercial scenarios:

Land Residual Value		
	Scenario 1	Scenario 2
Supported Investment	\$10,644,000	\$16,011,000
(Less): Project Costs	<u>(\$7,094,000)</u>	<u>(\$11,433,000)</u>
Land Residual Value	\$3,550,000	\$4,578,000
Per Square Foot	\$31	\$40

RESIDENTIAL SCENARIOS

Based on the findings of the market study and discussions with the City, KMA evaluated five residential scenarios, including:

1. Scenario 3 (Appendix 4) – Assumes a low density, detached for-sale residential project with 12 units per acre.

2. Scenario 4 (Appendix 5) – Assumes a slightly higher density, attached for-sale residential project at 18 units per acre.
3. Scenario 5 (Appendix 6) – Assumes a for-sale residential project at 24 units per acre, which is likely at or near the highest density residential project that would not require structured parking.
4. Scenario 6 (Appendix 7) – Assumes a for-sale residential project at 36 units per acre. This project would require podium parking.
5. Scenario 7 (Appendix 8) – Assumes a for-rent residential project at 36 units per acre. This project would require podium parking.

Key Assumptions

The key assumptions for the residential scenarios include the following:

1. The building shell costs are estimated at \$85 per square foot.
2. Parking costs are estimated at \$17,000 per space for Scenarios 6 and 7.
3. Site costs are estimated at \$15 per square foot for Scenarios 3 – 5, and \$5 per square foot for Scenarios 6 and 7. The analysis assumes a share of the site costs for Scenarios 6 and 7 is captured in the parking costs.
4. The parking estimate assumes the current code for the area of 2.0 spaces for one-bedroom units, 2.25 spaces for two-bedroom units and 3.0 spaces for three-bedroom units. Guest parking at .25 spaces per unit is assumed to be captured in these totals.
5. Contractor, general conditions and contingency costs are estimated at 20% of site, building and parking costs.
6. Based on information received from the City, permits and fees are estimated at \$19,000 per unit for the for-sale units and \$14,000 per unit for the rental units.
7. The for-sale, attached residential scenarios include construction insurance at \$10,000 per unit.
8. The for-sale pro formas assume commissions and closing costs are 3.0% and 1.5% of sales, respectively. The costs also include \$3,500 per unit for home buyer warranties.

9. The remaining indirect and financing costs are based on industry standards for residential development in Southern California.
10. The construction costs are estimated as follows:

Construction Costs		
	Per Unit	Per Square Foot
Scenario 3	\$338,100	\$210
Scenario 4	\$294,700	\$206
Scenario 5	\$256,100	\$207
Scenario 6	\$286,300	\$227
Scenario 7	\$212,900	\$195

11. The sales prices for the units are estimated as follows:

Sales Prices/Rents					
	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
1-Bedroom					
Sq. Feet				1,000	900
Price/SF				\$330	\$1.85
Total Price				\$330,000	\$1,665
2-Bedroom					
Sq. Feet	1,400	1,250	1,100	1,200	1,100
Price/SF	\$345	\$330	\$330	\$320	\$1.75
Total Price	\$483,000	\$412,500	\$363,000	\$384,000	\$1,925
3-Bedroom					
Sq. Feet	1,700	1,500	1,300	1,400	
Price/SF	\$330	\$315	\$315	\$305	
Total Price	\$561,000	\$472,500	\$409,500	\$427,000	

12. To estimate the rents and pricing, KMA considered the following:
 - o The average two-bedroom detached home in the two-mile market area sells for \$348 per square foot.
 - o The average three-bedroom detached home in the two-mile market area sells for \$331 per square foot.

- The base sales prices for new attached home projects in Anaheim range between \$282 and \$342 per square foot.
 - The detached homes are assumed to generate a 5% price premium over the attached projects.
 - Given the existing inventory and KMA’s experience in Anaheim and Southern California, a 15% premium on the average per square foot rents in the market area is assumed.
13. Based on our experience in Anaheim and Orange County, KMA assumed a developer profit of 12% on sales for the detached units and 15% on sales for the attached for-sale units.
14. Based on our experience in Anaheim and Orange County, KMA assumed a 6.0% return on costs for the apartments.
15. Given these assumptions, KMA estimated the following land residual values for the residential scenarios:

Land Residual Values					
	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Revenues/Value	\$13,962,000	\$17,296,000	\$20,187,000	\$29,480,000	\$18,433,000
(Less): Costs and Profit	<u>(\$10,466,000)</u>	<u>(\$13,793,000)</u>	<u>(\$16,117,000)</u>	<u>(\$26,469,000)</u>	<u>(\$16,395,000)</u>
Land Residual	\$3,496,000	\$3,503,000	\$4,070,000	\$3,011,000	\$2,038,000
Per Sq. Foot	\$38	\$38	\$44	\$32	\$22

EXISTING LAND VALUES

To gain an understanding of the potential acquisition costs along the Corridor, KMA reviewed land and building sale comps in the market area over the past two years. The comps are shown in Appendix 9 and are summarized below:

1. As shown in Appendix 9 – Table 1, the average price for retail buildings is \$195 per square foot, with an underlying land value of \$42 per square foot.
2. As shown in Appendix 9 – Table 2, the average for office buildings is \$156 price per square foot, with an underlying land value of \$40 per square foot.
3. As shown in Appendix 9 – Table 3, the average price for apartment buildings is \$147,000 per unit, with an underlying land value of \$87 per square foot.

- 4. As shown in Appendix 9 – Table 4, the average price for hotels is \$76,000 per unit, with an underlying land value of \$114 per square foot.
- 5. The commercial land values are approximately \$40 per square foot and the apartment/hotel land values are significantly higher ranging from \$87 to \$114 per square foot. The table below summarizes these findings:

Building/Land Values		
	Per Square Foot of Building/Unit	Per Square Foot of Land
Retail	\$195	\$42
Office	\$156	\$40
Apartment	\$147,000	\$87
Hotel	\$75,700	\$114

- 6. Appendix 9 – Table 4 shows the values for unimproved land, which is summarized below:

Unimproved Land Values	
	Per Square Foot
Commercial Zoned	\$27
Industrial Zoned	\$27
Residential Zoned	\$30
Overall	\$29

Overall, these land prices indicate it will be challenging to effectuate redevelopment in the near- to mid-term. This is particularly true for the hotel properties, which have land values over twice as high as the land residual value supported by the scenarios.

SUMMARY

Based on the assumptions set forth in the KMA analysis, the higher density commercial project (Scenario 2) and the highest density, surface parked residential project (Scenario 5) generate the highest land residual values. At \$40 to \$44 per square foot, the land residual values for these projects are comparable to the underlying land value of retail and office developments in the market area and along the Corridor.

While the land values are comparable, the assemblage of sites will be challenging, as developers require sufficient land area to cost effectively lay out projects. Acquiring multiple properties can be a significant burden, as the underlying value of each property

will be determined by the uses in place. For instance, one parcel may be poorly tenanted and/or obsolete, while the adjacent parcels may have strong tenants, low vacancies and/or more valuable uses (e.g. hotel). As such, the effective redevelopment of these parcels may need to begin with existing landowners along the Corridor who can leverage their holdings into larger developable parcels by acquiring adjacent properties. Further, the land basis for these existing landowners may be lower, thus facilitating feasibility. Assuming landowners and/or developers can obtain properties at the land residual values estimated herein (~\$40), then the redevelopment of some commercial properties may be feasible in the near- to mid-term.

The underlying land value for hotels is over \$100 per square foot. At this price point, none of the scenarios support this land value. As such, redevelopment of these properties will likely only occur if hotel values drop and market conditions significantly improve for the commercial and residential land uses.

Attachments:

Figures 1 & 2

Table 1

Appendix 1 – Market Research Tables

Appendix 2 – Scenario 1 – Low Density Commercial

Appendix 3 – Scenario 2 – High Density Commercial

Appendix 4 – Scenario 3 – Residential (12 Units/Acre)

Appendix 5 – Scenario 4 – Residential (18 Units/Acre)

Appendix 6 – Scenario 5 – Residential (24 Units/Acre)

Appendix 7 – Scenario 6 – For-Sale Residential (36 Units/Acre)

Appendix 8 – Scenarios 7 – For-Rent Residential (36 Units/Acre)

Appendix 9 – Land & Building Comparables

Limiting Conditions

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

FIGURE 1

**SOCIO-ECONOMIC/RETAIL MARKET AREAS
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

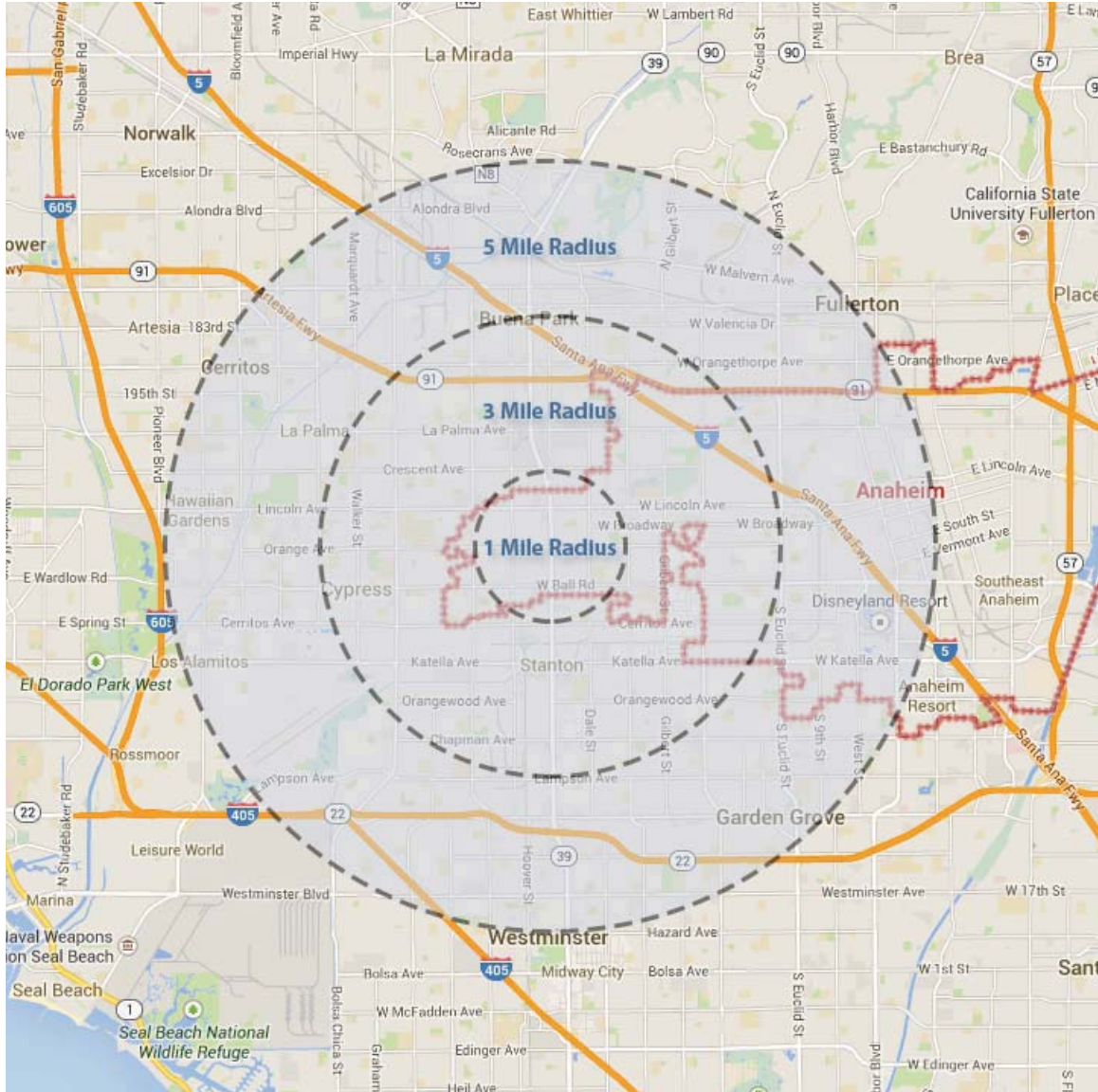


FIGURE 2

**REAL ESTATE MARKET AREA
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**



TABLE 1

SCENARIO SUMMARIES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

	Scenario 1 Commercial Low Density	Scenario 2 Commercial High Density	Scenario 3 Residential 12 Units/Acre	Scenario 4 Residential 18 Units/Acre	Scenario 5 Residential 24 Units/Acre	Scenario 6 Residential 36 Units/Acre	Scenario 7 Residential 36 Units/Acre
I. <u>Project Description</u>							
Number of Units	NA	NA	26	38	51	77	77
Building Area - GBA (SF)	34,369	57,281	41,800	54,250	63,300	97,020	84,105
Average Unit (SF) - Net			1,608	1,428	1,239	1,200	1,040
Number of Parking Spaces	220	275	72	106	142	177	168
Land Area (SF)	114,563	114,563	92,764	92,764	92,764	92,764	92,764
Project FAR	0.30	0.50	0.45	0.58	0.68	1.05	0.91
II. <u>Development Costs</u>							
Land Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct Costs	5,292,000	8,524,000	5,933,000	7,203,000	8,126,000	14,069,000	12,553,000
Indirect Costs	1,163,000	1,901,000	1,618,000	2,361,000	2,953,000	4,568,000	2,573,000
Financing/Closing Costs	639,000	1,008,000	1,240,000	1,635,000	2,010,000	3,410,000	1,269,000
Total Development Costs	\$7,094,000	\$11,433,000	\$8,791,000	\$11,199,000	\$13,089,000	\$22,047,000	\$16,395,000
Per Unit	NA	NA	\$338,100	\$294,700	\$256,100	\$286,300	\$212,900
Per SF Building Area	\$206	\$200	\$210	\$206	\$207	\$227	\$195
III. <u>Average Monthly Rents/Sales Prices</u>							
Per Unit	NA	NA	\$537,000	\$455,200	\$395,800	\$382,900	\$1,847
Per SF Building Area - Net	\$2.55	\$2.30	\$334.02	\$318.82	\$318.91	\$319.05	\$1.80
IV. <u>Net Operating Income/Sales Revenues</u>							
Supportable Investment/Profit	\$10,644,000	\$16,011,000	\$1,675,000	\$2,594,000	\$3,028,000	\$4,422,000	\$18,433,000
Required Return on Investment	9.00%	9.00%	12.00%	15.00%	15.00%	15.00%	6.00%
VI. <u>Project Surplus/(Financial Gap)</u>							
Supportable Investment	\$10,644,000	\$16,011,000	\$13,962,000	\$17,296,000	\$20,187,000	\$29,480,000	\$18,433,000
(Less) Development Costs & Profit	(7,094,000)	(11,433,000)	(10,466,000)	(13,793,000)	(16,117,000)	(26,469,000)	(16,395,000)
Residual Land Value	\$3,550,000	\$4,578,000	\$3,496,000	\$3,503,000	\$4,070,000	\$3,011,000	\$2,038,000
Per SF Land Area	\$31	\$40	\$38	\$38	\$44	\$32	\$22

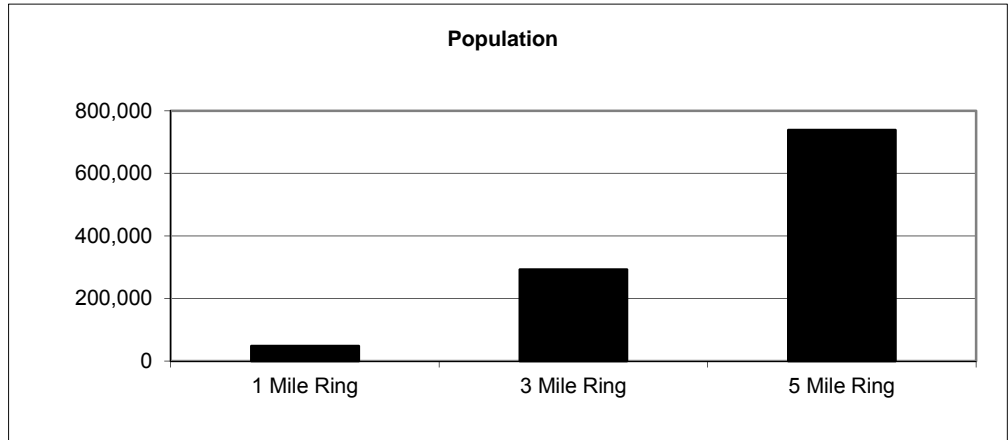
APPENDIX 1 - MARKET RESEARCH TABLES

APPENDIX 1 - TABLE 1

**2014 SOCIO-ECONOMIC CHARACTERISTICS
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

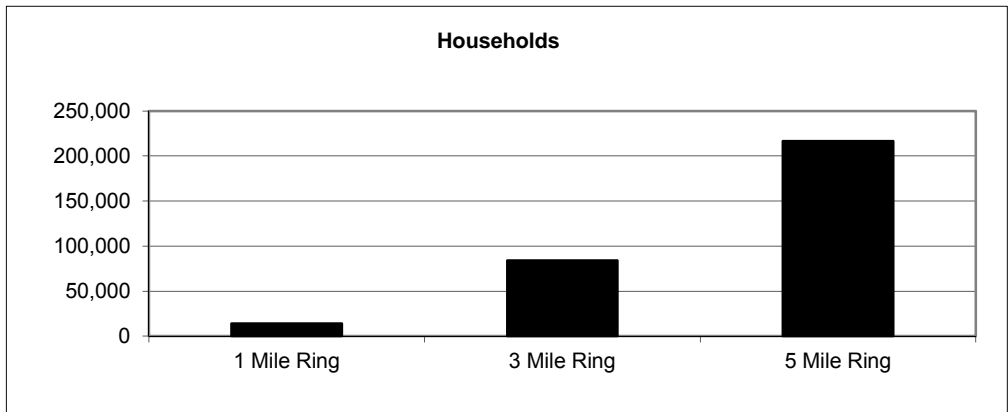
Population

1 Mile Ring	48,100
3 Mile Ring	292,400
5 Mile Ring	738,600
Anaheim	372,300
Orange County	3,302,500



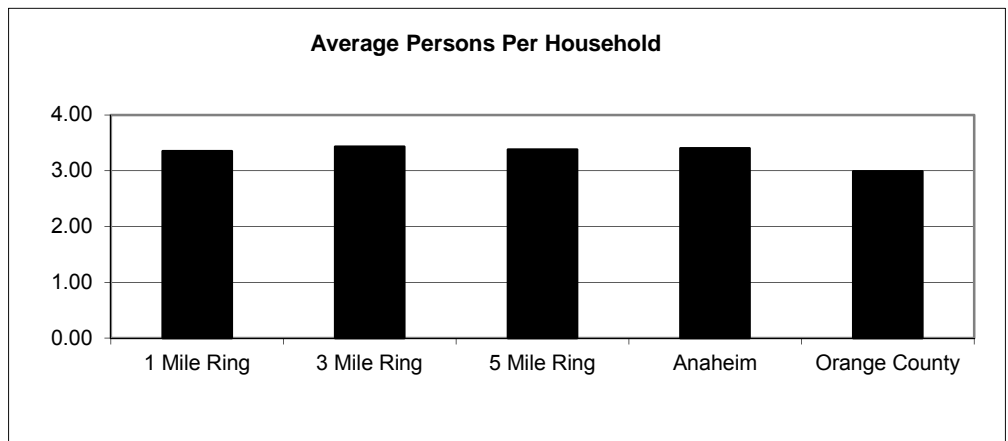
Households

1 Mile Ring	14,000
3 Mile Ring	84,100
5 Mile Ring	216,500
Anaheim	108,500
Orange County	1,091,300



Average Persons Per Hhold

1 Mile Ring	3.35
3 Mile Ring	3.43
5 Mile Ring	3.38
Anaheim	3.40
Orange County	2.99



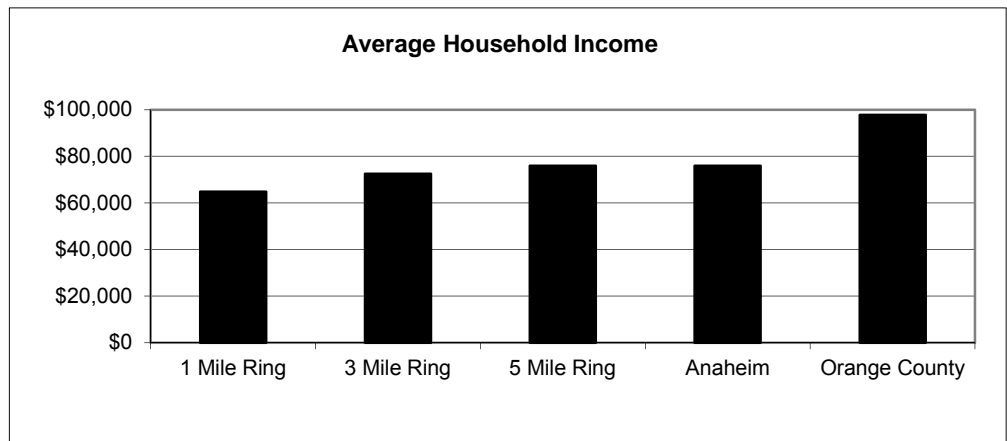
Source: Claritas 2014

APPENDIX 1 - TABLE 1 (Continued)

2014 SOCIO-ECONOMIC CHARACTERISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

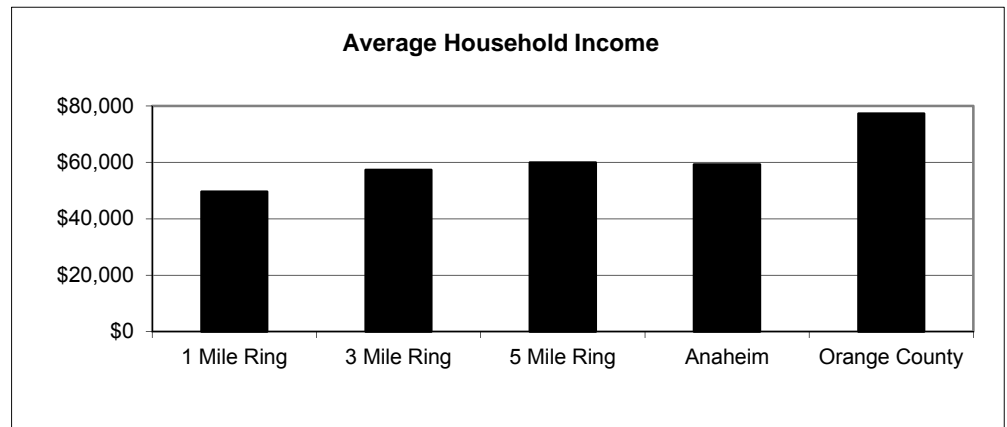
Average Household Income

1 Mile Ring	\$64,800
3 Mile Ring	\$72,500
5 Mile Ring	\$75,900
Anaheim	\$75,900
Orange County	\$97,700



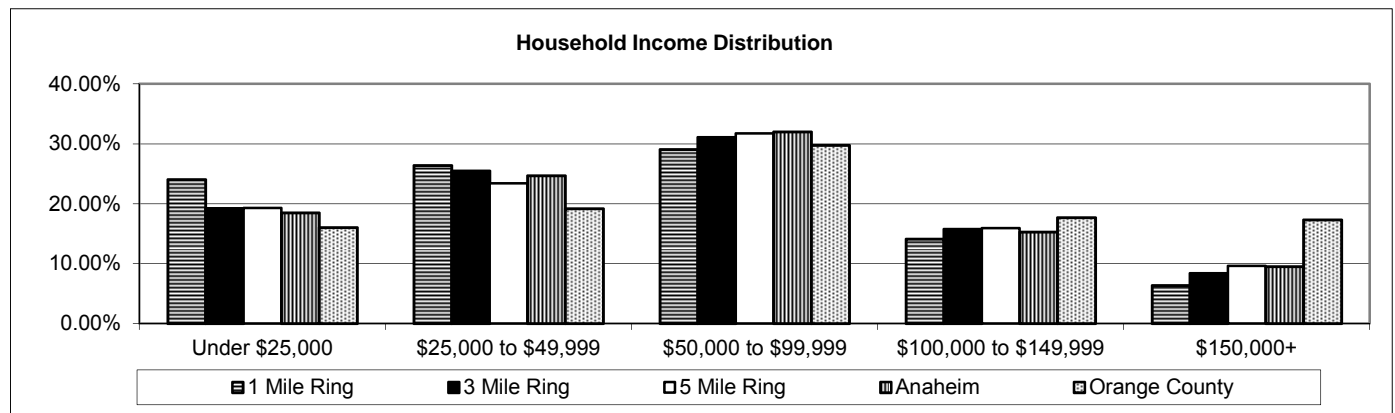
Median Household Income

1 Mile Ring	\$49,580
3 Mile Ring	\$57,272
5 Mile Ring	\$59,930
Anaheim	\$59,272
Orange County	\$77,262



Household Income Distribution

	Under \$25,000	\$25,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000+
1 Mile Ring	24.07%	26.38%	29.09%	14.10%	6.36%
3 Mile Ring	19.25%	25.47%	31.13%	15.77%	8.39%
5 Mile Ring	19.32%	23.41%	31.72%	15.94%	9.61%
Anaheim	18.51%	24.69%	32.02%	15.28%	9.51%
Orange County	16.04%	19.17%	29.77%	17.71%	17.32%



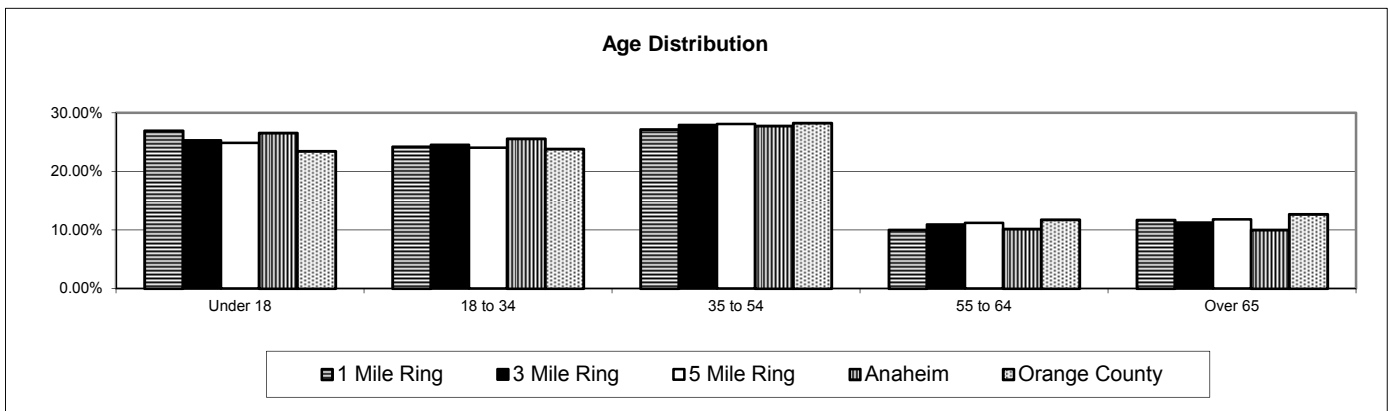
Source: Claritas 2014

APPENDIX 1 - TABLE 1 (Continued)

2014 SOCIO-ECONOMIC CHARACTERISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

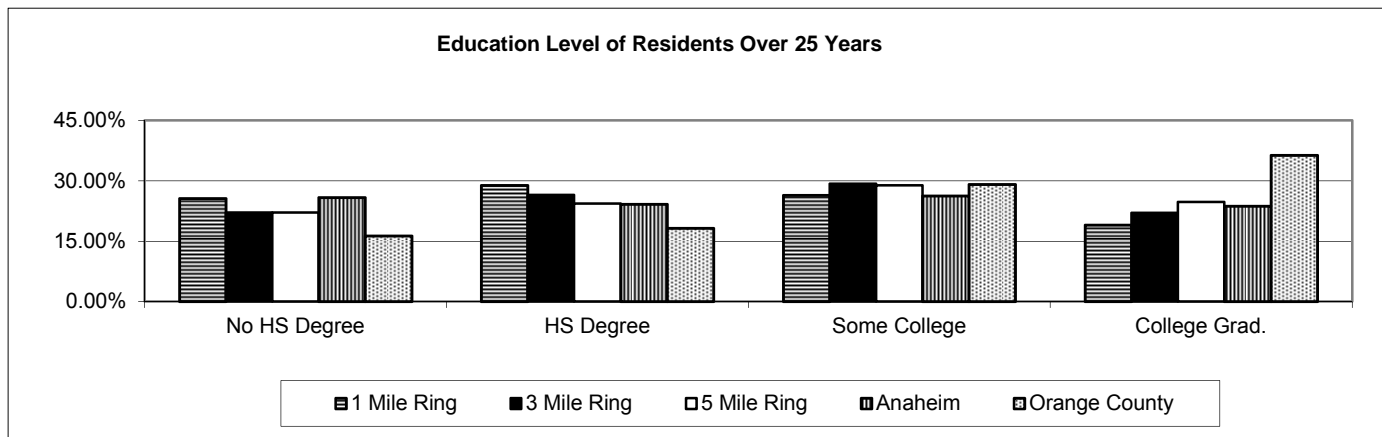
Age Distribution

	Under 18	18 to 34	35 to 54	55 to 64	Over 65
1 Mile Ring	26.93%	24.20%	27.14%	10.02%	11.71%
3 Mile Ring	25.29%	24.56%	27.95%	10.93%	11.27%
5 Mile Ring	24.87%	24.06%	28.08%	11.19%	11.80%
Anaheim	26.56%	25.55%	27.74%	10.15%	10.02%
Orange County	23.47%	23.82%	28.25%	11.76%	12.71%



Education Level of Residents Over 25 Years

	No HS Degree	HS Degree	Some College	College Grad.
1 Mile Ring	25.61%	28.91%	26.43%	19.05%
3 Mile Ring	22.13%	26.52%	29.31%	22.03%
5 Mile Ring	22.12%	24.31%	28.84%	24.73%
Anaheim	25.86%	24.17%	26.25%	23.74%
Orange County	16.28%	18.21%	29.13%	36.37%

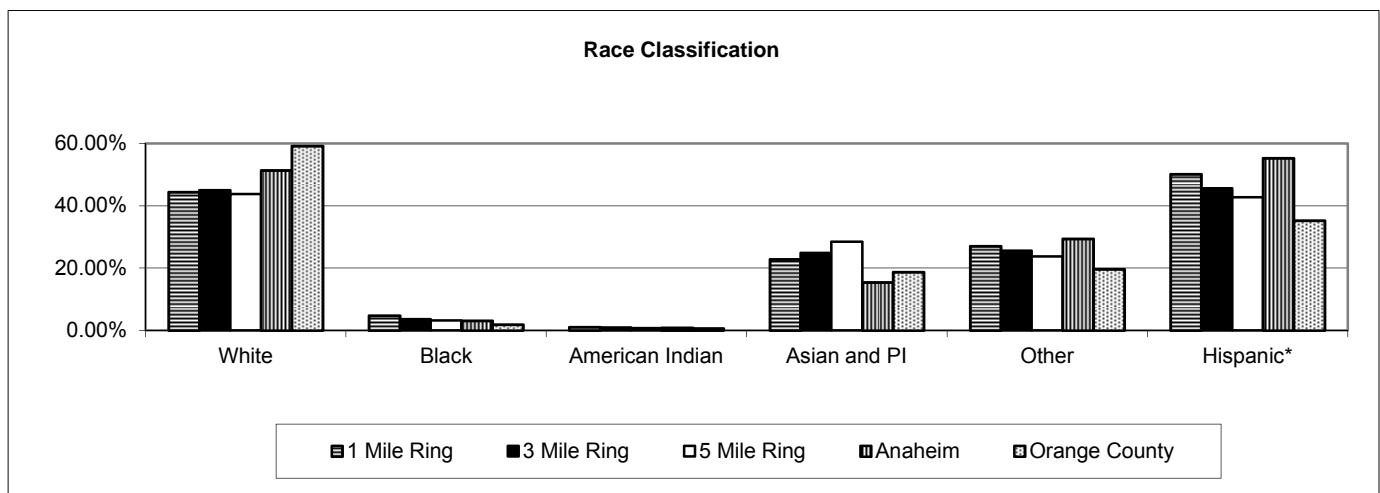


Source: Claritas 2014

APPENDIX 1 - TABLE 1 (Continued)

2014 SOCIO-ECONOMIC CHARACTERISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Race Classification	White	Black	American Indian	Asian and PI	Other	Hispanic*
1 Mile Ring	44.33%	4.81%	1.06%	22.80%	27.00%	50.11%
3 Mile Ring	44.93%	3.67%	1.01%	24.83%	25.56%	45.57%
5 Mile Ring	43.74%	3.20%	0.80%	28.48%	23.78%	42.74%
Anaheim	51.36%	3.10%	0.83%	15.38%	29.35%	55.23%
Orange County	59.18%	1.91%	0.64%	18.67%	19.60%	35.20%



* Hispanic population percentage calculated separately from other races. In the 200 US Census, census takers were first asked to identify their race as White, Black, American Indian, Asian, Pacific Islander, or Other; and then asked if they identify as Hispanic/Latino or Non-Hispanic/Latino.

APPENDIX 1 - TABLE 2

MARKET AREA POPULATION & HOUSEHOLD ESTIMATES
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

	POPULATION			
	<u>2014</u>	<u>2019</u>	<u>Total</u>	<u>Change</u> <u>Percent</u>
1 Mile Ring	45,506	48,102	2,596	5.7%
3 Mile Ring	279,440	292,374	12,934	4.6%
5 Mile Ring	707,400	738,632	31,232	4.4%
Anaheim	354,144	372,252	18,108	5.1%
Orange County	3,140,085	3,302,477	162,392	5.2%

	HOUSEHOLDS			
	<u>2014</u>	<u>2019</u>	<u>Total</u>	<u>Change</u> <u>Percent</u>
1 Mile Ring	13,232	13,998	766	5.8%
3 Mile Ring	80,377	84,106	3,729	4.6%
5 Mile Ring	207,106	216,484	9,378	4.5%
Anaheim	102,970	108,491	5,521	5.4%
Orange County	1,035,363	1,091,341	55,978	5.4%

**APPENDIX 1 - TABLE 3
MARKET AREA EMPLOYMENT & BUSINESSES
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

	1 Mile Ring				3 Mile Ring			
	Bus.	Emp.	Pop./Bus.	Emp./Bus.	Bus.	Emp.	Pop./Bus.	Emp./Bus.
Agriculture	0	4	NA	NA	8	36	34,930	4.5
Mining	1	4	45,506	4.0	4	53	69,860	13.3
Utilities	0	0	NA	NA	5	62	55,888	12.4
Construction	92	358	495	3.9	707	4,957	395	7.0
Manufacturing	20	197	2,275	9.9	436	12,965	641	29.7
Wholesale Trade	24	227	1,896	9.5	377	5,093	741	13.5
Transportation & Warehousing	15	98	3,034	6.5	161	1,718	1,736	10.7
Information	11	51	4,137	4.6	132	1,430	2,117	10.8
Real Estate/Rental/Leasing	70	322	650	4.6	423	2,326	661	5.5
Professional/Sci/Tech Services	61	245	746	4.0	626	4,528	446	7.2
Management of Companies	0	0	NA	NA	4	20	69,860	5.0
Administrative/Support Services	43	195	1,058	4.5	369	2,966	757	8.0
Educational Services	17	806	2,677	47.4	173	7,152	1,615	41.3
Healthcare & Social Assistance	206	1,733	221	8.4	925	7,898	302	8.5
Arts, Entertainment, Recreation	11	691	4,137	62.8	101	1,958	2,767	19.4
Retail Trade	157	691	290	4.4	1,087	11,724	257	10.8
Motor Vehicle & Parts Dealers	17	79	2,677	4.6	127	2,478	2,200	19.5
Furniture/Home Furnishings	6	14	7,584	2.3	58	604	4,818	10.4
Electronic/Appliance Stores	8	29	5,688	3.6	91	951	3,071	10.5
Building Material/Garden	19	69	2,395	3.6	120	1,067	2,329	8.9
Food & Beverage Stores	19	121	2,395	6.4	153	2,113	1,826	13.8
Health & Personal Care Stores	9	85	5,056	9.4	79	739	3,537	9.4
Gasoline Stations	7	30	6,501	4.3	31	153	9,014	4.9
Clothing & Accessories Stores	28	76	1,625	2.7	123	635	2,272	5.2
Sport/Hobby/Music/Book Stores	10	49	4,551	4.9	61	430	4,581	7.0
General Merchandise Stores	4	49	11,377	12.3	60	1,496	4,657	24.9
Miscellaneous Retail Stores	26	79	1,750	3.0	162	954	1,725	5.9
Nonstore Retailers	4	11	11,377	2.8	22	104	12,702	4.7
Finance & Insurance	47	294	968	6.3	447	4,202	625	9.4
Monetary Authorities	0	0	NA	NA	0	0	NA	NA
Credit/Intermediation Activities	22	31	2,068	1.4	215	980	1,300	4.6
Sec/Comm Contracts & Fin. Inv	4	29	11,377	7.3	58	547	4,818	9.4
Insurance Carriers	21	234	2,167	11.1	172	2,662	1,625	15.5
Funds/Trusts & Other Finance	0	0	NA	NA	2	13	139,720	6.5
Accommodation & Food Services	85	1,110	535	13.1	517	7,722	541	14.9
Accommodation	22	262	2,068	11.9	61	1,064	4,581	17.4
Food Services & Drinking Places	63	848	722	13.5	456	6,658	613	14.6
Other Services (Non Public Ad.)	119	538	382	4.5	857	5,120	326	6.0
Repair & Maintenance	49	204	929	4.2	318	1,546	879	4.9
Personal & Laundry Serv.	46	132	989	2.9	333	1,426	839	4.3
Religious/Grant/Civic Org.	24	202	1,896	8.4	206	2,148	1,357	10.4
Public Administration	4	56	11,377	14.0	62	2,900	4,507	46.8
Total	983	7,620	46	7.8	7,421	84,830	38	11.4

Source: Claritas

APPENDIX 1 - TABLE 3
MARKET AREA EMPLOYMENT & BUSIN
BEACH BOULEVARD MARKET OPPORT
ANAHEIM, CALIFORNIA

	5 Mile Ring				Orange County			
	Bus.	Emp.	Pop./Bus.	Emp./Bus.	Bus.	Emp.	Pop./Bus.	Emp./Bus.
Agriculture	14	64	50,529	4.6	149	914	21,074	6.1
Mining	5	64	141,480	12.8	58	1,237	54,139	21.3
Utilities	15	356	47,160	23.7	94	3,212	33,405	34.2
Construction	1,683	11,091	420	6.6	9,612	74,956	327	7.8
Manufacturing	992	25,864	713	26.1	5,374	151,004	584	28.1
Wholesale Trade	929	12,460	761	13.4	5,077	64,765	618	12.8
Transportation & Warehousing	427	4,503	1,657	10.5	1,867	21,305	1,682	11.4
Information	357	3,370	1,982	9.4	2,459	37,393	1,277	15.2
Real Estate/Rental/Leasing	1,068	7,760	662	7.3	7,017	57,818	447	8.2
Professional/Sci/Tech Services	1,780	11,802	397	6.6	18,720	143,081	168	7.6
Management of Companies	10	42	70,740	4.2	98	933	32,042	9.5
Administrative/Support Services	998	7,105	709	7.1	6,338	60,880	495	9.6
Educational Services	472	15,662	1,499	33.2	2,590	85,973	1,212	33.2
Healthcare & Social Assistance	3,156	25,862	224	8.2	20,143	168,670	156	8.4
Arts, Entertainment, Recreation	265	13,375	2,669	50.5	1,870	39,318	1,679	21.0
Retail Trade	2,909	30,929	243	10.6	17,547	199,952	179	11.4
Motor Vehicle & Parts Dealers	326	5,608	2,170	17.2	1,743	26,504	1,802	15.2
Furniture/Home Furnishings	170	1,386	4,161	8.2	1,006	9,197	3,121	9.1
Electronic/Appliance Stores	241	2,603	2,935	10.8	2,095	24,763	1,499	11.8
Building Material/Garden	277	2,726	2,554	9.8	1,541	16,837	2,038	10.9
Food & Beverage Stores	396	4,992	1,786	12.6	1,665	27,100	1,886	16.3
Health & Personal Care Stores	273	2,455	2,591	9.0	1,359	13,985	2,311	10.3
Gasoline Stations	83	418	8,523	5.0	438	2,354	7,169	5.4
Clothing & Accessories Stores	362	2,079	1,954	5.7	2,750	25,038	1,142	9.1
Sport/Hobby/Music/Book Stores	159	1,101	4,449	6.9	1,226	9,985	2,561	8.1
General Merchandise Stores	144	4,711	4,913	32.7	671	24,981	4,680	37.2
Miscellaneous Retail Stores	412	2,585	1,717	6.3	2,687	17,204	1,169	6.4
Nonstore Retailers	66	265	10,718	4.0	366	2,004	8,579	5.5
Finance & Insurance	1,282	9,075	552	7.1	9,984	77,739	315	7.8
Monetary Authorities	0	0	NA	NA	0	0	NA	NA
Credit/Intermediation Activities	626	3,217	1,130	5.1	4,191	28,811	749	6.9
Sec/Comm Contracts & Fin. Inv	175	1,127	4,042	6.4	2,283	16,846	1,375	7.4
Insurance Carriers	479	4,718	1,477	9.8	3,445	31,555	911	9.2
Funds/Trusts & Other Finance	2	13	353,700	6.5	65	527	48,309	8.1
Accommodation & Food Services	1,410	26,770	502	19.0	6,898	134,347	455	19.5
Accommodation	150	7,401	4,716	49.3	554	25,225	5,668	45.5
Food Services & Drinking Places	1,260	19,369	561	15.4	6,344	109,122	495	17.2
Other Services (Non Public Ad.)	2,268	11,999	312	5.3	11,896	75,435	264	6.3
Repair & Maintenance	855	3,729	827	4.4	4,113	20,682	763	5.0
Personal & Laundry Serv.	900	3,864	786	4.3	5,231	28,141	600	5.4
Religious/Grant/Civic Org.	513	4,406	1,379	8.6	2,552	26,612	1,230	10.4
Public Administration	227	11,416	3,116	50.3	1,017	47,407	3,088	46.6
Total	20,267	229,569	35	11.3	128,808	1,446,339	24	11.2

Source: Claritas

APPENDIX 1 - TABLE 4

SHARE OF TOTAL BUSINESSES & EMPLOYMENT
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

	1 Mile Ring		3 Mile Ring		5 Mile Ring		Orange County	
	Bus.	Emp.	Bus.	Emp.	Bus.	Emp.	Bus.	Emp.
Agriculture	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%
Mining	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
Utilities	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%
Construction	9.4%	4.7%	9.5%	5.8%	8.3%	4.8%	7.5%	5.2%
Manufacturing	2.0%	2.6%	5.9%	15.3%	4.9%	11.3%	4.2%	10.4%
Wholesale Trade	2.4%	3.0%	5.1%	6.0%	4.6%	5.4%	3.9%	4.5%
Transportation & Warehousing	1.5%	1.3%	2.2%	2.0%	2.1%	2.0%	1.4%	1.5%
Information	1.1%	0.7%	1.8%	1.7%	1.8%	1.5%	1.9%	2.6%
Real Estate/Rental/Leasing	7.1%	4.2%	5.7%	2.7%	5.3%	3.4%	5.4%	4.0%
Professional/Sci/Tech Services	6.2%	3.2%	8.4%	5.3%	8.8%	5.1%	14.5%	9.9%
Management of Companies	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%
Administrative/Support Services	4.4%	2.6%	5.0%	3.5%	4.9%	3.1%	4.9%	4.2%
Educational Services	1.7%	10.6%	2.3%	8.4%	2.3%	6.8%	2.0%	5.9%
Healthcare & Social Assistance	21.0%	22.7%	12.5%	9.3%	15.6%	11.3%	15.6%	11.7%
Arts, Entertainment, Recreation	1.1%	9.1%	1.4%	2.3%	1.3%	5.8%	1.5%	2.7%
Retail Trade	16.0%	9.1%	14.6%	13.8%	14.4%	13.5%	13.6%	13.8%
Motor Vehicle & Parts Dealers	1.7%	1.0%	1.7%	2.9%	1.6%	2.4%	1.4%	1.8%
Furniture/Home Furnishings	0.6%	0.2%	0.8%	0.7%	0.8%	0.6%	0.8%	0.6%
Electronic/Appliance Stores	0.8%	0.4%	1.2%	1.1%	1.2%	1.1%	1.6%	1.7%
Building Material/Garden	1.9%	0.9%	1.6%	1.3%	1.4%	1.2%	1.2%	1.2%
Food & Beverage Stores	1.9%	1.6%	2.1%	2.5%	2.0%	2.2%	1.3%	1.9%
Health & Personal Care Stores	0.9%	1.1%	1.1%	0.9%	1.3%	1.1%	1.1%	1.0%
Gasoline Stations	0.7%	0.4%	0.4%	0.2%	0.4%	0.2%	0.3%	0.2%
Clothing & Accessories Stores	2.8%	1.0%	1.7%	0.7%	1.8%	0.9%	2.1%	1.7%
Sport/Hobby/Music/Book Stores	1.0%	0.6%	0.8%	0.5%	0.8%	0.5%	1.0%	0.7%
General Merchandise Stores	0.4%	0.6%	0.8%	1.8%	0.7%	2.1%	0.5%	1.7%
Miscellaneous Retail Stores	2.6%	1.0%	2.2%	1.1%	2.0%	1.1%	2.1%	1.2%
Nonstore Retailers	0.4%	0.1%	0.3%	0.1%	0.3%	0.1%	0.3%	0.1%
Finance & Insurance	4.8%	3.9%	6.0%	5.0%	6.3%	4.0%	7.8%	5.4%
Monetary Authorities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit/Intermediation Activities	2.2%	0.4%	2.9%	1.2%	3.1%	1.4%	3.3%	2.0%
Sec/Comm Contracts & Fin. Inv	0.4%	0.4%	0.8%	0.6%	0.9%	0.5%	1.8%	1.2%
Insurance Carriers	2.1%	3.1%	2.3%	3.1%	2.4%	2.1%	2.7%	2.2%
Funds/Trusts & Other Finance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Accommodation & Food Services	8.6%	14.6%	7.0%	9.1%	7.0%	11.7%	5.4%	9.3%
Accommodation	2.2%	3.4%	0.8%	1.3%	0.7%	3.2%	0.4%	1.7%
Food Services & Drinking Places	6.4%	11.1%	6.1%	7.8%	6.2%	8.4%	4.9%	7.5%
Other Services (Non Public Ad.)	12.1%	7.1%	11.5%	6.0%	11.2%	5.2%	9.2%	5.2%
Repair & Maintenance	5.0%	2.7%	4.3%	1.8%	4.2%	1.6%	3.2%	1.4%
Personal & Laundry Serv.	4.7%	1.7%	4.5%	1.7%	4.4%	1.7%	4.1%	1.9%
Religious/Grant/Civic Org.	2.4%	2.7%	2.8%	2.5%	2.5%	1.9%	2.0%	1.8%
Public Administration	0.4%	0.7%	0.8%	3.4%	1.1%	5.0%	0.8%	3.3%
Total Businesses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Claritas; Keyser Marston Associates

APPENDIX 1 - TABLE 5

**TOTAL & PER CAPITA RETAIL SALES
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

-----Total Taxable Sales (\$000s)-----			
	2012		
	Anaheim	Orange County	State of California
Motor Vehicles and Parts Dlr	\$530,891	\$6,551,466	\$61,547,848
Home Furnishing & App	183,903	3,501,432	24,681,910
Bldg Mtrl & Garden Equip	404,376	2,351,574	27,438,083
Food & Beverage Stores	162,166	2,056,803	24,511,714
Gasoline Stations	580,550	5,063,762	58,006,168
Clothing & Clothing Access	108,563	3,510,757	32,357,516
General Merchandise Stores	200,412	5,026,911	49,996,451
Food Services & Drinking Plcs	677,596	5,853,267	59,037,320
Other Retail Group	314,414	4,456,485	43,795,813
Retail Stores Total	<u>\$3,162,872</u>	<u>\$38,372,456</u>	<u>\$381,372,823</u>

-----Per Capita Taxable Sales-----			
	2012		
	Anaheim	Orange County	State of California
Population	344,017	3,057,879	37,668,804
Motor Vehicles and Parts Dlr	\$1,543	\$2,142	\$1,634
Home Furnishing & App	535	1,145	655
Bldg Mtrl & Garden Equip	1,175	769	728
Food & Beverage Stores	471	673	651
Gasoline Stations	1,688	1,656	1,540
Clothing & Clothing Access	316	1,148	859
General Merchandise Stores	583	1,644	1,327
Food Services & Drinking Plcs	1,970	1,914	1,567
Other Retail Group	914	1,457	1,163
Retail Stores Total	<u>\$9,194</u>	<u>\$12,549</u>	<u>\$10,124</u>

Source: California State Board of Equalization; and California State Department of Finance

¹ Per the CA State Board of Equalization, for those categories listed as "-", the sales are included in the "Other Retail Stores" category.

APPENDIX 1 - TABLE 6

**TOTAL PERMITS & SALES PER RETAIL PERMIT
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

-----Total Permits-----			
	2012		
	Anaheim	Orange County	State of California
Motor Vehicles and Parts Dlrs	385	3,116	33,767
Home Furnishing & App	401	5,130	41,888
Bldg Mtrl & Garden Equip	192	1,429	17,236
Food & Beverage Stores	295	2,595	31,900
Gasoline Stations	82	693	9,990
Clothing & Clothing Access	483	7,125	70,775
General Merchandise Stores	115	1,665	17,163
Food Services & Drinking Plcs	773	8,049	94,453
Other Retail Group	<u>2,215</u>	<u>30,471</u>	<u>339,220</u>
Retail Stores Total	4,941	60,273	656,392

-----Taxable Sales Per Permit-----			
	2012		
	Anaheim	Orange County	State of California
Motor Vehicles and Parts Dlrs	\$1,378,938	\$2,102,524	\$1,822,722
Home Furnishing & App	458,611	682,540	589,236
Bldg Mtrl & Garden Equip	2,106,125	1,645,608	1,591,906
Food & Beverage Stores	549,717	792,602	768,392
Gasoline Stations	7,079,881	7,307,016	5,806,423
Clothing & Clothing Access	224,768	492,738	457,188
General Merchandise Stores	1,742,711	3,019,166	2,913,037
Food Services & Drinking Plcs	876,580	727,204	625,044
Other Retail Group	<u>141,948</u>	<u>146,253</u>	<u>129,107</u>
Retail Stores Average	\$640,128	\$636,644	\$581,014

-----Residents Per Permit-----			
	2012		
	Anaheim	Orange County	State of California
Population	344,017	3,057,879	37,668,804
Motor Vehicles and Parts Dlrs	894	981	1,116
Home Furnishing & App	858	596	899
Bldg Mtrl & Garden Equip	1,792	2,140	2,185
Food & Beverage Stores	1,166	1,178	1,181
Gasoline Stations	4,195	4,413	3,771
Clothing & Clothing Access	712	429	532
General Merchandise Stores	2,991	1,837	2,195
Food Services & Drinking Plcs	445	380	399
Other Retail Group	<u>155</u>	<u>100</u>	<u>111</u>
Retail Stores Average	70	51	57

Source: California State Board of Equalization; and California State Department of Finance

¹ Per the CA State Board of Equalization, for those categories listed as "\$0", the sales are included in the "Other Retail Stores" category.

APPENDIX 1 - TABLE 7

**RETAIL SALES SURPLUS/LEAKAGE DATA SUMMARY
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

Anaheim	Expenditures	Sales	Opportunity Gap/Surplus	Typical Sales PSF	Potential (SF)
Motor Vehicle and Parts Dealers-441	\$953,190,859	\$1,142,480,726	(\$189,289,867)	NA	NA
Furniture and Home Furnishings Stores-442	95,516,704	147,060,611	(51,543,907)	\$350	0
Electronics and Appliance Stores-443	92,823,649	122,344,224	(29,520,575)	\$500	0
Building Material, Garden Equip Stores-444	458,790,882	501,918,826	(43,127,944)	\$400	0
Food and Beverage Stores-445	618,394,764	339,712,929	278,681,835	\$450	619,293
Health and Personal Care Stores-446	245,228,026	174,561,003	70,667,023	\$400	176,668
Gasoline Stations-447	459,807,411	604,780,901	(144,973,490)	NA	NA
Clothing and Clothing Accessories Stores-448	246,844,269	99,391,376	147,452,893	\$350	421,294
Sporting Goods, Hobby, Book, Music Stores-451	101,330,586	69,649,372	31,681,214	\$400	79,203
General Merchandise Stores-452	613,967,355	582,511,428	31,455,927	\$400	78,640
Miscellaneous Store Retailers-453	118,113,717	64,368,285	53,745,432	\$350	153,558
Non-Store Retailers-454	400,778,367	439,591,673	(38,813,306)	NA	NA
Foodservice and Drinking Places-722	\$521,102,320	\$881,442,567	(\$360,340,247)	\$400	0
Total Retail Sales Incl Eating and Drinking Places	\$4,925,888,909	\$5,169,813,921	(\$243,925,012)		1,528,656

One-Mile Market Area	Expenditures	Sales	Opportunity Gap/Surplus	Typical Sales PSF	Potential (SF)
Motor Vehicle and Parts Dealers-441	\$107,137,828	\$21,327,855	\$85,809,973	NA	NA
Furniture and Home Furnishings Stores-442	10,717,004	3,036,378	7,680,626	\$350	21,945
Electronics and Appliance Stores-443	10,750,134	1,822,353	8,927,781	\$500	17,856
Building Material, Garden Equip Stores-444	51,397,679	12,795,453	38,602,226	\$400	96,506
Food and Beverage Stores-445	76,171,666	18,332,840	57,838,826	\$450	128,531
Health and Personal Care Stores-446	30,178,611	23,281,351	6,897,260	\$400	17,243
Gasoline Stations-447	55,424,585	7,987,971	47,436,614	NA	NA
Clothing and Clothing Accessories Stores-448	28,539,474	8,102,559	20,436,915	\$350	58,391
Sporting Goods, Hobby, Book, Music Stores-451	11,773,658	7,568,502	4,205,156	\$400	10,513
General Merchandise Stores-452	74,272,929	30,361,141	43,911,788	\$400	109,779
Miscellaneous Store Retailers-453	13,890,005	4,306,805	9,583,200	\$350	27,381
Non-Store Retailers-454	47,949,887	22,351,649	25,598,238	NA	NA
Foodservice and Drinking Places-722	\$62,571,658	\$51,069,832	\$11,501,826	\$400	28,755
Total Retail Sales Incl Eating and Drinking Places	\$580,775,118	\$212,344,689	\$368,430,429		516,898

APPENDIX 1 - TABLE 7

**RETAIL SALES SURPLUS/LEAKAGE DATA SUMMARY
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

Three-Mile Market Area	Expenditures	Sales	Opportunity Gap/Surplus	Typical Sales PSF	Potential (SF)
Motor Vehicle and Parts Dealers-441	\$755,401,248	\$652,356,058	\$103,045,190	NA	NA
Furniture and Home Furnishings Stores-442	72,937,877	80,033,940	(7,096,063)	\$350	0
Electronics and Appliance Stores-443	70,945,947	39,537,048	31,408,899	\$500	62,818
Building Material, Garden Equip Stores-444	357,199,307	256,159,402	101,039,905	\$400	252,600
Food and Beverage Stores-445	483,439,211	257,771,791	225,667,420	\$450	501,483
Health and Personal Care Stores-446	197,400,098	191,222,719	6,177,379	\$400	15,443
Gasoline Stations-447	359,148,262	271,906,153	87,242,109	NA	NA
Clothing and Clothing Accessories Stores-448	188,831,776	52,547,441	136,284,335	\$350	389,384
Sporting Goods, Hobby, Book, Music Stores-451	77,585,047	44,564,979	33,020,068	\$400	82,550
General Merchandise Stores-452	477,515,064	519,135,251	(41,620,187)	\$400	0
Miscellaneous Store Retailers-453	91,512,464	55,021,316	36,491,148	\$350	104,260
Non-Store Retailers-454	313,834,111	226,685,300	87,148,811	NA	NA
Foodservice and Drinking Places-722	\$402,832,298	\$458,359,552	(\$55,527,254)	\$400	0
Total Retail Sales Incl Eating and Drinking Places	\$3,848,582,710	\$3,105,300,950	\$743,281,760		1,408,539

Five-Mile Market Area	Expenditures	Sales	Opportunity Gap/Surplus	Typical Sales PSF	Potential (SF)
Motor Vehicle and Parts Dealers-441	\$1,983,667,219	\$2,042,969,748	(\$59,302,529)	NA	NA
Furniture and Home Furnishings Stores-442	194,929,068	195,581,719	(652,651)	\$350	0
Electronics and Appliance Stores-443	185,975,447	163,429,653	22,545,794	\$500	45,092
Building Material, Garden Equip Stores-444	948,425,239	646,130,414	302,294,825	\$400	755,737
Food and Beverage Stores-445	1,249,662,864	645,108,974	604,553,890	\$450	1,343,453
Health and Personal Care Stores-446	517,259,674	464,306,365	52,953,309	\$400	132,383
Gasoline Stations-447	929,081,151	894,871,773	34,209,378	NA	NA
Clothing and Clothing Accessories Stores-448	495,846,740	193,764,216	302,082,524	\$350	863,093
Sporting Goods, Hobby, Book, Music Stores-451	202,900,385	113,750,787	89,149,598	\$400	222,874
General Merchandise Stores-452	1,237,662,643	1,461,270,716	(223,608,073)	\$400	0
Miscellaneous Store Retailers-453	239,539,013	198,106,392	41,432,621	\$350	118,379
Non-Store Retailers-454	820,436,378	548,690,505	271,745,873	NA	NA
Foodservice and Drinking Places-722	\$1,053,375,521	\$1,363,021,394	(\$309,645,873)	\$400	0
Total Retail Sales Incl Eating and Drinking Places	\$10,058,761,342	\$8,931,002,656	\$1,127,758,686		3,481,011

Source: Claritas; KMA

APPENDIX 1 - TABLE 8

**ESTIMATED RETAIL DEMAND (SQUARE FEET OF SUPPORTABLE DEVELOPMENT)
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

	Anaheim	1 - Mile	3 - Miles	5 - Miles
Furniture and Home Furnishings Stores	0	21,945	0	0
Electronics and Appliance Stores	0	17,856	62,818	45,092
Building Material, Garden Equip Stores	0	96,506	252,600	755,737
Food and Beverage Stores	619,293	128,531	501,483	1,343,453
Health and Personal Care Stores	176,668	17,243	15,443	132,383
Clothing and Clothing Accessories Stores	421,294	58,391	389,384	863,093
Sporting Goods, Hobby, Book, Music Stores	79,203	10,513	82,550	222,874
General Merchandise Stores	78,640	109,779	0	0
Miscellaneous Store Retailers	153,558	27,381	104,260	118,379
Foodservice and Drinking Places	0	28,755	0	0
Total (Square Feet)	1,528,656	516,898	1,408,539	3,481,011

Source: Claritas; KMA

APPENDIX 1 - TABLE 9

1st QUARTER 2014 RETAIL MARKET - ORANGE COUNTY MARKET AREA
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

<u>North County Submarket</u>	<u>Square Feet (Total Inventory)</u>	<u>Square Feet Vacant</u>	<u>Vacancy Rate</u>	<u>Net Absorption YTD</u>	<u>Under Construction</u>	<u>Square Ft Planned</u>	<u>Average Asking Rent¹</u>
General Retail	10,712,590	356,729	3.3%	(13,718)	-	620,771	\$1.52
Malls	5,384,372	407,059	7.6%	(249)	460,208	-	\$0.00
Power Centers	3,185,400	144,617	4.5%	1,302	-	-	\$1.93
Shopping Centers	15,525,749	1,389,555	9.0%	43,720	6,810	325,350	\$1.63
Specialty Centers	68,462	0	0.0%	-	-	-	\$0.00
North County Total	34,876,573	2,297,959	6.6%	31,055	467,018	946,121	\$1.61
<u>Submarket</u>	<u>Square Feet (Total Inventory)</u>	<u>Square Feet Vacant</u>	<u>Vacancy Rate</u>	<u>Net Absorption YTD</u>	<u>Under Construction</u>	<u>Square Ft Planned</u>	<u>Average Asking Rent¹</u>
North County	34,876,573	2,298,366	6.6%	31,055	467,018	946,121	\$1.61
Airport Area	21,768,182	755,356	3.5%	37,410	30,348	93,027	\$2.20
Central County	32,176,928	1,705,377	5.3%	(73,710)	107,000	297,224	\$1.67
South County	29,069,366	1,218,006	4.2%	111,015	190,553	771,371	\$2.25
West County	22,050,191	1,102,510	5.0%	(204)	6,000	239,670	\$1.87
Orange County Market Total	139,941,240	7,079,615	5.1%	105,566	800,919	2,347,413	\$1.87

(1) Weighted by available direct lease space. PSF Per Month. Triple Net (NNN).

Source: Voit Real Estate Services

Prepared by: Keyser Marston Associates, Inc.
 Filename: Anaheim Market Tables v3; 9; 2/10/2015

APPENDIX 1 - TABLE 10

**MARKET AREA RETAIL LEASE RATE COMPARABLES (Two Miles from Beach & Orange)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

No.	Address	City	Property Type	Asking	Type	SF Available
1	121 N. Beach Blvd.	Anaheim	Community Ctr.	Neg.	NNN	44,800
				Neg.	NNN	100,800
2	965 S. Beach Blvd.	Anaheim	Strip Retail	\$1.75	NNN	1,350
3	8028 Beach Blvd.	Buena Park	Retail	\$1.95	NNN	6,000
				\$1.85	NNN	3,000
				\$2.95	NNN	3,000
4	3000 W. Lincoln Ave.	Anaheim	Strip Retail	\$1.75	NNN	1,180
				\$1.65	NNN	4,500
5	3150 Lincoln Ave.	Anaheim	Neighborhood Ctr.	\$1.50	NNN	4,800
				\$1.40	NNN	5,299
				\$1.75	NNN	3,000
6	2612 W. Lincoln Ave.	Anaheim	Retail	\$1.25	NNN	1,825
7	2401 W. Lincoln	Anaheim	Community Ctr.	\$2.45	NNN	2,100
8	2937 W. Ball Rd.	Anaheim	Community Ctr.	\$1.50	NNN	1,550
9	1203 Western Ave.	Anaheim	Retail	\$1.45	MG	680
				\$1.25	MG	1,600
10	2952 W. Ball Rd.	Anaheim	Strip Center	\$1.60	NNN	9,840
11	3430 W. Orange	Anaheim	Retail	\$1.55	NNN	1,000
12	515 Knott	Anaheim	Strip Retail	\$2.00	NNN	1,100
13	310 S. Magnolia	Anaheim	Retail	\$1.65	NNN	25,938
14	8900 Knott Ave.	Buena Park	Strip Center	\$1.50	NNN	8,753
				\$1.75	NNN	6,630
				\$2.50	NNN	5,400
15	7443 Cerritos Ave.	Stanton	Street Retail	\$1.67	NNN	717
16	7431 Cerritos Ave.	Stanton	Street Retail	\$1.03	NNN	1,260
17	7433 Cerritos Ave.	Stanton	Street Retail	\$0.80	NNN	2,737
18	8750 Knott Ave.	Buena Park	Retail	\$0.80	NNN	13,600
				\$1.75	NNN	1,514
				\$1.50	NNN	3,000
				\$2.00	NNN	1,700
19	1226 Magnolia	Anaheim	Neighborhood Ctr.	\$2.00	NNN	4,418
				\$1.25	NNN	6,807
				\$2.50	NNN	2,500
20	10471 S. Magnolia	Anaheim	Strip Retail	\$3.00	NNN	8,600
21	10500 Knott Ave.	Stanton	Strip Retail	\$1.75	NNN	800
22	2437 W. Ball	Anaheim	Retail	\$0.95	NNN	4,500
23	2424 W. Ball	Anaheim	Strip Retail	\$1.25	NNN	3,145
24	2424 W. Ball	Anaheim	Strip Retail	\$1.75	NNN	6,000
25	7510 Katella	Stanton	Strip Center	\$1.20	NNN	1,824
26	7129 Katella	Stanton	Strip Center	\$1.25	NNN	3,482
27	6285 Ball Rd.	Cypress	Strip Center	\$1.15	NNN	4,200
				\$1.25	NNN	1,200
28	2618 W. La Palma	Anaheim	Strip Center	\$1.75	NNN	2,100
29	7041 Katella	Stanton	Strip Center	\$1.75	NNN	8,231
30	6271 Ball Rd.	Cypress	Retail	\$1.35	NNN	5,400
31	6887 La Palma Ave.	Buena Park	Community Ctr.	\$1.35	NNN	1,520
				\$1.50	NNN	1,400

Lease Rate Range	\$0.80 - \$3.00
Weighted Average Lease Rate	\$1.63

Source: LoopNet.com 2014

APPENDIX 1 - TABLE 11

1st QUARTER 2014 OFFICE MARKET - ORANGE COUNTY MARKET AREA
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

<u>Central County Submarket</u>	<u>Square Feet (Total Inventory)</u>	<u>Square Feet Vacant</u>	<u>Vacancy Rate</u>	<u>Net Absorption YTD</u>	<u>Under Construction</u>	<u>Square Ft Planned</u>	<u>Average Asking Rent¹</u>
Anaheim	6,752,676	1,161,460	17.2%	(19,768)	-	175,000	\$1.82
Orange	7,044,319	1,006,633	14.3%	30,590	-	200,000	\$1.95
Santa Ana	14,851,825	2,291,637	15.4%	(436,609)	-	1,012,000	\$1.71
Tustin	1,978,305	154,703	7.8%	108,548	-	737,000	\$1.77
Central County Total	30,627,125	4,614,434	15.1%	(317,239)	-	2,124,000	\$1.79

<u>Submarket</u>	<u>Square Feet (Total Inventory)</u>	<u>Square Feet Vacant</u>	<u>Vacancy Rate</u>	<u>Net Absorption YTD</u>	<u>Under Construction</u>	<u>Square Ft Planned</u>	<u>Average Asking Rent¹</u>
Central County	30,627,125	4,614,434	15.1%	(317,239)	-	2,124,000	\$1.79
Airport Area	40,591,726	5,256,629	13.0%	891,350	843,541	974,646	\$2.10
North County	10,141,764	1,463,457	14.4%	(110,206)	-	194,000	\$1.96
South County	23,418,862	2,674,434	11.4%	520,182	-	508,551	\$2.06
West County	9,814,579	901,960	9.2%	191,212	70,000	-	\$1.89
Orange County Market Total	114,594,056	14,910,912	13.0%	1,175,299	913,541	3,801,197	\$1.96

(1) Weighted by available direct lease space. PSF Per Month. Triple Net (NNN).

Source: Voit Real Estate Services

APPENDIX 1 - TABLE 12

**MARKET AREA OFFICE LEASE RATE COMPARABLES (Two Miles from Beach & Orange)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

No.	Address	City	Property Type	Asking Rate	Type	SF Available
1	3010 W. Orange Ave.	Anaheim	Medical Office	\$1.85	MG	24,427
2	3055 W. Orange Ave.	Anaheim	Medical Office	\$1.85	FSG	5,949
3	2951 W. Ball Rd.	Anaheim	Office	\$1.38	MG	1,817
4	2785 W. Ball Rd.	Anaheim	Medical Office	\$1.28	NNN	2,880
5	3340 W. Ball Rd.	Anaheim	Medical Office	\$1.00	NNN	6,500
6	3340 W. Ball Rd.	Anaheim	Medical Office	\$1.00	NNN	4,164
7	3340 W. Ball Rd.	Anaheim	Medical Office	\$1.00	NNN	2,667
8	7151 Lincoln Ave.	Buena Park	Office	\$1.38	MG	720
				\$1.10	MG	720
				\$0.96	MG	1,560
9	6850 Lincoln Ave.	Buena Park	Office	\$1.35	NNN	1,463
10	6271 Ball Rd.	Cypress	Office	\$1.35	NNN	4,200
11	7441 Lincoln Way	Garden Grove	Office	\$1.30	FSG	7,256
12	631 S. Brookhurst	Anaheim	Office	\$2.00	NNN	3,000
13	6101 Ball Rd.	Cypress	Office	\$1.65	FSG	11,881
Lease Rate Range				\$0.96 - \$2.00		
Weighted Average Lease Rate				\$1.54		

APPENDIX 1 - TABLE 13

POTENTIAL OFFICE DEMAND WITHIN A THREE MILE RADIUS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

	-----Estimated Office Demand-----			
	2014	2019	2024	2029
Real Estate/Rental/Leasing				
Employment	2,326	2,433	2,589	2,754
Change		107	156	166
Office Employment Percentage		80%	80%	80%
Square Feet/Employee		200	200	200
Total Square Footage		17,100	24,900	26,500
Professional & Business Services				
Employment	7,514	8,315	8,848	9,415
Change		801	533	567
Office Employment Percentage		80%	80%	80%
Square Feet/Employee		200	200	200
Total Square Footage		128,200	85,300	90,700
Finance & Insurance				
Employment	4,202	4,429	4,713	5,015
Change		227	284	302
Office Employment Percentage		80%	80%	80%
Square Feet/Employee		200	200	200
Total Square Footage		36,300	45,400	48,300
Balance of Employment				
Employment	70,788	75,334	80,161	85,298
Change		4,546	4,828	5,137
Office Employment Percentage		3%	3%	3%
Square Feet/Employee		200	200	200
Total Square Footage		27,300	29,000	30,800
Total				
Employment	84,830	90,511	96,311	102,483
Change		5,681	5,800	6,172
Total Square Footage		208,900	184,600	196,300
Total Square Footage Through Term of Projection		208,900	393,500	589,800

Source: Projections based on California EDD employment projections (2010-2020) for Orange County and 1.3% annual growth thereafter. Employment Percentage and square footage assumptions made by KMA.

APPENDIX 1 - TABLE 14

KEY HOUSING STATISTICS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

	-----Population-----			----- Housing Units -----					Vacancy Rate	Persons/ Household
	Total	Household	Group Qtrs.	Total	Single	Multiple	Mobile Homes	Occupied		
California										
1990	29,758,213	29,007,329	750,884	11,182,513	6,930,681	3,696,537	555,294	10,380,856	7.17%	2.79
1995	31,617,770	30,840,731	777,039	11,730,341	7,359,545	3,800,692	570,104	10,962,235	6.55%	2.81
2000	33,721,583	32,901,645	819,938	12,186,125	7,789,617	3,827,274	569,234	11,473,420	5.85%	2.87
2005	35,869,173	35,043,831	825,342	12,978,524	8,426,623	3,989,428	562,473	12,077,568	6.94%	2.90
2010	37,223,900	36,409,308	814,592	13,669,076	8,916,695	4,193,850	558,531	12,571,500	8.03%	2.90
2013	37,966,471	37,138,965	827,506	13,785,797	8,983,275	4,243,133	559,389	12,675,876	8.05%	2.93
Change 1990-2013										
Percent	27.58%	28.03%	10.20%	23.28%	29.62%	14.79%	0.74%	22.11%	12.31%	4.85%
Absolute	8,208,258	8,131,636	76,622	2,603,284	2,052,594	546,596	4,095	2,295,020	0.01	0.14
Orange County										
1990	2,410,668	2,373,489	37,179	875,105	538,933	304,327	31,844	827,097	5.49%	2.87
1995	2,590,109	2,549,820	40,289	915,512	566,419	316,752	32,341	874,950	4.43%	2.91
2000	2,831,799	2,789,541	42,258	967,089	612,433	322,226	32,430	934,067	3.41%	2.99
2005	2,956,847	2,915,110	41,737	1,017,428	643,993	340,412	33,023	971,251	4.54%	3.00
2010	3,010,232	2,964,214	46,018	1,046,118	660,523	352,075	33,520	990,019	5.36%	2.99
2013	3,081,804	3,031,440	50,364	1,056,195	664,395	358,269	33,531	999,552	5.36%	3.03
Change 1990-2013										
Percent	27.84%	27.72%	35.46%	20.69%	23.28%	17.73%	5.30%	20.85%	-2.24%	5.68%
Absolute	671,136	657,951	13,185	181,090	125,462	53,942	1,687	172,455	(0.00)	0.16
Anaheim										
1990	266,406	262,222	4,184	93,177	46,293	42,580	4,304	87,588	6.00%	2.99
1995	298,016	293,945	4,071	97,335	48,573	44,316	4,446	93,032	4.42%	3.16
2000	325,906	322,097	3,809	99,636	51,719	43,540	4,377	96,810	2.84%	3.33
2005	331,458	327,776	3,682	101,435	52,920	43,988	4,527	97,181	4.19%	3.37
2010	336,208	332,645	3,563	104,186	53,691	45,817	4,678	98,321	5.63%	3.38
2013	346,161	342,604	3,557	105,846	53,805	47,356	4,685	99,811	5.70%	3.43
Change 1990-2013										
Percent	29.94%	30.65%	-14.99%	13.60%	16.23%	11.22%	8.85%	13.96%	-4.94%	14.67%
Absolute	79,755	80,382	-627	12,669	7,512	4,776	381	12,223	(0.00)	0.44

Source: California Department of Finance

APPENDIX 1 - TABLE 15

HISTORIC DISTRIBUTION OF HOUSING UNIT MIX AND GROWTH
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Population		Total ¹ Housing Units	Single Family Units			Multi-Family Units			Mobile Units		
Total	Change		Subtotal	Share of Total Housing	Change	Subtotal	Share of Total Housing	Change	Subtotal	Share of Total Housing	Change

California

1990	29,758,213		11,182,513	6,930,681	61.98%		3,696,537	33.06%		555,294	4.97%	
1995	31,617,770	6.25%	11,730,341	7,359,545	62.74%	6.19%	3,800,692	32.40%	2.82%	570,104	4.86%	2.67%
2000	33,721,583	6.65%	12,186,125	7,789,617	63.92%	5.84%	3,827,274	31.41%	0.70%	569,234	4.67%	-0.15%
2005	35,869,173	6.37%	12,978,524	8,426,623	64.93%	8.18%	3,989,428	30.74%	4.24%	562,473	4.33%	-1.19%
2010	37,223,900	3.78%	13,669,076	8,916,695	65.23%	5.82%	4,193,850	30.68%	5.12%	558,531	4.09%	-0.70%
2013	37,966,471	1.99%	13,785,797	8,983,275	65.16%	0.75%	4,243,133	30.78%	1.18%	559,389	4.06%	0.15%

Orange County

1990	2,410,668		875,105	538,933	61.58%		304,327	34.78%		31,844	3.64%	
1995	2,590,109	7.44%	915,512	566,419	61.87%	5.10%	316,752	34.60%	4.08%	32,341	3.53%	1.56%
2000	2,831,799	9.33%	967,089	612,433	63.33%	8.12%	322,226	33.32%	1.73%	32,430	3.35%	0.28%
2005	2,956,847	4.42%	1,017,428	643,993	63.30%	5.15%	340,412	33.46%	5.64%	33,023	3.25%	1.83%
2010	3,010,232	1.81%	1,046,118	660,523	63.14%	2.57%	352,075	33.66%	3.43%	33,520	3.20%	1.51%
2013	3,081,804	2.38%	1,056,195	664,395	62.90%	0.59%	358,269	33.92%	1.76%	33,531	3.17%	0.03%

Anaheim

1990	266,406		93,177	46,293	49.68%		42,580	45.70%		4,304	4.62%	
1995	298,016	11.87%	97,335	48,573	49.90%	4.93%	44,316	45.53%	4.08%	4,446	4.57%	3.30%
2000	325,906	9.36%	99,636	51,719	51.91%	6.48%	43,540	43.70%	-1.75%	4,377	4.39%	-1.55%
2005	331,458	1.70%	101,435	52,920	52.17%	2.32%	43,988	43.37%	1.03%	4,527	4.46%	3.43%
2010	336,208	1.43%	104,186	53,691	51.53%	1.46%	45,817	43.98%	4.16%	4,678	4.49%	3.34%
2013	346,161	2.96%	105,846	53,805	50.83%	0.21%	47,356	44.74%	3.36%	4,685	4.43%	0.15%

Source: California Department of Finance; Keyser Marston

APPENDIX 1 - TABLE 16

PROJECTED HOUSEHOLD FORMATION WITHIN 3-MILE MARKET AREA
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA

	2014	2019	2024	2029
Estimated Population	279,440	292,374	305,907	320,066
Households	80,377	84,106	87,999	92,072
Household Growth		3,729	3,893	4,073
Cumulative Households		3,729	7,622	11,695
Housing Units @ 103% of Growth		3,841	7,851	12,046

APPENDIX 1 - TABLE 17

MARKET AREA HOME SALES - 2009 - 2013
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

2009

City	Single Family					Condominiums		
	Zip	Units	Home Median Price (\$00s)	Change from 2008	Home Price/SF	Condo Median Price (\$000s)	Change from 2008	Units
Anaheim	92801	363	\$310	-6.10%	\$235	\$190	-19.40%	92
Anaheim	92804	549	\$330	-11.90%	\$248	\$145	-19.40%	161
Anaheim	92802	205	\$350	-6.40%	\$242	\$275	-8.60%	57
Anaheim	92805	474	\$300	-11.40%	\$236	\$194	-13.70%	84
Anaheim	92806	197	\$385	-7.20%	\$232	\$206	-10.90%	30
Anaheim Hills	92807	362	\$475	-5.90%	\$263	\$217	-9.10%	57
Anaheim Hills	92808	164	\$618	-7.00%	\$286	\$348	-8.20%	127
Orange County		20,447	\$475	-7.40%	\$280	\$281	-13.70%	9,155

2011

City	Single Family					Condominiums		
	Zip	Units	Home Median Price (\$00s)	Change from 2010	Home Price/SF	Condo Median Price (\$000s)	Change from 2010	Units
Anaheim	92801	239	\$310	-6.20%	\$231	\$245	-2.00%	96
Anaheim	92804	383	\$330	-6.40%	\$237	\$194	15.80%	93
Anaheim	92802	134	\$352	0.40%	\$228	\$263	-9.20%	41
Anaheim	92805	314	\$310	-4.60%	\$237	\$193	-6.00%	72
Anaheim	92806	160	\$370	-6.30%	\$220	\$215	-2.30%	16
Anaheim Hills	92807	320	\$463	-3.50%	\$252	\$219	0.60%	79
Anaheim Hills	92808	188	\$565	-2.20%	\$266	\$295	-9.20%	105
Orange County		19,125	\$479	-5.70%	\$273	\$271	-8.40%	8,325

2013

City	Single Family					Condominiums		
	Zip	Units	Home Median Price (\$00s)	Change from 2012	Home Price/SF	Condo Median Price (\$000s)	Change from 2012	Units
Anaheim	92801	235	\$380	18.80%	\$289	\$303	20.30%	72
Anaheim	92804	400	\$413	19.60%	\$283	\$230	39.40%	107
Anaheim	92802	166	\$405	15.70%	\$278	\$320	28.00%	37
Anaheim	92805	316	\$390	21.90%	\$288	\$301	27.00%	123
Anaheim	92806	206	\$434	14.20%	\$256	\$275	22.80%	25
Anaheim Hills	92807	467	\$545	22.70%	\$293	\$273	33.60%	95
Anaheim Hills	92808	201	\$645	12.20%	\$313	\$379	25.80%	154
Orange County		23,121	\$599	19.80%	\$331	\$365	26.70%	10,275

Source: DQ News

APPENDIX 1 - TABLE 18

**SUMMARY OF RECENT HOME SALES
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA**

Condominiums										
	<u>Count</u>	<u>Average Yr. Built</u>	<u>UNIT SIZE (SF)</u>		<u>SALE PRICE</u>			<u>PRICE PER SQUARE FOOT</u>		
			<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Average</u>
One Bedroom	14	1982	652	817	\$144,500	\$225,000	\$204,000	\$219	\$282	\$254
Two Bedroom	82	1978	813	1,518	\$120,000	\$330,000	\$276,500	\$145	\$334	\$252
Three Bedroom	28	1983	1,026	1,337	\$225,000	\$354,000	\$310,250	\$181	\$290	\$251
Overall	124	1979	652	1,518	\$120,000	\$354,000	\$278,500	\$145	\$334	\$252
Single Family Homes										
	<u>Count</u>	<u>Average Yr. Built</u>	<u>UNIT SIZE (SF)</u>		<u>SALE PRICE</u>			<u>PRICE PER SQUARE FOOT</u>		
			<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Average</u>
One Bedroom	15	1954	492	1,978	\$252,500	\$850,000	\$365,000	\$132	\$742	\$373
Two Bedroom	37	1962	693	1,712	\$185,500	\$812,500	\$362,500	\$148	\$806	\$348
Three Bedroom	354	1959	868	3,017	\$108,000	\$1,000,000	\$425,000	\$84	\$546	\$331
Four Bedroom	151	1959	808	3,221	\$100,000	\$705,000	\$440,000	\$54	\$447	\$296
Five+ Bedroom	13	1959	1,554	2,767	\$369,000	\$595,000	\$485,000	\$171	\$307	\$239
Overall	570	1956	492	3,221	\$100,000	\$1,000,000	\$430,000	\$54	\$806	\$322

Note: Unit types were excluded if there were <4 transactions. Only full transactions >\$50,000 were included.

Source: DataQuick (Previous Six Months from 6/2014)

APPENDIX 1 - TABLE 19

ORANGE COUNTY NEW HOME PROJECTS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Orange County Market Area - Attached Homes

Location	Projects	Cum Sales/Week	Average Sales/Dev.	Average Price	Average Sq. Feet	Price/SF	Total Units	Total Sold	Future Phases	Total Inventory
Anaheim/Yorba Linda	7	9.05	1.29	\$480,646	1,564	\$307	641	305	302	336
Huntington/Newport Beach	2	1.09	0.55	\$1,124,443	3,233	\$348	201	182	4	19
Irvine/Tustin	7	9.54	1.36	\$639,650	1,613	\$396	679	404	203	275
Mission Viejo/Aliso Viejo	5	10.23	2.05	\$474,641	1,574	\$302	514	206	258	308
San Juan Cap/San Clemente	0	0.00	0.00	\$0	0	\$0	0	0	0	0
Santa Ana/Orange	1	0.63	0.63	\$513,990	1,858	\$277	40	40	0	0
Total	22	30.54	1.39	\$568,225	1,653	\$344	2,075	1,137	767	938

Orange County Market Area - Detached Homes

Location	Projects	Cum Sales/Week	Average Sales/Dev.	Average Price	Average Sq. Feet	Price/SF	Total Units	Total Sold	Future Phases	Total Inventory
Anaheim/Yorba Linda	16	15.74	0.98	\$823,556	2,456	\$335	1,256	931	270	325
Huntington/Newport Beach	6	3.86	0.64	\$854,192	2,100	\$407	251	157	73	94
Irvine/Tustin	27	39.77	1.47	\$982,848	2,487	\$395	2,625	1,542	929	1,083
Mission Viejo/Aliso Viejo	16	25.54	1.60	\$803,266	2,203	\$365	1,232	574	587	658
San Juan Cap/San Clemente	4	4.05	1.01	\$926,854	3,177	\$292	272	176	88	96
Santa Ana/Orange	5	2.92	0.58	\$693,182	2,619	\$265	161	91	60	70
Total	74	91.88	1.24	\$899,295	2,430	\$370	5,797	3,471	2,007	2,326

Attached/Detached Total	96	122.42	1.28	\$806,975	2,213	\$365	7,872	4,608	2,774	3,264
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Source: Market Pointe

Prepared by: Keyser Marston Associates, Inc.

Filename: Anaheim Market Tables v3; 19; 2/10/2015

APPENDIX 1 - TABLE 20

ORANGE COUNTY NEW HOME INVENTORY TRENDS
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA

<u>Quarter</u>	<u>Attached Inventory</u>	<u>Detached Inventory</u>
2012/1	1,129	1,975
2012/2	971	1,698
2012/3	708	1,674
2012/4	442	1,401
2013/1	485	1,158
2013/2	925	2,116
2013/3	943	2,407
2013/4	1,059	2,232
2014/1	938	2,326

APPENDIX 1 - TABLE 21

ORANGE COUNTY NEW HOME ABSORPTION TRENDS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Quarter	Attached Home Absorption Trends (Monthly)		Detached Home Absorption Trends (Monthly)	
	Projects	Sales Rate	Projects	Sales Rate
2012/1	29	1.94	54	1.97
2012/2	28	3.53	55	3.63
2012/3	22	4.86	54	3.74
2012/4	19	7.96	52	5.29
2013/1	18	5.37	52	5.57
2013/2	23	4.87	58	4.94
2013/3	24	4.55	67	7.72
2013/4	26	4.75	70	4.34
2014/1	26	4.75	74	4.42

APPENDIX 1 - TABLE 22

ORANGE COUNTY NEW HOME PRICE TRENDS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Location	Attached Home Sales Prices				Detached Home Sales Prices			
	2014/1	2013/4	2013/1	Change	2014/1	2013/4	2013/1	Change
Anaheim/Yorba Linda	\$480,646	\$512,224	\$515,111	-6.7%	\$823,556	\$897,798	\$806,012	2.2%
Huntington/Newport Beach	\$1,124,443	\$931,822	\$860,964	30.6%	\$854,192	\$875,632	\$1,096,886	-22.1%
Irvine/Tustin	\$639,650	\$596,691	\$553,815	15.5%	\$982,848	\$1,001,366	\$878,402	11.9%
Mission Viejo/Aliso Viejo	\$474,641	\$462,824	\$482,685	-1.7%	\$803,266	\$804,057	\$967,603	-17.0%
San Juan Cap/San Clemente	\$0	\$0	\$0	0.0%	\$926,854	\$830,095	\$799,167	16.0%
Santa Ana/Orange	\$513,990	\$448,240	\$435,419	18.0%	\$693,182	\$720,845	\$817,584	-15.2%
Total	\$568,225	\$562,461	\$588,291	-3.4%	\$899,295	\$935,300	\$866,644	3.8%

Source: Market Pointe

APPENDIX 1 - TABLE 23

ORANGE COUNTY NEW HOME PRICE TRENDS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

	Orange County Attached Homes				Orange County Detached Homes			
	2012/1	2013/1	2014/1	Change	2012/1	2013/1	2014/1	Change
Price	\$493,684	\$588,291	\$568,225	15.1%	\$726,865	\$866,644	\$899,295	23.7%
Square Feet	1,806	1,900	1,653	-8.5%	2,318	2,586	2,430	4.8%
Price per Square Foot	\$273.00	\$310.00	\$344.00	26.0%	\$314.00	\$335.00	\$370.00	17.8%

Source: Market Pointe

APPENDIX 1 - TABLE 24

SAMPLE ANAHEIM NEW HOME PROJECTS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Project	Developer	Concept	Total Units	Sold	Unsold	Future Phases	Inventory	Ranges		
								Price	Sq. Feet	Price/SF
Cortile @ Colony Park	Brookfield	Flats & Townhomes	112	72	2	38	40	\$249,900	730	\$284.00
								\$477,480	1,682	\$342.00
Casita @ Colony Park	Brookfield	Townhomes	114	35	1	78	79	\$440,200	1,411	\$286.00
								\$552,360	1,931	\$312.00

Source: Market Pointe

APPENDIX 1 - TABLE 25

MARKET AREA RENTS
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Year	Average Asking Rent	Average Effective Rent	Average Vacancy
2009	\$1,294	\$1,251	4.9%
2010	\$1,299	\$1,271	3.6%
2011	\$1,319	\$1,294	2.4%
2012	\$1,355	\$1,339	1.9%
2013	\$1,362	\$1,350	1.2%
2014 (Projection)	\$1,400	\$1,377	1.4%
2015 (Projection)	\$1,432	\$1,404	1.8%
2016 (Projection)	\$1,456	\$1,428	2.3%
2017 (Projection)	\$1,474	\$1,436	2.6%
2018 (Projection)	\$1,487	\$1,447	2.4%

APPENDIX 1 - TABLE 26

CURRENT BUENA PARK MARKET AREA RENTS (1st QUARTER 2014)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Unit Type	Units in Sample	Average Square Feet	Average Rent	Average Rent PSF
Studio / Efficiency	480	447	\$1,070	\$2.39
One Bedroom	6,787	743	\$1,192	\$1.61
Two Bedroom	9,032	968	\$1,465	\$1.51
Three Bedroom	823	1,147	\$1,831	\$1.60
Overall	17,139	873	\$1,363	\$1.56

APPENDIX 1 - TABLE 27

CURRENT RENT COMPARISON (1st QUARTER 2014)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Unit Type	Market Area Rents		Orange County Rents	
	Average Rent	Average Rent PSF	Average Rent	Average Rent PSF
Studio / Efficiency	\$1,070	\$2.39	\$1,195	\$2.33
One Bedroom	\$1,192	\$1.61	\$1,434	\$1.95
Two Bedroom	\$1,465	\$1.51	\$1,800	\$1.74
Three Bedroom	\$1,831	\$1.60	\$2,276	\$1.78
Overall Vacancy Rate (Year to Date)	1.0%		2.8%	

Source: REIS - Submarket Trend Futures

APPENDIX 1 - TABLE 28

APARTMENT CONSTRUCTION & ABSORPTION
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

Timeframe	Market Area			Orange County Market Area		
	Constructed	Absorbed	Const./Abs. Ratio	Constructed	Absorbed	Const./Abs. Ratio
One Year History	0	94	0.0	1,002	2,498	0.4
Three Year History	0	140	0.0	1,238	2,858	0.4
Five Year History	0	81	0.0	1,931	2,791	0.7
Five Year Forecast	0	-42	0.0	2,094	1,812	1.2

Source: REIS - Submarket Trend Futures

Prepared by: Keyser Marston Associates, Inc.
 Filename: Anaheim Market Tables v3; 28; 2/10/2015

APPENDIX 1 - TABLE 29

**2008-2014 HOTEL OCCUPANCY RATES¹
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

	North Orange County(2)	Anaheim	Orange County
2008	67.3%	71.7%	70.6%
2009	60.7%	65.9%	64.8%
2010	65.1%	69.6%	68.9%
2011	69.8%	71.1%	71.3%
2012	72.4%	73.4%	73.5%
2013 (e)	74.3%	75.5%	75.3%
2014 (f)	75.8%	75.6%	75.9%
Average	69.3%	71.8%	71.5%

E - Estimate
 F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

(2) Includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Al, Seal Beacy & Yorba Linda.

APPENDIX 1 - TABLE 30

**2008-2014 HOTEL AVERAGE DAILY RATE¹
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA**

	North Orange County(2)	Anaheim	Orange County
2008	\$101.25	\$111.98	\$130.84
2009	\$92.10	\$104.58	\$116.75
2010	\$92.87	\$101.24	\$115.86
2011	\$90.84	\$110.29	\$123.49
2012	\$92.75	\$116.77	\$129.92
2013 (e)	\$95.72	\$126.65	\$138.40
2014 (f)	\$98.59	\$131.72	\$144.11
Average	\$94.87	\$114.75	\$128.48

E - Estimate
 F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

(2) Includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Al, Seal Beacy & Yorba Linda.

APPENDIX 1 - TABLE 31

2008-2014 HOTEL ANNUAL REVPAR (occupancy x room rate)
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

	North Orange County(2)	Anaheim	Orange County
2008	\$68.14	\$80.27	\$92.40
2009	\$55.87	\$68.90	\$75.66
2010	\$60.45	\$70.49	\$79.81
2011	\$63.45	\$78.46	\$88.06
2012	\$67.15	\$85.73	\$95.51
2013 (e)	\$71.12	\$95.65	\$104.17
2014 (f)	\$74.72	\$99.60	\$109.31
Average	\$65.84	\$82.73	\$92.13

E - Estimate
 F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

(2) Includes the cities of Buena Park, Fullerton, Brea, Placentia, Cypress, Los Al, Seal Beacy & Yorba Linda.

APPENDIX 1 - TABLE 32

HOTEL MARKET PERFORMANCE¹
BEACH BOULEVARD MARKET OPPORTUNITIES
ANAHEIM, CALIFORNIA

	<u>Occupancy</u>	<u>Average Daily Rate</u>	<u>Annual Supply</u>	<u>Occupied Room Nights Per Year</u>	<u>Occupied Room Nights Change</u>	<u>RevPar</u>	<u>RevPar Change</u>
North Orange County							
2008	67.3%	\$101.25	1,418,025	954,370		\$68.14	
2009	60.7%	\$92.10	1,424,595	864,269	-9.4%	\$55.90	-18.0%
2010	65.1%	\$92.87	1,424,595	927,334	7.3%	\$60.46	8.1%
2011	69.8%	\$90.84	1,424,595	994,945	7.3%	\$63.41	4.9%
2012	72.4%	\$92.75	1,424,595	1,031,373	3.7%	\$67.15	5.9%
2013 (e)	74.3%	\$95.72	1,424,595	1,058,442	2.6%	\$71.12	5.9%
2014 (f)	75.8%	\$98.59	1,424,595	1,079,610	2.0%	\$74.73	5.1%
CAC 2007-2014		-0.44%	0.08%	2.08%		1.55%	
Anaheim							
2008	71.7%	\$111.98	7,199,406	5,160,532		\$80.29	
2009	65.9%	\$104.58	7,206,560	4,748,186	-8.0%	\$68.92	-14.2%
2010	69.6%	\$101.24	7,275,910	5,065,948	6.7%	\$70.46	2.2%
2011	71.1%	\$110.29	7,275,910	5,175,874	2.2%	\$78.42	11.3%
2012	73.4%	\$116.77	7,275,910	5,341,930	3.2%	\$85.71	9.3%
2013 (e)	75.5%	\$126.65	7,283,210	5,500,578	3.0%	\$95.62	11.6%
2014 (f)	75.6%	\$131.72	7,320,805	5,535,816	0.6%	\$99.58	4.1%
CAC 2007-2014		2.74%	0.28%	1.18%		3.65%	
Orange County							
2008	70.6%	\$130.84	17,192,230	12,141,057		\$92.37	
2009	64.8%	\$116.75	18,214,595	11,804,067	-2.8%	\$75.65	-18.1%
2010	68.9%	\$115.86	18,976,715	13,072,574	10.7%	\$79.83	5.5%
2011	71.3%	\$123.49	19,019,512	13,562,071	3.7%	\$88.05	10.3%
2012	73.5%	\$129.92	19,097,605	14,039,988	3.5%	\$95.49	8.5%
2013 (e)	75.3%	\$138.40	19,170,074	14,428,191	2.8%	\$104.22	9.1%
2014 (f)	75.9%	\$144.11	19,425,458	14,734,859	2.1%	\$109.38	5.0%
CAC 2007-2014		1.62%	2.06%	3.28%		2.86%	

E - Estimate
F - Forecast

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

APPENDIX 1 - TABLE 33

PROJECTED HOTEL OCCUPANCY
 NORTH ORANGE COUNTY MARKET AREA
 BEACH BOULEVARD MARKET OPPORTUNITIES
 ANAHEIM, CALIFORNIA

	Potential Demand - 1% Annual Increase						
	Annual 1.0% Demand Increase	Existing Room Night Supply ¹	Occupancy Level	Market Area Target Occupancy - 74%		Potential Capture of Market Demand	
				Available Room Nights	Cumulative Rooms	20% of Total	25% of Total
2014	1,079,610	1,424,595	75.8%	1,458,932	94	19	24
2019	1,134,681	1,424,595	79.6%	1,533,353	298	60	74
2024	1,192,561	1,424,595	83.7%	1,611,569	512	102	128

	Potential Demand - 2% Annual Increase						
	Adjusted Demand Increase	Existing Room Night Supply ¹	Occupancy Level	Market Area Target Occupancy - 74%		Potential Capture of Market Demand	
				Available Room Nights	Cumulative Rooms	20% of Total	25% of Total
2014	1,079,610	1,424,595	75.8%	1,458,932	94	19	24
2019	1,191,977	1,424,595	83.7%	1,610,779	510	102	128
2024	1,316,039	1,424,595	92.4%	1,778,430	969	194	242

(1) Source: PKF "The 2014 Southern California Lodging Forecast"

APPENDIX 2 - SCENARIO 1 - LOW DENSITY COMMERCIAL

APPENDIX 2 - TABLE 1

ESTIMATED CONSTRUCTION COST
 SCENARIO 1 - LOW DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I. Land Acquisition				
Land Acquisition	114,563	Square Feet	\$0.00 /SF	\$0
				\$0
II. Direct Costs				
Site Costs				
Off-Site Costs	\$0	Allowance		\$0
On-Site & Demolition Costs	114,563	Square Feet	\$7.00 /SF	802,000
Parking/Podium	220	Spaces	\$0 /Space	0
Total Site Costs				\$802,000
Building Costs				
Shell				
Commercial - Low Density	34,369	Square Feet	\$85.00 /Sf	\$2,921,000
Tenant Improvements				
Commercial - Low Density	34,369	Square Feet	\$20.00 /Sf	687,000
Total Shell & TI Costs				\$3,608,000
Site & Building Costs				
				\$4,410,000
Contractor/GC/Contingency	20.0%	Direct Costs		\$882,000
Total Direct Costs				\$5,292,000
III. Indirect Costs				
Architecture & Engineering	6.0%	Direct Costs		\$318,000
Permits & Fees/Impact Fees	34,369	Sq. Feet	\$9.50 /Sf ¹	327,000
Marketing	0.25%	Direct Costs		13,000
Taxes, Ins, Legal & Acctg	2.0%	Direct Costs		106,000
Commissions	34,369	Sq. Feet	\$6.00 /Sf	206,000
Development Management	3.0%	Direct Costs		159,000
Contingency Allowance	3.0%	Indirect Costs		34,000
Total Indirect Costs				\$1,163,000
IV. Financing Costs				
Building Interest	\$7,094,000	Financed	7.00% Interest ²	\$447,000
Financing Costs	2.00	Points ³		192,000
Total Financing Costs				\$639,000
V. Total Construction Costs				\$7,094,000
Costs Per Square Foot				\$206

¹ Based on KMA estimate, City needs to review.

² Assumes average outstanding balance of 60% and 1.5 year construction period.

³ Assumes capitalization rate of 7.0% and 70% loan to value ratio.

APPENDIX 2 - TABLE 2

ESTIMATED NET OPERATING INCOME
 SCENARIO 1 - LOW DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I. <u>Commercial Income</u>			
Retail	27,495 Sf	\$2.50 /Sf	\$825,000
Resturant	6,874 Sf	\$2.75 /Sf	227,000
Gross Commercial Income			<u>\$1,052,000</u>
(Less): Vacancy & Collection	5.00% Income & CAM		<u>(53,000)</u>
Effective Gross Income			\$999,000
II. <u>Operating Expenses</u>			
Management	3.00% Effective Gross Income		(\$30,000)
Reserves	1.00% Gross Income		<u>(11,000)</u>
Total Expenses			(\$41,000)
III. <u>Net Operating Income</u>			<u>\$958,000</u>

APPENDIX 2 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
SCENARIO 1 - LOW DENSITY COMMERCIAL
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I. Supportable Investment

Net Operating Income	\$958,000
Threshold Return on Investment	9.00%
Supportable Debt/Equity Investment	<u>\$10,644,000</u>

II. Total Development Costs

(\$7,094,000)

III. Residual Land Value

\$3,550,000

Value Per Square Foot

\$30.99

APPENDIX 3 - SCENARIO 2 - HIGH DENSITY COMMERCIAL

APPENDIX 3 - TABLE 1

ESTIMATED CONSTRUCTION COST
 SCENARIO 2 - HIGH DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I. Land Acquisition				
Land Acquisition	114,563	Square Feet	\$0.00 /SF	\$0
				\$0
II. Direct Costs				
Site Costs				
Off-Site Costs	\$0	Allowance		\$0
On-Site & Demolition Costs	114,563	Square Feet	\$7.00 /SF	802,000
Parking/Podium	275	Spaces	\$0 /Space	0
Total Site Costs				\$802,000
Building Costs				
Shell				
Commercial - High Density	57,281	Square Feet	\$90.00 /Sf	\$5,155,000
Tenant Improvements				
Commercial - High Density	57,281	Square Feet	\$20.00 /Sf	1,146,000
Total Shell & TI Costs				\$6,301,000
Site & Building Costs				
				\$7,103,000
Contractor/GC/Contingency	20.0%	Direct Costs		\$1,421,000
Total Direct Costs				\$8,524,000
III. Indirect Costs				
Architecture & Engineering	6.0%	Direct Costs		\$511,000
Permits & Fees/Impact Fees	57,281	Sq. Feet	\$9.50 /Sf ¹	544,000
Marketing	0.25%	Direct Costs		21,000
Taxes, Ins, Legal & Acctg	2.0%	Direct Costs		170,000
Commissions	57,281	Sq. Feet	\$6.00 /Sf	344,000
Development Management	3.0%	Direct Costs		256,000
Contingency Allowance	3.0%	Indirect Costs		55,000
Total Indirect Costs				\$1,901,000
IV. Financing Costs				
Building Interest	\$11,433,000	Financed	7.00% Interest ²	\$720,000
Financing Costs	2.00	Points ³		288,000
Total Financing Costs				\$1,008,000
V. Total Construction Costs				\$11,433,000
Costs Per Square Foot				\$200

¹ Based on KMA estimate, City needs to review.

² Assumes average outstanding balance of 60% and 1.5 year construction period.

³ Assumes capitalization rate of 7.0% and 70% loan to value ratio.

APPENDIX 3 - TABLE 2

ESTIMATED NET OPERATING INCOME
 SCENARIO 2 - HIGH DENSITY COMMERCIAL
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I. <u>Commercial Income</u>			
Retail	45,825 Sf	\$2.25 /Sf	\$1,237,000
Resturant	11,456 Sf	\$2.50 /Sf	344,000
Gross Commercial Income			<hr/> \$1,581,000
(Less): Vacancy & Collection	5.00% Income & CAM		(79,000)
Effective Gross Income			<hr/> \$1,502,000
II. <u>Operating Expenses</u>			
Management	3.00% Effective Gross Income		(\$45,000)
Reserves	1.00% Gross Income		(16,000)
Total Expenses			<hr/> (\$61,000)
III. <u>Net Operating Income</u>			<hr/> \$1,441,000

APPENDIX 3 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
SCENARIO 2 - HIGH DENSITY COMMERCIAL
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I. Supportable Investment

Net Operating Income	\$1,441,000
Threshold Return on Investment	9.00%
Supportable Debt/Equity Investment	<u>\$16,011,000</u>

II. Total Development Costs

(\$11,433,000)

III. Residual Land Value

\$4,578,000

Value Per Square Foot

\$39.96

APPENDIX 4 - SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)

APPENDIX 4 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	Land Acquisition Costs ¹	92,764 Sq. Feet	\$0 /SF	\$0
II.	Direct Costs ²			
	Off-Site Costs	26 Units	\$0 /Unit	\$0
	On-Site & Demolition Costs	92,764 Sf Land	\$15.00 /SF	1,391,000
	Parking/Podium	72 Spaces	\$0 /Space	0
	Residential - Low Density	41,800 Sf GBA	\$85.00 /Sf GBA	3,553,000
	Subtotal - Site & Building Costs			\$4,944,000
	Contractor/GC/Contingency	20% Site & Building Costs		\$989,000
	Total Direct Costs			\$5,933,000
III.	Indirect Costs			
	Architecture & Engineering	6.00% Direct Costs		\$356,000
	Permits & Fees/Impact Fees	26 Units	\$19,000 /Unit ¹	494,000
	Marketing	26 Units	\$2,500 /Unit	65,000
	Taxes, Ins, Legal & Acctg	4.00% Direct Costs		237,000
	Development Management	3.00% Sales		419,000
	Contingency Allowance	3.00% Indirect Costs		47,000
	Total Indirect Costs			\$1,618,000
IV.	Financing/Closing Costs			
	Construction Interest	\$8,791,000 Financed	6.50% Interest ²	\$389,000
	Construction Interest Fees	2.00 Points ³		132,000
	Closing Costs/Comm/Warranties	26 Units ⁴	\$27,700 /Unit	719,000
	Total Financing/Closing Costs			\$1,240,000
V.	Total Construction Cost	26 Units	\$338,100 /Unit	\$8,791,000

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 16 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 4 - TABLE 2

REVENUE PROJECTIONS
SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I.	Market Rate Units			
	1-Bdr Units @ 0 SF	0 Units	\$0 /Unit	\$0
	2-Bdr Units @ 1,400 SF	8 Units	\$483,000 /Unit	3,864,000
	3-Bdr Units @ 1,700 SF	18 Units	\$561,000 /Unit	\$10,098,000
				<hr/>
				\$13,962,000
II.	Total Revenue	26 Units	\$537,000 /Unit	\$13,962,000

APPENDIX 4 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 3 - RESIDENTIAL (12 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	<u>Total Revenue</u>		\$13,962,000
II.	<u>Project Costs</u>		
	Development Costs		\$8,791,000
	Threshold Developer Profit ¹	12.0% Return on Sales	1,675,000
	Total Project Costs		\$10,466,000
III.	Residual Land Value	\$37.70 /SF	\$92,700 /Unit
			\$3,496,000

¹ Equivalent return on costs is 13.6%.

APPENDIX 5 - SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)

APPENDIX 5 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	Land Acquisition Costs ¹	92,764 Sq. Feet	\$0 /SF	\$0
II.	Direct Costs ²			
	Off-Site Costs	38 Units	\$0 /Unit	\$0
	On-Site & Demolition Costs	92,764 Sf Land	\$15.00 /SF	1,391,000
	Parking/Podium	106 Spaces	\$0 /Space	0
	Residential - Low Density	54,250 Sf GBA	\$85.00 /Sf GBA	4,611,000
	Subtotal - Site & Building Costs			\$6,002,000
	Contractor/GC/Contingency	20% Site & Building Costs		\$1,201,000
	Total Direct Costs			\$7,203,000
III.	Indirect Costs			
	Architecture & Engineering	6.00% Direct Costs		\$432,000
	Permits & Fees/Impact Fees	38 Units	\$19,000 /Unit ¹	722,000
	Marketing	38 Units	\$2,500 /Unit	95,000
	Taxes, Ins, Legal & Acctg	2.00% Direct Costs		144,000
	Development Management	3.00% Sales		519,000
	Contingency Allowance	3.00% Indirect Costs		69,000
	MF Residential Insurance	38 Units	\$10,000 /Unit	380,000
	Total Indirect Costs			\$2,361,000
IV.	Financing/Closing Costs			
	Construction Interest	\$11,199,000 Financed	6.50% Interest ²	\$556,000
	Construction Interest Fees	2.00 Points ³		168,000
	Closing Costs/Comm/Warranties	38 Units ⁴	\$24,000 /Unit	911,000
	Total Financing/Closing Costs			\$1,635,000
V.	Total Construction Cost	38 Units	\$294,700 /Unit	\$11,199,000

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 18 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 5 - TABLE 2

REVENUE PROJECTIONS
SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I.	Market Rate Units			
	1-Bdr Units @ 0 SF	0 Units	\$0 /Unit	\$0
	2-Bdr Units @ 1,250 SF	11 Units	\$412,500 /Unit	4,538,000
	3-Bdr Units @ 1,500 SF	27 Units	\$472,500 /Unit	\$12,758,000
				<hr/>
				\$17,296,000
II.	Total Revenue	38 Units	\$455,200 /Unit	\$17,296,000

APPENDIX 5 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 4 - RESIDENTIAL (18 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	<u>Total Revenue</u>		\$17,296,000
II.	<u>Project Costs</u>		
	Development Costs		\$11,199,000
	Threshold Developer Profit ¹	15.0% Return on Sales	2,594,000
	Total Project Costs		\$13,793,000
III.	Residual Land Value	\$37.80 /SF	\$92,700 /Unit
			\$3,503,000

¹ Equivalent return on costs is 17.6%.

APPENDIX 6 - SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)

APPENDIX 6 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	Land Acquisition Costs ¹	92,764 Sq. Feet	\$0 /SF	\$0
II.	Direct Costs ²			
	Off-Site Costs	51 Units	\$0 /Unit	\$0
	On-Site & Demolition Costs	92,764 Sf Land	\$15.00 /SF	1,391,000
	Parking/Podium	142 Spaces	\$0 /Space	0
	Residential - Low Density	63,300 Sf GBA	\$85.01 /Sf GBA	5,381,000
	Subtotal - Site & Building Costs			\$6,772,000
	Contractor/GC/Contingency	20% Site & Building Costs		\$1,354,000
	Total Direct Costs			\$8,126,000
III.	Indirect Costs			
	Architecture & Engineering	6.01% Direct Costs		\$488,000
	Permits & Fees/Impact Fees	51 Units	\$19,000 /Unit ¹	971,000
	Marketing	51 Units	\$2,500 /Unit	128,000
	Taxes, Ins, Legal & Acctg	2.01% Direct Costs		163,000
	Development Management	3.00% Sales		606,000
	Contingency Allowance	3.00% Indirect Costs		86,000
	MF Residential Insurance	51 Units	\$10,000 /Unit	511,000
	Total Indirect Costs			\$2,953,000
IV.	Financing/Closing Costs			
	Construction Interest	\$13,089,000 Financed	6.50% Interest ²	\$727,000
	Construction Interest Fees	2.00 Points ³		196,000
	Closing Costs/Comm/Warranties	51 Units ⁴	\$21,300 /Unit	1,087,000
	Total Financing/Closing Costs			\$2,010,000
V.	Total Construction Cost	51 Units	\$256,100 /Unit	\$13,089,000

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 21 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 6 - TABLE 2

REVENUE PROJECTIONS

SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)

BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS

ANAHEIM, CALIFORNIA

I. **Market Rate Units**

1-Bdr Units @ 0 SF	0 Units	\$0 /Unit	\$0
2-Bdr Units @ 1,250 SF	15 Units	\$363,000 /Unit	5,445,000
3-Bdr Units @ 1,500 SF	36 Units	\$409,500 /Unit	\$14,742,000
			<hr/>
			\$20,187,000

II. Total Revenue	51 Units	\$395,800 /Unit	\$20,187,000
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APPENDIX 6 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 5 - RESIDENTIAL (24 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	<u>Total Revenue</u>			\$20,187,000
II.	<u>Project Costs</u>			
	Development Costs			\$13,089,000
	Threshold Developer Profit ¹	15.0% Return on Sales		3,028,000
	Total Project Costs			\$16,117,000
III.	Residual Land Value	\$43.90 /SF	\$92,700 /Unit	\$4,070,000

¹ Equivalent return on costs is 17.6%.

**APPENDIX 7 -
SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)**

APPENDIX 7 - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	Land Acquisition Costs ¹	92,764 Sq. Feet	\$0 /SF	\$0
II.	Direct Costs ²			
	Off-Site Costs	77 Units	\$0 /Unit	\$0
	On-Site & Demolition Costs	92,764 Sf Land	\$5.00 /SF	464,000
	Parking/Podium	177 Spaces	\$17,000 /Space	3,013,000
	Residential - Moderate Density	97,020 Sf GBA	\$85.00 /Sf GBA	8,247,000
	Subtotal - Site & Building Costs			\$11,724,000
	Contractor/GC/Contingency	20% Site & Building Costs		\$2,345,000
	Total Direct Costs			\$14,069,000
III.	Indirect Costs			
	Architecture & Engineering	6.00% Direct Costs		\$844,000
	Permits & Fees/Impact Fees	77 Units	\$19,000 /Unit ¹	1,463,000
	Marketing	77 Units	\$2,500 /Unit	193,000
	Taxes, Ins, Legal & Acctg	2.00% Direct Costs		281,000
	Development Management	3.00% Sales		884,000
	Contingency Allowance	3.00% Indirect Costs		133,000
	MF Residential Insurance	77 Units	\$10,000 /Unit	770,000
	Total Indirect Costs			\$4,568,000
IV.	Financing/Closing Costs			
	Construction Interest	\$22,047,000 Financed	6.50% Interest ²	\$1,483,000
	Construction Interest Fees	2.00 Points ³		331,000
	Closing Costs/Comm/Warranties	77 Units ⁴	\$20,700 /Unit	1,596,000
	Total Financing/Closing Costs			\$3,410,000
V.	Total Construction Cost	77 Units	\$286,300 /Unit	\$22,047,000

¹ Based on KMA estimate, City needs to review.

² Assumes 50% average outstanding balance and 25 month construction/absorption period @ 6 units/month.

³ Assumes 75% loan to cost ratio.

⁴ Assumes 3% and 1.5% of sales revenues for commissions and closing costs, respectively. Also includes \$3,500/unit in home buyer warranty costs.

APPENDIX 7 - TABLE 2

REVENUE PROJECTIONS
SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I.	Market Rate Units			
	1-Bdr Units @ 1,000 SF	8 Units	\$330,000 /Unit	\$2,640,000
	2-Bdr Units @ 1,200 SF	61 Units	\$384,000 /Unit	23,424,000
	3-Bdr Units @ 1,400 SF	8 Units	\$427,000 /Unit	\$3,416,000
				<hr/>
				\$29,480,000
II.	Total Revenue	77 Units	\$382,900 /Unit	\$29,480,000

APPENDIX 7 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SCENARIO 6 - FOR SALE RESIDENTIAL (36 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I.	<u>Total Revenue</u>		\$29,480,000
II.	<u>Project Costs</u>		
	Development Costs		\$22,047,000
	Threshold Developer Profit ¹	15.0% Return on Sales	4,422,000
	Total Project Costs		\$26,469,000
III.	Residual Land Value	\$32.50 /SF	\$92,600 /Unit
			\$3,011,000

¹ Equivalent return on costs is 17.6%.

**APPENDIX 8 -
SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)**

APPENDIX 8 - TABLE 1

**ESTIMATED CONSTRUCTION COST
SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA**

I. Land Acquisition				
Land Acquisition	92,764	Square Feet	\$0.00 /SF	\$0
				\$0
II. Direct Costs				
Off-Site Costs	\$0	Allowance		\$0
On-Site & Demolition Costs	92,764	Square Feet	\$5.00 /SF	464,000
Parking/Podium	168	Spaces	\$17,000 /Space	2,848,000
Residential - Moderate Density	84,105	Square Feet	\$85.00 /Sf	7,149,000
Total Site and Building Costs				\$10,461,000
Contractor/GC/Contingency	20.0%	Direct Costs		\$2,092,000
Total Direct Costs				\$12,553,000
III. Indirect Costs				
Architecture & Engineering	6.00%	Direct Costs		\$753,000
Permits & Fees/Impact Fees	77	Units	\$14,000 /Unit ¹	1,078,000
Marketing	77	Units	\$500 /Unit	39,000
Taxes, Ins, Legal & Acctg	2.00%	Direct Costs		251,000
Development Management	3.00%	Direct Costs		377,000
Contingency Allowance	3.00%	Indirect Costs		75,000
Total Indirect Costs				\$2,573,000
IV. Financing Costs				
Building Interest	\$16,395,000	Financed	6.50% Interest ²	\$959,000
Financing Costs	2.00	Points ³		310,000
Total Financing Costs				\$1,269,000
V. Total Construction Costs				
	77	Units	\$212,900 /Unit	\$16,395,000

¹ Based on KMA estimate, City needs to review.

² Assumes average outstanding balance of 60% and 1.5 year construction period.

³ Assumes capitalization rate of 7.0% and 70% loan to value ratio.

APPENDIX 8 - TABLE 2

ESTIMATED NET OPERATING INCOME
 SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

I. <u>Apartment Income</u>			
1-Bdr Units @ 900 SF	23 Units	\$1,665 /Unit	\$460,000
2-Bdr Units @ 1,100 SF	54 Units	\$1,925 /Unit	1,247,000
3-Bdr Units @ 0 SF	0 Units	\$0 /Unit	0
Gross Apartment Income	77 Units		<u>\$1,707,000</u>
(Less): Vacancy & Collection	5.00% Income & CAM		<u>(85,000)</u>
Effective Gross Income			<u>\$1,622,000</u>
II. <u>Operating Expenses</u>			
General Operating Expenses	77 Units	\$3,500 /Unit	(\$270,000)
Management	4.00% Effective Gross Income		(\$65,000)
Operating & Capital Reserves	1.0% Gross Income		(\$17,000)
Property Taxes	1.0% Costs		<u>(\$164,000)</u>
Total Expenses	\$6,701 /Unit		(\$516,000)
III. <u>Net Operating Income</u>			<u>\$1,106,000</u>

APPENDIX 8 - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
SCENARIO 7 - FOR RENT RESIDENTIAL (36 UNITS/ ACRE)
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA

I. Supportable Investment

Net Operating Income	\$1,106,000
Threshold Return on Investment	6.00%
Supportable Debt/Equity Investment	<u>\$18,433,000</u>

II. Total Development Costs (\$16,395,000)

III. <u>Residual Land Value</u>	\$2,038,000
Value Per Square Foot	\$21.97

**APPENDIX 9 -
LAND & BUILDING COMPARABLES**

APPENDIX 9 - TABLE 1

**MARKET AREA RETAIL BUILDING SALES
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA**

<u>No.</u>	<u>Building Type</u>	<u>Address</u>	<u>City</u>	<u>Sale Date</u>	<u>Year Built</u>	<u>RBA (SF)</u>	<u>Land (SF)</u>	<u>Sales Price</u>	<u>Price Per SF</u>	<u>Price Per SF Land</u>	
1	Auto Dealership	725 S. Beach Blvd.	Anaheim	12/23/2013	NA	2,800	37,745	\$1,350,000	\$482	\$36	
2	Restaurant	907 Beach Blvd.	Anaheim	7/18/2013	1958	12,175	56,628	\$2,350,000	\$193	\$41	
3	Freestanding Retail (strip center)	2623 W. Lincoln Ave.	Anaheim	8/29/2013	1973/2010	3,458	16,988	\$1,150,000	\$333	\$68	
4	Fast Food	3138 W. Lincoln Ave.	Anaheim	9/9/2013	1966	1,400	7,388	\$430,000	\$307	\$58	
5	Retail Storefront	3009 W. Ball Rd.	Anaheim	3/17/2014	1965	7,350	21,780	\$980,000	\$133	\$45	
6	Freestanding Retail	807 - 815 S. Brookhurst St.	Anaheim	8/26/2013	1961	7,003	28,632	\$1,450,000	\$207	\$51	
7	Retail	2230 W. Colchester Dr.	Anaheim	10/17/2012	1960	11,720	37,727	\$830,000	\$71	\$22	
8	Restaurant	10962 Magnolia Ave.	Anaheim	11/14/2013	1969	1,474	10,019	\$599,000	\$406	\$60	
9	Retail Convenience Store	240 S. Magnolia Ave.	Anaheim	5/29/2014	1978	2,706	18,226	\$1,330,000	\$492	\$73	
10	Auto Repair	601 S. Magnolia Ave.	Anaheim	10/29/2012	1968	1,250	20,251	\$685,000	\$548	\$34	
11	Supermarket	1216 - 1224 S. Magnolia Av	Anaheim	8/6/2013	1958	28,685	117,050	\$5,500,000	\$192	\$47	
12	Retail Neighborhood Center	8650 Beach Blvd.	Buena Park	3/18/2013	NA	5,600	52,629	\$1,300,000	\$232	\$25	
13	Retail Convenience Store	8761 Knott Ave.	Buena Park	11/30/2012	1961	3,510	35,035	\$1,406,000	\$401	\$40	
14	Auto Repair	6142 Lincoln Ave.	Cypress	9/17/2012	1972	3,999	26,402	\$850,000	\$213	\$32	
15	Retail Convenience Store	10600 - 10692 Beach Blvd.	Stanton	8/5/2013	NA	3,000	6,168	\$355,000	\$118	\$58	
16	Retail	11002 Beach Blvd.	Stanton	11/21/2012	1981	7,462	44,549	\$2,300,000	\$308	\$52	
17	Retail	7510 - 7560 Katella Ave.	Stanton	11/30/2012	1967	15,456	47,916	\$1,825,091	\$118	\$38	
18	Retail Storefront	7600 - 7612 Katella Ave.	Stanton	2/14/2013	1969	7,104	26,136	\$838,000	\$118	\$32	
19	Freestanding Retail	7731 Katella Ave.	Stanton	6/12/2014	1987	2,968	9,026	\$626,500	\$211	\$69	
20	Retail Storefront	7910 - 7940 Main St.	Stanton	10/3/2013	1964	7,966	16,553	\$560,000	\$70	\$34	
									Weighted Average	\$195	\$42
									Minimum Price/SF	\$70	\$22
									Maximum Price/SF	\$548	\$73

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi-property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 7/2014

APPENDIX 9 - TABLE 2

OFFICE BUILDING SALES COMPARABLES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

<u>No.</u>	<u>Building Type</u>	<u>Address</u>	<u>City</u>	<u>Sale Date</u>	<u>Year Built</u>	<u>RBA (SF)</u>	<u>Land (SF)</u>	<u>Sales Price</u>	<u>Price Per SF</u>	<u>Price Per SF Land</u>
1	Class B Medical	7499 Cerritos Ave.	Stanton	12/16/2013	1919	3,000	13,504	\$600,000	\$200	\$44
2	Class C Office	10799 Western Ave.	Stanton	7/8/2013	1964	3,046	10,302	\$345,000	\$113	\$33
							Weighted Average		\$156	\$40
							Minimum Price/SF		\$113	\$33
							Maximum Price/SF		\$200	\$44

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi-property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 7/2014

APPENDIX 9 - TABLE 3

MULTIFAMILY BUILDING SALES COMPARABLES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

No.	Building Type	Address	City	Sale Date	Year Built	Number of			Sales Price	Price Per	Price Per	Price Per
						Units	GBA (SF)	Land (SF)		SF GBA	SF Land	Unit
1	Class C Apartments	3425 W. Ariel Pl.	Anaheim	10/8/2013	1961	4	3,733	9,278	\$700,000	\$188	\$75	\$175,000
2	Class C Apartments	9582 - 9586 Ball Rd.	Anaheim	11/30/2012	1989	18	17,000	27,007	\$2,925,000	\$172	\$108	\$162,500
3	Class C Apartments	3160 W. Ball Rd.	Anaheim	3/18/2014	1977	21	15,604	33,759	\$3,430,000	\$220	\$102	\$163,333
4	Class C Apartments	3400 W. Del Monte Dr.	Anaheim	9/17/2012	1969	35	24,346	56,628	\$4,250,000	\$175	\$75	\$121,429
5	Class C Apartments	3518 W. Del Monte Dr.	Anaheim	4/22/2014	1964	8	8,383	11,979	\$1,550,000	\$185	\$129	\$193,750
6	Class C Apartments	217 S. Delano St.	Anaheim	2/6/2014	1968	4	4,356	7,841	\$939,000	\$216	\$120	\$234,750
7	Class C Apartments	2942 - 2944 W. Floyd Ave.	Anaheim	3/15/2013	1980	4	4,286	8,002	\$725,000	\$169	\$91	\$181,250
8	Class C Apartments	2364 W. Greenacre Ave.	Anaheim	2/26/2013	1964	4	3,820	10,128	\$678,000	\$177	\$67	\$169,500
9	Class C Apartments	1412 S. Knott Ave.	Anaheim	2/7/2013	1965	38	37,742	120,226	\$6,950,000	\$184	\$58	\$182,895
10	Class C Apartments	214 S. Laxore St.	Anaheim	5/6/2013	1963	4	4,000	11,761	\$750,000	\$188	\$64	\$187,500
11	Class C Apartments	231 S. Laxore St.	Anaheim	11/13/2012	1963	4	4,300	13,068	\$730,000	\$170	\$56	\$182,500
12	Class C Apartments	2674 W. Lincoln Ave.	Anaheim	12/3/2012	1978	48	36,456	77,537	\$5,875,000	\$161	\$76	\$122,396
13	Class C Apartments	2760 W. Lincoln Ave.	Anaheim	9/3/2013	1905	56	5,100	43,560	\$1,900,000	\$373	\$44	\$33,929
14	Class C Apartments	131 S. Magnolia Ave.	Anaheim	7/1/2014	1969	24	18,576	35,549	\$3,925,000	\$211	\$110	\$163,542
15	Class B Apartments	3416 W. Olinda Ln.	Anaheim	9/6/2013	1958	4	3,336	7,841	\$765,000	\$229	\$98	\$191,250
16	Class C Apartments	3340 Orange Ave.	Anaheim	2/7/2014	1976/2007	29	22,782	50,530	\$4,950,000	\$217	\$98	\$170,690
17	Class C Apartments	704 S. Webster Ave.	Anaheim	6/27/2014	1978	13	20,710	21,192	\$2,296,250	\$111	\$108	\$176,635
18	Class C Apartments	225 S. Western Ave.	Anaheim	3/18/2014	1972	179	125,244	187,308	\$12,300,000	\$98	\$66	\$68,715
19	Class B Apartments	2515 W. Winston Rd.	Anaheim	7/5/2013	1968	32	29,749	53,579	\$5,665,000	\$190	\$106	\$177,031
20	Class B Apartments	2555 W. Winston Rd.	Anaheim	3/18/2014	1966	112	87,964	184,259	\$16,500,000	\$188	\$90	\$147,321
21	Class C Apartments	8772 Hoffman St.	Buena Park	12/27/2012	1976	9	16,116	26,306	\$1,748,000	\$108	\$66	\$194,222
22	Class B Apartments	9450 Holder St.	Buena Park	5/6/2013	1986	22	18,110	47,916	\$4,000,000	\$221	\$83	\$181,818
23	Class C Apartments	7600 - 7610 Jackson Way	Buena Park	4/11/2013	1964	8	14,439	21,388	\$1,325,000	\$92	\$62	\$165,625
24	Class C Apartments	7600 - 7610 Jackson Way	Buena Park	8/22/2012	1964	8	14,439	21,388	\$1,030,000	\$71	\$48	\$128,750
25	Class C Apartments	7625 Jackson Way	Buena Park	12/30/2013	1962	4	3,600	12,197	\$750,000	\$208	\$61	\$187,500
26	Class C Apartments	7732 Jackson Way	Buena Park	7/1/2014	1962	4	3,600	10,454	\$799,000	\$222	\$76	\$199,750
27	Class B Apartments	6741 W. Ball St.	Buena Park	8/8/2013	1977	38	35,606	76,666	\$6,900,000	\$194	\$90	\$181,579
28	Class C Apartments	6482 Orange Ave.	Cypress	3/10/2014	1990	7	7,549	16,548	\$1,650,000	\$219	\$100	\$235,714
29	Class B Apartments	7881 1st St.	Stanton	3/7/2013	1990	18	19,892	45,455	\$4,015,000	\$202	\$88	\$223,056
30	Class C Apartments	10530 Bell St.	Stanton	9/27/2012	1965	6	4,314	8,939	\$780,000	\$181	\$87	\$130,000
31	Class C Apartments	10692 Court Ave.	Stanton	3/13/2013	1961	5	2,946	6,373	\$600,000	\$204	\$94	\$120,000
32	Class C Apartments	7545 Katella Ave.	Stanton	12/31/2013	1970	194	174,000	352,836	\$40,000,000	\$230	\$113	\$206,186
									Weighted Average	\$179	\$87	\$146,681
									Minimum Price/SF	\$71	\$44	\$33,929
									Maximum Price/SF	\$373	\$129	\$235,714

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi-property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 7/2014

APPENDIX 9 - TABLE 4

**HOTEL SALES COMPARABLES
BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
ANAHEIM, CALIFORNIA**

<u>No.</u>	<u>Building Type</u>	<u>Address</u>	<u>City</u>	<u>Sale Date</u>	<u>Year Built</u>	<u>Number of Units</u>	<u>GBA (SF)</u>	<u>Land (SF)</u>	<u>Sales Price</u>	<u>Price Per SF GBA</u>	<u>Price Per SF Land</u>	<u>Price Per Unit</u>
1	Travelodge	705 S. Beach	Anaheim	12/2/2012	1987	71	30,000	27,138	\$3,900,000	\$130	\$144	\$54,930
2	Rainbow Inn	831 S. Beach	Anaheim	1/10/2014	1984	42	15,959	26,998	\$2,750,000	\$172	\$102	\$65,476
3	Anaheim Lodge	837 S. Beach	Anaheim	7/24/2014	1982	45	15,498	33,106	\$2,780,000	\$179	\$84	\$61,778
4	Robin Hood Hotel	913 S. Beach	Anaheim	3/17/2014	1961	33	9,732	22,216	\$2,200,000	\$226	\$99	\$66,667
5	Anaheim National Inn	2784 W. Lincoln	Anaheim	11/29/2012	1977	37	10,284	22,216	\$2,100,000	\$204	\$95	\$56,757
6	Radisson Suites	7762 Beach Blvd	Buena Park	6/6/2013	1982	199	219,432	152,591	\$18,600,000	\$85	\$122	\$93,467
Weighted Average										\$107	\$114	\$75,714
Minimum Price/SF										\$85	\$84	\$54,930
Maximum Price/SF										\$226	\$144	\$93,467

Note: Sales data from 7/25/2012 - 7/25/2014; Sales covering the two mile radius surrounding the intersection of Orange Avenue and South Beach Boulevard, Anaheim, CA; Bulk portfolio sales, multi property sales, non-arms length transactions, condominium unit sales, and transactions without a sales price were excluded.

Source: Costar 8/2014

APPENDIX 9 - TABLE 5

LAND SALES COMPARABLES
 BEACH BOULEVARD MARKET OPPORTUNITIES ANALYSIS
 ANAHEIM, CALIFORNIA

<u>No.</u>	<u>Description</u>	<u>Address</u>	<u>City</u>	<u>Sale Date</u>	<u>Size (AC)</u>	<u>Size (SF)</u>	<u>Sales Price</u>	<u>Price Per SF</u>
1	Commercial	10425 S. Magnolia Ave	Anaheim	9/3/2013	0.17	7,501	\$205,000	\$27.33
2	Commercial	8771 Katella Ave.	Stanton	8/14/2013	0.22	9,583	\$252,500	\$26.35
3	Industrial	11172 Western Ave.	Stanton	10/4/2013	3.10	135,036	\$4,200,000	\$31.10
4	Industrial	10701 Dale Ave.	Stanton	1/23/2013	1.76	76,748	\$1,611,716	\$21.00
5	Residential	928 - 934 S. Webster Ave.	Anaheim	11/26/2013	0.87	37,897	\$1,326,000	\$34.99
6	Residential	9501 Cerritos Ave.	Anaheim	4/30/2013	2.05	89,298	\$2,900,000	\$32.48
7	Residential	7132 Kermore Ln.	Stanton	12/19/2012	1.00	43,560	\$935,000	\$21.46
Total Weighted Average								\$28.60
Commercial Weighted Average								\$26.78
Industrial Weighted Average								\$27.44
Residential Weighted Average								\$30.22

Source: Costar 7/2014



IMPROVE THE BOULEVARD

Set the Course for Beach Boulevard

DRAFT
Economic Development Strategy
Beach Boulevard Specific Plan, West Anaheim

bae urban economics

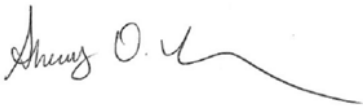
October 11, 2017

Gustavo Gonzalez
City of Anaheim
200 South Anaheim Boulevard
Anaheim, CA 92805

Dear Mr. Gonzalez,

BAE is pleased to submit the Economic Development Strategy for the Beach Boulevard Specific Plan. This report provides the background demographic, economic, and real estate conditions, and projects demand for new uses to be sited around the Beach Boulevard.

Sincerely,



Sherry Okun-Rudnak
Principal

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INTRODUCTION

Economic Development Strategy for the Beach Boulevard Specific Plan

This Economic Development Strategy (EDS) provides a comprehensive assessment of the existing conditions that guide the local economy in West Anaheim, the area that includes the Specific Plan Study Area along Beach Boulevard. Its main purpose is to help local stakeholders implement strategies that can enhance Beach Boulevard’s ongoing economic vitality. This document also assesses the extent to which current strategies—including those in the Anaheim General Plan and as outlined by the City’s Local Workforce Development Board—are relevant given the unique context of Beach Boulevard and West Anaheim. The EDS includes recommendations for stimulating job growth, and spurring new investment to help revitalize the Beach Boulevard corridor.

Methodology

This report analyzes employment trends in West Anaheim, defined by the 92804 ZIP code, in order to understand the existing economic conditions. Although this area is larger than the Beach Boulevard Specific Plan Area, it is the smallest geography for which reliable data is available. To provide context for this report, data describing West Anaheim are compared to the larger City of Anaheim, and in some cases Orange County, in order to provide a benchmark for selected topics. Employment data are derived from the California Employment Development Department (CA EDD) Quarterly Census of Employment and Wages (QCEW). Reports from Anaheim’s Workforce Development Board (AWDB) in 2013 and 2017, as well as a Market Feasibility Study published by Keyser Marston Associates (KMA) in 2015, are also included where relevant.

Demographic data for this analysis are drawn from Nielsen, a private data vendor, with supplemental information from the 2014 American Community Survey (ACS). The analysis of existing inventory for office space, including occupancy and vacancy rates, was drawn from data obtained by CoStar, a private data vendor.

Specific Plan Area

The Beach Boulevard Specific Plan is intended to guide future development along an approximately 1.5 mile stretch of Beach Boulevard that runs through the City of Anaheim. The Plan Area comprises approximately 283 acres on both sides of an eight-lane divided highway, bordered by the City of Buena Park to the north and the City of Stanton to the south (Map 1). Primary land uses in the Specific Plan Area include Hospital and Medical Office (20.4 acres); General Retail (31.6 acres); Mobile Home Park (32.4 acres); Motels (14.5 acres); and

Multifamily Apartments (33.9 acres).¹

Map 1: Beach Boulevard Specific Plan Area Boundary



¹ <http://anaheim.net/DocumentCenter/View/15159> (page 14).

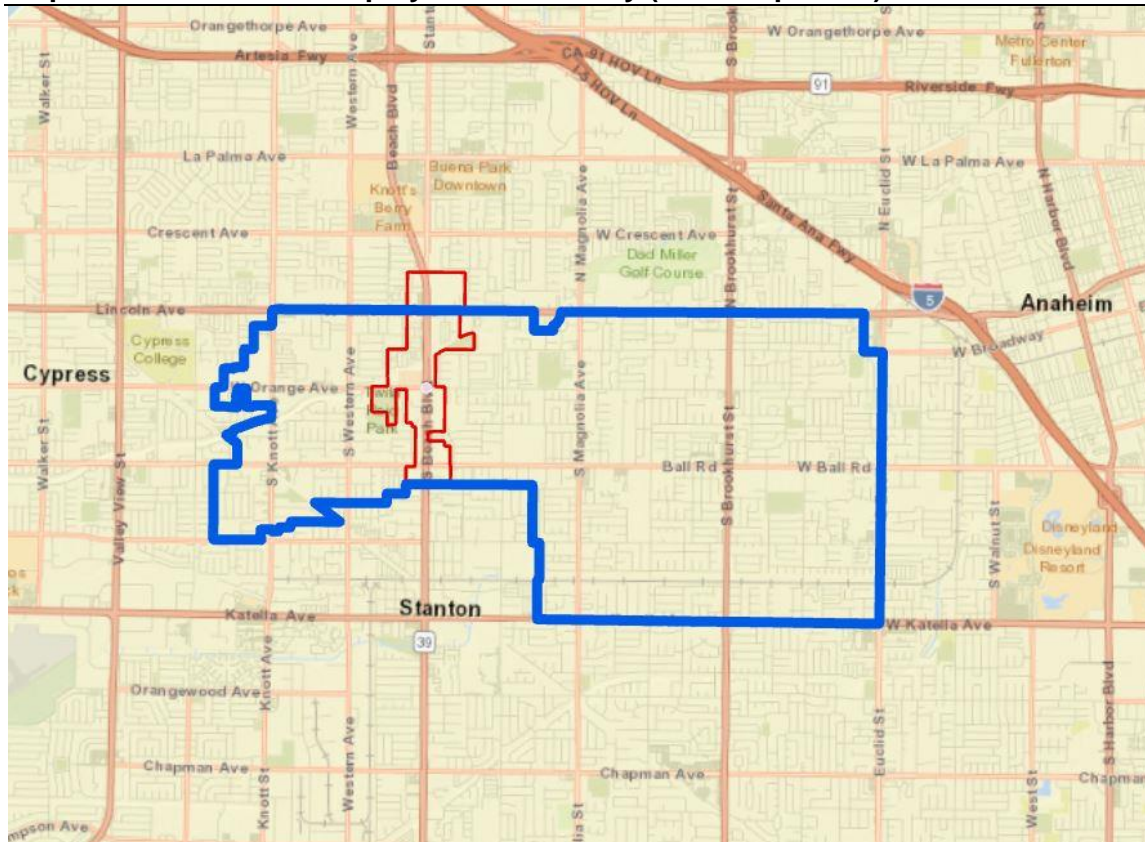
WEST ANAHEIM ECONOMIC OVERVIEW

Summary

From an Economic Development perspective, West Anaheim differs in several key ways from the City of Anaheim as a whole: It features a larger Health Care sector, slower employment growth, and lack of new private investment.

For the purposes of this analysis, West Anaheim is defined by the 92804 Zip Code, the smallest geographic unit for which reliable employment data is available (Map 2). In general, this area is largely residential, and bounded by Euclid Street at the east, Lincoln Avenue to the north, and Katella Avenue to the south, with most employment nodes concentrated along commercial corridors such as Beach Boulevard and Brookhurst Street.

Map 2: West Anaheim Employment Boundary (92804 Zip Code)



Key Industries and Employment – West Anaheim

Within West Anaheim in 2016, the five largest sectors by the number of jobs were Health Care (39.0 percent), Government (16.1 percent), Accommodation and Food Services (13.3 percent), and Retail (11.0 percent) (Table 1).

In 2016, approximately 3,678 jobs in West Anaheim—or 39.0 percent of total payroll employment—were related to Health Care, a much higher percentage than in Anaheim. This is due in part to the presence of the West Anaheim Medical Center, a 219-bed acute care hospital with several hundred employees that is located within the Specific Plan Area at the intersection of Beach Boulevard and Orange Avenue.² While the hospital and medical office cluster along Beach Boulevard is indeed an important employment node, this over-reliance on one sector can become problematic for several reasons outlined below.

Over the past five years, job growth in West Anaheim has been lackluster when compared to the City of Anaheim. In the period from 2011 to 2016, the total number of jobs in West Anaheim grew by 2.1 percent (Table 1). Meanwhile, the total number of jobs grew by 8.8 percent in the City of Anaheim over the same time period (Table 2).

West Anaheim is not a job-dense neighborhood. In 2015, the ratio of local jobs to employed residents was relatively low, with 10,771 jobs to 45,122 employed residents.³ Anaheim, on the other hand, has a much higher ratio of local jobs to employed residents, with 188,166 local jobs to 174,222 employed residents. While the difference can be in part attributed to zoning and land use (the majority of West Anaheim is residential), this does not mean West Anaheim lacks the available commercial space for new businesses to grow. In fact, a high office vacancy rate within a one-mile radius of Beach Boulevard (approximately 23.3 percent in 2016, according to CoStar) suggests that space is not a constraint to economic growth as it might be elsewhere.

A small portion of the Beach Boulevard Specific Plan Area (approximately four parcels) lies outside the 92804 Zip Code just to the north. Current establishments include a Walmart Neighborhood Market as well as a 58-unit motel, which would slightly increase employment counts in the Retail and Accommodation and Food Services categories, respectively.

² <https://www.westanaheimmedctr.com/About-Us.aspx>

³ To estimate the workforce composition of West Anaheim residents, BAE used the US Census Bureau's Longitudinal-Employer Household Dynamics tool, which uses a slightly different methodology to count jobs than the California EDD. 2015 was the most recent year available for this data source.

Table 1: West Anaheim Employment by Industry, 2011-2016

Industry (a)	92804			
	2011 (b)	2016 (b)	Change	% Change
Agriculture, Forestry, Fishing and Hunting (a)	n.a	n.a	n.a	n.a
Utilities	n.a	0	n.a	n.a
Construction	208	213	5	2.4%
Manufacturing	184	203	19	10.3%
Wholesale Trade	63	95	32	50.8%
Retail Trade	1,094	1,038	(56)	-5.1%
Transportation and Warehousing	63	42	(21)	-33.3%
Information	n.a	n.a	n.a	n.a
Finance and Insurance	120	131	11	9.2%
Real Estate and Rental and Leasing	177	170	(7)	-4.0%
Professional and Technical Services	120	142	22	18.3%
Management of Companies and Enterprises	n.a	n.a	n.a	n.a
Admin, Support and Waste Management	751	314	(437)	-58.2%
Educational Services	123	85	(38)	-30.9%
Health Care and Social Assistance	3,050	3,678	628	20.6%
Arts, Entertainment, and Recreation	83	63	(20)	-24.1%
Accommodation and Food Services	980	1,258	278	28.4%
Other Services (except Public Administration)	769	335	(434)	-56.4%
Government	1,323	1,517	194	14.7%
Not Elsewhere Classified	47	84	37	78.7%
Total	9,228	9,425	197	2.1%

Notes:

(a) Cells shown as n.a represent data suppressed due to EDD disclosure rules

(b) Represents annual employment averaged over Quarters 1-4 for each year.

Sources: Quarterly Census of Employment and Wages (QCEW), CA EDD, 2011, 2016; BAE, 2017.

Key Industries and Employment – City of Anaheim

The City of Anaheim, on the other hand, has a significantly more diversified economy than West Anaheim. In Anaheim, no single industry comprised more than 15.3 percent of the City's total job count. In 2016, the largest sectors were Arts, Entertainment, and Recreation (15.3 percent), Accommodation and Food Services (11.9 percent), Manufacturing (10.3 percent), Health Care (10.7 percent), and Construction (9.1 percent) (Table 2).

Industry sectors exhibiting strong job growth in the City of Anaheim between 2011 and 2016 include Health Care and Social Assistance (31.6 percent); Construction (35.0 percent); and Management of Companies/Enterprises (18.6 percent).

Table 2: City of Anaheim Employment by Industry, 2011-2016

City of Anaheim				
Industry (a)	2011 (b)	2016 (b)	Change	% Change
Agriculture, Forestry, Fishing and Hunting	167	122	(45)	-26.9%
Mining	n.a	n.a	n.a	n.a
Utilities	444	489	45	10.1%
Construction	11,859	16,005	4,146	35.0%
Manufacturing	19,346	18,071	(1,275)	-6.6%
Wholesale Trade	9,530	10,536	1,006	10.6%
Retail Trade	11,723	12,601	878	7.5%
Transportation and Warehousing	4,094	3,408	(686)	-16.8%
Information	2,101	1,647	(454)	-21.6%
Finance and Insurance	3,762	3,685	(77)	-2.0%
Real Estate and Rental and Leasing	2,958	2,792	(166)	-5.6%
Professional and Technical Services	5,429	5,383	(46)	-0.8%
Management of Companies and Enterprises	1,822	2,160	338	18.6%
Admin, Support and Waste Management	12,137	13,588	1,451	12.0%
Educational Services	2,093	1,900	(193)	-9.2%
Health Care and Social Assistance	14,334	18,861	4,527	31.6%
Arts, Entertainment, and Recreation	n.a	26,926	n.a	n.a
Accommodation and Food Services	20,287	20,929	642	3.2%
Other Services (except Public Administration)	4,951	4,298	(653)	-13.2%
Federal Government	932	1,004	72	7.7%
State Government	653	487	(166)	-25.4%
Local Government	13,257	10,587	(2,670)	-20.1%
Not Elsewhere Classified	253	415	162	64.0%
Total	161,686	175,975	14,289	8.8%

Notes:

(a) Cells shown as n.a represent data suppressed due to EDD disclosure rules

(b) Represents annual employment averaged over Quarters 1-4 for each year.

Sources: Quarterly Census of Employment and Wages (QCEW), CA EDD, 2011, 2016; BAE, 2017.

Economic data for certain sectors are suppressed by the California EDD when there are fewer than three establishments in an industry, or if a single employer makes up more than 80 percent of the employment in that industry. Assuming that Mining, Quarrying, and Gas employment held constant at approximately 70 employees in both 2011 and 2016⁴, it can be deduced that the Arts and Entertainment industry comprised approximately 19,484 jobs in 2011. This would make Arts and Entertainment Anaheim's fastest-growing employment sector, growing by 38.2 percent between 2011 and 2016. This includes significant employers such as the Disneyland Theme Park, as well as sports teams such as the Los Angeles Angels and Anaheim Ducks.

Again, it should be noted that this analysis compares the predominantly residential West Anaheim to the City of Anaheim, which includes a central business district, large entertainment and tourism

⁴ Estimate drawn from Longitudinal-Employer Household Dynamics tool, which does not suppress data for confidentiality.

sector, and industrial areas. Although there is sufficient commercial space available for office uses in the Specific Plan Area, many of the City's industries (e.g. manufacturing) are not compatible from a land use perspective with residential uses.

Local Employment Trends – West Anaheim

While the Health Care industry has a significant presence in West Anaheim, the sector has not performed as well as it has Citywide. From 2011 to 2016, the number of West Anaheim jobs in Health Care grew by 20.6 percent (Table 1). The City of Anaheim, in contrast, saw a 31.6 percent increase in Health Care-related jobs over the same time period.

West Anaheim's lower-than-expected job growth between 2011 to 2016 underscores the difficulties that can result from relying too heavily on a single sector. After a series of failed inspections and the loss of federal funding, Anaheim General Hospital closed in May 2013. At one point, the hospital accounted for as many as 690 jobs in the area, according to a Workforce Development Board Report.

Job losses in West Anaheim's Health Care sector could also threaten to spill over into other sectors like Retail, as daytime health care workers can contribute to a significant amount of retail demand. A sizeable amount of retail leakage was found in a Market Overview published by KMA in 2015, particularly in categories like food stores, and apparel stores. This lack of quality retail has also been reported by local residents as a major concern in a number of public outreach sessions.

Finally, West Anaheim currently lacks the presence of a thriving, dynamic sector with the potential to spur growth elsewhere. By contrast, Anaheim's Arts and Entertainment sector is currently thriving; 17.9 million guests visited Disneyland in 2016, while California Adventure attracted 9.3 million visitors, according to AECOM.⁵ Just as the City of Garden Grove, which is adjacent to Anaheim and the Disneyland Resort, has made significant efforts to provide amenities to successfully attract park visitors, there may be some potential for West Anaheim, and specifically Beach Boulevard, to attract Knott's Berry Farm visitors to new amenities that benefit both tourists and the local community.

Recommendations in the Beach Boulevard Specific Plan to this end include using streetscaping to extend tourism into the area, repositioning certain motels along Beach Boulevard to cater to budget tourism, and developing the Westgate site. Coordination efforts between Anaheim and Buena Park are essential to help extend tourism from Buena Park into the Specific Plan Area, bringing new restaurants to serve residents and workers as well as tourists.

Health Care in Focus

Despite these setbacks in West Anaheim, Health Care has nonetheless been a rapidly growing sector nationwide. This is driven by a number of factors, including an aging baby boomer

⁵ <http://www.aecom.com/content/wp-content/uploads/2017/06/2016-ThemeMuseum-Index.pdf>

population. These demographic changes suggest that the healthcare sector will likely continue to grow.

Health Care occupations and industries are expected to add the most jobs of any North American Industry Classification System (NAICS) Industry sector between 2014 and 2024, according to the U.S. Bureau of Labor Statistics.⁶ The sector's most common occupations include Registered Nurses, Nurse Assistants, Personal Care Aides, and Home Health Aides. In 2016, Health Care wages in West Anaheim averaged \$37,213 per job, according to payroll data supplied by California EDD. (This includes jobs that were both full and part-time.) As such, Health Care is the second-highest paying of West Anaheim's top five industries, trailing only Government at \$63,161. Wages in Retail and Accommodation and Food Services, by contrast, averaged \$29,795 and \$17,899, respectively.

Labor Force – West Anaheim Residents

Employed Residents by Industry

In 2015, there were approximately 45,122 jobs held by working residents living in West Anaheim (Table 3).⁷ According to LEHD data, 13.5 percent of jobs held by West Anaheim residents are located within the larger City of Anaheim. This indicates that approximately 86.5 percent of jobs held by West Anaheim residents are located *outside* the city in other jurisdictions, including Los Angeles (7.8 percent), Irvine (5.7 percent), Santa Ana (5.7 percent), Orange (4.0 percent), and Garden Grove (3.9 percent).

The industries that employed the highest proportion of working West Anaheim residents (regardless of job location) were Health Care (13.9 percent), Accommodation and Food Services (11.7 percent), and Manufacturing (10.8 percent). As Table 3 shows, there are slightly higher percentages of residents working in these industries that live in West Anaheim, compared to the City overall. This may be due to housing affordability and availability, compared to other locations in Anaheim (e.g., for Accommodations and Food Service workers), or due to proximity to employment centers (e.g., for Health Care workers).

West Anaheim workers also appear to be over-represented in declining industries. While Manufacturing is one of the largest employers of West Anaheim residents, for example, it was one of the few industries in Anaheim to see employment declines between 2011 and 2016 (Table 3).

⁶ <https://www.bls.gov/careeroutlook/2015/article/projections-industry.htm>

⁷ To estimate the workforce composition of West Anaheim residents, BAE used the US Census Bureau's Longitudinal-Employer Household Dynamics tool, which uses a slightly different methodology to count jobs than the California EDD. 2015 was the most recent year available for this data source.

Table 3: Resident Employment by Industry, 2015

Industry (a)	West Anaheim		Anaheim	
	#	%	#	%
Agriculture, Forestry, Fishing and Hunting	327	0.7%	1,104	0.6%
Mining, Quarrying, and Oil and Gas Extraction	45	0.1%	154	0.1%
Utilities	201	0.4%	804	0.5%
Construction	2,293	5.1%	9,854	5.7%
Manufacturing	4,871	10.8%	18,170	10.4%
Wholesale Trade	2,474	5.5%	9,896	5.7%
Retail Trade	4,795	10.6%	17,705	10.2%
Transportation and Warehousing	1,221	2.7%	4,829	2.8%
Information	870	1.9%	3,463	2.0%
Finance and Insurance	1,593	3.5%	6,664	3.8%
Real Estate and Rental and Leasing	841	1.9%	3,228	1.9%
Professional and Technical Services	2,649	5.9%	10,693	6.1%
Management of Companies and Enterprises	791	1.8%	3,123	1.8%
Admin, Support and Waste Management	3,657	8.1%	14,786	8.5%
Educational Services	2,777	6.2%	12,169	7.0%
Health Care and Social Assistance	6,275	13.9%	21,705	12.5%
Arts, Entertainment, and Recreation	1,621	3.6%	6,649	3.8%
Accommodation and Food Services	5,260	11.7%	18,945	10.9%
Other Services (except Public Administration)	1,398	3.1%	5,195	3.0%
Public Administration	1,163	2.6%	5,086	2.9%
Total	45,122	100.0%	174,222	100.0%

Notes:

(a) Includes the number of Residents who work various industry sectors, regardless of job site.

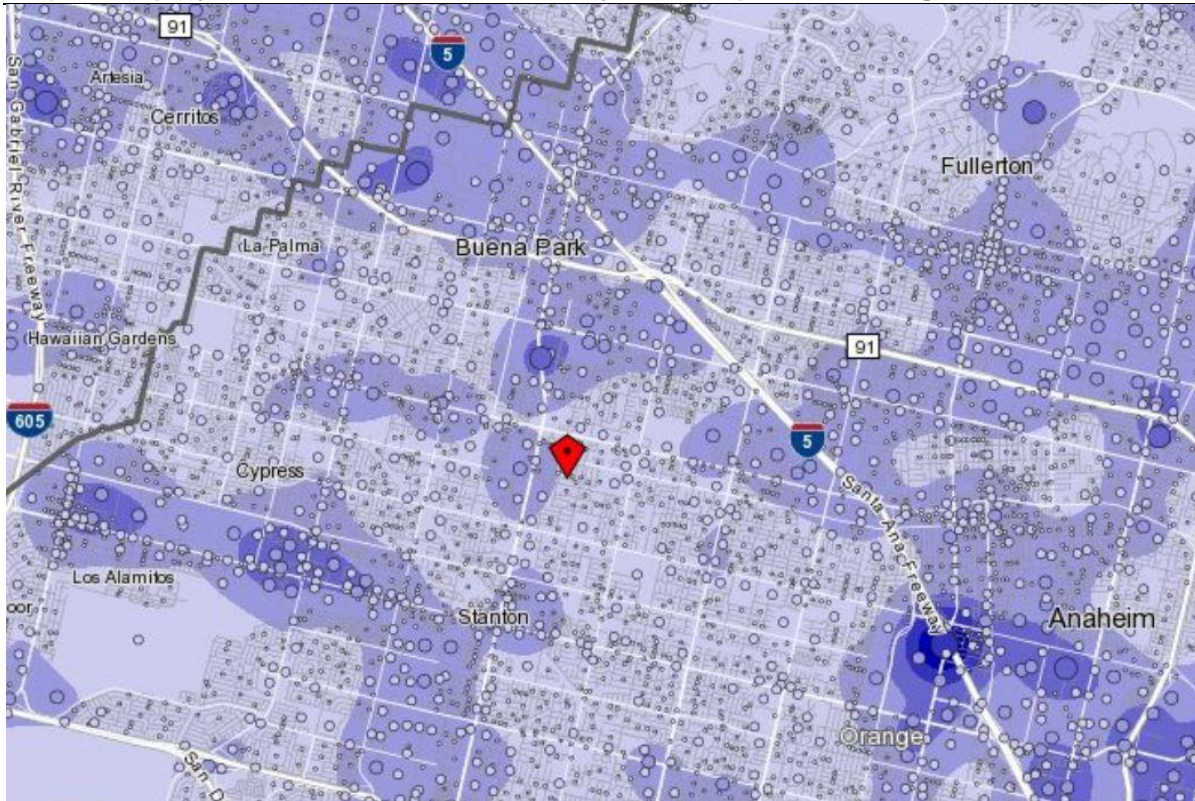
Sources: Center for Economic Studies at U.S. Census Bureau;
Longitudinal-Employer Household Dynamics, 2014; BAE, 2017.

Given the high level of out-commuting required for most working West Anaheim residents, it may also be important to identify accessible job opportunities at employment nodes outside the city.

Map 3 displays a heat map showing the job densities of employment nodes surrounding West Anaheim and the Beach Boulevard Specific Plan area specifically (shown at image center). The map indicates a significant concentration of employment along Beach Boulevard in Buena Park, most likely related to the Knott's Berry Farm attraction and related entertainment venues.

There are also significant job concentrations along West Katella Avenue between Stanton and Los Alamitos, with a number of office parks and commercial centers extending west towards the Joint Forces Training Base in Los Alamitos.

Map 3: Employment Nodes and Job Density Heat Map surrounding West Anaheim



Source: On the Map, U.S Census, for 2015.

Unemployment Rate

The City of Anaheim has historically had a higher unemployment rate than Orange County. However, unemployment rates in the City have begun to converge with the County in the years after the recession. Job recovery in the City has been faster than in the County, with the unemployment rate dropping 4.6 points in the City, compared to 3.5 points in the County (Table 4). Given that other economic data shows that West Anaheim lags behind the rest of the City, it can be inferred that unemployment rates remain relatively high in West Anaheim compared to the City and County.

Table 4: Unemployment Rate, Anaheim vs Orange County, 2012 and 2016

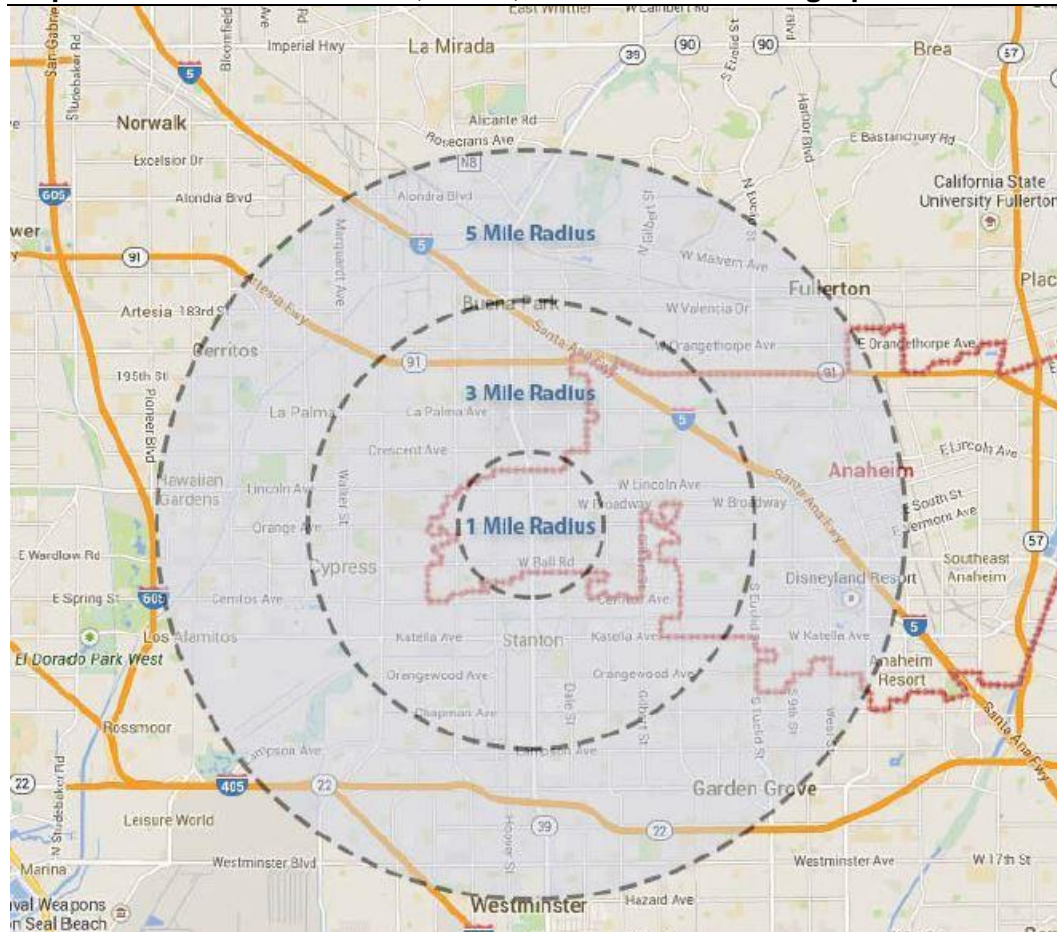
Geography	Unemployment		Change
	2012	2016	
City of Anaheim	9.7%	5.1%	-4.6%
Orange County	7.6%	4.0%	-3.5%

Sources: State of California, EDD, Labor Market Information, 2012-2016.

Real Estate and New Development

The comparative lack of new development along Beach Boulevard has been a source of community concern for some time. The Corridor was once known for affordable motels and roadside attractions geared towards traveling families. However, new freeways, including Interstate 5 and State Route 91, eventually diverted traffic away from state highways like Beach Boulevard. This lack of freeway proximity and visibility has been cited by developers as a sizable hurdle to new office and retail development. The City of Anaheim commissioned a Market Study by KMA to evaluate current market conditions along the Corridor, identify land uses with the greatest market support, and assess the financial feasibility of new development.

Map 4: Beach Boulevard One, Three, and Five-Mile Demographic “Market Areas”



Source: KMA

Retail and Office

Retailers typically focus on demographic trends such as population density, income levels and education levels when choosing where to locate. The KMA study noted that in 2014, residents in the one-mile Market Area surrounding the Beach Boulevard Corridor earned a median household

income of \$49,580, significantly lower than the \$59,272 median in Anaheim (Map 4). Meanwhile, 50.5 percent of households earned less than \$50,000 per year, compared to 43.2 percent in Anaheim. In addition, 19.1 percent of market area residents over 25 years had received a Bachelor's degree or higher, compared to 23.7 percent in Anaheim. Demographic characteristics were slightly more favorable to new development at the wider three-mile Market Area, with median household incomes reaching \$57,272, and 22.0 percent of residents having received a Bachelor's degree or higher.

These demographics, along with location conditions, have posed challenges for certain retail types that might otherwise locate on the Corridor. The challenges posed to new commercial development are underscored by real estate data from CoStar, which indicates that there has been zero new office or retail development since at least 2008 within a one-mile radius of the Specific Plan Area. KMA also found significant existing leakage in several retail sectors including building materials, food and beverage, apparel, and sporting/hobby/book/supplies. However, these types of retail uses generally want to serve an area larger than the Specific Plan area. Aside from food and beverage uses, most of these sectors prefer more regional locations that have better visibility, are located in shopping nodes that can build on other retail traffic, and are more centrally located to a larger population base—such as the Center Street Promenade or along the I-5 Freeway.

For smaller format and/or community serving uses that are not currently located in the Specific Plan area, the high cost of land along the Corridor coupled with lower-than-average incomes indicates significant hurdles to attracting new retail development along the Corridor. To be financially feasible, KMA reported that any new commercial development might require multi-story configurations (such as those seen across San Gabriel Valley) or relaxed parking requirements.

The KMA report also noted that the Corridor is not currently well-suited for new office development. Any growth in office demand from the medical sector, for example, could be absorbed by existing inventory of office space given the 23.4 percent vacancy rate within a one-mile radius of the Corridor. Thus, for new office development to occur, it is likely that existing vacancies would need to be filled first. However, medical office trends suggest that the market is bifurcated, with older spaces remaining vacant due to their inability to meet the needs of users who require smaller more collaborative space.

Residential

KMA projects a healthy amount of residential demand in the two-mile real estate market area surrounding Beach Boulevard over the next 15 years, particularly for attached product at mid-block locations. None of the residential prototypes explored by KMA ultimately passed the financial feasibility test if they displaced existing residential uses. However, new residential development might be feasible if it could be built on commercially-zoned land, which at the time of the study traded at \$42/sf versus residential land at \$87/sf.

Hotel Demand

Finally, the KMA report determined that while “modest” demand exists for hotels in the North Orange County hotel market (which includes the Beach Boulevard Specific Plan Area), low average daily rates (\$95) are likely to impact development feasibility along the Beach Boulevard Corridor. In addition, the lack of freeway visibility and opportunity sites more proximate to Knott’s Berry Farm would make it difficult to develop hotels in the short to mid-term.

To gain a better understanding of existing and future hotel demand along the Beach Boulevard Corridor, BAE conducted a motel demand study analyzing the corridor’s lodging market. The analysis found that of the eighteen motels within the Specific Plan study area, five are operating as “traditional” short-term lodging establishments. The remainder, meanwhile, are either serving as long-term housing (either partially or wholly), or are catering to a non-tourist clientele.

The study concluded that there is currently short-term lodging demand for approximately 438 rooms along Beach Boulevard in Anaheim—approximately half of the current total. In addition, BAE found that there was no significant projected residual demand for additional rooms that the existing motels could capture. With improved connectivity to Buena Park, there could be demand for an additional 20 rooms. (However, those rooms would need to be upgraded and positioned as value options for budget-conscious travelers.)

Opportunity Sites: Improvement to Land (I/L) Ratio Analysis

Regardless of the current challenges surrounding new development in the area, it is still worthwhile to identify those sites with the most feasible prospects for redevelopment along Beach Boulevard. Using data from the Orange County assessor, an improvement to land (I/L) Ratio Analysis of parcels along the Corridor is one method to determine which parcels are underutilized, and could present short-term opportunities for redevelopment.

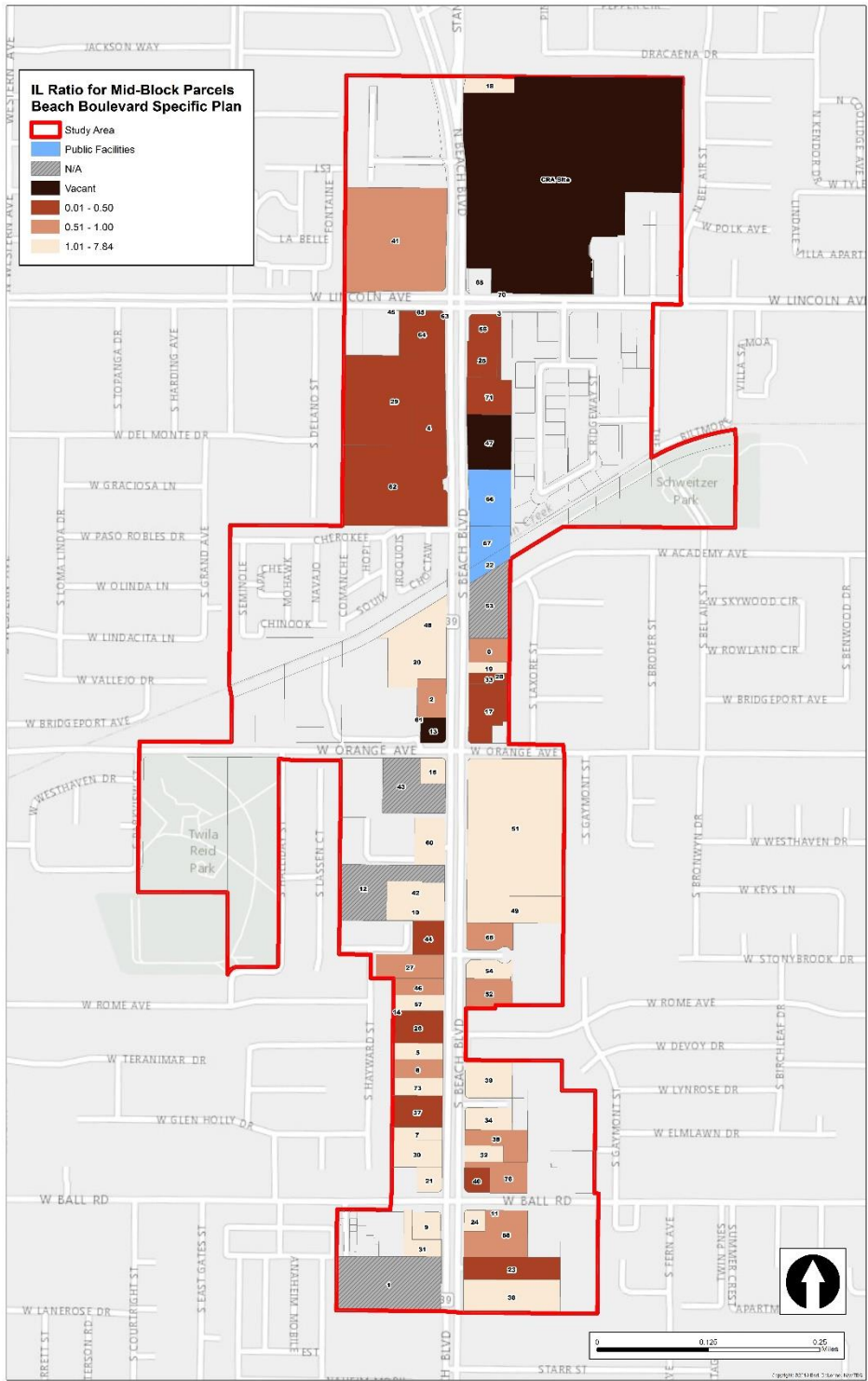
An I/L Ratio Analysis uses data from the Orange County Assessor to determine the ratio of the value of improvements to the value of land. An I/L ratio greater than or equal to one indicates that the value of improvements (buildings and structures) is at least as great as the value of land. This suggests that improvements are either relatively new, or that the land and improvements have not been reassessed (improved or changed ownership) recently. It does not necessarily mean that sites are being used at their highest and best use, but that demolishing existing structures for redevelopment in the near future is unlikely.

Parcels with an I/L ratio of less than one generally are thought to be underutilized, either because the parcel is vacant, existing structures are dilapidated and have been reassessed to reflect decreased values, or the parcel is being used primarily as a surface parking lot. In these cases, parcels could be more likely to turn over for redevelopment in the near-term. It should be noted that property-tax exempt uses, parks, and cemeteries would have I/L ratios less than one, but would not be expected to turn over for redevelopment.

By this analysis, 23 of 46 parcels along Beach Boulevard have an I/L ratio of less than or equal to

1.00 (shown in darker shades on the map in Map 5 below). These are the parcels most likely to turn over in the short term. As Map 5 shows, there are also two vacant parcels along Beach Boulevard, including the Westgate site at the northeast corner of Beach and Lincoln. Both of these parcels were originally purchased by the former Anaheim Redevelopment Agency and are now City-controlled. There are also a number of underutilized parcels with existing structures, the majority of which include auto servicing facilities and retail strip malls with surface parking.

Map 5: Opportunity Sites along Beach Boulevard



Westgate Redevelopment Strategy

The development outcome of the 25-acre Westgate parcel at the northeast corner of Lincoln Avenue and Beach Boulevard will have a dramatic impact on the Corridor's revitalization efforts. While currently vacant, the Westgate parcel is a major asset that can be leveraged to catalyze new development along the corridor. Westgate's size alone eliminates the need for parcel assembly, a complex process that often presents a significant obstacle for new catalytic development.

As a City-controlled property, a number of incentives could presumably be explored to expedite this process, bringing much-needed retail and "destination" uses that attract visitors from nearby tourist sites. Under the most recent Disposition and Development Agreement (DDA) with Zelman Anaheim, Zelman plans to construct approximately 200,000 to 300,000 square feet of improvements including general retail and associated tenant improvements, landscaping, pedestrian access, parking, and a Festival Green and Paseo.

The DDA also includes a Reimbursement Agreement under which Zelman would remediate the retail site and the Agency would fund the costs.

STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS (SWOT) ANALYSIS

Data presented above, along with City staff and stakeholder interviews culminate in the following SWOT analysis. This provides the basis for recommending specific economic development strategies to support revitalization along the Beach Boulevard Corridor. Table 5 shows the findings of the SWOT analysis.

<p>STRENGTHS</p> <ul style="list-style-type: none"> Existing cluster of facilities related to Health Care, an industry seeing growth nationwide Strong community presence; active neighborhood association and involved citizens Twila Reid Park and West Anaheim Youth Center as community focal points Strong demand for housing; low rental vacancy rate 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> Perception of lack of safety, high volume of police calls puts drain on city resources Minimal streetscape aesthetics Relatively low median household incomes and educational attainment makes attracting new retail challenging Lack of an identifiable “brand” or retail destination; little coordination
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> Large Westgate site parcel offers potential for catalytic development Successor Agency-owned site north of the West Anaheim Youth Center offers an opportunity for parcel assembly to spur potential development Beach Boulevard could capitalize on visitors from Buena Park and Knott’s Berry Farm 	<p>THREATS</p> <ul style="list-style-type: none"> Lack of Diversification: Employment dominated by Health Care industry (39.0% of total jobs). Continued retail leakage to neighboring jurisdictions Affordable housing crisis at the regional level

ECONOMIC DEVELOPMENT STRATEGY

Based on the findings contained in this Report, the following recommendations are designed to help the Beach Boulevard Corridor achieve its full economic development potential. These include the continued implementation of key economic development policies already in place, as well as refining the approach elsewhere to meet the unique needs of Beach Boulevard. They also include new strategies and initiatives specifically targeted to the Specific Plan Area, such as improving public safety and financing new infrastructure improvements to attract new development, spur new business formation, and strengthen the economic vitality of West Anaheim.

Current Economic Development Strategies and Initiatives

A number of economic development policies and strategies are already in place for West Anaheim, including the Anaheim's Workforce Development Board's Local Plan, the Economic Development Element of Anaheim's General Plan, as well as the Orange County Consolidated Economic Development Strategy. Analyzing the efficacy of these current initiatives and assessing their relevance to the unique context of West Anaheim and the Beach Boulevard Corridor will help inform a comprehensive, holistic strategy.

Beach Boulevard Initiative

The Anaheim City Council passed a resolution in September 2016 establishing the Beach Boulevard Initiative, which aims to accelerate revitalization by encouraging the attraction and retention of "preferred uses" as identified in the Beach Boulevard Specific Plan.

Council actions related to the Beach Boulevard Initiative include a range of tools that could be effective in helping West Anaheim take steps toward strengthening its local economy. On the real estate front, the Council voted to sell 25 acres of City-owned land at Beach Boulevard and Lincoln Avenue for development as a neighborhood shopping center, with new retailers, restaurants, and community amenities (Westgate Parcel). The Council also voted to acquire 3.6 acres of land along Beach Boulevard south of Lincoln Avenue for the future sale and development as new housing with ground-floor retail space.

Economic assistance for preferred projects identified by the West Anaheim community is another key aspect of the Beach Boulevard Initiative. The Economic Development Fund—a proposed fund of future land-sale proceeds and property tax increment—would provide independent city funding for Beach Boulevard improvements.

The Development Assistance program, meanwhile, would provide flexibility with respect to fees and development standards to encourage preferred development along Beach Boulevard. These incentives

include

- *Deferred developer fees that allow for payment after construction*
- *Waiver of development fees to encourage “preferred development”*
- *Flexible development standards that would allow projects to vary from setback and other rules where there is economic and community benefit.*
- *Commercial rehabilitation loans for existing, desired area businesses*

While still in the early stages, these tools could all be effective in helping West Anaheim take a step forward in strengthening the local economy. In addition, the Beach Boulevard Specific Plan has set a goal of increasing new business formation by 25 percent by 2030. The City’s Business Assistance Program and new Economic Development Manager can help new businesses along Beach Boulevard by partnering them with a Business Solutions Specialist who helps coordinate meetings with Planning, Building, Economic Development and other City departments to guide applicants through the approval process.

Workforce Development Board – Local Plan

Currently, citywide economic development and employment strategies are guided in part by the Anaheim Workforce Development Board Local Plan. Published in 2017, this Plan outlines a strategy 2020 to accomplish the vision of a workforce development system that aligns job seeker and industry needs. The Local Plan is reflective of the local and regional areas that may be impacted by changes in labor market, economic conditions, and demographics. The Anaheim Workforce Development Board, through the development of regional and local workforce and economic development networks, will address the workforce and education priorities.

A lynchpin of the Anaheim Workforce Development Board’s (WDB’s) Strategy is to identify industry sectors and occupational clusters in Orange County and Anaheim that display high growth and demand. According to the report, Anaheim’s fastest growing industry sectors by job growth between 2012 and 2014 were Arts and Entertainment (11.8 percent), Accommodation and Food Services (7.1 percent), and Real Estate (6.9 percent). By this methodology, these three sectors would be targeted and prioritized by the WDB.

America’s Job Centers of California (formerly One Stop Centers) are the primary vehicles used by the Anaheim WDB to meet its employment goals. Through its One- Stop Career Center, AnaheimJobs coordinates workforce development activities designed to train job seekers and connect them with companies. The system also provides employers free assistance in finding and hiring skilled workers, as well as compensating employers for the costs associated with skills upgrade training.

The Anaheim Local Plan will engage employers, industry sectors and educational community to develop

strategies to overcome barriers to employment and skill achievement and employment experienced by segments of our local population. It is the WDB's goal to identify skills gaps to enter high growth, demand industry employment sectors to ensure a targeted pipeline of properly trained job seekers. Through the AJCC, the AWDB will ensure collaboration with business and educational partners and promote regional and economic development networks that focus on identifying and meeting the skill needs of the priority industry sectors.

The plan not only prepares individuals for self-sufficient employment, but also ensures the growth of employment opportunities in the local region. The AWDB implements various strategies to ensure that a full range of employment and training services delivered through the AJCC are accessible to, and will meet the needs of adult, dislocated and youth workers. The priority for the Anaheim workforce community to engage with stakeholders to continue to coordinate efforts to achieve successful workforce outcomes, and, to maintain a successful and sustained service delivery model.

Economic Development Element of General Plan

Anaheim's Economic Development Element, published as part of its General Plan update in 2004, was designed to help the City expand its economy, provide jobs, support businesses, and achieve revenue growth. While meant to apply Citywide, its vision for the City contains a number of goals and policies that are particularly applicable to Beach Boulevard and the surrounding West Anaheim community.

These Beach Boulevard area-specific goals and policies include the following:

GOAL 1.3: Attract businesses through an efficient development approval process.

Policies:

- 1) Maintain a well-publicized, informative and competitive fee structure for development and construction-related permits.
- 2) Continue to enhance user-friendly permit assistance activities.
- 3) Periodically review and update Zoning Code provisions to address the latest development trends.
- 4) Continue to identify ways to streamline the zoning entitlement process.

GOAL 2.1: Continue to implement the revitalization goals of the City's redevelopment project areas and other strategic locations.

Policies:

- 1) Consolidate future retail development in premium locations.
- 2) Encourage the construction of new housing opportunities identified in redevelopment project area plans, the Housing Element, and Land Use Element.

GOAL 2.2: Enhance the quality of commercial development along major corridors.

Policies:

- 1) Redirect and consolidate underutilized/under-performing strip commercial development to high-activity locations, particularly at key corners of major street intersections.
- 2) Facilitate the transition of mid-block strip commercial to residential uses in selected areas.

3) Ensure that the development of new commercial centers provide for quality design, pedestrian amenities, convenient access, and distinctive architecture.

GOAL 3.1: Expand the scope of the City's comprehensive job-training and workforce development programs.

Policies:

- 1) Continue to support, publicize, and expand the Anaheim Workforce Development system (One- Stop), in cooperation with the Economic Development Division.
- 2) Support career education programs such as the Earn and Learn, internships, training, Career Speaker Programs, Career Day, Youth in Government Day, and other programs.
- 3) Tailor job training and placement programs to all economic segments of the City.
- 4) Continue to provide translation services and liaisons to help integrate the City's Limited-English speaking population into the workforce.

GOAL 5.1: Expand housing opportunities for all economic segments of the community.

Policies:

- 1) Expand the City's housing rehabilitation program through the Community Development Block Grant Program and other funding sources.
- 2) Evaluate and pursue incentives for providing both affordable and market rate housing of all forms.
- 3) Continue efforts to target high-quality residential opportunities along major corridors throughout East, Central and West Anaheim.
- 4) Ensure quality development through adherence to Community Design Element design policies and applicable zoning provisions.

Additional Strategies

As part of the larger Anaheim community, Beach Boulevard already falls under a number of Economic Development strategies at the City, County, and State level. In light of some unique challenges on the corridor, Beach Boulevard may require a more tailored approach than is currently offered.

Refine Approach where possible to Include West Anaheim

Currently, AnaheimJobs does not have a branch office or service center in West Anaheim, which is located seven miles east of the jobs center. AnaheimJobs plans to upgrade website and technology to access employment and training opportunities to West Anaheim residents. Existing facilities like the Anaheim Youth Center along Beach Boulevard could in theory be leveraged to make these resources more accessible to local residents.

The WDB Report also emphasizes the importance of close relationships and collaboration with local employers, as well as identifying joint ventures with private organizations. For example, regular dialogue with key employers in West Anaheim (e.g., Prime Healthcare Services, the private company that runs

West Anaheim Medical Center) should be ongoing and well-documented.

Expand Partnerships and with other Jurisdictions

West Anaheim has a unique advantage of proximity to other localities that are comparatively healthy. Employment opportunities for West Anaheim residents, therefore, need not be limited to local industries in West Anaheim. Linking residents to employment in the general area and with accessible transportation can promote a high quality of life for West Anaheim.

The city of Buena Park, for example, has seen a number of new retail developments rise along a revitalized Beach Boulevard. Its Knott's Berry Farm attraction, meanwhile, attracted some 4.0 million visitors in 2016.⁸ Beyond the gates of Knott's Berry Farm, several new attractions are scheduled to open soon: Butterfly Wonderland pavilion will occupy an 8.7-acre Beach Boulevard property once home to the Movieland Wax Museum. The pavilion is expected to draw as many as one million visitors per year, and will feature a 20,000-square foot atrium, aquarium, and meeting space. Meanwhile, The Source will be a new urban-style shopping destination with international dining options, a 2,000-seat performance venue, and a 150-room boutique hotel.

West Anaheim is uniquely positioned to build off development trends happening to the north. By working closely with neighboring jurisdictions, the City can help guide future growth and leverage tourism revenues that benefit Anaheim and surrounding regional area. A great example is the Beach Boulevard Coalition, which is a regional branding and marketing effort among cities situated along Beach Blvd.

Emphasize Clean and Safe

While the majority of West Anaheim and the surrounding area is comprised of stable residential uses, Beach Boulevard's numerous older motels suffer from high rates of criminal activity. According to the city, crime along this portion of Beach Boulevard is up to six times higher than average when compared to the city as a whole. Some lodgings averaged dozens of police calls *per room* during the period from December 2005 through January 2016.

Over time, these trends have served to thwart the community's attempts to attract high-quality, neighborhood-serving retail. A Beach Boulevard Specific Plan Community Outreach Report published in 2014 indicated that 72 percent of survey participants—comprised of West Anaheim residents, business, and property owners— do not feel “safe and comfortable” walking through their neighborhood. Perceptions of safety can dramatically impact the likelihood that new development will take place. Therefore, economic development strategies must include improvements that ensure the safety of visitors, employees, and residents.

The city has been working to address these issues on several fronts. The Orange County Human

⁸ <http://www.aecom.com/content/wp-content/uploads/2017/06/2016-ThemeMuseum-Index.pdf>

Trafficking Task Force, a collaboration between the Anaheim Police Department, CHP, FBI, and Orange County Sherriff's department, among others, is actively working to address prostitution in the area. Meanwhile, in October 2014 the Anaheim City Council adopted Ordinance No. 6306, which enables the City to better enforce substandard housing violations outlined in California state law. This ordinance will also help address the living conditions found in some motels along Beach Boulevard. In addition, a new ordinance adopted by the Council in April 2017 has added a Citywide quality motel inspection program, which allows inspections of motel rooms being used for housing purposes to ensure decent, safe, and sanitary housing conditions.

Potential Funding Mechanisms

There are a number of grant, loan, and value capture funding mechanisms that could be utilized to implement the suggested improvements contained in this Economic Development Strategy.

Local Tax Increment and Assessment Districts

Taxing Agencies Economic Development Fund

The City is currently negotiating with other relevant taxing agencies to create an economic development fund for use along Beach Boulevard. This unique value capture agreement would provide the City with the necessary funds to buy aging motels or implement a variety of other improvements.

Business Improvement District (BID)

A Business Improvement District (BID) is a common type of Special Assessment District that assesses business and/or property owners to fund maintenance, marketing, and other public services or improvements. If such a District were to be formed in West Anaheim along Beach Boulevard, funding could be used to enhance sanitation and cleaning, as well as improve the streetscape and pedestrian experience.

A similar Anaheim Tourism Improvement District (ATID) was established by the City Council in September 2010, establishing a 2% assessment on hotel room "rents" for all lodgings located within the Resort District's boundaries. By law, assessments in these districts are not taxes for the general benefit of the City, but rather an assessment for improvements, services, and programs that will directly benefit the assessed facilities within the district.

A district can be established and an advisory board appointed as long as it is not protested by a majority of property owners. Based on total Gross Room Receipts for motel properties in 2014, a Beach Boulevard Tourism Improvement District with a similar 2% assessment could raise over \$140,000 per year for extra sanitation and streetscape improvements.⁹

Landscape and Lighting District

⁹ Based on Confidential Motel Study Data, which found total annual revenue of \$7.06 million for selected Beach Boulevard properties.

A Landscape and Lighting District along Beach Boulevard could also help to improve the streetscape by funding the new street lights and traffic signals, landscaping, parkways, medians, drainage facilities, and graffiti removal. To form such a district in West Anaheim, the sponsoring agency (e.g., City of Anaheim) would conduct a study, prepare an engineer's report and propose the formation of a district and the levy of assessments. Affected property owners would then be notified of a public hearing to address concerns. For commercial properties similar to those along Beach Boulevard, funding is typically assessed by "Front Footage", or on a lot front foot basis.

Other Local Sources of Funds

Development Impact Fees

Development impact fees are another potential funding source for affordable housing, parks, and other amenities. These fees, paid by new residential and commercial development projects, must only be used to pay for improvements that can be demonstrated to serve new residents and businesses. A nexus study, which calculates the new increment of development, estimates the portion of an improvement project attributable to that increment of growth, and allocates the fee among the new development projects by land use, is required by state law for implementation.

The City of Anaheim already collects impact fees on new construction for infrastructure and other improvements, regardless of geography within the City. For Commercial Projects, these include a Sanitation District Fee (minimum \$3,710 per connection) and a Transportation Impact Fee (\$5.50/sf for Retail; \$3.67/sf for Office).¹⁰ A Park and Recreation fee is also applied to new residential construction on a per unit basis, and ranges from \$5,408.78 (apartments with 5 or more units) to \$6,998.39 (apartments with 2-4 units). Given the lack of new development along Beach Boulevard over the past several decades, however, instituting new impact fees above and beyond those existing might serve to hinder growth in the Study Area even further.

Regional and State Sources of Funds

Affordable Housing and Sustainable Communities (AHSC)

The Global Warming Solutions Acts (AB 32) established a cap and trade system in California, whose proceeds are deposited into a Greenhouse Gas Reduction Fund (GGRF). Using revenue from the GGRF, the Affordable Housing and Sustainable Communities (AHSC) program funds land-use, housing, and transportation projects that support infill and compact development to reduce greenhouse gas ("GHG") emissions.

Approximately \$320 million in AHSC funding was announced in FY 2015-16; recipients were announced in October 2016.¹¹ During subsequent funding rounds, potential projects along Beach Boulevard could include the acquisition and rehabilitation of affordable housing. Affordable housing developers, the Anaheim Housing Authority, and/or the City are all eligible applicants. The release of a 2016-2017 AHSC NOFA and application are expected to occur in the fall of 2017.¹²

¹⁰ <http://www.anaheim.net/DocumentCenter/Home/View/527>

¹¹ <http://www.sgc.ca.gov/resource%20files/10112016AHSCFY1516AppendixB.pdf>

¹² <http://www.sgc.ca.gov/Grant-Programs/AHSC-Guidelines.html>

Infrastructure State Revolving Loan Fund (ISRF)

The California Infrastructure and Economic Development Bank (I-Bank) loans money (ranging from \$50,000 to \$25 million) to public agencies and non-profits for infrastructure projects around the state.¹³ The I-Bank is the state's general purpose financing authority that finances public infrastructure and private development projects that promote economic development and revitalize communities.

Eligible project categories along Beach Boulevard could include rehabilitation of city streets and state highways, water supply and flood control, environmental mitigation measures (e.g., Westgate Parcel), new parks and recreational facilities, expanded public transit, public safety facilities, and power and communications facilities. Recent loan recipients in Southern California have included the City of San Gabriel, which borrowed \$3.8 million at 3.5 percent interest to upgrade, reconstruct, and rehabilitate its public streets.¹⁴ Applications are accepted on a continual basis.

Golden State Acquisition Fund

California's Housing and Community Development (HCD) department administers over 20 programs that provide loans and grants to acquire, construct, rehabilitate, and preserve affordable housing. The Golden State Acquisition Fund (GSAF) was seeded with \$23 million from the Department's Affordable Housing Innovation Fund. Leveraged with matching funds from originating lenders, GSAF makes up to five-year loans to developers for acquisition or preservation of affordable housing. Loans are a maximum of \$13,950,000, with fixed or variable pricing depending on market conditions.

Integrated Regional Water Management Grant (DWR)

Proposition 1, a water bond passed by California voters in 2014, will help fund over \$510 million in Integrated Regional Water Management (IRWM)-related planning and implementation projects throughout the State, with \$63 million dedicated to the Santa Ana planning region (encompassing Anaheim).¹⁵ Implementation Grants will be solicited at a future date; eligible projects for Beach Boulevard could include stormwater capture, water reuse, providing new open space, and other green streets measures.

CalTrans Active Transportation Program (ATP)

Caltrans' Active Transportation Program (ATP) consolidates various transportation programs at both the state and federal level, including the federal Transportation Alternatives Program (TAP), Bicycle Transportation Account (BTA), and State Safe Routes to School. Approximately \$240 million will be awarded through the 2020-2021 state funding years and distributed into three categories: Statewide competition (50 percent), Metropolitan Planning Organization (e.g., SCAG) projects for regions with 200,000 or more residents (40 percent), and small urban and rural regions with populations of less than 200,000 (10 percent).

The goal of ATP is to encourage increased use of active modes of transportation, including walking and biking, as well as the safety and mobility of non-motorized users. Eligible projects along Beach

¹³ <http://ec2-52-39-222-77.us-west-2.compute.amazonaws.com/ibank/programs/isrf>

¹⁴ <http://www.ibank.ca.gov/Portals/1/Board%20Meetings/2015/San%20Gabriel%20Staff%20Report.pdf>

¹⁵ <http://www.water.ca.gov/irwm/grants/prop1index.cfm>

Boulevard could include developing new bike and walkways, as well as adding new landscaping, traffic control devices, and enhanced street lighting.

Southern California Association of Governments (SCAG) administers the regional portion of the ATP and relies on the California Transportation Commission (CTC) Call for Proposals process to select the capital projects to be funded through the regional program. Cities like Anaheim can also apply directly for the statewide portion; during the most recent funding cycle (ATP Cycle 3), 40 projects were recommended to receive funding of nearly \$132 million.¹⁶

Federal Sources

CDBG Infrastructure Financing

For cities like Anaheim that participate in the CDBG entitlement program, the Department of Housing and Urban Development (HUD) offers grants that can support a wide array of infrastructure improvements. A significant portion of the Beach Boulevard Study Area lies within a “CDBG Eligible Area”, and therefore qualifies for these programs.⁵ The City of Anaheim forecasts a total CDBG grant amount of \$4.13 million dollars for the Fiscal Year 2016-2017.¹⁷ Programs of particular benefit to Beach Boulevard could include code enforcement, Residential Rehabilitation, and Neighborhood & Capital Improvements.

On top of the Block Grant funds, Anaheim also receives annual Home Investment Partnerships (HOME) funds to increase the supply of affordable housing (\$1.016 million in FY 2016-17); as well as Emergency Solutions Grant (ESG) funds to provide shelter for the homeless (\$380,000 in FY 2016-17). ESG funds are allocated to especially disenfranchised populations like homeless women and children, as well as domestic abuse victims.

Federal Transportation Sources

The Fixing America’s Surface Transportation (FAST) Act was signed into law in December 2015, and authorizes federal funding for a wide array of transit improvements through fiscal year 2020. It includes a number of potential funding sources that could benefit the West Anaheim Specific Plan Area, including Capital Investment Grants, Urbanized Area Formula Grants, and Surface Transportation Block Grant Programs.

The FAST Act also established a new National Surface Transportation and Innovative Finance Bureau within the Department to serve as a consolidated resource for providing local government agencies with federal funding, financing, and technical assistance.

Grants: Surface Transportation Block Grant Program (STBG)

The Surface Transportation Block Grant Program is one of the primary flexible funding sources available for transit at the local level. These funds may be used for a wide array of transit corridor capital improvements, including public transportation capital improvements, fringe and corridor parking

¹⁶ http://www.catc.ca.gov/programs/ATP/2017/ATP_102816/2017_ATP_Statewide_Small_Urban_Rural_Combined.pdf

¹⁷ <http://www.anaheim.net/DocumentCenter/View/11139>

facilities, bicycle and pedestrian facilities, and intercity or intracity bus terminals and bus facilities. TBG funding is apportioned directly to SCAG by the Federal Highway Administration. The funding is allocated by the State of California, with a non-federal funding match requirement of 11.47 percent.

With respect to planning, Surface Transportation Plan (STP) funds can be used for surface transportation planning activities, wetland mitigation, transit research and development, and environmental analysis. Other eligible projects under STP include transit safety improvements and most transportation control measures. STP funds are distributed within a State based on population and other programmatic categories.

Transportation Alternatives (TA-Set Aside)

Within the STBG funding above is a set amount called the Transportation Alternatives “Set -Aside” (formerly Transportation Alternatives Program, or TAP). The TA Set Aside finances projects defined as “transportation alternatives”, including on- and off-road pedestrian and bicycle facilities, recreational programs, infrastructure projects for improving “non-driver” access to public transportation; enhanced mobility, community improvement activities, and environmental mitigation.

The TA Set-Aside also funds activities related to the former Safe Routes to School (SRTS) program, which helped fund the construction of infrastructure-related projects on public roads and bicycle pedestrian pathways near schools. While apportioned funding for this program has been eliminated, the TAP program makes these activities eligible as long as they conform to TAP requirements.



City of Anaheim
PLANNING AND BUILDING DEPARTMENT

September 26, 2016

Subject: Beach Boulevard Specific Plan – Motel Demand Study

The Planning and Building Department is pleased to present the results of this motel demand study related to the Beach Boulevard Specific Plan (BBSP) project. To gain a better understanding of existing and future lodging demand along the Beach Boulevard corridor and inform the City's land use recommendations, the City commissioned BAE Urban Economics, Inc. to study the demand for existing and future motel rooms within the BBSP project area. The analysis found that, of the 18 motels within the study area, five are fully operating as traditional short-term lodging establishments while the remaining motels are also serving as permanent form of long-term housing (either partially or wholly). The study concludes that there is a current short-term lodging demand for approximately 50 percent of the existing 879 rooms in the study area and that there is no significant projected residual demand for additional rooms that the existing motels could capture. Therefore, there appears to be little, if any, market support for additional lodging establishments based on existing and foreseeable conditions.

If you have questions or need additional information, please contact Gustavo Gonzalez at ggonzalez@anaheim.net or (714) 765-4671.

Sincerely,

Jonathan E. Borrego, AICP
Planning Services Manager

MEMORANDUM

To: Gustavo Gonzalez, Senior Planner
From: Sherry Okun-Rudnak, Principal
Re: Beach Boulevard Specific Plan - Motel Demand Study
Date: September 26, 2016

FINDINGS

The Beach Boulevard Specific Plan study area currently has 879 rooms in 18 motels. Allowing for a reasonable margin of error, this analysis finds that there is currently demand for up to 438 rooms within the Specific Plan study area, representing approximately 50 percent of existing study area rooms. By 2018, Buena Park will have 1,451 rooms to serve demand for 964 rooms. This indicates that there is currently no projected residual demand for rooms that Beach Boulevard motels could capture. However, if the average daily room rates increase significantly from the new hotels in the area, upgraded Beach Boulevard motels could be positioned to capture demand from budget travelers. With improved physical connections to Buena Park and its tourist attractions, there could be demand for an additional 20 rooms in the study area, after accounting for new hotel developments in Buena Park. Those rooms would likely need to be upgraded from the existing motel stock and positioned as value options for budget-conscious travelers. In total, traditional lodgers could support up to 458 rooms within the Specific Plan study area, which represents approximately 52 percent of the existing room stock.

INTRODUCTION

As part of the Beach Boulevard Specific Plan project, the City requested that BAE Urban Economics, Inc. (BAE) evaluate the demand for existing and future motel rooms within the study area. The study area includes an approximately 1.5-mile stretch of Beach Boulevard within Anaheim that is bordered by the City of Buena Park to the north and the City of Stanton to the south. Currently, there are 18 motels located within the Specific Plan study area. While some of these motels provide affordable transient lodging to legitimate travelers, others do not cater to the typical traveler and, in fact, tacitly allow onsite criminal activity. In addition, some of the motels provide a source of long-term, de facto housing to families that do not have sufficient credit or the initial funds needed to rent an apartment (i.e., security deposit). The purpose of this analysis is to determine how many of the existing motel rooms in Anaheim

meet legitimate lodging needs now and how many more could be demanded in the future as market conditions change in adjacent communities, including Buena Park.

The remainder of this memo is broken out into the following sections:

- Methodology
 - Existing Demand
 - Future Demand
- Existing Demand
 - Existing Motels
 - Metrics
 - Rankings and Demand
- Future Demand
 - PKF Report
 - Demand Projections
 - Supply Projections
 - Residual Demand
- Findings

METHODOLOGY

In order to determine the number of motel rooms demanded, BAE evaluated existing conditions to estimate current demand, and evaluated future demand from expanded visitation at local destination resorts.

Existing Demand

BAE used five criteria to rank motels along the Beach Boulevard Corridor. Rankings were used to show the relative strength of each motel, without breaching confidentiality requirements for reporting sensitive operational data. For each criterion, the motels were ranked in the following categories: presence on motel reservation sites, police calls by address in 2015, tax exempt room nights, transit occupancy tax paid, and gross receipts generated. BAE combined individual rankings by category to create an overall ranking. In the following sections, each ranking is described. Note that for each metric, “1” is the highest rank and corresponds to the strongest motel.

Future Demand

To estimate future demand, BAE primarily relied on a PKF Consulting report prepared in 2014 for the City of Buena Park. The report projects visitation by tourism segment for Knott’s Berry Farm, as well as other destinations proximate to Anaheim’s portion of Beach Boulevard. The analysis then evaluates the planned and proposed hotel supply scheduled to be built in Buena

Park to calculate the residual hotel demand that existing Beach Boulevard motels in the Specific Plan study area could capture.

EXISTING DEMAND

Existing Motels

There are 18 motel properties comprised of 879 rooms, located within the Beach Boulevard Specific Plan study area. Five of the properties are chain-affiliated, with the remaining 13 being independently owned and operated, and unaffiliated with national hotel chains. As Figure 1 on the next page shows, many of the motels are clustered between Ball Road and Orange Avenue, with a few more located between Orange Avenue and Lincoln Avenue.

Metrics

The analysis evaluates five metrics to determine which motels operate as traditional guest lodging, and the number of total units along the corridor being used for lodging. The metrics chosen evaluate marketing activities, police calls per room, metrics related to transient occupancy taxes (TOT), and gross receipts per room. These show whether the motels are catering to tourists and/or have disproportionately high rates of police activity. The motels that have high rates of TOT exemptions are being used more as long-term housing than as traditional lodging, while those that market on internet sites are more likely trying to attract tourists. A more detailed explanation of each metric follows.

Third-Party Motel Reservation Sites

Presence on multiple websites allows motels to reach a wider audience, especially tourists looking for lodging. For this criterion, BAE looked at nine third-party reservation sites to determine the level of outreach for each motel. Additionally, BAE tracked three popular sites Hotels.com, TripAdvisor, and Booking.com, and included additional stars, ratings, and volume of guest reviews for each. Those motels with the highest number of sites and customer reviews received the highest ranking.

Presently, 10 properties are linked to online booking services, with four motels having two to three links, and seven properties having five or more links. Baymont Inn & Suites had the largest internet presence, while seven motels did not have the capability of online reservations. Table 1 on the next page outlines these rankings.

Figure 1: Beach Boulevard Motels

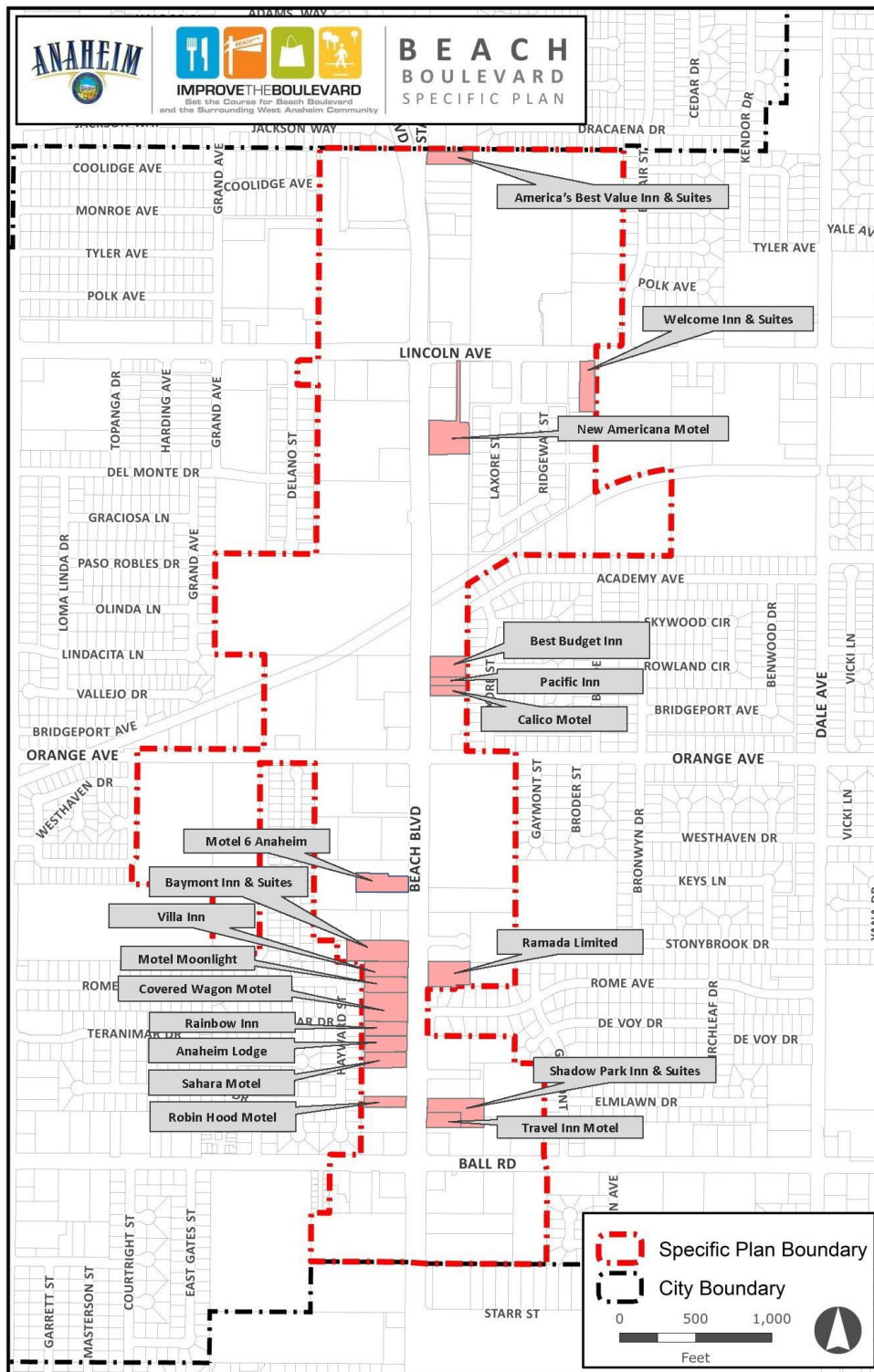


Table 1: Third-Party Motel Reservation Sites Ranking

Rank	Address	Hotel	Rooms	Number of Sites (a)	Hotels.com			TripAdvisor				Booking			
					On Site	Stars	Guest Reviews	On Site	Stars	Rating	Reviews	On Site	Stars	Rating	Reviews
1	727 S Beach	Baymont Inn & Suites	94	13	Y	4	690	Y	2	4	374	Y	3	8	N/A
2	800 S Beach	Ramada Limited	74	9	Y	3	117	Y	2	3	134	Y	2	7	653
3	831 S Beach	Rainbow Inn	42	9	Y	3	327	Y	-	3	27	Y	2	7	244
4	735 S Beach	Motel Moonlight	42	7	Y	3	50	Y	2	3	11	Y	2	7	272
5	837 S Beach	Anaheim Lodge	45	6	Y	4	147	Y	2	3	10	Y	2	7	89
6	705 S Beach	Motel 6 of Anaheim CA #8610	71	5	Y	3	454	Y	2	3	196	Y	2	7	24
7	328 N Stanton	America's Best Value Inn and Suites	60	6	Y	2	144	Y	2	3	23	Y	2	6	95
8	420 S Beach	Best Budget Inn	41	2	Y	-	-	Y	N/A	N/A	N/A	Y	2	7	197
8	426 S Beach	Pacific Inn	23	2	Y	-	-	Y	N/A	4	31	Y	2	8	204
8	845 S Beach	Sahara Motel	39	2	N	-	-	Y	N/A	3	9	Y	2	6	223
8	2912 W Lincoln	Welcome Inn and Suites	45	-	N	-	-	Y	N/A	2.5	5	Y	2	6	173
13	130 S Beach	New Americana Motel	44	-	N	-	-	Y	N/A	3	3	N	-	-	-
13	500 S Beach	Calico Motel	18	-	N	-	-	Y	N/A	N/A	N/A	N	-	-	-
13	733 S Beach	Villa Inn	29	-	N	-	-	Y	N/A	N/A	1	N	-	-	-
13	823 S Beach	Covered Wagon Motel	70	-	N	-	-	-	-	-	-	N	-	-	-
13	913 S Beach	Robinhood Motel	29	-	N	-	-	-	-	-	-	N	-	-	-
13	916 S Beach	Shadow Park Inn & Suites	81	-	N	-	-	-	-	-	-	N	-	-	-
13	920 S Beach	Travel Inn Motel	32	-	N	-	-	-	-	-	-	N	-	-	-

Note:

"N/A" reflects that the hotel name was found on the website, but the specific information was not available. "-" reflects a hotel that was not present on a site.

(a) In addition to TripAdvisor includes AMOMA, Hotwire.com, Orbitz.com, Hotels.com, Travelocity, eDreams, Hotelling.com, Otel.com, Bookit.com, and other individual hotel and chain websites.

Police Responses per Room

The Anaheim Police Department provided a cumulative number of calls for 2015 by address, shown in Table 2. BAE ranked motels using these numbers on a per room basis with those motels receiving the least number of calls receiving the highest ranking. In stabilized markets, there is a correlation that suggests that motels operating as traditional lodging generally experience far fewer calls for service per room than those that operate non-traditionally.

However, it should be noted that the data may not accurately reflect changing conditions that may have occurred during the review period. For example, high calls for service could reflect management’s desire to “clean up” the motel by calling the police more frequently as a signal that undesirable activity would not be tolerated. In addition, motels that primarily operate as de facto long-term housing may also experience fewer calls per room. As such, interpretation of this metric should be done cautiously.

According to the data, the top three properties averaged 0.15 calls per room over the one-year period, while the bottom three properties averaged 3.27 calls per room. Motel Moonlight had the lowest police responses per room, while the Travel Inn Motel had the greatest number on a per room basis.

Table 2: Police Responses per Room, 2015

Rank	Hotel	Address	Rooms	Police Responses per Room (a)
1	Motel Moonlight	735 S. Beach Blvd	42	0.12
2	Villa Inn	733 S. Beach Blvd	29	0.14
3	Welcome Inn & Suites	2912 W. Lincoln	45	0.20
4	America's Best Value Inn & Suites	328 N. Stanton	60	0.23
5	Baymont Inn & Suites	727 S. Beach Blvd	94	0.50
6	Pacific Inn	426 S. Beach Blvd	23	0.57
7	Ramada Limited	800 S. Beach Blvd	74	0.64
8	Best Budget Inn	420 S. Beach Blvd	41	0.66
9	Sahara Motel	845 S. Beach Blvd	39	0.82
10	Covered Wagon Motel	823 S. Beach Blvd	70	0.94
11	Motel 6 of Anaheim CA #8610	705 S. Beach Blvd	71	0.99
12	Rainbow Inn	831 S. Beach Blvd	42	1.00
13	New Americana Motel	130 S. Beach Blvd	44	1.07
14	Robinhood Motel	913 S. Beach Blvd	29	1.17
15	Anaheim Lodge	837 S. Beach Blvd	45	1.47
16	Calico Motel	500 S. Beach Blvd	18	2.33
17	Shadow Park Inn & Suites	916 S. Beach Blvd	81	3.00
18	Travel Inn Motel	920 S. Beach Blvd	32	4.47

Avg. Response per Room, 2015	1.13
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Top 3 Avg. Response per Room, 2015	0.15
Bottom 3 Avg. Response per Room, 2015	3.27

Note:

(a) All responses by Anaheim Police Department during 2015.

Source: City of Anaheim, 2015; BAE, 2016

Per Room Receipts, 2014

Table 3 below outlines the ranking BAE assigned each motel by the gross receipts per room it generated during the calendar year 2014. A high room revenue score relative to other properties in the study area is one indication of a property's desirability and competitiveness as a motel. The highest grossing motel on a per room basis received the highest ranking.

According to the data, Motel 6 was the highest grossing motel in 2014 on a per room basis, while the Anaheim Lodge generated the least receipts per room. The median receipts in 2014 for all motels was \$277,000 per year. On a per room basis, motels grossed \$8,480 per year in 2014 for a total of \$7,454,000 in gross receipts. According to the PKF Study, in 2013, hotel rooms within the greater trade area¹ averaged \$24,300 in gross annual receipts. Thus, motels in the study area underperform relative to other lodging in Anaheim and Buena Park.

However, it should be noted that Anaheim Lodge has recently upgraded its rooms. If the upgrades began taking place during 2014, total revenues could be artificially low. When rooms are unavailable to rent at any given day during 2014 due to construction, the average receipts per total room, which is based on total rooms, would not represent actual conditions. This is true for motels that may have been undergoing significant room upgrades in 2014.

Table 3: Gross Receipts per room, 2014

Rank	Address	Hotel	Rooms	Receipts	Per Room
1	705 S Beach	Motel 6 of Anaheim CA #8610	71	\$1,107,621	\$15,600
2	727 S Beach	Baymont Inn & Suites	94	\$1,215,611	\$12,932
3	831 S Beach	Rainbow Inn	42	\$527,393	\$12,557
4	800 S Beach	Ramada Limited	74	\$700,806	\$9,470
5	426 S Beach	Pacific Inn	23	\$209,509	\$9,109
6	913 S Beach	Robinhood Motel	29	\$241,322	\$8,321
7	328 N Stanton	America's Best Value Inn & Suites	60	\$476,019	\$7,934
8	420 S Beach	Best Budget Inn	41	\$319,025	\$7,781
9	916 S Beach	Shadow Park Inn & Suites	81	\$577,143	\$7,125
10	845 S Beach	Sahara Motel	39	\$275,598	\$7,067
11	823 S Beach	Covered Wagon Motel	70	\$474,863	\$6,784
12	920 S Beach	Travel Inn Motel	32	\$213,454	\$6,670
13	130 S Beach	New Americana Motel	44	\$278,820	\$6,337
14	500 S Beach	Calico Motel	18	\$111,567	\$6,198
15	733 S Beach	Villa Inn	29	\$172,858	\$5,961
16	735 S Beach	Motel Moonlight	42	\$246,274	\$5,864
17	2912 W Lincoln	Welcome Inn and Suites	45	\$164,983	\$3,666
18	837 S Beach	Anaheim Lodge	45	\$141,181	\$3,137

Gross Receipts	\$7,454,045
Gross Receipts per Room	\$8,480
Avg. Gross Receipts per room	\$7,917
Top 3 Avg. Gross Receipts	\$13,696
Bottom 3 Avg. Gross Receipts per room	\$4,222

Source: City of Anaheim, 2004-2015; BAE, 2016

¹ Defined as the Greater Anaheim submarket

Percent of Tax Exempt Room Nights, 2004-2015

A high percentage of revenue exempt from TOT indicates the property is being used for residential occupancies, which is defined by stays over 30 days. BAE used tax exempt room nights to calculate the long term residential use of motel rooms along the corridor, shown below in Table 4. Using data provided by the City, BAE ranked each motel from 2004 through 2015 based on the percent of room receipts each motel claimed as tax exempt. For each year, the lowest percent of tax exempt room receipts were given the highest ranking. The scores were then summed together to generate a total figure representing the 10-year period. BAE used this final score to determine the overall ranking in this category.

Among the top 3 properties, almost none of the gross revenue was TOT exempt, while the bottom 3 properties averaged 64.6% exempt. In this metric, the Best Budget Inn had the lowest tax exemptions on a per room basis, while Motel Moonlight had the highest rate of tax exempt room receipts.

Table 4: Percent of Tax Exempt Room Night Rankings, 2004-2015, Ranking 1-17 (1 is the highest)

Rank	Address	Hotel	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
1	420 S Beach	Best Budget Inn	1	1	1	1	1	1	1	1	1	1	1	1	12
1	328 N Stanton	America's Best Value Inn & Suites	1	1	1	1	1	1	1	1	1	1	1	1	12
3	800 S Beach	Ramada Limited	6	1	1	1	1	1	1	1	1	1	1	1	17
4	837 S Beach	Anaheim Lodge	1	1	1	1	1	1	1	1	1	1	11	14	35
5	913 S Beach	Robinhood Motel	1	1	1	1	7	1	1	1	1	1	15	16	47
6	727 S Beach	Baymont Inn & Suites	10	1	10	1	1	1	1	8	8	9	7	1	58
7	845 S Beach	Sahara Motel	7	8	7	7	7	7	8	7	7	7	5	6	83
8	2912 W Lincoln	Welcome Inn and Suites	12	10	11	12	12	9	9	9	9	8	6	7	114
9	705 S Beach	Motel 6 of Anaheim CA #8610	8	12	9	11	11	10	10	12	11	11	10	10	125
10	916 S Beach	Shadow Park Inn & Suites	13	16	13	15	1	13	12	10	10	10	9	8	130
11	920 S Beach	Travel Inn Motel	11	11	12	10	10	11	11	11	12	14	12	11	136
12	831 S Beach	Rainbow Inn	1	1	1	9	19	19	19	19	19	15	8	9	139
13	130 S Beach	New Americana Motel	15	15	16	14	13	12	13	14	14	13	13	12	164
14	823 S Beach	Covered Wagon Motel	14	13	14	13	14	14	14	16	16	18	18	18	182
15	500 S Beach	Calico Motel	16	17	17	17	15	15	15	15	15	16	16	15	189
16	426 S Beach	Pacific Inn	19	19	19	19	17	17	16	13	13	12	14	13	191
17	733 S Beach	Villa Inn	17	14	15	16	16	16	17	18	18	19	19	19	204
18	735 S Beach	Motel Moonlight	18	18	18	18	18	18	18	17	17	17	17	17	211

Avg. Percent Exempt, 2004-2015 23.9%

Top 3 Avg. Percent Exempt, 2004-2015 0.0%

Bottom 3 Avg. Percent Exempt, 2004-2015 64.6%

Source: City of Anaheim; BAE, 2016

Transient Occupancy Tax, 2004-2015

Table 5 on the next page outlines the rankings based on the transient occupancy tax (TOT) and determined the highest tax payers along the corridor. TOT rates from 2004 through 2015 were ordered and each motel received an annual ranking. The cumulative sum of these determined the final ranking for each motel. The highest tax payers received the highest ranking. A high room TOT revenue score relative to other properties in the corridor is one indication of a property's desirability and competitiveness.

During 2014, the average TOT per room was \$893. The top three motels averaged \$1,759 per room, while the bottom three motels averaged \$270 per room. Overall, the Motel 6 of Anaheim was the corridor's highest tax generator on a per room basis while the Motel Moonlight was the lowest.

Table 5: Transient Occupancy Tax per Room, 2004-2015, Ranking 1-17 (1 is the highest)

Hotel Rank	Hotel	Address	Rooms	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
1	Motel 6 of Anaheim CA #8610	705 S Beach	39	2	2	1	3	5	3	3	3	1	1	2	2	28
2	America's Best Value Inn & Suites	328 N Stanton	60	1	1	2	1	3	2	2	2	3	5	6	7	35
3	Ramada Limited	800 S Beach	32	4	4	3	2	4	5	4	1	2	2	4	3	38
4	Baymont Inn & Suites	727 S Beach	41	5	3	13	7	1	1	1	11	5	3	1	1	52
5	Sahara Motel	845 S Beach	45	3	5	4	4	7	7	6	5	9	8	8	8	74
6	Best Budget Inn	420 S Beach	74	8	6	6	5	6	8	8	7	8	6	7	9	84
7	Robinhood Motel	913 S Beach	70	7	7	7	8	2	6	7	6	6	7	11	13	87
8	Shadow Park Inn & Suites	916 S Beach	18	6	12	12	13	15	10	10	8	12	13	9	6	126
9	Travel Inn Motel	920 S Beach	29	9	8	10	10	10	15	15	14	11	12	12	11	137
10	New Americana Motel	130 S Beach	71	14	15	17	12	9	9	9	10	10	10	13	12	140
11	Rainbow Inn	831 S Beach	42	12	11	8	9	17	19	19	19	19	11	3	4	151
12	Pacific Inn	426 S Beach	94	19	19	21	18	14	11	11	9	7	9	10	10	158
13	Anaheim Lodge	837 S Beach	23	10	13	15	11	12	13	12	12	13	15	16	17	159
14	Covered Wagon Motel	823 S Beach	44	13	10	14	14	11	14	14	15	17	18	18	16	174
15	Calico Motel	500 S Beach	28	16	17	20	16	13	12	13	13	14	16	15	15	180
16	Welcome Inn and Suites	2912 W Lincoln	45	15	14	18	17	18	17	16	16	15	14	14	14	188
17	Villa Inn	733 S Beach	29	17	16	16	15	16	16	17	17	18	19	19	19	205
18	Motel Moonlight	735 S Beach	81	18	18	22	19	19	18	18	18	16	17	17	18	218

Avg. TOT per Room, 2014	\$893
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Top 3 Avg. TOT per Room, 2014	\$1,759
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Bottom 3 Avg. TOT per Room, 2014	\$270
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Top 3 Avg. TOT per Room, 2004-2015	\$1,014
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Bottom 3 Avg. TOT per Room, 2004-2015	\$273
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Source: City of Anaheim; BAE, 2016

Overall Rankings and Demand

Since no single metric singularly measures the performance of a motel adequately, the analysis combined scores and rankings to generate an overall picture of which motels in the study area operate most like traditional lodging facilities. All 18 properties received a composite score based upon their rankings on the five previously-described variables. The maximum score is 73. Those with the highest rankings (i.e., 1-5) operate most like traditional lodging, while those with the lowest rankings (i.e., 10-18) operate least like traditional lodging. Table 6 shows the overall rankings of each motel.

As Table 6 shows, five motel properties with 340 rooms clearly are in operation as traditional, overnight guest tourist lodging. These five motels are ranked 1 through 5 in the Table. Their average score was 25. Nine motels (406 rooms) with an average composite score of 64 (out of 73) are clearly operated as transient or long-term residential properties. These nine motels are ranked 10 through 18 in the Table. The remaining four properties with 133 rooms and an average composite score of 43 operate somewhat as traditional motel properties, while offering residential options as well. These four motels are ranked 6 through 9 in the Table. On average, about 74 percent of rooms (98 rooms) in the middle group of motels operate as traditional motel properties.

Table 6: Final Rankings

Rank	Hotel	Address	Rooms	Internet Sites	Police Calls per Room	Percent Exempt	TOT Per Room	Gross Receipts per Room	Total
Most Lodging Oriented									
1	Baymont Inn & Suites	727 S Beach	94	1	5	6	4	2	18
2	Ramada Limited	800 S Beach	74	2	7	3	3	4	19
3	America's Best Value Inn & Suites	328 N Stanton	60	7	4	1	2	7	21
4	Motel 6 of Anaheim CA #8610	705 S Beach	71	6	11	9	1	1	28
5	Best Budget Inn	420 S Beach	41	8	8	1	6	8	31
Somewhat Lodging Oriented									
6	Sahara Motel	845 S Beach	39	8	9	7	5	10	39
7	Rainbow Inn	831 S Beach	42	3	12	12	11	3	41
8	Robinhood Motel	913 S Beach	29	13	14	5	7	6	45
9	Pacific Inn	426 S Beach	23	8	6	16	12	5	47
Least Lodging Oriented									
10	Welcome Inn and Suites	2912 W Lincoln	45	8	3	8	16	17	52
11	Anaheim Lodge	837 S Beach	45	5	15	4	13	18	55
12	Shadow Park Inn & Suites	916 S Beach	81	13	17	10	8	9	57
12	Motel Moonlight	735 S Beach	42	4	1	18	18	16	57
14	Covered Wagon Motel	823 S Beach	70	13	10	14	14	11	62
14	New Americana Motel	130 S Beach	44	13	13	13	10	13	62
16	Travel Inn Motel	920 S Beach	32	13	18	11	9	12	63
17	Villa Inn	733 S Beach	29	13	2	17	17	15	64
18	Calico Motel	500 S Beach	18	13	16	15	15	14	73

Source: City of Anaheim; BAE, 2016

Current Demand

In order to determine existing demand for motel rooms, the analysis sums the total rooms from the five motels operating as traditional motel properties, along with the portion of rooms

acting as traditional lodging from the four middle-category motels.² Table 7 shows the demand for rooms from the middle-category motels.

Table 7: Demand for Motel Rooms from Five Middle Motels

Hotels	2015 Room	Average	Demand
Pacific Inn	23	0.43	10
Rainbow Inn	42	0.57	24
Sahara Motel	39	0.96	37
Robinhood Motel	29	0.92	27
Average	133	0.74	98
Ramada Limited	74		74
Baymont Inn & Suites	94		94
Motel 6 of Anaheim CA #8610	71		71
Best Budget Inn	41		41
America's Best Value Inn & Suite	60		<u>60</u>
Total Rooms Demanded			438

Source: City of Anaheim; BAE, 2016

As Table 7 shows, total existing demand for motel rooms from the middle-category motels is 98 rooms. Adding these to the number of rooms from the five motels operating as traditional lodging properties (340 rooms) calculates a total approximate lodging demand of 438 rooms along within the study area, which represent approximately 50 percent of the current supply.

The analysis next determines the future demand for Beach Boulevard motel rooms based on visitation to nearby tourist attractions, assuming that the motels undertake upgrades to improve their desirability to tourists, and that the Specific Plan recommendations for improved physical connectivity to Buena Park are implemented.

Currently, the character of Beach Boulevard changes significantly between the Buena Park and Anaheim sections. In order to realize increased demand for lodging from tourism uses in Buena Park, the City will need to improve connections between the two cities. This could include improving pedestrian connections to make tourism uses in Buena Park feel like a short walk and/or bringing tourism and community serving restaurants to Anaheim's portion of the boulevard, thereby extending the tourism uses into the Specific Plan study area, among other things.

² Based on number of rooms per motel multiplied by the average percent of revenues not exempt from TOT over 10-year period for each motel in the middle category.

FUTURE DEMAND

West Anaheim's Beach Boulevard corridor benefits from close proximity to a number of high-profile tourist draws. The neighboring community of Buena Park is home to Knott's Berry Farm, one of the top entertainment attractions in Southern California and a significant demand generator for hotel rooms in the area. As such, demand projections for the Beach Boulevard trade area will be significantly informed by Knott's Berry Farm visitor trends (and, to a lesser extent Disneyland), as well as new motels that are planned, proposed, or under construction in Buena Park.

PKF Report

In 2013, the City of Buena Park commissioned a report to analyze the market demand for future hotel development surrounding Knott's Berry Farm and the City's "Entertainment Zone". The PKF report divides the Orange County hotel market into 7 geographic submarkets. Buena Park and Knott's Berry Farm fall in the "North Orange County" submarket, which also includes the cities of Yorba Linda, Brea, and Cypress. The Greater Anaheim submarket, meanwhile, represents the County's largest supply, with some 8.675 million annual rooms (Table 8).

Trade Area

While West Anaheim's Beach Boulevard motel corridor technically lies within the Greater Anaheim submarket, its performance more closely tracks the North Orange County submarket. This can be attributed to several factors, including geography: The center of gravity for North Orange County's submarket lies in Buena Park outside Knott's Berry Farm, far closer to West Anaheim's Beach Boulevard than Anaheim's Resort District.

Beach Boulevard and West Anaheim are also part of the larger Orange County tourism market, which has enjoyed a steady increase in the number of visitors as the economy improves. According to the 2016 Southern California Lodging Forecast published by PKF Consulting, Orange County is expected to post a 3.7 percent increase in occupied rooms, a 5.1 percent increase in Average Daily Rate (ADR), and a 4.4 percent increase in RevPAR in 2016. Market occupancy is expected to reach 77.2 percent in 2016, which is just below its year-end estimate of 77.8 percent for 2015 (Table 8).

Table 8: Historical Market Performance

Market Occupancy (%)

<u>Year (a)</u>	<u>North Orange County (b)</u>	<u>Greater Anaheim</u>	<u>Orange County</u>
2010	65.1	69.8	69.0
2011	69.8	71.3	71.4
2012	72.3	73.5	73.4
2013	73.9	75.1	75.0
2014	75.9	76.4	76.7
2015	77.0	77.9	77.8

Average Daily Rate (ADR)

<u>Year (a)</u>	<u>North Orange County (b)</u>	<u>Greater Anaheim</u>	<u>Orange County</u>
2010	\$92.91	\$101.96	\$116.66
2011	\$91.06	\$111.08	\$124.45
2012	\$93.58	\$117.81	\$130.99
2013	\$96.92	\$125.78	\$138.86
2014	\$102.44	\$134.20	\$147.73
2015	<u>\$108.03</u>	<u>\$143.59</u>	<u>\$156.74</u>
Growth	16.3%	40.8%	34.4%

Annual Supply

<u>Year (a)</u>	<u>North Orange County (b)</u>	<u>Greater Anaheim</u>	<u>Orange County</u>
2010	1,431,165	8,517,640	17,192,230
2011	1,431,165	8,517,640	18,214,595
2012	1,431,165	8,517,640	18,976,715
2013	1,431,165	8,517,640	19,040,809
2014	1,431,165	8,597,088	19,312,922
2015	1,431,165	8,675,320	19,480,136

Notes:

(a) Figures for 2015 are estimated

(b) Includes City of Buena Park and Knott's Berry Farm

Sources: PKF Consulting, 2014; BAE, 2016.

West Anaheim's Beach Boulevard corridor also tracks North Orange County with respect to performance. Market occupancy and Average Daily Rates are lower than in Greater Anaheim; with no new supply added in five years.³

³ As noted below, new hotels are now being constructed and planned for the trade area.

Demand Generators

The PKF report found that leisure travelers drive the majority of hotel demand in Buena Park, visiting attractions such as Knott's Berry Farm, Disneyland, and nearby beaches. In 2012, 53 percent of all room nights were estimated to be booked by this Leisure Segment (i.e., tourists and personal travel), followed by the Commercial Segment (i.e., business travelers) at 26 percent, and the Group Segment (i.e., convention and conference travelers) at 21 percent.

Visitation trends at nearby tourist destinations, therefore, should be a leading indicator of the health of motel demand in the Buena Park and West Anaheim corridor.

Visitor data for Knott's Berry Farm has ticked slightly upward since 2010, but is comparatively flat overall (Table 9). Disneyland and California Adventure, however, are seeing faster gains, which could spell increased demand for lodging in adjacent submarkets. The data also highlight another trend: Increased attendance at Disneyland and California Adventure is *not* translating into similar spikes at Knott's Berry Farm, indicating that there may not be as much crossover between these two audiences as in years past.

Table 9: Visitation Data, 2010-2014

Year	Knott's Berry Farm	Disneyland + CA Adventure
2010	3,600,000	22,267,000
2011	3,654,000	22,481,000
2012	3,508,000	23,735,000
2013	3,683,000	24,714,000
2014	3,683,001	25,539,000
Total Growth	2.3%	14.7%

Sources: TEA/AECOM, PKF, 2014; BAE, 2016.

Beyond the gates of Knott's Berry Farm, several new attractions are scheduled to open on a revitalized stretch of Beach Boulevard that could also induce new demand. Butterfly Wonderland pavilion will occupy an 8.7-acre Beach Boulevard property once home to the Movieland Wax Museum. The pavilion is expected to draw as many as 1 million visitors per year, and will feature a 20,000 square foot atrium, aquarium, and meeting space. Meanwhile, The Source will be a new urban-style shopping destination with international dining options, a 2,000-seat performance venue, and a 150-room boutique hotel. Coupled with Disneyland's strong numbers, these new attractions could help temper the effects of Knott's Berry Farm's relatively flat performance.

In addition to leisure travelers, the PKF report found that commercial travelers accounted for 26 percent of room demand, while group travelers⁴ accounted for 21 percent of total room demand.

Demand Projections

According to the PKF report, demand from leisure and commercial travelers is expected to increase by 21, 500 room nights between 2015 and 2018. This represents an increase of approximately nine percent. As Table 10 shows, demand from leisure travelers increased by four percent annually through 2015, and was expected to level off at three percent going forward. Demand from commercial travelers increased three percent per year.

Table 10: Buena Park Room Night Demand, 2012-2018

Demand by Segment	2012	2013	2014	2015	2016	2017	2018	Change 2015-2018
Leisure	139,472	145,051	150,853	156,887	161,594	166,441	171,435	14,548
Commercial	68,601	70,659	72,779	74,962	77,211	79,527	81,913	6,951
Growth Over Prior Year								
Leisure		4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	
Commercial		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Total Room Nights Demanded	208,073	215,710	223,632	231,849	238,805	245,969	253,348	21,499
Occupancy Rate	69%	71%	72%	72%	72%	72%	72%	

Sources: PKF, 2014; BAE, 2016.

Hotel Room Demand

Dividing the room night demand by the long-term stabilized occupancy rate and total number of available nights (365) shows the number of rooms needed to support this demand. As Table 11 shows, in 2015 there was sufficient demand to support 882 rooms, which is expected to increase to 964 rooms by 2018.

Table 11: Buena Park Rooms Demanded, 2015-2018

Demand	2015	2018
Room Nights Demanded	231,849	253,348
Stabilized Occupancy Rate	72%	72%
Number of Rooms	882	964

Sources: PKF, 2014; BAE, 2016.

⁴ Group travelers include self-contained groups that book a block of at least 10 rooms. These travelers mostly demand rooms in hotels with conference spaces. Since the motels along Beach Boulevard do not contain meeting space, future demand for rooms from this segment are not included in demand projections.